AUDIT REPORT

ON

THE ACCOUNTS OF

GOVERNMENT OF

KHYBER PAKHTUNKHWA

AUDIT YEAR 2021-22

AUDITOR GENERAL OF PAKISTAN

Table of Contents

ABBREVIATIONS & ACRONYMS

AA	Administrative Approval
ACS	Additional Chief Secretary
ADC	Additional Deputy Commissioner
ADP	Annual Development Program
AG	Accountant General
AIG	Additional Inspector General of Police
AIP	Accelerated Implementation Program
AOM&R	Annual Operating Maintenance and Repair
APPM	Accounting Policy and Procedure Manual
ARI	Agriculture Research Institute
ATD	Abbottabad
B&R	Building & Roads
BISE	Board of Intermediate and Secondary Education
BNC	Breeder's Nucleus Seed
BOG	Board of Governors
BoK	Bank of Khyber
BOQ	Bill of Quantities
BPS	Basic Pay Scale
BRT	Bus Rapid Transit
CA	Conveyance Allowance
C&W	Communication & Works
CBP	Capacity Building Project
CBV	Cash Book Voucher
CCRI	Cereal Crops Research Institute
CDA	Capital Development Authority
CDR	Call Deposit Receipt
CE	Chief Engineer
CMC	Cooperative Muratori & Cementisite
COD	Chemical Oxygen Demand
CP	Contributory Provident
CPO	Central Police Office
CPR	Canal Patrol Road
CPRs	Computerized Payment Receipts
CPWA	Central Public Works Accounts
CPWD	Central Public Works Department
CSR	Composite Schedule of Rates
CT	Computed tomography
CTD	Counter Terrorism Department
CTR	Central Treasury Rules
CTs/PTs	Current Transformer/Potential Transformer
CTSP	Career Testing Service Pakistan

DAC	Departmental Accounts Committee
DAO	District Account Officer
DDO	Drawing and Disbursing Officer
DDWP	Department Development Working Party
DFC	District Food Controller
DFO	Divisional Forest Officer
DG	Director General
DGA-KP	Directorate General Audit - Khyber Pakhtunkhwa
DGHS	Director General Health Services
DHQ	District Headquarter
DIG	Deputy Inspector General
DLC	Daily Leverage Certificate
DPO	District Police Officer
DPR	Disabled Persons Rehabilitation
DSP	Deputy Superintendent of Police
DWSS	Drinking Water Supply Scheme
E&D Rules	Efficiency and Discipline Rules
EOL	Extra Ordinary Leave
EPC	Engineering, Procurement and Construction
FAP	Foreign Aided Project
FAQ	Fair Average Quality
FATA	Federally Administered Tribal Areas
FATF	Financial Action Task Force
FBR	Federal Board of Revenue
FD	Finance Department
FDRD	Flood Damages Restoration Directorate
FE&W	Forestry, Environment and Wildlife
FPW	Flood Protection Works
FWO	Frontier Works Organization
FY	Financial Year
GCC	General Conditions of Contract
GFR	General Financial Rules
GI	Galvanized Iron
GoKP	Government of Khyber Pakhtunkhwa
GoP	Government of Pakistan
GPI	Government Polytechnic Institute
GPS	Government Primary School
GST	General Sales Tax
GT	Grant Trunk
GZD-CADP	Gomal Zam Dam Command Area Development Project
HDPE	High Density Polyethylene
HDU	High Dependency Unit

HEC	Higher Education Commission
HED	Higher Education Department
HMC	Hayatabad Medical Complex
HPA	Health Professional Allowance
HPP	Hydro Power Project
HR	Human Resource
HRA	House Rent Allowance
HSD	High Speed Diesel
ICP	Islamia Collegiate Peshawar
ICU	Intensive Care Unit
IDC	Islamabad Diagnostic Centre
IGP	Inspector General of Police
IKD	Institute of Kidney Diseases
INTOSAI	International Organization of Supreme Audit Institutions
IPC	Interim Payment Certificate
IRR	Internal Rate of Return
ISO	International Organization for Standardization
ITS	Intelligent Transport System
JRM	Joint Review Meeting
JV	Joint Venture
KP	Khyber Pakhtunkhwa
KPCTA	Khyber Pakhtunkhwa Culture and Tourism Authority
KPI	Key Performance Indicator
KPITB	Khyber Pakhtunkhwa Information Technology Board
KPPPRA	Khyber Pakhtunkhwa Public Procurement Regulatory Authority
KPRA	Khyber Pakhtunkhwa Revenue Authority
KTH	Khyber Teaching Hospital
kW	Kilowatt
kWh	Kilowatt hour
LC	Letter of Credit
LCMS	Liquid Chromatography Mass Spectrometer
LOA	Letter of Acceptance
LRH	Lady Reading Hospital
MB	Measurement Book
MCC	Medicines Coordination Cell
MFDAC	Memorandum for Departmental Accounts Committee
MGM	Micro Grind Mineral
MICS	Multiple Indicator Cluster Survey
MMHP	Mini Micro Hydel Project
MoU	Memorandum of Understanding
MRS	Market Rates System

MS	Medical Superintendant
MSP	Minimum Support Price
MTC	Mines Title Committee
MTI	Medical Teaching Institution
MW	Mega Watt
NBP	National Bank of Pakistan
NC	Neighborhood Council
NEPRA	National Electric Power Regulatory Authority
NESPAK	National Engineering Services Pakistan
NIH	National Institute of Health
NIT	Notice Inviting Tender
NRC	National Reserve Centre
NSI	Non-Scheduled Items
NTDC	National Transmission and Dispatch Company
NTN	National Tax Number
NWFP	North West Frontier Province
OFWM	On-Farm Water Management
OM	Office Memo
OPD	Out Patient Department
PAC	Public Accounts Committee
P&D	Planning & Development
PAO	Principle Accounting Officer
PASSCO	Pakistan Agricultural Storage & Services Corporation
PBMC	Provincial Building Maintenance Cell
PCC	Plain Cement Concrete
PC-I	Planning Commission Proforma 1
PDWP	Provincial Development Working Party
PEC	Pakistan Engineering Council
PEDO	Pakhtunkhwa Energy Development Organization
PESCO	Peshawar Electric Supply Company
PhD	Doctor of Philosophy
PHE	Public Health Engineering
PIT	Provincial Inspection Team
PIU	Project Implementation Unit
PLL	Precision Land Leveling
PLS	Profit & Loss Saving
PMC	Planning & Monitoring Cell
PMU	Project Management Unit
POL	Petroleum, Oil & Lubricants
PRC	Provincial Reserve Center
PSC	Project Steering Committee
PSDP	Public Sector Development Plan

PSO	Pakistan State Oil
PTC	Parent Teachers Councils
PVC	Poly Vinyl Chloride
RCC	Reinforced Cement Concrete
RFT	Running Foot
RNA	Ribonucleic Acid
RRM	Random Rubble Masonry
RRT	Rapid Response Team
SAP	System Application Product
SBDs	Standard Bidding Documents
SDA	Special Deposit Account
SDFO	Sub-Divisional Forest Officer
SDG	Sustainable Development Goals
SDO	Sub Divisional Officer
S.E	Superintending Engineer
SIR	Serious Irregularities Register
SKMCH	Shoukat Khanam Memorial Cancer Hospital
SNGPL	Sui Northern Gas Pipelines Limited
SP	Superintendent of Police
SWG	Standard Wire Gauge
TCKP	Tourism Corporation Khyber Pakhtunkhwa
TCP	Trading Corporation of Pakistan
TDR	Term Deposit Receipts
THQs	Tehsil Headquarters
TMA	Tehsil Municipal Administration
TOC	Tacking Over Certificate
TMO	Tehsil Municipal Officer
ToR	Terms of reference
TRC	Technical Review Committee
TS	Technical Sanction
TST	Triple Surface Treatment
TTS	Tenure Track System
UAE	United Arab Emirates
UBL	United Bank Limited
UC	Union Council
UNDP	United Nations Development Program
UPS	Uninterrupted Power Supply
US$	United States Dollar
USAID	United States Agency for International Development
UTM	Universal Transport Media
VC	Village Council
VO	Variation Order

VoR	Verification of Record
VRF	Variable Refrigerant Flow
VTM	Viral Transport Media
WAPDA	Water and Power Development Authority
WBM	Water Bound Macadam
WHO	World Health Organization
XEN	Executive Engineer

Preface

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

This report is based on audit of the accounts of various departments and organizations of the Government of Khyber Pakhtunkhwa for the financial year 2020-21 and accounts of some of the formations for previous financial years. The Directorate General of Audit Khyber Pakhtunkhwa conducted the audit during 2021-22 on a test check basis, with a view to report significant findings to the relevant stakeholders. Main body of the Audit Report includes only the systemic issues and audit findings carrying a value of Rs. One million or more while most of the observations have been finalized in the light of written responses and discussions held during the departmental accounts committee (DAC) meetings. For the first time thematic audit was introduced in three selected areas and audit observations were developed and incorporated in the Report accordingly. Likewise, relatively less significant issues have been annexed as ‘A’ with the Audit Report, which shall be pursued with the principal accounting officers (PAOs) at the DAC level. However, issues left unattended would accordingly be referred to the public accounts committee (PAC) in the next year’s Audit Report.

Audit findings highlighted in this Report indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

This Report is submitted to the Governor, 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.

(Muhammad Ajmal Gondal)
Auditor General of Pakistan

Islamabad
Dated:

EXECUTIVE SUMMARY

The Government of Khyber Pakhtunkhwa (GoKP) conducts its operations under the Rules of Business 1985 that envisage the provincial government comprising 32 PAOs, attached departments, subordinate offices and certain autonomous bodies. Financial provisions of the Constitution prescribe the procedures relating to the receipts and disbursements to and from the Provincial Consolidated Fund and the Public Account for which annual budget statement is authorized by the Provincial Assembly. The Directorate General of Audit, Khyber Pakhtunkhwa (DGA-KP) carries out audit of the accounts of GoKP with a team of 119 personnel having 19,578 man-days available to conduct audit, and annual budget of Rs.130 million. DGA-KP is mandated to conduct regularity (compliance with authority) audit, financial attest audit and performance audit of departments and projects under the GoKP. For the first time thematic audit was introduced in three selected areas and audit observations were developed and incorporated in the Report accordingly.

a. Scope of Audit

DGA-KP is mandated to conduct audit of 1,562 formations working under 32 PAOs of the GoKP. Total expenditure and receipts of the formations were Rs. 896.3 billion and Rs. 269.1 billion, respectively for the financial year 2020-21 while public account expenditure was Rs.1,263.7 billion.

Audit coverage relating to expenditure for the current audit year has been Rs. 272.6 billion for the financial year 2020-21 that is 30.4 percent of the total auditable expenditure spread over 284 formations belonging to 26 PAOs. Whereas, audit coverage relating to revenue receipt (tax revenue) has been Rs. 4.3 billion spread over 23 formations of three PAOs, which is 13 percent of the total auditable receipts of Rs. 32.98 billion collected by 243 formations of six PAOs.

This Report also includes audit observations resulting from the audit of Rs. 73.3 billion spent during the financial year 2019-20 pertaining to 53 formations of 13 PAOs and expenditure of Rs. 27.5 billion pertaining to 2018-19 and earlier period. Furthermore, audit observations of Rs. 18.6 billion receipts for the financial year 2019-20 pertaining to 22 formations of five PAOs have also been incorporated.

During the period, DGA-KP also conducted two certification audits, 44 financial attest audits of foreign aided projects (FAPs), two performance audits, and five special audits. Reports of these audits are being published separately however; significant observations reported therein have also been entered in this Report.

b. Recoveries at the Instance of Audit

As a result of audit, recovery of Rs. 5,250.39 million was pointed out in this report against which recovery of a sum of Rs. 217.516 million was effected from January to December 2021 and duly verified.

c. Audit Methodology

The audit year 2021-22 witnessed intensive application of desk audit techniques in the DGA-KP. This was facilitated by access to live SAP/R3 data, intranet, internet facility, and availability of permanent files. Detailed review helped auditors in understanding the systems, procedures, environment, and the audited entity before starting field activity. This has positively contributed to the identification of high-risk areas for substantive testing in the field.

d. Audit Impact

Although there has been impact of audit at different levels but impact worth reporting in few different departments is as follow;

At the pointation of Audit, the PAC constituted a sub-committee to discuss the appropriateness and timeliness of granting technical sanctions and payments of non-schedule items (NSI) in infrastructure related schemes. Moreover, systemic improvements such as e-bidding and e-billing have been introduced; full recovery of disabled persons rehabilitation (DPR) charges ensured, and execution of NSI without rate analysis has been minimized.

Non-adjustment of electricity dues between the Peshawar Electric Supply Company (PESCO) and the Provincial Government has been a long-standing issue which was specially highlighted during audit of the Finance Department (FD). During the DAC meeting, FD issued strict instructions to the provincial administrative secretaries for immediate clearance of PESCO dues under intimation to Audit.

Collection of Abyana, which used to be unrealized or short-realized previously, has now been shifted from Irrigation Department to Revenue Department on pointation of Audit. Similarly, when pointed by the Audit visible efforts were made to address irregularities observed in the assessment, calculation, and collection of capital value tax (CVT), mutation fee, and advance tax by the Revenue & Estate Department. The responsibility of tax deposit has now been shifted to the sellers and purchasers.

e. Comments on Internal Control

Internal control is a strong tool with the management to improve performance, prevent losses, and control mishandling of public money and safeguard government assets. For effective accomplishment of objectives, various types of internal controls need to be in place in every public entity. Accounting controls ensure accuracy, completeness, timeliness, and reliability of accounts. Financial controls guarantee accurate budgeting and forecasting. Whereas, administrative controls prevent unauthorized payments, losses, and misappropriations.

Audit observed an overall presence of weak internal control system in most of the provincial government departments as evident from the short comings mentioned in the key audit findings

f. Key Audit Findings

- Overall in the Report, employee related irregularities to the tune of Rs. 506 million were noticed in 23 cases[1].
- Issues related to investment of funds were noticed in three cases with a total amount of Rs.750 million[2].
- Irregular and un-authorized payments amounting to Rs. 4,479 million were observed in 37 cases[3].
- Loss to Government was reported in 41 cases with total sum of Rs. 20,182 million[4].
- Non-completion of works or non-achievement of targets noticed in three cases for a total of Rs. 2,022 million[5].
- Non-production of auditable record was noticed in only one case[6].
- Non-imposition or less-imposition of penalty recorded in 8 cases amounting to Rs. 247 million[7].
- Non-deduction or less-deduction of taxes amounting to Rs. 413 million was noticed in 28 cases[8].
- Non-recovery, less-recovery, and/or non-deposit of Government receipts amounting to Rs. 5,301 million was reported in 68 cases[9].
- In 28 cases other type of irregularities amounting to Rs. 2,571 million was noticed[10].
- Other non-compliance issues amounting to Rs.150 million were noticed in two cases[11].
- Overpayment to contractors, consultants, and others amounting to Rs.158 million was noticed in 26 cases[12].
- Procurement related irregularities were noticed in 18 cases for Rs.7,735 million[13].
- Suspected frauds for sum of Rs. 324 million were noticed in five cases[14].
- Wasteful expenditure on procurements and other works was recorded in four cases for Rs. 99 million[15].

Para1	2.4.1	3.4.1	7.4.1	7.4.2	7.4.3	7.4.7	7.4.8	7.4.9	7.4.10	7.4.12	7.4.13	7.4.14	7.4.15	7.4.19	7.4.24	13.4.2
	13.4.3	14.4.5	14.4.8	14.4.10	15.4.2	22.4.4	23.4.3									
Para2	7.4.11	22.4.3	22.4.7													
Para3	2.4.2	6.4.8	6.4.9	6.4.11	6.4.12	6.4.20	6.4.21	6.4.30	6.4.38	6.4.42	6.4.48	6.4.50	6.4.54	6.4.61	7.4.16	7.4.27
	8.4.8	8.4.10	8.4.11	8.4.12	13.4.7	13.4.27	13.4.32	13.4.33	14.4.3	14.4.4	14.4.13	16.4.1	16.4.2	18.4.2	18.4.4	18.4.5
	19.4.8	23.4.5	23.4.6	23.4.7	23.4.8											
Para4	4.4.5	4.4.6	4.4.7	4.4.12	5.4.1	6.4.14	6.4.15	6.4.16	6.4.23	6.4.39	6.4.40	6.4.41	6.4.43	6.4.52	6.4.55	6.4.60
	6.4.64	7.4.21	7.4.22	7.4.26	8.4.1	8.4.2	8.4.6	8.4.7	8.4.15	9.4.9	9.4.10	12.4.3	13.4.6	13.4.9	13.4.30	13.4.39
	13.4.45	13.4.47	14.4.2	16.4.8	17.4.4	17.4.16	19.4.3	19.4.4	22.4.6							
Para5	4.4.1	4.4.14	18.4.3													
Para6	22.4.8															
Para7	4.4.3	6.4.10	7.4.5	7.4.23	7.4.25	13.4.4	13.4.8	13.4.20								
Para8	4.4.8	4.4.10	4.4.11	6.4.37	6.4.45	6.4.49	6.4.56	6.4.57	6.4.58	7.4.20	8.4.3	8.4.4	8.4.5	12.4.1	13.4.10	13.4.17
	13.4.28	13.4.29	13.4.34	13.4.37	13.4.41	13.4.42	13.4.43	13.4.44	14.4.12	16.4.4	16.4.9	16.4.11				
Para9	5.4.2	6.4.34	6.4.51	7.4.4	7.4.6	7.4.17	7.4.18	8.4.13	8.4.16	8.4.17	9.4.1	9.4.2	9.4.3	9.4.5	9.4.6	9.4.7
	9.4.8	10.4.1	10.4.2	10.4.3	10.4.4	10.4.5	10.4.6	10.4.7	10.4.8	11.4.1	11.4.2	11.4.3	11.4.4	11.4.5	11.4.6	11.4.7
	11.4.8	11.4.9	12.4.2	12.4.4	13.4.1	13.4.11	13.4.12	13.4.13	13.4.14	13.4.15	13.4.26	14.4.6	14.4.7	14.4.11	17.4.1	17.4.2
	17.4.3	17.4.5	17.4.6	17.4.7	17.4.8	17.4.9	17.4.10	17.4.11	17.4.12	17.4.13	17.4.14	17.4.15	19.4.1	19.4.5	20.4.1	20.4.2
	20.4.3	23.4.1	23.4.2	23.4.10												
Para 10	4.4.4	4.4.15	4.4.16	4.4.17	4.4.18	6.4.5	6.4.7	6.4.19	6.4.22	6.4.29	6.4.35	6.4.36	6.4.46	9.4.4	13.4.24	13.4.35
	14.4.1	16.4.3	16.4.5	16.4.7	18.4.1	21.4.1	21.4.2	21.4.3	22.4.1	22.4.2	22.4.9	22.4.10				
Para 11	2.4.3	4.4.13														
Para 12	6.4.2	6.4.4	6.4.5	6.4.6	6.4.18	6.4.24	6.4.25	6.4.26	6.4.27	6.4.28	6.4.30	6.4.32	6.4.33	6.4.44	6.4.47	6.4.53
	6.4.59	6.4.62	6.4.63	6.4.65	8.4.14	16.4.6	16.4.10	16.4.13	16.4.14	19.4.2						
Para 13	4.4.9	6.4.1	6.4.3	6.4.13	8.4.9	13.4.16	13.4.18	13.4.19	13.4.21	13.4.25	13.4.31	13.4.36	13.4.38	13.4.46	19.4.6	19.4.7
	22.4.5	23.4.9														
Para 14	13.4.22	13.4.23	13.4.40	14.4.9	20.4.4											
Para 15	6.4.17	13.4.5	15.4.1	23.4.4												

Recommendations

- Instances of making payments by government departments and/or autonomous bodies to employees in contravention of rules and disregard of their entitlement need to be checked by effecting recoveries and taking disciplinary action against the employees involved in overpayments.
- PAOs need to promptly investigate cases of embezzlements, frauds, and losses and must ensure adherence to the provisions of General Financial Rules (GFR), procurement rules, and other Government instructions.
- Public money withdrawn by various government departments out of the Consolidated Fund and/or the Public Account and maintained in (un)authorized commercial bank accounts be immediately deposited back into the Government Treasury.
- PAOs need to adequately strengthen their internal control systems to prevent losses to government assets, misuse of powers delegated, and recurrence of similar nature of irregularities.
- PAOs should also ensure the production of auditable records to Audit in respect of cases relating to non-production of record pointed out by audit and take disciplinary action in terms of section 14(3) of Auditor General’s Ordinance, 2001.
- PAC directives must be fully complied by all the departments besides ensuring holding of the DAC meetings on regular basis.

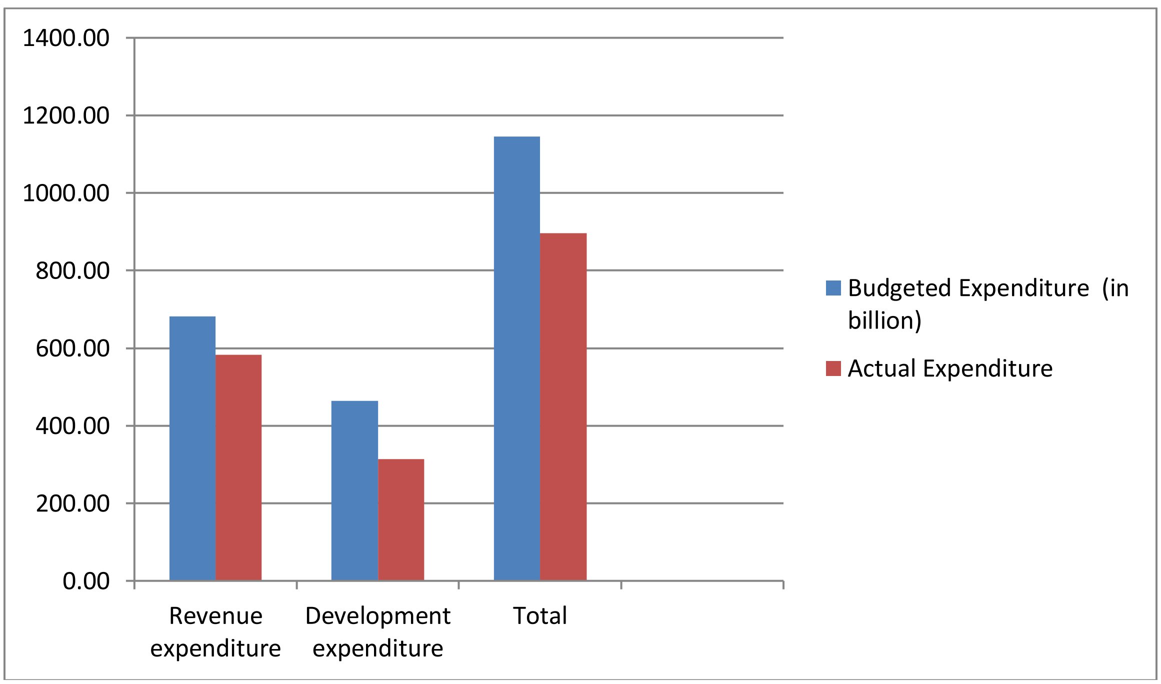
Chapter 1

Public Financial Management
Government of Khyber Pakhtunkhwa

1.1 Sectoral Analysis

Analysis of the financial data of the Government of Khyber Pakhtunkhwa (GoKP) for the financial year 2020-21 revealed that unrealistic targets were set on both the receipts as well as the expenditure side. Against approved budgeted expenditure of Rs. 1,146.1 billion, the GoKP could only allocate and spend Rs. 896.3 billion which is 22 percent less than the total budget. At the start of financial year an annual budget of Rs. 923 billion was approved by the Provincial Assembly Khyber Pakhtunkhwa (KP) which was enhanced to Rs. 1,032.1 billion and finally to Rs. 1,146.1 billion through supplementary grant of Rs. 109.1 billion and re-appropriation of Rs. 114 billion, respectively as tabulated below:

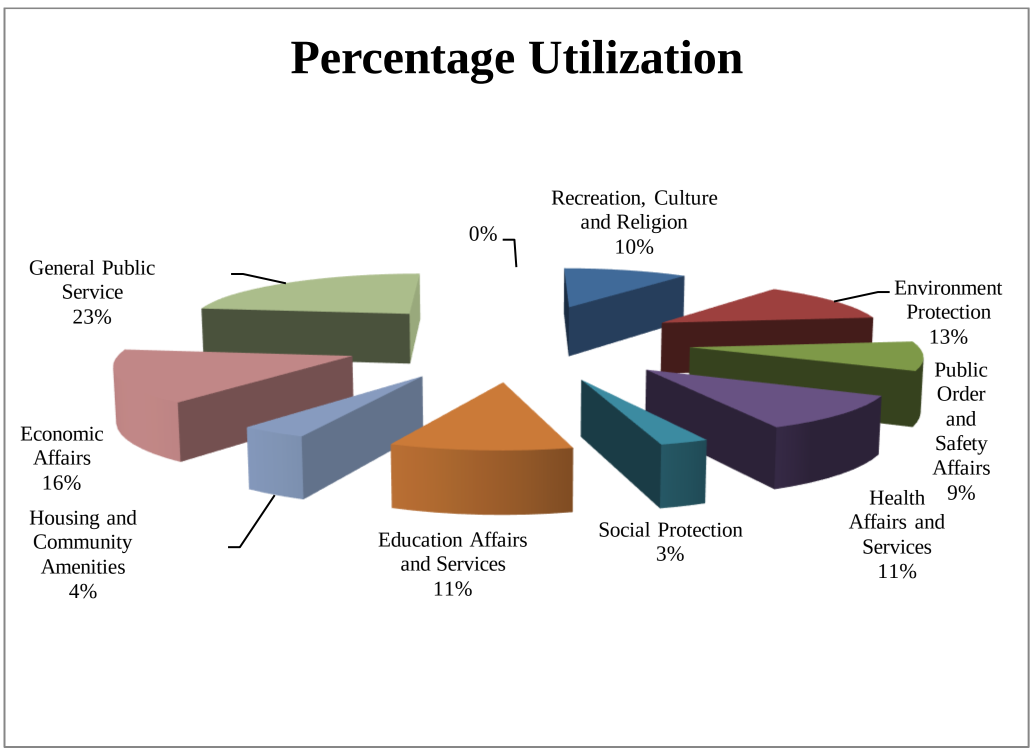
S.No.	Expenditure Head	Budgeted Expenditure (Rs. billion)	Actual Expenditure (Rs. billion)	Percentage Utilization
1	Revenue expenditure	681.7	582.5	85.4%
2	Development expenditure	464.3	313.7	67.5%
	Total	**1146.1**	**896.3**	**78.2%**



On developmental side, the GoKP could only allocate and release 68 percent of the approved developmental budget which comes to Rs. 313.7 billion against the approval of Rs. 464.3 billion thereby showing unrealistic targets, poor forecasting, lack of capacity, inappropriate allocation of resources and poorly managed procurements on part of the executing agencies and administrative departments.

Sector-wise detail of utilization and savings of the developmental budget is given below:

Sector	Budgeted Expenditure - Original (Rs. million)	Budgeted Expenditure - Revised (Rs. million)	Actual Expenditure (Rs. million)	Percentage Utilization
General Public Service	106,744	162,712	100,010	61%
Economic Affairs	199,331	216,117	160,075	74%
Housing and Community Amenities	29,631	30,968	16,321	53%
Education Affairs and Services	28,737	28,737	18,162	63%
Social Protection	4,782	4,782	800	17%
Health Affairs and Services	7,281	8,969	5,560	62%
Public Order and Safety Affairs	466	466	109	23%
Environment Protection	6,849	7,417	7,131	96%
Recreation, Culture and Religion	4,156	4,156	5,602	135%
Total	**387,977**	**464,324**	**313,770**	**68%**



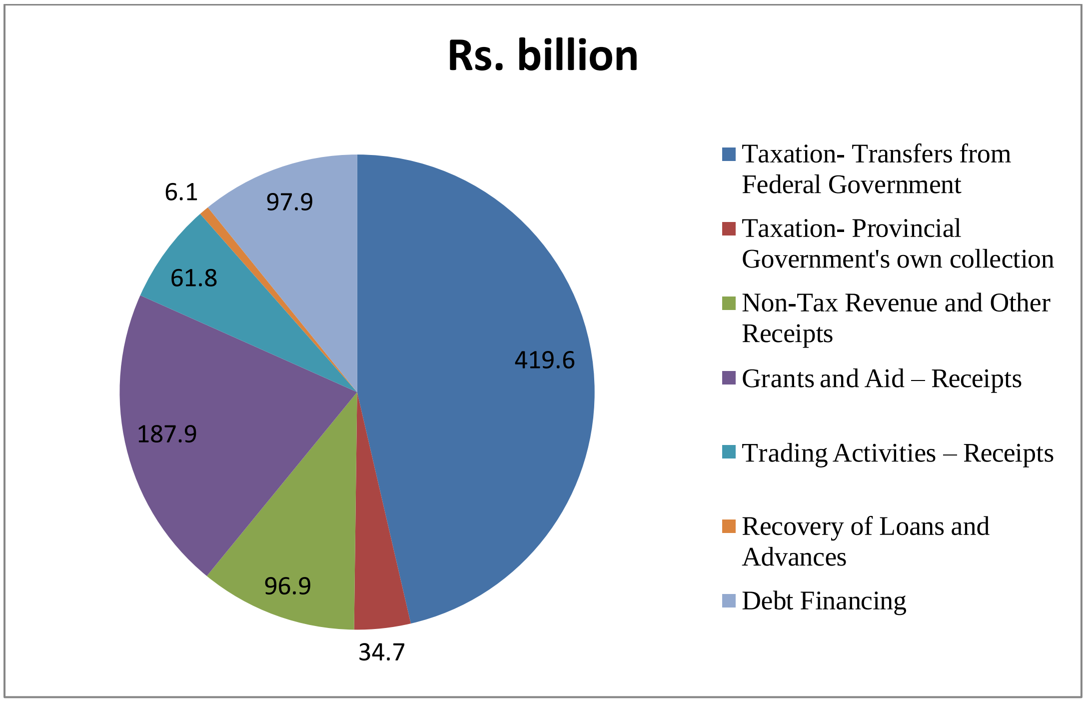
GoKP had initially set a receipt target of Rs. 1,132.1 billion; however, it was unable to achieve this target and actually realized Rs. 905.2 billion agaisnt the revised target of Rs. 902.4 billion.

S.No.	Receipt Source	Budgeted Receipts - Original (Rs. billion)	Budgeted Receipts - Revised (Rs. billion)	Actual Receipts (Rs. billion)
1	Revenue Receipts	888.5	770.4	801.1
2	Capital Receipts	138.5	26.8	104.1
3	Financing from past savings	105.1	105.1	-
	Total	**1132.1**	**902.3**	**905.2**

The province has generated a sum of Rs. 199.8 billion (22%) through collection of tax and non-tax receipts; Rs. 419.6 billion (46%) have been received from the Federal Government. While, Rs. 286 billion (32%) in the form of Grants (local and foreign), aid and foreign debts. It shows that the provincial government is financially dependent on the federal government, grants in aid and loan. The dependence of the province on borrowings is also evident from the fact that the receipts from this source has increased by 218 percent from Rs. 30.8 billion to Rs. 98 billion.

Source-wise receipts are tabulated below:

Head of Receipt	FY 20202-21 (Rs. billion)	FY 2019-20 (Rs. billion)
Taxation - Transfers from Federal Government	419.6	376.5
Taxation- Provincial Government's own collection	34.7	25.4
Non-Tax Revenue and Other Receipts	96.9	56.1
Grants and Aid – Receipts	187.9	139.6
Trading Activities – Receipts	61.8	34.7
Recovery of Loans and Advances	6.1	0.13
Debt Financing	97.9	30.8
Total	**905.2**	**663.2**



The above figures depict that the financial management of the province has been inefficient because the receipt targets were not met and only 22 percent of the total receipts were obtained from own sources; including only Rs. 34 billion collected from direct and indirect taxes which is only 17 percent of the province own receipts and 4 percent of the total receipts of Rs. 905 billion.

1.2 Audit Paras

1.2.1 Expenditure without allocation/budget - Rs. 17,866.833 million

According to para 4.2.3.1 of accounting policy and procedure manual (APPM); the budget availability review function involves assessing whether the expenditure or commitment entered into:

- is provided in the Schedule of Authorized Expenditure
- is provided for in a Supplementary Grant.

Section 4.2.3.2 A budget availability review clearance form (form 4AA) will be prepared following this function and approved by an officer who has the authority to incur the expenditure.

During the review of the Appropriation Accounts of the Government of Khyber Pakhtunkhwa for the financial year 2020-21, it was noticed that expenditure amounting to Rs.17, 866,833,716 was incurred by various drawing and disbursing officers (DDOs) against nil final grants as per details given below:

Sr.No	Page No	A/C Head No	Account Head	Amount
01	317	014103	TMAs	4,110,170,000
02	215	011108	Local Authority Administration & Regulation	1,375,6663,716
			Total	**17,866,833,716**

Expenditure incurred without budget grant through system application product (SAP) System was irregular which needs regularization.

The lapse occurred due to non-adherence to rules.

In the DAC meeting held on 18th October 2021, the department replied that correction has been made but on verification of the relevant grant, it was observed that no corrections have been made.

Audit recommends that the above irregularity may be regularized by the finance department.

AP No 1.1.1 (2020-21)

1.2.2 Expenditure in excess of final grant - Rs. 135, 815.916 million

According to Para-88 of general financial rules (GFR) Vol-I, the authority administering a grant is ultimately responsible for watching the progress of expenditure in public service under its control and for keeping the expenditure within the grant.

During review of the Appropriation Accounts of the Government of Khyber Pakhtunkhwa for the financial year 2020-21, it was noticed that expenditure amounting to Rs..135,815,916,619/-was incurred in excess of final grant. Audit is of the view that expenditure in excess of the final grants needs budgetary checks in SAP System in order to restrict the payments within the limit of final grants.

The lapses occurred due to weak internal and financial controls.

In the DAC meeting held on 18th November 2021, the department replied that administration of grants is the responsibility of the PAO and they will explain their position before PAC.

Audit recommends strict budgetary controls over the expenditure and regularization of the expenditure from the competent authority.

AP No 1.1.3 (2020-21)

1.2.3 Non-submission of accounts details by TMAs/VC/NC - Rs. 188.643 million

According to Chapter 09 of the APPM, section 9.3.7 "the monthly summarized financial information shall be consolidated into the consolidated monthly accounts by the Accountant General Offices."

During review of the Financial Statements of Government of Khyber Pakhtunkhwa for the year 2020-21 submitted by the Accountant General (AG), it was noticed that the Provincial Government released Grants amounting to Rs. 188,643 million as per S.No. 24 of the financial statements "Grants, Subsidies and write off of loans to District Government, tehsil municipal administration (TMA), Village Council (VC) / neighborhood council (NC) and autonomous bodies etc". The TMAs, VC/NC and autonomous bodies didn't submit their monthly accounts to District Accounts Offices (DAOs)/AG for consolidation, therefore consolidated fund payment was understated against the amount of Rs.188,643/- million.

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

In the DAC meeting held on 18th October 2021, the department replied that the matter will be taken up with the Finance department KP to speed up the incorporation of data of TMAs/VC/NC and autonomous bodies in the Provincial/District Government Accounts.

Audit recommends submission of accounts detail by TMAs/VC/NC and incorporation of the same in the financial statements.

AP No 2.1.1 (2020-21)

1.2.4 Incorrect reflection of negative receipt balance in consolidated fund - Rs. 903.504 million

According to Para-89(4)(viii) of the GFR Vol-I, the head of the department and the Accountant General will be jointly responsible for reconciliation of the figures given in the accounts maintained by the head of the department with those that appear in the Accountant General books. Unless in any case there are special rules or orders to the contrary, such as those contained in paragraph 90, the reconciliation should be made monthly, the initial responsibility resting with the Accountant General.

During the review of Finance Accounts of Khyber Pakhtunkhwa for the year 2020-21 submitted by the Accountant General KP, it was noticed that Negative Receipt Balances in the Consolidated Fund were reflected against various heads of account, as per detail given below:

S.No	Page No	Head of Account	Amount (Rs)
1	26	B01302-Share of Net Proceed assigned to District-TMA’s	903,267,277
2	27	B01670-Other Collections	4,000
3	30	B02807-Tax On Vehicle other than Motor Vehicles	233385
		Total	**903,504,662**

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

In the DAC meeting held on 18th October 2021, it was stated by the department that efforts were being made to reduce the negative balances.

Audit recommends that the figures may be rectified.

AP No 3.1.1 (2020-21)

1.2.5 Irregular reflection of minus balance in consolidated fund - Rs. 21,560.863 million

According to Clause 16.4.2.1 of APPM requirement Suspense Account should be cleared on 30thJune of each year. Para-89(4)(viii) of the GFR Vol-I, states that the head of the department and the Accountant General will be jointly responsible for the reconciliation of the figures given in the accounts maintained by the head of the department with those that appear in the Accountant General books. Unless in any case there are special rules or orders to the contrary, such as those contained in paragraph-90, the reconciliation should be made monthly, the initial responsible resting with the Accountant General.

During the review of Finance Accounts of Khyber Pakhtunkhwa for the year 2020-21 submitted by the Accountant General, it was noticed that Minus Balances in Consolidated Fund

Payments amounting to Rs.21, 560,863,951 was noticed against various heads. Detail is given in the annexure I.

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

In the DAC meeting held on 18th October 2021, it was stated by the department that efforts are being made to reduce the negative balances.

Audit recommends that correction should be made.

AP No 3.1.2 (2020-21)

Chapter 2

ADMINISTRATION DEPARTMENT

2.1 A) Introduction

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

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

Audit Profile of Administration Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2020-21 (Rs in Million)	Revenue/Receipts Audited FY 2020-21 (Rs in Million)
1	Formations	13	03	2,055.050	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	03	01	445.450	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

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

Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2020-21 against the total of grants/appropriation was as follows.

Non-Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
02-Provincial Executive	NC24	254,471,000	3,066,000	244,633,172	245,965,477	1,332,305
02-Econominc Crime Investigation	NC24	0	-	1,095,434	1,095,434	0
02-Provincial Executive	NC21	767,676,000	1,000	884,910,983	885,080,382	169,399
02-Administrative Inspection	NC21	41,943,000	-	63,233,473	63,233,473	0
02-District Administration	NC21	7,363,000	-	12,989,400	12,989,400	0
02-Estabishment services	NC21	1,811,043,000	58,220,208	1,596,455,555	1,598,540,047	2,084,492
02-Administrative Training	NC21	195,679,000	3,454,000	141,401,542	141,401,542	0
02-Coaurt/Justice	NC21	68,813,000	10,935,288	64,806,604	64,806,604	0
02-Anti-Corruption	NC21	301,804,000	9,491,504	274,403,391	274,403,391	0
Total		**3,448,792,000**	**85,168,000**	**3,283,929,554**	**3,287,515,750**	**3,586,196**

Development **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
Grant No 50 General Administration	NC22	60,000,000	0	70,000,000	70,000,000	0
	NC12	179,000,000	0	77,024,417	77,024,417	0
Total		**239,000,000**	**0**	**147,024,417**	**147,024,417**	**0**

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

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	3283.930	3287.516	3.586	0.11%
Development	147.024	147.024	0.000	0.00%
Total	**3430.954**	**3434.540**	**3.586**	**0.10%**

The above analysis shows that the non-developmental budget has been overspent which indicates isues in the SAP controls because it allowed spending over the allocated amount.

2.1 (c) Issues in the Administration Department

The main issue in the Administration department was that no record of the receipts record was found available on the record. Irregular procurement and irregular payment of Adhoc Relief Allowance was also reported in this report,

2.2 Classified summary of Audit Observations

Audit observations amounting to Rs. 108.395 million were raised in this report during the current audit of the Administration Department. This amount also includes recoveries of Rs. 2.81 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S No.	Classification	Amount (In mllion)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	2.81
B	Procurement related irregularities	5.602
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	99.983

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

SNo.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1	2001-02	Establishment & Administration	14	14	-	-
2	2002-03	-do-	12	11	-	01
3	2003-04	-do-	06	06	-	-
4	2004-05	-do-	03	01	-	02
5	2005-06	-do-	04	03	-	01
6	2008-09	-do-	14	05	-	09
7	2009-10	-do-	32	09	-	23
8	2010-11	-do-	25	08	-	17
9	2011-12	-do-	20	08	-	12
10	2012-13	-do-	08	07	-	01
11	2013-14	-do-	12	06	-	06
12	2014-15	-do-	-	-	-	-
13	2015-16	-do-	-	-	-	-
14	2016-17	-do-	09	-	-	09

2.4 Audit Paras

2.4.1 Overpayment on account of Adhoc Relief allowance - Rs. 2.810 million

According to Khyber Pakhtunkhwa Finance Department Notification No. FD (PRC) 1-1/2016 dated 19-07-2016, the Adhoc Relief Allowances of 2013, 2014 and 2015 have been merged in basic pay scale 2016 and shall cease to exist w.e.f 01-07-2016.

During audit of the accounts record of the Director General Food Safety and Halal Food Authority for the Financial Year 2020-21, it was noticed that employees appointed after 01-07-2016 were receiving Adhoc Relief Allowance 2013 and 2015 which were not admissible to them under the applicable rules. Thus an overpayment of Rs. 2,810,348/- was made to the employees as per details given below which needs to be recovered.

BPS	AR13	AR15	Total	Yearly
BPS 19	3,100	2,008	5,108	61,296
BPS 18	5,375	3,245	8,620	103,440
BPS 17	31,820	19,129	50,949	528,768
BPS 16	80,460	48,127	128,587	1,242,720
BPS 11	1,059	642	1,701	18,711
BPS 7	2,754	1,683	4,437	39,933
BPS 5	17,006	10,534	27,540	266,360
BPS 4	27,744	17,136	44,880	450,120
BPS 3	6,256	3,864	10,120	99,000
TOTAL	**175,574**	**106,368**	**281,942**	**2,810,348**

Moreover, the above calculation pertains to the financial year i.e. 2020-21, while the officers/officials are drawing the allowances from the dates of joining/appointment which need to be recovered.

The lapse occurred due to weak internal controls.

When pointed out in November 21, it was stated that detailed reply will be given after consulting the record and concerned staff.

No DAC was convened till the finalization of this report.

Audit recommends recovery of the said allowance.

AP No. 128 (2020-21)

2.4.2 Irregular expenditure on account of purchase of Lab Equipments - Rs. 5.602 million

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

During the audit of the accounts record of the Director General Food Safety and Halal Food Authority for the Financial Year 2020-21, it was noticed that Rs. 5,602,499/- was shown incurred on account of purchase of various Lab equipments and paid to following suppliers:

S.No.	**Description**	**Name of supplier**	**amount**
01	Lab equipments	M/S Meditron	1,812,000
02	Do	M/S Sindh Medical Store	524,105
03	Do	M/S Pak Fill	3,266,394
Total			5,602,499

Audit has the following observations:

- Tender Notice published in newspapers was not available.
- Specifications of the items to be purchased were not available.
- Purchase and inspection committee notifications were not available.
- Technical and financial proposals of the participant bidders were not available.
- The comparative statement was not available.

Audit, therefore, held the expenditure as irregular and doubtful.

The lapse occurred due to weak internal control system.

When pointed out in November 21, it was stated that detailed reply will be given after consulting the record and concerned staff.

No DAC was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility.

AP No. 130 (2020-21)

2.4.3 Non Maintenance of Receipt record – Rs. 99.983 million

According to para 77 (I & ii) of central treasury rules (CTR); all transactions of receipt/expenditure should be recorded in Cash Book in Form T-R 4 as soon as they occur and are attested by the head of the office.

During audit of the accounts record of the Director General Food Safety and Halal Food Authority for the Financial Year 2020-21, it was noticed that an amount of Rs. 99,983,900/- was received as Fine, etc. during the year. However, the following shortcomings were noticed:

1. Receipt Cash Book was not maintained to know the actual receipt.
2. Fine Challans Books record was not properly maintained / provided to ascertain that how much challan books were printed.
3. Stock Register was not shown to audit to know how much challan books were issued to each Division and Assistant Director.
4. Each Challan Book consists of 50 Challan pages but the missing Challans from books were not known.
5. In some instances one Challan Book of 50 pages has been used approximately in 5 to 8 months which comes to only one Challan per day.

The lapse occurred due to weak internal control.

When pointed out in November 21, it was stated that detailed reply will be given after consulting the record and concerned staff.

No DAC was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility.

AP No. 141 (2020-21)

Chapter 3

ADMINISTRATION OF JUSTICE

3.1 A) Introduction

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

- ❖ Conduct of Government Litigation:
  - (a) Filing Civil Suits against public servants where Govt. is involved.
  - (b) Defending Civil Suits against Govt.
- ❖ Advice to Departments, on all legal matters including interpretation of laws, rules and orders having the force of law.
- ❖ Government Law Officers, Advocate-General, Government Pleaders, Special Councils, appointment, transfers, leave, fees, etc.
- ❖ Matters relating to legal practitioners including scales of fees.
- ❖ Matters relating to approval of appointments of legal advisors and engagement of legal practitioners made by the statutory bodies, payment of their fees and termination of their services.
- ❖ Civil law and procedure.
- ❖ Provincial Ombudsman.

Audit Profile of Administration of Justice Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2020-21 (Rs in Million)	Revenue/Receipts Audited FY 2020-21 (Rs in Million)
1	Formations	181	01	113.05	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	Nil	Nil
3	Authorities/Autonomous bodies etc under PAO	01	Nil	Nil	Nil
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil

3.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts:

The Summarized position of actual expenditure 2020-21 against the total of grants/appropriation was as follows:

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

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
11 Courts	NC21	4,934,141,000	851,417,260	5,771,643,735	5,776,061,633	4,417,898
11-Secretariate	NC21	361,778,000	8,541,740	170,554,088	170,554,088	0
11 Courts	NC24	1,309,663,000	334,627,000	1,542,765,377	1,542,764,877	-500
11-Secretariate	NC24	71,775,000	10,733,000	53,137,720	53,137,720	0
Total		**6,677,357,000**	**1,205,319,000**	**7,538,100,920**	**7,542,518,318**	**4,417,398**

Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
50-Law and Justice	NC22	47,181,000		44,494,363	44,493,757	(606)
50-Law and Justice	NC12	942,819,000	-	1,794,677,525	1,794,677,666	141
Total		**990,000,000**	**-**	**1,839,171,888**	**1,839,171,423**	**(465)**

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

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	7,538.10	7,542.52	4.42	0.06%
Development	1,839.17	1,839.17	0.00	0.00%
Total	**9,377.27**	**9,381.69**	**4.42**	**0.05%**

The above analysis shows that the non-developmental budget has been overspent which indicates isues in the SAP controls because it allowed spending over the allocated amount.

3.1 (c) Issues in the Administrative of Justice Department

During the audit of Registrar Peshawar High Court it was noticed that employees received Adhoc Relief Allowance alongwith Special Judicial Allowance resulting in loss to the Government.

3.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 3.846 million were raised in this report during the current audit of the Administration of Justice Department. This amount also includes recoveries of Rs. 3.846 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	3.846
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	-

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

-

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
01	2014-15	-do-	Nil	-	-	-
02	2015-16	-do-	Nil	-	-	-
03	2016-17	-do-	Nil	-	-	-

3.4 Audit Paras

3.4.1 Unauthorized Drawl of Adhoc Relief Allowance 2019 - Rs 3.846 Million

As per Finance Department notification No.FD(SOSR-1)1-1/2019(29370) Dated 11/07/2019, Adhoc Relief 2019 @ 5% and 10 % on the running basic pay has been granted to the civil employees of KP. Adhoc relief @ 5% is granted to all provincial government employees on basic pay scale (BPS) 17 to 19 on running basic pay w.e.f 1st July 2019. This increase will not be admissible to employees who are drawing Health professional allowance, special judicial allowance, scheduled post allowance, technical allowance, prison allowance and prosecution allowance.

During Audit of the accounts record of the Registrar Peshawar High Court and Advocate General Office Peshawar for the financial year 2019-20, it was observed that Adhoc Relief Allowance 2019, amounting to Rs. 3,684,802 was paid to the officers of BPS 17 and above during financial year 2019-20 and 2020-21, who were drawing judicial allowance as well in their monthly salaries. Similarly in the Advocate General office Peshawar, Adhoc Relief Allowance was allowed to the officers of BPS 17 and above @ 10%, instead of 5%, resulting in overpayment of Rs 161,038.

The loss occurred due to weak financial controls.

In the DAC meeting held on 11th of November 2021 it was decided that Adhoc Relief Allowance may be recovered from the concerned officers. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC Decision.

AP No 17 & 19 (2019-20)

Chapter 4

AGRICULTURE DEPARTMENT

4.1 A) Introduction

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

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

Audit Profile of Agriculture Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2020-21 (Rs in million)	Revenue/Receipts Audited FY 2020-21 (Rs in Million)
1	Formations	37	20	8,567.933	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	Nil	Nil
3	Authorities/Autonomous bodies etc under PAO	01	01	1937.69	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

4.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2020-21 is given below:

Non-Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/ (Savings)
18-Agriculture	NC21	2,044,743,000	1,150,600,000	2,703,883,354	2,703,774,920	(108,434)
19- Animal Husbandry	NC21	1,170,152,000	706,497,000	1,858,109,152	1,861,815,453	3,706,301
20- Co-operation	NC21	36,893,000	-	29,127,477	29,209,218	81,741
23-Fisheries	NC21	123,087,000	1,416,000	123,823,932	125,599,386	1,775,454
Total		**3,374,875,000**	**1,858,513,000**	**4,714,943,915**	**4,720,398,977**	**5,455,062**

Development; (Rs.)

Grant # (Prov) NC12 & 22 and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/ (Savings)
Agriculture	NC22	3,721,041,000	0	3,622,942,992	3,619,236,623	-3,706,369
	NC12	1,034,959,000	0	950,820,314	950,819,886	-428
Agricultute-61	NC21	168,147,000	0	107106250	107,064,788	-41,462
Agricultute-61	NC21	122,211,000	0	167,220,410	167,220,410	0
Agricultute-61	NC21	22,169,000	0	22,582,242	22,582,242	0
Total		**4,756,000,000**	**0**	**4,573,763,306**	**4,570,056,509**	**-3,706,797**

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

Grant Type	Final Grant	Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	4,714.944	4,720.399	5.455	**0.12%**
Development	4,573.763	4,570.057	-3.707	**-0.08%**
Total	**9,288.707**	**9,290.455**	**1.748**	**0.02%**

The above analysis shows that developmental budget has been optimally utilized with only Rs. 3.7 million left unspent out of the total developmental budget of Rs. 4.57 billion. However, excess of non-develpomental expenditure over the budget indicates that proper budgeting is needed in this area.

4.1 (c) Issues in the Agriculture Department

The main issue in the agriculture department was inefficient utilization of resources resulting in late completion and non-achievment of objectives of different projects. Due to poor management of Agriculture Research units/institutes and poor resource management across the province the department failed to produce high yield varieties of cereals and fruits. Several issues in the asset management and asset procurement were also observed. Weak internal controls were notied in awarding the contracts. Low yield of crops on agricultural land owned by the department were reported throughout the provinces. 25 acre of agricultural land of Tarnab research institute was given to the expo centre against the agriculture policy, without proper feasilbilty and lower than the market value.

4.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 3441.276 million were raised in this report during the current audit of Agriculture Department. Audit observations include recovery pointed out for Rs. 50.87. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	1167.79
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	983.379
5	Others	1290.107

Moreover, Rs 202.391 million irregularities have also been reported under Thematic Audit in chapter 25.

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

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2001-02	Agriculture	20	20	-	-
2.	2002-03	-do-	10	06	-	04
3.	2003-04	-do-	06	05	-	01
4.	2004-05	-do-	09	02	-	07
5.	2005-06	-do-	02	-	-	02
6.	2007-08	-do-	06	03	-	03
7.	2008-09	-do-	06	04	-	02
8.	2009-10	-do-	13	04	-	09
9.	2010-11	-do-	33	17	-	16
10.	2011-12	-do-	07	07	-	-
11.	2012-13	-do-	02	-	-	02
12.	2013-14	-do-	17	06	-	11
13.	2014-15	-do-	15	06	-	09
14.	2015-16	-do-	17	02	-	15
15.	2016-17	-do-	27	-	-	27

4.4 Audit Paras

4.4.1 Non-execution of the main project activity Precision Land Leveling - Rs. 1043.20 million

According to Para 9 of Clause 6.1.2 at Page No. 10 of the approved PC-I of the project, the current landscape of the command area is in eroded and undulating form, therefore, innovative options have to be adopted for its development. The traditional concept of providing bulldozers for leveling of land will not work, as efficient irrigation in water scarce situation would require precision land leveling using laser levelers read with Para 3 of Clause 6.1.2 at Page No. 9, High Efficiency Irrigation (furrow irrigation on laser leveled fields and two demonstration farms including drip irrigation on 05 acres each in all of the 393 Mogha Commands and area of Waran Canal) is an essential element of the strategy for the development of the command area.

During financial attest audit of the Gomal Zam Dam Command Area Development Project (GZD-CADP) for the financial year 2019-20, it was observed that up to June 2020, the Project Management incurred expenditure of Rs. 968,864,000/- on various project activities like intervention cost, design-&-supervision consultancy and social mobilization & capacity building consultancy etc. However, major physical activities of precision land leveling (PLL) with the PC-I cost of Rs. 1043.20 million were excluded in the 9th project steering committee (PSC) meeting held on 27-01-2020 vide Agenda Item-IV on the grounds that the said exclusion was decided by 11th joint review meeting (JRM) on the basis of escalation of rates but without any background or proper justification of the case although the Project Manager United States Agency for International Development (USAID) had clarified that the JRM is a project management tool to assist key partners in coordination and resolution of issues and that its decisions are not binding. Furthermore, the supervision consultants noted vide its remarks in appendix-C2 at Page No. 9 of the Addendum 02 that the said activity remained suspended by project implementation unit (PIU) during the first year.

This exclusion could badly affect the achievement of the other objectives of the project because these are mainly dependent on the main project component (Component No. 1) i.e. command area development as evident from Clause 5.3.2 at Page No. 7 of the approved PC-I of the project, wherein it is stated that the value-added agriculture & livestock, and the marketing components can be undertaken once the command area is developed fully. Moreover, the project management committee in its 3rd meeting held on 23 & 24.05.2018 directed that the said activity should be started immediately without further delay and the Commissioner DI Khan Division in the follow-up meeting held 21.03.2019 noted that the revised rates of PLL have been approved by PSC.

The rough land leveling was already being undertaken by the farmers on their own in most of the command areas in anticipation of the project interventions as well as to utilize the water in the system. The situation in the area is rather complex because the command area needs reclamation, formation and leveling and it is not possible for the farmers to design the command area for higher productivity without support of the project. The internal rate of return (IRR) for the construction of the dam cannot be accomplished until and unless command area is precisely developed and made functional, as evident from Para No. 04 of Clause 6.3 at Page No. 16 of the approved PC-I of the project.

The project (which was required to be completed in one year i.e. the original project period) was progressing at a very slow rate, as most of the activities and deliverables were achieved less than 50%, and some of the activities were not even started till date of Audit, as evident from the monitoring report. Only 93 water courses out of a total of 393 watercourses were completed and FCR issued in a period of 05 years till June 30, 2020; which put a question mark on the completion of the remaining 300 watercourses in 07 months till September 2021, the completion date of the project.

It is worth-mentioning here that the said activity was included in Table 2 at Serial No. 5 in the Amendment 01 to the PIL-001 and 002 issued vide USAID letter dated 30-04-2020, for an amount of US$ 3.47 million, as against the claim of the project that the said activity has been excluded as per USAID directions.

Audit held that exclusion of the said activity resulted in non-achievement of the main project objectives and due to the said issue overall pace of the work of the project suffered which further resulted in funds withdrawal by the USAID vide Amendment 2 to the Activity Agreement dated 12-11-2019.

The lapse occurred due to non-implementation of the PC-I provisions.

In the DAC meeting held on 12.04.2021, the Para was marked for detailed inquiry as to why the project management did not execute the PLL in the initial years and waited for its exclusion by the forums and withdrawal of the funds. However, no inquiry report was shared with audit till finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 245 (2019-20)

4.4.2 Loss to the government due to non-completion of the project - Rs 926.04 million and non-imposition of penalty on consultant - Rs. 27.376 million

According to Clause C (1) and B (2) of the USAID Pakistan letter dated 08-09-2015 regarding Project Implementation Letter No. 01 under the Activity Agreement No. 391-DOA-GZD-CADP-001, for the Gomal Zam Dam- Command Area Development Project, the USAID committed to provide US$ 22,223,954/- to the GoP, through the activity agreement, to finance the GZD-CADP Project, which will be provided to the Grantee in increments, subject to availability of funds, project performance and the terms & conditions in the assistance agreement. The project completion date is 30.09.2017.

According to Clause 7.4 of the bidding documents, the contractor shall be penalized for late completion @ 0.20% per day of the contract price up to maximum of 5% of the contract price.

During financial attest audit of the Gomal Zam Dam Command Area Development Project (GZD-CADP) for Financial Year 2019-20, it was observed that the Project Management entered into contract agreements with various contractors and incurred expenditure of Rs. 547,525,517/- on construction of watercourses up-to June 2020, however, the project activities have not been completed within the stipulated period i.e. up to 30.09.2017. Hence, the USAID Pakistan and GoKP agreed through Amendment No. 01 dated 18.02.2018 to extend the completion time from 30.08.2017 to 31.12.2019. The management further failed to complete the project activities within the extended time frame which compelled the USAID to decrease thereby an amount of US$ 9,353,954/- (from US$ 22,223,954 to US$ 12,870,000) through Amendment No. 02 dated 14.11.2019 and subsequently increased the GoKP contribution to the project by US$ 9,353,954/- (from US$ 11,852,957 to US$ 21,206,911) with the extended completion time from 31.12.2019 to 30.09.2021.

Audit held that the delay in completion and poor supervisory role of the administrative department resulted into a burden of Rs. 926,041,446/- (US$ 9,353,954 X 99 (the exchange rate at the time of execution of the project) on the provincial resources due to increase of the GoKP share from 21.07% (710.95 million / 3373.61 million X 100) to 48.52% (1636.996 million / 3373.61 million X 100). The project management further failed to impose the penalty of Rs. 27,376,275/- (Rs. 547,525,517 X 5%) on the contractors for their failure to complete the works on time.

The Project Manager USAID, in 11th JRM meeting expressed his views that the project was not getting the absolute momentum for its timely completion despite the availability of extensive canal irrigation system, professional team for project implementation unit, design & supervisory consultants, social mobilization & capacity building consultants and funds. He also emphasized that the project fund utilization has the lowest burn rate and overall completion of the project is delayed due to lack of effective planning & coordination among the stakeholders.

In the DAC meeting held on 12.04.2021, the Para was marked for detailed inquiry to find out the reason for non-completion of project activities within the required time. It was further decided that penalties at the prescribed rate may be imposed on the contractors who failed to complete the work on time. However, no progress was shared with audit till finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 246 (2019-20)

4.4.3 Irregular extension of consultancy agreement - Rs. 122.334 million Non - imposition of penalty against consultants

According to the Decision of Provincial Cabinet Meeting held on 09.08.2019 under the Agenda Item No. 01, extension in contract period of consultancy services of M/S National Engineering Services Pakistan (NESPAK) Pvt. Ltd. was granted with cost enhancement to be paid/ charged out of the donor share in view of the circumstances explained by the Secretary Agriculture. This read with Agenda Item No. 05 of the minutes of the 9th Project Steering Committee meeting held on 27.01.2020 under the chairmanship of Additional Chief Secretary (ACS) Planning & Development Department (P&D) Department KP; the forum approved Addendum-II of M/S NESPAK Pvt. Ltd. with the revised cost of Rs. 156,654,413/- and consultancy period from 27.08.2018 to 26.08.2021 and directed that the same should be carried out as per Khyber Pakhtunkhwa Public Procurement Regulatory Authority (KPPPRA) rules and regulations only. The KPPPRA Act 2012 Section 33 (2) (b) states that a procuring entity can issue repeat order to the same bidder not exceeding 15% of the original procurement.

During Financial attest Audit of the Gomal Zam Dam Command Area Development Project (GZD-CADP) for financial year 2019-20, it was observed that contrary to the decisions of the competent forums, the Project Management executed a revised contract agreement with M/S NESPAK Pvt. Ltd. in February 2020 with a total cost of Rs. 278,988,853/- instead of the approved revised cost of Rs. 156,654,413/-, which resulted in irregular cost extension of Rs. 122,334,440/- (Rs. 278,988,853 - 156,654,413).

Audit observed that the reduction of approx 45% in scope of work due to exclusion of one of the two main physical activities i.e. PLL, the cost of which was Rs. 1043.2 million out of a total PC-I cost for physical activities of Rs. 2311.52 million, didn't justify cost extension of the supervision consultancy and the same was instead required to have been reduced by Rs. 37,808,118/- (Rs. 84,018,040 – Rs. 46,209,922 (Rs. 84,018,040 X 55%) accordingly. Similarly, the contract for consultancy services was revised twice and extended upto August 26, 2021 vide Addendum No. 02, with a revision in cost from Rs. 84,018,040/- to Rs. 278,988,853/-. However, the management did not consider the actual requirement of the consultant's supervision staff at site which resulted in cost overrun by 232.058% (278,988,853 – 84,018,040 = 194,970,813 / 84,018,040 X 100) because the management should have directed the consultant to restrict the deployment of the consultant's personnel according to the actual requirement at site.

Furthermore, as per Clause 7 of the administrative approval of the project; the supervisory consultants were required to have been paid at the rate of 2.5% of the intervention cost amounting to Rs. 57.785 million, in addition to an amount of Rs. 39.3 million for detailed design and estimation of quantities of materials but the consultancy agreement was signed with the consultant on the basis of men month remuneration instead which shot up to Rs. 278,988,853/- i.e. 22% of the total intervention cost against the original percentage of 2.5% (Rs. 278.988 million / 1,268.32 million (2311.52 million – 1043.2 million) X 100). As the intervention cost did not increase, there was no ground for revision/ escalation of the consultancy agreement.

Audit further observed that the project management failed to make the consultant equally responsible for the non-completion of the project till date of Audit and didn't impose penalty of Rs. 12,602,706/- (Rs. 84,018,040 X 15%), at the rate of 10% as per Clause 3.4.2 (b) of the consultancy agreement.

Audit held that the cost escalation involved in the extension of the consultancy services should have been re-advertised/ retendered by the project management as the extension was more than 15% of the original bid cost of the consultant i.e. Rs. 84,018,040/-.

The loss occurred due to weak contract management.

In the DAC meeting held on 12.04.2021, it was decided that payments to the consultants may be restricted to the 2nd revised amount of Rs 156,654,413/- besides conducting detailed inquiry as to ascertain why the consultancy contract was not awarded on percentage basis initially, the contract re-advertised instead of 2nd revision; and the original contract amount exceeded by 232%. However, no progress was reported to audit till finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 248 (2019-20)

4.4.4 Unjustified payment of consultancy charges - Rs. 135.732 million

According to the consultancy agreement signed between /S Taleem Foundation and GZD-CADP; the main activities to be performed by the consultant are Social mobilization of water users, increasing the knowledge and skills of farming community, creating and increasing linkages among community organizations, line departments, markets and service providers, and enabling the 393 water user associations to operate and maintain the irrigation system.

During Financial attest audit of the Gomal Zam Dam Command Area Development Project (GZD-CADP) for financial year 2019-20, it was observed that the Project Management entered into a consultancy agreement with M/S Taleem Foundation for Rs. 239,401,900/- wherein up to June, 2020, the following expenditure has been incurred;

- Remuneration cost Rs. 55,080,000/-.
- Office operations Rs. 48,589,900/-.
- Training, strengthening and capacity building Rs. 135,732,000/-.

The remuneration cost of Rs. 55,080,000/- has been based on monthly payment of 07 key staff members, 01 short-term sub-consultant, and 08 non-key technical staff, the responsibilities/ job descriptions of which are attached at Page No. 22 of the consultancy agreement, covering all the aspects/ activities to be carried out by them. On the other hand, an amount of Rs. 135,732,000/- has also been committed by the project management for activities like training, strengthening and capacity building which have already been covered in job descriptions of the aforementioned personnel of the consultant hence this tantamount to duplication of payment. Furthermore, the operations cost/ expenditure on office rent, utilities and supplies etc. was also not justified in view of the consultant's scope of work.

Audit held that the above allocation of expenditure indicates duplication of payments for same activity with different names resulting in loss to the government.

The loss occurred due to weak contract management and financial controls.

In the DAC meeting held on 12.04.2021, it was decided that payments to the consultant may be restricted to the amount excluding the objected amount. However, no progress was shared with Audit till finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 249 (2019-20)

4.4.5 Loss on account of consultancy charges- Rs. 21.71 million

According to Rule 14 of the KPPPRA Rules 2014, the procuring entity shall evaluate the whole proposal in accordance with the evaluation criteria and the bid found to be the lowest evaluated shall be accepted.

According to Agriculture Department KP Notification No. CPO(AD)WM-52/2016/KC dated 02-06-2016, a committee was constituted for the procurement of works and services for the GZD-CADP, with Project Director as its chairman, having members from project management unit (PMU) GZD-CADP, Irrigation Department, Communication & Works (C&W) Department, Director General (DG) On-Farm Water Management (OFWM), USAID, PIU GZD-CADP, and any other co-opted member.

During Financial attest audit of the Gomal Zam Dam Command Area Development Project (GZD-CADP) for Financial Year 2019-20, the Project Management entered into a consultancy agreement with M/S Taleem Foundation for an amount of Rs. 239,401,900/- for social training and capacity building of the farmers.

Audit observed that the competing firm i.e. M/S Alkhidmat Development Welfare Foundation offered a financial bid valuing Rs. 217,687,313/- (plus Rs. 34,829,970/- as a general sales tax @ 16%). However, M/S Taleem Foundation was selected as social mobilization and capacity building consultant for Rs. 239,401,900/-, which resulted in loss of Rs. 21,714,587/- (Rs. 239,401,900 - 217,687,313) to the government.

Audit further observed that;

- In violation of the committee constituted for the purpose; a project sub-committee was notified vide office order dated 20-09-2017 for opening, evaluating and shortlisting of the consultants.
- The project management gave 08 marks to M/S NESPAK out of 40 on specific experience in the field (and rejected the firm), despite the fact that the said firm has undertaken many relevant projects.
- The firms’ experiences, having 60% marks as per criteria set out by the aforementioned committee, were not available on record.

- The comparative statement of the selected firm, showing marking on the basis of firm's general and specific experience, could not be found on record.
- The details of the selected consultant like registration with Federal Board of Revenue (FBR), KPRA, KPPPRA and Pakistan Engineering Council (PEC) etc. could not be found from its profile available on record.
- As per the information available on the website of the firm, it came to notice that the said consultant was established as a non-profit community support organization to promote education in Balochistan, with no expertise in consultancy services in the field of Agriculture.
- The Secretary Agriculture and Project Manager USAID expressed their deep concern over the process and slow pace of activities undertaken by the social mobilization consultant and directed it to expedite their activities under various heads.
- Furthermore, the logos of the firm on the financial proposal did not match with each other. Audit held that the firm has been extended undue favor during the procurement process.

The loss occurred due to improper procurement process.

In the DAC meeting held on 12.04.2021, it was decided that payment to the consultant as per comparative statement provided by the management duly signed by the Project Director, may be restricted to Rs 206.380 million as against Rs 239.401 million. However, no progress was reported to audit till finalization of this report.

Audit recommends investigating the matter and implementation of DAC decision.

AP No. 250 (2019-20)

4.4.6 Loss due to awarding Greenhouse installation contract at higher rates – Rs. 19.5 million

According to Clause 6 of the standard bidding documents, quotations will be received under single stage two envelope procedure; with separate envelopes for technical and financial bids.

During the special Audit of the Accelerated Implementation Programs (AIP) in the Directorate of Agriculture Research Merged Areas Peshawar for Financial Year 2019-20, it was observed that Rs. 29,500,000/- was paid to M/S Marwat& Yousafzai Peshawar for construction of PLC Based Fully Automatic Climate Control System Poly Carbonated Green House (Size 20' X 60' at Rs. 29,500,000/- per unit) in Parachinar Kurram District for the project "Virus Free Seed Potato Production Using Tissue Culture Technology at High Altitude of Kurram and Orakzai Districts". However, scrutiny of the bidding documents revealed that the lowest rate of Rs. 10,000,000/- offered by M/S Bangash Yousafzai was rejected by the directorate on the grounds that the firm has no experience in the field resulting in loss of Rs. 19,500,000/- to the government.

Audit further observed that not only was the rate offered by M/S Bangash Yousafzai the lowest rate but the said firm was technically sound than the selected firm as it had a much broader and diverse experience in various fields of construction and supply. Furthermore, the rejected firm was duly registered with PEC and enlisted with various provincial departments while the selected firm didn't have such registration and enlistments. Moreover, as per Clause 6 of the minutes of technical committee meeting held on 30.12.2019, the firms were required to arrange site visits for the technical committee before opening of the financial bids but the successful bidder didn't arrange the same.

Audit held that disqualifying a firm merely on the basis of not having experience in the particular field was irregular and against the KPPPRA rules of evaluating the competing firms on the highest ranked bidding system. The directorate could have given weight (technical marks) to the experience of the firms to ensure participation of other firms for obtaining economical rates.

The lapse occurred due to non-observance of the prescribed rules.

When pointed out in April 2021, it was replied that the procurement committee of the directorate disqualified the firm i.e. M/S Bangash Yousafzai on the grounds that the firm had no past experience in greenhouse installation. Once disqualified, the financial bid was not considered. Furthermore, the rejected firm was a construction company and was not qualified to construct the green house because the same was a technical and specialized nature job. On the other hand, the selected firm i.e. M/S Marwat Yousafzai had installed greenhouses in the past which were inspected by the committee.

The reply was not satisfactory as the green house could have been constructed by M/S Bangash Yousafzai which was a construction firm while M/S Marwat Yousafzai was a general order supplier firm. Furthermore, the experience section of the firms should have been given weight (proportionate technical marks) in evaluating the best evaluated (highest ranked) bid, rather than disqualifying them straightaway. The selected firm was having no previous experience of installation of greenhouses. It only showed construction of lath houses.

The department was requested vide letter dated 29-09-2021 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and taking appropriate action.

AP No. 411 (2020-21)

4.4.7 Loss on account of functioning of glasshouse as greenhouse at higher rates – Rs. 6.470 million

According to Clause 6 of the standard bidding documents, quotations will be received under single stage two envelope procedures; with separate envelopes for technical and financial bids.

During special Audit of the Accelerated Implementation Programs in the Directorate of Agriculture Research Merged Areas Peshawar for Financial Year 2019-20, it was observed that Rs. 8,870,000/- was paid to M/S Marwat& Yousafzai Peshawar Functioning of Glass House as

Green House (Size 25 X 41 X 14 at Rs. 8,870,000/- per unit) in Agriculture Research Institute (ARI) Tarnab Peshawar for the project “Virus-Free Seed Potato Production Using Tissue Culture Technology at High Altitude of Kurram and Orakzai Districts”. However, scrutiny of the bidding documents revealed that the lowest rate of Rs. 2,400,000/- offered by M/S Bangash Yousafzai was rejected by the directorate on the grounds that the firm has no experience in the field resulting in loss of Rs. 6,470,000/- to the government.

Audit further observed that not only was the rate offered by M/S Bangash Yousafzai the lowest rate but the said firm was technically sound than the selected firm as it had a much broader and diverse experience in various fields of construction and supply. Furthermore, the rejected firm was duly registered with PEC and enlisted with various provincial departments while the selected firm didn’t have such registration and enlistments.

Audit held that disqualifying a firm merely on the basis of not having experience in the particular field was irregular and against the KPPPRA rules of evaluating the competing firms on the highest ranked bidding system. The directorate could have given weight (technical marks) to the experience of the firms to ensure participation of other firms for obtaining economical rates.

The lapse occurred due to non-observance of the prescribed rules.

When pointed out in April 2021, it was replied that the procurement committee of the directorate disqualified the firm i.e. M/S Bangash Yousafzai on the grounds that the firm had no past experience in greenhouse installation. Once disqualified, the financial bid was not considered. Furthermore, the rejected firm was a construction company and was not qualified to construct the greenhouse because the same was a technical and specialized nature job. On the other hand, the selected firm i.e. M/S Marwat Yousafzai had installed greenhouses in the past which were inspected by the committee.

The reply was not satisfactory as the greenhouse could have been constructed by M/S Bangash Yousafzai which was a construction firm while M/S Marwat Yousafzai was a general order supplies firm. Furthermore, the experience section of the firms should have been given weight (proportionate technical marks) in evaluating the best evaluated (highest ranked) bid, rather than disqualifying them straightaway. The selected firm was having no previous experience of installation of greenhouses. It only showed construction of lath houses.

The department was requested vide letter dated 29-09-2021 for holding the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and taking appropriate action.

AP No. 412 (2020-21)

4.4.8 Non-deduction of sales tax - Rs. 7.595 million

According to Section 50 (4) of the Sales Tax Act 1990, sales tax is required to be deducted from the suppliers/ dealers at the prescribed rate i.e. 17%.

During the special Audit of the Accelerated Implementation Programs in the Directorate of Agriculture Research Merged Areas Peshawar for Financial Year 2019-20, it was observed that an Rs. 40,029,600/- was paid to various suppliers for supply/ construction of different items for the project "Virus-Free Seed Potato Production Using Tissue Culture Technology at High Altitude of Kurram and Orakzai Districts". However, sales tax of Rs. Rs. 6,805,032/- at the prescribed rate of 17% was not deducted from the suppliers.

Similarly, M/S Marwat & Yousafzai has been paid Rs. 7,900,000/- for the supply of different items. However, sales tax at the rate of 7% was deducted instead of 17% resulting in less deduction of sales tax Rs. 790,000/- (17% - 7% = 10% X 7,900,000).

Audit held that non-deduction of sales tax at the prescribed rates resulted in loss of Rs. 7,595,032/- to the Federal exchequer.

The lapse occurred due to weak internal controls.

When pointed out in April 2021, it was replied that as per the standard operating procedure, the registered firms provide the 17% general sales tax (GST) Invoices with their bills. As a withholding agent 1/5th of the same is deducted at source and the rest of the taxes are paid into the exchequer by the firms themselves. However, audit didn't agree because the directorate has not deducted 1/5th of the 17% GST from the suppliers' bills.

The department was requested vide letter dated 29-09-2021 for holding the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends deducting the sales tax at the prescribed rate and depositing the same into the treasury.

AP No. 416 (2020-21)

4.4.9 Doubtful award of contract for supply and installation of solar pumps - Rs. 193.836 million

According to the Methodology for Determination of the Lowest Evaluated Bid of the standard bidding documents, the bid/ tender scoring the highest points shall be deemed to be the lowest evaluated bid.

According to Clause 1.1 (7) (I, II, V & VIII) of Annex-A of the standard bidding documents, the firm should provide brand names of the PV Modules in its technical proposal so that it may be declared as the best-evaluated bid and be selected as a supplier by the directorate. This read with Para 3 of Clause 1.2 of the standard bidding documents, applicants having scored less than 50% in any one category shall not be considered for further evaluation.

During the special Audit of the Accelerated Implementation Programs in the Directorate of Agriculture Engineering Merged Areas Peshawar for Financial Year 2019-20, it was observed that M/S MAK Pumps was selected as the best evaluated bidder and has been paid Rs.

193,836,720/- for solarization of agriculture tube wells along with their accessories in the merged areas under the project “Culturable Waste Land Development and Solarization of Existing Agriculture Tube/Open Wells in Merged Areas”.

Audit has following observations on the procurement process:

- The selected firm i.e. M/S MAK Pumps showed the bill of entries of the pumps as United Arab Emirates (UAE) made whereas it has supplied the Pakistan made Comax Solar Pumps. Furthermore, as opposed to other competing firms, M/S MAK pumps had not mentioned model and make of the pumps in their technical bid.
- The rejected firm i.e. M/S Catkin executed 10 similar nature projects valuing Rs. 10 million or more, and 02 similar nature projects valuing Rs. 150 million or more. Thus the firm should have been awarded full marks i.e. 16 marks under the Evaluation Criteria 1.2 (III) (a), instead of awarding 08 marks, and 04 marks under the Evaluation Criteria 1.2 (III) (c), instead of awarding 01 mark. Resultantly, 24 marks should have been given to M/S Catkin Engineering instead of 13 marks out of a total of 30 and its financial bid should have been considered/ evaluated in the bid evaluation process for obtaining the economical/ lowest rates.
- The rejected firm later on signed a no-objection certificate regarding technical evaluation marking on 31-01-2020 which was interestingly the date of opening of the financial bids with its technical bid being rejected on 24-01-2020. This has further strengthened audit’s contention of doubtful selection of M/S MAK Pumps.
- Furthermore, the technical evaluation process consisted of four parameters where first of all technical evaluation was done to decide whether the technical bids have been responsive or not, then obtaining at least 50% marks in the individual technical categories; obtaining at least 75% marks in the aggregate technical parameters and finally giving 40% weight-age to the technical marks (with the rest of the 60% to the financial bids) of the firm to be declared as the best evaluated bid. However, in the KPPPRA Rules 2014 there is no clause of such parameters for screening out of the firms.

Audit held that undue favor was granted and M/S MAK Pumps was selected as the best evaluated bidder when it did not even qualify for the same which makes the process doubtful and the selection fraudulent. Hence the expenditure of Rs. 193,836,720/- is held as irregular.

The lapse occurred due to non-observance of the prescribed rules.

When pointed out in April 2021, it was replied that M/S MAK Pumps Peshawar imported Pakistan-made Komax pumps from UAE and provided bill of entries along with providing the country of origin details in their technical bid accordingly. M/S Catkin was awarded 13 marks on account of evaluation criteria finalized as per the project requirements in light of KPPPRA Rules 2014 and based on their experience/ documents provided by the firm.

However, audit didn’t agree because the department has admitted that the selected firm showed the Pak-made pumps as being imported from UAE which was possible due to non-mentioning of the country of origin in the “system design section” of their technical bid. The financial bid of M/S Catkin should have been considered as it secured 24 marks out of 30 (more than 50%). Furthermore, the signing of the “no objection certificate” by all the three firms on the date of opening of the financial bid further creates doubts about the bidding process as there was no need of participation of M/S Catkin in case his financial bid was returned unopened.

The department was requested vide letter dated 29-09-2021 for holding the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and taking appropriate action.

AP No. 420 (2020-21)

4.4.10 Non-deduction of income tax- Rs. 7.753 million

According to Clause 3 of the minutes of the pre-bid meeting held on 16-01-2020, all the taxes imposed by the federal or provincial government shall be deducted at source at the time of payment.

During the special Audit of the Accelerated Implementation Programs in the Directorate of Agriculture Engineering Merged Areas Peshawar for the Financial Year 2019-20, it was observed that M/S MAK Pumps was selected as the best evaluated bidder and has been paid Rs. 193,836,720/- for solarization of agriculture tube wells along with their accessories in the merged areas under the project “Culturable Waste Land Development and Solarization of Existing Agriculture Tube/Open Wells in Merged Areas”. However, income tax at the rate of 4% (being a company) amounting to Rs. 7,753,468/- (Rs. 193,836,720 X 4%) has not been deducted which resulted in loss to the federal exchequer.

The lapse occurred due to non-observance of the prescribed rules which has resulted in non-deduction of income tax.

When pointed out in April 2021, it was replied that the company provided income tax exemption certificate issued to the company by the Commissioner Inland Revenue Peshawar at the time of payment. Therefore, income tax was not deducted from the payments made to the firm. The reply was not convincing as the tax exemption certificate was valid up to 31.03.2020 only. Furthermore, the said exemption applied to the goods manufactured by the firm only.

The department was requested vide letter dated 29-09-2021 for holding the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery of the income tax.

AP No. 421 (2020-21)

4.4.11 Overpayment of taxes and overhead charges - Rs. 35.521 million

According to Market Analysis 2017, 22% was added to the actual price of item which constitutes (contractor profit + (overhead + material + labour + equipment + taxes)).

According to Clause 6 (i)(ii)(g) at Page No. 8 of the approved PC-I of the program, the project was supposed to benefit the low income farmers of the province to improve their agriculture income. Since, agriculture income is a non-taxable commodity, it is very important that the subsidy given on small water harvesting interventions proposed in this project is exempted from any type of government taxes and no contractor will be involved in execution of water conservation interventions.

During special Audit of the Accelerated Implementation Programs in the Directorate of Soil & Water Conservation Merged Areas Peshawar for the financial year 2019-20, it was observed that Rs. 300,604,000/- has been paid to various individuals/ farmers for carrying out different types of works in Merged Areas under the project "Rain Water Harvesting in the merged districts". However, only the 10% of the contractor profit was shown deducted from the rates paid on the basis of composite schedule of rates (CSR) 2017 and deduction for income tax and overhead charges has not been done resulting in overpayment of Rs. 35,521,297/- to these farmers/individuals as detailed below;

Rs.

S. No.	Item	Total cost of Item CSR 2017	Actual Rate Paid after 10% deduction.	Required Rate after 22% deduction.	Difference	Qty.	Amount
1	Water Retaining Facility	884,188	795,769	689,666	106,103	127	13,475,081
2	Gully Plug/ Check Dam	1,011,218	910,096	788,750	121,346	109	13,226,714
3	Delay Action Dam	2,889,369	2,600,432	2,253,708	346,724	19	6,587,756
4	Spillway	304,877	274,390	237,804	36,586	61	2,231,746
						Total	**35,521,297**

Audit held that since the CSR 2017 not only included the 10% contractor profit but 12% also included in the rates for taxes and other overhead charges, hence, 22% should have been deducted from the amounts paid to the farmers instead of 10%.

The lapse occurred due to violation of rules and regulations.

When pointed out in April 2021, it was replied that the CSR 2017 is designed in such a way that it includes 10% contractor profit, 5% overhead charges, and 7% income tax. The AIP Project is implemented in merged areas of the province which is tax exempted area. However, overhead charges of 5% can be claimed due to use of different tools in execution of civil works such as forms and shuttering etc. Therefore, 17% (10% contractor profit plus 7% income tax) is being deducted in the estimates.

The reply was not satisfactory as the department accepted Auditview by admitting that CSR Rates include 10% contractor profit, 5% overhead charges and 7% income tax charges. As per PC-I of the project, all the labor engagement was the responsibility of the farmers; hence deduction of 22% was required to have been made.

The department was requested vide letter dated 29-09-2021 for holding the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery of the overpayment.

AP No. 426 (2020-21)

4.4.12 Doubtful bidding process for selection of consultant - Rs. 51.406 million

According to KPPPRA rule 26 (1), the procuring entity shall pre-determine criteria for short-listing. Except for single source, there will normally be a minimum of three consultants, but there is no upper limit for number of candidates to be short-listed. However, if less than three candidates apply; their proposals may be considered on merit. This read with rule 26(2); the procuring entity while short-listing consultants may take the following factors into consideration, namely: (a) Qualification, (b) general experience; or (c) specific experience, particularly of the last five years; or (d) any other factor that a procuring entity may deem relevant, not inconsistent with these rules.

Furthermore, rule 26(3) states that all applicants shall be informed whether or not they have been shortlisted.

During Audit of the office of Secretary to Government of Khyber Pakhtunkhwa, Agriculture Department Peshawar for the financial year 2020-2021, it was observed in the project title “Certification Facilities for Quality Assurance & Creation of Market Linkages for Agriculture Interventions in Khyber Pakhtunkhwa” that services of a consultant M/S CAB International were hired with a total cost of Rs. 76,409,105/- for the activities/deliverables specified in the approved PC-1.

Scrutiny of the bidding documents revealed that M/S CAB International was awarded 88 marks out of 100 including 15 out of 15 marks for the “organization of staffing” with remarks recorded that detail hierarchy was provided. Contrary to this, M/S MICON was only awarded 10 marks out of 15 in the same parameter of qualification with the remarks that” CVs with details provided without hierarchy”. It was also noted that the same remarks and marks allotted under the subject parameter and total marks of M/S MICON were found pasted with a fresh paper over the original remarks and numbers which make the whole process doubtful.

Audit further observed that:

- In the approved PC-1, 80 marks were allocated for technical evaluation, however, the management did the technical evaluation in 100 marks in contravention to PC-I.
- M/S MICON was awarded only 3 marks out of 10 under Specific Experience criterion although the firm possessed experience both locally and internationally. Whereas M/S CAB International was awarded 9 marks out of 10 under the same parameter.
- The criteria adopted for the technical evaluation in the bidding process was found different as was required under the KPPPRA rules mentioned above. The evaluation criteria were also not matching with the approved PC-1 and with the one advertised in the notice inviting tender (NIT).
- The management did not consider the KPPPRA rule 27 (2) (d), wherein it is stated that the evaluation of proposals shall be carried out giving due consideration to quality and cost.
- The management selected M/S CAB International at a cost of Rs. 76,409,105 by ignoring the second bid of Rs. 25,000,000/- of qualified bidder M/S MICON Engineering Consultant with only 0.91 marks difference

In view of the above facts Audit held that the management did not adopt a fair and transparent bidding process as was required under the KPPPRA rules. It could have saved Rs.51,409,105/- by awarding the consultancy agreement to M/S MICON.

The lapse occurred due to non-observance of technical evaluation criteria.

No DAC was convened till the finalization of this report.

Audit recommends investigating the matter and taking appropriate action.

AP No. 10 (2020-21)

4.4.13 Non-purchase of Land at GPU Baikan Swat - Rs. 50 Million

According to the page 3 of the approved PC-1 of "Strengthening and Rehabilitation of Agriculture Research stations and Institutes in Khyber Pakhtunkhwa", one specific objective of project was purchase of 13 Acres Leased Land at GPU Baikan ARI Swat. The aim of this specific land was a need to protect the valuable germ plasma of Apple and Cherry varieties.

During audit of Agriculture Research Institute Swat for the financial year 2020-2021, it was observed that a fund of Rs. 50.00 million was transferred to Deputy Commissioner Swat vide cheque No.1512604 dated 14-10-2020 and cheque No. 2025675 dated 19-11-2020 for the purchase of 13 Acres Leased Land at GPU Baikan ARI Swat. However, the deal with the owner has not been finalized till date of audit and the department has been searching for alternate land to achieve the targeted objectives mentioned in the PC-1 which may not be as advantageous as the land already in the possession of ARI Swat with heavy investment of research on the various varieties of fruits.

The lapse occurred due to weak administrative controls.

The department was requested vide letter No. 2336 Dated 15/10/2021. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility for the delay.

AP No. 30 (2020-21)

4.4.14 Non-achievement of project objectives and expected loss due to non-disposal of Rice (Paddy) seed - Rs. 1.639 million

According to the PC-I of the project "Productivity Enhancement of Rice in the Potential areas of Khyber Pakhtunkhwa" the main objective of the project is to enhance per acre Rice productivity to secure food security for the growing population in the province with the specific objective to introduce hybrid rice and other high yielding rice varieties such as "Fakhre Malakand, Swatai-2014 and Basmati types".

During audit of the Director Agriculture Research Institute D.I Khan for the financial year 2020-21, it was observed that 27,016 kgs of clean rice seed produced during Kharif-2020 was provided to District Director Agriculture Extension D.I Khan for disposal of the rice seed vide bill valuing Rs. 2,235,760/- dated 25.05.2021 under the project "Productivity Enhancement of Rice in the Potential areas of Khyber Pakhtunkhwa" to provide hybrid rice and other high yielding varieties "Fakhre Malakand, Swatai-2014 and Basmati types" of rice among the farmers of the province. However, the Extension Department has only paid Rs. 596,230/- for 7058 kgs of rice seed leaving a balance of Rs. 1,639,530/-. The Deputy Director Agriculture Extension Department requested the institute vide their letter No. 5014/DDA dated 7.10.2021 to collect the balance quantity from their office as they have not been able to sell the rice seed.

Audit is of the view that the rice seed was aimed to have been provided to the farmers for Kharif-2021 which was not done but the seed was still stocked with the Extension Department indicating that neither they have been willing to sell nor the ARI D.I Khan had any facilities to store and sell the same by their own means. Hence, not only the project's objective has suffered but a loss of Rs. 1,639,230/- is also expected due to non-disposal of the rice seed.

The lapse occurred due to mismanagement at administrative level and non-coordination of various wings of the Agriculture Department.

The department was requested vide letter No.2483 Dated 26/11/2021. However, no DAC meeting was convened till the finalization of this report.

Audit recommends remedial action to prevent provincial exchequer from possible loss.

AP No. 135 (2020-21)

4.4.15 Unjustified allotment of Agriculture Research land Expo Centre - Rs. 715.00 million

Loss Due to under-valuation of the 25 acre Agriculture Research land - Rs. 214.520 million

According to rules 17(3), 17(4) & 17(5) of the Khyber Pakhtunkhwa Land Acquisition Rules 2020; for the acquisition of land under section 17, the report along with other justifications, if any, given by the Collector or the Industries, Commerce and Technical Education Department of Provincial Government or the company acquiring land, shall be carefully considered before deciding whether the provisions of section 17 are attracted in the case or otherwise. No land lying near a town, meant for fodder cultivation or for orchards or otherwise cultivable, shall be notified for the establishment of any industry. Furthermore, all relevant provincial departments shall be consulted to ensure that no hazards to public health or agricultural economy are observed as a result of such acquisition.

During the Audit of Senior Director ARI Tarnab for the financial year 2020-2021, it was observed that under clause 6 of the contract agreement executed between the Government of Pakistan (GoP), Ministry of Commerce, Islamabad and GoKP Agriculture, livestock & Coop. Department on 20-01-2015, the GoKP agreed to provide 25 acres of land for construction of Expo Centre out of the land of ARI Tarnab Peshawar situated on the highway. It was agreed that the current value of this land would be taken as the Equity contribution of the GoKP to the company established for the purpose of Expo Center. Therefore, through a summary dated 30.12.2014 the Chief Minister of KP earmarked 25 acres of the ARI Tarnab land for the establishment of Expo-centre at the rate of Rs. 178,750/- per one commercial Marla amounting to Rs. 715,000,000/- (4000 Marla X 178,750).

Audit has the following observations:

- Although the Agriculture Research Institute Tarnab has communicated its reservations over construction of Expo Centre on the research land vide letter dated 24-02-2016 but were not considered at the time of land allotment. It was also communicated dated 17-03-2016 that the loss of 25 acres of land would possibly result in annual loss of Rs. 1,188,000/- on one crop alone but the same was also not considered.
- Due to construction of Expo Centre building and boundary wall, the drainage system of the research institute Tarnab has badly affected and the matter has been properly discussed in the meeting under the chairmanship of Economic Advisor Industries dated 29-10-2019 after a loss of Rs. 3.00 million due to this blockage has been reported by the Senior Director Agriculture Research Tarnab.
- Furthermore, the Agriculture Engineering Department lost 02 Kanals of land during the Expo Centre construction process and in this regard proper enquiry has been ordered vide letter dated 18-11-2019 but its outcome has not been known yet.
- Although the Secretary Industries, Commerce & Technical Education Department vide a detail summary dated 21.06.2016 proposed site change of Expo Centre from

ARI Tarnab to Rashakai Industrial Zone with solid justification but it was not considered.

- Furthermore, the provincial government has not yet received any revenue from the Expo Center which was still not completed and made functional till date of Audit ie October 2021.
- ARI Tarnab had worked out market value of the land at Rs 500,000/- per Marla by a high level six members committee constituted by the Director General Agriculture Research KP but the same was allotted at the rate of Rs. 178,750 per Marla. Hence the provincial government's equity in the company constituted for the Expo Center would have been far more than the current Rs. 715 million, had these market rates been taken into account.

Additionally, Audit is of the view that even if the above referred rates were not taken and the Deputy Commissioner Peshawar rates had been considered then according to Serial .No 253 of the valuation table of district Peshawar for the year 2015, the commercial value of one Marla at Tarnab was Rs. 232,380/- thereby suggesting that the land has been undervalued by Rs. 214,520,000/- (232,380 X 4,000 = 929,520,000 - 715,000,000=214,520,000).

In view of the above facts Audit held that the vision of the provincial government to discourage utilization of agriculture land for commercial purposes has not been regarded in the instant case although multiple options of sites were available for establishment of Expo Center. Furthermore, the land has been undervalued and has resultantly undervalued the provincial government's equity in the company constituted for the Expo Center.

The loss occurred due to weak contract management and non adherence to approved government land rates.

The department was requested vide letter No. 2457 Dated 18/11/21. However, no DAC meeting was convened till finalization of this report.

Audit recommends that the issue of land valuation may be taken-up with the concerned stakeholders so that the provincial government's equity in the company could be increased. It is also recommended that in future the allocation of agriculture research lands for other commercial use may be discouraged.

AP No. 70, 74 & 75 (2020-21)

4.4.16 Doubtful supply of machinery and equipment - Rs. 50.662 million

According to the technical and financial quotation submitted by the M/S H.A. Shah & Sons for the item of liquid chromatography mass spectrometer (LCMS), with the origin as Germany, make of Agilent Technologies, Model; LCMS 6465 with 1260 Infinity II Prime LC.

During audit of the Directorate of Soil & Nutrition ARI Tarnab for the financial year 2020-2021, it was observed in the annual development program (ADP) project "Surveillance on

Pesticide and Fertilizer adulteration in Khyber Pakhtunkhwa” that Rs. 49,950,000/- has been paid to M/S H.A. Shah & Sons for supply of one LCMS machine at the rate of Rs. 49,950,000/-. However, scrutiny of the bill of entry revealed that the same machine was shipped and imported from Sharjah which makes the supply doubtful and needs to be justified.

Similarly, Rs. 712,800/- has also been paid to Global IT Solution for supply of Panasonic Multimedia Projector. However, bill of entry revealed that the item was imported from Amin Jan Building Ajman UAE instead of the country of origin.

Audit held that these high-value items were required to have been imported from the country of origin i.e. Germany, but rather they were imported from UAE which makes supply of the said items doubtful.

The lapse occurred due to violation of rules and regulations.

The department was requested vide letter No.DGA/DAC/Agri/20-21/SIR 106-115/1282 Dated 26/11/2021. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and taking appropriate action.

AP No. 107 (2020-21)

4.4.17 Illegal and fake transfer of 48.45 hectare of CCRI Agriculture Land

According to the Government of West Pakistan Auqaf Department letter No -15(121)-Auqaf-OBD /63 Lahore dated June 1968,the Secretary to Government of West Pakistan Auqaf Department Lahore conveyed the approval of the Governor of West Pakistan for allotment of Samdhi of Akmli Phulo Singh Committee, Pir Sabak District Peshawar, to retain an area of 876 acres 3 kanals and 9 marlas (including 433 acres, 5 kanal and 11 marlas in possession of Seed Farm) in village Pir Sabak, Tehsil Nowshera District Peshawar, which has not been sold to sitting tenants etc. The same area was also conformed vide Deputy Land Commissioner Peshawar dated 01-10-1968.

During audit of the Directorate Cereal Crops Research Institute (CCRI) Pirsabak Nowshera for the financial year 2020-21, it was observed that some people of the area have transferred 48.45 acres of CCRI land through fake and fraudulent mutations in their names in the revenue record during 1980-81. In addition to this, illegal construction on the eastern side of the bridge has also been started by Shams-ul-minallah & others while private persons have been included as owners in possession in the current land record. Moreover, the competent authority vide notification dated 28-01-2021 constituted a committee to carry out demarcation of CCRI Pirsabak Nowshera but till date of audit i.e. November 2021 no such demarcation has been carried out by the committee.

Audit held that unauthorized transfer of government land has undermined the authority of Revenue Department, CCRI Pirsabak, and the Agriculture Department.

The lapse occurred due to weak administrative controls.

The department was requested vide letter No. DGA/DAC/Agri/2020-21/SIR 87-105/2481 Dated 25/11/2021 However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and taking appropriate action under the rules.

AP No. 98 (2020-21)

4.4.18 Un-authorized supply of machinery and equipment - Rs. 3.578 million

Para 148 of GFR Vol I requires that 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 is good and records a certificate to that effect.

During audit of the Director Agriculture Research Institute, DI Khan for the Financial Year 2020-21, it was observed that Rs. 3,578,995/- has been paid to contractors for supply of agriculture lab equipment. However, on physical verification of the said equipment it was revealed that the origin of equipment has been different than that mentioned in their technical bids as detailed below;

S. No	Name of Item	Cost Rs.	Supplier	Origin offered in quotation	Actual machine supplied
1	Fume Hood	947,995	Raya technologies	United Kingdom	Made not mentioned on the machine
2	Flame Photometer	1,131,000	Marwat & Yousafzai	United Kingdom	China made
3	Rice Trans-Planter	1,500,000	IBS Pharmaceutical	Not mentioned	Local made

Audit held that the supply of equipment other than the origin mentioned in bidding documents as unjustified and doubtful.

The lapse occurred due to violation of bid terms and condition.

The department was requested to arrange DAC meeting vide letter No.DGA/DAC/Agri/2020-21/SIR-139/2714 Dated 13 January 2022, however, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and taking appropriate action.

AP No 139 (2020-21)

Chapter 5

AUQAF, HAJJ, RELIGIOUS AND MINORITY AFFAIRS DEPARTMENT

5.1 A) Introduction

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

- ❖ Administration ofThe Khyber Pakhtunkhwa Waqf Properties Ordinance, 1979; and The West Pakistan Historical Mosques Cess Fund Ordinance, 1960.
- ❖ Charitable and Religious Endowment
- ❖ Religious Trusts.
- ❖ Muslims graveyard taken over by the Chief Administrator of Auqaf under section 6 of the West Pakistan Waqf Properties Ordinance, 1961.
- ❖ Control and repair, etc., of all Historical Mosques and Shrines taken over by the Auqaf Department.

Audit Profile of Auqaaf, Hajj and Minority Affairs Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2020-21 (Rs in Million)	Revenue/Receipts Audited FY 2020-21 (Rs in Million)
1	Formations	02	01	50.478	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	03	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

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

Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2020-21 against the total of grants/appropriation was as follows:

Non-Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual expenditure	Excess / (Savings)
37-Auqaf	NC21	50,478,000	0	40,353,800	40,353,800	0
37-Minority Affairs	NC21	109,315,000	3,006,000	56,146,945	56,146,945	0
Total		**159,793,000**	**3,006,000**	**96,500,745**	**96,500,745**	**0**

Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
50-Auqaf	**NC22**	129,710,000	-	71,459,824	71,805,118	345,294
50-Auqaf	NC12	242,290,000	-	306,052,570	306,052,927	357
Total		**372,000,000**	**-**	**377,512,394**	**377,858,045**	**345,651**

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

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	96.501	96.501	-	0.00%
Development	377.512	377.858	0.346	0.09%
Total	**474.013**	**474.359**	**0.346**	**0.07%**

5.1 (c) Issues in Auqaf Department

The main issue in the Auqaf department was that most of the Auqaf properties have encroached. Besides loss of the fixed assets, the Government is also deprived of millions of revenues. Timely collection of Government revenues is also a serious issue in the Auqaf department.

5.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 202.582 million were raised in this report during the current audit of Auqaf Department. This amount also includes recoveries of Rs. 202.582 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	202.582
5	Others	-

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

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil Compliance
1	2014-15	Auqaf	-	-	-	-
2	2015-16	-do-	-	-	-	-
3	2016-17	-d0-				

5.4 Audit Paras

5.4.1 Loss to Government due to non-securing of Auqaaf properties

According to Secretary Auqaaf Department letter No.15458, dated 18.7.1994, (iii), the rent reserved shall be at best available market rates. (vi) if a tenant fails to pay the rent within thirty days of it becoming due he shall be liable to pay the rent along with a penalty at the rate of 15% of the amount dues, or if he fails to clear the dues as aforesaid, within another thirty days, he shall be liable to ejection on one weak notice and the rent due shall be recoverable from his as arrears of land revenue.

During audit of accounts record of the Administrator Auqaaf Khyber Pakhtunkhwa Peshawar for the financial year 2020-21, it was noticed that a sum of Rs.196.792 million was realized on account of Auqaaf properties. According to the action plan for removal of encroachment from waqf properties across the province; 44,479 kanals of the property has been encroached (68% of the total properties) out of total 65,108 kanals.

Audit held that revenue of Rs. 196.79 million was generated from around 21,000 Kanal of land only. Total revenues could be three timesgreater if the remaining 44,479 kanal land is retrieved from encroachers.

The loss occurred due to weak internal controls.

Due to non-retrieval of land from encroachers government has been deprived of potential revenue worth millions.

When pointed in October 2021, the management replied vide letter No.2693, dated 15.10.2021 that the observation pertains to various officers/officials, the same will be communicated to the quarters concerned and result intimated to audit as and when reply is received.

Audit observation was issued vide letter no. Audit/DAC/Misc/97-112/2020-21/2459 dated 18.11.2021 containing request for DAC meeting. However, No DAC was convened till the finalization of this report.

Audit recommends restoration of the properties from unauthorized persons and recovery.

AP No. 97 (2020-21)

5.4.2 Non-recovery of receipts- Rs. 176.161 million
Non-imposition of 15% penalty amounting to Rs. 26.424 million

According to Secretary Auqaf Department letter No.15458, dated 18.7.1994, (iii), the rent reserved shall be at the best available market rates. (vi) if a tenant fails to pay the rent within thirty days of its becoming due he shall be liable to pay the rent along with a penalty at the rate of 15% of the amount dues, or if he fails to clear the dues as aforesaid, within another thirty days, he shall be liable to ejectment on one weak notice and the rent due shall be recoverable from his as arrears of land revenue.

During audit of accounts record of the Administrator Auqaf Khyber Pakhtunkhwa Peshawar for the financial year 2020-21, it was observed that a sum Rs.196.792 million as receipts was realized on account of rent of shops, plazas, building, agricultural land and shrine and Rs.176.161 million still remained outstanding against various tenants. Moreover, no penalty @ 15 % amounting to Rs.26.424 million was imposed/recovered from the defaulters.

The loss occurred due to weak internal controls.

Non-imposition of penalty resulted in loss to the government.

When pointed in October 2021, the management replied vide letter No.2693, dated 15.10.2021 that the observation pertains to various officers/officials, the same will be communicated to the quarters concerned and will be intimated to audit as and when the reply is received.

No DAC was held till the finalization of this report.

Audit recommends recovery of the rent and imposition of penalty on defaulters.

AP No. 99 (2020-21)

Chapter 6

COMMUNICATION & WORKS DEPARTMENT

6.1 A) Introduction

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

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

Audit Profile of Communication & Works Department;

No.	Description	Total Nos	Audited	Expenditure Audited FY 2020-21 (Rs in Millions)	Revenue/ Receipts Audited FY 2020-21 (Rs in Millions)
	Formations	136	37	28168.167	N/A
	• Assignment Account • SDA • Etc (Excluding FAP)	**N/A**	**N/A**	**N/A**	**N/A**
	Authorities/Autonomous bodies etc under PAO	01	01	5353.64	N/A
	Foreign Aided Projects (FAP)	08	04	6840.32	N/A

6.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants allocated to Communication and Works Department and expenditure by the department in financial year 2020-21 is given below:

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

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
14-Communication and Works	NC21	2,969,000,000	292,313,000	3,261,313,000	2,916,652,588	-344,660,412
15-Roads, Highways, Bridges Buildings and Structures (Repair)	NC21 &24	1,741,000,000	3,023,169,000	4,764,169,000	4,343,295,201	-420,873,799
Total		**4,710,000,000**	**3,315,482,000**	**8,025,482,000**	**7,259,947,789**	**-765,534,211**

Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
Grant No 56 Building & Structure	NC12	131,406,528	0	211,554,528	134,337,399	-77,217,129
Highways, Roads & Bridges	NC12	18,339,215,189	6,574,496,000	24,783,563,189	21,591,449,279	-3,192,113,910
Highways, Roads & Bridges	NC22	10,000,000	0	10,000,000	0	-10,000,000
60- Merged Areas	NC12	4,108,348,309	0	3,972,886,309	3,793,976,956	-178,909,353
60- Merged Areas	NC22	8,000,000	0	19,481,000	18,689,086	-791,914
	Total	**22,596,970,026**	**6,574,496,000**	**28,997,485,026**	**25,538,452,720**	**-3,459,032,306**

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

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	8,025.482	7,259.95	-765.534	-9.54%
Development	28,997.485	25,538.45	-3,459.032	-11.93%
Total	**37,022.97**	**32,798.40**	**-4,224.57**	**-11.41%**

It can be seen from the above variance analysis that the budgets could not be utilized and 11.41% of the funds have been left unspent which indicates that funds utilization is not optimal and planned developmental schems might have left incomplete.

6.1 (c) Issues in Communication & Works Department

It was noticed during the audit of C&W Department that tendering process adopted for the award of contracts was not transparent as few instances were observed. The non-transparent tendering process not only resulted in loss to the government but also against the spirit of fair competition which warrants provision of equal opportunities to all the prospective bidders.

The massive excavation activities were shown carried out in the construction/ rehabilitation of roads and a huge amount was paid to contractors. However, the abnormal excavations were doubtful as whereabouts of the excavated material were not known rather declared unsuitable without conducting requisite material tests. This contradicts the provisions of Technical Specifications for Workmanship MRS which states that excavated material shall remain the property of the government and must be used in filling instead of borrow material.

The department has adopted a practice as a routine matter to accord the Technical Sanction at a belated stage to cover-up all the major deviations from the original estimates and specifications. It is utilized as a cover up tool for the faulty planning and estimation instead of providing the executioner of works with technical guidance.

Instances were observed where Non-Schedule Items were paid but proper rate analysis based on market survey were not carried out. Accordingly, Audit wasunable to verify whether the paid rates were realistic or otherwise.

Similarly the contract management within the department is poor and despite having inordinate delays in the completion of schemes the penalty clauses are seldom/never invoked against the defaulting contractors. It resulted in considerable cost and time over-runs in the completion of schemes. Similarly, the instructions about the credit of lapsed deposits into the government treasury are not strictly followed by the Field offices of C&W department. The deduction of taxes as per applicable laws is more honored in the breach than in the observance.

6.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 1094.300 million were raised in this report during the current audit of Communication & Works Department. This amount also includes recoveries of Rs. 495.246 million pointed out by audit.

Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; **Amount in millions**

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and Misappropriation	140.43
3	Irregularities	-
A	HR/Employees related irregularities	-
`B	Procurement related irregularities	237.27
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	480.45
5	Others	236.12

6.3 Brief comments on the status of compliance with PAC directives

S.No	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1	2011-12	C&W	07	06	-	01
2	2012-13	-do-	10	05	-	05
3	2013-14	-do-	30	09	-	21
4	2014-15	-do-	26	20	-	06
5	2015-16	-do-	27	11	-	16
6	2016-17	-do-	17	09	-	08
7	2017-18	-do-	18	11	-	07

6.4 Audit Paras

6.4.1 Non transparent award of contract resulted in loss to the Government – Rs 36.705 million

According to section 30-Chapter-V (Miscellaneous Provisions) of the Khyber Pakhtunkhwa Public Procurement Authority Rules 2014, endorsed by Finance Department vide No. SO (FR)/FD/9-7/2010/Vol-II dated 03-02-2014, 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 under section 22 of the Act.

During audit of accounts record of the Executive Engineer C&W, Mansehra for the financial year 2020-21, it was observed that a contract for the Construction of Category-C Hospital at Balakot S.H, Main Building (Package-1) was awarded to M/S Raja Adalat Khan at the bid cost of Rs. 420,903,862/- on item rate basis. Scrutiny of the contract agreement file and bidding documents revealed the following irregularities:

i. The contractor's quoted rate was Rs 362,848,941 but manipulation was made in the bill of quantities (BOQ) in an item "P/L Granite Tiles on floors (basement, ground floor and first floor) by changing quoted rate of Rs.3,000/m^2 into Rs.8,000/m^2 which resulted in loss of Rs.36,705,900/- as tabulated below:

S#	Name of Item	Quantity m^2	Rate Quoted	Manipulated Rate	Actual Amount (Rs.)	Manipulated Amount (Rs.)	Difference/ Loss (Rs.)
1	P/L Granite Tiles on floors Basement	2447.06	3000	8000	7,341,180	19,576,480	12,235,300
2	Ground Floor	---do---	3000	8000	7,341,180	19,576,480	12,235,300
3	First Floor	---do---	3000	8000	7,341,180	19,576,480	12,235,300
Total							**36,705,900**

i. The opening date of bids as per NIT was 10.05.2016 but was opened on 20.05.2016.
ii. Proper technical evaluation of the contractors was not available on record.
iii. Work order was issued on 15.08.2016 but the scheme was still ongoing and penalty @10% was not imposed.
iv. The contractor was not active on FBR list and PEC registration was expired.

The loss occurred due to deviation from the above mentioned rules.6

When pointed out in July 2021, the management stated that detailed reply will be submitted after scrutiny of record.

The management was requested for holding the DAC meeting vide letter Audit/Dir (Works)/C&W/IR No.16/2020-21/31 dated 21.10.2021 which was not arranged till finalization of the report.

Audit recommends inquiry for recovery of loss due to manipulation in record and fixing of responsibility on the person(s) at fault.

AP No.376 (2020-21)

6.4.2 Loss to the Governmnet due to allowing schedule item as NSI at higher rates – Rs. 10.073 million

According to P&D Department instructions regarding the scheme ADP No. 512/150530(2015-16) conveyed vide letter No. Chief/INF/P&D/17/2016/405 dated 25-02-2016, "the Granitto tile may be replaced by Ceramic tile or marble tile". It was also mentioned in the letter at S.No.(X) that "NSI has been added in the estimate which are already available in market rates system (MRS) 2015

According to MRS-2016, item code 10-46-b, approved rate for P/F Ceramic Floor Tiles (Emco, National or equivalent) Size 20" x 20" is Rs.2015.41 per m^2.

During audit of accounts record of the Executive Engineer, C&W Division, Kohat for the financial year 2019-20, it was observed that an upto date payment of Rs.28,884,226/- was made to M/S Behram Construction Company for repair/ rehabilitation of District Headquarter (DHQ) Hospital Kohat, till 6^{th} running bill vide voucher No. 21R/ 17-06-2020.

Scrutiny of the bill showed that payment of Rs.15,002,805/- was paid for executing imported glazed tile/ floor tile in the required size in white cement complete in all respect for a quantity of 26320.71 Sft @ Rs.570 per Sft. The item was paid as NSI.

The P&D Department vide above-referred letter intimated to replace the Granitto tile with Ceramic Tile or Marble tile. The rate of ceramic floor tile size 20" x 20" was also available in MRS-2016 @ Rs.187.30/Sft (Rs.2015.41/m^2)

This resulted in overpayment of Rs.10,072,932/ (570 – 187.3 = 382.7 x 26320.7) due to executing imported glazed floor tiles instead of Ceramic Floor Tiles in violation of P&D Department directives during approval of scheme.

The overpayment occurred due to non-compliance of the directives of P&D department

In the DAC meeting held on 08.11.2021, the management stated that imported tile was used on the request of the hospital management as ordinary ceramic tile is given in the MRS was technically inappropriate as floor tile while the imported tile was provided in the cost estimate. The forum did not agree with the justification given and inquired about status of the Technical Sanction and rate analysis of the NSI but neither rate analysis was produced nor was technical sanction (TS) shown. It was decided that an inquiry may be conducted to physically examine whether imported tiles were used at site or otherwise and whether proper approval was given by the P&D department. The inquiry report should also verify the country of its origin and examine whether rate analysis was made or not.

However, no progress was intimated to audit till finalization of the report.

Audit recommends the implementation of the DAC decision.

AP No.296 (2019-20)

6.4.3 In-consistency in the approval and rejection of bids by approving authority – Rs. 97.406 million

According to section 30-Chapter-V (Miscellaneous Provisions) of the Khyber Pakhtunkhwa Public Procurement Authority Rules 2014 endorsed by Finance Department vide No. SO (FR)/FD/9-7/2010/Vol-II dated 03-02-2014, 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 under section 22 of the Act.

During audit of accounts record of Executive Engineer, C&W Division, Kohat for the financial year 2019-20 and further scrutiny and analysis of the bidding process and approval of tenders by the approving authority, revealed inconsistency in the approval and rejection of bids as elaborated below:

Rejected bids			Approved bids		
Tender opening date	**Scheme**	**Remarks by approving authority**	**Tender opening date**	**Scheme**	**Remarks by approving authority**
02.12.19 (P.91)	GPS Sangirh. 4% above bid offered by MS Expert & Professional contractor. (E/C = 19.918)	Rejected being on higher side. Re-tender.	20.11.19 (P.94)	GGMS Rehmanabad. 6.90% above rates offered by MS Noor Janat Shah. (E/C = 29.33 M)	Approved.
09.12.19 (P.92)	GGPS Usterzai, Civil work & Solarization. 6% above offered by MS Expert & Professional contractor. (E/C = 20.089 M)	Rejected being on higher side. Re-tender.	31.01.20 (P.112)	GGPS. 8% above rate offered by MS Noor Janat Shah. (E/C = 5.049 M)	Approved.
26.12.19 (P.98)	Building for Sp: Education center Kohat. 3% above offered by MS Yaseen Akbar. (E/C = 7.03 M)	Rejected being on higher side. Re-tender.	06.03.20 (P.131)	GMS Kamar Dand. 7% above rates offered by Noor Janat Shah. (E/C = 25.52 M)	Approved.
17.02.20 (P.105)	BT road at Akhtarabad Bahadur Kot. 1% below offered by MS Yousaf Khattak. (E/C = 7.31 M)	Rejected being on higher side. Re-tender.	31.01.20 (P.112)	GGPS Muhammadzai. 8% above offered by MS Noor Janat Shah. (E/C = 5.049 M)	Approved.
			27.04.20 (P.124)	RESCUE Office. 5% above rate offered by MS Gul Const: (E/C = 32.458)	Approved

The above-tabulated data shows that 1% below rate and 3%, 4% & 6% above rate were returned unapproved with the remarks that bid rates are on higher side and retendering was directed while on the other hand 5 %, 6.90%, 7%, and 8% above rate bids were approved.

This indicated inconsistency in the approval and rejection of bids which creates doubt about transparency in the tendering process. Furthermore, rejection of the bids and re-tendering without solid and justified grounds resulted in delay in completion of the projects and unnecessary extra expenditure on advertisement.

The lapse occurred due to non-conducting tender in a transparent manner.

In the DAC meeting held on 8.11.2021, the management stated that contractors offered their bids keeping in view the site situation and increase in rates of material in the market. The DAC forum did not agree with the justification given by the management and directed the concerned Executive Engineer to prepare a detailed report clarifying the position regarding subsequent tendering (explaining the previous reasons of rejection of tenders currently accepted and current reasons of acceptance of tenders previously rejected). No progress was intimated to audit till the finalization of the report.

Audit recommends a fact-finding inquiry in the matter and corrective action as required under the prescribed rules.

AP No. 298 (2019-20)

6.4.4 Overpayment due to allowing inadmissible item of work – Rs. 1.673 million

Irregular payment of NSI without Rate Analysis – Rs. 15.264 million

According to MRS-2016 (item code 06-39-b), the approved rate of item viz. erecting and removing of steel formwork is Rs.772.27/m^2 which includes contractor profit + labor + material + equipment.

During audit of accounts record of the Executive Engineer, C&W Division, Kohat for the financial year 2019-20, it was observed that an up-to-date payment of Rs.72,843,775/- was made to M/S Amanullah Khan for the construction of reinforced cement concrete (RCC) Tarali bridge, till 8th running bill vide voucher No.18-B-II/24-06-2020.The bill included the following items of work:

Item	Qty	Rate (Rs.)	Amount (Rs.)
Erecting & removing of steel form work for RCC or plain concrete vertical	1392 m2	772.27	1,074,999
Crane Lifting formwork	548.5 hours	3050 p/h	1,672,925

Audit observed that:

i. The rate of erecting & removing steel formwork is a composite rate that includes contractor profit, labor, material and equipment. The nomenclature also shows i.e. erecting and removing which indicates that the rate includes all costs associated with erecting and removing of steel formwork. Being already covered in the 1st item of work (erecting and removing of steel formwork), no separate payment for Crane Lifting Formwork worth Rs.1,672,925/- was admissible hence it is an overpayment.

ii. The Crane Lifting Formwork was neither provided in the BOQ nor is its rate available in the MRS-2016.

iii. Rate Analysis for payment of NSI worth Rs.15, 263,858/- was not available.

iv. Provisional payments for excavation under approaches & protection worth Rs.852, 678 need justification under the rules.

The lapse occurred due to deviation from rules/ criteria i.e. MRS-2016 and rate analysis.

In the DAC meeting held on 8.11.2021, the management stated that piers height was 39 meters and material and formwork was done with the help of crane duly approved in PC-1 and BOQ. The forum did not agree with the justification given by the management. Para was referred to PAC for decision.

Audit recommends recovery of inadmissible payment of Rs. 1,672,925/- besides fixing of responsibility.

AP No.302 (2019-20)

6.4.5 Overpayment on account of excess re-handling of gravel work – Rs. 4.894 million Non-whereabouts of the excavated material – Rs. 26.707 million

According to section 3.2.1.1, 3.2.4, 3.9.5.2 & 3.9.7.3 of the "Technical Specifications 2020 for workmanship" issued by the Communication & Works Department, Government of Khyber Pakhtunkhwa, materials of any kind such as shingle or hard good quality stone, obtained from excavation shall remain property of the government. The Engineer shall decide regarding the unsuitability of the material by conducting appropriate laboratory tests.

Measurement shall be made as under:
Formation from Borrow = A – B – C, where
A = Total Embankment Quantity
B = Roadway Excavation Quantity
C = Structural Excavation Quantity

The contractor is supposed to use material from Roadway Excavation irrespective of haulage distance. However, if contractor, for his own convenience, uses the material from borrow; the payment will still be made under the respective item.

During audit of accounts record of the Executive Engineer, C&W Division Hangu, for the financial year 2018-19, it was observed that a contract for the construction of District Jail Hangu, was awarded to M/S Qazi Khan and up-to-date payment of Rs.79,715,261/- was made till 22nd running bill vide voucher No. 25B/20-06-2019. Up-to-date payment included the following items:

Item	Qty M3	Rate Rs.	Payment Rs.
Excavation in shingle gravel foundation & rock etc.	142666.99	187.20	26,707,261
Re-handling of gravel work	192333.78	98.53	18,950,647
		Total	**45,657,908**

Audit observed the following irregularities which need justification:

i. The total excavated quantity was 142666.99 M3. As the re-handling of gravel work cannot exceed the excavated quantity however, in the instant case, re-handling was allowed in excess of the actual excavated quantity which has no justification. Allowing of excess re-handling of gravel work resulted in the overpayment of Rs.4,893,669/- (192333.78 – 142666.99 = 49666.79 x 98.53)

ii. Whereabouts of the excavated material of 142666.99 M3 costing Rs.26,707,26 was not known in violation of the stated rules/ instructions.

The lapse occurred due to violation of the above-quoted rules/instructions and weak monitoring & supervision of the site activities.

In the DAC meeting held on 07.10.2021, the management replied that quantity of 142666.99 m3 was produced from excavation in shingle gravel foundation and rock and the same quantity was re-handled while extra quantity of 49666.79 m3 was produced from the excavation in different other buildings. However, the forum did not agree and directed to produce the measurements of Pits from where excavated quantity of 142666.99 m3 was taken and filling measurement of quantity supported by site measurement. The concerned Executive Engineer (XEN) was further directed to produce proper compaction tests to audit for verification. No progress was intimated to audit till the finalization of the report.

Audit recommends recovery of the overpayment of Rs. 4,893,669 made to the contractor on account of excess re-handling of gravel work and to inquire whereabouts of the excavated material costing Rs. 26,707,261/- being government property.

AP No.448 (2019-20)

6.4.6 Overpayment by allowing excess quantity of steel – Rs. 1.485 million

According to the Technical Sanction granted for the construction of Bachelor Hostel in Civil Colony Khar, the following formula was given for steel consumption as:7.375 x quantity of RCC in roof, slab, beam / 2204

During audit of accounts record of the Executive Engineer, Building Division, Bajaur for the financial year 2019-20, it was observed that an up-to-date payment of Rs.7,008,091/- was made to M/S Shamsul Haq for the construction of Bachelor Hostel No.2 in Civil Colony Khar, vide voucher No. 7K/10-06-2020. On Comparison of steel consumption and RCC, it was revealed that an overpayment was made by allowing payment for excess steel quantity as worked out below:

Steel required = 7.375 x 3759.99 / 2204 = 12.58 ton.

Contrarily, payment was made for a quantity of 22.18 ton steel which resulted in overpayment of Rs.1,032,618/ (22.18 – 12.58 = 9.6 x 107564.41)

Similarly, excess steel quantity was allowed to M/S Aman Ullah under the scheme “Construction of Bachelor Hostel No.1 in Civil Colony, at Khar Bajaur as worked out below;

Steel required = (7.375 x 4798.955/ 2204) = 16.05 ton

Whereas payment was allowed for a quantity of 20.26 ton, which resulted in overpayment of Rs.452, 846/ (20.26 – 16.05 = 4.21 x 107564.41).

Hence total overpayment allowed was Rs.1, 485,464/ (1032618+452846)

The lapse occurred due to weak internal controls.

In the DAC meeting held on 1.11.2021 the management stated that payment of steel has been made according to the approved design and specifications given in the T.S. The forum did not agree with the reply as paid quantity of steel deviated the T.S provision regarding consumption of steel and directed that excess use of steel may either be justified through measurement book (MB), drawing and structure design or recovery may be made within 15 days. No progress was intimated till finalization of the report.

Audit recommends implementation of DAC decision.

AP No. 52 (2019-20)

6.4.7 Non-whereabouts of the excavated material – Rs. 49.769 million

According to section 3.2.1.1, 3.2.4 & 3.9.5.2 of the Technical Specifications 2020 for workmanship MRS-2020, issued by Communication & Works Department, GoKP, materials of any kind such as shingle or hard good quality stone, obtained from excavation shall remain the property of the government. The Engineer shall decide regarding the unsuitability of the material by conducting appropriate laboratory tests. The materials obtained from the excavations may be disposed of in any of the following manners: -

i. Finds like antique relics, coins, fossils, which normally cannot be used in the work are to be deposited with the Government store under directions of the Engineer in Charge.
ii. Suitable excavation material may be used in raising dams, embankments, ramps, rail and road formations or refilling the voids of foundations after the erection of the structure.

iii. Excavated material considered unsuitable for any of the above usages or rendered surplus, is usually dumped in spoil banks properly dressed under the directions of the Engineer in Charge.

During audit of accounts record of the Executive Engineer, Highway Division, Bajaur for the financial year 2019-20, it was observed that payment of Rs.49,769,518/- was made to the contractors under the following schemes for excavation of shingle and hard rock/ stone as summarized below:

Rs.

S. No	Scheme	Contractor	Vr. No.	Qty in M3	Payment
1	Const: & BT of tando bartrass arang pajegram	Wahid Builders	13K2/22.06.20	45717.5	17,982,234
2	Const: & BT of narang to ghargo sar road	DADA WCC	12K2/22.06.20	71854.3	16,824,141
3	Const: & BT of dara lar mulasaid 3KM	Wahid Builders	11K2/22.06.20	27269.6	14,963,143
			Total	**144841.4**	**49,769,518**

The excavated material was neither used in the formation of embankments nor deposited with the government store nor was any transportation lead shown. Hence, whereabouts of the excavated material quantity of 144841.4 M3 valuing Rs. 49,769,518/- were not known in violation of the above instructions. This creates doubts about the execution of such huge quantity of excavation.

The lapse occurred due to non-enforcement of the above provisions.

In the DAC meeting held on 09.11.2021, the management stated that the excavated material was surplus and accordingly disposed of within the lead covered in the rate and no further transportation was required. The DAC forum did not agree with the reply of the management and inquired about the payment of cutting and filling as either cutting payment or filling payment will be made if soil available then no payment was admissible for material but the management could not justify the position. No progress was intimated till the finalization of the report.

Audit recommends implementation of the DAC decision.

AP No. 598 (2019-20)

6.4.8 (i) Irregular payment of Non-Scheduled Items without rate analysis – Rs. 6.146 million

(ii) Irregular payment of steel without bar bending schedule – Rs. 15.255 million

According to KPPPRA letter No. KPPPRA/M&E/Suggestions/4-16/2014-15/540 dated 22.05.2015, the departments are advised to rationalize/revise the cost estimates in PC-1s after careful market analysis by bringing them down for justification and matching to the market rates, needs and availability in light of the instructions issued by Chief Minister vide letter No. SO.III/CMS/KPK/5-1/2015/P&D Department/3034-35 dated 02.03.2015.

During audit of accounts record of the Executive Engineer, Highway Division Bajaur for the financial year 2019-20, it was observed that an up to date payment of Rs.40,827,907/- was made to M/S Bangash Yousafzai for the construction of RCC bridge at Pashat Raghagan road till 5th running bill vide voucher No. 4K2/17-06-2020.

Scrutiny of the bill revealed the following irregularities:

i. Payment of Rs.6, 146,229/- was allowed against Non-Schedule Items however, proper rate analysis showing the basis of determination of rates (market survey or quotations from the manufacturers/ suppliers) was not available.
ii. Payment of Rs.15, 255,147/- for 128.847 ton of steel was made without bar bending schedule.
iii. Payment of Rs.81389 (32096 + 49293) for the diversion & dewatering while both items are temporary items and are inadmissible under section 3.9.1.4 of Technical Specifications 2020, stating that the Contractor shall provide necessary facilities for dewatering and for draining or diverting watercourses when necessary for the protection of contract work or where required by the Engineer. The Contractor shall provide such drainage outlet ditches or canals as may be necessary and shall not be paid separately, but shall be deemed to be included in other items of work.
iv. Contract agreement & Technical sanction were not yet approved despite payment of Rs.40,827,907/-

The lapse occurred due to weak management of the affairs of the division.

In the DAC meeting held on 09.11.2021, the management stated that the rates of non-schedule items have been approved in the PC-I & TS while Bar Bending Schedule was provided which was verified on spot. However, the forum did not agree with the justification given by the management regarding payment of non-schedule items without proper rate analysis. The forum also questioned the status of items allowed as NSI and directed to verify the availability of these items in the CSR-2012 as “boring for cast in place RCC piles” is a scheduled item. However, the management could not justify the status. No progress was intimated till finalization of the report.

Audit recommends to inquire the matter and recovery in case of irrational payment made against the rules/procedure.

AP No. 605 (2019-20)

6.4.9 Unjustified expenditure on the payment of Electricity Bills of Tube Wells- Rs. 3.872 million

According to Section-3 (Chapter-3) read with Section-4 (Chapter –VIII) of the Khyber Pakhtunkhwa Residential Accommodation at Peshawar (Procedure for Allotment) Rules, 2018 "The incumbent public office holder of designated residential accommodation shall be responsible for payment of rent and all kinds of dues and utility bills during his stay, in the same manner as in the case of any other allotted residential accommodation. Utility bills of the residential accommodation shall be paid by the allottee directly to the relevant service providers for the period commencing from the date of vacation by the previous allottee.

During audit of accounts record of the Executive Engineer, Provincial Building Maintenance Cell (PBMC) for the financial year 2018-2019, it was noticed that an expenditure of Rs.3,871,551/- was incurred on the payment of Electricity Bills of the tube wells installed at various government colonies. It is to add that Electricity bills of the tube wells installed at the government colonies are paid out of the PBMC funds but neither any receipts were realized by PBMC from the occupants of the residential units of the colonies nor any deductions were made from their salaries on account of monthly Water Charges (Utility charges). Hence, the expenditure of Rs.3,871,551/- stands unjustified.

The department did not produce any documentary evidence to justify the payment of electricity bills of the tube wells.

The lapse occurred due to deviation from the above instructions/ rules.

In the DAC meeting held on 03.11.2021, the management stated that PBMC paid the electricity bills of all tube wells installed in different government colonies from PBMC funds. However, no monthly water charges were deducted from the occupant which is the duty of Estate Office/ Administration Department. The forum principally agreed that water charges should be deducted/ recovered from the occupants and no such payments may be made from government funds.

Audit recommends recovery of water charges from the occupants of the government residential and stoppage of such payments from government funds.

AP No. 130 (2018-19)

6.4.10 Non-imposition of penalty for delay in completion of work within the stipulated time despite fault on the part of the contractor – Rs.33.690 million

According to clause 70.1 (e) of Tender Documents Volume-I read with work order No.266/2015 dated 03-11-2015 & clause 47.1 of the contract agreement, the approved date of completion was 09-11-2017 and liquidated damages @ 0.1% for each day subject to a maximum of 10 be imposed for delay in completion of work. If the contractor fails to complete the works within the time for completion prescribed under clause 43, adjustment of prices thereafter until the date of completion of the works shall be made using either the indices or prices relating to the prescribed time for completion or the current indices or prices, whichever is more favorable to the employer, provided that if an extension of time is granted pursuant to clause 44, the above provision shall apply only to adjustments made after the expiry of such extension of time.

During audit of accounts record of the Managing Director, Khyber Pakhtunkhwa Highways Authority for the Financial Year 2020-21, it was observed that the contract for the improvement/ rehabilitation of road from Gulshanabad to Janana Mill (P-IV) was awarded to M/S Al-Mehreen Enterprises with completion of scheme till 09.11.2017. Scrutiny of the record revealed that final bill was submitted on 27-02-2019 and passed with total payment of Rs.307, 822,211/-

The completion of the work was delayed for one and half year but liquidated damages amounting to Rs.33, 690,153/- (336901532 x 10%) were not imposed on the contractor for delay in completion of the work. Audit is of the view that delay was on the contractor's part on the following grounds:

i. Current indices for escalation purpose were frozen on the level of its admissibility as on June 2018, which are frozen in case delay is on the contractor's part. Once current indices were frozen, it established that delay was on the contractor's part and accordingly liquidated damage should have been imposed.
ii. The escalation bill showed work done since issuance of work order and in all subsequent months without any break. This indicated that there were no site issues but pace of work was slow on the part of the contractor which contributed to delay in completion.

The delay in completion of work not only deprived the general public from the safe roads infrastructure but on the other hand, delay was favorable to the contractor as escalation payment worth Rs.16, 212,677/- was made to him.

The lapse occurred due to non-enforcement of the contract agreement provision.

When pointed out in October 2021, the management stated that detailed reply will be submitted after consulting the concerned staff and relevant record.

The Department was requested for holding the DAC meeting vide AIR/DAC/Dir(w)/C&W/IR20/SIR 254-294/45 dated 02.11.2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery of penalty from the contractor.

AP No.459 (2020-21)

6.4.11 Irregular payment on account of removal of hill rocks and snow – Rs.4.369 million

According to the Administrative Approval (AA) granted vide C&W Department No. SOR/V-39/C&W/2019 dated 26.12.2019, a provision was made for Emergency Snow Clearance.

During audit of the accounts record of the Executive Engineer, C&W Division Dir (Lower) for the financial year 2019-20, it was observed that Rs.4,369,335/- was paid to M/S Fazli Subhan on account of removal of hillside slips of rocks and removal of snow in Jandool sub-division, vide voucher No. 32H/19-06-2020. The payment to contractor for removal of rocks and snow was held irregular on the following grounds:

i. Machinery/ equipment are available in C&W Dir (L) division, out of which some are shown as serviceable and some unserviceable. Instead of payment to the contractor, the said work could be done departmentally. Furthermore, machinery/ equipment were shown unserviceable without proper inspection by a technical committee.
ii. The total expenditure includes payment of Rs. 1,503,831/- for removal of hillside slips of rocks but Administrative Approval was only for removal of snow under emergency and not removal of rock. The same needs justification as removal of rocks could be carried out under annual operating, maintenance & repair (AOM&R) funds which were also received. This creates doubts about double payment of the same item as removal of rock is also paid to various contractors under the respective road works schemes.

Furthermore, NIT shows tender was floated in Newspaper on 06-12-2019 while AA was granted on 26-12-2019. NIT in anticipation of approval/ AA need justification.

The lapse occurred due to weak internal controls.

In the DAC meeting held on 11.11.2021, the management stated the available & serviceable machinery/ equipment was not enough to cover the removal of slips/ snow of different roads. Therefore, the contractor had to arrange his own machinery/ equipment to execute the job. Furthermore, both the item were covered in the PC-I. However, the forum did not agree with the reply of the management and directed to submit list of machinery/ equipment available with its condition, list of roads cleared from snow and hill side slips supported by MBs

& pictures and payment made to contractor and deduction of machinery charges from contractors' claim. The forum further observed that no snowfall occurred in Dir (Lower) during 2019-20 but payment of Rs.5,785,865/- was made on account of snowfall clearance.
No progress was intimated till the finalization of this report.

Audit recommends inquiring the matter and required action accordingly.

AP No.241 (2019-20)

6.4.12 Unjustified payment on account of consultancy charges - Rs. 2.569 million

According to Clause 2.8 & 3.1.1 of the consultancy agreement executed with M/S Shaz, the client may suspend all payments to the consultants if they fail to perform any of their obligations under this contract, including the carrying out of the services. The consultants shall perform the services and carry out their obligations with all due diligence, efficiency and economy, under generally accepted professional techniques and practices, and shall observe sound management practices, and employ appropriate advanced technology and safe methods. The consultants shall always act, in respect of any matter relating to this contract or to the services as faithful advisors to the client, and shall at times support the client's legitimate interests in any dealings with sub-consultants or third parties.

During Audit of the accounts record of the Executive Engineer, C & W Division, Karak for the financial years 2017-20, it was observed that the consultancy contract of the work "Establishment of 01 number of Government Girls Degree College Latamber" amounting to Rs. 8,200,000/- was awarded to M/S Shaz Consultant vide work order dated 28-04-2015. Subsequently, an amount of Rs. 2,569,959/- was paid to the consultant vide cash book voucher (CBV) No. 27-TN dated 27-03-2019 up-to 2nd running bill, on account of consultancy charges.

The services of the consultant were terminated vide office order dated 04-03-2020 due to non-furnishing of the duly signed structural design, drawings, structure stability certificate, technical sanction estimate, revised structural foundation details and the supervision staff etc. However, the division failed to take necessary action against the consultant which resulted in loss to the government.

The lapse occurred due to deviation from the provisions of the contract agreement.

In the DAC meeting held on 22.11.2021, the management replied that the consultancy of the scheme was awarded to M/S Shaz Consultants at the bid cost of Rs. 8,200,000/- and was paid Rs.2,569,959 till 2nd running bill. Later on, the consultant failed to perform his contractual obligations, his contract was terminated and forfeited his call deposit Rs. 149,259/-. However, the DAC forum decided to conduct a fact-finding inquiry by Superintending Engineer, C&W

Circle Kohat to examine detail cost of consultancy component, work carried out and payment made to the consultants within one week time under intimation to Audit.

No further progress was intimated till the finalization of the report.

Audit recommends implementation of the DAC decision and required action accordingly.

AP No. 526 (2017-20)

6.4.13 Doubtful award of contract - Rs. 46.550 million

According to Para 56 of the central public work department (CPWD) Code, for each individual work to be carried out, a proper detailed estimate must be prepared for the sanction of competent authority, to be obtained before construction of the work is commenced. It is a guarantee that the proposals are structurally sound, and that the estimates are accurately calculated and based on adequate data.

During audit of accounts record of the Executive Engineer, C & W Division, Karak for the financial years 2017-20, it was observed that the work "Construction of Building for Commerce College near GPI at Karak" under ADP Scheme No. 559/100367 was awarded to M/S Janson Construction Company (c/o Muhammad Fayaz Khan Khattak) at a bid cost of Rs. 192,001,889/- vide work order dated 25-02-2016, with a completion period of 24 months, against the administrative approval of 235,782,000/-.

During physical verification of the site, it was observed that all the basic structure of the building like main building, staff& student hostel, principal residence, mosque and boundary wall etc. were completed by the contractor in the above (original) work. However, the administrative approval of the scheme was revised with a total cost of Rs. 338,019,000/-, including Rs. 25,000,000/- as a revenue component and awarded to the same contractor as a balance/ additional work for an amount of Rs. 46,550,000/- vide work order dated 07-04-2020, with no approved PC-I and technical sanction for the additional work.

Audit observed that all items reflected in the work order were of AOM&R nature and none of the items could have been used to add value to the existing building. Revision of the administrative approval of the scheme and awarding of the additional work was only to utilize the balance amount of the scheme which needs detailed investigation.

The lapse occurred due to non-enforcement of the above rules/ instructions.

When pointed out in January 2021, the management stated that reply will be submitted after verification of record.

In the DAC meeting held on 22.11.2021, the management replied that original contract for the said work was awarded to M/S Jonson Construction Co: however, due to increase in the scope of work, PC-I of the scheme was revised. The original contract of M/S Jonson & Co: reached to its ceiling of 15% of the bid cost therefore, additional scope of work as per revised Administrative Approval was tendered afresh and awarded to M/S Muhammad Fayaz Khattak & Co: being the lowest bidder. However, the forum did not agree with the reply of the management and directed fact finding inquiry to be conducted by Superintending Engineer, C&W (South) Kohat with the following TORs:

i. Examine approval of original PC-I keeping in view the site availability and requirement of the department.
ii. Revised approval of PC-I keeping in view the actual requirement of site as well as department.
iii. Detail comparative statement showing item wise increase/ decrease.

The inquiry report shall be finalized within 15 days.

No progress was intimated till finalization of the report.

Audit recommends implementation of the DAC decision and required action accordingly.

AP No. 514 (2017-20)

6.4.14 Loss due to non-utilization of the available earth & transportation – Rs. 7.796 million

According to section 3.2.1.1, 3.2.4, 3.9.5.2 & 3.9.7.3 of the "Technical Specifications 2020 for workmanship" issued by the Communication & Works Department, Government of Khyber Pakhtunkhwa, materials of any kind such as shingle or hard good quality stone, obtained from excavation shall remain property of the government. The Engineer shall decide regarding the unsuitability of the material by conducting appropriate laboratory tests.

Measurement shall be made as under:

Formation from Borrow = A – B – C, where

A = Total Embankment Quantity

B = Roadway Excavation Quantity

C = Structural Excavation Quantity

The contractor is supposed to use material from Roadway Excavation irrespective of haulage distance. However, if contractor for his own convenience uses the material from borrow, payment shall still be made under the respective item.

During audit of accounts record of the Executive Engineer, C&W Building Division Mardan for the financial year 2019-20, it was noticed that contract for the "Improvement of DHQ Hospital Mardan Phase-III package I" was awarded to Mr.Rustam Khan and was allowed an up to date payment of Rs. 1029.800 million till 43rd running bill vide voucher No.13-B dated 16-06-2020.

Scrutiny of the bill revealed that 760 (1000 cft) excavated material was available which was declared unsuitable without conducting requisite lab test and borrowed material was shown used in filling.

Resultantly, loss of Rs. 7,796,834/- occurred due to non-utilization of the available material and allowing unnecessary transportation and using of borrowed material for filling purpose as tabulated below:

Particulars	**Excavation**		**Transportation of excavated earth**		**Formation Embankment from borrowed sand**	
	Qty (1000 cft)	**Amount (Rs)**	**Qty (1000 cft)**	**Amount (Rs)**	**Qty (1000 cft)**	**Amount (Rs)**
OPD Service	239	712,246	261	2,446,914	3978	4,719,016
Diagnostic Block	338	1,008,745	405	3,791,408	5394	6,399,164
Block	29	87,852	19	185,341	490	581,528
Admn block	41	122,581	50	471,811	515	610,898
Hostel	113	336,615	0	0	2389	2,834,589
Total	**760**	**2,268,039**	**735**	**6,895,474**	**12766**	**15,145,195**

Audit opines that if the excavated earth had been used in filling instead of borrowed earth, the loss of Rs. 7, 796,834 /- {6,895,474 + (760*1186 =901,360)} would not have occurred.

The lapse occurred due to deviation from the above instructions/Rules.

When pointed out in January 2021, the management stated that detail reply will be furnished after scrutiny of record.

In the DAC meeting held on 25.10.2021, the management stated that the excavated material was unsuitable composing dismantled plain cement concrete (PCC), Plastic, shrubs, roots etc and was accordingly disposed off however the forum did not agree with the justification of the department as the excavated material was shown disposed off without conducting requisite lab test and was decided to carry out physical verification of site. Furthermore, audit contention was based on excavated material and on transportation not on the quantity of dismantled and clearing and grubbing items mentioned in the management reply. No progress was intimated till finalization of the report.

Audit recommends implementation of DAC decision and recovery of the loss from the contractor.

AP No. 669 (2019-20)

6.4.15 Loss to the government due to deviation from approved BOQ – Rs. 7.739 million

According to the Work Order No. 242/2-R dated 01/01/2016 vide condition no 3, the work was approved subject to no deviation from approved scope of work, without written instructions. The approved item was "earth excavation in open cut up to 1.5 m depth" for a quantity of 10968 m3 @ 106.46/m3

During audit of accounts record of the Executive Engineer Highway Division Mardan, for the financial year 2020-21, it was noticed that contract for the "Construction of Mardan Bypass road missing links from Patai Village to NCC Rd 4Km P-II" was awarded to M/S Shoukat Khan & Co. and up-to-date payment of Rs. 182.796 million was allowed vide Voucher No.08-R-IV dated 12-01-2021.

Scrutiny of 19th running bill and its comparison with the BOQ/work order revealed that the approved item "earth excavation in open cut up to 1.5 m depth" was replaced by roadway excavation in surplus/unsuitable material. This resulted in loss of Rs 7,739,769 as summarized below:-

Rs.

Item	Rate quoted	Rate /m3 allowed	Difference	Quantity paid m3	Loss	Remarks
earth excavation in open cut up to 1.5 m depth	106.46	0	0	0	0	Item approved but not executed
Roadway excavation	-	321.37	214.91	36014	7,739,769	Item not approved but executed and paid

Audit opines that scheme worth Rs.170,999,100 was approved on the basis of feasibility study and drawing & design for which consultant was paid. However, omission of such basic earth item & then replacing it with other costly item that too not covered in variation order was a gross negligence. No action was taken against the consultant for such a gross negligence in earth work.

The lapse occurred due to deviation from BOQ/ work order.

During DAC meeting held on 11.01.2022, it was decided that department will revise their reply in light of original AA and revised AA with certain reasons supported by road alignment and Google maps with the justification of change of item of work mentioned in the Audit para. Department will also provide lab tests conducted within 15 days among other related documents. However, no document was produced to Audit by the time of finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 150 (2020-21)

6.4.16 Loss to government due to not awarding work to the lowest bidder - Rs. 7.841 million

According to chapter 5 (Miscellaneous Provisions) KPPPRA 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.

During audit of accounts record of the Executive Engineer, C&W Division Chitral for the financial year 2018-19, it was noticed that the contract for "Construction of Directorate of Human Rights" with the tender cost of Rs.31.363 million was put to tender with bid opening date as 16.10.2018. Eight bidders participated in the tender process out of which M/S Kifayatullah Khan was the lowest bidder i.e. 41.80% (Rs.18.253 million) below the tender cost. However, the lowest bidder was rejected and debarred for a period of 6 months for participation in all tenders with the plea that the said firm did not submit earnest money & additional security which was mandatory requirement. Contrarily, the work was awarded to the 2nd lowest bidder to M/S Irshad Ahmad at 16.80 % below i.e. Rs.26.094 million.

On scrutiny and verification of record, it was observed that lowest contractor had already submitted call deposit in favor of Executive Engineer C & W Chitral duly reflected in comparative statement of E-Billing and also verified by the concerned bank through E-mail.

Not awarding contract to the lowest bidder resulted into loss of Rs.7.841 (26.094-18.253) to the government.

The lapse occurred due to violation of KPPPRA rules.

In the DAC meeting held on 25.05.2021, the management stated that the lowest bidders did not submit call deposit receipt (CDR) in time therefore, was debarred for a period of 6 months and contract was awarded to the second lowest bidder. The forum did not agree and ordered inquiry to be conducted by the Superintend Engineer C&W circle Dir Lower, to check that why the work was awarded through single stage single envelope, examine Original CDRs and reasons for declaring the first lowest contractor as non- responsive and submit report within 30 days.
No progress was intimated till finalization of this report.

Audit recommends implementation of the DAC decision

AP No. 437 (2018-19)

6.4.17 Wasteful payment to the consultant due to defective design - Rs. 2.294 million

According to TORs of the consultant duly incorporated in the contract agreement, the services of the consultant was hired for detailed survey, test and investigations, detailed design & drawing Designing, to carry out topographic surveys, including horizontal and vertical alignments and cross sections, establishment of horizontal control points, benchmarks and permanent reference beacons required for detailed engineering designs to enable construction quantities to be calculated to be an accuracy of (+5%) (-5%)

During audit of accounts record of the M.D Pakhtunkhwa Highways Authority Peshawar for the financial year 2018-19, it was observed that payment of Rs 2.294 million was made to M/S Development Management Consultant for the detailed drawing, design, topographic surveys etc. for the construction of Dir Upper to Sheringal (Kohistan) and Patrak road.

Scrutiny of record revealed that abnormal excessive quantities were paid to the contractor than the approved quantities through variation orders as summarized below:-

Rs.

Pkg	Item	BOQ amount	Paid amount	Difference amount	% Excess/ Variation
1	Earth work	90,432,186	181,877,992	91,445,806	101%
2	Earth work	6,9175,611	195,394,864	126,219,253	182%
3	Earth work	72,576,363	84,315,797	11,739,434	16%

This indicated that BOQ was not based on site survey and drawing & design which resulted in abnormal deviation from the approved BOQ which was based for tender process. As such payment for drawing & design to the consultant was considered wasteful expenditure as the consultant had not fulfilled his contractual obligations which resulted into abnormal deviation as tabulated above.

The lapse occurred due to non- enforcement of contract agreement provision.

When pointed out in October 2019, the management stated that detail reply will be furnished after scrutiny of record.

In the DAC meeting held on 12.10.2020, the management stated that the road alignment was shifted to the left side from right bank of Kohistan on the directives of the worthy Chief Minister KP and accordingly revised PC-1 approved. The DAC forum did not agree with the reply of the department as in the letter only change of road geometry and design etc. i.e. from triple surface treatment (TST) to Asphalt Wearing Course was directed. Therefore, joint inquiry was directed.

No progress was intimated till the finalization of the report.

Audit recommends implementation of DAC decision.

AP No. 166 (2018-19)

6.4.18 Overpayment due to allowing inadmissible item of work – Rs. 5.871 million

According to remarks noted against item No. 03-05-a of MRS-2015, the rate of "formations of embankment from borrow area" is inclusive of clearing and grubbing where necessary.

During audit of accounts record of the M.D Pakhtunkhwa Highways Authority Peshawar for the financial year 2018-19, it was noticed that payment of Rs.650.583 million was made to various contractors on account of formation of embankment from borrowed material which was inclusive of clearing and grubbing charges. Contrarily, further payment of Rs 5.871 million was made to the contractors under the same scheme for item Clearing and Grubbing which was not admissible and considered as overpayment.

The lapse occurred due to violation of MRS-2015 Provision.

When pointed out in October 2019, the management stated that detail reply will be furnished after scrutiny of record.

In the DAC meeting held on 12.10.2020, the management stated that items i.e. formation of embankment and clearing and grubbing are two different activities having different specifications. However, the forum did not agree with justification of the management as it is clearly mentioned in the remarks column of the relevant MRS i.e. 03-05-a, that the rate also includes clearing and Grubbing where necessary therefore, recovery is required to be made from the contractor. No progress was intimated till finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 133 (2018-19)

6.4.19 Doubtful payment to the contractor on account of over and above variation – Rs. 5.936 million

According to the Variation Order No 2, the following items along with mentioned quantities were approved:

S. #	Item of work	Quantity
1	formation of embankment from road way excavation in rock material requiring blasting and compaction of embankment by power roller	8590.710 m3
2	road way excavation in surplus/unsuitable medium material requiring blasting	28433.680 m3

During audit of accounts record of the M.D Pakhtunkhwa Highways Authority Peshawar for the financial year 2018-19, it was noticed that contract for the construction & black topping of the “Manglawar to Malam Jabba Road Package 1(0 to 12 km)” was awarded to M/S Amanullah and allowed up-to-date payment of Rs 324.789 million till interim payment certificate (IPC) 14 dated 27.6.2019.

Scrutiny of paid quantities and VO2 quantities as reflected in IPC 14 revealed that excess quantities were paid to the contractor as summarized below:-

Rs.

Item	Approved Quantity (m3)	Paid Quantity (m3)	Excess quantity	Rate	Excess payment
Formation of embankment from road way excavation in rock material required blasting	8590.710	9686.83	1096.12	791.08	867,118
Road way excavation in surplus/un suitable medium material requiring blasting	28433.680	37407.43	8973.75	564.870	5,069,002
				Total	**5,936,120**

This indicate that either BOQ was not based on site survey / drawing & design or unrealistic excess quantities than BOQ/VO2 provision were allowed which resulted into doubtful payment of Rs 5,936,120

The lapse occurred due to non- enforcement of contract agreement provision.

In the DAC meeting held on 12.10.2020, the management stated that excess quantities were carried out as per site requirement and covered in variation order no 3 and Technical Sanction. Furthermore, an excess quantity of Rs. 8,356,298 as observed by audit was adjusted/recovered in IPC 19. However, the DAC forum did not agree with justification of the department because increase in the quantities of items in the 3rd variation order (VO) instead of 1st&2nd VOs strengthen audit point of view. The forum further directed to conduct inquiry for fixing of responsibility on consultant and person at fault along with recovery of differential quantities.

No progress was intimated till finalization of this report.

Audit recommends implementation of DAC decision

AP No. 160 (2018-19)

6.4.20 Unauthentic and doubtful payment for defective detailed engineering design - Rs.68.291 million

According to PC-1 of the scheme, Detail designing, to carry out topographic surveys, including horizontal and vertical alignments and cross sections, establishment of horizontal control points, benchmarks, and permanent reference beacons required for detailed engineering designs to enable construction quantities to be calculated to accuracy.

During audit of the Executive Engineer Highway C&W Division Abbottabad, for the financial year 2019-20, It was observed that the design consultancy for the work "improvement and black topping of the road from Batti to Lower Surajal Dana 10 km" has been awarded to M/S Planner consultant at the cost of Rs. 89.25 million. However, audit observed that the design was defective as evident that a quantity of 7,875 m^3 excavations in shingle or gravel formation & rock not requiring blast, undressed, 50 m lead dry was provided in the consultant estimates but payment was allowed to the contractor as per actual site requirements on enhanced quantities i-e 54,044 m^3.

Audit held that all the work was performed without proper field survey by the consultant and that is why the actual quantities requirement has not been identified by the consultant at the design stage.

The lapse occurred due to weak internal controls.

In the DAC meeting held on 28.10.2021, the department replied that quantities taken in the PC-1 were estimated however, during excavation detailed survey was conducted, and the quantity of 54,044 m^3 was approved in the T.S estimate by the competent authority. The DAC forum directed to conduct an inquiry to investigate the matter and fix responsibility for the violation. However, no progress was intimated till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 177 (2019-20)

6.4.21 Unauthorized payment due to deviation from the approved design - Rs. 6.948 million

According to approved PC-1, clearing & grubbing, compaction of natural ground and formation embankment having cost of 6.300 million was provided and approved and vetted by the consultant.

During audit of accounts record of the Executive Engineer Highway C&W Division Mansehra, for the financial year 2019-20**,** it was noticed that a contract for the construction of Chor Kalan road was awarded to M/S HI star with a bid cost of Rs. 58.439 million and allowed payment of Rs. 55.535 million vide Vr. 18-0- dated 20-5-2020.

On scrutiny of record, it was revealed that items of work mentioned above in the criteria were approved in the Design/PC-1 duly vetted by the Consultant based on MRS 2015 with the cost of Rs.6.300 m.

However, the Executive Engineer replaced it with a new item of work i.e. rock excavation dressing up to 50-m soft rock/ slate shale latriate under clause 12 and allowed payment of Rs. 13.248 million to the contractor which stands unauthorized due to deviation from the approved design/PC-1 resulting in an unauthorized payment of Rs. 6.948 million.

The lapse occurred due to deviation from the approved PC-1.

In the DAC meeting held on 6.10.2021, the management replied that rock excavation dressing and disposal 50m soft rock slate was required at site in order to achieve the desired width of road duly approved in T.S. The DAC forum did not agree with the reply and ordered a fact finding inquiry to be conducted by superintending engineer (S.E) C&W Mansehra circle under following TORs;

i). To see whether original survey conducted by the consultant was correct or otherwise.
ii). In case the design was faulty what action was taken against the consultant under the KPPPRA rules?
iii). To examine proper justification for change of alignment selected later on.

However, no progress was intimated to audit till the finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 615 (2019-20)

6.4.22 Non-whereabouts of the excavated material – Rs.78.049 million

According to section 3.2.1.1, 3.2.4 & 3.9.5.2 of the Technical Specifications 2020 for workmanship, issued by Communication & Works Department, Government of Khyber Pakhtunkhwa, materials of any kind such as shingle or hard good quality stone, obtained from excavation shall remain the property of the government. The Engineer shall decide regarding the unsuitability of the material by conducting appropriate laboratory tests. The materials obtained from the excavations may be disposed of in any of the following manners;

i. Finds like antique relics, coins, fossils, which normally cannot be used in the work or deposited with Government store under directions of the Engineer in Charge.
ii. Suitable excavation material may be used in raising dams, embankments, ramps, rail and road formations or refilling the voids of foundations after the erection of the structure.
iii. Excavated material considered unsuitable for any of the above usages or rendered surplus, is usually dumped in spoil banks properly dressed under the directions of the Engineer in Charge.

During audit of accounts record of the Executive Engineer, C&W Highway Division, South Waziristan for the financial year 2020-21,it was noticed that contracts of the following works were awarded as summarized below:

(Rs. in million)

Name of works	Name of contractor	Voucher #	Items paid excess	Amount
Exten: of Makin Chlerai BT Road to Hingamal Rd 5-16 Km	M/s Saiful Malook	37-L dated: 14-6-2021.	Formation embankment from earth excavation in hard & soft rock	60.538
Const: of 7 KM BT Road to Chalghoza Forest tehsil Birmal	M/s Tavoos Construction	22-W dated 16-06-2021	**-do-**	17.511
			Total	**78.049**

However, excavated material was neither used in the formation embankment/structure back fill nor the whereabouts of the excavated material valuing Rs. 78.049 million was known which violation of the above instructions.

The lapse occurred due to non-enforcement of the above rules/ instructions.

In the DAC meeting held on 09-12-2021, the management replied that excavated material was available. The road passes through hilly terrain having different stratas and no embankment stretch was involved in 11 km road. However, DAC forum did not agree with the reply and directed that the long section and cross section of the road showing gradient and the area where casual blasting was carried out and the detail of payments to contractor supported by PC-I, MB and vouchers etc. be produced to Audit within 15 days for verification. Howver, no progress was intimated till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No.74 & 80 (2020-21)

6.4.23 Loss due to application of higher rate without test report – Rs. 55.340 million

According to item No. 03-09-a of MRS 2017, rate of item work Excavation in shingle or gravel formation & rock not requiring blast, undressed, 50m lead :dry, is Rs 377.43/M3.

During audit of accounts record of the Executive Engineer C&W Division, Abbottabad for the financial year 2020-21, it was observed that payment of Rs.57,840,858 was made to M/S Frontier Works Organization (FWO) for an item of work “excavation in hard Rock requiring blasting and disposal up to 25m & dressing Grade-IV rock” for a quantity of 74431.68 m3 @ Rs. 777.100/m3 in construction of by-pass road from Ayub Bridge Havilian (N-35) to Damtour at Abbottabad vide voucher No. 90-H dated 24-06-2021.

Audit observed that Government sustained a loss of Rs 55,340,157 due to allowing the item of work "Rock requiring blasting" instead of "Rock not is requiring blasting" without any soil test report from a recognized agency. The payment for rock excavation requiring blasting was un-due favor to contractor as during physical verification, no evidence of blasting was observed and in absence of soil test repots the audit point of view was further confirmed which needs detailed investigation. Detail is given as under;

Rs.

Voucher No & date	Package	Name of Contractor	Rate paid for rock requiring blasting	Rate required for rock not requiring blasting	Difference	Quantity	Total	Loss with cost factor 3%
90-H, 24-6-21	I	FWO	777.100	377.43	399.67	35,648.08	14,247,468	
90-H, 24-6-21	II	FWO	777.100	377.43	399.67	5,076.49	2,028,920	
90-H, 24-6-21	III	FWO	777.100	377.43	399.67	72,750.3	29,076,112	
90-H, 24-6-21	IV	FWO	777.100	377.43	399.67	20,956.81	8,375,808	
Total						**134,432**	**53,728,308**	**55,340,157**

The lapse occurred due weak internal controls.

When pointed out in August 2021, management stated that detailed reply will be submitted after consultation of record.

The Department was requested for holding the DAC meeting vide AIR/DAC/Dir(w)/ C&W/IR07/2020-21/22 dated 11.10.2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends detail investigation and fixing of responsibility on the person(s) concerned and recovery of the loss.

AP No. 129 (2020-21)

6.4.24 Overpayment due to non-deduction of available material from Coursed Random Rubble Masonry – Rs. 3.515 million

According to MRS 2017 item No. 08-02-d-03, Coursed random rubble masonry (RRM) in foundation and plinth includes 40% cost of stone. This read with Para 1.58 of building & roads (B&R) Code, the Divisional Officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality.

During audit of accounts record of the Executive Engineer C&W Division, Lower Kurram for the financial year 2020-21, it was noticed that work “Rehabilitation and reconstruction of Sports Complex, Sadda” was awarded to M/S Parachamkani Construction Company. It was observed that an overpayment Rs 3,515,149/- was made by allowing full rate for item of work “Coursed Random Rubble Masonry in foundation and Plinth” and ignoring the available stone at site from excavation in hard rock material requiring blasting, vide Voucher No.19/CKII dated 21-06-2021. Detail is given below;

Rs.

Qty available from excavation in M^3	**Item of work**	**Qty executed in M^3**	**Rate Paid**	**Required rate**	**Diff**	**Overpayment**	**Add 5 %**	**Deduct below rate (10)%**
1,208	Coursed R RM(1:6) in F &P	832.61	5,746.81	4,467.56	1279.25	3,719,735	3,905,721	3,515,149
							Total	**3,515,149**

The lapse occurred due to weak internal controls.

When pointed out in September, 2021, management stated that detailed reply will be submitted after scrutiny of record.

Department was requested for holding the DAC meeting vide AIR/DAC/Dir(w)/ C&W/IR09/2020-21/28a dated 18.10.2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery of overpayment.

AP No.173 (2020-21)

6.4.25 Overpayment due to non-deduction of available material from RRM 1:6 in Foundation and plinth – Rs. 1.893 million

According to MRS 2017 item No. 08-01-d-03, RRM includes 30% to 40% cost of stone. This read with Para1.58 of B&R Code, the divisional officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality.

During audit of accounts record of the Executive Engineer C&W Division, Upper Kurram for the financial year 2020-21, it was observed that overpayment of Rs1,893,467/- was made to M/S Haider Zaman & Co. by allowing full rate for RRM (1: 6) and ignoring the available stone at site from cutting shown in cross section in the work “Improvement and rehabilitation of Ghozgari from Kunda kung Alizai” vide voucher No. 06/UKR dated 10-06-2021 as summarized below:

Rs.

Qty available from excavation M^3	Item of work	Qty executed in M^3	Rate Paid	Required rate	Diff	Overpayment	Add 5 %	Deduct below rate (10)%
58,951	RRM (1:6)	1,795.21	5,384.76	4,268.64	1116.12	2,003,669	2,103,853	1,893,467
Total								**1,893,467**

The lapse occurred due to weak internal controls.

When pointed out in September 2021, management stated that detail reply be given after detail scrutiny of record.

The Department was requested for holding the DAC meeting vide AIR/DAC/Dir(w)/ C&W/IR14/2020-21/32 dated 21.10.2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

(AP No. 313/2020-21)

6.4.26 Overpayment to contractor due to allowing Non-BOQ items on MRS-2017 instead of MRS-2013 – Rs. 14.347 million

According to Work Orders read with condition No. 13 of the preamble to BOQ, the Engineer recording measurements for items of work executed at site shall be responsible for authenticity and correctness of rates allowed in payment to the contractor. Any item not covered in the BOQ shall be paid in accordance with MRS-2013 with approved cost factor adjusted to the premium or rebate of the successful bidder as the case may be.

During audit of accounts record of the Managing Director, Khyber Pakhtunkhwa Highways Authority for the financial year 2020-21, it was observed that contracts for the construction of various roads were awarded to different contractors on item rate basis.

Scrutiny of record revealed that certain Non-BOQ items were paid to the contractors on MRS-2017 rates which were in contradiction to the terms & conditions of the work orders stating that Non-BOQ items will be paid as per MRS-2013 rates. This resulted in overpayment of Rs.14,347,335/-as summarized below and detail is given in annexure II.

(Rs.)

S. No	Name of work	Contractor	IPC	Overpayment
1	Haripur Bypass road (P-V)	MS Haji Raees Khan & sons	19	4,297,042
2	Haripur Bypass road (P-VII)	MS Khattak Allied	19	2,761,165
3	Haripur Bypass road (P-IV)	MS Khattak Allied	21	1,914,408
4	Haripur Bypass road (P-II)	MS Khattak Allied	29	1,801,882
5	Sherkot – Hangu road (P-II)	MS Khattak Allied	17	1,835,203
6	Haripur Bypass road (P-III)	MS Khattak Allied	27	1,737,635
			Total	**14,347,335**

The lapse occurred due to non-enforcement of the contract provisions.

When pointed out in October 2021, the management stated that detailed reply will be submitted after consulting the concerned staff and relevant record.

The Department was requested for holding the DAC meeting vide letter AIR/DAC/Dir(w)/C&W/IR20/SIR 254-294/45 dated 02.11.2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

APs No. 452, 457, 461, 466, 469, 473 (2020-21)

6.4.27 Overpayment to contractor in price escalation due to incorrect base rate of HSD – Rs.3.10 million

According to clause 70.1 (d) of the Bidding Documents Volume-I, the base cost indices or prices shall be those prevailing on the day 28 days prior to the latest date for submission of bids.

During audit of accounts record of the Managing Director, Khyber Pakhtunkhwa Highways Authority for the Financial Year 2020-21, it was observed that payment of Rs.61,019,245/- was made to M/S Raja Adalat Khan under price adjustment/ escalation clause of the contract agreement executed for construction & BT of Manglawar Malam Jabba road (P-II) till IPC 23.

Scrutiny of escalation bill and contract agreement file revealed that date of tender was 20-09-2017 and base date for escalation purpose was 22-08-2017 i.e. 28 days prior to tender date. High Speed Diesel (HSD) base rate was taken as Rs.77.40/L, the bulletins for confirmation of base rates were not available with the escalation bill. However, comparison with another scheme revealed that HSD rate in August 2017 was Rs.79.90/L. This resulted in overpayment of Rs.

3,099,964/- (61,019,245 – 57,919,281) due to incorrect base rate of HSD, as worked out in the enclosed statement.

The lapse occurred due to weak contract management.

When pointed out in October 2021, the management stated that detailed reply will be submitted after consulting the concerned staff and relevant record.

The Department was requested for holding the DAC meeting vide AIR/DAC/Dir(w)/C&W/IR20/SIR 254-294/45 dated 02.11.2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

AP No. 453 (2020-21)

6.4.28 Overpayment to contractor due to allowing location factor inadmissible in item rate based contract – Rs. 8.650 million

According to the Location Factor document based on CSR/MRS, the location factor was allowed with an aim to cover the cost faced by the contractors due to the level of difficulty in material, equipment and labor availability in the specific district from its regional market.

During audit of accounts record of the Managing Director, Khyber Pakhtunkhwa Highways Authority for the Financial Year 2020-21, it was observed that contract for the improvement & widening of Nizampur Kohat road (P-VI) was awarded to M/S Amanullah Khan at the bid cost of Rs.315,880,080/- on item rate basis.

Scrutiny of the IPC 15 revealed that Rs.8,650,092/- was paid to the contractor on account of location factor @ 3% which was overpayment as being not admissible to the contractor on the following grounds:

i. The contract was awarded on item rate basis where contractor bid at his choice rates which were much higher than MRS rates. The location factor is admissible on MRS contracts not on item rate contracts.
ii. The Nizampur Kohat road contracts were awarded to various contractors in P-I to P-VII, all on item rate basis. In rest of the packages, location factor was not paid to the contractors but paid to M/S Amanullah Khan in P-VI which also strengthens audit contention regarding its non-admissibility on item rate contracts.

The lapse occurred due to non-enforcement of the above provisions.

When pointed out in October 2021, the management stated that detailed reply will be submitted after consulting the concerned staff and relevant record.

The Department was requested for holding the DAC meeting vide AIR/DAC/Dir(w)/C&W/IR20/SIR 254-294/45 dated 02.11.2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

AP No. 455 (2020-21)

6.4.29 Non-whereabouts of 10770 No. of trees despite incurring expenditure on removal – Rs.7.754 million

According to clause 19.1 (c) the Tender Documents, the contractor shall, throughout the execution and completion of the Works and the remedying of any defects therein, take all reasonable steps to protect the environment on and off the site and to avoid damage or nuisance to persons or to property of the public or other resulting from pollution, noise or other causes arising as a consequence of his methods of operation.

During audit of accounts record of the Managing Director, Khyber Pakhtunkhwa Highways Authority for the Financial Year 2020-21, it was noticed that payment of Rs.7,754,001/- was made to the following contractors for removal of 10770 No. of trees having girth 150mm to over 600 mm, in the below mentioned schemes:

Rs.

S. No	Scheme	Contractor	IPC	Qty	Payment
1	Haripur Bypass (P-I)	Khan Builders	27	457	285,200
2	Haripur Bypass (P-V)	Haji Raees Khan	19	2030	2,036,500
3	Haripur Bypass (P-III)	Khattak Allied	27	1176	1,058,400
4	Takht Bhai Rajjar (P-I)	Behram Const:	22	6400	3,449,194
5	Circular bypass road Bannu (P-I)	Khyber Grace	12	707	924,707
Total				**10770**	**7,754,001**

In this regard, the following irregularities were observed which need justification and corrective action:

i. Site survey by Forest Department showing number of trees requiring removal was not available.
ii. Inventory report of removed trees was not available.
iii. Payment of compensation to Forest Department in lieu of trees removal was not available.
iv. Removal of trees and transportation to designated spot/ depot is the responsibility of the Forest Department hence payment to the contractor was irregular.

v. NOC of Forest Department for removal/ cutting of trees was not available.

vi. Handing over of 10770 No. of trees to the Forest Department as trees were the government property not the local community.

The lapse occurred due to weak internal controls.

When pointed out in October 2021, the management stated that detailed reply will be submitted after consulting the concerned staff and relevant record.

The Department was requested for holding the DAC meeting vide AIR/DAC/Dir(w)/C&W/IR20/SIR 254-294/45 dated 02.11.2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends inquiring the matter and taking action accordingly.

AP No.458 (2020-21)

6.4.30 Un-authorized expenditure due to major deviation from approved PC-I/ BOQ – Rs. 47.639 million

According to condition No. 2 & 10 of the Acceptance of Tender of rehabilitation/ reconstruction of RCC/PCC road Doag Darra 7 km, by Chief Engineer vide 1798/1-9/Dir Upper dated 06-04-2016 followed by work order No. 3054/5-M dated 12-04-2016, the Executive Engineer/ Sub-Divisional Officer in-charge and consultants are responsible for the execution of work according to the specifications, scope of work provided in the administrative approval, authenticity of the rates provided in the BOQ and in accordance with the contract agreement provision. Prior approval of competent authority should be obtained for any variation from approved BOQ.

During audit of accounts record of the Executive Engineer, C&W Division, Dir (Upper) for the financial year 2020-21, it was observed that the contract for the rehabilitation/ reconstruction of RCC/PCC road Doag Darra 7 km was awarded to M/S Salih Construction at the bid cost of Rs.57, 034,746/- on item rate basis vide Acceptance No. 1798/1-9/Dir Upper, dated 06-04-2016.

Scrutiny of the 7th running bill paid vide voucher No. 21B/11-06-2021 and its comparison with approved BOQ revealed non-BOQ items were paid which was deviation from the approved items, scope of work and nature of items given in the PC-1. Hence, the incurrence of expenditure of Rs.47,639,152/- was held irregular and unauthorized on the following grounds:

i. The PC-I and BOQ were approved and work order was issued for rehabilitation/ reconstruction of RCC/PCC road where Water Bound Macadam, Bitumen, / Asphalt Wearing Course were neither given nor approved. Contrarily, 7th running bill showed that major expenditure was incurred on Water Bound Macadam, Bitumen Prime Coat & Asphalt Wearing Course, which was a gross deviation from approved scheme where nature of work was totally changed.

ii. Merely allowing items through clause-12 & covering it in the Technical Sanction at a later stage cannot justify the expenditure which was a major deviation from the PC-I that was approved by provincial development working party (PDWP) being higher forum (than the TS approving authority) in its meeting held on 02-11-2015.

iii. The bidding process for the same work was carried out on RCC/PCC road and the bidders participated accordingly by quoting their rates. When nature of work was totally changed, re-tender was required to obtain rates of interested bidders for the asphalt road which was not done.

iv. When the bidding process was carried out on item rate basis and no rates were obtained from the contractors for water bound macadam, bitumen and asphalt wearing course then how rates in the 7^{th} running bill were determined & paid?

The lapse occurred due to deviation from approved PC-I/BOQ.

In DAC meeting held on 11.01.2022 the forum decided for an inquiry by Senior officer to be nominated by Chief Engineer North with the following TORs: Original scope of work/Cost/Specifications, Tender awarded and TS granted, Change of specifications with reasons and the authority showing financial implications and current status of the work to be conducted in 30 days. However, no progress was intimated by the time of the report.

Audit recommends implementation of DAC decision.

AP No.581 (2020-21)

6.4.31 Overpayment to the Contractor by allowing excess quantity of Asphalt and Structural Back Filling – Rs. 11.935 million

According to Para 228 of CPWD code, advances to contractors are as a rule prohibited, and every endeavor should be made to maintain a system under which no payments are made except for work actually done.

During audit of accounts record of the Executive Engineer, C&W Highway Division, South Waziristan for the financial year 2020-21, it was noticed that overpayment of Rs.11.935 million was made to the contractor as elaborated and tabulated below:

i. Sufficient material was available at site from excavation which could be utilized in the structural backfill. Contrarily, granular material was borrowed and used in structural backfill which caused overpayment of Rs.1.144 million.

ii. Excess Asphalt Wearing Course was paid resulted in overpayment of Rs.10.791 million.

(Rs. in million)

Name of works	Name of contractor	Voucher #	Items paid excess	Amount
Const: of 3 km BTR from Talao via Irfan Ali Khel Tehsil	M/S Saiful Malook	26-L dated 10-06-2021	Asphaltic wearing course based on 2 " thickness	10.791
Const: of 06 km BTR ZerkKatch to Reshawara Talaha	M/S Waziristan Const	7-J dated 3-06-2021	structural back filling using granular material	1.144
			Total	**11.935**

The lapse occurred due to deviation from the above rules/ instructions.

When pointed out in July 2021, management stated that detail reply will be submitted after consulting the relevant record.

In the DAC meeting held on 09.12.2021, the management stated that granular material was used instead of normal material as per site requirement. The Asphalt payment was also made as per actual execution and site requirement. However, after perusal of documents, the DAC forum observed that overpayment was made and it was directed that overpayment made on account of structural backfill may be recovered as per MRS items. Furthermore, payment Rs.724,000/- made on account of Asphalt was also to be recovered within 15 days.

No progress was intimated till finalization of this report.

Audit recommends implementation of DAC decision.

AP No.73 & 78 (2020-21)

6.4.32 Overpayment due to application of incorrect rate – Rs. 2.465 million

According to Para 56 of CPWD Code, Technical Sanction is a guarantee that the proposals are structurally sound and that the estimates are accurately calculated and based on adequate data.

According to Technical Sanction and BOQ and Rs. 592.67 pm3 was provided for the item of work "Excavation in hard rock requiring blasting and disposal up to 25m, & dressing Grade-II (03-12b)

During audit of accounts record of the Executive Engineer, C&W Division, Buner for the financial year 2020-21, it was observed that Rs. 2.465 million was paid to M/S Shangla Builder for the item of work namely "Establishment of Government College Chagharzai" vide voucher No.7-B-II dated 02.06.2021.

Audit observed that overpayment of Rs. 2.465 million was made to the contractor due to rate higher than the approved and item not provided in the Technical sanction as summarized below;

Rs.

Item of work	Rate provided in Technical sanction/BOQ	Rate paid	Difference	Quantity M3	Overpayment
Excavation in hard rock requiring blasting and disposal up to 25m , & dressing Grade-II(03-12b)	592.67pm3	609.18pm3	16.51	15529.14	256,386
Excavation in hard rock requiring blasting and disposal up to 25m , & dressing Grade-II(03-12b)	592.67pm3	708.57pm3	115.9	7503.660	869,674
Dressing & Relaying earth to be design	Nil	190.68	190.68	7025	1,339,527
				Total	**2,465,587**

The lapse occurred due to weak internal controls.

When pointed out in August 2021, the management stated that observation will be communicated to Building Division Buner for necessary reply and Audit will be informed accordingly.

The Department was requested for holding the DAC meeting vide Audit/ Dir(w)/C&W/IR03/2020-21/14 dated 20.09.2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

AP No. 48 (2020-21)

6.4.33 Overpayment to contractor in price escalation due to non-freezing of current rates at the expiry of the original period – Rs. 5.70 million

According to clause 70.1 (e) of Tender Documents Volume-I, if the contractor fails to complete the works within the time for completion prescribed under clause 43, adjustment of prices thereafter until the date of completion of the works shall be made using either the indices or prices relating to the prescribed time for completion or the current indices or prices, whichever is more favorable to the employer, provided that if an extension of time is granted pursuant to clause 44, the above provision shall apply only to adjustments made after the expiry of such extension of time.

During audit of the Managing Director, Khyber Pakhtunkhwa Highways Authority for the Financial Year 2020-21, it was observed that payment of Rs.29,550,822/- was made to M/S Khattak Allied under price adjustment/ escalation clause of the contract agreement executed for the Dualization of Sherkot – Hangu road (P-II) till IPC 17.

Scrutiny of the contract agreement showed that work was due for completion on 20-12-2018 which was not done and for escalation purpose, current rates were not frozen on the expiry of the original period for completion which resulted in overpayment of Rs.5,699,889/- as summarized below and also in the enclosed statement.

Escalation Paid (Rs.)	**Escalation Due as per frozen rates (Rs.)**	**Overpayment (Rs.)**
29,550,914	23,851,025	5,699,889

In this regard, the following irregularities were observed:

i. The delay in completion of work within the stipulated time seemed to be on part of the contractor as work done was shown since issuance of work order and in all the subsequent months without any break in the escalation bills. This indicated that there was no site & funds availability issues, as such there would have been no work done in any calendar month. The available record shows that pace of work on site was slow on the part of the contractor.

ii. The time extensions from 21-12-2018 to 31-10-2021 were not supported by contractor’s request along with valid/ justified reasons neither recommendation of supervisory consultant being Engineer-in-charge were available.

iii. The time extension did not show whether the fault for delay in completion was on contractor’s part or otherwise. As in case of delay on the contractor’s part, current rates were required to be frozen on the expiry of original completion period, which was not done.

iv. If it was contractor fault, then extension given is questionable and penalty for delay according to rules should have been imposed

The lapse occurred due to weak contract management.

When pointed out in October 2021, the management stated that detailed reply will be submitted after consulting the concerned staff and relevant record.

The Department was requested for holding the DAC meeting vide AIR/DAC/Dir(w)/C&W/IR20/SIR 254-294/45 dated 02.11.2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

AP No. 454 (2020-21)

6.4.34 Non-recovery of outstanding dues – Rs. 2.100 million

According to para-26 of GFR, it is the duty of the controlling officer to see that all sums due to Government are regularly and promptly assessed, realized, and duly credited in public account.

During audit of accounts record of the Executive Engineer, C&W Division, Buner for the financial year 2020-21, it was observed that Rs.2.100 million was outstanding against 30 number of Petrol filling station as approach road rental charges @ Rs. 7000/- per petrol pump for the last 10 years. No efforts were made to recover the outstanding dues.

The lapse was occurred due to weak internal controls.

When pointed out in August 2021, the management replied that notices have been served to the owners. Strenuous efforts will be made in coordination with the District Government and recovery will be intimated when realized.

The Department was requested for holding the DAC meeting vide Audit/ Dir(w)/C&W/IR03/2020-21/14 dated 20.09.2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery of outstanding dues.

AP No. 52 (2020-21)

6.4.35 Payment for unspecified item of work -Rs. 25.693 million

According to S. No. 2 of the work order issued by the Chief Engineer letter No. 34/28-M dated 11.1.2017 while approving the contract agreement, clearly directed that Executive Engineer and Sub division Officer in charge are responsible for the execution of work according to the approved plan, specifications, approved PC-I in accordance with the provisions of contract agreement.

During audit of accounts record of the Executive Engineer, C&W Building Division, Khyber for the financial year 2020-21, it was observed that the item of work namely "Palin wood sawn, brought & fixed in position, including nails and screw Deodar Wood" was provided in detail cost estimate. However, payment of Rs. 25.693 million was made to Zaib Construction for work Establishment of type-D Hospital in Bagh Maidan Tirah Khyber Agency for the item of work "P/F Palin wood sawn wrought in position i/c nails screw etc complete "vide voucher No. 97/BJ dated 25.6.2021.

Further verification of record revealed that the payment was made for Palin wood instead of Deodar wood which was unjustified.

Item of work	Quantity m3	Rate Rs/m3	Amount (Rs.)
P/F palin wood sawn wrought in position i/c nails screw etc complete	156.932	109500	17,184,054
P/F palin wood sawn wrought in position i/c nails screw etc complete	77.710	109500	8,509,245
Total			**25,693,303**

The lapse occurred due to non-compliance with the directions of the Chief Engineer quoted above.

When pointed out in September 2021, the management replied that detailed reply will be submitted after scrutiny of record.

In the DAC meeting held on 06.12.2021, the management stated that locally available wood i.e. timber was used in the trusses of the building and the BOQ rate for deodar wood was reduced by 22% after carrying out rate analysis. The DAC forum directed to produce rate analysis along with verification from Forest Department, to Audit within a week time.

No progress was intimated till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No.410 (2020-21)

6.4.36 Un-justified carrying out Asphaltic Wearing Course work directly on Water Bond Macadam -Rs. 1.372 million

According to detail cost estimate following items of work were provided for development work including road:-

i. Granular Sub Base Course using pit run gravel
ii. Water Bond Macadam Base course
iii. Bituminous prime coat
iv. Asphaltic wearing course (Asphalt batch Plant Hot Mixed)

During audit of accounts record of the Executive Engineer, C&W Building Division, Khyber for the financial year 2020-21, it was observed that the following items of work worth Rs.5.972 million was paid to M/S Zaib Construction in the work Establishment of type-D Hospital in Bagh Maidan Tirah Khyber Agency vide voucher No. 97/BJ dated 25.6.2021:

Rs.

Wooden Work	**Quantity**	**Rate m3**	**Amount**
Water Bond Macadam Base course	746.030	1916.73	1,429,939
Asphaltic wearing course (Asphalt batch Plant Hot Mixed)	108.720	17863.36	1,942,104
		Total	**3,372,047**

Verification of record revealed that the item of "Asphaltic wearing course" (Asphalt batch Plant Hot Mixed) was carried out directly on water bond macadam which was not possible and technically unjustified without executing Prime Coat. Hence, sub-standard work was executed or not executed at all because it was not taken in MB.

The lapse occurred due to weak supervision/ monitoring of the physical work at site.

In the DAC meeting held on 06.12.2021, the management stated that Prime Coat was used but the Sub-Engineer did not take the item on Measurement Book. However, the DAC forum did not agree with the reply of the management and it was decided that Executive Engineer, Khyber Circle should inspect the site himself, verify the items and submit report to Audit within 07 days.

No progress was intimated till finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 411 (2020-21)

6.4.37 Non-deduction of DPR charges - Rs.1.385 million

According to the Directorate of Social Welfare & Women Development Department Peshawar letter No. DPR/Pub/PCRDP/559-63 dated 18-05-2012 and Section-11 of the Disable Persons Employment and Rehabilitation Ordinance 1981 and Rules 1991, the deduction of DPR Fund for rehabilitation of disable persons from the bills/payment @ Rs. 2000/- each per million and deposit the Head No. G-12218 "fund for rehabilitation of disabled persons"

During audit of accounts record of the Executive Engineer, C&W Building Division, Khyber for the financial year 2020-21, it was observed that payment of Rs 692.778 m was made to various contractors for different works. However, DPR charges @ the rate of Rs.2000/- per million, amounting to Rs. 1.385 million were not deducted.

It is pertinent to mention that above pointed out amount was taken during test audit of June 2020 account. Such mandatory deductions would have not been made from the contractors for the last many years.

The lapse occurred due to non-enforcement of the above rules/ instructions.

When pointed out in September 2021, the management replied that detailed reply will be submitted after scrutiny of record.

In the DAC meeting held on 06.12.2021, Management stated that the notification referred by Audit, was neither been received in this office nor any instructions were received from higher ups regarding deduction of DPR charges. However, deduction of DPR charges will be initiated from contractors as and when instructions received from the higher ups. The DAC forum did not agree and directed to recover the amount.

No progress was intimated till finalization of this report.

Audit recommends recovery.

AP No. 416 (2020-21)

6.4.38 Irregular and doubtful expenditure - Rs. 2.132 million

According to rule 14 of Procurement of Goods, works and services rules 2014 save as otherwise provided hereinafter and subject to provisions of rule 10, the procuring entity shall use open competitive bidding as the principal method procurement for the procurement of goods over the value of Rs. 100000/-

According to Para 148 of GFR, 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.

During audit of the Executive Engineer, C&W Building Division, Khyber for the financial year 2020-21, it was observed that Rs.1.037 million was shown incurred as operative expenses.

Audit observed that;

- Palnt and machinery items were neither taken on stock nor physically available. The expenditure of Rs.602,600/- spent on plant and machinery was split up to avoid open tender system.

- An expenditure of Rs. 663,084/- was incurred on petroleum, oil & lubricants (POL) but log books were not maintained.
- There were no log books to justify the expenditure of Rs. 254,500/- incurred on repair of vehicles. Furthermore, the expenditure was also split up to avoid open tendering.
- Cash payment instead of cheque was done in case of POL and repair expenditure of Rs. 552,129/-. Furthermore, acknowledgement was also not obtained for the cash payments.
- One voucher wasdrawn twice for miscellaneous expenditure of Rs. 60,000/-.
- Whole procurement was made on quotations basis in one month.
- Neither page number was recorded on the bills nor stock register produced to audit.

The lapse occurred due to non-observing the rules and regulations.

When pointed out in September 2021, the Management replied that detailed reply will be submitted after scrutiny of record.

The Department was requested for holding the DAC meeting vide Audit/ Dir(w)/C&W/IR18/2020-21/40 dated 22.10.2021. Partial DAC meeting was arranged on 06.12.2021 but the subject Audit Para was not discussed.

Audit recommends inquiring the matter for corrective action.

AP No.419 (2020-21)

6.4.39 Loss due to allowing the work on CSR-2012 instead of MRS-2016 - Rs. 1.136 million

According to Secretary Finance Notification No. FD/CSR Cell/1-7/Rates/2016 "The competent authority is please to approve the Market Rate System documents, 2016 with effect from 08.4.2016. All the departments generally and Nation Building Department shall especially follow the Market Rate System Document, 2016 for preparation of PC-I and execution of works in the province by observing the following criteria:-

i. The rates of newly updated MRS 2016 will be applicable on unapproved schemes only.
ii. PC-I/Cost estimates of all new developmental unapproved schemes shall be prepared on MRS-2016.
iii. Projects already approved by respective competent forum shall be immediately put to tender without its revision on MRS-2016.

During audit of the Executive Engineer, C&W Building Division, Khyber for the financial year 2020-21, it was observed that the “Reconstruction of fully damaged school Bara, tribal District Khyber (under Chinese Assistance)” was awarded to three number contractors with 9.5% above on CSR 2012.

The scheme was approved by PDWP after the introduction of MRS 2016 i.e.19.01.2017, therefore the PC-I was required to be prepared on MRS-2016. However local office extended undue benefit to the contractor at cost of Government, because MRS 2012 plus 9.5% premium was more beneficial for the contractor as compared with MRS 2016.

Audit worked out that government sustained of Rs.1.136 million due to allowing the work on CSR-2012 instead of MRS-2016 despite clear directives as referred above.

The lapse occurred due to non-enforcement of the above instructions.

When pointed out in September 2021, the management stated that detailed reply will be submitted after scrutiny of the record.

The Department was requested for holding the DAC meeting vide Audit/ Dir(w)/C&W/IR18/2020-21/40 dated 22.10.2021. Partial DAC meeting was arranged on 06.12.2021 but the subject Audit Para was not discussed.

Audit recommends inquiring the matter and recovery of the loss.

AP No.424 (2020-21)

6.4.40 Loss to Govt. on account of Water Bound Macadam - Rs. 24.598 million

According to Para 209 (d) of central public works account (CPWA) Code, it is incumbent upon the person, responsible for measurements in the measurement book (MB), to record the correct and actual figures.

According to Para 220 and 221 of CPWA Code, the Sub Divisional Officer, before making payments to the contractors is required to compare the quantities in the bills and see that all the rates are correctly entered and that all the calculations have been checked arithmetically.

During audit of account record of the Executive Engineer, C&W Highway Division Swat for the financial year 2016-17, it was noticed that contract for improvement, widening and black topping of Matta Fazal Banda Road 23.5 KM and awarded to different contractors. Scrutiny of the record revealed that Rs. 43.323 million was paid to the contractors on account of "P/L water Bound Macadam base course" for a quantity of 20176.73 M3 (based on 10.5" thickness), on the basis of revision of estimates i.e. after carrying the entire work on the basis of original which was for the thickness of only 6''.(Scrutiny of record revealed that Rs. 43.323 m was paid to the contractor on account of P/L water Bound Macadam base course for a quantity of 20176,73m3 with 10.5" thickness while the original thickness was 6" (as per PC-1) which resulted into overpayment of Rs. 24.873 million.

This resulted in overpayment of as in the 5th departmental revised cost estimates, the quantity of Water Bound Macadam was based on 6'' thickness and even in some RDs, and division's drawing branch showed no need of water bound. However, later on the said work was awarded to Global consultants for "design/feasibility study and construction supervision". The said consultants made 6th revise cost estimates in which the item work "P/L WBM" were provided based on more than 10" thickness without any justification and that, the same consultants design was approved by the department without scrutiny of the same at departmental level.

In the DAC meeting held on 27.11.2020, the management stated that payment was made as per approved drawing and design however the DAC forum did not agree and marked for verification of PDWP meeting minutes.

During record verification on 15-06-2021, the management produced PDWP meting minutes which showed that the scheme was revised but there was no approval for enhancement of water bound macadam (WBM) from 6" to 10.5" thickness. To authenticate the execution of WBM to the extent of 10.5" thickness, road core cut test (RDs wise) was requested but was not provided. Therefore, Audit recommended recovery of Rs. 24.598 million.

No further progress was intimated till finalization of this report.

Audit recommends recovery of Rs. 24.598 million.

AP No. 38 (2016-17)

6.4.41 Loss due to non-utilization of available material - Rs. 11.194 million

According to para-1.58 of B&R code, Divisional officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality.

During audit of account record of the Executive Engineer, C&W Highway Division Swat for the financial year 2016-17, it was noticed that various contracts for the construction, rehabilitation and widening of road and construction of bridges etc. were awarded to different contractors. Scrutiny of record revealed that the contractors were allowed an amount of Rs.11.365 million for earth filling for a quantity of 16181.7 m3 being brought from outside despite the fact that a quantity of 603,55.55 M^3 was already available at site from the excavation, which was required to have been utilized. Contrary, borrowed material was shown used and paid which resulted in loss of Rs.11.194 million.

Furthermore, no soil test from a recognized laboratory regarding material suitability/ unsuitability was produced.

The lapse occurred due to weak supervision/ monitoring of the physical work at site.

In the DAC meeting held on 27.11.2020, the management stated that excavated material has been declared unsuitable by the material testing laboratory. However, DAC forum observed that payment was made in 8/2016 while material tests were conducted in 2017 which was unjustified. The DAC forum ordered for an enquiry into the matter.

During record verification on 15.06.2021, it was observed that no inquiry was conducted till finalization of the report.

Audit recommends conducting inquiry as per DAC decision.

AP No. 43 (2016-17)

6.4.42 Unauthorized payment to the contractor on account of execution of various items of work – Rs. 7.800 million

According to Para 209 (d), 220 and 221 of CPWA Code, the Sub Divisional Officer, before making payments to the contractors is required to compare the quantities in the bills and see that all the rates are correctly entered and that all the calculations have been checked arithmetically.

During audit of account record of the Executive Engineer, C&W Highway Division Swat, for the financial year 2016-17, it was noticed that contract for the Feasibility Study and construction of Baryam to Gat serai road, Arkot to Baikand Road and Kabal to Kala Kalay Road (20 km) was awarded to M/s Bashir Ahmad and allowed an up-to-date payment of Rs.53.701 million till 6th running/Final bill paid vide Cheque No A665465 dated 01.06.2017.

Scrutiny of the voucher (6th running/final bill) dated 01.06.2017 revealed that payment of Rs.7.800 million was allowed for a quantity of 3728.61 M^3 on account of work “PCC (1:3:6) mass concrete” “PCC (1:3:6) in Specified”, “P/L of Water Bound Macadam” and “P/L sub base course” as a result of re-measurement recorded in the MB No. 174.

Audit was of the view that once measurement was recorded for a particular item and paid accordingly in the previous running bill (1st) duly recorded by the Sub-Engineer was correct and according to specifications.

The lapse occurred due to weak internal controls.

In the DAC meeting held on 27-11-2020, the management stated that an interim payment was made to the contractor on work done basis and the measurement duly recorded in the MB.

The DAC forum did not agree as abnormal increase in quantity was paid which needs to be physically checked by a joint team (Reps of Administrative Department and of Audit to ascertain the factual position.

During record verification on 17.06.2021, the management did not produce any document in support of their view point i.e. written request of the contractors for re-measurement and approval of the competent authority for re-measurement and requisite core cut test etc. Moreover, at this belated stage when upper layer of road work was executed, the bottom layers and their specifications could not be ascertained without core cut test (RDs wise). Therefore, it was recommended to conduct inquiry and carry out necessary road tests from an approved test lab in the presence of Audit representative. No further progress was intimated till finalization of this report.

Audit recommends implementation of decision made during record verification and recovery if any establishes in light of road tests.

AP No. 48 (2016-17)

6.4.43 Loss to the Government on account of unauthorized distribution of steel containers to various stakeholders – Rs. 72.80 million

According to Para 4.16, Chapter-IV, Miscellaneous Provision of the B&R code, A Divisional Officer is responsible that proper arrangements are made throughout his Division for the custody of public property. He must be careful to keep all tools and implements in efficient order, must protect surplus stock from deterioration and provide suitable accommodation for valuable and combustible stores which would prevent the possibility of large losses by fire or other accident.

During audit of account record of the Executive Engineer, C&W Highway Division Swat for the financial year 2016-17, it was noticed that 350 No. of Steel Containers were available on record of the Division since 2012 out of which 280 No. of containers were issued to various stakeholders without charging a single penny. It is to add that the cost of a single 40 ft Container was Rs. 260,000/- in the open market. Hence, issuance/ distribution of 280 containers without recovering their cost resulted in loss of Rs.72.80 million to government.

Furthermore, it was observed that the practice of free distribution was continued since March, 2012. However, demand/indent letter from the concerned stakeholder/borrowing agencies were not available.

The lapse occurred due to weak internal controls.

When pointed out in December 2017, the management stated that reply would be furnished after consultation of record.

In the DAC meeting held on 27-11-2020, the management stated that as per report of the sub-divisional officer (SDO) Saidu Sharif Swat the Containers were issued to various stake holders as per rules. However, the DAC forum did not agree and directed enquiry. The proceedings may be shared with Audit.

During record verification on 17.06.2021, the management did not produce the rules, orders of the competent authority regarding free distribution, proper acknowledgments etc. for verification. Furthermore, the DAC forum directed to share the inquiry report with Audit, but no such inquiry report was provided. Therefore, it was recommended that complete recovery of 280 No. of containers or its value i.e. Rs. 72.800 million be recovered under intimation to Audit.

Audit recommends detailed investigation and recovery of 280 No. of steel containers or its value i.e. Rs. 72.800 million from the concerned stakeholders.

AP No. 59 (2016-17)

6.4.44 Unauthorized payment to the contractor on execution of item of road work without Technical sanction - Rs.22.826million

According to the approved BOQ based on item rates, the rate of asphaltic base course was Rs 15330.45 m^3 provided and approved in the BOQ & work order & asphalt base course and tack coat were not provided and approved.

During audit of accounts record of the Executive Engineer Highway Division Mardan, for the financial year 2020-21, it was noticed that contract for the “Construction of Mardan by pass road missing links from Patai Village to NCC Rd 4Km P-II” was awarded to M/s Shoukat Khan & Co. and up-to-date payment of Rs. 182.796 million was allowed vide Voucher No.08-RIV dated 12-01-2021. Following items of work were executed without its provision in the Technical Sanction duly accorded by competent authority.

S. No.	Item	Qty	Rate/m3	Amount (Rs.)	Remarks
1.	Asphaltic Base Course	1331.67 M3	16518.75	21,997,556	No provided in the TS
2.	Tack Coat	17536 m^2	47.25	828,576	
			Total	**22,826,132**	

Audit was of the view that non-inclusion of the above cited items in the technical sanction clearly showed that there was no need of these items of work amounting to Rs.22.826 million.

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

When pointed out in September 2021, the management stated that proper reply will be submitted after verification of record.

During DAC meeting held on 11.01.2022 it was decided that department will revise their reply and provide original AA, revised AA with certain reasons supported by road alignment and Google maps with the justification of change of item of work mentioned in the Para to be produced within 15 days. However, no document was produced to Audit till finalization of this report.

Audit recommends recovery of over payment.

AP No.153 (2020-21)

6.4.45 Non deduction of Professional Tax from the Contractors – Rs. 1.800 million

According to section 7 of the Finance Act 1990, there shall be levied and collected a tax, for each financial year, from persons engaged in professions, trades, callings or employment described in the table below:

S. No.	Amount from (Rs. in million)	Amount to (Rs. in million)	Rate of Professional Tax (Rs.)
1	0.010	0.500	4,000
2	0.5	1.0	5,000
3	1.0	2.5	7,000
4	2.5	10	18,000
5	10	25	25,000
6	25	50	30,000
7	50	Above	100,000

During audit of accounts record of the Executive Engineer, Provincial Building Construction-II Peshawar for the financial year 2020-21, it was noticed that a sum of Rs 1,800,000 as Professional Tax was not deducted from the contractors as detailed below. The same was required to be recovered from the contractors and deposited into Government treasury under intimation to Audit.

S#	Name of Contractor / Firm	Payment made during 2020-21	Professional Tax (Rs.)
1	M/s GHCInt: Pvt: Ltd:	317,332,181	100,000
2	M/s Walayat Khan Wazir	98,540,723	100,000
3	M/s RehmanConsruction Co	74,047,492	100,000
4	M/s Muhammad Zahid	60,956,098	100,000
5	M/s NESPAK	3,237,625	100,000
6	MsRiaz& Sons	149,460,201	100,000
7	M/s Sitara Engineering	3,750,000	100,000
8	M/s AID	4,023,420	100,000
9	M/s MGHPvt: Ltd:	31,236,411	100,000
10	M/s AQ Builders	34,042,843	100,000
11	M/s SE Solution	550,000	100,000
12	M/s Mughalzai	47,027,182	100,000
13	M/s Lal Muhammad	3,255,666	100,000
14	M/s Mohsin Shah	35,949,539	100,000
15	M/s Structure Engineering	891,000	100,000
16	M/s PEPAC	2,093,665	100,000
17	M/s Surani	25,084,415	100,000
18	M/s Sarhad Engineering	128,702,447	100,000
Total: -		**1,020,180,908**	**1,800,000**

When pointed out in August 2021, the management stated that detailed reply will be submitted after scrutiny of record.

The management was requested for holding the DAC meeting vide letter Audit/Dir(Works)/C&W/IR No.17/2020-21/36dated 21.10.2021, which was not arranged till finalization of this report.

Audit recommends recovery.

AP. 405 (2020-21)

6.4.46 No whereabouts of the excavated material – Rs. 68.436 million

According to section 3.2.1.1, 3.2.4 & 3.9.5.2 of the Technical Specifications 2020 for workmanship, issued by Communication & Works Department, Government of Khyber Pakhtunkhwa, materials of any kind such as shingle or hard good quality stone, obtained from excavation shall remain the property of the government. The Engineer shall decide regarding the unsuitability of the material by conducting appropriate laboratory tests. The materials obtained from the excavations may be disposed of in any of the following manners: -

i. Finds like antique relics, coins, fossils, which normally cannot be used in the work are deposited with Government store under directions of the Engineer in Charge.

ii. Suitable excavation material may be used in raising dams, embankments, ramps, rail and road formations or refilling the voids of foundations after the erection of the structure.

iii. Excavated material considered unsuitable for any of the above usages or rendered surplus, is usually dumped in spoil banks properly dressed under the directions of the Engineer in Charge.

During audit of accounts record of the Executive Engineer, C&W Highway Division Khyber for the financial year 2019-20,it was noticed that contract for the "Construction of BT Rd from Mastak Bridge to Shaddaly P-III" awarded to M/S Zaib Afridi Construction and allowed up-to-date payment of Rs. 75.378 million vide Vr. 05-K dated 19-6-2020.

Scrutiny of the bill revealed that payment of Rs.68.436 was allowed for excavation. However, neither the excavated material was shown used in formation embankment from earth excavation in hard & soft rock nor whereabouts of the excavated material quantity valuing Rs. 68.436 million was known. Furthermore, lab tests were not conducted to declare the material suitable or unsuitable.

The lapse occurred due to weak monitoring & supervision of the site activities and non-enforcement of the above provisions.

When pointed out in February 2021, the management stated that proper reply will be submitted after verification of record.

In DAC meeting held on 11.01.2022 it was decided that long section of road showing gradient and position of valley be prepared and shown to Audit for verification. Cost of available material (about 60%) in hard rock as per rate analysis in MRS be deducted and shown to Audit. However, no progress was shown to Audit by the time of this report.

Audit recommends implementation of DAC decision.

AP No. 849 (2019-20)

6.4.47 Excess payment on account of construction of bridge – Rs. 2.099 million

According to Para 228 of CPWD code, advances to contractors are as a rule prohibited, and every endeavor should be made to maintain a system under which no payments are made except for work actually done read with Superintending Engineer instructions that approval of the tender, no excess over and above the approved quantity as per PC-I / cost may be executed.

During audit of accounts record of the Executive Engineer, C&W Highway Division Swat for the financial year 2016-17, it was noticed that contract for the construction of "Rameet steel Bridge" was awarded to M/S Bakht Zada contractor and was allowed up-to-date payment of Rs.73.868 million up to 12th running bill paid vide Cheque No A666837 dated 23.06.2017.

Scrutiny of record revealed that the contractor was allowed payment of Rs. 2,643,518/- on account of “Structural Excavation in rock material requiring blasting” which was considered doubtful as neither NOC from Deputy Commissioner’s office was obtained/produced to use neither blasting material nor detail as from where the blasting material was acquired by the contractor. This indicated that only “structural excavation in rock material not requiring blasting” was executed instead of the claimed items.

Audit was of the view that excess amount of Rs.2, 099,340 (1000.76-206.01= 794.75 x 2641.510) was paid to the contractor due to changing the nature of work.

When pointed out in December 2017, it was stated that reply would be furnished after consultation of record.

In the DAC meeting held on 27-11-2020, the management stated that the item was approved in the Technical Sanction however; contractor was paid at lesser rate. The DAC forum did not agree and directed the management to produce to audit the approval of jack hammer and rate analysis for verification.

During record verification on 17-06-2021, the management could not produce the required approval and rate analysis to support the payment @ Rs. 1000.76/m3 and no justification was provided as to why excavation of hard rock requiring blasting was mentioned in the bill if no blasting was made. The management failed to produce documentary evidence in support of their stance.

Audit recommends inquiring the matter and recovery in case of excess payment

AP No.45 (2016-17)

6.4.48 Doubtful payment on account of Non-Schedule items - Rs. 12.220 million

According to KPPPRA letter No. KPPPRA/M&E/Suggestions/4-16/2014-15/540 dated 22.05.2015, the departments are advised to rationalize/revise cost estimates in the PC-1 after careful market analysis by bringing them down for justification and matching to the market rates, needs and availability in light of the instructions issued by Chief Minister vide letter No. SO.III/CMS/KPK/5-1/2015/P&D Department/3034-35 dated 02.03.2015.

During audit of accounts record of the Executive Engineer Highway Division Mardan, for the financial year 2019-20,it was noticed that contract for the “Construction of Flyover Charsadda Chowk” was awarded to M/S National Logistic Cell and up-to-date payment of Rs.325.188 million was made vide Voucher no. 4-RII dated 09-01-2020.

On scrutiny of the relevant record, it was observed that Rs. 12.220 million was paid on account of NSI which was considered doubtful and irregular as rate analysis was not available on record while paid rates were unreasonably higher than the markets rates.

The lapse occurred due to deviation from the above instructions.

When pointed out in December 2020, the management stated that proper reply will be submitted after verification of record.

In the DAC meeting held on 11.08.2021, the management stated that deduction has been made in respect of NSI items being on higher. However, DAC forum did not agree with the reply and directed that detail of recovery be provided within 07 days.

No progress was intimated to Audit till finalization of this report.

Audit recommends recovery as well as fixing of responsibility on the person(s) at fault.

AP No. 508 (2019-20)

6.4.49 Non-deduction of Income Tax from the contractors – Rs. 7.332 million

According to Section 153 (1) (b) of the Income Tax Ordinance 2001, 8% Income Tax is recoverable from the company rendering or providing services.

During audit of accounts record of the Executive Engineer, Provincial Building Construction-II Peshawar for the financial year 2020-21, it was observed that Income Tax @ 7.5% amounting to Rs 7,331,876 was not deducted from the contractors on execution of civil works as summarized below:

S#	Voucher No & Date	Name of Contractor	Outstanding Income Tax Rs.
1.	04/IV dated 15.02.2021	M/s Riaz & Sons Govt. Contractor (Less deducted)	150,000
2.	19/IV dated 26.04.2021	M/s Riaz & Sons Govt. Contractor (Less deducted)	1,713,423
3.	7-Vi dated 28.04.2021	M/s Surani Construction Pvt. Ltd	929,545
4.	8-Vi dated 28.04.2021	M/s Surani Construction Pvt. Ltd	681,437
5.	05/IV dated 20.11.2020	M/s Riaz & Sons Govt. Contractor	1,464,746
6.	07/IV dated 29.12.2020	M/s Riaz & Sons Govt. Contractor (less deducted)	750,000
7.	20/IV dated 18.06.2021	M/s Riaz & Sons Govt. Contractor (less deducted)	633,479
8.	21/IV dated 18.06.2021	M/s Riaz & Sons Govt. Contractor (less deducted)	37,988
9.	14/IV dated 22.09.2020	M/s Sitara Engineering Construction Co.	112,500
10.	07-IV dated 09.09.2020	M/s Riaz & Sons Govt. Contractor	690,008
11.	06/IV dated 07.09.2020	M/s Sitara Engineering Construction Co.	168,750
	Total: Rs.		**7,331,876**

When pointed out in August 2021, the management stated that detailed reply will be submitted after scrutiny of record.

The management was requested for holding the DAC meeting vide letter Audit/Dir(Works)/C&W/IR No.17/2020-21/36dated 21.10.2021, which was not arranged till finalization of this report.

Audit recommends recovery.

AP No. 404 (2020-21)

6.4.50 Unauthentic expenditure on account of formation of embankment - Rs. 3.030 million

According to para-1.58 of B&R code, Divisional officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates read with para 209 & 221 of CPWD Code.

During audit of accounts record of the Executive Engineer Executive Engineer Highway Division Mardan, for the financial year 2019-20,it was noticed that contract for the "Special Repair of Madina Village Road." was awarded to M/S Seven Star and allowed up-to-date payment of Rs. 10.507 million vide Voucher No. 30-RIII dated 24-06-2020.

On further scrutiny it was observed that a sum of Rs. 3.030 million was paid for "formations of embankment from borrow excavation i/c compaction by power roller". On scrutiny of PC-1, MB and other relevant record it was observed that the formation width of most of the sub schemes in various Mohallahs having adjacent houses were 3.66 m or 12 ft and compaction was carried out through vibrator roller 12 ton. Therefore, Audit held that in such areas the execution of above cited item was not possible.

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

When pointed out in December 2020, the management stated that proper reply will be submitted after verification of record.

In the DAC meeting held on 11-16/08/2021, Management stated that the subject roads were main Asphaltic and PCC streets and compaction was carried out through vibratory roller. Houses in the area were situated at a certain distance and no damages were reported. However, DAC forum did not agree with the reply and decided that recovery should be made as per MRS item within 15 days under intimation to audit.

No recovery/progress was intimated to Audit till finalization of this report.

Audit recommends recovery as per DAC decision.

AP No. 501 (2019-20)

6.4.51 Non deposit of recovery into government treasury – Rs. 2.347 million

According to Para 26 of GFR Vol-1, it is duty of the controlling officer to see that all sums due to government are regularly and promptly assessed, realized, and duly credited in the public account.

During audit of accounts record of the Executive Engineer, Provincial Building Construction-II Peshawar for the financial year 2020-21, it was observed that Rs 2,346,975/- was recovered from the contractor on account of non-installation of Dump Waiter in Khyber Teaching Hospital (KTH) Peshawar when pointed out by the Provincial Inspection Team (PIT) in the month of 09/2020. However, the same was retained in Deposit V and remained un-deposited into government treasury till date of Audit i.e. 08/2021.

When pointed out in August 2021, the management stated that detail reply will be submitted after scrutiny of record.

The management was requested for holding the DAC meeting vide letter Audit/Dir(Works)/C&W/IR No.17/2020-21/36dated 21.10.2021, which was not arranged till finalization of this report.

Audit recommends depositing the above amount into government treasury.

AP No. 400 (2020-21)

6.4.52 Loss to the government due to non-deduction of stone from RRM 1:6 in foundation of – Rs. 9.536 million

According to Para1.58 of B&R Code, the Divisional Officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality.

During audit of accounts record of the Executive Engineer Highway Division, Swat for the financial year 2020-21, it was noticed that contract for the execution of various road works were awarded to various contractors. Scrutiny of the relevant record revealed that overpayment of Rs.9, 536,313/-was made to the contractors due to non-deduction of stone available from the hard rock excavation at site.

Quantity of hard rock G-I to IV were executed by the following contractors, but cost of available stone was not deducted from the RRM, Breast wall & Mass Concrete as executed.

Rs.

Contractor	Work	Vr. & Dt	RRM (1:6)	Rate paid/M3	Rate required	Diff	Loss	Remarks
Karim Dad	"Kabal Koo Rd	165-M dt 21-06-21	3197.74	4097.49	2868.25	1229.24	3,930,812	CSR rate of RRM 1:6 & PCC using 50 % boulders includes 30% cost of stone.
M/s KKJ	Dabona Rd & Kanala Rd	204-M dt: 22-6-21	1145.47	5384.76	3769.33	1615.42	1,850,415	
Liaqat Ali Khan	Kass Durashkhela to Brinjal	168-M dated 21-06-21	1221.04	5384.76	3769.33	1615.43	1,972,504	
-do-	-do-	-do-	1450.15	4097.49	2868.25	1229.24	1,782,582	
Total							**9,536,313**	

The lapse occurred due to weak monitoring & supervision of the site activities and non-enforcement of the above rules.

When pointed out in September 2021, the management stated that proper reply will be submitted after verification of record.

The management was requested for holding the DAC meeting vide letter Audit/Dir(Works)/C&W/IR No.2/2020-21/04 dated 13.09.2021 which was not arranged till finalization of this report.

Audit recommends fact finding inquiry and recovery of the loss made to the government.

AP No. 25 (2020-21)

6.4.53 Excess payment on account of clearing and grubbing and compaction of natural ground - Rs. 1.254 million

According to MRS items No. 03-05-a to 03-05-c the rate also includes charges of clearing& grubbing and compaction.

During audit of accounts record of the Executive Engineer C&W Highway Division, D.I.Khan for the financial year 2018-19, it was noticed that contract for the "Construction of Mian Daraban Road from Sagu to Madi" was awarded to M/S Allaudin Khan and allowed up-to-date payment of Rs. 166.642 million vide Voucher No. 25-RI dated 13-06-2019.

On further scrutiny of the relevant record, it was observed that Rs. 1.254 million was paid on account of clearing and grabbing and compaction of natural ground which was considered as overpayment because the items were already included in the formation of embankment.

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

When pointed out in June 2020, the management stated that proper reply will be submitted after verification of record.

In the DAC meeting held on 11.08.2021, the management stated that on the existing road small bushes and thick jungle and small trees and uprooting stumps were removed and payment was made on account of clearing and grubbing. However, DAC forum did not agree with the reply and directed the Executive Engineer to furnish detailed record including PC-1, TS, BOQ & Supported MBs etc. for verification within 15 days. Although, no progress has been intimated till finalization of this report.

Audit recommends implementation of DAC decision and recovery of overpayment.

AP No. 591 (2018-19)

6.4.54 Unauthorized expenditure over and above BOQ – Rs. 9.199 million

According to the KPPPRA Rules 2014, clause 18 (c) (v) provide that "subject to the conditions of contract, a procuring entity may ensure a variation order to a contractor to include works which were outside the original scope of works to ensure interest of government and for reasons of economy, compatibility and efficiency provided that the value of the variation order is not more than fifteen percent of the original contract"

During audit of accounts record of the Executive Engineer, C&W Highway Division, D.I.Khan for the financial year 2018-19, it was noticed that an amount of Rs. 149.097 million was paid to M/S Nasrullah Khan Mian Khel vide Voucher. No. 10-RII dated 08.11.2018 on account "Construction of 19 km circular Rd, Bannu Rd Bahu Rd and Diyal Rd."

Scrutiny of record revealed that excess expenditure than the permissible limit was incurred as summarized below:

	(Rs. in million)				
Road	**AA cost**	**BOQ**	**Expenditure**	**Diff**	**Remarks**
Bannu	24.703	23.925	31.522	7.597	Excess expenditure was incurred over and above 15% of BOQ & AA cost
Diyal	16.375	14.785	18.518	3.733	
Total		**38.71**	**50.04**	**11.33**	

Audit was of the view that excess expenditure over and above the BOQ cost and beyond the permissible limit of 15% was required to be approved from department development working party (DDWP) and retendered.
The lapse occurred due to weak internal controls and violation of rules.

When pointed out in June 2020, the management stated that proper reply will be submitted after verification of record.

In the DAC meeting held on 11.08.2021, the management stated that the scheme was revised on 21.03.2017 due to bid saving in original scheme and payment made was within the limits. However, DAC forum did not agree and directed that keeping in view the original cost and the enhanced amount beyond the permissible limit; the detail should be furnished supported by AA, relevant MBs and vouchers to Audit within 15 days for verification.

No progress was intimated to Audit till finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 608 (2018-19)

6.4.55 Loss to government due to excess payment to contractor on account of form work - Rs.19.986 million

According to item code 06-06-a-01 of the MRS-2017, the formwork cost/ items i.e. wood partal, screws, nails and clamps are included in the per unit rate of RCC in roof, slab, beam, column and other structure member of precast etc.

During audit of accounts record of the Executive Engineer, C&W Highway Division Kurram for the financial year 2019-20, it was noticed that contracts for the execution of "widening Improvement of various roads were awarded to the different contractors.

Scrutiny of record revealed that payment of Rs.19.986 million was made on account of formwork which was not admissible as its cost was already included in the "RCC in roof slab, beam, column, & other structural members or precast etc. This resulted in overpayment of Rs.19.986 million as summarized below:

(Rs.milion)

Contractor	Work	Vr. No. & Date	Amount
M/s Iftikhar Hussain	BT of Main Kirman Rd to College colony	21/UK dt: 13-06-20	1.656
M/s Pakistan Builders	Impr: of Trade Routes Mali Kali Kharclahi Rd	47/uk dated 26-6-20	5.620
M/s Z G Builders	Impro: & Rehab: of Parachinar Tarimangal road P-III	50/uk dated 24-6-20	1.163
M/s Pakistan Builders	Const: of BT Rd from Luqman Khel to Kass 2km P-I	51/uk dated 26-6-20	0.309
M/s Amanullah Khan & Co	widening Impro: of Parachinar Burki via Karakhela Rd	54/uk dated 26-6-20	1.274
M/s Pakistan Builders	Impro: & Rehab: of Parachinar Tarimangal road P-II	49/uk dated 26-6-20	9.964
		Total	**19.986**

The lapse occurred due to weak monitoring & supervision of the site activities and non-enforcement of the above rules.

When pointed out in June 2021, the management stated that proper reply will be submitted after verification of record.

During DAC meeting held on 11.01.2022 the forum marked the para for verification of documents to be done within 15 days by providing Original AA, MRS/Rate analysis showing item of work with or without formwork, TS, payments made to contractors, and recovery/adjustments made if any. But no document was produced to Audit by the time of the report.

Audit recommends implementation of DAC decision.

AP No. 805 (2019-20)

6.4.56 Non deduction of income tax - Rs 2.522 million

According to Section 153 (1) (b) of the Income Tax Ordinance 2001, 8% Income Tax is recoverable from the company rendering or providing services.

During audit of accounts record of the Executive Engineer, C&W Division, Mansehra for the financial year 2020-21, it was observed that Income Tax @ 6% was not deducted from the contractors on execution of civil works. This led to non-deduction of Income Tax of Rs.2, 521,957/- as summarized below:

S#	Voucher No & Date	Name of Contractor	Outstanding Income Tax Rs.
1	20-MP dated 21.05.2021	M/s Abdur Rashid & Sons Govt. Contractors	191,620
2	24-MP dated 21.05.2021	M/s Abdur Rashid & Sons Govt. Contractors	509,603
3	33-MP dated 21.05.2021	M/s Badi Uz Zaman Govt. Contractor	176,653
4	44-MP dated 26.05.2021	M/s Abdur Rashid & Sons Govt. Contractors	195,552
5	42-O dated 24.05.2021	M/s Muhammad Saeed Govt. Contractor	339,674
6	43-O dated 24.05.2021	M/s Muhammad Saeed Govt. Contractor	248,532
7	44-O dated 24.05.2021	M/s Muhammad Saeed Govt. Contractor	172,896
8	49-O dated 27.05.2021	M/s Muhammad Saeed Govt. Contractor	131,457
9	22-MP dated 14.06.2021	M/s Abdur Rashid & Sons Govt. Contractors	139,263
10	30-MP dated 15.06.2021	M/s Abdur Rashid & Sons Govt. Contractors	196,469
11	33-MP dated 15.06.2021	M/s Abdur Rashid & Sons Govt. Contractors	220,238
		Total: Rs.	**2,521,957**

When pointed out in July 2021, the management stated that detailed reply will be submitted after scrutiny of record.

The management was requested for holding the DAC meeting vide letter Audit/DAC/Dir(Works) C&W/IR No.16/31 dated 21.10.2021, which was not arranged till finalization of this report.

Audit recommends recovery.

AP No. 386 (2020-21)

6.4.57 (i) Non-deduction of 2% Sales Tax on services – Rs. 5.726 million
(ii) Non-deduction of Income Tax – Rs. 11.673 million

According to Serial No. 14 of Government of Khyber Pakhtunkhwa Revenue Authority Notification No. BO(Res-III)/FD/2-2/2019-20/Vol-I dated: 31.07.2020 states that 2% sales tax on service is required to be deducted from the services provided by the person engaged in contractual execution of work or furnishing supplies.

According to Section 153 (1) (b) of the Income Tax Ordinance 2001, 8% Income Tax is recoverable from the company rendering or providing services.

During audit of accounts record of the Executive Engineer, C&W Division, Bannu for the financial year 2020-21, it was noticed that payment of Rs.21,521,963/- was made to various contractors however, 2% Sales Tax on services amounting to Rs 5,725,943 was not deducted.

Furthermore, payment of Rs.231,693,123/- was made to various contractors but Income Tax @ 7.5% amounting to Rs 11,672,874was also not deducted.

When pointed out in September 2021, the management stated that detailed reply will be submitted after scrutiny of record.

During DAC meeting held on 11.01.2022, it was decided that department will approach KPRA for clarification and deduction of sales tax and will also explain its position in revised reply in light of Finance department notification regarding 7.5% income tax exemptions dated 07.09.2021. However, no progress was shared with Audit till finalization of this report.

Audit recommends recovery of the amount.

AP No. 549 (2020-21)

6.4.58 Non-deduction of Income Tax - Rs. 28.329 million

According to Finance Department of KP letter NO.SO(Dev-11)FD/12-6/12-13 dated 20.06.2013, Composite Schedule Rates include inbuilt Income Tax and payment in the tax exempted area (PATA) is made on the said CSR without adjustment/non deduction of income tax which is overpayment by amount equal to deductible income tax.

During audit of accounts record of the Executive Engineer, C&W Division, Shangla for the financial year 2020-21, it was noticed that payment of Rs.810, 600,713was made to various contractors for execution of developmental schemes. However, income tax @7.5% amounting to Rs. 28,329,551/- was not adjusted/deducted in contractor's bills.

When pointed out in September 2021, the management stated that detailed reply will be submitted after scrutiny of record.

The management was requested for holding the DAC meeting vide letter Audit/Dir(Works)/C&W/IR No.16/34 dated 21.10.2021, which was not arranged till finalization of this report.

Audit recommends recovery.

AP No. 293 (2020-21)

6.4.59 Overpayment to the contractor due to unauthorized escalation - Rs 12.158 million

According to the section A-5 & 6.1 of the Standard Procedure and Formula for Price Adjustment (March 2009 Edition) issued by Pakistan Engineering Council, the basis for compensation will be only those items which are specifically listed as specified items in the tender documents. Commonly known elements subject to Price Adjustment are Cement, Steel, POL (HSD), Labour unskilled, Bricks and Bitumen.

During audit of accounts record of the Executive Engineer, Provincial Building Construction-II, Peshawar for the financial year 2020-21,it was observed that the work "Feasibility & Imp: of Arbab Niaz Cricket Stadium" was awarded to M/S Ghulam Habib Construction Co:

Scrutiny of record revealed that Rs 12,158,069 was paid to the contractor on imported items (VRF system) as escalation vides voucher No. 01-IV dated: 04.5.2021. The payment was unauthorized as no escalation was admissible on imported/ non schedule items as per PEC guidelines and contract agreement.

Moreover, the pace of work was very slow as noticed during physical verification which will further enhance the escalation.

When pointed out in August 2021, the management stated that recovery will be made and will be shown to Audit.

The Management was requested for holding the DAC meeting vide letter Audit/Dir(Works)/C&W/IR No.17/2020-21/36dated 21.10.2021, which was not arranged till finalization of this report.

Audit recommends recovery of the amount from the contractors.

AP No. 388 (2020-21)

6.4.60 Loss due to non recovery of DPR charges - Rs. 2.738 million

According to Directorate of Social Welfare & Women Development Department Peshawar letter No.DAB/28/DSW/9851-72 dated 30-05-2011 and Section-11 of the Disable Person (Employment and Rehabilitation Ordinance 1981 and Rules 1991) the same was endorsed by Establishment Deptt. Vide No.SOR-VI(E&AD)3-2/2006/Vol.II dated 06-12-2010 and also Local Fund Audit No.LFA/DP/1987-88/4902-62 dated 20-06-2012.

During the audit of the Executive Engineer Building Division South Waziristan for the financial year 2020-21, it came to notice that various contractors have completed their contracts/ business during the financial year and a huge payment of Rs. 1368.884 million of rupees was also made to them. However, DPR charges @ Rs.2000/- per one million was not deducted from the contractor's bills which resulted in loss due to non-recovery of Rs. 2.738 million. Despite clear instruction no action toward prompt recovery was taken by the local office.

Year	ADP	AOM&R	3rd deposit	Total
2020-21	1128.104	7.655	131.726	1267.485
Less 8% security				101.399
			Net payment	**1368.884**

Loss due to non-recovery occurred due to non-observance of the rules and procedures.

When pointed out in July 2021, management replied that detailed reply will be submitted after consulting the relevant record.

In the DAC meeting held on 13-12-2021, it was decided that recovery of DPR may be made within fifteen days and be intimated to audit. However, no progress was intimated to audit till finalization of this report.

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

AP No. 439 (2020-21)

6.4.61 Irregular and Unauthentic Payment to Contractor - Rs. 1.230 million

According to Para 209 and 221 of the CPW code all payment of the work done are based on the quantities of the work recorded in the measurement book. It is incumbent upon the person taking the measurement to record the quantities clearly and accurately. He will also work out and record in the MB the figure for the contents of the area. The SDO should compare the quantities in the bill with those recorded in the M.B. and see that all the rates are correctly entered and that all calculations, have been checked arithmetically.

During the audit of the Executive Engineer Building Division South Waziristan for the financial year 2020-21, It was noticed that the work "GGPS Fazal Cheena" was put to tender and awarded to M/s Faizullah Khan Masood. On scrutiny of the relevant record it was observed that a sum of Rs. 17.930 million was allowed as up to date payment vide Vr. No. 24-W dated 15-06-2021 including a sum of Rs. 1.230 on account of pressure pump.

The voucher, bill of contractor, and measurement of the Engineer In charge show that the following Boring of Tube Well was executed.

The drilling of Bores was carried out through Rotary Drilling. for the rotary drilling proper strata was required to have been maintained however on demand nor strata statement, electrical resistivity survey report as claimed in the bill was provided. The Geophysical well logging report or geo testing report was also demanded but not produced therefore the authenticity of the claim of the contractor regarding boring and claim of the above specification could not be verified. Therefore it is apprehended that estimated quantities were allowed without ascertaining of the actual position of the drilling as to whether it was in clay, shingle, sand, shingle gravel, sand gravel etc.

Lapse occurred due to weak internal controls and financial mis-management.

When pointed out in July 2021, management replied that detailed reply will be submitted after consulting the relevant record.

In the DAC meeting held on 13-12-2021, it was decided that fact finding enquiry may be conducted and result be intimated to audit within 30 days. However, no progress was intimated to audit till finalization of this report.

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

AP No. 448 (2020-21)

6.4.62 Overpayment due to non-deduction of available material from various items of works – Rs. 4.902 million

According to MRS 2017 item No. 08-01-d-03, RRM includes 30% to 40% cost of stone. This read with Para1.58 of B&R Code, the divisional officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality.

Executive Engineer C&W Upper Kurram during the financial year 2020-21, Over paid Rs 4,902,539 vide voucher No.10/UKR dated 16-06-2021 in the work 'Improvement and rehabilitation of Parachinar Tarimangal Road 23 KM Package-03 by allowing full rate for item of work RRM (1:6) in Foundation and P/L Stone boulder dry hand packed respectively and ignoring the available stone at site from excavation in Hard rock material for 437 m3 @ 507.68 and shingle gravel for 1,0917.42 m3 @ 377.43.However, the cost of stone available and used was not deducted. Detail of loss is as under:

Rs.

Qty of hard rock available from excavation in M^3	**Item of work**	**Qty executed in M^3**	**Rate Paid**	**Required rate**	**Diff**	**Overpayment**	**Add 5 %**	**Deduct below rate (15.75%**
11,354	R RM(1:6) in F&P	3,406	5,384.76	4,268.64	1116.12	3,801,504	3,991,579	3,362,906
11,354	P/L Stone boulder dry hand packed	2,300.8	1891.10	1134.66	756.44	1,740,436	1,827,458	1,539,633
							Total	**4,902,539**

The lapse occurred due to weak internal controls which resulted in loss to government.

When pointed out in September 2021, management stated that detail reply will be submitted after detail scrutiny of record.

In DAC meeting held on 29-12-2021, it was decided that recovery of cost of stone be made and shown to audit for verification before settlement of para within 60 days. However, no progress was intimated to audit till finalization of this report.

Audit recommends recovery from person(s) at fault.

AP No. 301 (2020-21)

6.4.63 Overpayment due to applying incorrect rates – Rs. 1.203 million

According to Section 3.2.1.1, 3.2.4 & 3.9.5.2 of the Technical Specifications 2019 for workmanship, issued by Communication & Works Department, Government of Khyber Pakhtunkhwa (GoKP), materials of any kind such as shingle or hard good quality stone, obtained from excavation shall remain the property of the government. The Engineer shall decide regarding the unsuitability of the material by conducting appropriate laboratory tests. The materials obtained from the excavations may be disposed off. Suitable excavation material may be used in raising dams, embankments, ramps, rail and road formations or refilling the voids of foundations after the erection of the structure.MRS vide item No 3-16-b provides rate of 212.55 for filling watering ramming earth under floor brought from outside.

Executive Engineer C&W Upper Kurram during the year 2020-21 overpaid Rs 1,203,918 to a contractor for upgradation Of GGHS Parachinar vide voucher No.41-UKB dated 22-06-

2021. An item of work earth filling was paid at the rate of 1474.77 as granular filling instead of Rs 212.55 filling earth brought from outside for quantity of 953.81 resulted into loss of 1,203,918. Test result of granular filling was also not available on record.

Overpayment indicated weak financial control, which resulted in loss to Government.

When pointed out in September 2021, management stated that detail reply be given after detail scrutiny of record.

In DAC meeting held on 29-12-2021, it was decided that item of work paid to contractor i.e structure back filling using granular material brought from outside is not allowed under the floor. Therefore, item should be corrected as per correct nomenclature is filling under floor by using available material and extra material brought from outside. Overpayment be recovered and shown to audit within 15 days. However, no progress was intimated to audit till finalization of this report.

Audit recommends recovery from person(s) at fault.

AP No. 303 (2020-21)

6.4.64 Loss due to non-deduction cost of available material from formation embankment - Rs 2.083 million

According to Section 3.2.1.1, 3.2.4 & 3.9.5.2 of the Technical Specifications 2020 for workmanship, issued by Communication & Works Department, Government of Khyber Pakhtunkhwa, materials of any kind such as shingle or hard good quality stone, obtained from excavation shall remain the property of the government. The Engineer shall decide regarding the unsuitability of the material by conducting appropriate laboratory tests. The materials obtained from the excavations may be disposed off. Suitable excavation material may be used in raising dams, embankments, ramps, rail and road formations or refilling the voids of foundations after the erection of the structure..

During audit of the Executive Engineer C&W Upper Kurram for the finanical year 2020-21, it was observed that the Divisoin has overpaid Rs 2,083,653 to a contractor in the work Improvement and rehabilitation of Ghozgari from Kunda kung Alizai vide voucher No. 06/UKR dated 10-06-2021 in the item of work Embankment formation in ordinary soil) by allowing full rate and ignoring the available material from cutting (shown in cross section of the work at site from. However, the cost of available material used and was not deducted.

Qty of Available from cutting M^3	Formation of embankment Qty M^3	Paid Rate (Rs)	Required rate (Rs)	Diff (Rs)	Overpayment (Rs)	Add cost factor 5 % (Rs)	Deduct below Qty @ 10 % (Rs)
58,951	14,798.15	347	198	149	2,204,924	2,315,170	2,083,653

The lapse occurred due to weak internal controls.

When pointed out in September 2021, management stated that detail reply be given after detail scrutiny of record.

In DAC meeting held on 29-12-2021, it was decided that recovery of cost of stone be made and shown to audit for verification before settlement of para within 60 days. However, no progress was intimated to audit till finalization of this report.

Audit recommends recovery and deposit into Government treasury under intimation to audit.

AP No. 312 (2020-21)

6.4.65 Overpayment due to application of higher rates – Rs 2.276 million

Para 220 and 221 of CPWA Code, the Sub Divisional Officer, before making payments to the contractors is required to compare the quantities in the bills and see that all the rates are correctly entered and that all the calculations have been checked arithmetically..

According to Approved BOQ for the work, payment should be made according to approved BOQ.

During audit of Executive Engineer C&W division Upper Kurram for the year 2020-21, it was noticed that local office overpaid Rs 2,276,968 in the developmental work Improvement and rehabilitation of Parachinar Burki road via Karakhela (15KM) Package No.02 (8-15 KM) by allowing high rate then admissible for various items of work. Detail is given below:-

Rs.

Item of work	**Qty paid**	**Rate Paid**	**Admissible rate as per BOQ /PC-1**	**Difference**	**Total**	**Add cost factor 5 %**	**Deduct below rate @10 %**
Excavation in F&P	8602.25	273.74	240.36	33.38	287,143	301,500	271,350
Feb: of mild steel	80.16	115598.08	107,564.41	8,034.47	644,043	676,245	608,620
PCC 1:4:8 nullah shingle	1014.36	5481.08	4153.7	1327.38	1,346,480	1,413,805	1272,424
Pointing flush on stone work	947.02	336.6	197.4	139.2	131,825	138,416	124,574
						Total	**2,276,968**

Overpayment occurred due to weak financial control, which resulted in loss to the government.

When pointed out in September 2021, management stated that detail reply be given after detail scrutiny of record.

In DAC meeting held on 29-12-2021, it was decided that fact finding inquiry be conducted by Chief Engineer (South) through a senior officer to justify and compare the use of grade -60 steel instead of grade-40 as per BOQ in culverts as well as utilization of available material. The reply should be submitted within 30 days. However, no progress was intimated to audit till finalization of this report.

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

AP No. 316 (2020-21)

Chapter 7

EDUCATION DEPARTMENT

7.1 A) Introduction

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

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

Audit Profile of Education Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2020-21 (Rs in Million)	Revenue/ Receipts Audited FY 2020-21 (Rs in Million)
1	Formations	423	34	27,207.85	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	40	12	9,192	N/A
4	Foreign Aided Projects (FAP)	01	01	146	N/A

7.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriation of Education Department and expenditure by the department in financial year 2020-21 is given below:

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

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
12-Higher Education Achieves and Libraries	NC21	12,790,609,000	950,092,000	11,944,843,196	11,953,908,972	9,065,776
46-Elementary and Secondary Education	NC21	7,937,877,000	1,312,995,000	9,168,683,138	9,168,773,338	90,200
Total		**20,728,486,000**	**2,263,087,000**	**21,113,526,334**	**21,122,682,310**	**9,155,976**

Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
53-University/Colleges	NC12	3,322,862,000	30	4,256,362,030	4,256,357,688	-4,342
53-University/Colleges	NC22	2,887,280,000	0	3,468,584,000	3,484,713,324	16,129,324
53-Technical/University/Colleges	NC12	183,073,000	0	145,846,000	145,841,191	-4,809
53-Technical/University/Colleges	NC22	50,005,000	0	74,008,000	57,552,112	-16,455,888
53-Archives Library and Museums	NC12	10,340,000	0	8,170,000	8,169,081	-919
53-Archives Library and Museums	NC22	113,410,000	0	57,500,000	57,500,000	0
Total		**6,566,970,000**	**30**	**8,010,470,030**	**8,010,133,396**	**-336,634**

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

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	21,113.526	21,122.682	9.156	0.04%
Development	8,010.470	8,010.133	-0.337	0.00%
Total	**29,123.996**	**29,132.816**	**8.819**	0.03%

It can be seen from the above variance analysis that the expenditure were made in excess on some grants, while could not be utilized in others. The spending over the allowed budgets does not only indicate the inappropriate budgeting but also put question mark on the SAP controls for allowing excess expenditure.

7.1 (c) Issues in the Education Department

The major issue in the education department is difference in irregular pay and allowances. In many instances irregular payment of allowances was witnessed such as accommodation, conveyance, orderly, house requisition, and Palosa allowance. Non-recovery of accommodation and electricity charges were also reported. Besides non-recovery of dues from students and affiliated institutes outstanding dues is also a major issue in education department. Non-imposition of liquidated damages and un-authorized procurement of fixed assets is also reported.

7.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.1238.64 million were raised in this report during the current audit of Education Department. This amount also includes recoveries of Rs 187.451 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	256.7
B	Procurement related irregularities	596.2
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	28.2
5	Others	21.6

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

SNo.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2007-08	-do-	10	06	-	04
2.	2008-09	-do-	06	02	-	04
3.	2009-10	-do-	11	02	-	09
4.	2010-11	-do-	33	15	-	18
5.	2011-12	-do-	13	09	-	04
6.	2012-13	-do-	10	04	-	06
7.	2013-14	-do-	19	09	-	10
8.	2014-15	-do-	31	07	-	24
9.	2015-16	-do-	32	06	-	26
10.	2016-17	-do-	66	25	-	41

7.4 Audit Paras

7.4.1 Irregular grant of additional charge allowance - Rs 3.320 million

According to Government of Khyber Pakhtunkhwa, Finance Department letter No.FD(SR-1)3-19/92 dated 12-08-1997, additional charge should not exceed three months. It may be extended by another three months with the approval of next higher authority.

During audit of the University of Chitral for the financial years 2017-18 to 2019-20, it was observed that the university management paid additional charge allowance of Rs.3.332 million that included Rs. 518,700/- as expenditure for three month and Rs. 2,801,444/- for the period beyond three months.

Audit held the additional charge allowance payment of Rs. 3,320,144/- as irregular because neither approval of the competent authority nor had sanction from Finance Department been obtained.

The lapse occurred due to weak financial management.

In the DAC meeting held on 21-06-2021, the Vice Chancellor informed that the University of Chitral was in project mode until 2022. He further informed that the irregular payment of Rs.3.320 million as additional charge allowance could be regularized by the Syndicate and the same was also endorsed by the Higher Education Department (HED). However, the Audit and Finance Department did not agree and directed to affect recovery from the persons concerned.

Audit recommends recovery.

AP No. 2 (2019-20)

7.4.2 Loss to Government due to payment of conveyance allowance at higher rates - Rs. 1.344 million

According to Finance Department, Regulations Wing OM No.F.3(1)R-5/2010 dated 3-7-2012 and 5-9-2012; Conveyance Allowance @ Rs.5000/- per month will be admissible to officers in BPS 16-22.

During audit of the Islamia College University Peshawar for the financial year 2019-20, it was observed that a sum of Rs.1.344 million was over-paid as conveyance allowance (CA) to officers of BPS-20 and BPS-21 @ Rs.7000 and Rs 9000 per month respectively resulting in total overpayment of Rs.1,344,000/-.

The lapse occurred due to weak financial controls.

When pointed out in March 2021, the department replied that the conveyance allowance rates for the staff of the Islamia Collegiate Peshawar (ICP) was duly approved by the Syndicate and incorporated in the annual budget 2019-20 of the university with approval of the Senate.

In the DAC meeting held on 16-08-2021, it was decided that irregularly paid conveyance allowance of Rs.1.344 million may be recovered. However, no progress regarding recovery has been reported till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 465 (2019-20)

7.4.3 Excess payment of house rent allowance– Rs. 17.15 million

According to Finance Division O.M notification No.F-1/7/Imp-11/87 dated 1-7-1987, house rent allowance is allowed @ 45% in big cities and 30% at other cities and increase in the amount of House Rent Allowance (HRA) @50% of the existing amount being drawn vide Finance Division O.M No.F-2(2)R-5/2010 dated02-07-2018.

During audit of Hazara University for the financial year 2019-20, it was observed that a sum of Rs.51.449 million has been paid as HRA to different employees of the University. Further scrutiny of record revealed that the amount of house rent was required to be paid at a rate of 30% plus 50% increase in the amount of HRA of the existing amount being drawn on the basic pay scale 2008, however, the payment was made @ 45% plus 50% of the basic pay scale of 2008 resulting in excess payment of Rs.17.150 million as detail below.

House Rent Allowance (Overpaid)	
Drawn @45%	Rs. 51,449,134
Required @30%	Rs. 34,299,422
Difference (overpaid)	Rs. 17,149,711

The loss occurred due to weak internal controls.

When pointed out in March 2021, the management replied that the House Rent Allowance was being paid as approved by the Syndicate/Senate of the university. As per university Act.2016 under section 3(6) the university have Academic, Financial and Administrative autonomy on such terms and conditions as may be provided and as per university Act Section 6(iv) university shall have the power to prescribe [by statutes] the terms and conditions of employment of officers, teachers and other employees of the university and lay down terms and conditions that may be different from those applicable to the Government servant in general and Syndicate shall be Executive Body of the university and shall subject to the provisions of this Act and the statutes, exercise general supervision over the affairs and management of the university.

In the DAC meeting held on 17-08-2021, it was decided that recovery of Rs.17.15 million from the persons concerned will be made and the paymnet of House Rent Allowance at higher rates may be stopped immediately.However, no progress has been intimated to audit till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No.429 (2019-20)

7.4.4 Loss due to non recovery of electricity charges from staff - Rs.4.46 million

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

During audit of the University of Malakand for the financial year 2019-20, it was observed that twoelectricity meters and generators have been installed in the University for Residential Colony. The electricity connections have been provided to the residential colony from the university's connection through check meters and Rs.17,398,107/- has been paid to PESCO for electricity charges and Rs.308,700/- has been paid for POL of generators.

Furthermore, the university has paid PESCO Rs.20 per unit whereas University has only recovered Rs.5.5 per unit from the consumers of the residential colony. Therefore,electricity charges have been under-recoveredfrom the consumers which have resulted in loss of Rs.4.457 million to the university.

In the DAC meeting held on 01.10.2021, it was decided that out of Rs.4.46 million an amount of Rs.2.66 million has been recovered and balance of Rs.1.79 million was recoverable. The DAC decided that the recovered amount may be produced to audit for verification and balance of Rs.1.79 million may be recovered. However, no progress has been intimated to audit till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 151 (2019-20)

7.4.5 Loss to government due to non-imposing penalty - Rs. 1.741 million

According to letter of acceptance (LOA) issued vide University of Malakand reference No.UOM/2920/Works dated 29.4.2015; the stipulated period of work was 24 months from the date of receipt of engineer notice to commence the work read with Para-15 (4) of Procurement Rules-2004, penalty as 0.05% for each day of delay in completion of the works subject to a maximum of ten percent (10%) of the contract price will be made. The tender documents and the contract shall include a clause for payment of liquidated damages and penalty payable by the bidder in the event of non-fulfillment of any of the terms of the contract besides forfeiture of earnest money or tender security

During audit of the University of Malakand for the financial year 2019-20, it was observed that the contract of the work ADP scheme "Strengthening of Malakand University Construction of Science Block" (PC-1Rs 300 million) has been awarded to the contractor M/S Asmat Ullah & Brother who has carried out works worth Rs.235.913 million up to June 2020.

The verification of record revealed that the scheme was required to have been completed by 28.04.2017 but till date of audit i.e. 03.11.2020, the work was still not completed.Therefore,penalty @Rs.10% amounting to Rs.23.591 million was required to have been imposed which was not done.

The lapse occurred due to weak internal controls and non-adherence to rules.

In the DAC meeting held on 01.10.2021, it was decided that penalty of Rs.1.741 million instead of Rs.23.591 million may be imposed and recovered, however, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 170 (2019-20)

7.4.6 Loss due to non-recovery of electricity charges from the staff residing in the Agriculture University colony - Rs.4.445 million

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

During audit of the University of Agriculture Peshawar for the financial year 2019-20, it was observed that an electricity meter was installed in the University for Residential Colony and the electricity connections have been provided to the residential colony from the university connection through check meters.

Elecricity charges of Rs.62.643 million have been paid to PESCO during the year. It was further observed that PESCO has been paid at Rs. 24.32 per unit, whereas the University has recovered Rs.17.51 per unit from the consumers of the residential colony which means that the consumers have been undershcraged at Rs. 6.81 per unit. Resultantly, the University has suffered a loss of Rs.4.445 million (Rs.6.81 x Unit 652,683= 4,444,771/-).

Audit held that non-installation of the PESCO meters in the residential colony was due to weak administrative controls.

In the DAC meeting held on 05.10.2021, the forum decided for recovery of Rs.4.445 million from the concerned employees. However, no progress has been intimated to audit till finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 570 (2019-20)

7.4.7 Unauthorized drawl of house requisition - Rs.32.215 million.

According to Government of Khyber Pakhtunkhwa Finance Department Notification No.SOSR-III/FD/1-27/2018 dated: 25.10.2018; the departments provides housing subsidy to the Provincial Government employees serving at Peshawar in lieu of government accommodation.

During audit of the University of Agriculture Peshawar for the financial year 2019-20, it was observed that an amount of Rs.32.215 million has been paid to officers/officials of the university on account of house requisition (hiring allowance) as detailed below:

S.No	Particular	Amount(Rs.)
1.	Faculty & Administrative Staff	17,954,916
2.	Ministerial Staff	8,877,300
3.	Lab/Tech Staff	4,515,753
4.	Class-IV Staff	867,156
	Total	**32,215,125**

The verification of record further revealed that as per Government's notification, the house requisition is not allowed. Therefore, the payment of house requisition was unauthorized which needs recovery. The contention of unauthorized house requisition was further endorsed by HED KP letter No.SO(U-II) HE/1-5/F&PC.

The lapse occurred due to non-observance of rules/regulations.

In the DAC meeting held on 05.10.2021, it was decided that the case may be referred to PAC for final decision.

Audit recommends implementation of the DAC decision.

AP No. 571 (2019-20)

7.4.8 Unauthorized drawl of conveyance allowance - Rs. 5.029 million.

According to the Finance Division, O.M No. F-1(1) imp/1/77dated: 28-04-1977; conveyance allowance is not allowed to those incumbents who are provided government residential accommodation with in the Office/University Campus premises.

During audit of the University of Malakand for the financial year 2019-20, it was observed that government residences were allotted to various officers/officials inside the University. However, conveyance allowance was not admissible to the occupants which resulted in unauthorized payment of Rs. 5.029 million as conveyance allowance.

The irregularity occurred due to financial mismanagement.

When pointed out the management replied that all the employees were not living in the work premises of the university and Peshawar High Court has directed that Finance Department shall conduct survey/inquiry to ascertain whether the employees are residing within the work premises or otherwise.

In the DAC meeting held on 01.10.2021, it was decided that the above mentioned survey report may be produced for verification or recovery of the Rs.5.029 million conveyance allowance may be made from the concerned employees. However, no progress has been intimated to audit till finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 159 (2019-20

7.4.9 Excess payment of housing subsidy - Rs.16.265 million.

According to GoKP Finance Department Notification No.SOSR-III/FD/1-27/2018 dated: 25.10.2018; the payment of housing subsidy is payable as per notified rates.

According to Higher Education Commission (HEC) letter No.F.P.2-157/HEC/2009/580 dated 04.08.2009 read with the Finance Department Government of Khyber Pakhtunkhwa letter No.SOSR.III/FD/1-27/2003 dated 23.04.2003 and Higher Education Department letter No.SOA/FE/5-8/AA/AP/FA (1994-95) dated 18.09.2004; in order to maintain uniformity and standardization of allowances, facilities and perks etc. in public sector universities, it is requested that the respective Vice Chancellors may please be directed that the payment of admissible allowances/facilities in excess of prescribed rates or extending additional allowances/incentives to faculty/staff other than admissible under the BPS scheme may not be allowed.

During audit of the University of Agriculture Peshawar for the financial year 2019-20, it was observed that an amount of Rs.16.265 million was paid to officers/officials of the university on account of housing subsidy at the rates higher than those notified by Government of Khyber Pakhtunkhwa.

The loss occurred due to non-adherence to rules.

In the DAC meeting held on 05.10.2021, it was decided that the case may be referred to PAC for final decision.

Audit recommends implementation of the DAC decision.

AP No. 574 (2019-20)

7.4.10 Unauthorized payment of orderly allowance - Rs. 14.112 million

According to Section 22 “Allowances” of the University of Agriculture Peshawar statutes 2016; the following monthly allowances shall be admissible to employees subject to its revision by the government and adoption by the syndicate from time to time.

a. HRA Allowance
b. Medical Allowance.
c. Conveyance Allowance
d. Entertainment Allowance
e. Senior Post Allowance,
f. Qualification Allowance/Pay.

g. Any other allowance approved by the syndicate as announced by the Government.

According to HEC letter No.F.P.2-157/HEC/2009/580 dated 04.08.2009 read with the Finance Department GoKP letter No.SOSR.III/FD/1-27/2003 dated 23.04.2003 and HED letter No.SOA/FE/5-8/AA/AP/FA (1994-95) dated 18.09.2004; in order to maintain uniformity and standardization of allowances, facilities and perks etc. in public sector universities, it is requested that the respective Vice Chancellors may please be directed that the payment of admissible allowances/facilities in excess of prescribed rates or extending additional allowances/incentives to faculty/staff other than admissible under the BPS scheme may not be allowed.

According to GoKP Finance Department (Regulation Wing) Notification vide No.FD/SO (SR-II)/8-34/99, dated 17.09.2003; the Government has decided to grant orderly allowance to officers in BS-20,21 & 22 working in Civil Secretariat who are allowed to either opt for the provision of residence orderly or for orderly allowance.

During audit of the University of Agriculture Peshawar for the financial year 2019-20, it was observed that Orderly Allowance of Rs.14.112 million has been paid to various different officers of the University for which they were not entitled under the rules as the said allowance has been sanctioned for officers working in the Civil Secretariat only.

The lapse occurred due to violation of rules.

In the DAC meeting held on 05.10.2021, it was decided that recovery of Rs.14.112 million may be made from the officers concerned. However, no progress was intimated to audit till finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 569 (2019-20)

7.4.11 Loss due to less realization of profit on maturity of TDR - Rs. 15.341 million

According to para 23 (2) (a-i) & (e) of the Khyber Pakhtunkhwa Universities (Amendment) Act 2016, the Syndicate shall have the powers to invest any money belonging to the University.

During audit of the Bacha Khan University Charsadda for the financial years 2017-19, it was observed that Rs.65.450 million was invested with United Bank Limited (UBL) Charsadda for a period of 05 years @ 13%. The TDR matured on 23-10-2018 as communicated vide Bacha Khan University letter No.854/TR/BKU-18 dated.08.10.2018.

The Bank Statement showed that the principal amount of Rs.65.450 million and accrued profit of Rs.39.796 million has been transferred to the University account No.9917412 but on the calculation of compound profit of term deposit receipts (TDR), it was noticed that Rs.15.341 million was less calculated as per detail given below:

Rs.

TDR No.	Amount Fixed	Year	Annual Profit @ 13%	Total Amount (Col 2+4)
210170843	65,450,000	23.10.2014	8,508,500	73,958,500
	73,958,500	23.10.2015	9,614,605	83,573,105
	83,573,105	23.10.2016	10,864,503	94,437,608.65
	94,437,608	23.10.2017	12,276,889	106,714,497
	106,714,497	23.10.2018	13,872,884	120,587,382

Principal amount + Profit due	=	Rs. 120,587,382
Less total transferred by the bank	=	Rs. 105,246,051
Difference	=	Rs. 15.341 million

Audit is of the view that compound profit @ 13% along-with principal amount was required to have been transferred in the University Account which was not done and resulted into loss of Rs15.341 million.

The lapse occurred due to financial mismanagement.

In the DAC meeting held on 03 & 04-11-2021, it was decided that the matter may be investigated for fixing responsibility. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 597 (2017-19)

7.4.12 Unauthorized drawl of Palosa allowance - Rs.19.651 million

According to GoKP Finance Department letter No.SOSR-III/FD/I-27/2003 dated 23-04-2003; in order to maintain uniformity and strict financial discipline within the province, all the universities in the province must follow the provincial government's pay package and other financial policies and must not adopt independently any policy without the concurrence of the provincial government.

During audit of the Bacha Khan University Charsadda for the financial year 2017-19, it was observed that staff of the University has been paid Palosa Allowance w.e.f 01.01.2015 as approved in the 2nd Syndicate meeting held on 25.12.2014 for one year which was extended for subsequent 02 years i.e. January 2016 to January 2018 in pursuance of Syndicate 4th meeting held on 02.01.2016. The said allowance was extended for further two years i.e. up to 30.12.2019 at the existing rates and was decided to be discontinued thereafter as per agenda item No.20 of the Syndicate meeting dated 19.04.2018.

Audit is of the view that admissibility of Palosa allowance was subject to the concurrence of Finance Department. Therefore, the grant of any allowance without the approval of the Finance Department/Senate is held irregular and unauthorized.

The lapse occurred due to non-adherence to rules/regulations prescribed by the Government.

In the DAC meeting held on 04-11-2021, it was decided that payment of Palosa allowance shall be recovered from the employees concerned in easy installments and its further payment be stopped immediately.

Audit recommends implementation of the DAC decision.

AP No. 604 (2017-19)

7.4.13 Excess payment due to unauthorized provision of facilities – Rs. 2.090 million

According to Secretary Board of Intermediate and Secondary Education (BISE) letter No. 1744/Admn2017 dated 18.9.2017, consultancy and supervision contract for construction of Sports Complex, up-gradation of existing sports facilities, Repair/Rehabilitation of office & Colony building including development work was awarded to M/S CIV-Tech Associates & EPAC Consultants at a cost of Rs.15.552 million with following break up as per contract agreement and financial proposal.

Salary cost remuneration	11.800 million
Direct Cost	3.372 million

During audit of the BISE Peshawar for the financial year 2019-20, it was observed that Rs.13.970 million was paid to M/S CIV-Tech Associates & EPAC Consultants as remuneration charges up to 02.3.2021 for consultancy services provided in the work "construction of Sports complex, up-gradation of existing sports facilities. Repair/Rehabilitation of office & Colony building including development work". The contract included break-up of salary component Rs.11.800 million and non-slary (Direct Cost) component Rs. 3.372 million. However, the Board has provided all facilities and benefits to the consultant which have been required under the Direct Cost such as office accommodation, electricity, water & gas charges, office equipment, running and maintenance of office and office equipment, office supplies and stationery, printing, photocopying and binding of reports, telephone and internet, transport including driver, POL and maintenance etc. Therefore, the consultant was not required to have been paid for Direct Cost / Non-salary compenent but was only required to have been paid the salary compoenent only i.e. Rs. 11.800 million.

Audit held the payment of Rs. 2.090 million over and above the salary component as unauthorized and undue favor to the consultant.

The lapse occurred due to non-adherence to the contract agreement and financial proposal.

When pointed out in June 2021, the management neither discussed the report with Audit nor was any written reply furnished despite repeated verbal and written requests.

The department was requested for holding the DAC meeting vide letter dated 25-06-2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

AP No. 600 (2019-20)

7.4.14 Irregular drawl of palosa allowance – Rs. 5.388 million

According to GoKP Finance Department letter No.SOSR-III/FD/I-27/2003 dated 23-04-2003; in order to maintain uniformity and strict financial discipline within the province, all the universities in the province must follow the provincial government's pay package and other financial policies and must not adopt independently any policy without the concurrence of the provincial government.

Furthermore, the Government has declared Chitral, Kohistan, Dir, Merged Areas of Hazara&Mardan Division, Swat, Buner, Shangla & Malakand Districts as Unattractive areas for the purpose of Unattractive Areas Allowance with rates specified for each vide notification dated 1st July, 2016.

During audit of accounts record of the Bacha Khan University, Charsadda for the financial year 2020-21, it was observed that an allowance namely Palosa Allowance has been paid to the employees resulting in irregular payment of Rs. 5.388 million becuase Palosa Village of District Charsadda has not been notified as areas eligible for any specific allowance.

The lapse occurred due to non-adherence to the rules and regulations.

When pointed out in March, 2021, the management replied that the said allowance has been granted in concurrence of the Syndicate dated April 2018 and January 2020. However, audit didn't agree with the response because Palosa Village of District Charsadda has not been notified as areas eligible for any specific allowance.

In the DAC meeting held on 03-11-2021, it was decided that Palosa Allowance from the employees may be recovered in easy installments besides stoppage of further payment in future. However, no progress was intimated till finalization of this report.

Audit recommends recovery of the allowance from the officials concerned.

AP No. 419 (2019-20)

7.4.15 Loss to university due to allowing Palosa Allowance - Rs. 2.919 million

According to GoKP Finance Department letter No.SOSR-III/FD/I-27/2003 dated 23-04-2003; in order to maintain uniformity and strict financial discipline within the province, all the universities in the province must follow the provincial government's pay package and other financial policies and must not adopt independently any policy without the concurrence of the provincial government.

Furthermore, the Government has declared Chitral, Kohistan, Dir, Merged Areas of Hazara&Mardan Division, Swat, Buner, Shangla & Malakand Districts as Unattractive areas for the purpose of Unattractive Areas Allowance with rates specified for each vide notification dated 1st July, 2016.

During audit of accounts record of the Bacha Khan University, Charsadda for the financial year 2020-21, it was observed that an allowance namely Palosa Allowance has been paid tothe employees resulting in irregular payment of Rs. 2.919 million becuase Palosa Village of District Charsadda have not been notified as areas eligible for any specific allowance.

The lapse occurred due to non-adherence to the rules and regulations.

When pointed out in November, 2021, the management replied that the said allowance is being granted in concurrence of the Syndicate dated April 2018 and January 2020. However, audit didn't agree with the response because Palosa Village of District Charsadda has not been notified as areas eligible for any specific allowance.

The University was requested for convening the DAC meeting vide letter No. Audit/DAC/Edu/APs 138-161/2020-21/ 2498 dated 29.11.2021; however, no DAC meeting was convened till finalization of this report.

Audit recommends recovery of the allowance from the concerned officers/officials.

AP No. 149 (2020-21)

7.4.16 Irregular payment of steel without any measurement and bar bending schedule - Rs. 8.121 million.

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

During audit of the Bacha Khan University Charsadda for the financial year 2020-21, it was observed that up to IPC-02 a sum of Rs.8.121 million has been paid to M/S PirKhana Builders Pvt. limited for 75 ton steel G-40in executing the work i.e. construction of boundary wall with watch tower at Bacha Khan University Charsadda main campus (Package A).

However, neither detailed measurement of 75 ton steel was available in the measurement book (Record Entry) nor was bar bending schedule available. Furthermore, 75 ton Steel payment was not justified by the RCC 365.68 M3 as very nominal quantity of RCC was executed which indicated that the quantity of steel has not been used as claimed in the bill.

The lapse occurred due to weak internal controls.

When pointed out in November, 2021, it was stated that bar bending schedule would be provided in due course of time.

The university was requested for convening of DAC meeting vide letter No. Audit/DAC/Edu/APs 138-161/2020-21/ 2498 dated 29.11.2021, however, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibilities.

AP No. 138 (2020-21)

7.4.17 Non-recovery of renewal fee from the affiliated Educational Institutes - Rs. 5.536 million

According to Para 2 (6) of affiliation & disaffiliation of Educational Institutes statutes 2016 of the Bacha Khan University Charsadda; after approval of affiliation by the Syndicate, the affiliated institutes/colleges shall deposit affiliation fee for each of the affiliated programs.

During audit of the Bacha Khan University Charsadda for the financial year 2020-21, it was observed that an amount of Rs.5.536 million was outstanding against the affiliated colleges/institutions of the university as per detail given below:

S.No	Name of College/Institute	Amount
1	National Institute of Science & Technology Charsadda	1,198,016
2	Al-Muslim College, Utmanzai	389,800
3	Institute of Social Policy & Research	3,004,096
4	Vertex College of Engineering	653,984
5	Peshawar College of Engineering	52,077
6	Nice Education System Peshawar	237,932
	Total	**5,535,905**

The lapse occurred due to weak internal controls.

When pointed out in November, 2021, it was stated that the cases for recovery are under process with these institutions and outcome would be shared with audit.

The university management was requested for convening of DAC meeting vide letter No.Audit/DAC/Edu/APs 138-161/2020-21/ 2498 dated 29.11.2021; however, no DAC meeting was convened till finalization of the report.

Audit recommends recovery from the concerned Institutions.

AP No. 152 (2020-21)

7.4.18 Non-recovery from scholars on study leaves - Rs. 103.466 million

According to the minutes of the second meeting of the committee "authorized officer" constituted vide the 31st Syndicate Meeting held on 20-01-2020 under the convener-ship of the Vice Chancellor; all the amounts incurred on the PhD studies along with penalty of 25% shall be recovered from the delinquents or their guarantors as per their deed agreements in addition to the major penalties of "removal from service" being guilty of misconduct.

According to Rule 2.2 of the Abdul Wali Khan University Mardan Financial Rules 2019 notified vide office order dated 07-02-2020; the dues of the university may be recovered as arrears of land revenue.

During audit of the Abdul Wali Khan University Mardan for the financial year 2019-20, it was observed that major penalties of "removal from service" were imposed by the inquiry committee (authorized officer) on the faculty staff/ scholars who were sent abroad for their higher studies. The said staff members of the university could not return for joining back the service as was required. Subsequently, an amount of Rs. 113,208,854/- was established to be recovered from the said faculty members of the university, however, an amount of Rs. 103,466,074/- was still outstanding against them till date of Audit.

The lapse occurred due to weak internal controls.

When pointed out in October 2020, it was replied that recovery from the scholars concerned has been initiated and regular deduction from their salaries was in process.

In the DAC meeting held on 09-03-2021, it was decided that to stand the para till complete recovery along with verification of the recovery already made. However, no progress about recovery was intimated till finalization of this report.

Audit recommends early recovery from the defaulters.

AP No. 117 (2019-20)

7.4.19 Overpayment on account of payment of advance increment to the TTS staff - Rs. 5.949 million

According to annexure-A to the Higher Education Commission Islamabad letter Ref.Dir.QA/AWKU/HEC/TTS-153/77/419 dated 05-08-2019; appointments on tenure track system were endorsed with no advance increment allowed by the Commission.

During audit of the Abdul Wali Khan University Mardan for the financial year 2019-20, it was observed that an amount of Rs.5.949 million was paid to the tenure track system (TTS) based professors on account of advance increments (detail given below). However, the same have not been endorsed by the HEC.

Rs.

S No	Name	Date	Inc. Rate	No. of Inc.	Monthly Payment	Months	Amount
1	Dr. GulRooh AP Physics	03 2016	11,375	3	34,125	55	1,876,875
2	Dr. SadafNiaz AP Zoology	06 2018	11,375	3	34,125	28	955,500
3	Dr. Maqsood Hayat AP Computer Sciences	08 2018	11,375	4	45,500	26	1,183,000
4	Dr. Muhammad Ajaz AP Physics	10 2018	11,375	4	45,500	24	1,092,000
5	Dr. Muhd Ibrahim AP Chemistry	06 2017	11,375	1	11,375	40	455,000
6	Dr. Karim Dad AP Islamic Studies	01 2018	11,375	1	11,375	34	386,750
						Total	**5,949,125**

The above mentioned faculty members were appointed as Assistant Professors in the university and were given the advance increments keeping in view their qualifications and the HEC Policy. Later on the said faculty members were promoted to the posts of Associate Professors and were receiving the said increments continuously which were neither allowed nor endorsed by the HEC Islamabad as required under the rules.

The overpayment occurred due to violation of rules and regulations and extending undue favor to the faculty members.

When pointed out in October 2020, it was replied that the matter would be taken up with HEC and response would be shared with Audit.

In the DAC meeting held on 09-03-2021, the Para was marked for verification within 30 days. However, no progress was intimated till finalization of this report.

Audit recommends fixing responsibility and effecting recovery from the faculty members concerned.

AP No. 134 (2019-20)

7.4.20 Non-deduction of KP Sales Tax and Stamp Duty - Rs. 5.647 million

According to Clause 14 (a) of the Second Schedule of Clause 19 of Chapter I of Part-III of the Khyber Pakhtunkhwa Finance Act 2013; KP Sales Tax on Services at the rate of 15% shall be levied upon construction services rendered in respect of construction of structures, buildings, roads, bridges, underpasses or flyovers, electro-mechanical works, turn-key projects and similar other works involving construction activity.

According to Rule 15.2.2 of the Abdul Wali Khan University Mardan Financial Rules 2019; the Security, General Sale Tax and Income Tax etc. at the rate prescribed by the Government shall be deducted from the bill to ensure the performance of the contract.

During audit of the accounts record of Abdul Wali Khan University Mardan for the Financial Year 2019-20, it was noticed that an amount of Rs. 17.112 million was paid to different contractors on account of different civil works. However, the 15% KP Sales Tax on services amounting to Rs. 2.232 million and 1% stamp duty amounting to Rs. 0.17 million totaling to Rs. 2.403 million have not been deducted from these contractors. Similarly, an amount of Rs. 23.102 million was paid to M/S Insaf Construction up-to third IPC on account of construction of remaining work of academic block. However, sales tax amounting to Rs. 3.013 million and stamp duty of Rs. 0.231 million was not deducted.

Audit held the non-reocvery of sales tax and stamp duty of Rs. 5.647 million as loss to the government.

The lapse occurred due to weak internal controls.

When pointed out in October 2020, it was replied that the director works of the university has already sent a letter to DG KPRA regarding admissibility of KP Sales Tax on the contractors. The reply was still awaited. The same will be shared with Audit as and when received.

In the DAC meeting held on 09-03-2021, it was decided that complete recovery will be made within 30 days. However, no progress has been intimated till finalization of this report.

Audit recommends recovery of the sales tax and stamp duty from the contractors and depositing the same in the government treasury.

AP No. 146 (2019-20)

7.4.21 Loss to government on account of scholarship - Rs.19.530 million and £ 235,937

According to Terms and conditions of the scholarship agreement, the scholar will return and serve in the University for double the period of study leave availed after completion of the the Ph.D course. In case of failure to do so, the scholar will pay an amount 4 times of pay benefits and other payments/ 4 times of the scholarship amount received during the period of study leave. Furthermore, the scholar will abide by all the statutes rules and decisions of the Syndicate in this regard.

During audit of the Hazara University Mansehra for the financial year 2020-21, it was observed that as per record and minutes of the Syndicate (45th) dated 9th November 2020 the university has awarded scholarships for Ph.D/Higher studies abroad. The scholars were required to report for duty after completion of their studies but on verification of record it was revealed that the scholars did not report to the university after completion their period of PhD studies. Therefore, the university has sustained loss of Rs.19.530 million and £235,937 due to non-recovery of the scholarship amount from the concerned.

The loss occurred due to weak internal controls and non-adherence to rules.

In the DAC meeting held on 12.11.2021, it was decided that complete recovery may be affected from the concerned scholars as early as possible.

Audit recommends recovery.

AP No.23 (2020-21)

7.4.22 Loss to Government due to drawl of House Rent Allowance at higher rate - Rs. 8.237 million

According to the Finance Division Regulation Wing Notification No. F-2R5/2010, dated 2nd July 2018 as adopted by the Provincial Government, house rent allowance is allowed @ 45% in big cities and at 30% at other cities and increase in the amount of HRA @ 50% of the existing amount.

According to Prime Minister Secretariat HEC Wing letter No.F.P-2.157/ III/HEC/ 2009/580, dated 4th August 2009, variations in payments of additional allowances in excess of prescribed rates to staff by public sector universities create recurring financial burden in form of pay and allowances and advised the Governors of the Provinces to direct Vice Chancellors that facilities in excess of prescribed rates or extending additional allowance/incentives other than admissible under the BPS scheme may not be allowed.

During audit of the Hazara University Mansehra for the financial year 2020-21, it was observed that Rs.54.913 million has been paid to various employees of the university. As per rules mentioned above the house rent allowance was required to have been paid at the rates prescribed by the government. However, the house rent was drawn at 45% plus 50% increase, this resulted in loss of Rs.8,237,077/-(45% - 30% = 15%x 54913851/-) to the government.

Audit is of the view that the allowances were required to have been at par with the allowances of Civil Servants of Federal and Provincial Government.

The lapse occurred due to non-adherence to rules and regulations.

In the DAC meeting held on 12.11.2021, it was decided that recovery of Rs.8.237 million may be made from the concerned and payment of HRA at the higer rate may be stopped immediately.

Audit recommends recovery.

AP No.27 (2020-21)

7.4.23 Non-imposition of liquidated damages on contractor for default in completion of work despite extensions of time – Rs. 11.596 million

As per clause-47.1 of the contract agreement, if the contractor fails to comply with the Time for Completion in accordance with clause 48, for the whole of the Works or, if applicable, any Section within the relevant time prescribed by Clause 43, then the Contractor shall pay to the Employer the relevant sum stated in the Appendix to Tender as liquidated damages for such default and not as a penalty (which sum shall be the only monies due from the Contractor for such default) for every day or part of a day which shall elapse between the relevant Time for Completion and the date stated in a Taking-Over Certificate of the whole of the Works or the relevant Section.

During audit of the University of Swat for financial year 2020-21, it was observed that contract for the work “construction of Admin Block under Package-M” has been awarded to M/S Elum Construction Company on 12-04-2019 at the contract cost of Rs.115,964,697/- with a completion period of 15 months.

Audit further observed that on 30-07-2020, the Project Director in accordance with the recommendation of the 27th technical review committee (TRC) and subsequent endorsement of the recommendation from the Syndicate in its meeting held on 23-07-2021; directed the contractor to complete the work upto March 12, 2021, however, the work has not been completed. While in light of another recommendation given by the 29th TRC, the Syndicate in its meeting held on April 05, 2021; directed the contractor to complete the work upto 30th July, 2021 but the work still remained incomplete.

Hence, audit held that liquidated damages @10% of the contact price i.e. Rs.11,596,470 (115,964,697 x10%) was required to have been imposed on contractor but the same has not been imposed.

The lapse occurred due to violation of provisions of contract agreement.

When pointed out in October, 2021, the management replied that the Contractor, M/S Elum Construction Company had successfully completed his scope of work in the last extended time period by July 31st, 2021 as recommended by 29thtechnical review committee which was endorsed by subsequent Syndicate. Accordingly, the contractor requested the Project Director for handing/taking over of the building through a letter No. ECC/UoS/Admin-21-466 dated 29-07-2021. In response of the contractor letter, the Project Directorate issued punch list/ snag list of items to contractor as per standard procedure in order to complete the handing/taking over process. The punch list had already been cleared by the contractor and had informed the Project Director regarding final handing/taking over of the building. It was pertinent to mention here that liquidated damages as per Contract Clause 47.1 will only applicable on non-completion of the scope of work within the contract or extended period while issuance of punch list is a standard procedure for handing/taking process of any building/project and it’s solicit handing/taking over process.

The department was requested for holding the DAC meeting vide letter No.Audit/DAC/EDU/Aps/92-105/2020-21/2466 dated 22/11/2021, however, no DAC meeting has been convened till finalization of this report.

Audit recommends the recovery of liquidated damages from the contractor.

AP No.97 (2020-21)

7.4.24 Unauthorized payment due to allowing house rent at higher rates – Rs. 7.202 million

Accoridng to the GoKP Finance Department letter No.SOSR-III/FD/1-27/2003 dated 23-04-2003; all the Universities in Khyber Pakhtunkhwa must follow the provincial Government’s pay and package and other financial policies and must not adopt independently any policy without the concurrence of the Provincial Government.

The Higher Education Commission Islamabad in their letter No.F-P-2.157/HEC/2009/580 dated 04-08-2009 addressed to Governor/ Chancellor Universities of Khyber Pakhtunkhwa has requested that the Vice Chancellor may be directed that the payment of admissible allowances/facilities in excess of prescribed rates or extending additional allowances/incentive to faculty/staff other than admissible under the BPS may not be allowed.

According to S.No.5(ii) of Finance Division Regulation Wing O.M. No. F-1 (2) IMP/94 (i) dated 15.6.1994, 45% house rent allowance is admissible to employees working in Peshawar City, whereas in all other districts, employees are entitled to 30% of the minimum time pay scale.

During audit of the University of Swat for the financial year 2020-21, it was observed that Rs.21,607,677/- has been paid as house rent allowance to the university employees atat the rate of 45% , although as per government rules allowance of Rs. 1,4406,118/- was admissible at 30% resulting in an overpayment of Rs. 7,201,559 (21,607,677 - 1,4406,118). Hence, audit held the payment as irregular.

The lapse occurred due to violation of rules.

When pointed out in October, 2021, the management replied that 45% House Rent was being paid to the employees of University of Swat as per analogy of all public sector universities of the province. Furthermore, the amount on account of house rent @ 45% of the basic pay had been included in the budget and the budget had been approved by the Syndicate. The Syndicate includes representatives of the provincial government from HED, Finance, and Establishment Department.

The department was requested for holding the DAC meeting vide letter No.Audit/DAC/Edu/Aps 92-105/2020-21/2466 dated 22-11-2021. However; no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

AP No. 100 (2020-21)

7.4.25 Non-imposition of liquidated damages on contractor for default in completion of work despite extensions of time – Rs. 9.316 million

As per clause-47.1 of the contract agreement, if the contractor fails to comply with the Time for Completion in accordance with clause 48, for the whole of the Works or, if applicable, any Section within the relevant time prescribed by Clause 43, then the Contractor shall pay to the Employer the relevant sum stated in the Appendix to Tender as liquidated damages for such default and not as a penalty (which sum shall be the only monies due from the Contractor for such default) for every day or part of a day which shall elapse between the relevant Time for Completion and the date stated in a Taking-Over Certificate of the whole of the Works or the relevant Section.

During audit of the University of Swat for financial year 2020-21, it was observed that revealed that contract for the work "External Public Health Engineering Works under Package-B" has been awarded to M/S Techni Style Engineering on 10-11-2014 at the cost of Rs.93,160,438/- with original completion period of 12 months. The extensions of time have been granted 8 times including 7th& 8th during 2020-21.

Audit observed that despite lapse of almost 07 years since issuance of work order the said work could not be completed, hence liquidated damages @ 10 % of the contact price of Rs. 9,316,044 (93,160,438 x 10%) should have been imposed besides re-awarding the incomplete work to some other contractor after fair competition at the risk & cost of M/S Techni Style Engineering but it was not done.

The lapse occurred due to violation of provisions of contract agreement.

When pointed out by audit, no reply was furnished.

The department was requested for holding the DAC meeting vide letter No.Audit/DAC/Edu/Aps 92-105/2020-21/2466 dated 22-11-2021. However; no DAC meeting was convened till the finalization of this report.

Audit recommends immediate recovery.

AP No. 102(2020-21)

7.4.26 Loss to government due to drawl of house rent allowance at higher rate – Rs. 5.660 million

According to the Finance Division Regulation Wing Notification No. F-2R5/2010, dated 2nd July 2018 as adopted by the Provincial Government, house rent allowance is allowed @ 45% in big cities and 30% at other cities and increase in the amount of the allowance @ 50% of the existing amount.

According to Prime Minister Secretariat HEC Wing letter No.F.P-2.157/ III/HEC/ 2009/580, dated 4th August 2009, variations in payments of additional allowances in excess of prescribed rates to staff by public sector universities create recurring financial burden in the form of pay and allowances and advised the Governors of the Provinces to direct Vice Chancellors that facilities in excess of prescribed rates or extendingadditional allowance/incentives other than admissible under the BPS scheme may not be allowed, in case any financial implication beyond the approval of the HEC and Government of Pakistan shall be responsibility of the concerned university.

During audit of the Abbottabad University of Science and Technology for financial years 2019-2021, it was observed that Rs. 18,866,444/- has been paid as house rent allowance to the university employees atat the rate of 45% although as per government rules the allowance was admissible at 30% resulting in an overpayment of Rs. 2,829,967/- per year (15% excess x 18,866,444) and total overpayment of Rs. 5,695,934/- for two years.

The lapse occurred due to financial mismanagement and non-adherence to the rules and regulations.

When pointed out in September-2021, no reply has been submitted by the management despite four reminders.

Audit recommends making of a comprehensive uniform policy for drawl of house rent allowance by the Provincial and Federal Government in light of rules mentioned above along with recovery from the concerned under intimation to audit.

AP No.46 (2020-21)

7.4.27 Unauthorized expenditure on purchase of furniture, stationery and school bags - Rs. 567.220 million

According to Clause B (3) of the Annex-I of the Finance Department letter No.BO-V/FD/3-10/2006-07 dated 09-06-2007 read with PC-I Clause-IV of the financial management by Parent Teachers Councils (PTCs), all purchases/execution of works shall be carried out by the Parent Teachers Councils in a transparent and economical manner.

During special audit of the Accelerated Implementation Programs (various projects in Directorate of Education Merged Areas Peshawar) for the financial year 2019-20, it was observed that an amount of Rs. 168,700,000/- under the head Purchase of Furniture and Rs. 398,520,000/- under the head School Bags and Stationery, totaling to Rs. 567,220,000/- have been released to the District Education Officers and spent accordingly. However, the subject activities should have been executed by the PTCs as required under the rules referred to above.

Audit held that incurrence of the expenditure by the DEOs instead of the PTCs was unauthorized.

The lapse occurred due to violation of rules and regulations.

When pointed out in April 2021, the management refused to furnish any written reply and stated that the matter pertains to the Secretary Elementary and Secondary Education Department.

The department was requested vide letter dated 29-09-2021 for holding the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and taking appropriate action.

AP No. 393 (2019-20)

Chapter 8

ENERGY & POWER

8.1 A) Introduction

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

- All relevant matters under Articles 154, 157, 158 & 161 of the Constitution and framing policies for the Province in their respect.
- Grant and revocation of licenses to the private electric undertaking, certificates of competency to electrical supervisors and licenses to electric contractors under the Electricity Act, 1910.
- Levy and collection of electricity duty under West Pakistan Finance Act, 1964.
- Monitoring of tariff of PESCO vis-à-vis other DISCOs for regulation of tariff.
- Administration of Pakhtunkhwa Energy Development Organization Act.
- All matters pertaining and auxiliary to hydel power stations of WAPDA or any other public/private sector agency located in KPK.
- Advising the Provincial Government on thermal, solar, wind, coal, nuclear, solar and any other kind of energy and power generation.
- Close coordination with the Federal Govt. in respect of grant of licenses for oil and gas exploration in KP and cooperation with such companies and organizations undertaking such ventures in KP.
- Matters relating to extension of gas by SNGPL in KPK.
- Matters relating to tariff on gas/CNG/petroleum products, royalty on gas and oil, gas development surcharge.
- Planning, designing and erection of Power generation units and supply of electricity load to the province as per its requirement.
- Representation of the Province on the boards of Directors of PESCO and other DISCOs in view of hydro electricity as major contributor to, and source of, energy.
- Formulate, regulate and review Provincial Power Policy.
- Investigation into fatal and non-fatal accidents due to electrocution.

Audit Profile of Energy & Power Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2020-21 (Rs in Million)	Revenue/Receipts Audited FY 2020-21 (Rs in Million)
1	Formations	06	04	12,767.920	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	01	01	12,690.440	N/A
4	Foreign Aided Projects (FAP)	02	02	713.280	N/A

8.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in financial year 2020-21 is given below:

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

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
44-Energy and Power	NC21	106,384,000	32,398,000	135,096,071	135,096,071	0
Total		**106,384,000**	**32,398,000**	**135,096,071**	**135,096,071**	**0**

Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
Nil	NC12/22	0	0	0	0	0
Total		**0**	**0**	**0**	**0**	**0**

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

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	135.096	135.096	0.000	0.00
Development	0.000	0.000	0.000	0.00
Total	**135.096**	**135.096**	**0.000**	**0.00**

8.1 (c) Issues in Energy and Power Department

Loss to the Government due to delay in completion of the project, irregular award of contracts, consultancy and procurement related issues are reported inthe Gorkin Matiltan Hydro Power Project executed by PEDO. Non-recovery of taxes and DPR charges from contractors are also highlighted in the observations. Irregular Mobilization advance was also given to the contractors. Non-recovery of electricity charges from National Electric Power Regularity Authority is also a major issue resulting in delay in collection of Government receiepts.

8.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 23,967.466 million were raised in this report during the current audit of Energy & Power Department. This amount also includes recoveries of Rs. 2523.81 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	4.5
B	Procurement related irregularities	3,790.754
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	18,982.594
5	Others	1,189.618

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

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2009-10	Energy & Power	05	04	-	01
2.	2010-11	-do-	02	-	-	02
3.	2011-12	-do-	09	06	-	03
4.	2012-13	-do-	01	01	-	-
5.	2013-14	-do-	01	01	-	-
6.	2014-15	-do-	13	05	-	08
7.	2015-16	-do-	Nil	-	-	-
8.	2016-17	-do-	20	-	-	20

8.4 Audit Paras

8.4.1 Loss to public exchequer due to irregular appointment - Rs 4.5 million.

Para-11 of GFR provides that head of the department is responsible for enforcing financial orders, strict economy at every step and observing all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

During audit of the PEDO project “Construction of mini micro hydro power projects in northern districts of KP” for the financial year 2015-16 & 2016-17, it was observed that Mr. Wajid Nawaz has been appointed as Project Director at a fixed pay of Rs.500,000/- per month. He was regular employee of PEDO and has been appointed vide office order NO.SO(E) I & PHE/4-1/87 dated 9-1-1990. Prior to his appointment as Project Director on contract basis, the officer concerned has performed duties in different capacities and has also been handed over additional charge of the said project. Later on he has been transferred to the said project for Rs.122,136/- per month on account of pay & perks. However, instead of utilizing his services in his capacity as regular employee, he has been granted one year extra ordinary leave (EOL) vide office order No.SO(E)/E&P/4-12/PEDO/2016/VOL-II dated 09/12/2016 and has been reappointed for the same project at monthly salary of Rs.500,000/-.

There is no provision in government established rules as well as PEDO policy to reappoint a government employee in scheme/project of the same organization by granting EOL for rehiring to carry on the same responsibilities at desired pay and perks.

Audit held this arrangement as contrary to established practices and was tantamount to favoritism and merit violation

When pointed out in December 2017, the management did not furnish any reply.

In the DAC meeting held on 29.05.2018, the department could not present a plausible case and Para was marked for verification within 02 weeks by providing project policy 2015, departmental permission, advertisement and selection criteria which could justify the appointment.However, department failed to produce any document to audit till finalization of this report.

Audit recommends investigating the matter for misusing the authority and fixing responsibility for the lapse. Furthermore, the irregularly drawn salary may also be recovered from the concerned officer.

AP No. 202 (2016-17)

8.4.2 Loss of anticipated profits due to delay in completion of the project - Rs. 16,279.2 million

According to PC-I, annexure-VI(A)M the LAWI hydro power project (HPP) was to start generation of energy and annual revenue of Rs. 4,069.80 million after 5 years of the pre-construction and construction phases.

During audit of the LAWI HPP of PEDO for financial year 2016-17, it was observed that the consultancy contract was awarded to a joint venture lead by ACE (Pvt) Ltd on 15.06.2012. As per work plan of the consultancy contract, the pre-construction phase was for 12 months and construction phase for 48 months. After the construction phase, the project was expected to generate annual revenue of Rs.4,245.81 million and profit of Rs.4,069.80 million after deducting O&M cost.

However, the pre-construction and other activities which according to the work plan and financial plan of the consultant should have been completed in 12 months have been prolonged to 52 months. Soon after the pre-construction phase, the construction work and its supervision was required to have been startedand completed within 48 months but the same has also been prolonged to 60 months.

If the project pre-construction phase had been completed as per work plan of the consultant, the project could have benefited from the anticipated revenues. The delay in the selection of construction contractor has not only delayed the generation of power and realization of expected profit of Rs.16,279.20 million (Rs. 4,069.8 x 4 years) but the consultancy cost has also unnecessarily increased from Rs. 244.401 million to Rs. 295.562 million.

The lapse occurred due to inefficient project management and weak contract management.

In the DAC meeting held on 11.11.2020, department decided was in favor of verification to know the composition of borad and tehnical committee and to also verify correspondence made with Chinese authorities, objections/complaints behind the delay and reading similarities between the 02 projects KOTO and LAWI. However**,** Audit did not agree during the meeting because it was observed that composition of the PEDO Board and the Technical Committee has been overlapped. The technical committee failed to confirm credentials of M/S Sichuan-Sarwar-Silian-Chongqing luyang from Chinese authorities, thereby compromising the merit and delaying the project. Despite all this, PEDO subsequently declared this joint-venture qualified for LAWI Project merely on the basis of its work in KOTO Hydro Project, which makes no sense. Audit further observed that even firm like M/S DESCON was disqualified for this purpose.

Audit recommends investigating matters such as the reasons for delay, the accruable benefits compromised and merit of awarding the contract by PEDO to M/S Sichuan-Sarwar and disqualifying DESCON.

AP No. 253 (2016-17)

8.4.3 Non-deduction of Income Tax - Rs. 145.506 million

According to Clause 53.1of the Contract between PEDO and M/S GRC-JV, the contractor shall be responsible for the payment, if any required, of all the Income Tax and Super Tax on Income arising out of the Contract; and that the rates and prices stated in the price Schedule shall be deemed to cover all such taxes.

During audit of the Pakhtunkhwa Energy Development Organization (PEDO) for the financial year 2019-20, it was observed that the contract for design, procurement, and construction of the 84 megawatt Gorkin Matiltan Hydro Power Project has been awarded to the Cooperative Muratori & Cementisite (CMC) Ghulam Rasool & Company Pvt. Ltd (GRC) Joint Venture (JV) and payment of Rs. 1,940,082,300/- has been made to the firm up to IPC 21. However, income tax of Rs. 145,506,172/- (Rs. 1,940,082,300 x 7.5%) has not been deducted.

The entity has produced income tax exemption certificates but audit held that the rates included in the price schedule list as mentioned in the contract clause above were inclusive of taxes which meant that the contractor had already included all the applicable taxes in the rates offered for the contract. Therefore, the contrctaor has been overpaid the amount of income tax included in the price schedule.

Audit held that non-deductoin of the taxes resulted in loss of Rs 145.506 million to government.

The lapse occurred due to financial mismanagement and non-adherence to the provisions of the contract.

When pointed out in June 2020, it was replied that there is no separate allocation of tax amount in the bid price of the Engineering, Procurement, and Construction (EPC) Contractor. The reply was not satisfactory, as the Contract Clause 53.1 clearly states that the price schedule shall be deemed to cover all such taxes.

In the DAC meeting on 29.12.2021, audit did not agree with the stance of the department, and Para was marked for verification of documents in support of the reply by the department.

Audit recommends recovery of the income tax from the contractor and that in future income tax may be deducted from the payments made to the contractors or the price schedule may be adjusted otherwise.

AP No: 471 (2019-20)

8.4.4 Non Recovery of DPR Charges - Rs 43.45 million

According to the Directorate of Social Welfare & Women Development Department letter No.DPR/Pub/PCRDP/559-63 dated 18-05-2012 and Section-11 of the Disable Persons Employment and Rehabilitation Ordinance 1981 and Rules 1991;the deduction of DPR Fund for rehabilitation of disabled persons @ Rs. 2000/- per million be made from the bills of the contractors/consultants and deposited in the “fund for rehabilitation of disabled persons"

During audit of the Pakhtunkhwa Energy Development Organization (PEDO) for the financial year 2019-20, it was observed that payments have been made to different suppliers under various projects. However, DPR charges have neither been deducted or less deducted as per below details:

Rs. in million

Project Name	Amount paid	DPR Required	DPR Deducted	Balance
(356 MMHP)	4502.23	9.004	1.086	7.928
(Koto HPP)	11630.98	23.261	3.68	19.58
(Lawi HPP)	4678.51	9.356	1.061	8.29
(Jabori HPP)	2633.97	5.26	0.02	5.25
Machai HPP	1200.46	2.4	NIL	2.4
			Total	**43.45**

The lapse occurred due to weak financial management and non adherence to applicable rules.

Audit held non/less deduction of Rs 43.45 million DPR charges as loss to the government.

The department was requested for holding the DAC meeting vide letter no Audit/DAC/MISC-II/2020-21/2541 dated 08.12.2021 but no DAC meeting was convened till finalization of this report.

Audit recommends recovery of DPR charges.

APs No. 412,429,435,454 &456 (2019-20)

8.4.5 Less deduction of Income Tax- Rs. 8.204 million

According to Section 153 (1) (b) of the Income Tax Ordinance 2001, 8% Income Tax is recoverable from the company rendering or providing services.

During audit of the Pakhtunkhwa Energy Development Organization (PEDO) for the financial year 2019-20, it was observed that the contract for the Management Consultancy Services of the 84 megawatt Gorkin Matiltan Hydro Power Project has been awarded to M/S Barqaab Consulting Services Lahore at a revised cost of Rs. 168,420,444/- and the firm has been paid Rs. 129,286,344/- up to IPC 21. Similarly supervision of the 36.6 megawatt Daral Khwar Hydro Power Projecthas been awarded to M/S Associated Consulting Engineers who had been regularly paid monthly payment of Rs. 5,721,103/- up to IPC 138 duringthe financial year. The management has also paid Rs. 29,091,464/- to the consultant as escalation charges. However, income tax was deducted at the rate of 3%, instead of the prescribed rate of 8%, which resulted in less deduction of Rs. Rs. 8,204,945/- income tax as per details given below;

Rs.

S No	Name of the Project	Name of the consultant	Total up to date payment	Less Deduction of Income Tax (8%-3%)
1	Gorkin Matiltan Hydro Power Project	M/S Barqeeb Consulting Service Lahore	129,286,344	6,464,317
2	Daral Khwar HO 36.6 MW	M/S Associated Consulting Engineer	34,812,567	1,740,628
		Total	**164,098,911**	**8,204,945**

The loss occurred due to financial mismanagement and non adherence to applicable taxation rules.

Audit held that less deduction of income tax resulted in loss of Rs 8,204,945 to the federal exchequer.

When pointed out in June 2020, it was replied that income tax deduction has been made at the rate of 3% because the firm was an engineering consultancy services provider. However, audit didn't agree because the consultant has been hired to supervise a project that included civil works, engineering works and installation of machinery & equipment. Furthermore, the contract agreement was executed as a consultancy agreement &not as engineering services; therefore, income tax at the prescribed rate of consultancy services was required to have been deducted. Moreover, the matter was already taken up with the FBR authorities who did not agree with the stance of the department.

In the DAC meeting held on 29.12.2021, it was decided to recover the amount from the consultants. However, no progress has been intimated to audi till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No.472& 473 (2019-20)

8.4.6 Loss due to payment of dollars on current market rates - Rs. 115.084 million

According to the contract clause 35.3 executed between the Pakhtunkhwa Energy Development Organization (PEDO) and M/S SINOTEC-SHPE-GRC JV, any import if required and approved by the Employer shall also be paid in local currency with exchange rate for the period as notified by the State Bank of Pakistan.

During audit of the Pakhtunkhwa Energy Development Organization (PEDO) for the Financial Year 2019-20, it was observed that contract for construction of the 36.6 megawatt Daral Khwar HPP has been awarded to M/S SINOTEC-SHPE-GRC JV who completed the project in the Year 2018-19. As per conditions laid down in the agreement, 5% amount of tacking over certificate (TOC), both in local currency of Rs. 145,021,600/- and foreign component of US$ 1,856,200/- had been retained from all the running bills since 2012.

This foreign component has been paid back to the contractor at the dollar exchange rate of Rs.162.50 prevailing at the time of paymnet instead of the rate at which the dollars have been received and which has been trading at Rs. 87.579 in 2012. Therefoe, the total payment of Rs. 301,632,500/- (US$ 1,856,200 X Rs. 162.50) at the current exchange rate has resulted in loss of Rs. 115,084,400/- (US$ 1,856,200 X Rs. 62 approximately) to PEDO.

The loss occurred due to financial mismanagement.

When pointed out in June 2020, it was replied that the retention money is basically an amount held back from contractor's legitimate payment under the running bills during course of the project. So therelease of the contrcator's retained money has to be in the same currencies as it was retained from the running bills. As per General Conditions of Contract (GCC) clause 35.3 the exchange rate to be used shall be those quoted by the central bank of the country whose currency is to be sold 28 days before or the nearest day thereto.

The reply was not satisfactory as contrary to department's claims, the foreign component payment was made in the local currency at the prevailing dollar rate. Therefore, the 5% amount retained in foreign components was required to have been paid at the same rate on which the payment was made.

In the DAC meeting held on 29.12.2021, it was decided to refer the Para to PAC.

Audit recommends investigating the matter leading to recovery.

AP No.479 (2019-20)

8.4.7 Loss on account of dollar conversion rate – Rs. 64.500 million

According to Para 6 of the BARQAAB Consulting Services letter dated 05-12-2014, they referred to IB-12.2 Instruction to Bidder, wherein it has been stated that for Goods/ Plant and Services that the Bidder supply from outside Pakistan, the prices shall be quoted either in the US$ or in any other convertible currencies. However, for evaluation and comparison of bid, the Engineer will convert all the Bid Prices expressed in amounts in other currencies, in which bid price is quoted, to Pak Rupees at the TT and DD composite selling exchange rates published/ authorized by the State Bank of Pakistan 28 days prior to the bid price.

During audit of the Pakhtunkhwa Energy Development Organization (PEDO) for the financial year 2019-20, it was observed that the contract for design, procurement, and construction of the 84 megawatt Gorkin Matiltan Hydro Power Project has been awarded to CMC-GRC-JV at total cost of Rs. 12,301,917,879/- vide acceptance letter dated 26-08-2016. The management paid an amount of US$. 2,030,303/- till IPC 21 on account of 5% retention money up to TOC and 5% retention money up to daily leverage certificate (DLC) on the prevailing dollar rates as against the original dollar rate of Rs. 105.050 which has resulted in loss of Rs. 64,500,942/- to the government.

The loss occurred due to weak internal controls and defective contract agreement which resulted in excess payment of Rs. 64,500,942/-.

When pointed out in June 2020, it was replied that payment against foreign component was made to the EPC contractor at the prevailing dollar rate in light of the Sub Clause 35.1 of the preamble to conditions of contract.

However, audit didn't agree because the amount of 5% of the bid cost on account of retention money was retained in Pak Rupees rather than US$. Furthermore, the EPC contract was awarded when the dollar was trading @ 100.427. The management should have paid the amount of 5% retention money at the rate prevailing in the market at the time of such retention instead of the rate at the time of making the payment.

In the DAC meeting held on 29.12.2021, the Para was marked for verification. However, department did not share any supporting document till finalization of this report.

Audit recommends investigating the matter & fixing resposnsibility for the lapse.

AP No.480 (2019-20)

8.4.8 Unauthorized payment on account of provisional sums - Rs. 55 million

According to clause 7.1 of the contract between PEDO and M/S GRC-JV, the provisional sums included and so designated in the Schedule of Prices, if any, shall be expended in whole or in part at the direction and discretion of the Employer/Project Manager/ Engineer. The Contractor will only receive payment in respect of provisional sums, if he has been instructed by the Employer/Project Manager/ Engineer to utilize such sums. The provisional sums shall be expended for reimbursement of contractor's invoices for any additional site protection works, relocation of services or any other work/ payments as instructed by the Employer/Project Manager/ Engineer through a variation order.

According to Clause 36.1of the said contract, the provisional sums paid to the contractor shall include only such amount in respect of work, supplies or services to which such provisional sums relate, as the Engineer shall have instructed.

During audit of the Pakhtunkhwa Energy Development Organization (PEDO) for the financial year 2019-20, it was observed that the contract for design, procurement, and construction of the 84 megawatt Gorkin Matiltan Hydro Power Project has been awarded to CMC-GRC-JV and payment of Rs. 55 million has been made to the firm against Claim No. 3, on account of provisional sums against the cost escalation due to delay of work which was not covered under the legal requirements of the contract agreement.

The said payment has been authorized by the PEDO management after concluding that the subject payment was not legal under the contract agreement and required certain important documents forconsideration before authorization. Therefore, the payment had been made approved with the condition that the contrctaor had to provide some relevant documents; otherwise the amount along with interestwould be recovered from the contractor. However, till date of Audit i.e. June 2021, no such record has been produced in support of the claim, therefore, audit held the payment as unauthorized.

The lapse occurred due to financial mismanagement and non-adherence to the provisions of the contract agreement.

This unauthorized payment has resulted in loss of Rs 55 million to the Government.

When pointed out in June 2020, no reply was furnished.

In the DAC meeting held on 29.12.2021, audit Para was marked for verification. However, department did not share any supporting documents till finalization of this report.

Audit recommends recovery of the amount along with interest.

AP No.481 (2019-20)

8.4.9 Doubtful award of contract for machinery and equipment - Rs. 2800.99 million

According to the original contract agreement, the EPC contractor M/S CMC-GRC-JV was initially proposed, with the following three sub-contractors for the E&M equipment: M/S Zmec, M/S Hunan Zhaoyang Generating Equipment Co. and M/S SGEInternational Energy Development Limited.

During audit of the Pakhtunkhwa Energy Development Organization for financial year 2019-20, it was observed that the contract for design, procurement, and construction of the 84 megawatt (MW) Gorkin Matiltan Hydro Power Project has been awarded to the CMC-GRC-JV at a total cost of Rs. 12,301,917,879/- vide acceptance letter dated 26-08-2016 which included the Rs. 2800.991 million for E&M equipment.

However, audit observed that PEDO management has concluded in their experts report to China dated 20th to 29th July 2017 that due to multiple reasons, the selected sub-contractors for the E&M equipment were not the standard manufacturers to meet the required criteria for design, supply, testing and installation of turbines and generators for the 84 MW Gorkin- Matiltan HPP. The report recommended M/S Hunan Allonward Changsha as an alternate sub-contractor for design, supply, installation, and supervision of E&M equipment which was clear violation of the original agreement.

Audit held that faulty bid evaluation has been carried out by PEDO management in the initial stage, thus the management should be held responsible for this negligence, coupled with penalizing the EPC contractor for selecting the incompetent firm for supply of E&M equipment.

The lapse occurred due to weak oversight on procurement leading to faulty bid evaluation.

When pointed out in June 2020, it was replied that detailed reply will be furnished before the DAC.

In the DAC meeting held on 29.12.2021, the department stated that prior consent of the Engineer has been obtained for sub-contracting the work and is evidences are avaialble on record. Therefore, the DAC marked the para for verification of the documents in support of department's reply. However, department did not share any supporting document till finalization of this report.

Audit recommends investigating the matter and fixing responsibility.

AP No.483 (2019-20)

8.4.10 Unauthorized payment to the EPC contractor against claim No.03 - Rs. 459.39 million

According to M/S BARQAAB Consulting Services' letter dated 14-01-2019, the Project Director Gorkin-Matiltan Hydro Power Project was intimated that the land acquisition and its handing over to the contractor falls within the realm of clients' duties and that all the relevant record would be available with their office, therefore, they must authenticate the delays on which the contractor's claim is based. It was also intimated that such claim would only be processed if all the relevant and authentic record of the delay is provided to them.

According to Table 5 of the revised PC-I for the procurement and construction of Gorkin-Matiltan Hydro Power Project, 2.5% was added as contingencies on the total work cost which comes to Rs.367.2 million.

During audit of the Pakhtunkhwa Energy Development Organization for the financial year 2019-20, it was observed that contract for the design, procurement, and construction of the 84 MW Gorkin Matiltan HPP has been awarded to the CMC-GRC-JV and payment of Rs. 459,396,927/- has been made against Claim No.03 without the approval of the consultant for the delay of work from 01.08.2018 to 14.06.2019.

The consultant vide their letters dated 18.02.2019 and 13.09.2019, conveyed to the Project Director Gorkin Matiltan that claim for compensation of time and cost solely attributed to the client is not justified and should not be considered for payment being a serious reservation.

Despite all this the case was processed for payment on 30.07.2019 and approved by the CEO with the condition that payment should be made but the case be sent to the contract cell for thorough examination. In case any shortcomings were observed, the same may be recovered from the contractor's IPC (Note Sheet Para 01-21). However, the case has not been sent to the contract cell for vetting till date of audit and the contractor has been paid extra amount of Rs. 459,396,927/- for delaying the work at no fault of PEDO. Furthermore, as there was no such provision available in the revised approved PC-I, the subject payment has been charged to the contingencies head provision of Rs. 367.2 million.

Audit held this payment as irregular and unjustified.

The lapse occurred due to non adherence to contract provisions and weak internal controls.

When pointed out in June 2020, no reply was furnished.

In the DAC meeting held on 29.12.2021, audit Para was marked for recovery. However, department did not produce any evidence of recovery till finalization of this report.

Audit recommends investigating the matter and taking appropriate action under the rules.

AP No.485 (2019-20)

8.4.11 Unauthorized payment of Mobilization Advance - Rs. 495.562 million

According to Para 228 of CPWA Code read with the Finance Department Order No. SO (Dev-II) 12-15/2003-04/FD dated 28-06-2004, mobilization advances shall not be granted as a matter of right but shall be granted when it is absolutely necessary in the public interest. The sanctioning authority for mobilization advance shall be the Administrative Secretary who will also decide its extent keeping in mind project requirement and site. It should not be more than 2% of the project cost or Rs.3.0 million, whichever is less. Mark-up at the rate of 8% per annum will be charged on the advance. Recovery of the advance with mark-up shall be affected in five equal installments from the first five running bills or from the final bill, if running bills are less than five.

During audit of the Pakhtunkhwa Energy Development Organization for the financial year 2019-20, it was observed that contract for the design, procurement, and construction of the 84 MW Gorkin Matiltan Hydro Power Project has been awarded to CMC-GRC-JV at a total cost of Rs. 12,301,917,879/- vide acceptance letter dated 26-08-2016. During financial year 2016-17, the management has paid mobilization advance of Rs. 1,213,176,019/- to the contractor at 10% of the total cost.

Audit observed that:

- The total civil work cost in the contract agreement was Rs. 7,176.139 million, whereas the remaining amount of Rs.5,962.963 million consisted of plant & machinery and provisional sums etc. However, the management considered the mobilization advance on the total contract amount instead of the civil work portion only which resulted in an unauthorized advance of Rs.495.562 million (Rs. 1213.176 – 717.613 (7176.139 x 10%)).
- The permissibility of 10% mobilization advance on the items of work has not been provided in the contract agreement.
- Approval of the administrative department has not been obtained in the instant case.
- Management has allowed 10% mobilization advance instead of a maximum 2%.
- Advance has not been recovered in five equal installments; rather at the rate of 10% in every IPC.

Audit held that undue favor has been extended to the contractor by granting mobilization advance in disregard to the applicable rules.

The lapse occurred due to weak internal controls and defective contract agreement.

When pointed out in June 2020, it was replied that the payment of mobilization advance has been made on all schedules in light of Sub-Clause 33.1 of the PCC of the EPC Contract.

The reply was not satisfactory as it did not address audit observations appropriately and entirely.

In the DAC meeting held on 29.12.2021, the Para has been referred to the PAC.

Audit recommends inquiry, fixing responsibility besides affecting recovery of interest.

AP No. 487 (2019-20)

8.4.12 Unauthorized payment to consultant - Rs. 34.812 million

According to clause 6.2 (b) of the contract executed with the consultant M/S Associated Consulting Engineers for the management, design and supervision of the 36.6 MW Daral Khwar HPP, the payment to the consultant shall be determined on the basis of time actually spent by the personnel in the performance of services.

During audit of the Pakhtunkhwa Energy Development Organization for the financial year 2019-20, it was observed that the consultancy for the management, design and supervision of the 36.6 MW Daral Khwar HPP has been awarded to M/S Associated Consulting Engineers and regular payment of Rs. 5,721,103/- has been to the firm up to IPC 138 against supervisory activities of the project during the financial year.

Similarly, the management has also paid Rs. 29,091,464/- to the consultant on account of escalation charges. However, there were no construction activities executed on ground by the EPC contractor as evident from the Consultant’s progress report in the said periods but yet the payment has been made.

The lapse occurred due to financial mismanagement and non-adherence to the provisions of the contract.

Audit held undue favor has been extended to consultant due to excess payment of Rs 34.812 million at the cost of public exchequer.

When pointed out in June 2020, it was replied that the defect liability period of the project started from June 1, 2019 which meant that major construction has been completed but some minor balance activities and also the rectification work was left to have been completed afterwards. There were many other important and critical activities which were also required to to have been looked after that demanded extensive involvement of consultant who constantly worked on the project and have been paid accordingly.

The reply was not convincing as there had been no such leftover work which warranted hiring of the consultancy services. Moreover, the consultant’s own progress report has shown that no actual work has been done by the contractor during that period.

In the DAC meeting held on 29.12.2021, the department stated that escalation paid was covered under the contract and has been granted according to the genuine need at site. The forum decided that supporting documents in support of the department's claim would be produced to Audit for verification. However, no documentary evidence has been shared with audit till finalization of this report.

Audit recommends implementation of DAC decision.

AP No.491 (2019-20)

8.4.13 Non-recovery of electricity charges - Rs. 2,210.34 million

According to the clause 9.6 of the contract agreement between National Transmission and Dispatch Company (NTDC) and PEDO, the power purchaser shall pay the power seller, the amount shown on invoice delivered in accordance with section 9.5 9 (a) less deduction for any disputed amounts shown in the invoice, on or before the 30th day following the day the invoice is received by the power purchaser.

During audit of the Pakhtunkhwa Energy Development Organization for the financial year 2019-20, it was observed that a total verified claim of Rs. 5,488.45 million has been forwarded to National Transmission and Dispatch Company (NTDC) against the electricity units exported to the from the Malakand-III Hydro Power Complex project. However, NTDC has only paid Rs. 3,278.11 million leaving a balance of Rs. 2,210.34 million as outstanding up to 30.06.2020.

The lapse occurred due to non-implementation of approved rates of tariff and lack of proper mechanism for enforcement of such claims.

The provincial exchequer has sustained a loss of Rs.2,210.34 million in revenue due to non-receipt of outstanding amount against the company.

When pointed out in June 2020, it was replied that detail reply would be furnished after consulting the relevant record.

The department was requested for holding the DAC meeting vide letter no Audit/DAC/MISC-II/2020-21/2541 dated 08.12.2021 but no DAC meeting was convened till finalization of this report.

Audit recommends taking up the matter with relevant authorities for recovery of the outstanding amount along with interest.

AP No. 494 (2019-20)

8.4.14 Overpayment due to incorrect rates - Rs. 2.95 million

According to the approved MRS- 2017 rate of KP, the rate of item; "Supplying and filling stone in GI wire crate and its sewing, excluding cost of crates" is Rs.1673.03 per M3.

During audit of the Pakhtunkhwa Energy Development Organization for the financial year 2019-20, it was observed that M/S Shamsul Tamriaz & Brothers has been paid Rs. 4,316,510/- against their final bill for item of work "Supplying Stone and Stone Filling in GI Wire Crate and its Sewing, Excluding Cost of Crates" executed for the 81 megawatt Malakand-III Hydro Power Complex project.The payment has been made against quantity of 811.948 at the rate of Rs. 5316.24 per unit instead of the approved MRS rate of Rs. 1673.03, resulting into an overpayment of Rs. 2,958,097/- (811.948 quantity X 3643.21 (5316.24 – 1673.03)).

The loss occurred due to financial mismanagement and non-adherence to MRS Rates.

Audit held that the overpayment has resulted in loss of Rs 2.958 million to the Government.

When pointed out in June 2020, it was replied that detailed reply would be furnished after consulting the relevant record.

The department was requested for holding the DACmeeting vide letter no Audit/DAC/MISC-II/2020-21/2541 dated 08.12.2021 but no DAC meeting was convened till finalization of this report.

Audit recommends recovery from the contractor.

AP No. 495 (2019-20)

8.4.15 Loss to government due to non-execution of COD of Daral Khwar HPP - Rs. 1131.668 million

According to the contract agreement executed between PEDO and consultant M/S Associated Consulting Engineers for the management, design and supervision of the 36.6 MW Daral Khwar HPP, the original cost of the agreement was Rs.131,861,588/- followed by Amendment No 1 with revised cost of Rs. 196,677,177/- and Amendment No 2, with the cost of Rs. 205,510,572/- with no provision and commitment of escalation charges.

During audit of the Pakhtunkhwa Energy Development Organization for the financial year 2019-20, it was observed that construction contract of the 36.6 megawatt Daral Khwar HPPhas been awarded to M/S Sinotec-SHPE-GRC JV for a contract price of Rs. 7,291.19 million vide letter of acceptance dated 26.03.2012 with the completion periods of 1095 days.

The project has been completed in the year 2018-19 and proper generation of electricity has started in March 2019 and the power house has exported 96,255,090 units of electricity to the NTDC. This period is normally considered as test period of the power house with no proper meters and with very nominal rate of about Rs1.5 per unit. After installation of NTDC meters from 8th October 2019, the power house has supplied 235,967,230 units of electricity to the National Grid up to June 2021 for which the agreed rate of Rs 8.1 per unit was required to have been charged from the NTDC. However, the same had not beenpossible and could not materialize due to non-installation of back-up meter as was the requirement of NTDC.

The lapse occurred due to weak project management.

Audit held that due to this laxity and extreme negligence on part of the Board of Governors and the Administrative department, the provincial government sustained a loss of Rs. 1,131,668,334/- (235,967,230-96,255,090=139,712,140 x Rs. 8.10= 1,131,668,334).

When pointed out in June 2020, it was replied that the commissioning tests of Daral Khwar HPP have been carried out in June-July 2020 chemical oxygen demand (COD) tests. However, the declaration of COD was held by CPPA-G subject to the installation of backup energy meters through dedicated CTs/PTs. The procurement of dedicated CTs/PTs could not be done due to COVID-19 restrictions in 2020. However, the CTs/PTs have been procured from China in March 2021 and the meters have been calibrated, tested, and sealed in May 2021. Accordingly, COD of the project has been notified w.e.f 26-05-2021.

The reply was not convincing as the department admitted non-signing of the COD due to non-installation of the backup meters and failed to handle all the matters proactively.

In the DAC meeting held on 29.12.2021, the Para was marked for recovery from persons at fault.

Audit recommends implementation of DAC decision.

AP No. 502 (2019-20)

8.4.16 Non-recovery of electricity charges - Rs. 14.17 million

According to the Energy Purchase Agreement between the Central Power Purchase Agency Limited and Pakhtunkhwa Energy Development Organization executed on 14.05.2019, the purchaser will purchase from the seller, electricity energy on the terms and conditions and the tariff determination issued by NEPRA.

During audit of the Pakhtunkhwa Energy Development Organization for the financial year 2019-20, it was observed thatPEDO has submitted a total revenue claim of Rs. 193,079,857/- from Pehur Hydro Power Complex Swabi for the units exported to Central Power Purchasing Agency up to June 2020. Howeve, against the total claim only Rs. 178,910,595/- has been paid to PEDO leaving an outstanding balance of Rs. 14,169,262/-.

The management of PEDO and the administrative department were required to take up the issue at the appropriate forum so that the outstanding amount could be recovered and deposited into provincial treasury.

The lapse occurred due to non-implementation of approved rates of tariff and lack of proper enforcement mechanism.

When pointed out, the department admitted the non-release/payment of the balance amount on account of electricity charges and also stated that PESCO has been asked several times to release the pending amount to PEDO in the best interest of the department.

In the DAC meeting held on 29.12.2021, it was decided that recovery would be made from the concerned organization.

Audit recommends recovery of the outstanding amount of electricity charges.

AP No. 510 (2019-20)

8.4.17 Non-recovery of electricity charges - Rs. 102.14 million

According to the National Electric Power Regulatory Authority Letter No. NEPRA/TRF-150/SHYDO-2010/4295-4297 dated 06.12.2010; the approved levellized tariff for Pehur Hydro Project was @ Rs.4.7195/kwh.

During audit of the Pakhtunkhwa Energy Development Organization for the financial year 2019-20, it was observed that 2.6 MW Machai Hydro Power House has exported 21,641,358 units of electricity to the National Electric Power Regularity Authority between November 2016 & May 2021. However, revenue from the same has not been received by PEDO. The reason for this was stated to be non-execution of proper contract agreement with the concerned authorities. If the tariff of Pehur Hydro Project(which is next near hydel power) station was assumed for Machai Power House then an amount of Rs. 102,136,390/-(21641358 Units X Rs. 4.719) could be recovered from the concerned agency which remained outstanding.

Audit held that due to weak performance of PEDO and the administrative department, contract agreement could not been executed with the purchasing agency which has deprived the provincial exchequer from revenues for the last six years.

The lapse occurred due to lack of oversight and coordination on the part of department.

When pointed out in June 2020, it was replied that the Energy Purchase Agreement has to be signed with PESCO but the agreement has not been signed despite taking up the matter by the provincial government with the PESCO, Power Division and the concerned political ministries. The PEDO has already concluded the COD tests and had applied for the revision of tariff on take and pay basis.

The department was requested for holding the DACmeeting vide letter no Audit/DAC/MISC-II/2020-21/2541 dated 08.12.2021 but no DAC meeting was convened till finalization of this report.

Audit recommends taking up the issue at appropriate forum so that the revenue generated at the NEPRA approved rate could be realized and that the outstanding revenue along with interest is recovered.

AP No.518 (2019-20)

Chapter 9

ENVIRONMENT, FORESTRY &WILDLIFE DEPARTMENT

9.1 A) Introduction

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

- **Environment:**
  - Environmental protection;
  - Energy conservation
- **Forests:**
  - Forest settlement.
  - Afforestations
  - Range management.
  - Erosion.
  - Denudation.
  - Cooperatives in Guzara Forests.
  - Ecology and Environmental factors.
  - Watershed Management.
  - Applied Research in forestry.
  - Forest Training.
- **Wildlife:**
  - Protection, preservation, conservation and management of wildlife including all matters falling within the purview of the North-West Frontier Province Wildlife (Protection, Preservation, Conservation and Management) Act, 1954, (NWFP Act V of 1975).
  - Habitat improvement.
  - Conservation education and training.
  - Applied research on wildlife and its habitat

Audit Profile of Environment Department; (Rs. in million)

No.	Description	Total Nos	Audited	Expenditure Audited FY 2020-21	Revenue/Receipts Audited FY 2020-21
	Formations	102	35	4,905.9	N/A
	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	Nil	N/A
	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

9.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2020-21 against the total of grants/appropriation was as follows:

Non Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
21- Environment and Forestry	NC21	2,141,672,000	51,626,000	1,993,711,393	1,994,130,369	418,976
22- Forestry (Wildlife)	NC21	635,821,000	300,021,000	935,842,000	894,353,764	-41,488,236
Total		**2,777,493,000**	**351,647,000**	**2,929,553,393**	**2,888,484,133**	**-41,069,260**

Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
50- Environment	NC22	30,000,000	0	13,782,896	13,952,996	170,100
50- Forestry	NC22	2,466,507,000	0	2,225,397,252	2,225,397,327	75
50- Forestry	NC12	33,493,000	0	23,000,000	23,000,000	0
Total		**2,530,000,000**	**0**	**2,262,180,148**	**2,262,350,323**	**170,175**

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

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	2,929.553	2,888.484	-41.069	-1.40%
Development	2,262.180	2,262.350	0.170	0.01%
Total	**5,191.734**	**5,150.834**	**-40.899**	-0.79%

It can be seen from the above variance analysis that the department has optimally utilized the avaialbe budget although the budgeting needs little improved to avoid any excess/savings in future.

9.1 (c) Issues in the Environment departmnrt

During audit of Environment Department, it was noticed that in several Forest Divisions, the revenue realized from the imposition of penalty has not been deposited in the Government Treasury on time.In addition, it was noticed that illicit cutting of timber is still going on. But as the pursuance of court cases is slow, the precious timber confiscated from the offenders is going to waste. Encroachment of the forest land is also mentioned in this report.

9.2 Classified summary of Audit Observations

Audit observations amounting to Rs. 421.855 million were raised in this report during the current audit of Environment Department. This amount also includes recoveries of Rs. 370.682 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	9.71
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	372.995
5	Others	39.15

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

SNo	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2003-04	Environment	12	07	-	05
2.	2004-05	-do-	29	13	-	16
3.	2005-06	-do-	18	07	-	11
4.	2007-08	-do-	07	01	-	06
5.	2008-09	-do-	09	03	-	06
6.	2009-10	-do-	10	06	-	04
7.	2010-11	-do-	22	13	-	09
8.	2011-12	-do-	03	01	-	01
9.	2012-13	-do-	05	01	-	04
10.	2013-14	-do-	14	02	-	12
11.	2014-15	-do-	11	04	-	07
12.	2015-16	-do-	22	09	-	13
13.	2016-17	-do-	27	-	-	27

9.4 Audit Paras

9.4.1 Non-recovery of the embezzled amount - Rs. 196.938 million

According to the inquiry decision of the PIT vide No.8702/INSP/17/PIT/2014 dated 20/4/2016, total approximate duties collected by Officers/Officials of forest department on account of transportation of Poplers to Afghanistan amounted to Rs.201.263 million and out of which Rs. 196.938 million was embezzled.

During the audit of the Secretary to Government Khyber Pakhtunkhwa Environment, Forestry and Wildlife Departmnet for the financial year 2019-20, it was observed that a complaint of illegal transportation of Popler to Afghanistan has been lodged by the Parliamentary Secretary Environment vide No.PS/Envt/1/6 dated 19/3/2014 with the proof of custom authorities that 5500 Trucks of Popler wood have been transported while departmental records has shown 500 trucks only.

The inquiry has been assigned to the provincial inspection team (PIT) by the Chief Minister for probing. The report revealed that total duties collected by Forest Department check post was Rs.4,325,397/- from 1/7/2007 to 31/8/2013 while available record of customs department revealed that total approximate duty to have been collected by the Forest Department was Rs 201,263,000 which resulted in loss of Rs.196,937,603 (Rs.201,263,000-4,325,397=196,937,603) to the public exchequer. The PIT also recommended that the amount be recovered from the concerned employees of the forest department.

The findings and recommendations of the PIT have been referred to the Department for implementation and recovery of embezzled amount but instead of implementing the same, the authorities started departmental proceedings due to which the issue lingered on and neither recovery has been made nor has any disciplinary action taken against the responsible staff.

The amount could not be recovered due to non implementation of the recommendations of PIT report.

When pointed out in June, 2021, management stated that detailed reply would be furnished after consulting the record.

The department was requested for holding the DAC meeting vide letter No. DGA/DAC/Env/2019-20/2442 dated 10.11.2021 but no DAC meeting was convened till finalization of the report.

Audit recommends implementation of recommendations of PIT report.

AP No. 381 (2019-20)

9.4.2 Non recovery of Government dues - Rs. 155.1065 million

According to Section 35(1) (3) of the Forest Ordinance 2002, payment of share of government from sale of trees growing in Guzara Forest & Malkiati area should be paid to the Forest Department.

During the audit of the Secretary to Government Khyber Pakhtunkhwa Environment, Forestry and Wildlife Departmnet for the financial year 2019-20, it was observed from the report of the fact finding inquiry constituted vide notification No.SO(Tech)/FE&WD/V-427/PC/Sukhi Kinari dated 20/5/2020, that Rs155.1065 million has been outstanding against the authorities of Sukhi Kinari Hydro Power Project as share of government from sale of trees grown in Guzara and Malkiati Forest area. The said area of the forest department has been utilized by the said project authorities and trees have been cut sold but forest department's share has not been transferred as per detail given below:

Rs. in million

Particulars	Quantity in Cft	Total trees	Amount
Guzara Forest	117921	1047	98.4416
Malkiati Forest	156714	3944	
20% managerial fee			56.6649
		Total	**Rs.155.1065**

The Inquiry Committee also held DFO Kaghan responsible for this loss because he has failed to demarcate the area for identification of compensation, harvesting of trees and record keeping. The Inquiry Committee termed it serious irregularity and inefficiency on the part of area manager for which the then DFO Kaghan and his staff have been recommended for proceedings under E&D rule.

The loss occurred due to inefficiency and weak internal controls of the management.

Provincial exchequer was deprived of Rs.155.1065million due to non recovery from the concerned project.

When pointed out in June, 2021, management replied that detailed reply would be furnished after consulting the record.

The department was requested for holding the DAC meeting vide letter No. DGA/DAC/Env/2019-20/2442 dated 10.11.2021 but no DAC meeting was convened till finalization of this report.

Audit recommends recovery besides departmental proceedings against the person(s) at fault in light of recommendations of the Inquiry Committee.

AP No.382 (2019-20)

9.4.3 Non-Recovery of Government money drawn through forgery - Rs 4.425 million

The competent authority has vide notification No.So (Estt) FE&WD 1-5- (123)/PF dated 07.05.2018 constituted an inquiry committee against certain officers/officials of Forest Department.

During the audit of the Secretary to Government Khyber Pakhtunkhwa Environment, Forestry and Wildlife Departmnet for the financial year 2019-20, it was observed that Mr. Shah Hussain has been alleged with charges of corruption, fraud, forgery, fake signature, and involvement in illicit cutting scandal in Kalam during his tenure as DFO Swat/Kalam. The charges have been established by fact finding inquiry and later on the officer has been charged sheet and all the charges leveled against him have been establishedas a result of Inquiry Committee report. It was also established that he had drawn Rs.3.225 million through open cheques fraudulently at the name of growers putting fake signatures besides making an excess payment of Rs.1.200 million to the private nursery growers against the total dues. However, no further action has been taken against the responsible person till date of audit.

The lapse occurred due to weak administrative controls.

Audit held that government has been put to loss due to non recovery of Rs. 4.425 million.

When pointed out in June, 2021, the management stated that detailed reply would be furnished after consulting the record.

The department was requested for holding the DAC meeting vide letter No. DGA/DAC/Env/2019-20/2442 dated 10.11.2021 but no DAC meeting was convened till finalization of this report.

Audit recommends immediate action leading to recovery on the recommendations of the inquiry report.

AP No.383 (2019-20)

9.4.4 Illicit cutting of forest & illegal encroachment on 39.15 hectare

According to the Inquiry Committee Report 37/E dated 02.07.2020 on the unauthorized construction, encroachment &illicit cutting of trees in Makhnial Forest, strict disciplinary action against the responsible officers and field staff was proposed.

During the audit of the Secretary to Government Khyber Pakhtunkhwa Environment, Forestry and Wildlife Departmnet for the financial year 2019-20, it was observed that Chief Conservator of Forest Southern Region Peshawar has constituted an Inquiry Committee to probe into the complaints received through different sources regarding illicit forest cutting and encroachment in Makhnial Forest of Haripur and the said Committee has submitted its report to the concerned authorities on 4/3/2020 for further necessary action with details of the encroached land and individuals involved. Key findings of the enquiry were as under.

Particulars	Reserve Forest	Guzara Forest	Total Encroached Area
Hariala Guzara Forest Pir Suhawa	-	0.45 Hectare	0.45 Hectare
New Monal Kotla Guzara	8.5 Hectare	-	8.5 Hectare
Capital Hill Kotla Guzara	-	26 Hectare	26 Hectare
Haroon Property	0.4 Hectare	-	0.4 Hectare
Zara Lodge Firozpur Reserve	0.4 Hectare	-	0.4 Hectare
Highland Hotel Kotla Guzara	-	3.4 Hectare	3.4 Hectare
Encroachment of Makhnial Forest	9.3 Hectare	29.85 Hectare	**39.15 Hectare**

Inquiry report not only gave figures of the encroached land but also fixed responsibility on certain individuals (retired and serving government officials) but there has been no reported action against any individual till date of audit.

The lapse occurred due to weak internal controls and undue favor to the accused.

Audit held that the government has sustained loss due to inaction against illicit forest cutting and encroachersof valuable land.

When pointed out in June, 2021, management stated that detailed reply would be furnished after consulting the record.

The department was requested for holding the DAC meeting vide letter No. DGA/DAC/Env/2019-20/2442 dated 10.11.2021 but no DAC meeting was convened till finalization of this report.

Audit recommends disciplinary proceedings under E& D rule against all the responsible officials besides legal action against the encroachers and land mafia under intimation to audit.

AP No.384 (2019-20)

9.4.5 Non-recovery of outstanding government dues - Rs. 11.173 million

According to the Inquiry Committee Report vide No. SO (Estt) FE&WD/1-50(118)/2018 dated 21/1/2019, losses were required to be recovered from the concerned staff of the Forest Department.

During the audit of the Secretary to Government Khyber Pakhtunkhwa Environment, Forestry and Wildlife Departmnet for the financial year 2019-20, it was observed that as established by the inquiry committee, Rs.11,172,888/- was required to have been recovered from the following staff of DFO Bannu (detailed below). However, no further progress has been made on the recommendations of inquiry report.

Rs.

S. #	Name of the Employee	Designation	Amount
1	Mr. Bilal Ahmad	SDFO Lakki	1,582,833
2	Mr. Arifullah	FG Kotka Hayatullah Block	256,555
3	Mr. Saifullah	Forester	5,198,500
4	Mr. Usman	Forest Guard	4,135,000
		Total	**11,172,888**

The lapse occurred due to weak administrative controls.

Audit held that Provincial exchequer has been deprived of Rs. 11,172,888/- due to non recovery from concerned officials.

When pointed out in June, 2021, the management stated that detailed reply would be furnished after consulting the record.

The department was requested for holding the DAC meeting vide letter No. DGA/DAC/Env/2019-20/2442 dated 10.11.2021 but no DAC meeting was convened till finalization of this report.

Audit recommends recovery as per the recommendations of inquiry report.

AP No.385 (2019-20)

9.4.6 Non-recovery due to overpayment in land purchase and construction - Rs. 1.529 million

According to the Inquiry Report against the Deputy Conservator Wildlife Battagram for the financial misuse of Powers in purchase of land & construction of DFO Battagram office. Rs.1.529 was proposed to be recovered from the responsible by the Inquiry Committee vide No.PA/AS/Irr/Inquiry/2017 dated 28/2/2018.

During the audit of the Secretary to Government Khyber Pakhtunkhwa Environment, Forestry and Wildlife Departmnet for the financial year 2019-20, it was observed that Rs. 1.529 million was proposed to have been recovered from the concerned staff of DFO Battagram due to overpayment in purchase of land & construction of DFO Battagram office as per detail given below:

Rs.

Name of the Employee	Designation	Amount	Remarks
Mr. Muhammad Arif	Ex DFO Battagram	1,145,877	Stoppage of one increment for two years
Mr. Niaz Muhammad	Ex Range Officer	381,959	-do-
	Total	**1,527,836**	

However, no progress has been made on the recommendations of the inquiry report.

The lapse occurred due to weak administrative controls.

Audit held that Provincial exchequer has been deprived of Rs. 1,527,836/- due to non recovery from concerned officials.

The department was requested for holding the DAC meeting vide letter No. DGA/DAC/Env/2019-20/2442 dated 10.11.2021 but no DAC meeting was convened till finalization of this report.

Audit recommends immediate recovery as per the recommendations of inquiry committee.

AP No.386 (2019-20)

9.4.7 Non-recovery against SDFO - Rs. 9.71 million

In light of letter No. CDA-5 (521) HRD-1/2015/1113 dated 22/10/2020, it was proposed that an inquiry against Mr. Abdul Manan Ex Deputy Director Forest CDA currently working as DFO Watershed Buner be initiated for his involvement in Parkline Estate case.

During the audit of the Secretary to Government Khyber Pakhtunkhwa Environment, Forestry and Wildlife Departmnet for the financial year 2019-20, it was observed that a fact finding inquiry regarding "Massive, misuse of authority by officers/official of Environment Wing CDA" was initiated by Capital Development Authority (CDA) Islamabad vide letter No. CDA-5 (521) HRD-1/2015/1145 dated 23/5/2016 against the accused including Mr. Abdul Manan the then SDFO posted as Deputy Director Forest in CDA on deputation during 2011-12. The inquiry has been initiated for illegal construction and development of "Abdullah Garden". The concerned officers of CDA were found involved in the scam.

The Inquiry Committee inter-alia also held responsible Mr. Abdul Manan, SDFO KPK, the then Deputy Director Forest CDA wing in granting permission to the illegal Society for construction and development of scheme. A letter from CDA vide no. CDA-5 (521)/ hrd-1/2015/1113 dated 22/10/2020 requested the Forest authorities of KP to initiate disciplinary proceedings against Mr. Abdul Manan, Ex Deputy Director Forest Environment Wing CDA under intimation to the authority as the officer has already been repatriated from CDA.

The said officer has also been held responsible for the procurement of forest fire equipment of low quality at high rate and the officer did not object to such procurement and the inquiry committee proposed a recovery of 9.71 million. However, no further progress has been shown to audit against the responsible person.

The lapse occurred due to weak administrative controls and unnecessary delay.

Audit held that Provincial exchequer has been deprived of Rs. 9.71 million due to non recovery from concerned officials.

When pointed out in June, 2021, management stated that detailed reply would be furnished after consulting the record.

The department was requested for holding the DAC meeting vide letter No. DGA/DAC/Env/2019-20/2442 dated 10.11.2021 but no DAC meeting was convened till finalization of this report.

Audit recommends immediate recovery as per the recommendations of inquiry committee.

AP No.387 (2019-20)

9.4.8 Non-recovery of losses from illegal occupant - Rs.1.52 million

According to the Divisional Forest Officer (DFO) Galies letter No. 5106/B&A, Abbottabad dated 7/4/2011 for the recovery of electricity bill, rent and cost of damage to the building from Mst Manahil Wahab SDWO who illegally occupied Forest Bungalow at Thai Abbottabad.

During audit of the DFO Galies Division Abbottabad for the financial year 2019-20, it was observed that a female officer has illegally occupied the government residence without approval of the competent authority for about two years without paying any rent or electricity bills and the electricity meter has also been removed by WAPDA due to non-payment of the electricity bills and the officer didn't considered the time and again warnings for depositing the same besides payment of rent. She has also damaged the premises and took the keys with her when she went to DI Khan. The inspection committee has stated in its report that the residence was in dilapidated condition and recommended to recover the cost of repair from the concerned officer. However, neither recovery has been made from the said officer nor has any departmental proceedings been initiated for the violating accomodation rules and causing loss to the government asset as per detail given below:

Rs.

Particulars	Period	Amount
Outstanding Electricity dues	5/7/2017 to 11/4/2021	100,000
Rent as per prevailing ratesinAbottabad i.e. Rs. 20,000/month	5/7/2017 to 11/4/2021 (46 months)	920,000
Cost of damage in light of Committee Report	-	500,000
	Total	**Rs.1,520,000**

The lapse occurred due to negligence and weak internal controls of the management.

When pointed out in June 2021, the management stated that detailed reply would be submitted after consulting the relevant record.

In the DAC meeting held on 14.01.2022, it was directed that in case of non payment within 10 days, department would initiate disciplinary proceedings against the officer. However, no such proceedings have been intimated to audit till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 359 (2019-20)

9.4.9 Loss to Government due to encroachment of forest areas

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

During the audit of the Divisional Forest Officer Galies Abbottabad for the financial year 2019-20, it was observed that 123 Acres of Galies Forest has been encroached by private people and illegal occupants by erescting mobile towers and building houses, shops. The scrutiny of record revealed that no serious efforts have been made by the Forest Department for restoration of the encroached forest land.

The lapse occurred due to weak oversight of government land on the part of the Forest authorities.

Audit held that government has been deprived of 123 acres of forest land due to the encroachments.

When pointed out in June 2021, the management stated that detailed reply would be submitted after consulting the relevant record.

In the DAC meeting held on 14.01.2022, the forum was informed that cases of the encroachers are sub judice and the fate of audit observation was linked with decision of the Court.

Audit recommends inquiry & fixing responsibility against the person(s) at fault besides retrieval of forest land from encroachers.

AP No. 360 (2019-20)

9.4.10 Loss to Government due to negligence of the local staff - Rs. 2.313 million

According to Para 23 of GFR VOl I, every public officer is personally responsible for any loss sustained by government through fraud or negligence on his own part or on the part of his subordinates.

During audit of the Divisional Forest Officer Shangla for the Financial Year 2019-20, it was observed that 91,375 plants have been shown planted in the Kandown afforestation and Chichlo afforestation sites in Alpuri Forest Division and Rs. 2,313,250/- have been incurred on the said plantation.

The verification of record revealed that these plantations have extensively failed due to negligence of the local staff and resultantly government has sustained loss of Rs. 2,313,250/-

Further scrutiny revealed that an inquiry against Incharge Forest Guard has been initiated and charge sheet has been prepared and handed over to the accused. However, no further progress in the matter has been shown till date of audit.

The lapse occurred due to weak internal controls.

Audit held that government was put to loss of Rs 2,313,250 due to negligence.

In the DAC meeting held on 22.10.2021, it was revealed that sub-divisional forest officer (SDFO) Mr. Murtaza has been entrusted with the task of conducting the inquiry but even after lapse of 3 years the inquiry officer did not conduct the inquiry with no documented reasons for such negligence. Therefore, it was decided that action be taken against the inquiry officer for non-conducting the inquiry and DFO Alpuri will conduct enquiry and its report will be shared with audit. However, no progress has been shared with audit till finalization of this report.

Audit recommends implementation of DAC decision

AP No. 97 (2019-20)

Chapter 10

EXCISE, TAXATION AND NARCOTICS CONTROL DEPARTMENT

10.1 Introduction

The Excise, Taxation and Narcotics Control Department is primarily engaged in collection of various provincial taxes, duty, fees and cess items.

10.1 (A) Main functions of Excise, Taxation & Narcotics Control Department

- Collection of Property Tax according to the assessment of property units.
- Assessment and collection of Motor Vehicle Registration Fee and Motor Vehicle Tax from the owners of vehicles.
- Issuance of Registration Marks and Certificates to Motor vehicles.
- Issuance of Duplicate Registration Certificates of the vehicles, Change of Ownership, Change of Engine Number, etc.
- Assessment and collection of tax on Professions, Trades, Calling and Employments.
- Assessment and collection of Hotel Tax.
- Assessment and collection of Tobacco Development Cess.
- Collection of License Fee from Real Estate Agents & Motor Vehicle Dealers
- Assessment and collection of Provincial Excise Duty.
- To seize Intoxicant Liquors, Narcotics and illegal/smuggled Vehicles.
- Collection of Advance Income Tax on behalf of Federal Government at the time of registration / transfer of a vehicle and collection of Motor Vehicle Tax respectively.

Table A:Audit Profile of Excise, Taxation & Narcotics Control Department

Sr. No.	Description	Total No.	Audited	Revenue Receipts Audited FY 2020-21 (Rs. in million)
1	Formations	32	8	2,177

10.1 (B) Comments on Budgeted Receipts (Variance Analysis)

During the financial year 2020-21, the Excise, Taxation & Narcotics Control Department collected an amount of Rs. 3,623million which was 96.6% of the revised estimates of Rs. 3,749 million.

A comparison of budget estimates, revised estimates and actual receipts for the year 2020-21 is tabulated below. The variation between the revised estimates and actual receipts is depicted in both absolute and percentage terms.

Table B: Variance Analysis of Excise, Taxation & Narcotics Control Department

(Rs. in million)

Sr. No.	Category of Receipts	Head of Account	Budget Estimates	Revised Estimates	Actual Receipts (As per Finance Account 2020-21)	%age of Total Receipts	Short (-) Excess (+) (Col.6-5)	Variance %age
1	2	3	4	5	6	7	8	9
1	Property tax	B01301	2,000	1,624	1,624	45.8	0	0.0
2	Professional Tax	B01601	-	596	256	7.1	-340	-57.1
3	Provincial Excise Duty	B026	-	35	39	1.1	4	10.9
4	Motor Vehicles Registration Fee	B02801	425	-	368	10.2	368	86.7
5	Motor Vehicle Tax (Token Tax)	B02803	1,375	1,145	889	24.6	-256	-22.3
6	Reg. Fee Real Estate/MV Dealers	B03053	-	18	17	0.5	-1	-7.1
7	Hotel Tax	B03056	-	25	28	0.8	3	13.7
8	Tobacco Development Cess	B03080	200	306	401	11.1	95	31.1
Total :			**4,000**	**3,749**	**3,623**	**100**	**-126**	**-3.4**

The above figures show that actual receipts were 3.4 % less than the revised estimates of the receipts. The receipts target during the year was decreased from Rs. 4,000 million to Rs. 3,749 million showing a decrease of Rs. 251 million. Actual receipts of the department wereRs. 3,623 million.

The following graph shows budget estimates, revised estimates and actual receipts of the Excise, Taxation & Narcotics Control Department.

A review of the taxes shows that initially no revenue estimates were given for Professional Tax, Hotel Tax and Registration Fee of Real Estate Agents/Motor Vehicles Dealers. The reason was exemption granted on these taxes through KP Finance Act 2020, to the persons registered with the KPRA for Sales Tax on services and are active taxpayers. Revised estimates were given for the aforementioned taxes however, the department was unable to achieve the revised targets of Professional Tax, Motor Vehicle Tax and Registration Fee of Real Estate Agents/Motor Vehicles Dealers.

The budgeted receipts estimates and revised estimates for the years 2019-20& 2020-21 for Excise, Taxation & Narcotics Control Department are given below. In both years the targets were revised downward but the department failed to achieve these reduced targets.

Table C: Receipts estimates and revised estimates for 2019-20& 2020-21

(Rs. in million)

Year	Budget Estimates	Revised Estimate	Actual Receipts (As per Finance Account)	Variation	Percentage of Variance
2019-20	3,983	3,336	2,622	-714	-21.4
2020-21	4,000	3,749	3,623	-126	-3.4

10.1 (c) Issues in the Excise and Taxation department

During audit of the Excise department it was observed that property tax, Hotel Tax, Professional Tax and Motor Vehicle tax was not collected from different tax payers by the concerned ETOs. It was further observed that penalty on late depositors has also been not charged by the authorities. Similary provincial share of taxes from the cantonment board was also not collected by the Excise and taxation department.

10.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 964million were raised in this report during audit of Excise, Taxation & Narcotics Control Department. The entire amount pointed out by the audit is recoverable. Summary of the audit observations classified by nature is as under:

Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	Non/short-recoveries	964
4	Others	-
Total		964

10.3 Brief Comments on the Status of Compliance with PAC Directives

Sr. No.	Audit Report Year	Total Paras	Paras Discussed	Paras Settled	Paras Stand	Percentage of compliance	Remarks
1	2002-03	12	12	0	12	0 %	-
2	2003-04	15	15	3	12	20 %	-
3	2004-05	14	-	-	-	-	Yet to be discussed in PAC
4	2005-06	14	14	6	8	43 %	-
5	2006-07	15	-	-	-	-	Yet to be discussed in PAC
6	2007-08	15	-	-	-	-	-do-
7	2008-09	10	10	0	10	0 %	-
8	2009-10	10	10	3	7	30 %	-
9	2010-11	13	-	-	-	-	Yet to be discussed in PAC
10	2011-12	18	-	-	-	-	-do-
11	2012-13	10	10	2	8	20 %	-
12	2013-14	10	-	-	-	-	Yet to be discussed in PAC
13	2014-15	8	-	-	-	-	-do-
14	2015-16	9	-	-	-	-	-do-
15	2016-17	15	-	-	-	-	-do-
16	2017-18	11	-	-	-	-	-do-
17	2018-19	19	-	-	-	-	-do-
18	2019-20	10	-	-	-	-	-do-
19	2020-21	9	-	-	-	-	-do-
Total		**237**	**71**	**14**	**57**	**20 %**	

Compliance with the PAC directives is poor mainly because of the lack of pursuance by the Department. It is worth mentioning here that partial recoveries have been affected by the Department. However, paras will be considered for settlement once complete recoveries are effected and verified.

10.4 Audit Paras

10.4.1 Loss to Provincial Government due to non-recovery of Property Tax from WAPDA (PESCO) - Rs. 675 million

According to Sr. No.2 of Schedule-II to the Urban Immovable Property Tax Act 1958 as amended vide Section 3(g) of the Khyber Pakhtunkhwa Finance Act 2020, Buildings acquired for the use by Government, Semi-Government, Non-Governmental Organizations etcshall be assessed and taxed at the rate of fifteen percent of the actual annual rent. In case building other than those exempted under section 4 of the Act, which are owned and occupied by such organizations, tax shall be levied on the assessed annual rental value of such buildings on the rate prescribed hereinbefore.

During audit of the Excise & Taxation Offices for the financial years 2019-20 &2020-21,it was observed that Property Tax on properties owned by WAPDA (PESCO) has been outstanding since long. This caused non-realization of Provincial Government revenue of Rs. 675 million as detailed below:

Rs.

Sr. No.	Excise and Taxation Office	AP No/Year	Amount
1	ETO Mansehra	192/2019-20	1,331,510
2	ETO Abbottabad	19/2020-21	2,140,813
3	ETO Mansehra	23/2020-21	530,928
4	ETO Mardan	51/2020-21	14,668,586
5	ETO-III, Peshawar	62/2020-21	191,829,274
6	ETO-VI Peshawar	80/2020-21	450,965,006
7	ETO Nowshera	110/2020-21	5,617,603
8	ETO Charsadda	117/2020-21	7,720,464
		Total	**674,804,184**

The lapse occurred due to non-enforcement of rules and resulted in loss to the Provincial Government exchequer.

When pointed out it was replied by the management that several notices had been issued to PESCO for payment of Property Tax and the outstanding amountwould be recovered soon.

The department has been requested several times for holding the DAC meeting followed by the reminder dated 13-12-2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends expeditious recovery of Provincial Government dues from PESCO.

10.4.2 Loss due to non-realization of Property Tax - Rs. 139 million

According to Section 16 of the Urban Immovable Property Tax Act, 1958, any sum due on account of Property Tax which remains unpaid after the due date without sufficient cause to the satisfaction of the collector is required to be recovered as arrears of land revenue.

During audit of the Excise & Taxation Offices in various districts for the financial years2019-20 and 2020-21, it was observed that Government revenue on account of Property Tax amounting to Rs. 139 million has not been recovered as detailed below:

Rs.

Sr. No.	Excise and Taxation Office	AP No/Year	No. of cases	Amount
1	ETO Mansehra	190/2019-20	55	3,546,800
2	ETO Karak	212/2019-20	15	1,359,748
3	ETO Abbottabad	298/2019-20	57	6,610,160
4	ETO Abbottabad	13/2020-21	58	8,496,683
5	ETO Mansehra	22/2020-21	52	3,522,610
6	ETO-II, Peshawar	40/2020-21	141	26,784,262
7	ETO Mardan	50/2020-21	59	13,917,805
8	ETO-III, Peshawar	59/2020-21	102	46,618,069
9	ETO-VI Peshawar	78/2020-21	85	11,853,712
10	ETO Nowshera	109/2020-21	61	9,090,435
11	ETO Charsadda	115/2020-21	50	6,904,380
		Total	**735**	**138,704,664**

The lapse occurred due to ineffective recovery mechanism and weakmanagement controls.

When pointed out it was replied by the management that outstanding amount would be recovered and Audit would be informed accordingly.

The department has been requested for holding the DAC meeting followed by the reminder dated 13-12-2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends prompt recovery of the outstanding tax from defaulters.

10.4.3 Loss due to non-realization of 15% Provincial Government share of Property Tax from Cantonment Boards - Rs. 65 million

According to Presidential Order No.13 of 1979, dated 22.08.1979, fifteen percent share of net proceeds of Property Tax collected by a Cantonment Board within its limits is payable to the Provincial Government concerned.

During audit of the Excise & Taxation Offices in various districts for the financial years2019-20 and 2020-21, it was observed that the under mentioned Excise & Taxation Offices had not realized 15% Provincial Government share of Property Tax from the Cantonment Boards:

			Rs.
Sr. No.	**Excise and Taxation Office**	**AP No/Year**	**15% Prov. Govt. share recoverable**
1	ETO Abbottabad	297/2019-20	8,302,858
2	ETO Abbottabad	16/2020-21	8,500,000
3	ETO-II, Peshawar	44/2020-21	46,618,464
4	ETO Mardan	52/2020-21	800,000
5	ETO Nowshera	111/2020-21	568,463
		Total	**64,789,785**

The lapse occurred due to non-enforcement of rules and resulted in loss of Rs. 65 million to the Provincial Government exchequer.

When pointed out, it was replied by the management that the matter would be taken with the cantonment boards authorities and efforts would be made for recovery of the pointed out amount.

The matter was reported to the department during April to November 2021 and was requested to convene DAC meeting followed by the reminder dated 13-12-2021. However, the meeting was not convened till finalization of this report.

Audit recommends expeditious recovery of Provincial Government share of Property Tax from Cantonment Boards.

10.4.4 Loss due to non-realization of Property Tax on buildings used as offices and banks-Rs. 44 million

According to Sr. No.2 of Schedule-II to the Urban Immovable Property Tax Act 1958 as amended vide Section 3(g) of the Khyber Pakhtunkhwa Finance Act 2020, Buildings acquired for the use by Government, Semi-Government, Non-Governmental Organizations, Development Financial Institutions, private commercial organizations or Banks shall be assessed and taxed at the rate of fifteen percent of the actual annual rent.

During audit of the Excise & Taxation Offices in various districts for the financial year 2020-21, it was observed that the under mentioned Excise & Taxation Offices did not recover Property Tax from the owners of buildings used as banks and offices. This has resulted in loss of Rs. 44 million to the Government:

				Rs.
Sr. No.	**Excise and Taxation Office**	**AP No/Year**	**No. of cases**	**Amount**
1	ETO Abbottabad	18/2020-21	05	3,165,825
2	ETO-III, Peshawar	60/2020-21	24	35,259,708
3	ETO-VI Peshawar	79/2020-21	07	3,335,732
4	ETO Charsadda	116/2020-21	06	1,844,684
Total			**42**	**43,605,949**

The lapse occurred due to ineffective recovery mechanism and weakmanagement controls.

When pointed out it was replied by the management that outstanding amount would be recovered and Audit would be informed accordingly.

The matter was reported to the department during August to November 2021 and was requested to convene DAC meeting followed by the reminder dated 13-12-2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends prompt recovery of Government dues from defaulters.

10.4.5 Loss due to non-recovery of arrears of Hotel Tax - Rs. 15 million

Hotel Tax was levied under Section 4 of the KP Finance Ordinance, 2002. However, As per Section 8 of the KP Finance Act 2020, no Hotel Tax shall be leviable and payable for the year 2020-21, if the hotel and management are registered and on the active taxpayer list of the Khyber Pakhtunkhwa Revenue Authority (KPRA) for Sales Tax on services. Provided that arrears upto June 2020 shall be collected by the Excise Department.

During audit of the Excise & Taxation Offices Mansehra and Abbottabad for the financial years 2019-20 and 2020-21, it was observed that Rs. 15 million arrears of Hotel Tax have not been recovered as detailed below:

Rs.

Sr. No.	Excise and Taxation Office	AP No/Year	No. of cases	Amount
1	ETO Mansehra	191/2019-20	16	2,273,317
2	ETO Abbottabad	299/2019-20	18	3,758,622
3	ETO Abbottabad	14/2020-21	87	7,879,353
4	ETO Mansehra	25/2020-21	12	1,088,426
Total			**133**	**14,999,718**

The lapse occurred due to non in-efficiency of the department.

Audit held that non-reocvery of the Hotel Tax resulted in loss to the government.

When pointed out it was replied by the management that outstanding amount would be recovered and Audit would be informed accordingly.

The matter was reported to the department during January to August 2021 and was requested to convene the DAC meeting followed by the reminder dated 13-12-2021. However, the meeting was not convened till finalization of this Report.

Audit recommends prompt recovery of the outstanding Hotel Tax.

10.4.6 Loss due to non-realization of Property Tax from PDA, MC & TMAs - Rs. 14 million

According to Section 4 of the West Pakistan Urban Immovable Property Tax Act, 1958, land and properties owned or administered by autonomous bodies when used for purposes of profit are not exempted from Property Tax. In case of default, recovery proceedings are required to be initiated against the defaulters under Section 16 of the Act.

During audit of the Excise & Taxation Offices in various districts for the financial year 2020-21, it was observed that the under-mentioned Excise & Taxation Offices did not recover Property Tax from Peshawar Municipal Corporation, Peshawar Development Authority, TMA Abbottabad and Havalian. This resulted in non-realization Property Tax Rs. 14 million as detailed below:

Rs.

Sr. No.	Excise and Taxation Office	AP No/Year	Amount
1	ETO Abbottabad	17/2020-21	4,635,664
2	ETO-II, Peshawar	41/2020-21	3,483,140
3	ETO-III, Peshawar	61/2020-21	5,486,400
Total:			**13,605,204**

The lapse occurred due to non-enforcement of rules.

When pointed out it was replied by the management that the amount would be recovered from the defaulters.

The matter was reported to the department during July to September 2021 and was requested to convene the DAC meeting followed by the reminder dated 13-12-2021. However, the meeting was not convened till finalization of this report.

Audit recommends recovery of the outstanding Property Tax.

10.4.7 Loss due to non-realization of arrears of Professional Tax - Rs. 11 million

Professional Tax was levied under Section 7 of the KP Finance Act 1990. However, as per amendment made vide Section 7 of the KP Finance Act 2020, no Professional Tax shall be leviable and payable for the year 2020-21, if the persons engaged in profession, trade etc, are registered with the Khyber Pakhtunkhwa Revenue Authority (KPRA) for Sales Tax on services and are on their active taxpayer list. Provided that arrears upto June 2020 shall be collected by the Excise Department.

During audit of the Excise & Taxation Offices for the financial years 2019-20 & 2020-21, it was observed that arrears of Professional Tax have not been recovered. Furthermore,in some cases the Professional Tax has not been ssessed on the pretext of above quoted amendment in law. However, no proof was available that the persons engaged in professions and trades have been registered with KPRA for Sales Tax on services and were active taxpayers. This resulted in loss of Rs.11 million as detailed below.

Rs.

Sr. No.	Excise and Taxation Office	AP No/Year	No. of cases	Amount
1	ETO Mansehra	193/2019-20	33	735,600
2	ETO Karak	213/2019-20	07	764,000
3	ETO Abbottabad	300/2019-20	29	715,000
4	ETO Abbottabad	15/2020-21	17	873,000
5	ETO Mansehra	27/2020-21	16	300,000
6	ETO Mardan	53/2020-21	49	3,901,000
7	ETO Nowshera	112/2020-21	57	3,203,000
8	ETO Charsadda	118/2020-21	16	350,000
Total			**224**	**10,841,600**

The lapse occurred due to non-enforcement of rules.

When pointed out, it was replied by the management thatefforts would be made to recover the pointed out amount.

The matter was reported to the department during January to November 2021 and was requested to convene the DAC meeting followed by the reminder dated 13-12-2021. However, the meeting was not convened till finalization of this Report.

Audit recommends prompt recovery of outstanding Government dues from defaulters.

10.4.8 Loss due to non-realization of Motor Vehicle Tax - Rs. 1 million

According to Section 3 of the Motor Vehicles Taxation Act, 1958, Motor Vehicle Tax is leviable on every motor vehicle at specified rate. Failure to pay the tax within the stipulated period without sufficient cause attracts levy of penalty under Section 9 of the Act ibid. The unpaid tax along with penalty is recoverable as arrears of land revenue under section 11 of the Act ibid. Besides, registration of defaulting vehicle is also liable to be suspended or canceled under section 34 & 35 of the Motor Vehicles Ordinance, 1965.

During audit of the Excise & Taxation Offices in various districts for the financial years 2019-20& 2020-21, the under-mentioned offices did not recover Motor Vehicle Tax of Rs. 1 million as detailed below:

Rs.

Sr. No.	Excise and Taxation Office	AP No/Year	No. of cases	Amount
1	ETO Mansehra	194/2019-20	24	278,953
2	ETO Karak	214/2019-20	17	179,750
3	ETO Abbottabad	302/2019-20	20	171,688
4	ETO Abbottabad	21/2020-21	16	102,025
5	ETO Mansehra	30/2020-21	12	110,927
6	ETO Mardan	54/2020-21	16	210,360
7	ETO Nowshera	113/2020-21	18	95,850
8	ETO Charsadda	119/2020-21	10	164,800
		Total	**133**	**1,314,353**

The lapse occurred due to non-enforcement of rules.

When pointed out it was replied by the management that efforts would be made for recovery of the pointed out amount from defaulters.

The matter was reported to the department during January to November 2021 and was requested to convene the DAC meeting followed by the reminder dated 13-12-2021. However, the meeting was not convened till finalization of this Report.

Audit recommends prompt recovery of outstanding Government dues from defaulters.

Chapter 11

FINANCE DEPARTMENT

KHYBER PAKHTUNKHWA REVENUE AUTHORITY

11.1 Introduction

Khyber Pakhtunkhwa Revenue Authority (KPRA) was established in June 2013 under Khyber Pakhtunkhwa Finance Act 2013. Having its head office in Peshawar, the Authority is responsible for the collection of Sales Tax on services from all Sales Tax registered taxpayers who are providing services in Khyber Pakhtunkhwa and reaching out to new potential taxpayers. The KPRA is working under the administrative control of the Finance Department.

11.1 (A) Main functions of KPRA

- Administer and collect Sales Tax on services
- Administer and collect Infrastructure Development Cess.
- Administer and collect such other duties, taxes and levies as are assigned to it.
- Implement with the approval of the government, tax administration reforms.
- Promote voluntary tax reforms.
- Implement policies and programmes for awareness and facilitation of taxpayers, stake holders, and employees in order to improve the performance of the authority.
- Widen the tax base.

Table A: Audit Profile of KPRA

Sr. No.	Description	Total No.	Audited	Revenue Receipts Audited FY 2020-21 (Rs. in million)
1	Formations	1	-	-

11.1(B) Comments on Budgeted Receipts (Variance Analysis)

During the financial year 2020-21, the Khyber Pakhtunkhwa Revenue Authority collected an amount of Rs. 20,767 million which was 101% of the revised estimates of Rs. 20,495 million.

A comparison of budget estimates, revised estimates, and actual receipts for the year 2020-21 is tabulated below. The variation between the revised estimates and actual receipts is depicted in both absolute and percentage terms.

Table A: Receipts estimates and revised estimates for 2019-20 & 2020-21

(Rs. in million)

Year	Budget Estimates	Revised Estimate	Actual Receipts (As per Finance Account)	Variation	Percentage of Variance
2019-20	20,354	18,170	17,121	-1,049	-5.8
2020-21	20,000	20,495	20,767	273	1.3

In 2019-20 budget estimates were decreased but despite that KPRA was unable to achieve the revised targets. In 2020-21 the target was increased by 2.5 percent from Rs. 20,000 million to Rs. 20,495 million. The authority had collected Rs. 20,767 million, which was 1.3% more than the revised target of Rs. 20,495 million.

Table B. Category-wise detail of the taxes collected by KPRA

(Rs. in million)

Sr. No.	Category of Receipts	Head of Account	Budget Estimates	Revised Estimates	Actual Receipts (As per Finance Account 2020-21)	%age of Total Receipts	Short (-) Excess (+) (Col.6-5)	Variance %age
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
1	Sales Tax on Services (KP)	B02386	19,850	19,061	19,309	93	249	1.3
2	Infrastructure Cess	B03030	150	1,434	1,458	7	24	1.7
		Total	**20,000**	**20,495**	**20,767**	**100**	**273**	**1.3**

11.1 (C) Issues in the Khyber Pakhtunkhwa Revenue Authority Department

During receipts audit of the Khyber Pakhtunkhwa Revenue Authority it was observed that sales tax on services has not been recovered from different entities. Penalty on late filers was also not imposed in many cases. It was observed that millions of rupees input tax adjustments were claimed by different filers but the value of withheld tax was not shown by the service providers. It was observed that recovery from withholding agents were also not made.

11.2 Classified Summary of Audit Observations

Audit observations amounting to Rs587million were raised in this report during audit of Khyber Pakhtunkhwa Revenue Authority. Entire amount pointed out by the audit is recoverable. Summary of the audit observations classified by nature is as under:

Table D: Overview of the Audit Observations:

Sr. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	Non/short-recoveries	482
4	Others	105
Total		587

11.3 Brief Comments on the Status of Compliance with PAC Directives

Audit Paras on revenue receipts accounts of the Khyber Pakhtunkhwa Revenue Authority have not yet been discussed in PAC.

11.4 AUDIT PARAS

11.4.1 Loss due to non-deposit of Sales Tax by carriage contractors of Food Department - Rs. 188 million

According to Sr. No. 7(2)(ii) of the Khyber Pakhtunkhwa Sales Tax on Services Special Procedure (Withholding) Regulation 2015, AG KP shall deduct 1/5th of Sales Tax at source, credit the same to the Government head of account "B-02386-Sales Tax on Services Khyber Pakhtunkhwa" and send tax payer-wise report to DG KPRA by 15th day of the following month. Further, according to Sr. No. 8 of the said Regulation, a registered service provider shall issue Sales Tax invoice in respect of every taxable service provided or rendered to a withholding agent and file monthly return, as prescribed in the Act and the rules and regulations made thereunder.

During audit of the Khyber Pakhtunkhwa Revenue Authority(KPRA) for the financial year 2019-20, it was observed during scrutiny of Sales Tax on servicesrecord that while comparing AG office data pertaining to the Sales Tax on services withheld from carriage contractors who provided carriage services to Food Department KP during 2019-20 and Sales Tax data of the said carriage contractors available in the KPRA, these carriage contractors had concealed the services provided to Food Department and resultantly had not deposited the remaining 4/5th amount of Sales Tax into Government Treasury. It was further noticed that in many cases 1/5th Sales Tax was not withheld by AG offices or transferred the withheld tax to FBR.Non deposit of Sales Tax by carriage contractors and non-deduction of 1/5th tax by AG office resulted in loss of Rs.188 million to the Provincial Government exchequer. Detail is given below:-

Total value Rs	Sales tax recoverable @ 15% Rs	1/5th withheld by AG and deposited with KPRA Rs	1/5th withheld and deposited with FBR Rs	Paid by transporters to KPRA Rs	Total tax paid Rs	Balance recoverable Rs
1,525,244,763	228,786,214	15,031,198	11,825,762	14,240,875	41,097,835	187,688,879

The lapse occurred due to non-observance of rules and lack of coordination between Accountant General Office and KPRA.

When pointed out it, the managementhas principally agreed with audit's observation and stated that the sales tax from carriage contractors of Food Departmnet has already been pointed out/recovered. Furthermore, show cause notices would be issued to those who have not cleared their liabilities..

The matter was reported to the department in March 2021and requested to convene DAC meeting followed by the reminder dated 11-12-2021. However, no DAC meeting was convened till finalization of this Report.

Audit recommends expeditious recovery of Sales Tax from carriage contractors.

AP No. 280 (2019-20)

11.4.2 Loss of Government revenue due to non-deposit of Sales Tax on services - Rs. 113 million

According to Sr. No. 4 of the Khyber Pakhtunkhwa Sales Tax on Services Special Procedure (Withholding) Regulation 2015, a withholding agent shall deduct an amount equal to one-fifth of the total sales tax shown in the sales tax invoice issued by a registered service provider and make payment of the balance of transaction amount to him. According to Sr. No. 8 of the said Regulation, a register service provider shall issue a sales tax invoice in respect of every taxable service provided to a withholding agent and file monthly return as prescribed under the Act and rules and regulations made there under.

During audit of the Khyber Pakhtunkhwa Revenue Authority (KPRA) for the financial year 2019-20, it was observed during scrutiny of Sales Tax on services record that the withholding tax record submitted by withholding agents to KPRA when compared with the monthly returns of service providers revealed that in certain cases, the service providers have not disclosed services provided by them to the withholding agents in their monthly returns or have filed null returns. This concealment of sales resulted in non-deposit of $4/5^{th}$ of the Sales Tax and loss of Government revenue Rs. 113 million as detailed below:

Rs.

Sr. No.	Service Provider	AP No/Year	Amount
1	NESPAK Pvt. Ltd. (NTN 0801470-1)	282/2019-20	99,587,871
2	Mott Macdonald Ltd. (NTN 2586344-4)	283/2019-20	6,233,844
3	Sinoma Handan Eng. Co. Pvt. Ltd. (NTN 7315731-0)	284/2019-20	3,443,548
4	MAK Security Agency Pvt. Ltd. (NTN 2181041-9)	291/2019-20	3,454,756
Total:			**112,720,019**

The lapse occurred due to concealment of sales by the services providers.

When pointed out it was replied by the management thatshow cause notices would be issued to the taxpayersand Audit would be informed accordingly.

The matter was reported to the department in March 2021 and requested to convene DAC meeting followed by the reminder dated 11-12-2021. However, the meeting was not convened till finalization of this Report.

Audit recommends investigating the matter and recovery of Government revenue.

11.4.3 Loss due to non-imposition of penalty on non/late-filers of monthly returns for Sales Tax on services - Rs. 105million

According to Section 52(1), Chapter VI of the Khyber Pakhtunkhwa Finance Act, 2013, every register person shall furnish, not later than the due date, a true, correct, and properly filled-up return in the prescribed form. Further, according to sub section 2(2) of Section 64 of the Act ibid where any person fails to furnish a return within due date, such person shall be liable to a penalty of five thousand rupees provided that in case a person file a return within ten days of the due date, he shall pay a penalty of hundred rupees for each day of default.

During audit of the Khyber Pakhtunkhwa Revenue Authority (KPRA) for the financial year 2019-20, it was observed during scrutiny of Sales Tax on services record that KPRA has not imposed penalty on registered persons who did not file their monthly returns or filed after the due date, i.e. 15th day of the month following the end of the tax period as required under the Act. This resulted in loss of Rs. 105 million to the Government on account of penalty as detailed below:

Rs.

Sr. No.	AP No/Year	Category	No. of cases	Amount
1	276/2019-20	Non-Filers	19,802	99,010,000
2	277/2019-20	Late-Filers	132	5,865,000
		Total	**19,934**	**104,875,000**

The lapse occurred due non-enforcement of the provisions of law.

When pointed out it was replied by the management that it agreed with Audit and show cause notices would be issued to the taxpayersand outcome of the proceedings would be shared with Audit.

The matter was reported to the department in March 2021and requested to convene DAC meeting followed by the reminder dated 11-12-2021. However, the meeting was not convened till finalization of this report.

Audit recommends taking action for imposition and recovery of penalty from the non/late-filers.

11.4.4 Loss of Government revenue due to non-deposit of withheld Sales Tax on services - Rs. 88 million

According to Sr. No. 7(4)(i) of the Khyber Pakhtunkhwa Sales Tax on Services Special Procedure (Withholding) Regulation 2015, in case the withholding agent is registered as service provider under the Act, he shall pay the withheld amount of sales tax by the prescribed due date of the month in which he claims input tax credit/adjustment in Annexure A of his tax return or the date on which payment is made to service provider whichever is earlier.

During audit of the Khyber Pakhtunkhwa Revenue Authority (KPRA) for the financial year 2019-20, it was observed during scrutiny of Sales Tax on services record that in 77 cases the service providers have claimed input tax adjustments in Annexure A of their returns on purchase invoices issued to them by suppliers. Monthly returns of the suppliers showed that in theses invoices Sales Tax was withheld by the service providers being withholding agents. However this withheld Sales Tax was not disclosed / deposited by the service providers/withholding agents resulting in loss of Rs. 88 million to the Government as detailed below:

Rs.

Sr. No.	Withholding Agent	AP No/Year	No. of cases	Amount Pointed Out
1	Pakistan Mobile Communications Ltd. NTN 0802694-7	285/2019-20	19	76,812,894
2	Telenor Pakistan Pvt. Ltd. NTN 2046004-0	286/2019-20	22	6,114,588
3	Pak Telecom Mobile Ltd. (PTML) NTN 1161581-8	287/2019-20	06	1,552,705
4	M/S Deodar Pvt. Ltd. NTN 7278708-3	288/2019-20	02	1,064,586
5	M/S TAQ Enterprises Cargo Services NTN 1416038-2	289/2019-20	25	222,720
6	Ayub Medical College Abbottabad, University of Malakand&Hazara University Mansehra	292/2019-20	03	2,122,569
		Total	**77**	**87,890,062**

The loss occurred due to non-disclosure of withheld Sales Tax by service providers/withholding agents.

When pointed out it was replied by the management that show cause notices would be issued to the taxpayers and Audit would be informed accordingly.

The matter was reported to the department in March 2021and requested to convene DAC meeting followed by the reminder dated 11-12-2021. However, the meeting was not convened till finalization of this Report.

Audit recommends investigating the matter and recovery of the Government revenue.

11.4.5 Loss due to non-transfer of Sales Tax on services into account of Government of Khyber Pakhtunkhwa - Rs. 44 million

According to Rule 7 of the Treasury Rules and Rule 26 of G.F.R, it is duty of the departmental Controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

During audit of the Khyber Pakhtukhwa Revenue Authority (KPRA) for financial year 2019-20, it was observed that certain registered persons have deposited Khyber Pakhtunkhwa Sales Tax on services in various branches of National Bank of Pakistan in Sindh, Punjab, Islamabad and Khyber Pakhtunkhwa. However, this revenue has not been transferred into the account of Government of Khyber Pakhtunkhwa despite lapse of considerable time. This resulted in loss of Rs. 44 million to the Government. Detail is given in the annexure III

The lapse occurred due to weak financial management.

When pointed out it was replied by the management that KPRA has been in constant liaison with NBP for recovery and transfer of outstanding amount into the account of Khyber Pakhtunkhwa Government.

The matter was reported to the department in March 2021and requested to convene DAC meeting followed by the reminder dated 11-12-2021. However, the meeting was not convened till finalization of this Report.

Audit recommends that action be expedited for transfer of the pointed out amount into the account of Provincial Government.

AP No. 278 (2019-20)

11.4.6 Loss due to less-payment by Finance Division to KP Government on account of cross input tax adjustment of Sales Tax - Rs. 28 million

KPRA allows input tax adjustment to its registered tax payers (paying sales tax on services) on account of sales tax (on goods) paid to FBR and vice versa. According to Memorandum of Understanding (MoU) between KPRA and FBR, within 30 days of the end of each quarter a joint committee of FBR and KPRA officers shall prepare a statement showing net effect of the cross adjustments made during the quarter and the party with positive balance will compensate the party with negative balance.

During audit of the Khyber Pakhtukhwa Revenue Authority (KPRA) for financial year 2019-20, it was observed that as a result of reconciliation of the joint committee, FBR had agreed to pay an amount of Rs. 1,388,979,012/- on account of input adjustment to Government of Khyber Pakhtunkhwa (GoKP) for the financial year 2016-17. FBR has requested the Finance Division to pay the said amount to GoKP vide its letter No. C.No.03/Coord-DRS.FBR/2019-20 dated 17-12-2019. However, Finance Division has only transferred an amount of Rs.1,361,199,000/- to GoKP leaving a balance of Rs.27,780,012/-.

The loss occurred due to unjustified deduction by Finance Division from established claim of Government of Khyber Pakhtunkhwa on account of cross input tax adjustment.

When pointed out it was replied by the management thatthe matter had already been taken up with Finance Division and would be further pursued.

The matter was reported to the department in March 2021and requested to convene DAC meeting followed by the reminder dated 11-12-2021. However, the meeting was not convened till finalization of this Report.

Audit recommends recovery of the Provincial Government dues.

AP No. 279 (2019-20)

11.4.7 Loss to Provincial Government due to transfer of withheld Sales Tax on services to FBR - Rs. 12 million

According to Sr. No. 7(2)(ii) of the Khyber Pakhtunkhwa Sales Tax on Services Special Procedure (Withholding) Regulation 2015, AG KP shall deduct 1/5th of Sales Tax at source, credit the same to the Government head of account "B-02386-Sales Tax on Services Khyber Pakhtunkhwa" and send tax payer-wise report to DG KPRA by 15th day of the following month.

During audit of the Khyber Pakhtunkhwa Revenue Authority (KPRA) for the financial year 2019-20, it was observed during scrutiny of Sales Tax on services record that in many cases 1/5th Sales Tax on services withheld by AG office from carriage contractors who provided carriage services to Food Department KP was transferred to FBR instead of Provincial Government. Detail is given in the annexure IV.

Audit held that the lapse occurred due to non-observance of rules by AG office and resulted in loss of Rs. 12 million to Provincial exchequer.

When pointed out it was replied by the management that the matter would be taken-up with AG office and FBR.

The matter was reported to the department in March 2021and requested to convene DAC meeting followed by the reminder dated 11-12-2021. However, the meeting was not convened till finalization of this Report.

Audit recommends recovery of the pointed out amount.

AP No. 281 (2019-20)

11.4.8 Loss to Government due to unauthentic input tax adjustment of Sales Tax/concealment of sales - Rs. 8.00 million

According to Section 26(4), of the Khyber Pakhtunkhwa Finance Act, 2013, a person required to pay tax under this Act shall be entitled to deduct from the payable amount, the amount of tax already paid by him on the receipt of taxable services used exclusively in connection with taxable services provided by such person subject to the condition that he holds a true and valid tax invoice not older than six tax periods.

During audit of the Khyber Pakhtunkhwa Revenue Authority (KPRA) for the financial year 2019-20, it was observed during scrutiny of Sales Tax on services recordthat Pak Telecom Mobile Ltd. (NTN 1161581-8) has claimed input tax adjustment against purchase invoices issued by HRS Pvt. Ltd. (NTN 2829881-7). Most of these invoices have not been traceable in the monthly returns of HRS Pvt. Ltd. Further scrutiny of the returns revealed that HRS Pvt. Ltd has paid Sales Tax Rs. 4,642,695/- on sales made to Pak Telecom Mobile Ltd during 2019-20, however, Pak Telecom Mobile Ltd claimed input tax adjustment amounting to Rs.12,785,557/- against purchase invoices issued by HRS Pvt. Ltd. Hence there is a difference of Rs. 8,142,862/- between the Sales Tax deposited by HRS Pvt. Ltd and input tax adjustment made by Pak Telecom Mobile Ltd. It seems that either some of these invoices have not been issued by the HRS Pvt. Ltd or sales made through these invoices have been concealed to avoid payment of Sales Tax. Detail is given in the annexure V.

The lapse occurred either due to unauthentic input tax adjustment by Pak Telecom Mobile Ltd or concealment of sales by HRS Pvt. Ltd and resulted in loss of Rs. 8.00 million to the Government exchequer.

When pointed out, it was replied by the management thatshow cause notice would be issued to the taxpayer and findings would be shared with Audit.

The matter was reported to the department in March 2021and requested to convene DAC meeting followed by reminder dated 11-12-2021. However, the meeting was not convened till finalization of this report.

Audit recommends investigating the matter and recovery of the Government revenue.

AP No. 290 (2019-20)

11.4.9 Loss due to application of incorrect rate of Sales Tax on services - Rs. 1.00 million

According to Sr. No. 4 of the Second Schedule to the Khyber Pakhtunkhwa Finance Act 2013 as amended vide Finance Act 2019; rate of sales tax on Telecommunication and similar, allied, and ancillary services is 19.50%.

During audit of the Khyber Pakhtunkhwa Revenue Authority (KPRA) for the financial year 2019-20, it was observed during scrutiny of Sales Tax on services record that Telenor Pakistan (Pvt) Limited having NTN 2046004-0 provided services to Telenor Microfinance Bank Ltd. However, Sales Tax on services has been charged at the rate of 15% instead of 19.5% which resulted in loss of Rs. 1 million. Detail is given below:-

Total amount due @ 19.5%	=	Rs.4,199,320
Total amount deducted @ 15%	=	Rs. 3,230,244
Balance Recoverable	=	Rs. 969,076

The loss occurred due to application of incorrect rate of Sales Tax on services.

When pointed out it was replied by the management thatshow cause notice would be issued to the taxpayer and result would be shared with Audit.

The matter was reported to the department in March 2021and requested to convene DAC meeting followed by the reminder dated 11-12-2021. However, the meeting was not convened till finalization of this Report.

Audit recommends investigating the matter and recovery of the Government revenue.

AP No. 293 (2019-20)

Chapter 12

FOOD DEPARTMENT

12.1 A) Introduction

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

- ❖ Food procurement, rationing and distribution.
- ❖ Storage of Food grain.
- ❖ Control over the price and distribution of sugar-cane.
- ❖ Control over the price and distribution of sugar and other matters under the Sugar Factories Control Act, 1950.
- ❖ Implementation of Sugarcane Development Cess Rules, 1964.
- ❖ Civil Supplies.
- ❖ Price of food items.
- ❖ Services matters, except those entrusted to the Establishment and Administration Department.

Audit Profile of Food Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2020-21 (Rs in Million)	Revenue/Receipts Audited FY 2020-21 (Rs in Million)
1	Formations	51	02	45,823	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

12.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2020-21 against the total of grants/appropriation was as follows:

Non-Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
49-Food	NC21	98,989,790,000	0	63,959,173,728	63,953,226,648	-5,947,080
Total		**98,989,790,000**	**0**	**63,959,173,728**	**63,953,226,648**	**-5,947,080**

Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
50-Food	NC22	10,000,000		-	36,000,000	36,000,000
50-Food	NC12	439,000,000		307,852,826	307,852,826	-
Total		**449,000,000**		**307,852,826**	**343,852,826**	**36,000,000**

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

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	63,959.174	63,953.227	(5.947)	-0.01%
Development	307.853	343.853	36.000	11.69%
Total	**64,267.027**	**64,297.079**	**30.053**	0.05%

The above variance alanysis shows tha the developmental expenditure has exceeded the budget by approx 12 percent which indicates that budgeting needs to be done more optimally and appropriety.

12.1 (C) Issues Highlighted in the Food Department

Like previous years, the Food Department failed to achieve the wheat procurement targets from the local growers of the province. It was further noticed that available godown storage capacity of the Department is far below the required quantum to cater for the requirements of the growing population. It was observed in many districts that wheat was stored in open areas. The data available with the department for local purchase and total requirement of the province is highly defective that result in shortages of wheat across the province and unnecessary transportation charges from one PR center to another. Shortage of wheat in DFC Buner and Dera Ismail khan is also reported. Misuse of Government subsidized wheat is also reported in Chakdara. Non-recovery of decrease in POL and loss to Government due to late finalization of the carriage contracts has also been observed.

12.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 83.433 million were raised in this report during the current audit of Food Department. This amount also includes recoveries of Rs. 20.204 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	83.433
5	Others	-

Moreover, Rs 291.88 million irregularities including recoveries amounting to Rs. 172 million have also been reported under Thematic Audit in chapter 26

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

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1	2014-15	Food	02	02	-	-
2	2015-16	-do-	36	-	-	36
3	2016-17	-do-	8	3	-	5

12.4 Audit Paras

12.4.1 Non-recovery of Professional Tax- Rs. 1.161 million

As per S.No.2(a) Appendix-II of Finance Act 2017, all flour mills owners are required to deposit Rs.27000/- per flour mill per annum on account of Professional Tax.

During audit of the Storage & Enforcement Officer Peshawar for the financial year 2019-20, it was observed that 43 flour mills have been registered with the Storage & Enforcement Officer Peshawar. Wheat was issued to the flour mills but recovery of the Rs.1,161,000/- Professional Tax has not been made.

The lapse occurred due to weak financial controls.

Audit held that non-recovery of the professional tax resulted in less revenue to the government.

When pointed out in April 2021, the management stated that audit observation has been noted for earlier compliance.

The Department was requested for holding the DAC meeting vide letter No.Audit/DAC/Food/SIR-106-113/2019-20/1872 dated 08-06-2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery of the pointed out amount.

AP No.110(2019-20)

12.4.2 Non-recovery of decrease in POL prices - Rs. 19.043 million

According to clause 3.2 of the contract agreements executed between the Director food and the carriage contractors, the effect of change in POL will be reconsidered on quarterly basis. The increase/decrease in the POL rates will be calculated at the rate of fifty percent (50%) for the POL. However, impact below ten percent (10%) will not be considered.

During audit of the Director Food Khyber Pakhtunkhwa Peshawar for the Financial Year 2019-20, it was observed that Rs. 1,911,182,697/- has been incurred on transportation of wheat. The POL prices have decreased in the 4th Quarter of the financial year by more than 10%. However, the contractor has been paid without adjustment of the decrease in the POL prices resulting in overpayment of Rs. 19,043,586/-

The lapse occurred due to weak financial controls.

Audit held that non-adjustment of POL prices resulted in overpayment.

In the DAC meeting held on 07-12-2021, it was decided that the recovery amounting to Rs. 11,395,746/- may be produced to audit for verification and recover the balance amount from the concerned DFCs.

Audit recommends recovery.

AP No. 83 (2019-20)

12.4.3 Loss to government due to delay in finalization of carriage contracts - Rs. 39.653 million

According to Para 19 GFR Vol-I, the award of contract must be in the most public and transparent manner advantageous to government, read with KPPPRA Rules 2014.

During audit of the Director Food Khyber Pakhtunkhwa Peshawar for the Financial Year 2019-20, it was observed that 100,000/- metric ton hasbeen allocated for various centers of the province. The contracts of the carriage contractors were valid up to 30-06-2020. Detail is given in annexure VI.

However, the tender opening date for 2020-21 has been intentionally delayed up to 30.07.2020 despite the fact that the rate of POL has decreased on 01.07.2020 so that extensions of contracts could be given to the contractors on higher rates.

The lapse occurred due to weak financial controls.

Audit held that this delay in tendering process has resulted in loss of Rs. 39,653,577/-due to paying the contractors at higher rates.

In the DAC meeting held on 07.12.2021, the Para has been referred to PAC.

AP No. 87 (2019-20)

12.4.4 Non-Deposit of Profit into treasury - Rs.23.576 Millions

The Finance department letter No 2/3-(F/L)FD/2007-08 Vol-IX dated 16.03.2018 requires that all bank accounts opened in commercial banks may be converted in to profit & loss sharing (PLS) mode and the profit earned be deposited in Government treasury.

During audit of the Storage & Enforcement Officer Peshawar and District Food controller Charsadda for the Financial Year 2019-2020, it was observed that profit of Rs. 23,576,490/- has been accrued on the amount placed in the designated Bank Account as per details given below:

(Amount in Ruppees)

Name of the Office	Bank Account No	Profit earned
Storage Enforcement Officer Peshawar	No.PK84 KHYB 0001000011808006	19,384,581
DFC Charsada	No.PK73 KHYB 0078000000373001	4,191,909
	Total	**23,576,490**

On further verification of record it has been observed that the same has not been credited into Government treasury in violation of the government instruction.

The lapse occurred due to non compliance with the Government rules.

The Department was requested for holding the DAC meeting vide letter No.Audit/DAC/Food/SIR-106-113/2019-20/1872 dated 08-06-2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends that the matter may be taken up with Finance Department for clarification.

AP No.111 & 31 (2019-20)

Chapter 13

HEALTH DEPARTMENT

13.1 A) Introduction

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

- Regulation of medical and other professional qualification and standards;
- Medical Registration including Medical Council;
- Indigenous system of medicines;
- Medical attendance of Government servants; and
- Levy of fees by Medical Officers.
- Medical and Nursing Council.
- Medical education including medical schools and colleges, and institution for dentistry.
- Control of Medical drugs, poisons and dangerous drugs (Drug Act and Rules)

Audit Profile of Health Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2020-21 (Rs in Million)	Revenue/Receipts Audited FY 2020-21 (Rs in Million)
1	Formations	139	53	52,530	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	09	03	349.514	N/A
3	Authorities/Autonomous bodies etc under PAO	13	09	14,418	N/A
4	Foreign Aided Projects (FAP)	09	09	1086.866	N/A

13.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2020-21 against the total of grants/appropriation was as follows:

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

Grant # and Name of Department	Grant Type	Original Grant	Supplemen-tary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
13-Health	NC21	67,448,563,000	710	64,033,551,858	64,048,324,781	14,772,923
Total		**67,448,563,000**	**710**	**64,033,551,858**	**64,048,324,781**	**14,772,923**

Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
54-General Hospitals	NC-22	1,935,332,000	0	699,959,000	970,951,768	270,992,768
54-General Hospitals	NC-12	2,546,551,000	1,188,839,050	2,839,297,050	3,853,679,605	1,014,382,555
54-DHQs	NC-22	25,000,000	0	148,560,000	1,401,000	-147,159,000
54-DHQs	NC-12	375,000,000	0	758,522,000	394,294,498	-364,227,502
54-General Hospital Services	NC12	15,873,000	0	88,722,000	0	-88,722,000
54-Special Hospitals	NC22	920,000,000	0	1,007,116,000	125,536,500	-881,579,500
65-Special Hospitals	NC12	387,863,000	0	511,260,000	511,259,592	-408
54-Mother & Child Health	NC-12	55,186,000	0	97,180,000	0	-97,180,000
54-Anti Malaria	NC22	1,971,557,000	0	990,774,000	2,609,529,207	1,618,755,207
54-Preparation & Dissemination	NC12	32,000,000	0	52,000,000	52,000,000	0
54-Population Welfare	NC22	149,430,000	0	147,643,000	147,713,724	70,724
54-Population Welfare	NC12	570,000	0	396,000	396,000	0
54-Others	NC22	861,000,000	0	687,020,000	55,000,000	-632,020,000
65-Administration	NC22	32,000,000	0	1,370,000	1,370,000	0
65-Admin	NC12	10,000,000	0	16,077,000	16,077,000	0
54-Professional/ University/	NC-22	770,926,000	0	1,307,507,000	1,307,812,968	305,968
54-Professional University	NC-12	1,401,711,000	0	1,935,092,000	1,935,091,024	-976
Total		**11,489,999,000**	**1,188,839,050**	**11,288,495,050**	**11,982,112,886**	**693,617,836**

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

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	64,033.55	64,048.32	14.77	0.02
Development	11,288.50	11,982.11	693.62	6.14
Total	**75,322.05**	**76,030.44**	**708.39**	**0.94**

It can be seen from the above variance analysis that the developmental budget has been under-utilized by 6.14 percent; hence, there is a need for efficient management of the avaialble resources so that spending in the healthcare sector could be brought in line with the budget and planned schemes/procurements etc. are accomplished.

13.1 (C) Issues in Health Department

During audit of the Health departments it was revealed in many cases that hospital receipts were not deposited in Government treasury. In some cases these receipts were irregularly disbursed to Medical Superintendent and other staff. Cases of irregular, doubtful, and wasteful procurement of machinery and other fixed assets were observed in many cases. Cases of irregular and fraudulent award of contracts are also reported. Fraudulent drawl of COVID-19 funds is also reported. It was observed that taxes at prescribed rates were either not deducted from the suppliers or were not deposited in the Government treasury.

13.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.2976.682 million were raised in this report during the current audit of Health Department. This amount also includes recoveries of Rs. 243.08 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	0
2	Reported cases of fraud, embezzlement and misappropriation	369.429
3	Irregularities	0
A	HR/Employees related irregularities	12.975
B	Procurement related irregularities	2440.219
C	Management of Accounts with Commercial Banks	0
4	Value for money and service delivery issues	86.324
5	Others	27.735

13.3 Brief comments on the status of compliance with PACdirectives:-

S.No.	Audit Year	Name of Department	Total No. of actionable points	Full Compliance	Partial compliance	Nil compliance
1.	2001-02	Health	31	21	-	10
2.	2002-03	-do-	18	14	-	04
3.	2003-04	-do-	11	06	-	05
4.	2004-05	-do-	42	11	-	31
5.	2005-06	-do-	12	06	-	06
6.	2007-08	-do-	18	05	-	13
7.	2008-09	-do-	16	07	-	09
8.	2009-10	-do-	23	12	-	11
9.	2010-11	-do-	19	07	-	12
10.	2011-12	-do-	33	18	-	15
11.	2012-13	-do-	14	09	-	05
12.	2013-14	-do-	46	23	-	23
13.	2014-15	-do	27	14	-	13
14.	2015-16	-do-	39	12	-	27
15.	2016-17	-do-	52	13	-	39

13.4 Audit Paras

13.4.1 Non-deposit of hospital receipts into government treasury – Rs. 30.431 million

According to Para 5 of GFR Vol-I; money received as Government dues should be credited into Public Accounts read with Para 7 of GFR Vol-I; money may not be removed from the Public Account for investment or deposit elsewhere without the consent of the Finance department.

During Audit of the DHQ Teaching Hospital Haripur for the financial year 2015-16, it was observed that hospital receipt and capitation fee amounting to Rs. 30.431 million was deposited into hospital Bank Account # PLS-15788-5 (New A/C # 3033657096) National Bank of Pakistan (NBP) main branch Haripur.

Audit is of the view that as the hospital concerned is not an autonomous body, therefore, the receipt was required to be deposited into Government Treasury and the NBP bank account is being operated without the approval of Finance Department. Furthermore, the said receipt has neither been reported to Finance Department nor reflected in annual budget.

Audit held the retention of the Government receipt in the hospital's bank account as unauthorized.

The lapse occurred due to violation of rules.

In the DAC meeting held on 21-01-2021, the management stated that the receipts realized in this case are the receipts from the public-private partnership MoU signed with Abbottabad International Medical College. Therefore, the DAC forum decided in favor of verification to be done within 30 days; in terms of the rules under which the MoU was signed with the private hospital for ten years and also to verify the nature of the receipts generated from this partnership in order to bifurcate the public receipts and private receipts to ascertain whether or not the public receipts have been expended for other purposes. However, department did not produce any document till finalization of this report.

Audit recommends implementation of the DAC decision.

A.P No. 64 (2015-16)

13.4.2 Non-recovery of HPA, CA and half pay - Rs. 2.184 million

According to F.R 84 and appendix 9 of volume 11; study leave shall be granted on half pay and maximum period shall not exceed 48 months read with GoKP Finance Department notification No. FD (SOSR-11)8-18/2016 dated 01-07-2016; health professional allowance is not admissible during leave.

During Audit of the Nasirullah Khan Babar Memorial Hospital, Peshawar for the financial year 2016-17, it was observed that two charge nurses were granted study leave for attending advance nursing courses as detailed below;

Rs.

S.#	Name	Course Name	Duration of Course	Pay and Allowances Drawn	Pay and Allowances admissible	Recoverable Amount
1	Mrs. Riffat Ara	MSc. Nursing	24 months	2,311,176	975,588	1,335,588
2	Shabnam Ramzan	BSc. Nursing	24 months	1,337,136	488,568	848,568
			Total	**3,648,312**	**1,464,156**	**2,184,156**

Audit is of the view that drawl of full pay, health professional allowance (HPA) and CA during study leave was not admissible as per above quoted rules. Hence, the nurses have been overpaid an amount of Rs. 2,184,156/-

The lapse occurred due to violation of rules.

In the DAC meeting held on 18.03.2020, it was decided to recover the overpaid amount from the concerned. However, no progress was produced to Audit till finalization of this report.

Audit recommends implementation of DAC decision.

A.P No. 641 (2016-17)

13.4.3 Non-recovery of embezzled amount in CATH Lab - Rs. 2.184 million

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

During audit of the Lady Reading Hospital, Peshawar for the financial year 2017-18, it was observed that an amount of Rs. 1.787 million had been realized on account of procedures done in Cath Lab, however, the said amount had not been deposited in the hospital account by the concerned officials. It was further observed that an internal inquiry had been conducted in the matter for the period from January to June 2017 by the inquiry team consisting of Internal Audit Officer and Budget & Accounts Officer, however, neither the accused persons were prosecuted under the applicable disciplinary rules nor the embezzled amount could be recovered.

Audit held the embezzled amount as loss to the hospital.

The lapse occurred due to weak internal controls.

In the DAC meeting held on 20-11-2020, it was decided to refer the matter to Public Accounts Committee.

Audit recommends recovery of the embezzled amount and criminal proceedings against the persons responsible.

A.P No. 139 (2017-18)

13.4.4 Non-imposition of penalty on account of late supply of equipment and medicine - Rs. 74.245 million

According to Clause 18 (I & II) of the Rate Contract Agreements signed by the suppliers under the Medicines Coordination Cell (MCC) List of Director General Health Services (DGHS) Peshawar, the bidder shall complete the supply of the ordered goods under this agreement within the stipulated period of time as laid down in the standard bidding documents (SBDs). In case of delay in supplies for a period of 01-to-15 days, penalty @ 03% of the total bid price of the items supplied late shall be levied. Similarly, in case of delay in supplies for a period of 16-to-30 days, penalty @ 07% of the total bid price of the items supplied late shall be levied.

During Special audit of the Director Health Merged Areas (various Accelerated Implementation Programs (AIP) for the financial year 2019-20, it was observed that an amount of Rs. 986,010,000/- was paid to various suppliers on account of supply of different kinds of medical equipment. Moreover, some of the items like Full Body Scan and Biomedical Waste Incinerator were not delivered till the date of Audit i.e. April2021.

The suppliers failed to supply the ordered medical equipment within the stipulated period of time. However, penalty at the prescribed rate of 7% amounting to Rs. 69,020,700/- was not imposed and recovered, which resulted into loss to the government.

Similarly, in the project "provision of quality medicines, vaccines, disposables and other supplies at health facilities in the newly merged areas", an amount of Rs. 74,640,700/- was paid to various suppliers on account of supply of different kinds of medicines. However, the suppliers failed to supply the ordered medicines within the stipulated period of time. However, penalty at the prescribed rate of 7% amounting to Rs. 5,224,849/- was not imposed and recovered, which resulted into loss to the government.

The lapse occurred due to violation of contract agreements, which resulted in non-imposition of penalty amounting to Rs. 74,245,549/- upon the suppliers.

When pointed out in April 2021, it was replied that due to Covid-19 epidemic all over the world the manufacturing of items badly disturbed due to lock down, and after a meeting with suppliers by the Ex-DHS Merged Areas, the clause of penalty has been removed.

The reply was not satisfactory as the Director Health Services had no powers to remove the penalty clause by himself, without prior approval of the competent forum.

The department was requested vide letter dated 29-09-2021 for holding the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends imposing penalties upon the suppliers at the prescribed rates and depositing the same in the government treasury.

A.P No. 904 (2017-18)

13.4.5 Wasteful expenditure on purchase of CT Scan machine – Rs. 29.5 million

According to para 145 of GFR Vol-I; purchases must be made in the most economical manner in accordance with the definite requirements of the public service and care should be taken not to purchase items much in advance of actual requirements, if such purchase is likely to prove unprofitable to the Government.

During audit of the Moulvi Ameer Shah Hospital, Peshawar for the financial year 2014-15, it was observed that Rs. 29,500,000/- were spent on purchase of computed tomography (CT) scan machine, however, audit is of the view that the expenditure was wasteful because:

- There was no CT Scan specialist appointed by the hospital
- The machine remained out of order
- The machine's battery has been deteriorated due to non-usage

Audit held the purchase of the CT scan machine as waste of public money.

The lapse occurred due to weak procurement planning.

In the DAC meeting held on 12-11-2020, it was decided to conduct fact finding inquiry within 30 days through DGHS for fixing responsibility on the person(s) at fault. However, no progress was intimated to audit till finalization of this report.

Audit recommends implementation of the DAC decision.

A.P No. 1071 (2014-15)

13.4.6 Overpayment due to short deposit of 50% maintenance charges - Rs. 7.813 million

According to Khyber Pakhtunkhwa, Finance Department letter no. BOVI/FD/1-1/2011-12 dated 29-04-2013 "w.e.f. 1st May 2013, at least 50 percent of the amount recovered from the diagnostic services rendered to the patients will be diverted to a separate account to be maintained specially for the maintenance and repair of equipment. This fund will only be utilized for the said purpose".

During the audit of accounts record of the Medical Superintendent District Head Quarter Hospital Mansehra for the financial years 2018-19 to 2020-21, it was noticed that receipts realized from the diagnostic services rendered to the patients were distributed among the doctors/

paramedics staff on the formula which has no legal base, resulting into overpayment of staff's shares and less deposit of maintenance/ depreciation charges of Rs. 7.813 million. Detail is given in annexure-VII.

The Lapse occurred due to non-adherence to applicable rules.

When pointed out in September 2021, it was stated by the Department that the instruction about the said deposit received to this office letter No. SOB-1/HD/1-25/PAC/VOR dated 21.06.2021 and the record will be scrutinized and recovery if any will be made from the quarter concerned.

Department was requested for DAC meeting vide letter no. DAC/Health/Aps-2019-20/2020-21/2598 dated 20.12.2021 but no DAC meeting was convened by the time of finalization of this report.

Audit recommends deposit of 50% share and recovery of the overpaid amount from the concerned.

AP No. 215 (2020-21)

13.4.7 Unauthorized payment to Medical Superintendent out of hospital receipts - Rs. 7.014 million

According to the Health Department letter No. SO(B)health/1-1/97/user charges dated 25.06.2002, the Medical Superintendent is not entitled to draw any share realized out of different procedures.

During the audit of accounts record of the Medical Superintendent District Head Quarter Hospital Mansehra for the financial year 2020-21, it was observed that a sum of Rs. 7.014 million (Rs. 2.036 million in 2020-21, Rs. 2.208 million in 2019-20 and Rs. 2.770 million was 2018-19) paid to the Medical Superintendent as doctor's share out of the laboratory and other receipts due to vacant position of the Pathologist in the hospital, instead of depositing the amount into the Govt. treasury as per rules.

The lapse occurred due to weak internal controls.

When pointed out in September 2021, it was stated by the Department that the post of Pathologist is lying vacant for long time and Medical Superintendant (MS) look after the matters in absence of the said post. The record will be scrutinized and recovery if any will be made from the quarter concerned.

Department was requested for DAC meeting vide letter no. DAC/Health/Aps-2019-20/2020-21/2598 dated 20.12.2021 but no DAC meeting was convened by the time of finalization of this report.

Audit recommends recovery.

AP No. 217 (2020-21)

13.4.8 Non Imposition of penalty due to late supply of medicines Rs. 2.320 million

According to Clause-17 of the contract agreement between the Govt. of Khyber Pakhtunkhwa Health Department through Incharge Govt. Medicines Co-ordination Cell and the Suppliers/Firms the supply of ordered goods under this agreement should be completed within 30 days after the receipt of supply order. In case of delay the penalty will be charged at the following rates.

i. Upon delay in supply from Thirty One to Forty Five days a lump sum penalty @ 3% of the total amount of supply order, shall be levied through deducting the total amount of penalty from the total pre-tax payable bill, irrespective of the number of items supplied late.

ii. Upon delay in supply from Forty Five to Sixty days a lump sum penalty @ 7% of the total amount of supply order, shall be levied through deducting the total amount of penalty from the total pre-tax payable bill, irrespective of the number of items supplied late.

iii. After the expiry of the extended period as in clause-17 a (i)&(ii), the order will stand cancelled to the extent of non-supplied items.

During audit of the Saidu Sharif Teaching Hospital Swat for the financial year 2020-21, it was observed that the penalty amounting to Rs. 2.320 million was not imposed against various suppliers on account of late supply of medicines. Detail is given in annexure VIII.

The lapse occurred due to weak internal controls.

When pointed out in July 2021, it was stated by the Department that the recovery will be made from the contractors/suppliers and the progress will be shown to DAC.

Department was requested for DAC meeting vide letter no. DAC/Health/Aps-2019-20/2020-21/2598 dated 20.12.2021 but no DAC meeting was convened by the time of finalization of this report.

Audit recommends imposition of penalty leading to recovery.

AP No. 82 (2020-21)

13.4.9 Loss to government due to enhanced payment of housing subsidy – Rs. 12.975 million

According to Finance Department, Khyber Pakhtunkhwa letter No.SOSR-IN/FD1-27/2018 dated 25-10-2018, the Provincial Cabinet in its meeting held on 15.10.2018 approved 50% enhancement of the existing rates for self-hiring Residential accommodation (Housing Subsidy) as per detail given below with effect from 01-07-2018:

Entitlement-BS	**Revised Rental Ceiling per month**	
-	Peshawar	Abbottabad
1-2	Rs.3,390	Rs.2.373/
3-6	Rs 4,965/	Rs.3,476/
7-10	Rs.7,553/	Rs.5,286/-
11-13	Rs.11,040/	Rs.7,728/
14-16	Rs.13,958/	Rs.9,770%
17-18	Rs 18,4654	Rs.12,926/
19	Rs.24,083/	Rs 16,857%
20	Rs.30,390	Rs.21,273/-
21	Rs.36,578/	Rs.25,804/
22	Rs.45,900/-	Rs.32,130

During Audit of the accounts record of Ayub Medical College, Abbottabad for the financial year 2020-21, it was observed that a sum of Rs.43, 312,696/- was paid on account of housing subsidy for self-hiring residential accommodations to various employees of the college instead of the permissible rate amounting to Rs. 30,331,839/-resulting in excess payment of Rs 12,974,551 (Rs.43, 312,696 **-** Rs. 30,331,839) due to which the Government sustained the loss as per details below:

Rs.

Month	**Housing subsidy paid per month (Rs.)**	**Housing subsidy required per month**	**Excess housing subsidy paid per month (1-2)**
Jul-20	3,393,255	2,379,636	1,013,619
Aug-20	3,385,702	2,374,350	1,011,352
Sep-20	3,517,353	2,466,497	1,044,549
Oct-20	4,337,660	3,036,285	1,301,376
Nov-20	3,618,600	2,532,983	1,085,617
Dec-20	3,640,671	2,548,469	1,092,201
Jan-21	3,606,459	2,524,521	1,081,938
Feb-21	3,601,117	2,520,782	1,080,335
Mar-21	3,565,474	2,495,832	1,069,642
Apr-21	3,518,948	2,463,264	1,055,684
May-21	3,563,729	2,494,610	1,069,119
Jun-21	3,563,729	2,494,610	1,069,119
Total	**43,312,696**	**30,331,839**	**12,974,551**

The lapse occurred due to violation of standing orders of the Provincial government.

When pointed out in August, 2021, the Management of the college replied that the case is subjudice and medical teaching institution (MTI) Tribunal had given stay order till the disposal of appeal.

Department was requested for DAC meeting vide letter no. DAC/Health/Aps-2019-20/2020-21/2598 dated 20.12.2021 but no DAC meeting was convened by the time of finalization of this report.

Audit recommends recovery.

AP No. 119 (2020-21)

13.4.10 Less-deduction of income tax due to allowing 40% tax rebate instead of 25% – Rs. 2.098 million

According to section-2 of Part-III (Reduction in Tax Liability) of the Income Tax Ordinance, 2001, The tax payable by a full time teacher or a researcher, employed in a non-profit education or research institution duly recognized by Higher Education Commission, a Board of Education or a University recognized by the Higher Education Commission, including government research institution, shall be reduced by an amount equal to 25% of tax payable on his income from salary.

During Audit of the accounts record of Ayub Medical College, Abbottabad for the financial year 2020-21, it was observed that Income Tax of Rs.20,569,933/- was deducted from various Teaching Faculties by allowing 40% tax rebate instead of the required amount of Rs. 22,668,214/- at 25% rebate, resulting into less deduction of income Tax of Rs.2,098,281/-

Rs.

Employees Category	Tax deductible/required after allowing 25 % rebate	Tax deducted after allowing 40 % rebate	Income Tax Less deducted
Professors	10,595,630	9,300,311	1,295,319
Associate professor	7,862,497	7,268,823	593,674
Assistant professor	4,210,087	4,000,799	209,288
Total	**22,668,214**	**20,569,933**	**2,098,281**

The lapse occurred due to violation of Income Tax Ordinance, 2001.

When pointed out in August, 2021, the Management of the college replied that detailed reply would be submitted later after consultation of the record.

Department was requested for DAC meeting vide letter no. DAC/Health/Aps-2019-20/2020-21/2598 dated 20.12.2021 but no DAC meeting was convened by the time of finalization of this report.

Audit recommends recovery of remaining tax payable.

AP No. 118 (2020-21)

13.4.11 Non-recovery of cost of medicines/disposables from contractor - Rs. 3.018 million.

According to clause 8 of MTI Act-2015, all moneys received by an institution, as grant in aid by Government, donation, user charges, rents, fees or on any other account shall constitute the fund of the institution concerned. All receipt shall be deposited in the bank in the name of the institution concerned.

During Audit of the record of the Director of Institute of Kidney Diseases (IKD), Peshawar for the financial year 2018-20, it was observed that the fair price pharmacy was outsourced to a private contractor through an agreement deed signed on 28.10.2019. At the time of handing-taking of the store, a physical stock of inventories worth Rs 3,018,269/- was also handed over to the new contractor. This amount of inventories was to be recovered from the contractor and deposited into hospital account but the same could not be done.

The lapse occurred due to weak internal controls of the management.

When pointed out in February 2021, the management endorsed audit contention and agreed that the contractor will deposit the amount in the reserve fund account.

Department was requested for DAC meeting vide letter no. DAC/Health/Aps-2019-20/2020-21/2598 dated 20.12.2021 but no DAC meeting was convened by the time of finalization of this report.

Audit recommends recovery leading to deposit in reserve fund account of the institute.

AP No.1169 (2019-20)

13.4.12 Loss due to short deposit of canteen, car park, tuck shop receipts - Rs. 11.516 million

According to clause 8 of MTI Act-2015, all moneys received by an institution, as grant in aid by Government, donation, user charges, rents, fees or on any other account shall constitute the fund of the institution concerned. All receipt shall be deposited in the bank in the name of the institution concerned.

During Audit of the record of the Director of Institute of Kidney Diseases (IKD), Peshawar for the financial year 2018-20, it was observed that contracts of Canteen, Car park, Tuck shop and waste management were awarded to various contractors on monthly rent basis.

The contract receipts amounting to Rs.17,659,924/- were required to have been recovered and deposited into hospital reserved funds as per agreed terms against which only Rs. 6,143,168/- were recovered resulting into less recovery and short deposit of Rs.11,516,756/- (17,659,924-6,143,168) to government. Detail is given in annexure IX

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

When pointed out in February 2021, the management endorsed the reply vide letter No.1058, dated 15.02.2021 that in March to May 2020 the rent was not deposited due to COVID-19. Reply was not maintainable as the rent as well as electricity and gas charges remained outstanding in previous as well as succeeding months of COVID-19 period.

Department was requested for DAC meeting vide letter no. DAC/Health/Aps-2019-20/2020-21/2598 dated 20.12.2021 but no DAC meeting was convened by the time of finalization of this report.

Audit recommends recovery from all the contractors.

AP No.1164 (2019-20)

13.4 13 Non-deposit of pharmacy receipts into institution funds account - Rs.10.39 million

According to Para-08 of MTI Act-2015 (c) all money received by an institution, as grant in aid by government, donations, user-charges, rents fees or on any other account shall constitute the fund of the institution concerned. The fund shall be kept in schedule bank. (d), all receipts of an institution shall be deposited in the Bank in the name of the institution. The receipts of the institution shall become part of the budget.

During audit of the accounts record of the Director Institute of Kidney Diseases (IKD), Peshawar for the financial year 2018-20, it was observed that a Pharmacy Fair Price Shop was established in July 2017. Further scrutiny revealed that a sum of Rs.13,844,625 was realized as profit on sale of medicines at the Pharmacy, against which Rs.4, 238,300/- was deposited into the institution funds, while the remaining amount of Rs.9, 606,325/- did not reflect in the institution funds account.

Moreover, the contract of Fair Price Shop was awarded to a private contractor on monthly rent in October 2019. The private contractor had also paid Rs.784, 635/- to storekeeper (Pharmacy) as evident from their letter dated 20.12.2020, but the same was also not reflecting in the hospital funds account. No relevant documentary evidence was available to ascertain the factual position and whereabouts of Rs.10, 390,960/- (9,606,325+784,635).

The lapse occurred due to weak financial management.

When pointed out in February 2021, the management replied that detail reply will be submitted after verification of record.

Department was requested for DAC meeting vide letter no. DAC/Health/Aps-2019-20/2020-21/2598 dated 20.12.2021 but no DAC meeting was convened by the time of finalization of this report.

Audit recommends investigating the matter and taking appropriate action leading to recovery.

AP No.1163 (2019-20)

13.4.14 Loss due to non/short-recovery of sales tax on services from the service providers & contractors - Rs. 11.80 million

According to Sr. No. 13 & 14 of the Second Schedule to the KP Finance Act 2013 as amended vide KP Finance Act 2019; Sales Tax on services from contractors is chargeable at the rate of 15%. Furthermore, According to Sr. No. 4 & 5 of the KP Sales Tax on Services Special Procedure (Withholding) Regulation 2015, a withholding agent shall deduct an amount equal to one-fifth of the total sales tax shown in the sales tax invoice issued by a registered service provider. In case of unregistered service provider, the withholding agent shall deduct sales tax at the applicable rate of the value of taxable services provided to him from the payment due to the service provider.

During audit of the accounts record of MTI Hayatabad Medical Complex (HMC) Peshawar for the financial year 2019-20, it was noticed that in some cases Sales Tax on services was neither shown by the contractors in the invoices nor deducted by the HMC management. Additionally, in some cases it was deducted at the rate of 5% instead of 15%. This caused loss of Rs.11, 799,551 to the government as detailed below:

Sr. No.	Year	Amount Pointed Out (Rs.)	Remarks
1	2019-20	5,690,645	Sales Tax not recovered
2	2019-20	6,108,906	Sales Tax recovered short
Total		**11,799,551**	

The irregularity occurred due to non-enforcement of applicable taxation rules.

When pointed out in June 2021, it was replied that the administration has seen and discussed the observation. A detailed reply will be furnished after consulting the relevant record.

Department was requested for DAC meeting vide letter no. DAC/Health/Aps-2019-20/2020-21/2598 dated 20.12.2021 but no DAC meeting was convened by the time of finalization of this report.

Audit recommends recovery of the sales tax and its deposit in treasury.

APs No. 1394 & 1396 (2019-20)

13.4.15 Loss to government due to non-deposit of 4/5th of sales tax with KPRA by the service providers - Rs. 4.030 million

According to Sr. No. 4 of the Khyber Pakhtunkhwa Sales Tax on Services Special Procedure (Withholding) Regulation 2015, a withholding agent shall deduct an amount equal to one-fifth of the total sales tax shown in the sales tax invoice issued by a registered service provider and make payment of the balance of transaction amount to him. According to Sr. No. 8 of the said Regulation, a registered service provider shall issue a sales tax invoice in respect of every taxable service provided to a withholding agent and file monthly return as prescribed under the Act and rules and regulations made there under.

During audit of the accounts record of MTI Hayatabad Medical Complex (HMC) Peshawar for the financial year 2019-20, it was observed that various contractors provided services of different natures to MTI HMC Peshawar. As per rules, $1/5^{th}$ of the Sales Tax was withheld by the HMC and balance amount of tax i.e. $4/5^{th}$ was paid to contractors for onward deposit with KPRA through their monthly returns. However, $4/5^{th}$ of Sales Tax amounting to Rs. 4,027,789 was not deposited into Government treasury by certain service providers. As per KPRA record, these service providers filed nil returns or did not file returns or concealed the sales resulting in non-deposit of Sales Tax paid to them by HMC.

The loss occurred due to violation of service tax rules.

When pointed out it was replied that the administration has seen and discussed the observation and detail reply will be furnished after consulting the relevant record.

Department was requested for DAC meeting vide letter no. DAC/Health/Aps-2019-20/2020-21/2598 dated 20.12.2021 but no DAC meeting was convened by the time of finalization of this report.

Audit recommends that the matter should be taken up with KPRA and concerned service providers for recovery of the remaining service tax.

AP No 1397 (2019-20)

13.4.16 Doubtful supply of cooling tower and centrifugal chiller – Rs. 73.873 million

According to the Supply Order No. 17-23/HMC dated 10.07.2018; the firm shall supply a Cooling Tower Brand Marley Model NC8407VAS1 Make USA, along with all its allied accessories within 90 days of opening of LC.

During audit of the accounts record of MTI Hayatabad Medical Complex (HMC) Peshawar for the Financial Year 2019-20, it was observed that an amount of Rs. 73,873,750/- was paid vide Cheque No. 190814 dated 11.12.18 on account of supply of a Cooling Tower and Centrifugal Chiller at the rate of US$. 58,000/- and Euros 380,000 respectively to M/S Smart Climate Solution through M/S Mian International by opening letter of credit (LC) facility with Bank of Khyber (BoK).

Audit has following observations regarding this procurement:

- Hospital administration authorized Bank of Khyber to open the LC with M/S Mian International vide HMC Peshawar letter dated 14.12.18, which makes the whole process doubtful, as there was no mention of the said firm in the contract agreement.
- The cooling tower and centrifugal chiller were shipped by M/S Mian International from Ajman Free Trade Zone UAE, instead of the original manufacturer from a port in United States of America (USA), as evident from the goods declaration certificate.
- The commercial invoice and packing list were also prepared and submitted by M/S Mian International operating in Ajman Free Trade Zone UAE, which should have been submitted by the firm supplying the system i.e. M/S Smart Climate.
- The system supplied had a capacity of 193 kilowatt (kW) as evident from the physical verification of the said system, instead of the required 1934 kW capacity, as per the supply order dated 10.07.18.
- The pre-shipment inspection of the cooling tower & centrifugal chiller was not carried out by the inspection team of both the parties, as required under Clause 11.3 of the Original Contract Agreement.
- The aforementioned contract clause was replaced with two new clauses in the Revised Contract Agreement i.e. Clause 11.3 which states that inspection of similar capacity chillers will be done at the company's factory in Italy, and Clause 11.4 which states that physical inspection of chiller shall be done at Karachi Port according to the technical specifications, which shows clear violation of the original contract agreement.
- The said revision of the original contract agreement was made without any justification and penalizing either party for their failure to fulfill their responsibilities as per the original contract agreement.
- The consultants completely failed to ensure the timely pre-shipment inspection of the cooling tower and centrifugal chiller and keep a strong check on all the technical aspects of the project, as required under Clause 11.4 of the original contract agreement.
- Consequently, the hospital administration failed to install the cooling tower and centrifugal chiller, which was received in the hospital on 27.07.19 and 31.08.19, till the date of Audit i.e. June 2021.

Audit held that the whole process of purchase and supply of the high value technical equipment was dealt with by a non-technical consultant, coupled with mismanagement of the hospital/ inspection staff led to late supply, non-inspection, non-installation and mismatching of documents. Audit apprehends that supply of refurbished item from UAE cannot be ruled out.

The lapse occurred due to weak internal controls and extending undue favor to the supplier.

When pointed out it was replied that the administration has seen and discussed the observation and detail reply will be furnished after consulting the relevant record.

Department was requested for DAC meeting vide letter no. DAC/Health/Aps-2019-20/2020-21/2598 dated 20.12.2021 but no DAC meeting was convened by the time of finalization of this report.

Audit recommends investigating the matter and taking appropriate action.

AP.No. 1403 (2019-20)

13.4.17 Loss to government due to non-deposit of withheld sales tax - Rs. 4.110 million

According to Sr. No. 7(4) (iii) of the Khyber Pakhtunkhwa Sales Tax on Services Special Procedure (Withholding) Regulation 2015, the withholding agent shall pay the withheld amount of sales tax by 15th day of the following month in which the tax invoice was issued by the service provider or the date on which payment is made to service provider whichever is earlier. Further, according to Sr. No. 7(5) of the said regulations, the withholding agent shall pay default surcharge, as prescribed in section 64 of the Act, in case of any delay or default in payment of amount of tax withheld or deducted by him or liable to be withheld or deducted by him and the said amount is not paid in Govt. head of account "B-02386-Sales Tax on Services, Khyber Pakhtunkhwa", by the due date.

During audit of the accounts record of MTI Hayatabad Medical Complex (HMC) Peshawar for the financial year 2019-20, it was observed that being withholding agent, management of HMC withheld Sales Tax on services from various service providers and contractors during the financial year 2019-20. Scrutiny of the record and its comparison with KPRA data revealed that in some cases withheld Sales Tax amounting to Rs. 4,106,468 was not deposited into Government Treasury. This amount was not disclosed by the HMC in the data of withheld tax submitted to KPRA for the year 2019-20. Furthermore, computerized payment receipts (CPRs) through which the withheld Sales Tax was stated to be deposited were not produced to Audit despite repeated requests.

The loss occurred due to non adherence to applicable tax rules.

When pointed out it was replied that the administration has seen and discussed the observation and detail reply will be furnished after consulting the relevant record.

Department was requested for DAC meeting vide letter no. DAC/Health/Aps-2019-20/2020-21/2598 dated 20.12.2021 but no DAC meeting was convened by the time of finalization of this report.

Audit recommends deposit of the pointed out withheld Sales Tax in to Government Treasury.

AP No. 1395 (2019-20)

13.4.18 Loss due to fraudulent selection of signage work contractor – Rs. 8.582 million

According to Rule (3) (b) (IV) of Chapter II of the KPPPRA Rules 2014, the lowest offer from the qualified bidder shall be accepted for award of the contract and will be the best evaluated bid.

During audit of the accounts record of the MTI Hayatabad Medical Complex (HMC) Peshawar for the financial year 2019-20, it was observed that the Signage Work was awarded to M/S Arteffect Consultants vide Work Order No. 3011-3016/ HMC dated 02-12-2019 at the rate of Rs. 52 per square inch for a quantity of 356,135 square inch. Further scrutiny of the bidding documents revealed that M/S 3K Communications was rejected despite being the lowest bidder as it offered a rate of Rs. 27.90 per square inch, which resulted into a loss of Rs. 8,582,853/- (Rs. 52 - 27.9 = 24.10 X 356,135).

The selected firm obtained 82.096 marks in technical plus financial, whereas 81 marks were awarded to the rejected firm. It is worth mentioning that the technical evaluation committee gave 28 marks out of 30 in the Product Sample and only 13 marks out of 30 to the rejected firm. However, in all other parameters of technical evaluation, both the firms obtained 51 equal marks. Technical committee did not provide a single written justification in support of rejecting the firm on the product sample basis, which resulted into selection of contractor at a higher rate.

Further scrutiny of record revealed that the selected firm was basically a consultant firm as evident from the national tax number (NTN) registration and was having no experience in signage work. All experience certificates attached in the profile of the selected firm were not related to the signage work as compared to the rejected firm which had valid experience certificates. However, the technical committee awarded 5 marks to both the contractors which are tantamount to fraudulent selection of contractor at higher price.

Audit further held that the rejected firm, which offered almost half the rate offered by the selected firm, was not consulted by the committee for fulfilling the missing specifications/ requirements, if any, in the product sample. The rejected firm raised and communicated its reservations over the selection process, which were not considered by the hospital administration, which raises serious questions on the tendering process.

The loss occurred due to extending undue favor to the contractor.

When pointed out it was replied the administration has seen and discussed the observation and detail reply will be furnished after consulting the relevant record.

Department was requested for DAC meeting vide letter no. DAC/Health/Aps-2019-20/2020-21/2598 dated 20.12.2021 but no DAC meeting was convened by the time of finalization of this report.

Audit recommends investigating the matter and taking appropriate action.

AP No. 1400 (2019-20)

13.4.19 Overpayment due to purchase on higher rates - Rs. 4.735 million

According to the MCC DHGS notification No.476-485/Proc: Cell dated 24-02-2021, all the Public Sector Health Institutions of KP are directed to place supply orders to firms approved by DGHS on the rates approved. Read with procurement rules 2014, which provides that procurement in excess of Rs. 100,000/- shall be made through open tender system in order to achieve economy and efficiency.

During audit of the accounts record of District Head Quarters Hospital Bajaur (Khar) for the Financial Year 2020-21, it was observed that Rs. 10,255,000 /- were shown incurred on the purchase of the following items and paid to M/S Power Wing International.

Rs.

S.No.	Description	Quantity	Paid	MCC/ market rate	Difference	Amount
01	Oxygen Gauge	50	15,000	9,000	6,000	300,000
02	Pulse oximeter	80	30,000	3,347	26,653	2,132,240
03	AC Split 1.5 Ton	49	145,000	97,989	47,011	2,303,539
					Total	**4,735,779**

The verification of record revealed the following:

- Items at serial No. 01 and 02 were available in the approved MCC list with approved rates, make, model and suppliers mentioned against each. However, the local office purchased it on higher rates resulting into overpayment.
- 1.5 Ton split Air Conditioners (AC) were supplied, but rates of two Ton split AC were drawn, resulting into overpayment to the supplier.

Audit therefore, apprehended that an amount of Rs. 4,735,779/- was overpaid to the suppliers which needs to be recovered.

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

When pointed out in 10/2021, a vague reply was given that oxygen gauge regulator and pulse oximeter will be replaced with those mentioned in MCC. Overpayment made will be recovered. 1.5 ton ACs will be replaced with 2 tons.

Department was requested for DAC meeting vide letter no. DAC/Health/Aps-2019-20/2020-21/2598 dated 20.12.2021 but no DAC meeting was convened by the time of finalization of this report.

Audit recommends investigating the matter and recovery of the overpayment made to the contractor.

AP No.315 (2020-21)

13.4.20 Non-imposition of penalty for late supply - Rs. 3.326 million

According to supply order No. 2885-89/M-12/MS(AHQ) dated 06-07-2020 read with procurement rules 2014, which provides that liquidated damages up to a maximum of 10% of the total contract price shall be imposed if the supply is not completed within stipulated period of time.

During audit of the accounts record of District Head Quarter Hospital Bajour (Khar) for the Financial Year 2020-21, it was revealed that supply order to M/S Power Wing International was placed by the local office on 06-07-2020 for the supply of plant and machinery and payment for the same was made as per details given below:

Rs.

Sr.No	Cheque No	Date	Amount	Penalty
1	2029228	06/05/2021	7,361,000	736,100
2	2028304	15/06/2021	14,550,000	1,455,000
3	2028305	15/06/2021	1,1350,000	1,135,000
		Total	**33,261,000**	**3,326,100**

The verification of record revealed that the supplier failed to complete the supply after a lapse of one year as evident from the MS letter N 3658/A-2/ MS dated 14-06-2021. However, the local office released full payment and didn't impose penalty @ 10% amounting to Rs. 3,326,100/- which resulted into overpayment to the supplier.

The lapse occurred due to weak internal controls.

When pointed out in 10/2021, it was replied that penalty if any will be imposed on the supplier.

Department was requested for DAC meeting vide letter no. DAC/Health/Aps-2019-20/2020-21/2598 dated 20.12.2021 but no DAC meeting was convened by the time of finalization of this report.

Audit recommends imposition of penalty besides investigating the matter as the whole procurement seems dubious.

AP No. 319 (2020-21)

13.4.21 Irregular/Uneconomical purchase of machinery and equipment - Rs. 33.261 million

According to MCC DHGS notification No.476-485/Proc: Cell dated 24-02-2021, where in all the Public Sector Health Institutions of KP are directed to place supply orders to firms approved by DGHS on the rates approved. Read with procurement rules 2014, which provides that procurement in excess of Rs. 100,000/- shall be made through open tender system in order to achieve economy and efficiency.

During audit of the accounts record of District Head Quarters Hospital Bajaur (Khar) for the Financial Year 2020-21, it was observed that a sum of Rs. 33,261,000/-was paid to M/S Power Wing International for the purchase of plant and machinery and paid vide cheque No. as detailed below:

Rs.

Sr.No	**Description**	**Cheque No**	**Date**	**Amount**
1	Purchase of machinery	2029228	06/05/2021	7,361,000
2	Do	2028304	15/06/2021	14,550,000
3	Do	2028305	15/06/2021	1,1350,000
			Total	**33,261,000**

Audit has following observations:

1. No open tender system was adopted for the expenditure so incurred.
2. Market survey was not conducted nor was any quotation received from any supplier.
3. The items purchased were available in the approved MCC list; however, procurement was made at prices higher than the prevailing market rates and approved MCC rates.
4. No make and model was mentioned in the supply orders. Moreover, the make and models were different from those mentioned in the approved MCC list of machinery and equipment.
5. Some of the items were related to regular purchases and not covid related, but management took advantage of the covid emergency notification No. SO (Admin) PR&SD/2-49/2020 dated 19th March 2020 and purchased items on higher rates without any competition.
6. 10% performance security was not obtained from the supplier as required under KPPPRA Rules in vogue and instructions of the Director General Health services.
7. No warranty and guarantee was obtained from the supplier.

Audit therefore, apprehends that procurement was not made in the larger public interest and interest of the government was compromised at all stages.

The lapse occurred due to weak internal controls.

When pointed out in 10/2021, it was replied that details reply will be submitted after consulting the record.

Department was requested for DAC meeting vide letter no. DAC/Health/Aps-2019-20/2020-21/2598 dated 20.12.2021 but no DAC meeting was convened by the time of finalization of this report.

Audit recommends investigating the matter and fixing responsibility.

AP No. 316 (2020-21)

13.4.22 Fraudulent drawl on account of pay adjustments - Rs. 8.808 million

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

During audit of the accounts record of District Head Quarters Hospital Mohmand (Ghallanai) for the Financial Year 2020-21, it was noticed that Rs. 8,808,917/- was drawn on account of adjustments in pay as detailed below:

S.No.	Financial Year	Amount
01	2019-20	5,068,137
02	2020-21	3,740,780
Total		**8,808,917**

The verification of data extracted from the SAP revealed that the staff who were paid arrears were regularly drawing their pay and allowances during the period in which arrears were drawn. The source documents and bills of the arrears were asked from the local office, who were ignorant about it.

The lapse occurred due to weak internal controls.

Provincial exchequer was put to loss of Rs 8,808,917 due to fraudulent payment.

When pointed out in 07/2021, it was replied that record will be checked and shown to the audit.

Department was requested for DAC meeting vide letter no. DAC/Health/Aps-2019-20/2020-21/2598 dated 20.12.2021 but no DAC meeting was convened by the time of finalization of this report.

Audit recommends recovery of the total amount

AP No. 02 (2020-21)

13.4.23 Fraudulent drawls on account of machinery & equipment - Rs. 10 million

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

During audit of the accounts record of District Head Quarters Hospital Mohmand (Ghallanai) for the Financial Year 2020-21, it was noticed that Rs. 46,318,040/- was shown incurred on purchase of machinery and equipment and paid to M/S Power Wing International vide cheque No. 1315031 dated: 16-06-2021.

The verification of record and physical verification revealed that the following items were not supplied till date of audit although funds were drawn in the last financial year.

Rs.

S.No.	Description	Amount
01	Delivery table	1050,000
02	Digital x-ray	5,850,000
03	Eliza machine with incubator & UPS	975,000
03	Pure tone audiometer	975,000
04	Gynae vacuum suction	1480,280
05	Head light illumination	236,000
06	Hydraulic operation table china	990,000
	Total	**10,965,280**

The lapse occurred due to weak internal controls.

When pointed out in 07/2021, it was replied that the supply will be completed and shown to audit.

Department was requested for DAC meeting vide letter no. DAC/Health/Aps-2019-20/2020-21/2598 dated 20.12.2021 but no DAC meeting was convened by the time of finalization of this report.

Audit recommends that the vendor be forced to supply the remaining items and strict action should be taken by DG Health against the supplier for such delay.

AP No. 05 (2020-21)

13.4.24 Unauthorized extension of pharmacy rent contract - Rs. 66.264 million.

According to KPPPRA 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.

According to MTI Act-Conduct of business.---(1) All decisions of the Board shall be taken by consensus , and in case of division of opinion, the decision shall be taken by majority of votes: Provided that in case of equality of votes, the Chairperson of the Board shall have a casting vote.

During audit of the accounts record of the Qazi Hussain Ahmed Medical Complex, Nowshera for the financial year 2020-21, it was observed that agreement for grant of Pharmacy Shop was made with M/S Muhammad Pharmacy for a period from 15 March-2019 to 30-June 2022 @ 502,000 with 10% annual increase. Further scrutiny of the record revealed that the same contract was extended vide order no. 3198-03/Estab/QHAMC Dated 17.0.2020 for another 10 years at the time when original contract had 02 years to complete.

Audit has following observations:-

1. There should have been a new advertisement, and new entrants to ensure healthy and fair competition.
2. As per clause 23 of the agreement extension was based on performance of the contractor but there was no performance evaluation report based on which it was extended for 10 long years.
3. In the instant case the Chairman of Board approved the extension on the Note Sheet moved by the Hospital Director. The approval of this major transaction needed to be obtained in Board meeting and to be circulated by the Secretary Board of Governors (BOG) in the minutes. Hence approval of the Chairman BOG on note sheet bears no justification and violation of the Conduct clause of MTI Act.
4. Most importantly the note sheet did not contain any reference to extension based on performance of the firm, but referred to contractor’s huge investment.
5. Audit held that due to non competitive selection, undue favor was extended to contractor at the cost of public exchequer.

The lapse occurred due to undue favor and non observance of KPPPRA rules.

When reported to the management it was replied that at no loss has been occurred. The matter is under consideration with BOG, any decision in this regard will be shared with audit.

Audit observation was issued to department vide letter no. Audit/DAC/Health/Aps.93-116/2020-21/2219-20 dated 08.09.2021 with a request for holding DAC meeting, but no DAC meeting was convened by the time of finalization of the report.

Audit recommends inquiry, fixing responsibility for misusing the authority, and new advertisement in accordance with the relevant rules and regulations.

AP No. 97 (2020-21)

13.4.25 Non-supply of items in Diabetic Kits- Rs. 136.023 million (approx)

According to the details of different kits in the approved PC-I of the program, the Diabetic Kit consisted of 19 numbers of different medicines and equipment items (copy attached).

During Special Audit of the Director Health Services Merged Areas KP (Provision of quality medicines, vaccines, disposables and other supplies at health facilities in the newly merged areas under Accelerated Implementation Program (AIP)) for the Financial Year 2019-20, it was observed that an amount of Rs. 287,172,000/- was paid to M/S Shah Brothers on account of purchase of 5,318 numbers of Diabetic Kits at the rate of Rs. 54,000/- per kit. However, during physical verification of store and stock at Mohmand Ghallani, DHQ hospital Bajaur, it was observed that the supplier had not supplied the following items, which were part of the Diabetic Kit, resulting into less supply and misappropriation of Rs. 136,023,804/- approximately (Rs. 54,000 / 19 Items = Rs. 2,842 X 9 Missing Items = Rs. 25,578 X 5,318)/-.

- First aid kit.
- Insulin 70/30.
- Digital Thermometer Germany Made.
- Tab. Metaformin 250 mg.
- Tab. Metaformin 850 mg.
- Tab. Repaglinide 0.5 mg.
- Tab. Repaglinide 1 mg.
- Tab. Repaglinide 2 mg.
- Aspartame Pack.

The lapse occurred due to weak internal controls, which resulted in non-supply of items in Diabetic Kits.

When pointed out in April 2021, it was replied that a detailed report will be obtained from the sub-offices and the inspection committees and shared with Audit.

The department was requested vide letter dated 29-09-2021 for holding the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and taking appropriate action against the contractor for recovery of the non-supplied items along with penalty.

AP No. 374 (2019-20)

13.4.26 Less deposit of maintenance charges - Rs. 8.428 million

According to GoKP Finance Department letter No. BOVI/FD/1-1/2011-12 dated 29-04-2013 "w.e.f. 1st May 2013, at least 50 percent of the amount recovered from the diagnostic services rendered to the patients will be diverted to a separate account to be maintained specially for the maintenance and repair of equipment. This fund will only be utilized for the said purpose".

During audit Medical Superintendent District Headquarter Hospital Battagram for the financial years 2016-20, it was noticed that receipts realized from the Laboratory services rendered to the patients were distributed among the doctors/ paramedics staff on the basis of wrong distribution formula, which resulted into less receipts amounting to Rs. 8,428,077/- as summarized below:

Rs.

S.No	Year	Total Receipts	Less Depreciation: Cost 10%	Remaining 90%	50% Required to be deposited in A/C	Deposited 3% maintenance	Difference/ short Deposit
1	2016-17	5,489,695	548,970	4,940,726	2,470,363	148,220	2,322,143
2	2017-18	5,761,614	576,161	5,185,453	2,592,726	155,549	2,437,177
3	2018-19	4,793,138	479,314	4,313,824	2,156,912	129,140	2,027,772
4	2019-20	3,879,303	387,930	3,491,373	1,745,686	104,742	1,640,944
Total:-		19,923,750	1,992,375	17,931,375	8,965,688	537,651	8,428,037

Audit held that 50% of the above amount recovered on account of diagnostic services should have been deposited in separate account for the repair and maintenance of equipments.

The lapse occurred due to weak internal control.

When pointed out by audit department replied that it had not received the said notification.

During DAC meeting held on 16.11.2021 the total amount was calculated as Rs 10,559,587 as per Finance department letter No BOVI/FD/1-1/2011-12 dated 29.04.2013. DAC decided full recovery of the amount.

However, no progress was intimated to audit till finalization of this report.

Audit recommends implementation of DAC decision.

AP No.741 (2019-20)

13.4.27 Unauthorized payment of doctor share against the vacant post - Rs. 4.48 million

According to the Government of Khyber Pakhtunkhwa Finance Department vide notification No. SO (Budget) Health/1-1/97/ user charges dated 25th June 2002, 25% share was payable to the unit Incharge like, Radiologist, Pathologist, Ultrasound specialist, Cardiologist etc and in case of non-availability of the in charge, the 25% share will go to the Government account and prohibited the payment of share out of hospital receipts to the Medical Superintendent when the faculty Incharge is not posted.

During audit of the accounts record of office of the Medical Superintendent District Headquarter Hospital Battagram for financial years 2016-20, a sum of Rs.19.924 million was shown realized as Laboratory Receipts. On scrutiny of record it was noticed that the 25% Doctor Share amounting to Rs.4.481 million was paid to the Medical Superintendent against the vacant post of Pathologist & Radiologist in violation of Finance department rules.

Rs.

S.No	Year	Total Receipts	Paid Doctor Share
1	2016-17	5,489,695	1,235,180
2	2017-18	5,761,614	1,296,238
3	2018-19	4,793,138	1,076,562
4	2019-20	3,879,303	872,842
	Total	**19,923,750**	**4,480,822**

Audit therefore, held this payment unauthorized, and loss to government as it should have been deposited in government treasury.

The loss occurred due to non-adherence to applicable rules.

When pointed out by audit, department replied that it had not received any such notification.

In the DAC meeting held on 16.11.2021, it was decided that complete amount may be recovered from the concerned person.

However, no progress was reported to audit till finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 742 (2019-20)

13.4.28 Non-deduction of DPR charges - Rs. 2.573 million

According to the Directorate of Social Welfare & Women Empowerment Department KP Peshawar letter No.DPR/Pub/PCRDP/559-63 dated 18-05-2012, the deduction of DPR Fund for rehabilitation of disable persons from the bills/ payments should be Rs. 2,000/- per one million and be deposited in the Head No. G-12218 “Fund for Rehabilitation of Disabled Persons".

During special audit of COVID-19 of the Director General Health Services Khyber Pakhtunkhwa Peshawar for the Financial Year 2020-21, it was observed that an amount of Rs. 1,286,790,469/- was paid to various contractors/ service providers on account of supply of medicines and equipments. However, DPR Charges at the prescribed rate amounting to Rs.2,573,581/- was not deducted from their bills, which resulted into non-recovery of the DPR Charges.

The lapse occurred due to non-observance of the prescribed rules.

Provincial exchequer was deprived of Rs 2.57 million under the relevant head.
Audit observation was issued to Department vide letter No. Audit/FAP/SAR/Covid-19/DGHS/2020-21/118 dated 28.12.2021 containing request for DAC within 07 days. However, no DAC meeting was convened by the time of finalization of this report.
Audit recommends recovery.

AP No. 01 (2020-21)

13.4.29 Non-deduction of stamp duty- Rs. 12.986 million

According to the Stamp Duty Act 1899, stamp duty at the rate of 1% shall be deducted from the contractors'/ suppliers' bills.

During special audit of COVID-19 records of the Director General Health Services Khyber Pakhtunkhwa Peshawar for the Financial Year 2020-21, it was observed that an amount of Rs. 1,298,686,202/- was paid to various suppliers on account of supply of various medicines and equipment items. However, stamp duty at the prescribed rate of 1% amounting to Rs. 12,986,862/- was not deducted from them, resulting into loss to the government.

The lapse occurred due to weak internal controls.

Audit observation was issued to Department vide letter No. Audit/FAP/SAR/Covid-19/DGHS/2020-21/118 dated 28.12.2021 containing request for DAC within 07 days. However, no DAC meeting was convened by the time of finalization of this report.

Audit recommends recovery.

AP No. 02 (2020-21)

11.4.30 Loss due to selection of contractor at higher rates for automated RNA extraction kit - Rs. 6.4 million

According to the terms of reference (TOR) (e) of the GoKP Health Department Notification No.E&A (Health)/ 2-65/ General / 2020 dated 21-03-2020, the purchase committee will select the best Evaluated responsive bid among the prospective bidder after conformance of the quoted goods with prescribed specification.

According to the Miscellaneous Provisions of Chapter-V of KPPPRA Rules 2014, a procuring entity may negotiate with the highest ranked bidder regarding methodology, work plan, staffing and special conditions of the contract.

During special audit of COVID-19 of the Director General Health Services Khyber Pakhtunkhwa Peshawar for the Financial Year 2020-21, it was observed that an amount of Rs.

78,000,000/- was paid to M/S Hoora Pharma Karachi on account of supply of 400000 Automated ribonucleic acid (RNA) Extraction Kit at the rate of Rs. 195/- per piece vide cheque No 88978603 dated 15-06-2021. However, scrutiny of the bidding documents revealed that the best evaluated bid and lower rate of Rs 179/- of M/S Biotech Scientific International was not accepted with the reason that selected bidder was ready to provide 25 machines, which resulted into a loss of Rs.6,400,000/- (195-179 =16 X 400000/-) to the government kitty.

Moreover, the department was boundto purchase the kits in future from the selected bidder at the rates of their choice, once the free-of-cost machine was accepted and installed from the firm.

Further scrutiny of the bidding documents revealed that the rejected firm M/S Biotech Scientific International and Asia International submitted their grievances against the technical specifications vide letters dated 29-04-2021 which were required to have been responded as per KPPPRA rules. However, the same were not responded till the date of audit, which also make the purchases doubtful.

The lapse occurred due to non-observance of the prescribed rules.

Audit observation was issued to Department vide letter No. Audit/FAP/SAR/Covid-19/DGHS/2020-21/118 dated 28.12.2021 containing request for DAC within 07 days. However, no DAC meeting was convened by time of finalization of this report.

Audit recommends investigating the matter and taking appropriate action.

AP No. 03 (2020-21)

13.4.31 Unauthorized awarding of contract for disposal of COVID-19 waste - Rs. 127.351 million

Over payment on account of servicesrendered - Rs. 2.672 Million

According to the Government of Khyber Pakhtunkhwa Health Department Notification No.E&A (Health)/ 2-65/ General / 2020 dated 21-03-2020, the Health Department, with the approval of the Provincial Cabinet, in its emergency meeting held on 13-03-2020, constituted the following committee with defined TORs for emergency procurement of essential items, regarding preparedness, prevention, control & response of 2019 (Novel Corona Virus);

I	Director General Health Services, Khyber Pakhtunkhwa	Chairman
Ii	Director Public Health, DGHS, Peshawar	Member
Iii	Additional Director General (Admin) DGHS Office, Peshawar	Member
Iv	Dr Amjid Mehboob, Assistant Professor, BKMC Swabi (Infectious Disease Specialist)	Member
V	Any other co-opted Member / Members as technical member	

According to the clause 11.5 of the contract agreement executed with the M/S ARAR Services (Pvt) Ltd on 26-06-2020, the rate of Rs. 295 per kg (inclusive of all taxes) will be charged on the total collected waste.Further clause 11.6 of the agreement states that the price of waste management goods and consumables (Waste Bags) by the consultant are mentioned in the annexure to the contract. While annexure B clause (a) clearly states that Hospital Staff will place the bags inside the collection bins and collect once got filled. After sealing with cable ties (provided by the Consultant on Free of Cost), the Client staff will place the bags in a designated location inside the Hospital.

During special audit of COVID-19 records of the Director General Health Services Khyber Pakhtunkhwa Peshawar for the Financial Year 2020-21, it was observed that an amount of Rs. 127,351,962/- was paid to M/S ARAR Pvt Ltd on account of service for collection of Hospital Infectious waste of the COVID-19 beds of intensive care unit (ICU), high dependency unit (HDU) and isolation wards of the hospitals throughout the province. However, scrutiny of the bidding documents revealed that the subject hiring of services was not approved by the mentioned competent committee.

Although the same was published in the print media for vide publicity and healthy competition, but record showed that only one firm M/S ARAR Pvt Ltd participated, which was awarded the contract at the rate of Rs. 295 per Kg per bed. The committee members neither participated in the tendering process nor were any minutes recorded which held the purchases irregular and unauthorized.

Furthermore, it was also observed that in contrary to the above quoted conditions, the payment to the firm also included an amount of Rs. 2,672,224/- for providing bags for collecting waste at the rate of Rs.26.496 per Kg, for which there was neither any provision in the contract agreement nor was the firm entitled to receive the payment in light of the rules aforementioned, which thus tantamount to overpayment.

Audit held that the management did not obtain the necessary approval from the authorized purchase committee constituted by the cabinet, which resulted in unauthorized awarding of contract and making payment for bags without any provision resulting in overpayment.

The lapse occurred due to non-observance of the cabinet directives, and violation of rules & regulations.

Audit observation was issued to Department vide letter No. Audit/FAP/SAR/Covid-19/DGHS/2020-21/118 dated 28.12.2021 containing request for DAC within 07 days. However, no DAC meeting was convened by time of finalization of this report.

Audit recommends investigating the matter and taking appropriate action, besides recovery of the overpaid amount.

AP No. 04 (2020-21)

13.4.32 Unauthorized payment on account of rapid response team - Rs. 368.7 Million

According to the decision of the special meeting of Provincial Cabinet held on 27-03-2020 under the chairmanship of Chief Minister KP on the updates on corona virus, the rapid response team (RRT) 2 team will consists of three members (two doctors one preferably Public Health Specialist in case of Epidemiologist is not available and technician).

According to the decision of the special meeting of Provincial Cabinet held on 27-03-2020 under the chairmanship of Chief Minister KP on the updates on corona virus, the RRT 1 will consists of two members (Lady Health Worker (LHWs) and teachers).

During special audit of COVID-19 of the Director General Health Services KP Peshawar for the financial year 2020-21, it was observed that an amount of Rs. 368,705,000/- was shown paid to the members of RRT 1 & RRT 2 teams, who were engaged in the COVID-19 duty at districts level for coordinating COVID related activities and collecting COVID samples from the suspected patients at their door steps. The payment was made to the team members as incentive at a fixed daily rate of Rs. 4500/- and Rs.3500/- per active day, in addition to their monthly salary. Apart from this, some payment was also made under the head App Usage Incentive and Trip Incentive. Audit raised the following observations:

- The fixed daily rates of Rs. 4,500/- and Rs. 3,500/- per active day and App Usage Incentive and Trip Incentive were not approved by any Competent Forum.
- The incentive was paid to the government employees who were already drawing salaries from the provincial exchequer. In almost all of the cases, the amount of incentive per month was more than the monthly salaries of the employees.
- The sanction of the expenditure was not granted by any competent official/ authority.
- The members of RRT 1 teams consisted both the members from the Health Department, instead of one teacher of Education Department, as was decided in the cabinet meeting referred to above. Hence, payment on this account made to the members of Health Department instead of teachers, was held irregular and unauthorized.
- The RRT 2 team consisted three members i.e. team leader and two other officials of Health Department, instead of two doctors one preferably Public Health Specialist in case of Epidemiologist is not available and technician as was decided in the cabinet meeting referred to above. However, scrutiny of the payment records revealed that the payment was made to the members of the Health Department without involving the Epidemiologists.
- Payment to the RRTs was made on the simple list provided by the District Health Officer without mentioning the designations of the team members, which make the payment doubtful and could not be authenticated.
- Approval from the competent forum for the incentives granted to the team members was not obtained.

- The payments to the team members were made through Mobi Cash but no actual payee receipts were obtained from the company.

Audit held that the entire expenditure was irregular, without lawful authority, and providing undue benefit to the government employees in wake of COVID-19 pandemic. The management ignored the decision of the cabinet and made the composition of RRT 2 teams without the participation of the Epidemiologists, which held the payment irregular.

The lapse occurred due to non-observance of the cabinet decisions.

Audit observation was issued to Department vide letter No. Audit/FAP/SAR/Covid-19/DGHS/2020-21/118 dated 28.12.2021 containing request for DAC within 07 days. However, no DAC meeting was convened by time of finalization of this report.

Audit recommends investigating the matter and taking appropriate action.

AP No.05 (2020-21)

13.4.33 Unauthorized payment on account of taxi service - Rs. 23.381 Million

According to the Para 4.6 of the concept note for outsourcing COVID-19 rapid response team call centre & development of RRT teams, in each district the Additional Deputy Commissioner (ADC) will provide a list of taxi drivers who would be enlisted for the purpose of providing mobility services for the RRT teams. The ADC will share the lists with the call centre which would be responsible for directing the first available taxi to an RRT team when requested.

In large districts where taxi stands are available, the services should ideally be hired through the taxi stand operators. In smaller districts individual taxi drivers can be hired.

The taxi drivers will be paid a total of Rs. 3000/- for each active day. Funds will be transferred directly to the account of taxi drivers.

During special audit of COVID-19 records of the Director General Health Services KP Peshawar for the financial year 2020-21, it was observed that payment of Rs. 23,381,500/- was made to the team leader only in the month of January 2021 on account of Taxi charges for the trip carried out for collection of COVID-19 sample form the suspected patient. Total payment for the whole financial year was not calculated/ obtained due to non production of relevant record of the remaining months. The payment was required to have been directly made to the account of taxi drivers as was decided in the concept paper mentioned above. However, the same payment was shown paid through mobi cash to the team leaders of RRT teams on account of taxi charges which was held unauthorized.

Furthermore, the other two conditions of concept note were also not followed i.e. in each district the additional deputy commissioner will provide a list of taxi drivers who would be enlisted for the purpose of providing mobility services for the RRT teams and In bigger districts where taxi stands are available, the services should ideally be hired through the taxi stand operators. In smaller districts individual taxi drivers can be hired.

Audit held that the management ignores the procedure of the concept note which held the payment irregular.

The loss occurred due to non-observance of the concept note directions.

Audit observation was issued to Department vide letter No. Audit/FAP/SAR/Covid-19/DGHS/2020-21/118 dated 28.12.2021 containing request for DAC within 07 days. However, no DAC meeting was convened by time of finalization of this report.

Audit recommends investigating the matter and taking appropriate action.

AP No. 06 (2020-21)

13.4.34 Loss due to non-recovery of sales tax on services from service provider - Rs. 6.367 million

According to Sr. No. 25 of the Second Schedule to the KP Finance Act 2013 as amended vide KP Finance Act 2019; Sales Tax on services from contractors is chargeable at the rate of 5%. Furthermore, according to Sr. No. 4 & 5 of the KP Sales Tax on Services Special Procedure (Withholding) Regulation 2015, a withholding agent shall deduct an amount equal to one-fifth of the total sales tax shown in the sales tax invoice issued by a registered service provider. In case of unregistered service provider, the withholding agent shall deduct sales tax at the applicable rate of the value of taxable services provided to him from the payment due to the service provider.

During special audit of COVID-19 records of the Director General Health Services KP Peshawar for the Financial Year 2020-21, it was noticed that contrary to the above quoted provision of law, neither sales tax was shown by the contractors in the invoices/bills amounting to Rs. 127,351,962/- nor deducted by the DGHS management from M/S ARAR Services (Pvt) Ltd on account of services provided for the disposal of COVID-19 waste from all over KP. This resulted into non-recovery of Sales Tax amounting to Rs 6,367,598.

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

The non-recovery of Sales Tax resulted into less revenue to Govt. exchequer.

Audit observation was issued to Department vide letter No. Audit/FAP/SAR/Covid-19/DGHS/2020-21/118 dated 28.12.2021 containing request for DAC within 07 days. However, no DAC meeting was convened by time of finalization of this report.

Audit recommends recovery.

AP No. 08 (2020-21)

13.4.35 Doubtful payment on account of call centre services - Rs. 14.216 million

According to the decision of the special meeting of Provincial Cabinet held on 27-03-2020 under the chairmanship of Chief Minister Khyber Pakhtunkhwa on the updates on corona virus, the Call center will filter the calls and task the tier 1 & tier 2 teams.

Furthermore, TORs of the RR 1 and RR 2 Teams duly notified by the DGHS vide office order as follows;

- RR-1 team will be responsible for visit to all suspected cases for initial risk assessment on a pre-design proforma (online /web based).
- RR-1 team shall visit the suspected case within one hour of task assignment.
- RR-1 team to submit their report online and inform the District COVID-19 control room on case to case basis within one hour on completing the assessment.

During special audit of COVID-19 records of the Director General Health Services KP Peshawar for the Financial Year 2020-21, it was observed that an amount of Rs. 14,216,716/- was paid to M/S Sybird Pvt Ltd on account of services provider as a Public Health Call Centre Services. Scrutiny of the calls summary from June to September 2020 revealed that a total of 127,507 calls were answered by the call center provider. On the basis of these calls data, the call center showed dialed 58,844 calls for some sort of action. However, against this data, the company showed the mobilization of only 5944 cases of RR 1 Team and 76,328 cases of RR Team 2, which seems doubtful.

Analysis of the data revealed that the number of cases handled by the RR-2 team is doubtful and exaggerated. As per decision of the cabinet, the call center will filter the calls and task the tier 1 & 2 teams. Furthermore, managing 76,328 cases from RR-2 team by the call center without involving first the RR-1 team, which should assess the condition of suspect case and then inform the control room for further step for RR-2 team, was also against the standard operating procedures, which thus adds to the doubtfulness of the payment.

S #	FIRM NAME.	Period	Total calls answered	Total OB Dialed calls	RR1 Mobilization Cases	RR 2 Mobilization Cases
1	M/S Sybird Pvt Ltd	20-05-2020 to 20-06-2020	32320	14023	705	40,403
2	M/S Sybird Pvt Ltd	20-06-2020 to 19-07-2020	38245	18908	852	3,551
3	M/S Sybird Pvt Ltd	20-07-2020 to 10-08-2020	18749	11742	1805	16,944
4	M/S Sybird Pvt Ltd	10-08-2020 to 10-09-2020	16713	7054	2554	14,159
5	M/S Sybird Pvt Ltd	11-09-2020 to 30-09-2020	21480	7117	28	1,271
TOTAL			**127,507**	**58,844**	**5,944**	**76,328**

Audit held that the management neither reconciled the data of the covid-19 cases nor did they verify the same before making payment to the company.

The lapse occurred due to non-observance of the cabinet directives and the TORs of the RR-1& RR-2 Teams.

Audit observation was issued to Department vide letter No. Audit/FAP/SAR/Covid-19/DGHS/2020-21/118 dated 28.12.2021 containing request for DAC within 07 days. However, no DAC meeting was convened by time of finalization of this report.

Audit recommends investigating the matter and taking appropriate action.

AP No. 09 (2020-21)

13.4.36 Undue favor in awarding of COVID contract - Rs. 449.088 million

According to the terms and condition No 2 & 3 of the NIT published for the procurement of services of private laboratories for RT-PCR testing, bidding for the emergency procurement of COVID-19 shall be conducted through Single Stage-Two Envelopes Procedure comprising a single package containing two envelopes as per KPPPRA Rules 2014. The procedure was based on Quality & Cost Based System (QCBS) with 80% technical and 20% financial weight-age as per World Health Organization (WHO) standards fulfilling the following criteria;

a Availability of Trained staff including Microbiologist.
b Availability of adequate Machine & Equipment.
c Availability of functional Biosafety Cabinet of BSL II grade.
d Availability of Proper Waste management Plan and Structure.

During special audit of COVID-19 records of the Director General Health Services Khyber Pakhtunkhwa Peshawar for the Financial Year 2020-21, it was observed that in contrary to the above set criteria, the management selected and awarded the contract to the second best evaluated bid M/S Islamabad Diagnostic Centre (IDC) by ignoring the highest marks and best evaluated bid of Shaukat Khanam Memorial Hospital and Research Centre (SKMCH). Hence, the payment made to the IDC amounting to Rs. 449,088,550/- for the services rendered was irregular and unauthorized.

Audit raised the following observations;

- The technical evaluation criteria having 80% marks was found completely changed as was advertised in the NIT and in the tender bid documents referred to above.
- In the technical evaluation, the management allotted 8 marks “in reporting time” to SKMCH against 10 marks to IDC, 10 marks each in “annual turnover”, 10 marks each in “process standardization and documentation”, 10 Marks each in “quality checklist”, 10 marks each in “technical approach”, and 5 marks each in “equipment usage protocol” to SKMCH and IDC, which clearly shows injustice to the standard of SKMCH as compared to a local lab.

- In spite of the above, Shaukat Khanam Memorial Hospital and Research Centre managed to obtain the total technical & financial marks of 93.06 in Model A and 92.2 in Model B; as against the selected firm IDC getting 88.8 and 87.77 marks respectively, but the best evaluated bid was ignored and IDC was selected and contract awarded.
- The per day capacity of 4000 tests offered by SKMCH was not given any weightage in the technical evaluation against the 200 tests per day by the IDC.
- The technical and financial proposal and comparative statements were not signed by the members of the purchase committee.
- The rate of Rs. 4,200/- paid to M/S Islamabad Diagnostic Centre (IDC) for COVID-19 test was not reflected / recorded in the agreement executed with the firm.
- The management did not consider the international standard of Shaukat Khanam Memorial Hospital and Research Centre and selected the local firm.
- The task orders were issued on daily basis to IDC without considering the full capacity of the public health labs and requirements of the tests.
- The Punjab Government also utilized the services of SKMCH in COVID-19 testing but the Health Department KP chose the local private lab, which speak volume about the standard followed in the COVID-19 pandemic.
- As per Clause 6 of Appendix-A of the contract agreement, the consultant shall carry out testing of samples as per the guidelines issued by the client, however, no such guidelines were found issued by the client.
- As per Clause 8 of Appendix-A of the contract agreement, the consultant shall submit weekly report based on daily datasheet of sample received, sample rejected (with reasons), result submitted and results pending. However, no such report was submitted by the consultant.
- As per Clause 3 (2) of Appendix-A of the contract agreement, experts from the client will visit the testing facility on an ongoing basis to monitor and assess the quality SOPs provided by the consultant in written being followed. However, no such monitoring was carried out by the client.
- As per Clause 3 (3) of Appendix-A of the contract agreement, the consultant shall send 0.1% of samples for testing to National Institute of Health (NIH) Islamabad as agreed by the client, at the cost of the consultant, for cross validation and the same to be submitted to the client. However, no such data was found forwarded by the consultant.

The loss occurred due to non observance of financial propriety.

Audit observation was issued to Department vide letter No. Audit/FAP/SAR/Covid-19/DGHS/2020-21/118 dated 28.12.2021 containing request for DAC within 07 days. However, no DAC meeting was convened by time of finalization of this report.

Audit recommends investigating the matter and taking appropriate action.

AP No. 10 (2020-21)

13.4.37 Non-deduction of sales tax - Rs. 19.41 million

According to Section 50 (4) of the Sales Tax Act 1990, sales tax is required to be deducted from the suppliers/ dealers at the prescribed rate i.e. 17%.

During special audit of COVID-19 records of the Director General Health Services Khyber Pakhtunkhwa Peshawar for the Financial Year 2020-21, it was observed that in contrary to the above an amount of Rs. 114,200,000/- was paid to M/S Ijaz Enterprises on account of supply of 120000 Rapid Antigen Test at the rate Rs. 948 per unit. However, sales tax at the prescribed rate of 17% amounting to Rs. 19,414,000/- was not deducted from the firm, resulting into a loss to the government.

Rs.

Voc #	Name of Firm	Quantity	Rate	Amount	Sales Tax
580	M/S Ijaz Enterprise	20,000	970	19,400,000	3,298,000
581	M/S Ijaz Enterprise	100,000	948	94,800,000	16,116,000
				114,200,000	**19,414,000**

The lapse occurred due to weak internal controls.

Audit observation was issued to Department vide letter No. Audit/FAP/SAR/Covid-19/DGHS/2020-21/118 dated 28.12.2021 containing request for DAC within 07 days. However, no DAC meeting was convened by time of finalization of this report.

Audit recommends recovery of sales tax.

AP No. 11 (2020-21)

13.4.38 Illegal purchase of Rapid Antigen Test - Rs. 373.51 million

According to the terms and condition No. 6 of the supply order, if anytime any issue arises in respect of quality of Kits, it shall be solely the responsibility of the supplier.

During special audit of COVID-19 records of the Director General Health Services Khyber Pakhtunkhwa Peshawar for the Financial Year 2020-21, it was observed that the management called quotation of Rapid Antigen Test under COVID-19 Emergency on 26-04-2021 in which M/S Ijaz Enterprises was selected as best evaluated bid for Rapid Antigen Test (WHO Pre-qualified) having ABBOTT / SD brand and Rapid Antigen Test (WHO Pre-qualified) JOYSBIO brand at Rs. 835/- per unit. Accordingly, supply order dated 27-04-2021 was issued to the firm for 20,000 units Rapid Antigen Test (WHO Pre-qualified) ABBOTT / SD brand at Rs. 835/- per unit and 80,000 units of Rapid Antigen Test (WHO Pre-qualified) JOYSBIO brand.

In the meanwhile, another firm M/S A.S. Enterprises who was also a competitor in the bidding process for the said item with a price of Rs. 976/- per unit forwarded a Grievance letter to DGHS KP along with relevant documents. The firm submitted that the purchase order was issued to the selected firm who had quoted Non-WHO approved devices which is against the required specification and a violation of the procurement. It may be due to submission of Forged/fake WHO documents by the company against which action for blacklisting needs to be taken. The department intimated the same position of fake documents to M/S Ijaz Enterprises vide letter dated 29-04-2021 with the direction to provide the WHO approved / prequalified verifiable documents, otherwise non provision will lead to cancellation of purchase order and blacklisting of his firm. The firm did not provide the required documents.

However, the management rather than taking any action against the firm for misleading the purchase committee by submitting fake documents carried out another purchase of the same items on 04.05.2021 for which M/S Ijaz Enterprises was again selected at the rate of Rs. 948/ per unit. The department issued supply orders dated 04-05-2021 for quantity of 100,000, supply order dated for 08-06-2021 for 150,000 quantities, supply order dated 28-06-2021 for a quantity of 80,000 and supply order dated 11-10-2021 for 64000 quantity at the rate of Rs. 948/- per unit; totaling to Rs. 373,512,000/-(394,000 X948).

Audit held that the procurement committee granted undue favor by selecting the same firm for the same item instead of taking action against the firm for fake documents which speaks volume of the mismanagement and faulty procurement system in wake of COVID-19 emergency.

The lapse occurred due to weak internal controls.

Audit observation was issued to Department vide letter No. Audit/FAP/SAR/Covid-19/DGHS/2020-21/118 dated 28.12.2021 containing request for DAC within 07 days. However, no DAC meeting was convened by time of finalization of this report.

Audit recommends investigating the matter and taking appropriate action.

AP No. 12 (2020-21)

13.4.39 Loss to Government due to Purchase of UTM/VTM at higher rates – Rs. 2.4 million

According to the advertisement made in the press on 28.04.2021 for the purchase of multiple items including the purchase of 600,000 pieces universal transport media (UTM) / viral transport media (VTM) (100,000 pieces on urgent basis) with last date of submission of bids was 03.05.2021. The bids were opened and M/S Hoora Pharma (Pvt) Ltd was selected for supply of UTM/VTM as a best evaluated bid with a price of Rs.48/- per unit.

During special audit of the account records of COVID-19 of the Directorate General Health Services KP Peshawar for the financial year 2020-21, it was noticed that an amount of Rs. 12,000,000/- was paid to M/S BIOS System International for supply of 200000 pieces of VTM 10ml Tube with Nasal Swab (CE Marked) HCBIO life Sciences USA, at Rs 60/- per unit. The management has issued two separate supply orders each of 100,000 units for the subject supply dated 27.04.2021 and 29.04.2021 respectively i.e. on the last dates of proper bidding process in which Hoora Pharma was selected at the price of Rs. 48/- per unit resulting in a loss of Rs. 2,400,000/- to the government (60-48=12 X 200,000=2,400,000).

Audit held that there was no such need of the emergency purchase as evident from the supply order dated 29-04-2021 issued to BIOS System International for 100,000 units with the direction to make supply up to 13-05-2021.

Audit held that the management instead of purchasing the UTM/VTM from unauthorized company should have purchased the same items from the selected firm at the economical rate.

The loss occurred due to weak internal controls.

Audit observation was issued to Department vide letter No. Audit/FAP/SAR/Covid-19/DGHS/2020-21/118 dated 28.12.2021 containing request for DAC within 07 days. However, no DAC meeting was convened by time of finalization of this report.

Audit recommends investigating the matter and taking appropriate action.

AP No. 13 (2020-21)

13.4.40 Fraudulent withdrawal of COVID-19 fund on account of lab services rendered by IDC - Rs. 296.100 million

According to the technical and financial proposal submitted by M/S Islamabad Diagnostic Centre (IDC) for providing COVID-19 test facility and comparative statement prepared and approved by the procurement committee of the DGHS office, the COVID-19 test capacity of the firm was shown as 200 tests per day (copies attached).

During special audit of COVID-19 records of the Director General Health Services Khyber Pakhtunkhwa Peshawar for the Financial Year 2020-21, it was observed that a payment of Rs. 449,088,550/- was made to the M/S IDC on account of service rendered in connection with conducting COVID-19 test of patients. However, in contrary to the above set capacity of the private lab, the management of DGHS office on daily basis forwarded the COVID-19 patient tests in excess to the IDC without considering their daily test capacity, which resulted in fraudulent drawl of funds by engaging the private lab.

Audit held that how the management of DGHS office ignored the IDC test capacity and forwarded test in excess of their capacity just to withdraw the amount.

The loss occurred due to non observance of financial propriety.

Audit observation was issued to Department vide letter No. Audit/FAP/SAR/Covid-19/DGHS/2020-21/118 dated 28.12.2021 containing request for DAC within 07 days. However, no DAC meeting was convened by time of finalization of this report.

Audit recommends investigating the matter and taking appropriate action.

AP No. 14 (2020-21)

13.4.41 Loss due to non-deduction of sales tax- Rs. 2.97 million

According to supply order No.1802-05 /PC dated 24-08-2020 issued by DGHS Peshawar to M/S Lifespan Healthcare for the supply of 50,000 Nucliswab (Viral Transport Medium) with Swabs VTM LOT # T020-045/046 Innovative Biotechnology Organization Ltd (IBO) at the rate of Rs 350/- per unit (the rate includes GST).

During special audit of COVID-19 records of the Director General Health Services KP Peshawar for the Financial Year 2020-21, it was observed that an amount of Rs. 17,500,000/- was paid to M/S Lifespan Healthcare vide cheque No. 88978318 dated 18-09-2020 on account of supply of 500,00 Nucliswab (Viral Transport Medium) with Swabs VTM at the rate Rs. 350 per unit. However, sales tax at the prescribed rate of 17% amounting to **Rs.** 2,975,000/- was not deducted from the firm, resulting into loss to the government.

Audit held that as evident from the supply order, the rate quoted by the firm included the rate of sales tax, hence required to be deducted or in case of exemption, the rate was required to be reduced excluding the sales tax amount.

The lapse occurred due to weak internal controls.

Audit observation was issued to Department vide letter No. Audit/FAP/SAR/Covid-19/DGHS/2020-21/118 dated 28.12.2021 containing request for DAC within 07 days. However, no DAC meeting was convened by time of finalization of this report.

Audit recommends recovery of the sales tax amount.

AP No. 15 (2020-21)

13.4.42 Non-deduction of DPR charges- Rs. 4.121 million

According to the Directorate of Social Welfare & Women Empowerment Department KP Peshawar letter No.DPR/Pub/PCRDP/559-63 dated 18-05-2012, the deduction of DPR Fund for rehabilitation of disable persons from the bills/ payments should be Rs. 2,000/- per one million and be deposited in the Head No. G-12218 “Fund for Rehabilitation of Disabled Persons".

During Special audit of the Director Health Merged Areas (in various Accelerated Implementation Programs (AIP)) for the Financial Year 2019-20, it was observed that an amount of Rs. 2,060,902,039/- was paid to various contractors on account of supply of medicines and equipment items. However, DPR Charges at the prescribed rate amounting to Rs. 4,121,804/- was not deducted from their bills, which resulted into non-recovery of the DPR Charges

The lapse occurred due to non-observance of the prescribed rules, which resulted in non-deduction of DPR charges.

When pointed out in April 2021, it was replied that the concerned firms will be asked to recover the payment of DPR Charges.

The department admitted the non-deduction of the DPR Charges from the suppliers' bills.

The department was requested vide letter dated 29-09-2021 for holding the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends deducting DPR charges from the suppliers' bills at the prescribed rates and depositing the same in the relevant head of account.

AP No. 352 (2019-20)

13.4.43 Less/ non-deduction of income tax- Rs. 6.552 million

According to Section 153(1) (c) of the Income Tax Ordinance 2001, income tax is required to be deducted at the prescribed rates from the contractor bills by the withholding agent and deposited into government treasury as soon as possible.

During special audit of the Director Health Services Merged Areas KP (in various Accelerated Implementation Programs (AIP)) for the Financial Year 2019-20, it was observed that an amount of Rs. 149,036,070/- was paid to various suppliers on account of supply of medicines and equipment items. However, income tax was deducted at the rate of 1% (and 4% in some cases) instead of 4.5%, resulting into a less deduction of Rs. 4,980,600/-.

Similarly, an amount of Rs. 34,931,964/- was paid to various suppliers on account of supply of various medicines and equipment items. However, income tax at the rate of 4.5% amounting to Rs. 1,571,938/- was not deducted from them, resulting into loss to the government.

The lapse occurred due to weak internal controls, which resulted in less/non-deduction of income tax of Rs. 6,552,538/-.

When pointed out in April 2021, it was replied that the firms will be asked to provide the exemption certificates issued by the Federal Board of Revenue and submitted to Audit, and a detailed reply will be submitted later on.

However, no exemption certificates were produced to Audit.

The department was requested vide letter dated 29-09-2021 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends deducting income tax at the prescribed rates and depositing the same in the government treasury.

AP No. 353 & 354 (2019-20)

13.4.44 Non-deduction of stamp duty - Rs. 4.105 million

According to the Stamp Duty Act 1899, stamp duty at the rate of 1% shall be deducted from the contractors'/ suppliers' bills.

During Special audit of the Director Health Services Merged Areas KP (in various Accelerated Implementation Programs (AIP)) for the Financial Year 2019-20, it was observed that an amount of Rs. 410,515,000/- was paid to various suppliers on account of supply of various medicines and equipment items. However, stamp duty at the prescribed rate of 1% amounting to Rs. 4,105,150/- was not deducted from them, resulting into loss to the government.

The lapse occurred due to weak financial management.

When pointed out in April 2021, it was replied that the concerned firms will be asked to recover the amount.

The department admitted non-deduction of the stamp duty from the suppliers' bills.

The department was requested vide letter dated 29-09-2021 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends deducting the stamp duty at the prescribed rates and depositing the same in the government treasury.

AP No. 356 (2019-20)

13.4.45 Loss to government due to selection of contractor for biomedical waste incinerator at higher rates - Rs. 116.080 million

According to Clause 28.1 of the Standard Bidding Documents, the procuring agency will award the contract to the successful bidder whose bid has been determined to be substantially responsive and has been determined to be the highest ranking fair bid/ best evaluated bid under Section 2 (c)(i) of the KPPPRA Act 2012, provided further that the bidder is determined to be qualified to perform the contract satisfactorily.

During special audit of the Director Health Merged Areas (Provision of Standard Medical Equipment Non-Medical Equipment at Secondary Hospitals (AIP)) for the Financial Year 2019-20, it was observed that an amount of Rs. 228,080,000/- was paid to M/S Capri Medicals on account of supply of 8 Biomedical Waste Incinerator at the rate of Rs. 28,510,000/- per unit.

However, scrutiny of the bidding documents and companies' profiles revealed that the selected bidder was given extra marks in its technical evaluation. Detail is given in Annxure X

Keeping in view the above actual position, M/S Capri Medicals should not have been selected as its technical marks became 35 (77 – 28 = 49 / 100 * 70), and disqualified for having marks lower than the benchmark of 49 technical marks. On the other hand, M/S Strongman Medical Products should have been selected as it secured 59 (65 + 19 = 84 / 100 * 70) technical marks and contract awarded.

Furthermore, scrutiny of the bidding documents and companies' profiles revealed that the selected firm was the higher financial bidder with a bid cost of Rs. 28,510,000/- per unit, as against the competing firm i.e. M/S Strongman Medical Products with a bid cost of Rs. 14,000,000/- per unit resulting in loss of Rs. 116,080,000/-(Rs. 28,510,000 – 14,000,000 = 14,510,000 X 8) to the government.

The lapse occurred due to non-observance of the prescribed rules, which resulted into a loss to the government.

When pointed out in April 2021, it was replied that a detailed reply will be obtained from the electro-medical engineer.

The department was requested vide letter dated 29-09-2021 for holding the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and taking appropriate action.

AP No. 357 (2019-20)

13.4.46 Irregular and uneconomical expenditure on account of doubtful selection of contractor for full body scan - Rs. 474 million

According to Clause 28.1 of the Standard Bidding Documents, the procuring agency will award the contract to the successful bidder whose bid has been determined to be substantially responsive and has been determined to be the highest ranking fair bid/ best evaluated bid under Section 2 (c)(i) of the KPPPRA Act 2012, provided further that the bidder is determined to be qualified to perform the contract satisfactorily.

According to the project objectives of the PC-I of the program, various medical equipment items will be purchased to remove the deficiencies of the equipment/ instruments in the existing functional health facilities and to reduce the mortality & morbidity through specialized and updated medical equipment/ instruments.

During Special audit of the Director Health Merged Areas (Provision of Standard Medical Equipment Non-Medical Equipment at Secondary Hospitals (AIP)) for the Financial Year 2019-20, it was observed that an amount of Rs. 474,000,000/- was paid to M/S Capri Medicals on account of supply of 3 Full Body Scans at the rate of Rs. 158,000,000/- per unit. However, scrutiny of the bidding documents and companies' profiles revealed that;

- M/S Capri Medicals should not have been given 4 marks on account of Pakistan Origin as the item supplied was imported from South Africa.
- M/S Capri Medicals was awarded 20 marks out of 40 for compliance with required specifications. Hence, 4 marks on account of additional features should not have been given as it did not even comply fully with the required specifications.
- The firm was awarded the contract despite the fact that 0 marks were given on account of its past performance in both the public and private sector.
- The technical marks of both the firms were taken into account in total, without converting them into percentage in 70 as per the set formula mentioned in the SBDs.
- The selected supplier secured 31.5 % technical marks (53 – 8 = 45/ 100 * 70) which were less than the benchmark of 49%. However, the firm was awarded with 53% of technical marks, instead of 31.5 %.

Audit held that a wrong bidding process, against the one mentioned in the bidding documents, was followed by the office and M/S Capri Medicals was selected as the sole qualified supplier of the item at a time when it did not technically qualify for the said supply, as it did not secure 49% technical marks, which resulted into an irregular and uneconomical expenditure of Rs. 474,000,000/-

Furthermore, these high value machines were not even found to have been installed in the tertiary hospitals like HMC, KTH and Lady Reading Hospital (LRH) etc.

Moreover, no proper need analysis of such a high value items was carried out before placing order. Hence, in absence of the need of the items, the expenditure incurred was held wasteful.

While visiting various selected health facilities in the merged areas, it was observed that CT scan and MRI machines were not available and the management also stressed upon the provision of these facilities being required on daily basis. Rather than providing these basic machinery items, the directorate purchased and supplied the full body Scan, which was not even available in the whole of the province, which was nothing but the waste of resources.

The lapse occurred due to non-observance of the prescribed rules, which resulted into irregular and uneconomical expenditure.

When pointed out in April 2021, it was replied that the items were purchased as per the PC-I approved by the Departmental Secretary and the P&D Department. The availability of the items at HMC, KTH and LRH is not known. However, government encourages the department to make the hospitals well-equipped in the best interest of general public.

The reply was not satisfactory as neither any need analysis was conducted before the purchase of such a heavy equipment/ machinery nor was there any specialized health personnel available.

The department was requested vide letter dated 29-09-2021 for holding the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and taking appropriate action.

AP No. 359 (2019-20)

13.4.47 Suspected loss to the government on account of purchase of portable ultrasounds - Rs. 220.315 million

According to Clause 28.1 of the Standard Bidding Documents, the procuring agency will award the contract to the successful bidder whose bid has been determined to be substantially responsive and has been determined to be the highest ranking fair bid/ best evaluated bid under Section 2 (c)(i) of the KPPPRA Act 2012, provided further that the bidder is determined to be qualified to perform the contract satisfactorily.

During Special audit of the Director Health Merged Areas (Introduction of Portable Ultrasound at 24/7 BEMOC Facilities Including Training of SBAs (AIP)) for the Financial Year 2019-20, it was observed that an amount of Rs. 410,515,000/- was paid to M/S Capri Medicals on account of supply of 317 Portable Ultrasound Machines at the rate of Rs. 1,295,000/- per unit. However, searching the same item on the internet revealed that it was trading at a price range of Rs. 219,351/- to 275,756/- per unit.

Audit held that the technical evaluation committee did not carry out any market analysis of the item and awarded the contract at double the rate in the market, which resulted into a loss of Rs. 220,315,000/- (1,295,000 – 600,000 = 695,000 X 317); if the price of the item is taken as Rs. 600,000/- to accommodate for the taxes, duties and profit, instead of Rs. 275,756/- (the highest available market price).

The lapse occurred due to non-observance of the prescribed rules, which resulted in possible loss to the government.

When pointed out in April 2021, it was replied that the items are approved on the basis of technical/ financial evaluation of the competing firms on the basis of the best evaluated bid. Internet rates are not authentic.

The reply was not satisfactory as no proper market analysis of the items was conducted which resulted into the purchases being made at higher prices.

The department was requested vide letter dated 29-09-2021 for holding the DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and taking appropriate action.

AP No. 367 (2019-20)

Chapter 14

HOME & TRIBAL AFFAIRS DEPARTMENTS

14.1 A) Introduction

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

- ❖ Public Order and internal security.
- ❖ Political intelligence and censorship.
- ❖ Administration of Justice, constitution and organization of courts except the High Court.
- ❖ Criminal Law and Criminal
- ❖ Arms, ammunition and military stores.
- ❖ Crime report.
- ❖ Prisons, reformatories and similar institutions, classification and transfer of prisoners, state, political prisoners, Good Conduct Prisoners and Probationer Release Act.
- ❖ Extradition and Deportation.
- ❖ Question of domicile and application for Nationality certificates
- ❖ Registration of aliens.

Audit Profile of Home & Tribal Affairs Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2020-21 (Rs in Million)	Revenue/Receipts Audited FY 2020-21 (Rs in Million)
1	Formations	245	28	**27,361.150**	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	05	01	99.954	N/A
3	Authorities/Autonomous bodies etc under PAO	02	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	01	Nil	Nil	N/A

14.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts:

The Summarized position of actual expenditure 2020-21 against the total of grants/appropriation was as follows:

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

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
08-Home and TA	NC21	1,607,528,000	82,673,000	1,250,032,084	1,228,991,483	-21,040,601
09-Jails and Convict's Settlement	NC21	2,931,356,000	647,013,000	3,005,622,352	3,006,593,108	970,756
10-Police	NC21	47,555,956,000	6,096,208,000	46,622,704,471	46,616,913,902	-5,790,569
Total		**52,094,840,000**	**6,825,894,000**	**50,878,358,907**	**50,852,498,493**	**-25,860,414**

Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
Home & TA	NC22	144,683,000	0	36,272,174	43,244,859	6,972,685
Home & TA	NC12	1,588,317,000	0	1,510,977,121	1,510,977,121	0
Total		**1,733,000,000**	**0**	**1,547,249,295**	**1,554,221,980**	**6,972,685**

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

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	50,878.359	50,852.498	-25.860	-0.05%
Development	1,547.249	1,554.222	6.973	0.45%
Total	**52,425.608**	**52,406.720**	**-18.888**	**-0.04%**

The above variance analysis indicates appropriate budgeting and allocation of financial resources.

14.1 (C) Issues in the Home & Tribal Affairs Department

It was observed during the audit of various District Police Offices that the receipts realized from fines & fees are not timely deposited into the Government Treasury according to the Treasury Rules. Similarly, the funds are withdrawn and then withheld in designated accounts without being utilized for the purposes, they are earmarked for. It has also become a routine practice in various offices of Home Department to withdraw pay and allowances through DDOs instead of being directly credited to the bank accounts of the concerned officials. In the DPO Mohmand it was observed that un-authorized payments were made to the Malak and Khasadars. Procurement related issues and doubtful award of the contract of Petrol Pump is also reported.

14.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 1,943.267 million were raised in this report during the current audit of Home & Tribal Affairs Department. This amount also includes recoveries of Rs. 356.638 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	6.335
3	Irregularities	-
A	HR/Employees related irregularities	345.408
B	Procurement related irregularities	1459.68
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	27.28
5	Others	104.558

14.3 Brief comments on the status of compliance with PAC directives:

-

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
01	2002-03	Home & TA	18	08	-	10
02	2003-04	-do-	12	09	-	03
03	2004-05	-do-	37	25	-	13
04	2005-06	-do-	04	03	-	01
05	2007-08	-do-	04	03	-	01
06	2008-09	-do-	12	05	-	07
07	2009-10	-do-	13	07	-	07
08	2010-11	-do-	39	10	-	29
09	2011-12	-do-	27	15	-	12
10	2012-13	-do-	12	06	-	06
11	2013-14	-do-	19	08	-	11
12	2014-15	-do-	18	09	-	09
13	2015-16	-do-	21	14	-	07
14	2016-17	-do	32	8	-	24

14.4 Audit Paras

14.4.1 Doubtful realization of rent from plaza - Rs. 2.340 million

According to Para 19 of GFR Vol-I, the award of contract must be in the most public and transparent manner, advantageous to government.

During audit of the District Police Officer Mardan for the financial year 2019-20, it was noticed that an amount of Rs. 2,340,000/- (Rs. 195,000 X 12) was realized as income from rent of plaza located on main GT Road in Taktht Bai, consisting of 41 numbers of different shops rented out at different rates. However, contract agreement was executed with the Anjuman-e-TajiranTakhtbai instead of individual contract agreements with the allotees of the shops. The said contract agreement did not show any details of the renting out of the shops like the date of completion/ handing over of the plaza, the first and initial date of agreement execution, the first and initial monthly rents, and the subsequent annual increase in the said rents etc. which made the whole process of award of contract doubtful.

The lapse occurred due to violation of rules and regulations.

In the DAC meeting held on 01.11.2021 it was replied that the Plaza was constructed from the funds of Police welfare & individual agreements were executed with each shop allottee. The said agreement contains all the details pointed out. However, DAC did not agree and decided for reassessment of the rent rates by excise department as per the property tax rates in this highly commercial area of Takht Bhai under intimation to audit.

However, no progress was intimated to this office till finalization of this report.

Audit recommends implementation of DAC decision, investigating the matter for misusing authority and leasing out the public property through open competitive bidding.

AP No. 78 (2019-20)

14.4.2 Loss due to doubtful award of contract of petrol pump

According to the deputy inspector general (DIG) Police Mardan letter No. 4757/A dated 01-11-2011, a new agreement of rent according to the market rate may be made with the Pakistan State Oil (PSO) authorities with effect from 11-07-2011.

During audit of the accounts record of the District Police Officer Mardan for the Financial Year 2019-20, it was noticed that an original contract agreement was executed on 01-07-2001 by superintendent of police (SP) Mardan with PSO Pakistan for renting out the 77 Marla petrol pump at the rate of Rs. 5,000/- per month for a period of 10 years, without any annual increase. The said agreement was extended in the year 2011 for a period of further 10 years at the rate of Rs. 6,000/- per month, in contrary to the DIG Mardan letter referred to above and by ignoring the market rates.

Furthermore, the contract agreement for the profit sharing executed between central police office (CPO) Peshawar and PSO Pakistan, as evident from the letter referred to above, could not be found on record.

Audit held that the 77 Marla land located on the main road in the Cantonment area; consisting of a petrol pump, tuck shop, tyre shop and service station etc. could have easily been rented out at much higher rate, which was not done and thus resulted into less realization of income to the government.

The lapse occurred due to weak financial management.

In the DAC meeting held on 01.11.2021 it was replied that Police Department Mardan is only owner of the land of PSO Pump and agreement was executed by welfare Trust & CPO KP Peshawar.

Audit did not agree with the reply and recommended for verification of profit share of 80% to the CPO welfare trust and justifying it with the monthly nominal rent of Rs.6000/- of commercial property and if needed re-assessment and readjustment of the agreement be done within 15 days.

Audit recommends implementation of DAC decision, investigating the matter for misusing authority and leasing out the public property through open competitive bidding.

AP No.82 (2019-20)

14.4.3 Irregular expenditure incurred on POL - Rs. 104.558 million

According to Para 10 of GFR vol-1 every public officer is expected to exercise the same vigilance in respect of expenditure from the public funds as a person of ordinary prudence would exercise in respect of expenditure of this own money.

During audit of the accounts record of DIG Counter Terrorism Department (CTD) Peshawar for the Financial Year 2019-20, it was noticed that Rs.104,558,325/- was incurred on the account of POL etc.

Audit has following observations:-

1. As compared to other Districts monthly bill of Rs. 3 to 3.3 million, CTD monthly bill worked out as Rs. 4.5 to 5 million.
2. Abnormal increase was observed in the expenditure of POL as compared to previous years i.e., during FY 2017-18 Rs 50 million, FY 2018-19 Rs.80 million & FY 2019-20 it rose to 104.558 million.
3. Entire POL coupons were signed by the tehsil municipal officer (TMO) instead of the officer / staff to whom the vehicles were allotted. Hence, verification of usage could not be authenticated.

4. The log books of vehicles were required to be countersigned by deputy superintendent of police (DSP) HQ, the same was not done in the instant case.
5. Almost all the Police Offices adopt the procedure of POL through fleet cards except this office.

When pointed out in December 2020, Management stated that detail reply will be furnished later on.

In the DAC meeting held on 07.12.2021, a detail reply was presented regarding the mandate of Counter Terrorism Department ranging from investigation of terrorism, ransom cases and counter terrorism financing under financial action task force (FATF) regime. Forum was also informed of its outreach throughout the province and newly merged districts, and also exemption of POL ceiling for operational vehicles. Lastly, department also maintained that petrol prices increased in the years mentioned in audit Para. However, audit did not agree with the stance as the petrol prices did not increase by 100% like the POL expenditure rose in 03 years. It is rather viewed that during the same period prices of POL got reduced. Secondly, no documentary evidence was provided to support this huge expenditure.

DAC directed the management to provide record for verification to Audit within 15 days. The department however, did not produce any documentary evidence in support of their reply till finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 223 (2019-20)

14.4.4 Unauthorized retention of weapons and ammunitions

According to Para 11 of GFR Vol-I each head of Department is responsible for enforcing financial order, strict economy at every step and observing all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

During audit of the accounts record of DIG Counter Terrorism Department Peshawar for Financial Year 2019-20, the kot record of DIG CTD Peshawar revealed that arms and ammunition worth million of rupees were issued to the officers / officials during their duties in local office. But it is astonishing to state that these officers / officials have been transferred to other districts / police offices but very costly weapons of CTD office are still in their custody and not yet recovered from them. Detail is in annexure XI.

When pointed out in December 2020, the management stated that detail reply will be furnished later on.

In the DAC meeting held on 07.12.2021, Department admitted audit contention and stated that the transferred officials have been asked to remit the weapons and ammunition but so far they have not returned the said items.

No further progress has been intimated to audit till finalization of this report.

Audit recommends implementation of DAC decision and permanent solution of this issue facing home and tribal affairs department.

AP No. 231 (2019-20)

14.4.5 Un-authorized drawl of Special Risk Allowance - Rs. 83.982 million

According to Finance Division letter No. F-11(I)/2015-342/2016 Islamabad 1st July 2016, Special Risk Allowance was granted to the Federal Levy Force equal to one month initial basic pay of 2008 pay scale.

During audit of the accounts record of District Police Officer Buner, for the Financial Year 2020-21, it was observed that employees were paid special risk allowance in addition to the regular risk allowance. Special Risk Allowance was allowed by the Federal government to special Levy Force in federally administered tribal areas (FATA) but after absorption of the Levy Forces into KP Police, the said allowance is no more admissible. HR data of the local office revealed that Rs. 83,982,877/- was paid under head special risk allowance to the employees of district police officer (DPO) Buner.

Audit held that only Risk Allowance was admissible to them and the same had already been paid.

The lapse occurred due to non observance of rules.

When pointed out in September 2021, the management stated that detailed reply will be furnished later on.

Audit observation was issued to the department vide letter no Audit/DAC/Home & TA/2020-21/SIR-188-214/2415-16 dates 03.11.2021 containing request for DAC within 10 days. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

AP No. 190 (2020-21)

14.4.6 Non-recovery of outstanding government dues - Rs. 2.105 million

According to clause 1 of contract agreements, signed between 03 parties and DPO Buner (Party-2), the parties requested the District Police Officer for hiring of 03 Head Constable and 11 Constables as guard on payment. The cost estimates of police personnel shall be recovered 3 months in advance from the organization / companies as per contract agreement.

During audit of the accounts record of District Police Officer Buner for the Financial Year 2020-21, it was noticed that police guards were deployed to various companies; payment thereof was the responsibility of those companies where these Police personnel were deployed for duties. However an amount of Rs 2,105,897/-was not recovered from these companies on account of their pay and allowances as per following detail.

Rs.

S. #	Name of company/Firm	No of personnel's	Recoverable amount
1.	Bajin International Mining	1 HC & 3 constables	1,037,783
2.	Mr Faida Mand F our Mountain Ltd	1 HC & 4 constables	641,572
3.	Mr Akbar Zeb Marble Company	1 HC & 4 constables	426,542
		Total	**2,105,897**

No reconciled figures of outstanding amount were available with the department.Apart from the above security duties were also performed by the police guards with private / VVIP persons but no detail of these person(s) could be made available to Audit despite repeated requests to OSAI Branch, thus government dues remained unrecovered.

When pointed out in September 2021, the management stated that detailed reply will be furnished later on.

Audit observation was issued to the department vide letter no Audit/DAC/Home & TA/2020-21/SIR-188-214/2415-16 dated 03.11.2021 containing request for DAC. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery of the outstanding government dues.

AP No.201 (2020-21)

14.4.7 Non-deposit of 35% government share from receipts into treasury- Rs. 14.675 million

According to traffic challan fine distribution formula, the 100% traffic challan fine is distributed as: 35% Government Share, 25% CPO Share, 35% staff (in the proportion of 1,12 & 12) and 5% to officials having outstanding performance.

During the audit of DPO Buner for the financial year 2020-21, a total of Rs.41,930,600/ was realized on account of traffic fines during the year 2020-21.

Under the rules, Rs.14, 675,710/- was required to be deposited into government treasury on account of 35% government share. However, the department failed to deposit this money.

Audit also carried out necessary verification from SAP receipt data of the department for the FY 2020-21, the sum was not found deposited into treasury.

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

Provincial exchequer was deprived of Rs 14,675,710/- due to non deposit.

When discussed, the management stated that detailed reply will be furnished later on.

Audit observation was issued to the department vide letter no.Audit/DAC/Home&TA/2020-21/SIR-188-214/2415-16 dated 03.11.2021 containing request for DAC. However, no DAC meeting was convened till finalization of this report.

Audit recommends fixing responsibility for the delay besides deposit of the govt. share into treasury without any further delay.

AP No. 194 (2020-21)

14.4.8 Irregular payment to Malaks for special khasadar - Rs. 249.458 million

According to Para 10 (i) of General Financial Rules Volume-I provides that 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 the audit of accounts record of the District Police Officer Mohmand for the Financial Year 2019-20, it was noticed that a sum of Rs 249,458,265 was drawn through DDO and then paid to Malaks (Tribal Elders) for special khasadars instead of quarter concerned. Moreover, some Malaks received more than one salary of special Khasadars. The duty/deployment of special Khasadars was also not produced for verification. Audit observed that after merger special khasadars have lost their legal status, as they were established in the erstwhile Federally Administered Tribal Areas through Executive Orders and instructions.

The lapse occurred due to weak financial controls.

Payment to Special khasadars resulted in loss to Government.

When pointed out in December 2020, it was replied by the department that all the payments of special khasadars were paid to local elders/Malaks as these special khasadars were sanctioned to them and were on their disposal. The matter has been taken with the Regional Police Chief for guidance.

In the DAC meeting held on 30/11/2021, it was replied by the department that Rs. 188,795,083 has been recovered but it was only treasury deposits of the said amount and did not show recovery from the concerned people. DAC decided for verification and complete recovery of the amount pointed out.

Audit recommends verification of the recovered amount and complete recovery of the outstanding balance.

AP No. 204 (2019-20)

14.4.9 Fraudulent drawl of arrears under pay and allowances - Rs. 6.335 million

According to Para 10 (i) of General Financial Rules Volume I provides that 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 the audit of accounts record of the District Police Officer Mohmand for the Financial Year 2019-20, it was noticed that a sum of Rs. 6,334,955 was drawn as arrears of pay and allowances in favor of some officials/officers.

Audit observed that the payments were made without the authorization from local office. Source-II document along with due drawn statement were neither processed by the local office nor produced to audit for verification.Detail is given in annexure XII.

The lapse occurred due to weak internal and financial control.

Overpayment resulted in loss to provincial exchequer.

In the DAC held on 30/11/2021, it was replied by the local office that recoveries have been initiated from the concern employees and agreed that complete recovery will be made from the concerned. However, no further progress was shared with Audit till finalization of this report.

Audit recommends complete recovery and an impartial inquiry.

AP No. 215 (2019-20)

14.4.10 Irregular payment on account of CAF Allowance – Rs. 11.968 million

According to Para 10 (i) of GFR Volume I provides that 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.

As per rules CAF allowance is allowed to Frontier corps only.

During audit of accounts record of District Police Office South Waziristan for the financial year 2019-20, it was observed that CAF Allowance was paid to employees of levies South Waziristan amounting to Rs 11,968,890, for which they were not entitled.

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

Overpayment of CAF Allowance resulted in loss to provincial exchequer.

When pointed out in November 2020, it was stated that detailed reply will be given after consulting the record.

Audit observation was issued to the department vide letter no.Audit/DAC/Home&TA/2020-21/SIR No.24-31/1193 dated 30.11.2020 with the request to convene DAC meeting within 15 days. However, no DAC meeting was convened by the department till finalization of this report.

Audit recommends recovery of the said allowance.

14.4.11 Non-Deposit of interest amount accrued on 25% share amount lying in PLS account - Rs. 5.376 million

According to Government of Khyber Pakhtunkhwa Finance Department letter No.2/3-(F/L)2007-08/Vol-IX dated: 18/03/2018, it was instructed that such accounts be converted to PLS mode and the profit earned be deposited in Government Treasury under the (CO1803) head of account immediately and not later than a weak when declared/credited into account by the concerned bank.

During scrutiny of accounts record of Inspector General of Police (IGP)/CPO for financial year 2020-2021, it was noticed that IGP office maintains a PLS account No.7523004 in the Bank of Khyber Civil Secretariat Brach Peshawar for 25% share after promulgation of Finance Act-2008 in order to collect 25% share out of traffic fines for the traffic training and education and purchase of machinery and equipments to facilitate traffic. But the interest accrued thereon was not deposited in government treasury.

The lapse occurred due to non-compliance of finance department notification.

When pointed out in November 2021, it was replied that the amount in bank is being maintained in light of the Finance Act 2008, however contention of the audit has been noted which will be discussed with higher ups.

Audit recommends immediate deposit of accrued interest into government treasury.

AP No. 242 (2020-2021)

14.4.12 Non-Deduction of DPR and professional tax - Rs. 2.79 million

According to Directorate of Social Welfare & Women Development Department Peshawar letter No.DAB/28/DSW/9851-72 dated 30-05-2011 and Section-11 of the Disable Person (Employment and Rehabilitation Ordinance 1981 and Rules 1991) and the same was endorsed by Establishment Deptt. Vide No.SOR-VI(E&AD)3-2/2006/Vol.II dated 06-12-2010 and also endorsed by Local Fund Audit No.LFA/DP/1987-88/4902-62 dated 20-06-2012, deduction of DPR Fund @ Rs.2000/- per each one million from the bills made to contractors

According to Khyber Pakhtunkhwa Finance Act 2019, Appendix-N S.No.13-Contractors, suppliers and consultants who, during preceding financial year supplied to the Federal or any provincial government or any local authority in the District, Goods, Commodities, or rendered service of the value,- when exceeding Rs.50.00 million, professional tax @ Rs.100,000/- per annum will be deducted.

During scrutiny of accounts record of Inspector General of Police/CPO for financial year1 2020-2021, it was noticed that different vehicles were purchased from Toyota Frontier Motors, Peshawar amounting to Rs.1,356,861,490 but Rs.2,690,000/- as Disable Person Rehabilitation @ Rs.2000 per each one million and professional tax amounting to Rs.100,000/- per annum were not deducted from any bill of the supplier, which resulted in loss of Rs.2,690,000/- to government. Detail is given in annexure XIII.

The lapse occurred due to non-adherence to financial rules.

When pointed out in November 2021, it was replied that reply will be submitted after consulting the relevant record.

Audit recommends recovery of DPR and professional tax under intimation to audit.

AP No. 248 (2020-2021)

14.4.13 Non-verifiable vehicles record - Rs. 1459.68 million

According to para-10 & 145 of GFR, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money and purchases must be made in the most economical manner and in accordance with the definite requirement of the public service

During audit of the Inspector General of Police Khyber Pakhtunkhwa Peshawarfor the financial year 2020-21, it was observed that Rs.1356.861 million was drawn under head of account AO9501-purchase of vehicles and Rs.102.823 million on fabrication of vehicles. Detail is given in annexure XIV.

However, audit couldn’t ascertain the need assessment of the purchased vehicles because relevant record such as total strength of the personnel, available vehicles, allotment of the vehicles and detail of auctioned and condemned vehicles was not avaialble.

Audit held that in absence of such record the purchase of new vehicles and conversion thereon couldn’t be justified.

The lapse occurred due to improper planning.

When pointed out in November 2021, it was replied that reply will be submitted after consulting the record.

Audit recommends taking appropriate action in the matter.

AP No. 259 (2020-21)

Chapter 15

INFORMTION TECHNOLOGY DEPARTMENT

15.1 (A) Introduction

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

- Human Resource Development.
- Launching of R&D Programme and up-gradation of its infrastructure.
- Restructuring of R&D Organizations.
- Industrial Development.
- Strengthening of policy, coordination, and management structure.
- Funding and project implementation mechanism.
- To initiate Science & Information Technology Projects in the Province in Agriculture, Housing, Industry, Health, Education, Forestry, Energy, Pharmaceuticals and small Cottage Industry including pilot plant studies.
- To monitor the outcome and results of Science & Technology Projects initiated in the province and provide policy guidelines to R&D institutions for their restructuring and enhancement of Science & Technology activities.
- Planning, coordination, promotion and development of Science & Technology, monitoring & evaluation of research and development works, including scrutiny of development projects and coordination and development programmes in this field.
- To advise provincial Govt. Departments and other institutions on the introduction and usage of Information Technology.
- To promote usage of Information Technology and Science & Technology by awarding scholarships, awards, certificates, holding of seminars, workshops in service training and acquiring higher education.

Audit Profile of Information Technology Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2020-21 (Rs in Million)	Revenue/Receipts Audited FY 2020-21 (Rs in Million)
1	Formations	04	02	916.760	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	03	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	01	01	355.360	N/A
4	Foreign Aided Projects (FAP)	01	01	65.000	N/A

15.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2020-21 against the total of grants/appropriation was as follows:

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

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
05-Centralized data Processing	NC21	381,753,000	279,808,000	503,589,990	503,583,296	-6,694
Total		**381,753,000**	**279,808,000**	**503,589,990**	**503,583,296**	**-6,694**

Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
50-ST & IT	NC22	239,000,000	0	68,672,380	72,006,058	3,333,678
Total		**239,000,000**	**0**	**68,672,380**	**72,006,058**	**3,333,678**

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

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	503.590	503.583	-0.007	0.00%
Development	68.672	72.006	3.334	4.85%
Total	**572.262**	**575.589**	**3.327**	**58.14%**

15.1 (C)Issues in Information Technology Department

During audit of the Information Technology department it was observed that the project Durshal Community Innovation labs was introduced but no progress was made by this project, resulting in loss to Government.

15.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 71.859 million were raised in this report during the current audit of Information Technology Department. This amount also includes recoveries of Rs. 17.778 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	71.859
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	-

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

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil Compliance
1	2014-15	Information Technology	02	02	-	-
2	2015-16	-do-	Nil	-	-	-
3	2016-17	-do-	Nil	-	-	-

15.4 Audit Paras

15.4.1 Wasteful expenditure on salaries of project staff with no noticeable physical progress - Rs. 54.081 million

According to the PC-I of the project “Durshal community innovation labs” in order to promote entrepreneurial culture in KP Durshal community innovation labs would provide startups with business incubation services for their successful development through business support resources and services with establishment of co-working space at Peshawar, Mardan, Swabi, Swat, Kohat, Bannu and Haripur. Funds of Rs. 515.830 million were allocated for the project with Rs.58.187 million for pay of staff and Rs. 151.200 million & 22.170 million for stipends of Incubates and Fellows respectively.

During audit of the accounts record of Khyber Pakhtunkhwa Information Technology Board (KPITB) for the financial year 2020-21, it was observed that activities of the “Durshal” project were aimed to be completed by June-2021 (decision of the 19th meeting of the projects planning & technical committee dated). It was noticed that almost 93% (Rs 54.081 million) of the total amount of Rs. 58.187 million allocated for salaries of staff was spent but with physical progress of 33% only in other activities till date of audit.

The main objective of the project was to facilitate the startups and fellows with business incubation services by providing them facilities along with monthly stipends but out of total allocation of Rs. 173.370 million for the purpose only Rs. 27.962 million (16%) was incurred as payment of stipends.

With expiry of the project time period having overall physical progress of only 33%, audit held that expenditure of 93% of salaries is wastage of funds which needs justification.

The lapse occurred due to lack of internal controls and ownership.

The matter was reported to management in September-2021 but no reply was submitted.

Audit observation was issued to department vide letter no. Audit/DAC/Misc-1/KPITB/SIR/48-88/2019-20/2295 dated 30.09.2021 with the request for DAC meeting. However, No DAC was convened till finalization of this report.

Audit recommends fact finding enquiry to analyze every project activity and spending for fixing responsibility.

AP No. 84 (2020-21)

5.4.2 Overpayment on account of house rent allowance – Rs. 17.778 million

Human Resource and Remuneration Committee vide minutes of the 10th meeting held on 26-01-2018 at agenda item # 1, decided the benefits and salary package of Managing Director KPITB in pursuance of the KP Notification dated 28-12-2017.

The Committee Members interpreted and agreed that the monthly salary of Rs. 700,000/- should be considered as basic pay and house rent at the rate of 45% of the Basic Pay of Civil Servant of BPS 22 grade should apply to the position of Managing Director KPITB.

During audit of the accounts record of Khyber Pakhtunkhwa Information Technology Board (KPITB) for the financial year 2020-21, it was observed that management of KPITB allowed and paid the house rent allowance of Rs. 315,000/- per month at the rate of 45 % of Rs. 700,000/- to the following Managing Directors instead of the approved rate of Rs. 18684/- per month, which resulted in overpayment of Rs. 17,778,960/-

Rs.

Name of MD	Total period served	Monthly HRA due	Monthly HRA paid	Diff	Total amount
Dr. Sahibzada Ali Mehmud	October 2020 Till date, 12 months	18,684	315,000/-	296,316	3,555,792
Dr. Shah Baz	16-07-2016 to 16-07-2020, 48 months	18,684	315,000/-	296,316	14,223,168
				Total	**17,778,960**

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

Government was put to loss due to overpayment of Rs. 17,778,960/-.

It was reported to the management in September-2021; however, no reply was submitted.

Audit observation was issued to department vide letter no. Audit/DAC/Misc-1/KPITB/SIR/48-88/2019-20/2295 dated 30.09.2021 with the request for DAC meeting. However, No DAC was convened till finalization of this report.

Audit recommends investigating the matter besides affecting recovery.

AP.No 50 (2020-21)

15.4.3 Irregular drawl on account of Establishment of Science Clubs – Rs. 7.8 million

As per section 6.4 of the PC-I of Promotion & Support of Scientific Innovation/product development by Youth of Schools/colleges/Universities, Assistance will be provided up to 0.5 million for the period of 01 year to the students having potential idea to develop product/prototype. A committee under the chairmanship of Director S &T will screen and evaluate the proposal. Grants will be disbursed to the official accounts of the project winning institutions in installments to achieve the mutually agreed milestones.

During the audit of Directorate of Science & Technology (DOST) for the Financial Year 2019-20, it was noticed that a sum of Rs.7,800,000/- was drawn by Director S&T through Cheque No. 1954949 dated. 19.2.2020 under the project "Promotion & Support of Scientific Innovation/product development by Youth of Schools/colleges/Universities (SPIDY)". Audit observed that instead of disbursement to the official accounts, the said amount was drawn though DDO prior to the receipt and evaluation of any idea from student. The amount remained undisbursed till date of audit i-e June 2021.

The lapse occurred due to weak financial controls and non-adherence to PC-1 provision.

When pointed out it was stated that detailed reply will be submitted in due course of time along with relevant documents.

No DAC was held till finalization of this report.

Audit recommends investigating the matter and fixing responsibility for misusing the authority and full recovery of the amount withdrawn by the Director Science and technology DDO.

AP No. 440 (2019-20)

Chapter 16

IRRIGATION DEPARTMENT

16.1 (A) Introduction

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

- Implementation of irrigation policies
- Maintenance of irrigation channels
- Construction of small dams
- Maintenance of small dams

Audit Profile of Irrigation Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2020-21 (Rs in Millions)	Revenue/Receipts Audited FY 2020-21 (Rs in Millions)
1	Formations	54	18	13333.504	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	N/A	Nil
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	01	01	138.724	N/A

16.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2020-21 against the total of grants/appropriation was as follows:

Non-Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
24-Irrigation	NC21	3,977,654,000	568,036,000	4,545,690,000	4,078,287,086	-467,402,914
Total		**3,977,654,000**	**568,036,000**	**4,545,690,000**	**4,078,287,086**	**-467,402,914**

Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
55-Construction of irrigation works	NC12 & 22	9,581,000,000	3,125,343,000	12,706,343,000	12,665,990,647	-40,352,353
60-Merged Areas	NC22	54,519,000	0	78,058,863	57,012,510	-21,046,353
60-Merged Areas	NC12	2,976,481,000	0	2,635,220,408	2,270,860,521	-364,359,887
Total		**10,350,000,000**	**1,884,858,000**	**11,295,515,000**	**11,289,692,001**	**-5,822,999**

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

Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)	Variance %
Non-Development	4,545.690	4,078.29	-467.403	-10.28%
Development	11,295.515	11,289.69	-5.823	-0.05%
Total	**15,841.21**	**15,367.98**	**-473.23**	**-2.99%**

It can be seen from the above variance analysis that the non- developmental budget could not be utilized and 10.28 percent of the funds have been left unspent. This demand for the need of improving the budgeting process so that financial resources could be allocted according to exact needs only.

16.1 (C) Issues in Irrigation Department

During audit, it was noticed that contract management mechanism was very poor. The field offices of the Irrigation Department did not fulfill the contractual obligations i.e. obtaining Performance Securities from the contractors in violation of contract agreement which provides that failure of the successful bidder to furnish performance security shall constitute sufficient grounds for the annulment of the award and forfeiture of the bid security.

The department also does not comply with the basic rules of the contract award. As a consequence of poor contract management, there has been considerable cost and time over run in different development schemes across the province. Again like C&W, the Technical Sanctions for development schemes are prepared at belated stage to cover up the variations in cost, specifications, and estimates. As a matter of policy, the Technical Sanctions must be awarded before the commencement of work.

16.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 126.82 million were raised in this report during the current audit of Irrigation Department. This amount also includes recoveries of Rs. 68.99 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; **Amount in million**

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	41.299
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	44.91
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	30.126
5	Others	9.90

Moreover, Rs 6138.171 million irregularities including recoveries amounting to Rs. 27.346 million have also been reported under Thematic Audit in chapter 26

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

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2011-12	Irrigation	18	06	-	12
2.	2012-13	-do-	10	07	-	03
3.	2013-14	-do-	14	10	-	04
4.	2014-15	-do-	07	03	-	04
5.	2015-16	-do-	23	16	-	07

16.4 Audit Paras

16.4.1 Irregular payment without actual execution/ detail measurement and later on shown fake recovery – Rs.8.926 million

According to the Notification issued by Superintending Engineer, Swabi Irrigation Circle regarding Measurement, Check Measurement and processing of contractor bills in accounts during execution of public works vide No. 3133-45/2-W dated 25-05-2019, the sub-engineer shall carry out 100% measurement of work done and enter in the MB on spot, the SDO shall carry out 35% check measurement and the Executive Engineer should carry out check measurement of foundation works or under water works, to safe guard against the risk of double payment.

According to Para 208 & 209-A of the CPWA Code, payments for all work done otherwise than by daily labor and for all supplies are made on the basis of measurements recorded in Measurement books. The measurement books should, therefore, be considered as very important account records. Detailed measurements should be recorded only by Executive, Assistant Executive, or Assistant Engineers, or "by executive subordinates in charge of works to whom measurement books have been supplied for the purpose.

During audit of accounts record of the Executive Engineer, Irrigation Division-II, Swabi for the financial year 2019-20, it was observed that an up-to-date payment of Rs.27,272,148/- was made to MS Noor Elahi & Co. for the improvement/ construction of road along partugai drainage system Thandkoi, till 8th running bill vide voucher No.31P/11-10-2019.

The 8th running bill included payment of the following items:

Item	Qty m3	Rate	Payment Rs.
Bituminous Prime Coat	5947.95 m2	113.40	674,498
Asphaltic Wearing Course	434.94 m3	18419.50	8,011,377
Carriage of Asphalt concrete from plant to site	38622.67	6.22 km/ton	240,233
Total			**8,926,108**

The payment of Rs. 8,926,108/- made in the 8th running bill was shown as 100% recovered back in 9th running bill as minus entry. To ascertain the factual position of payment and then recovery, following three running bills were cross examined.

R/Bill	V. No
8th	31P/11-10-2019
9th	34P/20-02-2020
10th	32P/16-06-2020

Scrutiny and verification of the above bills revealed that:

i. Earlier payment of Rs. 8,926,108/- through 8th running bill was allowed without measurement and entry in the MB No.47, hence, the items were not executed and then fake recovery was shown. This contradicts the certificate recorded by SDO & countersigned by XEN that the work has been executed/ carried out at site according to the drawings, design and specification as well as the rules/ instructions states that MB is very authentic and important document.

ii. The payment of Rs. 8,926,109/- made in the 8th running bill was shown as minus entry in 9th running bill and shown recovered. But since, no work done was made in the 9th running bill; merely minus entry was reflected to show recovery. Even withheld amount of Rs. 3,000,000/- was released in 9th running bill and Rs. 294,893/- was released in 10th running bill. The recovery of Rs. 8,926,108/- was not actually made.

iii. Later on, 10th running bill was processed but recoverable amount of Rs. 8,926,108/- was not brought forward to 10th running bill and recovery was skipped intentionally.

In this process, payment of Rs. 8,926,108/- was allowed without actual execution and detail measurement in 8th running bill and fake recovery of Rs. 8,926,108/- was shown in 9th running bill and the same recovery was skipped in 10th running bill.

The lapse occurred due to weak management of affairs of the Division.

The matter was reported to the management twice in February 2021, however, despite repeated requests and lapse of 15 days, the Management did not furnish preliminary replies.

In the DAC meeting held on 21.10.2021, the Management stated that payment to the contractor was made as per actual work done on site and duly regularized as per voucher No.32-P/16.06.2021. However, the forum did not agree with reply of the Management and directed to submit proper revised reply with documentary evidence to Audit for verification.

However, no further progress was intimated to Audit till finalization of the report.

Audit recommends fact finding inquiry in the matter.

AP No. 123 (2019-20)

16.4.2 Un-authentic payment on account of dewatering – Rs.3.240 million

According to para 3.9.1.4 of the Technical Specifications 2020 for workmanship issued by C&W Department, Khyber Pakhtunkhwa, except where provided for, no separate payment will be made for control of or removal of water during or after earthwork operations. The cost of sheeting, shoring, cofferdams, pumping and draining for earthwork or construction of road ways or embankments shall be included in the bid price for earthwork. The Contractor shall provide necessary facilities for dewatering and for draining or diverting watercourses when necessary for the protection of the contract work or where required by the Engineer. The Contractor shall provide such drainage outlet ditches or canals as may be necessary and shall not be paid separately, but shall be deemed to be included in other items of work.

During audit of the accounts record of the Executive Engineer, Irrigation Division-II, Swabi for the financial year 2019-20, it was observed that contract for the construction of bridge/ causeways on Badri Nullah near Sokhta Lar to Musa Zai Zaida was awarded to MS Pir Muhammad. An upto date payment of Rs.42, 561,182/- was made till 9th running bill vide voucher No. 27P/16-06-2020.

Scrutiny of bill showed payment of Rs.3,240,000/- for "Dewatering by mechanical means" for 3240 hours @ Rs.1000 per hour.

Audit has the following observations;

i. In light of the above rules/ instructions, dewatering was the responsibility of the contractor and its cost was to be included in other items of work.
ii. How rate of Rs.1000 per hour was assessed as the item was not available in MRS.
iii. How 3240 hours assessed and measured?
iv. For construction/ civil work, flow of water/ nullah is diverted. Instead of diversion, how dewatering made?
v. In original BOQ, the provision was Rs.540,000/- whereas actual payment of Rs.3,240,000/- was made. This resulted in excess payment of Rs.2,700,000 over the BOQ provision.
vi. 9th running bill showed quantity of 3240 hours and entry in MB 61 (P.19-24). Perusal of said MB (P.21) showed brought forward of quantity from MB. 61 (P.10-11). Page 10 showed brought forward of detail measured quantity in MB 42 (P.163). However, the detail measurement was neither available in MB 61 nor MB 41 & 42 were produced to audit for authentication of quantity paid.

Audit is of the view that though the item was provided in the BOQ to extend financial benefit to the contractor, but the BOQ was defective too and the payment of Rs.3,240,000/- was not admissible which needs recovery.

The lapse occurred due to weak management of the affairs of the Division.

In the DAC meeting held on 21.10.2021, the management stated that the noted items were provided in the BOQ/PC-I and covered in the Technical Sanction. However, the forum did not agree with the reply of the management and directed a departmental enquiry for factual position.

No progress was intimated till finalization of the report.

Audit recommends implementation of the DAC decision.

AP No. 124 (2019-20)

16.4.3 Inadmissible payment due to allowing un-necessary/ illogical items of works – Rs. 2.476 million

According to Para I .58 of the Buildings & Roads Code, Divisional Officers are immediately responsible for the proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of -their duties to organize and supervise the execution of works and to see that they are suitably and economically carried out with materials of good quality

During audit of accounts record of the Executive Engineer, Irrigation Division-II, Swabi for the financial year 2019-20, it was observed that an up-to-date payment of Rs.11,391,631/- was made to M/S Shabbir Khattak for the construction/ improvement of canal patrol road (CPR) along pir-sabaq disty (package-3) through 1st running bill vide voucher No. 15M/19-06-2020.

Scrutiny of bill showed payment on account of following items of work:

Item	**Qty**	**Rate m3**	**Payment Rs.**
Roadway excavation in surplus soil	2928.46	371.52	1087981
Formation of embankment from roadway excavation	3259.60	425.97	1388492
Total			**2,476,473**

Comparison of the bill with MB No.86 (P.154-186) revealed that once excavation of 2928.46 M3 earth was made on the RDs 25000 to 32400 (7400 RDs) and paid Rs.1, 087,981/-. Again, the same excavated earth was shown re-used in Formation of embankment i/c compaction against the same RDs i.e. 25000 to 32400 (7400 RDs) and paid Rs.1,388,492/- The excavation and then formation of embankment, both items were executed on the same RDs with same No, length, breadth and depth which was un-necessary exercise to extend financial benefit to the contractor as summarized below:

Roadway excavation					**Formation of embankment from roadway excavation i/c compaction**				
RD	**No.**	**L**	**B**	**D**	**RD**	**No.**	**L**	**B**	**D**
25000 – 32400	74	100	14, 11.5, 11, 13, 12, 10	1.25, 1.21, 0.75, 0.83, 0.92, 1.25	25000 – 32400	74	100	14, 11.5, 11, 13, 12, 10	1.25, 1.21, 0.75, 0.83, 0.92, 1.25

It indicates that only compaction on the mentioned RDs was required and compaction was already paid separately. Hence, the expenditure of Rs.2,476,473/- was incurred on unnecessary exercise and it is apprehended that no such execution of items were carried out but only claimed in the running bill to draw the amount.

Furthermore only “borrow” word was in used in item “Formation of embankment” which was also incorrect as paid rate of Rs.425.97/M3 is for available earth (03-70-a).

The irregularity occurred due to weak management of the affairs of the division.

In the DAC meeting held on 21.10.2021, the management stated that all the payment was made as per actual work done. Asphaltic Wearing Course laid in all such works is normally 3” thick and was accordingly paid. The forum did not agree with the reply being not relevant to audit observation and directed to produce requisite lab test for deciding the suitability/ un-suitability of the excavated material.

Audit recommends implementation of the DAC decision.

AP No.126 (2019-20)

16.4.4 Less deduction/ deposit of income tax – Rs. 4.544 million

According to Para 1.62 of the West Pakistan Buildings & Roads Department Code applicable to all departments of Buildings, Road, irrigation, Communication The Divisional Officer is responsible for the correctness in all respects, of the original records of cash and stores, receipts awl expenditure and for seeing that complete vouchers are obtained. The Divisional Accountant is responsible to the Divisional Officer for the correct compilation of the accounts of Division from the data supplied to him.

During audit of the accounts record of the Executive Engineer, Irrigation Division-II, Swabi for the financial year 2019-20, it was observed from the comparison of the expenditure reported for the year and income tax deducted during the year that income tax amounting Rs.4,543,725/- was less deducted as elaborated below:

Particulars	Amount (Rs.)
Expenditure under ADP as per Form-74	786,722,670
Expenditure on AOM&R as per Form-74	28279625
Total expenditure during 2019-20	815,002,295
Income Tax required @ 7.5%	61,125,172
Income Tax deducted & shown deposited as per Form-46	56,581,447
Income Tax less deducted	4,543,725

The above tabulated data, extracted from the annual accounts of the Division showed that income tax of Rs.4,543,725/- was less deducted/deposited.

The lapse occurred due to weak financial management and ineffective reconciliation.

In the DAC meeting held on 21.10.2021, the management stated payment of Rs.62.22 million out of the total expenditure, was incurred on the solar pumping machinery (NSI) which has been exempted from income tax. However, the forum inquired about the rate analysis of the solar pumping machinery (NSI) for Rs.62.22 million. In case, income tax was exempted, then no provision of income tax should have been made in the rate analysis of these items. However, no such rate analysis was available/ produced by the management.
No further progress was intimated till finalization of this report.

Audit recommends to inquire the matter and recovery of income tax of Rs.4,543,725/- in case the same was added in the rate analysis of solar pumping machinery as (NSI).

AP No. 132 (2019-20)

16.4.5 Irregular award of the contract to the ineligible contractor due to manipulation in contractor's BOQ – Rs. 22.665 million

Loss to government due to manipulation in BOQ – Rs. 0.594 million

According to section 30-Chapter-V (Miscellaneous Provisions) of the Khyber Pakhtunkhwa Public Procurement Authority Rules 2014 endorsed by Finance Department vide No. SO (FR)/FD/9-7/2010/Vol-II dated 03-02-2014, 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.

During audit of accounts record of the Executive Engineer Irrigation Division, Abbottabad for the financial year 2018-19, it was noticed that contract for construction of flood protection work in Chamba, Jhangra, Haija Gali, Chutialla & in local nullah in Tehsil Havelian Abbottabad was awarded to M/S Sahibzada Engineers at the bid cost of Rs. 22,665,745 and paid Rs.19.373 million till 9th running bill vide Voucher No 98/A dated 24.05.2019.

Scrutiny of Contract Agreement, Comparative Statement, Tender Form and bill of quantities (BOQs) revealed that the bid quoted by M/S Imad Ullah & brothers attached to tender form No. 37195733 was actually Rs. 22,368,711/- but was manipulated and enhanced the overall bid cost to Rs. 22,963,269/- as summarized below, just to bring the second lowest contactor as first lowest with his quoted total bid cost of Rs. 22,665,745/- which made the tender process doubtful.

Rs.

Item	Qty as per BOQ	Original Rate quoted	Amount	Rate manipulated to	Amount
PCC 1:3:6	990.93 m3	4000	3,963,720	4,600	4,558,278

Due to manipulation of rate in the BOQ of the 1st lowest bidder, award of contract to the 1st lowest bidder was not ensured on one hand while loss of Rs.594,558 (22,963,267 – 22,368,710) was sustained on the other hand.

The lapse occurred due to defective bid evaluation.

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

The management was requested for holding the DAC meeting vide letter Audit/DAC/Irrg/SIR 119-137/2018-19/594 dated 01.06.2020 which was not arranged till finalization of this report.

Audit recommends inquiring the matter for appropriate action.

AP No. 119 (2018-19)

16.4.6 Overpayment due to release of extra amount than withheld - Rs. 6.554 million

According to para-13 of GFR vol-I that every controlling officer must satisfy himself not only that adequate provision exist within the departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and store.

During audit of accounts record of the Executive Engineer, Irrigation Division Charsadda for the financial year 2019-20, it was observed that Rs. 22.207 million was withheld from different contractors. However further verification of record revealed that Rs. 28.761 million was released to the contractors on account of withheld amount as summarized below:

	(Rs. in million)		
Name of contractor	**Amount withheld**	**Amount release**	**Overpayment**
M/S Haji Khan Rahim & Sons	8.361	9.066	0.705
M/S Hayat Gul	5.628	6.517	0.889
M/S Samar enterprizes	2.233	3.833	1.600
M/S Mohmand Builder	5.985	9.345	3.360
Total	**22.207**	**28.761**	**6.554**

This resulted in overpayment of Rs.6.553 million due to release of excess amount than the actual withheld amount.

The lapse occurred due to weak internal controls.

When pointed out in March 2021, the management replied that detailed reply will be submitted after scrutiny of record.

In the DAC meeting held on 28.12.2021, the department claimed that no overpayment was involved and there were some mistakes in the contractor's bill which have been rectified. However, the forum didn't agree and marked the para for verification although the same has not been verified from Audit till finalization of this report.

Audit recommends recovery and fixing the responsibility on the persons(s) at fault.

AP No. 242 (2019-20)

16.4.7 Misappropriation of funds on account of flood protection work – Rs. 3.397 million

According to Treasury Rule 290, no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants, and According to Treasury Rule 130, money may not be withdrawn from the public exchequer without actual work done.

During audit of accounts record of the Executive Engineer Hazara Irrigation Division, Abbottabad for the financial year 2020-21, it was observed that contract for the construction of Flood Protection Wall Sardar colony, Rush area Jab nullah cantt area was awarded to M/S Raj construction @ 34.50% below on the estimated cost of Rs.12.00 million.

It was reportedly known that work was further Subleted to some other contractor on further 26% below. The below rates were not workable and audit point of view was further confirmed from physical verification along-with Sub Engineer and SDO concerned where audit team was taken to a dummy site in Bilal Town where no work was executed and some old work was shown which had been carried out by the funds of speaker Mustaq Ghani having estimated cost of Rs. 2,500,000/- (Pic attached). The works executed had no relevance with RDs of MB NO. 1721 Pages 83-88. It was replied by the Sub Engineer and SDO that work entered in the Measurement Book was not carried out at site and the work on site shown to audit was not recorded in the MB. The situation was alarming as government funds were drawn and being misappropriated.

The lapse occurred due to weak management of the affairs of the Division.

When pointed out in August 2021, management replied that detailed reply will be submitted after scrutiny of record.

In the DAC meeting held on 28.12.2021, it was decided that Superintending Engineer Swabi will conduct inquiry and report findings within 30 days along. However, no progress has been shared with Audit till finalization of this report.

Audit recommends a high level inquiry in the case.

AP No. 61 (2020-21)

16.4.8 Loss to government due to allowing non-BOQ & costly items – Rs. 11.874 million

According to Para 95 of CPWD Code, a Divisional Officer is strictly prohibited to deviate from sanctioned design in the course of execution of work. Paras 56 and 58 of CPWD Code provide that Technical Sanction is a guarantee that the proposals are structurally sound and that the estimates are accurately calculated and based on adequate data. Proper detailed drawings & design have been sanctioned.

During audit of accounts record of the Executive Engineer, Irrigation & Hydel Power Division Khyber for the financial year 2020-21, it was observed that payment of Rs.11,874,069/- was made to M/S M. Younas Builder on account of non-BOQ items in the work Remodeling and Extension of Bara River Canal System Package-II vide Voucher No.23-K dated 13.6.2021 till 6th running bill. These non-BOQ items were later on covered in the Technical Sanction.

Audit is of the view that these items were not given in the approved BOQ but later on allowed as these items were favorable to the contractor, resultantly the government sustained loss of Rs.11874,069/- as summarized below:

Rs.

Item of work	Quantity	Rate	Amount
Extra for every 15 m extra lead or part thereof for earth work soft, ordinary, hand and very hard.	7700.767	70.81	545,291
Extra for every 15 m extra lead or part thereof for earthwork soft, ordinary, hard & very hard, transportation of earth all type beyond 250 m and up to 500m	43637.678	259.61	11,328,778
		Total	**11,874,069**

The lapse occurred due to deviation from the approved BOQ.

When pointed out in September 2021, Management replied that the quantity has already been covered in the Technical Sanction. Reply is not convincing as bidding process was carried out on BOQ items with quantities. Allowing items with financial implication of Rs.11, 874,069/- and merely covering in the Technical Sanction cannot justify the payment.

The Department was requested for holding the DAC meeting vide DGA/DAC/Irrigation/2020-21/12 dated 27.10.2021. However, no DAC meeting was convened till finalization of this report.

Audit recommends inquiring the matter for corrective action.

AP No. 36 (2020-21)

16.4.9 Non-deposit of General Sales Tax – Rs. 8.007 million

According Appendix -3 note-2 below Rules 222-A of CTR Any person responsible for paying salaries who does not deduct tax or after deducting fails to pay tax as required will, without prejudice to any other consequences which he may incur be deemed to be in default personally in respect of the tax. According Rule 07(I) of treasury rules provide that all money received by Govt. on account of revenue of the government should immediately be deposited into Govt. Treasury.

During audit of accounts record of the Executive Engineer, Irrigation Division Charsadda for the financial year 2019-20, it was observed that Rs. 8.007 million was deducted from various contractors/ supplier bills on account of GST in the different works; however, the same was retained in the Deposit-V instead of depositing into government treasury.

The lapse occurred due to weak financial management.

When pointed out in March 2021, the Management replied that detailed reply will be submitted after scrutiny of record.

In the DAC meeting held on 28.12.2021, the department replied that a sum Rs. 6,091,845/- has been deposited as GST on the pointation of audit. However, the same has not been verified till finalization of this report.

Audit recommends deposit of GST into government treasury.

AP No. 243 (2019-20)

16.4.10 Overpayment on account of Asphaltic Wearing Course – Rs.8.784 million

According to Technical Sanction of the improvement & widening of road along marghuz drain marghuz bypass up to pehur main canal, following specifications based on the drawing of the scheme were approved:

No.	Length	Breadth	Depth	Total
1	8856	20	0.12	21254.4 cft or 601.86 M3

During audit of the accounts record of the Executive Engineer, Irrigation Division-II, Swabi for the financial year 2019-20, it was observed that the contract for the improvement/ widening of marghuz bypass upto pehur main canal was awarded to MS Zeraki enterprises at rhe bid cost of Rs.29,653,380/-

Scrutiny of 12th running bill paid vide voucher No. 37P/16-06-2020 and comparison with MB No. 52 (P.82-89) and Technical Sanction revealed that excess thickness, depth and breadth were allowed on Asphaltic Wearing Course. Though various MBs were involved and all of them were not produced to audit for further authentication but the available MB 52 was scrutinized which showed that overpayment of Rs.8, 783,615/- was made due to paying for excess length, breadth & depth, as elaborated below:

As per measurement book & paid					**As per technical sanction**					**Overpayment (Rs.)**
No.	**L**	**B**	**D**	**Total**	**No.**	**L**	**B**	**D**	**Total**	
1	50	62+22/2	.167	350.7	1	8856	20	.12	21254.4 cft or 601.86 M3	A.W.C qty paid = 1076.65 M3 – 601.86 M3 = 474.79 x Rs.18500 = Rs.8,783,615/-
1	50	22+16.5/2	.167	160.74						
10.86	100	16.25	.167	2713.75						

Audit is of the view that Technical Sanction is based on site survey, site requirement duly approved by the competent authority, hence no deviation from the approved specification was allowed. The deviation was made to extend financial benefit to the contractor which needs recovery.

The lapse occurred due to weak contract management mechanism.

In the DAC meeting held on 21.10.2021, the management stated that the road was executed in 3” asphaltic wearing course which has been regularized in the Technical Sanction. However, the forum did not agree with the reply of the management as specification of the Technical Sanction was not followed in the payment of asphaltic wearing course which was also evident from the fact that Technical Sanction was approved for Rs.29.653 million with 601.86 m3 quantity of asphalt wearing course whereas total payment till 13th running bill reached to Rs.39.714 million with 1076.65 m3 Asphaltic Wearing Course.Therefore, the forum directed the department to produce revised PC-I to audit for verification. However, no progress has been intimated till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 125 (2019-20)

16.4.11 Non-deduction of withholding tax – Rs.17.376 million

According to Government of Khyber Pakhtunkhwa Finance Department letter No.SO(Dev-II)FD/12-6/14-5 dated 21.04.2015 all Provincial Works Departments, while preparing cost estimates of developmental projects which fall in the tax exempted areas such as PATA, shall frame the same on Market Rate System but with 7% less cost to defray the amount added in the rate analysis of all works/Construction/supply items to meet withholding tax.

During audit of accounts record of the Executive Engineer, Irrigation Division Malakand for the financial year 2019-20, it was observed that payment of Rs 248.232 million was made to various contractors for different works but neither the estimate was reduced by 7% nor was deduction made from contractors in violation of Finance Department notification.

The irregularity occurred due to non-observing the Government rules/ instructions.

When pointed out in March 2021, the Management stated that detailed reply will be submitted after scrutiny of record.

In the DAC meeting held on 19.10.2021, the management stated that Malakand Division is a tax free zone and exempted from deduction of all type of taxes. However, in light of above referred notification, PC-I was prepared on MRS-2015 by reducing @ 7%. Later on the same practice was discontinued as withholding tax was applicable on the projects formulated on MRS-2015. The forum directed to verify the same from Audit. However, Audit did not agree with the becuase provision of tax is made in each & every MRS and part of the composite rate. In case, the area is tax free zone, the composite rate should have been reduced by 7% as already included in the composite rate of each item.

Audit recommends recovery.

AP No. 80 (2019-20)

16.4.12 Non recovery of DPR charges – Rs. 1.652 million

According to Directorate of Social Welfare & Women Development Department Peshawar letter No.DAB/28/DSW/9851-72 dated 30-05-2011 and Section-11 of the Disable Person (Employment and Rehabilitation Ordinance 1981 and Rules 1991) duly endorsed by Establishment Deptt. Vide No.SOR-VI(E&AD)3-2/2006/Vol.II dated 06-12-2010, the deduction of DPR Fund for rehabilitation of disable persons from the bills/payment @ Rs. 2000/- each per million and deposit the same amount in NBP Park Road, University Town Peshawar Account No. 2626-5.

During audit of accounts record of the Executive Engineer, Irrigation Division Malakand for the financial year 2019-20,it was observed that Rs.826.734 million was paid to various contractors. However, the DPR charges @ of Rs.2000 per million i.e. Rs.1.652 were not deducted from the payments of contractors as summarized below:

(Rs. in million)

S. No.	Year	Description	Amount paid	DPR Charges
1	2019-20	ADP	487.507	0.980
2	2019-20	AM&R	41.655	0.080
3	2018-19	ADP	215.673	0.430
4	2018-19	AM&R	34.500	0.070
5	2017-18	ADP	1.40	0.002
6	2017-18	AM&R	45.999	0.090
		Total	**826.734**	**1.652**

The lapse occurred due to non-enforcement of the above rules/ instructions.

In the DAC meeting held on 19.10.2021, the Management stated that Rs.300, 656/- has been recovered from the securities of the contractors vide Transfer Entry. However, there is variation in the actual expenditure incurred and pointed out by Audit. The DAC forum directed to reconcile the figures with Audit. However, department did not provide any documentary evidence till finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 81 (2019-20)

16.4.13 Overpayment due to non-deduction of lead on carriage of Asphalt – Rs.1.125 million

According to S. No. 6-12-a, 6-12-b, 6-12-c of the Market Rate System 2015 the rate of item of 6-12-a and be include a lead of 10 Km. The lead more than 10 Km is to be paid separately for the loaded trip from the nearest asphalt plant under item No. 16-12-c.

During audit of accounts record of the Executive Engineer, Irrigation Division Malakand for the financial year 2019-20, it was observed that following items of work were carried out by M/S Anwar Construction company in the Rehabilitation/Improvement of CPR along Jalala Disty from RD 66600 to 70800 in reaches) and paid vide Voucher No9-H dated 19.9.2019.

Item of work	Rate	Quantity	Amount Rs.
Asphalt wearing course	17500	194.80 m3	3,409,000
Carriage of Asphalt	250 km/ton	7881.55	1,970,387

Audit held that overpayment of Rs.1.125 was made to the contractor due to non-deduction of 10 Km lead provided in the MRS 2015 as per detail given below:-

KM and quantity allowed	Required by deducting 10 km lead	Difference	Rate	Overpayment
L:194.80 x B: 2.31 x D:17.51. = 7881.55 quantity	L:194.80 x B: 2.31 x D:07.51 = 3379.41 quantity	4502.14 quantity	250	1125535

The lapse occurred due to weak internal controls.

When pointed out in March 2021, the Management stated that detailed reply will be submitted after scrutiny of record.

In the DAC meeting held on 19.10.2021, the Management stated that carriage allowed for total distance was approved in the Technical Sanction and no overpayment was made. The DAC forum directed that a certificate to the effect that 10 km lead has been deducted from total distance, signed by the Superintending Engineer, Irrigation Department be provided to Audit for verification.

However, no progress was intimated till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 85 (2019-20)

16.4.14 Unauthorized payment on account of dam embankment - Rs. 33.037 million

According to the approved Technical Sanction of the Construction of diversion bund of Trakha Algada to Kashu Algada Karak,the provision for an item of work provide, place and compact impervious clay core in dam embankment obtaining 95 % modified ASHTO dry density was deleted as per site requirement.

During audit of accounts of the Executive Engineer, Irrigation Division Kohat, for the financial year 2019-20, it was noticed that contract for the diversion of Tarkha Alaganda to Kashu Alaganda District Karak was awarded to M/S Tribal Global Construction and was allowed an up-to-date payment of Rs. 179.429 million till 8th running bill vide voucher No. 22-K-D dated 22.6.2020.

On scrutiny and verification of record, it was observed that a sum of Rs 33.073 million was paid to the contractor for executing Dam Embankment for a quantity of 109124 m3 as per approved PC 1 provision duly supported with initial cross section which was prepared & vetted by the Cameos consultant. However, while obtaining Technical sanction the provision of the item along with quantity approved in the PC-I/ BOQ was deleted as per site requirement. This indicated that the above mentioned item was neither required nor executed but payment was made to the contractor.

The irregularity occurred due to deviation from the approved Technical Sanction.

In the DAC meeting held on 28.12.2021, the department accorded TS for the work done that not provided in approved PC-I. However, audit contended that the works should have been done in accordance of PC-I provisions. The forum directed the department to produce within 10 days; the documents that provided basis for changing the items so that for verification so that the same could be verified from Audit. However, no such document has been produced till finalization of this report.

Audit recommends implementation of the DAC decision.

AP No. 428 (2019-2020)

Chapter 17

Mines & Mineral Development Department

17.1 (A) Introduction

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

- Geological Survey
- Development of Mineral resources and regulation of mines
- Mineral Rules
- Grant and transfer of prospecting licenses and mining leases
- Import, purchase, distribution, and price fixation of coal and coke.

Audit Profile of Mines & Minerals Development Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2020-21 (Rs in Million)	Revenue/Receipts Audited FY 2020-21 (Rs in Million)
1	Formations	42	12	580.310	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	04	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

17.1 (B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2020-21 against the total of grants/appropriation was as follows:

Non-Development;

(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
26-Mineral Development	NC21	747,525,000	44,091,000	452,611,503	452,699,056	87,553
Total		**747,525,000**	**44,091,000**	**452,611,503**	**452,699,056**	**87,553**

Development;

(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
50-Mines and Minerals	NC22	230,000,000	0	186,630,000	186,629,333	-667
Total		**230,000,000**	**0**	**186,630,000**	**186,629,333**	**-667**

Overview of expenditure against the final grant

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	452.61	452.70	0.09	0.02%
Development	186.63	186.63	0.00	0.00%
Total	**639.24**	**639.33**	**0.09**	**0.01%**

The above variance analysis indicates proper budgeting and efficient utilization of the available resources.

17.1 (C) Issues in Mines & Minerals Department

During the audit of Mines & Minerals department it was observed in through the Province that outstanding lease amounts were not recovered from lease holders and unauthorized persons. In many cases it was also observed that auction money was not deposited in the government treasury. Moreover, no punitive action was taken against these lessees to either recover the amount or cancel their lease agreements forthwith, to safeguard government interest.

17.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 1999.927 million were raised in this report during the current audit of Mines and Minerals Development Department. This amount also includes recoveries of Rs. 285.487 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	95.5
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	285.487
5	Others	1714.44

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

SNo.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
01	2014-15	Mines & Minerals	Nil	-	-	-
02	2015-16	-do-	Nil	-	-	-
03	2016-17	-do-	15	3	-	12

17.4 Audit Paras

17.4.1 Non-recovery of outstanding assessed amount from Frontier Works Organization - Rs. 14.738 million

According to Section 56 of the Khyber Pakhtunkhwa Mines & Minerals Act- 2017 amended 2019, if any person, directly or indirectly, starts prospecting, exploring or mining any mineral outside the area granted to him under a mineral title or in any area for which he has not obtained a mineral title or unauthorized transportation of minerals or if any person obstructs free access of a holder of a mineral title to the licensed or leased area or directly or indirectly tries to interfere with the prospecting or mining operations by a holder of a mineral title, he shall be punishable with imprisonment for a term of six months which may extend up to five years and with a fine of minimum five hundred thousand which may extend up to two million.

During audit of the accounts record of the office of Assistant Director Mineral Development Abbottabad for financial year 2019-20, it was observed that a sum of Rs. 14,738,956 (8,618,400 + 6,120,556) was assessed against Frontier Works Organization for un-authorized/illegal mining/ excavation/transportation of minor minerals during construction of Havelian-Dhamtour Bypass road as per Assessment Report jointly conducted by AD (Geologist), Surveyor, AD (Surveillance) and AD (Monitoring) Abbottabad.

However, no progress was made for recovery of assessed amount till date of Audit.

The lapse occurred due to weak controls over mining deposits and weak enforcement mechanism.

When pointed out in March-2021, it was replied that detailed reply will be furnished after consulting the original record.

Department was requested for DAC meeting vide letter no. Audit/DAC/Misc-II/APs/2020-21/2569, dated 13.12.2021. However, no DAC meeting was convened till finalization of the report.

Audit recommends recovery of outstanding assessed amount.

AP No. 310 (2019-20)

17.4.2 Non-recovery of outstanding assessed amounts from un-authorized persons - Rs. 56.346 million

According to Section 56 of the Khyber Pakhtunkhwa Mines & Minerals Act- 2017 amended 2019, if any person, directly or indirectly, starts prospecting, exploring or mining any mineral outside the area granted to him under a mineral title or in any area for which he has not obtained a mineral title or unauthorized transportation of minerals or if any person obstructs free access of a holder of a mineral title to the licensed or leased area or directly or indirectly tries to interfere with the prospecting or mining operations by a holder of a mineral title, he shall be punishable with imprisonment for a term of six months which may extend up to five years and with a fine of minimum five hundred thousand which may extend up to two million: provided that owner of a land may level the land or make excavation of mineral for agricultural or building purposes other than commercial mineral extraction or marketing subject to prior to approval of Director General.

During audit of the accounts record of the office of Assistant Director Mineral Development Abbottabad for the financial year 2019-20, it was observed that a sum of Rs. 56,345,775 was assessed against 06 persons for un-authorized/illegal mining/ excavation/transportation of minor minerals as detail below:

S.No.	Name of persons	Name of mineral /quantity excavated (tons)	Assessed amount Rs.	Recovery	Remarks
1	M.ZareedRiaz&Ayaz Ahmad	Limestone/14561.52	1,456,152	Nil	
2	Shakeel	Dolomite / 22800	2,280,000	Nil	
3	Bilal Khan Jadoon	Limestone / 12909	1,290,900	Nil	
4	Syed Atif Abbas	Dolomite Limestone / 798.2	119,730	Nil	
5	Muhammad Arshad		7,690,241	Nil	Under appeal and civil suit
6	Gul Agha (Afghani) C/O Munir Kamal Khan Jadoon		8,272,200	Nil	
7	Mr. Naeem Khan S/O Yousaf Khan Nelay Pair	Dolomite 352,365.49 tons	35,236,552		
		Total	**56,345,775**		

These un-authorized persons were issued notices after assessment of damages to pay their outstanding dues within 30 days but no recovery was made till date of audit.

The lapse occurred due to weak controls over mining deposits and lack of strict vigilance.

Government was put to loss of Rs. 56,345,775 due to illegal mining.

When pointed out in March-2021, it was replied that detailed reply will be furnished after consulting the original record.

Department was requested for DAC meeting vide letter no. Audit/DAC/Misc-II/APs/2020-21/2569 dated 13.12.2021. However, no DAC meeting was convened till finalization of the report.

Audit recommends recovery of assessed amount against un-authorized persons.

AP No. 311(2019-20)

17.4.3 Non-recovery of outstanding dues against lease holders- Rs. 17.668 million

According to Section 77 of the Khyber Pakhtunkhwa Mines & Minerals Act- 2017, on the surrender, expiry, or determination of a mineral title, the licensee or the lessee, as the case may be, shall be responsible for payment of all outstanding dues and other charges which, in the event of non-payment, shall be recoverable as arrears of land revenue.

During audit of the accounts record of office of Assistant Director Mineral Development Abbottabad for the financial year 2019-20, it was observed that 13 Nos. mining leases were granted to different lease holders for Soapstone, Barayt, Phosphate, Red Oxide, Dolomite, Laterite, Marble and Fire Clay.

Further scrutiny of record revealed that a sum of Rs. 17,668,157 was outstanding against them on account of Annual Rent, Royalty, Fine and others. These lease holders failed to deposit their outstanding dues till the date of Audit.

The lapse occurred due to weak internal controls and lack of strict enforcement of applicable rules.

Government exchequer has been deprived of Rs. 17,668,157.

When pointed out in March-2021, it was replied that detailed reply will be furnished after consulting the original record.

Department was requested for DAC meeting vide letter no. Audit/DAC/Misc-II/APs/2020-21/2569, dated 13.12.2021. However, no DAC meeting was convened till finalization of the report.

Audit recommends recovery of outstanding Govt. dues from lease holders.

AP No. 314 (2019-20)

17.4.4 Loss due to under reporting of production by lease holders- Rs. 1.618 million

According to Section 48(1) of Khyber Pakhtunkhwa Mines & Minerals Act-2017, if it is discovered that the holder of a mineral title has under-reported mineral production, the Licensing Authority shall charge royalty up to ten times the notified rate, on the quantity of mineral under-reported, forfeit the security deposit and performance guarantee and may also cancel the mineral title; provided that no action under this section shall be taken without giving an opportunity of hearing to the holder of mineral title.

During audit of the accounts record of the office of Assistant Director Mineral Development Abbottabad for the financial year 2019-20, it was observed that upon comparison of production reports submitted by Lease Holders and record of Salhad check post it was revealed that Lease Holders under reported production to local office for the following minerals:

S.#	Name of Mineral	Production report as per leaseholder (Tons)	Production report as per Salhad Check Post (Tons)	Diff (Tons)	Rate (Rs.)	Amount (Rs.)
1	Phosphate	92,311	109,643	-17,332	80	1,386,560
2	Coal	1934	3348	-1414	100	141,400
3	Magnesite	1712	2028	-316	50	15,800
4	Laterite	675	1928	-1253	60	75,180
Total						**1,618,940**

Audit therefore, held that this underreporting resulted into loss of Rs. 1,618,940 to government.

The lapse occurred due to weak internal controls in the form of oversight and supervision.

Government received less revenue of Rs 1,618,940.

When pointed out in March-2021, it was replied that detailed reply will be furnished after consulting the original record.

Department was requested for DAC meeting vide letter no.Audit/DAC/Misc-II/APs/2020-21/2569, dated 13.12.2021. However, no DAC meeting was convened till finalization of the report.

Audit recommends recovery of Rs. 1,618,940 from leaseholders and necessary action against them.

AP No. 316 (2019-20)

17.4.5 Non-recovery of outstanding dues against illegal mining - Rs. 10.381 million

According to Section 56 (2 & 4) read with Section 89 of Mineral Act 2017, the Licensing Authority shall appoint a Technical Committee to assess the losses incurred due to obstruction, hindrance, or closure of the prospecting exploration or mining operations caused by any person, and shall proceed to recover the assessed losses from such person, which in case of default shall be recovered as arrears of land revenue.

During audit of the accounts record of the office of Assistant Director Mineral Development Abbottabad for the financial year 2019-20, it was observed that one Mr. Qazi Muhammad Munawar of Dodial was granted Prospecting License over an area of 49.42 acres for Limestone (File No. MDW/AD/PL-Limestone (181)1991) vide work order dated 27.02.2000. Later on the Prospecting License was converted into Mining Lease and renewed up to 18.09.2019. But meantime Qazi Muhammad Munawar passed away and the lease was transferred to his legal heirs Qazi Muhammad Usman after issuance of succession certificate by the Court. Meanwhile, the lease of another area of 97.369 acres adjacent to 49.42 acres granted to Uzair Khan in the name of M/S Sherwan Mining Enterprises who was also the legal heir of Qazi Muhammad Munawar (late). After demarcation of land, M/S Sherwan submitted complaint about illegal encroachment of mining since long made by Qazi Muhammad Usman.

The Department upon complaint visited the area and found the illegal involvement in mining of Limestone through committee and also assessed 130,806.96 tons of limestone worth Rs. 10,380,600/- extracted and transported before grant of the actual area. The department also wrote a letter in this connection to stop all kind of mining operation/transportation of mineral Limestone.

The lapse occurred due to weak internal controls over mining deposits and lack of oversight.

Government sustained loss of Rs. 10,380,600/- due to unauthorized mining.

When pointed out in March-2021, it was replied that detailed reply will be furnished after consulting the original record.

Department was requested for DAC meeting vide letter no.Audit/DAC/Misc-II/APs/2020-21/2569, dated 13.12.2021. However, no DAC meeting was convened till finalization of the report.

Audit recommends that recovery be made from the person(s) involved besides fixing responsibility for negligence.

AP No. 318 (2019-20)

17.4.6 Loss due to non-recovery of illegal mining - Rs. 45.834 million

According to Section 56 of the Khyber Pakhtunkhwa Mines & Minerals Act- 2017 amended 2019, if any person, directly or indirectly, starts prospecting, exploring or mining any mineral outside the area granted to him under a mineral title or in any area for which he has not obtained a mineral title or unauthorized transportation of minerals or if any person obstructs free access of a holder of a mineral title to the licensed or leased area or directly or indirectly tries to interfere with the prospecting or mining operations by a holder of a mineral title, he shall be punishable with imprisonment for a term of six months which may extend up to five years and with a fine of minimum five hundred thousand which may extend up to two million.

During audit of the accounts record of Assistant Director Mineral Development Abbottabad for the financial year 2019-20, it was observed that Mr. Munir Kamal of Abbottabad had mining lease in the name of his father (late) Mir Kamal Jadoon Vide No. MDW/AD/ML-Limestone(22)/91; but there were ten (10) crush plants illegally installed outside the granted lease area. For the purpose, an assessment team visited the subject area to assess the loss and quantum of illegal excavated limestone. The team pointed out three points/quarries outside the appellant's lease area. As per quarries/points No. 1 & 2, the material excavated by different persons with the permission and consent of Munir Kamal who provided transit challans to the vehicles transporting crush etc. while quarry No.3 was developed by himself (Munir Kamal) who was directly involved in illegal mining and transportation(detail below).

Point-1			
Total Excavation out of the leased area:	290,450.872 Tons		
After Deduction of waste @10%:			261,405 Tons
Point-2			
Total Excavation out of the leased area:	214,439.4 Tons		
After Deduction of waste @10%:			192,996 Tons
Point-3			
Total Excavation out of the leased area:	144,925.2 Tons		
After Deduction of waste @50%:			72,462 Tons
Net Total illegal excavation of Limestone			526,833 Tons
Value of illegal excavation of Limestone @ Rs. 100 per ton			Rs. 52,683,300
Less			
1. Royalty paid against 526,833 tons @ Rs. 10/ton		Rs. 5,268,330	
2. Excise Duty paid against 256,833 tons @ Rs. 3/ton		Rs. 1,580,499	
Total Royalty & Excise Duty paid:			(Rs. 6,848,829)
Net assessed amount payable			Rs. 45,834,471

The lapse occurred due to weak oversight of mining operations.

When pointed out in March-2021, it was replied that detailed reply will be furnished after consulting the original record.

Department was requested for DAC meeting vide letter no.Audit/DAC/Misc-II/APs/2020-21/2569, dated 13.12.2021. However, no DAC meeting was convened till finalization of the report.

Audit recommends recovery from the defaulters and deposit into public exchequer.

AP No. 321(2019-20)

17.4.7 Loss due to non-recovery of illegal mining - Rs. 35.237 million

According to Section 56 of the Khyber Pakhtunkhwa Mines & Minerals Act- 2017 amended 2019, if any person, directly or indirectly, starts prospecting, exploring or mining any mineral outside the area granted to him under a mineral title or in any area for which he has not obtained a mineral title or unauthorized transportation of minerals or if any person obstructs free access of a holder of a mineral title to the licensed or leased area or directly or indirectly tries to interfere with the prospecting or mining operations by a holder of a mineral title, he shall be punishable with imprisonment for a term of six months which may extend up to five years and with a fine of minimum five hundred thousand which may extend up to two million.

During audit of the accounts record of Assistant Director Mineral Development Abbottabad for the financial year 2019-20, it was observed that an area measuring 196.17 acres was leased out to Mr. Aurangzeb Khan Jadoon for Dolomite vide allotment letter dated 18.08.2006 under File No. MDW/AD/ML-Dolomite (10)/2007.

Scrutiny of record revealed that Naeem Khan S/O Muhammad Yousaf Khan R/O Feroz Abad, village Vile Pair, Mansehra Road Abbottabad illegally excavated and transported Dolomite measuring 352,365.49 metric ton (302,440.26 + 49,925.23 m.ton) valuing Rs. 35,236,552. The defaulter was directed time and again to deposit assessed amount, but he failed to deposit the same in Government Treasury.

The lapse occurred due to weak controls over mine deposits and lack of strict vigilance and enforcement.

Government exchequer was deprived of Rs. 35,236,552 due to unauthorized mining.

When pointed out in March-2021, it was replied that detailed reply will be furnished after consulting the original record.

Department was requested for DAC meeting vide letter no.Audit/DAC/Misc-II/APs/2020-21/2569, dated 13.12.2021. However, no DAC meeting was convened till finalization of the report.

Audit recommends recovery of outstanding assessed amount as arrears of land revenue under the Land Revenue Act.

AP No. 323 (2019-20)

17.4.8 Non-recovery of government dues against judgement of Appellate Tribunal – Rs. 31.787 million

According to Clause-77 of the Khyber Pakhtunkhwa Mines and Minerals Act, 2017, on the surrender, expiry, or determination of a mineral title, the licensee or the lessee, as the case may be, shall be responsible for payment of all outstanding dues and other charges which, in the event of non-payment, shall be recoverable as arrears of land revenue.

As per clauses 5.1 to 5.3 of the agreement signed between Director General Mines & Mineral and lessee, M/s Fazal Kareem & Co., the lessee shall be bound to deposit auction money, surface rent, social uplift, and all the Government dues.

During audit of the accounts record of Assistant Director, Mineral Development Swat for the financial year 2020-21 revealed that Emerald Mine covering 182 acres area situated at Mingora swat was auctioned on 12.10.2010 for ten years. The agreement of Mining lease with lessee M/S Fazal Karim & Co. was executed on 04.06.2011 with the expiry date of December-2020.

Further scrutiny revealed that an amount of Rs. 31,787,476 was outstanding against the lessee as per details given below.

Rs.

S. #	**Description**	**Already Paid amount up to May21**	**Total outstanding dues since start up to May'21**	**Amount paid after May' 2021**	**Total amount paid up to June'21 (A + C)**	**Net Outstanding dues recoverable up to June'21**
		A	B	C	D	E
1	Surface rent	1,408,000	20,021,601	4,062,125	5,470,125	14,551,476
2	Social uplift	3,584,000	5,120,000	0	1,536,000	1,536,000
3	Annual rent	0	18,200,000	2,500,000	2,500,000	15,700,000
					Total	**31,787,476**

The Secretary, Mines & Mineral KP, being the Appellate Tribunal, in its judgment dated 31.05.2021 ordered that if the lessee failed to deposit the outstanding dues within one-month up to June, 2021 then the lessee should be blacklisted. But neither the contractor fully deposited the government dues up to the period allowed nor the company blacklisted.

The failure of management to recover government dues from the lessee as arrears of land revenue in pursuance of provisions of agreement, Act and Judgments resulted in non-generation of government revenue.

The lapse occurred due to non adherence to provision of contract agreement and applicable rules.

Government received less revenue of Rs. 31,787,476 due to this lapse.

When pointed out in September, 2021 it was replied that the company will be asked to clear all government dues. The case of blacklisting will be processed by approaching the quarters concerned.

Department was requested for DAC meeting vide letter no.Audit/DAC/Misc-II/APs/2020-21/2569, dated 13.12.2021. However, no DAC meeting was convened till finalization of the report.

Audit recommends recovery of Government dues from the person (s) at fault besides blacklisting the company.

AP No. 44 (2020-21)

17.4.9 Non-Recovery of assessed mineral value on account of illegal mining – Rs. 95.5 million

According to Clause-62 of the Khyber Pakhtunkhwa Mines and Minerals Act, 2017, the offences specified in Schedule-V and Schedule-VI shall be liable to punishment by way of imprisonment, fine, seizure, forfeiture, confiscation, impounding, and such other penalties as are provided in this Act.

During audit of the accounts record of Assistant Director Mineral Development Swat for financial year 2020-21, it was revealed that a sum of Rs. 95,500,000 was imposed on account of assessed mineral value due to carrying out illegal mining activities by various offenders during 2020-21. Detail is given in annexure XV.

Audit observed that no amount was recovered from the defaulters till date of Audit i.e; September, 2021.

The lapse occurred due to violation of applicable provisions of Khyber Pakhtunkhwa Mines and Minerals Act, 2017.

Government was put to loss of Rs 95.5 million due to non realization of assessed value due to unauthorized mining.

When pointed out in September, 2021 it was replied that efforts will be made for recovery of the assessed amount from the defaulter as early as possible.

Department was requested for DAC meeting vide letter no.Audit/DAC/Misc-II/APs/2020-21/2569, dated 13.12.2021. However, no DAC meeting was convened till finalization of the report.

Audit recommends recovery of assessed value of minerals illegally excavated from the person (s) at fault.

AP No. 46 (2020-21)

17.4.10 Non-deposit of government dues – Rs. 30.99 million

According to Clause-77 of the Khyber Pakhtunkhwa Mines and Minerals Act, 2017, on the surrender, expiry or determination of a mineral title, the licensee or the lessee, as the case may be, shall be responsible for payment of all outstanding dues and other charges which, in the event of non-payment, shall be recoverable as arrears of land revenue.

During audit of the accounts record of Assistant Director Mineral Development Swat for financial year 2020-21, it was observed that the lease agreement with lessee M/S Fazal Karim & Co. expired in Dec-20 therefore, the Secretary, Mines & Mineral, KP being Appellate authority, ordered on 02-12-2020 that since it was not advisable to keep the mine idle during the said period, the applicant (M/S Fazal Karim) was allowed mining subject to the condition that the applicant/lessee shall be charged on the basis of new rates to be determined through mutual negotiation. The rates shall be applicable w.e.f 06.12.2020.

Audit observed that Rs.30, 997,234was due against the lessee on various accounts but not deposited till date of audit i.e. September, 2021. Detail is given below:

Rs.

S.#	Amount due on a/c of	Period	Months/Days	Outstanding Dues
1.	Reserved Price	Dec-20 to Aug-21	08 months & 14 days	24,205,480
2.	1/10 of Reserved Price	-do-	-do-	3,750,000
3.	Annual Rent	-do-	-do-	1,281,480
4.	Surface Rent	-do-	-do-	600, 866
5.	Social Uplift	-do-	-do-	1,760,274
			Total	**30,997,234**

The lapse occurred due to weak enforcement of contract clauses.

Government exchequer was deprived of Rs 30,997,234 due to the lapse.

When pointed out in September, 2021 it was replied that the company will be directed to clear and deposit the entire outstanding amount as soon as possible.

Department was requested for DAC meeting vide letter no.Audit/DAC/Misc-II/APs/2020-21/2569, dated 13.12.2021. However, no DAC meeting was convened till finalization of the report.

Audit recommends recovery of Government dues.

AP No. 47 (2020-21)

17.4.11 Non-recovery of outstanding assessed amount from Ghulam Sarwar – Rs .1.953 million

According to Section 56 read with 68(1) of the Khyber Pakhtunkhwa Mines & Minerals Act- 2017 amended 2019, if any person, directly or indirectly, starts prospecting, exploring or mining any mineral outside the area granted to him under a mineral title or in any area for which he has not obtained a mineral title or unauthorized transportation of minerals or if any person obstructs free access of a holder of a mineral title to the licensed or leased area or directly or indirectly tries to interfere with the prospecting or mining operations by a holder of a mineral title, he shall be punishable with imprisonment for a term of six months which March extend up to five years and with a fine of minimum five hundred thousand which may extend up to two million.

During audit of the accounts record of office of Assistant Director Mineral Development Abbottabad for financial year 2020-21, it was observed that a sum of Rs.1,953,000/-was assessed against one Mr.Ghulam Sarwar for renewal of mining lease over an area of 499.48 Acres under different heads such as:

- Rs.50,000/- as non-creation of cemented boundary pillars,
- Rs.24, 000/- as remaining conversion fee.
- Rs.1, 000,000/- as annual rent for the period from January 2013 to December 2021.
- Rs.720, 000/- as fine for non-payment of annual rent for the period from January 2017 to December 2021.
- 15,000/- as dead rent for the period from January 2018 to December 2021.
- Rs.144, 000/- as fine due to non-submission of monthly production returns for the period from January 2018 to July 2021.

However, there was no evidence of the payment made by the lessee till date of audit.

The lapse occurred due to weak controls over mining deposits and lack of strict enforcement.

Government was put to loss due to non receipt of Rs.1, 953,000/-

When pointed in October 2021, it was intimated vide letter No.2426/MDW/ AD/Audit/2020-21 dated: 15/10/2021 that detail reply of the observations will be submitted shortly after consulting the relevant record.

Department was requested for DAC meeting vide letter no. Audit/DAC/Misc-II/APs/2020-21/2569, dated 13.12.2021. However, no DAC meeting was convened till finalization of the report.

Audit recommends recovery of assessed amount in lieu of un-authorized mining.

AP No.93 (2020-21)

17.4.12 Non-recovery of outstanding assessed amount as per court judgment - Rs. 4.68 million

According to Section 56 read with 68(1) of the Khyber Pakhtunkhwa Mines & Minerals Act- 2017 amended 2019, if any person, directly or indirectly, starts prospecting, exploring or mining any mineral outside the area granted to him under a mineral title or in any area for which he has not obtained a mineral title or unauthorized transportation of minerals or if any person obstructs free access of a holder of a mineral title to the licensed or leased area or directly or indirectly tries to interfere with the prospecting or mining operations by a holder of a mineral title, he shall be punishable with imprisonment for a term of six months which may extend up to five years and with a fine of minimum five hundred thousand which may extend up to two million.

According to court judgment dated:30.10.2018, the department was directed to recover all outstanding government dues including assessed amount of Rs.4,685,376/- for excavated material, from the appellant.

During audit of the accounts record of the office of Assistant Director Mineral Development Abbottabad for the financial year 2020-21, it was observed that a sum of Rs.4,685,376/-was assessed against Mr.Wali Muhammad for the reason that he was granted prospecting license of dolomite over an area of 50.00 acre. Work order was issued on 30.03.2009 and the prospecting license was valid up to 29.01.2013. He applied for conversion of prospecting license into mining lease on 10.12.2010 but due to involvement in illegal mining from the adjacent areas costing Rs.4,685,376/-, his conversion request was turned down by the authority. Further mining title committee (MTC) in its meeting held on 19.02.2018 cancelled his prospecting license due to involvement in illegal mining.

Being aggrieved with the decision of MTC dated 19.02.2018 he filed an appeal with appellate court but it was also decided against him vide judgment dated 30.10.2018 and the department was directed to recover the outstanding government dues including assessed amount of Rs.4,685,376/- for excavated material, from the appellant, which was not recovered till date of audit i.e. 14.10.2021.

The lapse occurred due to weak internal control and non-adherence to the decision of appellate court.

Government was deprived of Rs. 4,685,376/- due to non recovery.

When pointed in October 2021, it was intimated vide letter No.2426/MDW/ AD/Audit/2020-21 dated 15/10/2021 that detailed reply to the observations will be submitted shortly after consulting the concerned record.

Department was requested for DAC meeting vide letter no.Audit/DAC/Misc-II/APs/2020-21/2569, dated 13.12.2021. However, no DAC meeting was convened till finalization of the report.

Audit recommends recovery of assessed amount as per appellate court decision.

AP No. 92 (2020-21)

17.4.13 Non-deposit of auction money - Rs. 21.733 million

According to the clause 02 of the right of the excise duty collection agreement, the lessee is bound to deposit the remaining 75% of the auction money in 07 equal installments as per schedule given in clause.

During audit of the accounts record of office of the Chief Commissioner Mines Labor Welfare KP for Financial Year 2018-19, it was noticed that agreement for award of right for collection of excise duty on minerals in Peshawar Division was executed with Mr. Khan Pervez s/o Mian Muhammad Hayat being the highest bidder amounting to Rs. 40.570 million. But the lessee only deposited 25 % advance auction money in 02 installments as detailed below and did not deposit a sum of Rs.21, 733,928/- in the govt. treasury.

Rs.

Description	Amount
Bid amount	40,570,000
Less: 25% Advance auction money deposited vide challan no. 70 dated.29.11.2018	10,142,500
Less: 1st and 2nd installment vide challan nos.64 dated. 15.04.2019 and 39 dated 15.07.2019	8,693,572
Total	**21,733,928**

The lapse occurred due to weak internal controls in the form of Bank guarantees or any other mechanism which could have ensured deposit of the remaining amount.

Provincial exchequer was deprived of Rs 21,733,928 due to non-deposit of auction money.

In DAC meeting held on 22.09.2021, department admitted the lapse and it was decided that the lessee be declared defaulter and necessary action be taken within two months against the lessee to recover the outstanding amount.

But no progress was shared with audit till finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 10 (2018-19)

17.4.14 Non-deposit of advance income tax and professional duty - Rs. 4.08 million

According to the provisional work order addressed to the lessee Mr.Khan Pervez S/O Mian Muhammad Hayat for award of right for collection of excise duty on minerals in Peshawar Division, read with clause 04 of the agreement to deposit a sum of Rs. 4,057,000/- @ 10% of the bid money as advance withholding tax immediately. Moreover, Rs.30, 000 shall be deposited as professional tax of the total bid money.

During audit of the accounts record of office of the Chief Commissioner Mines Labour Welfare KP for Financial Year 2018-19, it was observed that provisional work order for award of right for collection of excise duty on minerals in Peshawar Division was addressed to Mr.Khan Pervez S/O Mian Muhammad Hayat being the highest bidder. But advance withholding tax amounting to Rs. 4,057,000/- @ 10% of the bid value and professional tax amounting to Rs. 30,000 was not deposited in the govt. treasury/tax department in clear violation of the offer letter and lease agreement.

The lapse occurred due to non-adherence to the provisions of contract agreement.

Government exchequer was deprived of Rs. 4,087,000 due to non-deposit of advance withholding income tax and professional tax.

In DAC meeting held on 22.09.2021, department admitted the lapse and it was decided that the lessee be declared defaulter and necessary action be initiated within 02 months against the defaulter for recovery of taxes.

However, no progress was shown to audit till finalization of the report.

Audit recommends implementation of DAC decision.

AP No. 11 (2018-19)

17.4.15 Non-deposit of auction money - Rs. 8.57 million

According to the clause 02 of the right of the excise duty collection agreement, the lessee is bound to deposit the remaining 75% of the auction money in 07 equal installments as per schedule given in clause.

During audit of the accounts record of office of the Chief Commissioner Mines Labor Welfare KP for Financial Year 2018-19, it was observed that agreement for award of right for collection of excise duty for minerals in D.I.Khan Division was executed with Mr. Mushtaq khan S/O Ameer Muhammad Ayub khan being the highest bidder amounting to Rs. 14.7 million. But the lessee only deposited 25 % advance auction money and 02 installments as detailed below and failed to deposit a sum of Rs. 8,575,000/- in the govt. treasury

Rs.

Description	Amount
Bid amount	14,700,000
Less: 25% Advance auction money deposited dated.09.07.2018	-3,675,000
Less: 1st and 2nd installment vide challan dated. 18.09.2018 and dated 14.11.2018	-2,450,000
Total	**8,575,000**

The lapse occurred due to weak internal controls in the form of bank guarantees or any other mechanism which could force the lessee to deposit full amount.

Provincial exchequer was deprived of Rs 8,575,000 due to non deposit of auction money by the lessee.

In DAC meeting held on 22.09.2021, department admitted the lapse and it was decided that effective measures be adopted by department within 02 months for declaring the lessee as defaulter and for recovery of the remaining amount.However, no progress was reported to audit till finalization of this report.

Audit recommends implementation of DAC decisions.

AP No. 13 (2018-19)

17.4.16 Loss to the government due to non deposit of advance income tax and professional duty - Rs. 1.49 million

According to offer letter addressed to the lessee Mr. Mushtaq Khan S/O Ameer Muhammad for award of right for collection of excise duty on minerals in D.I.Khan, read with clause 04 of the agreement to deposit a sum of Rs. 1,470,000/- @ 10% of the bid money as advance withholding tax with the Taxation Department and submit bank challan to this office immediately. Moreover, Rs.25, 000 shall be deposited as professional tax of the total bid money with the taxation department.

During audit of the accounts record of office of the Chief Commissioner Mines Labour Welfare KP for Financial Year 2018-19, it was noticed that offer letter for award of right for collection of excise duty on minerals in D.I.Khan Division was addressed to Mr. Mushtaq Khan S/O Ameer Muhammad being the highest bidder. But advance withholding tax amounting to Rs. 1,470,000/- @ 10% of the bid value and professional tax amounting to Rs. 25,000 was not deposited in the govt. treasury/tax department in clear violation of the offer letter and lease agreement.

The lapse occurred due to non-adherence to the provisions of contract agreement and non compliance of Income tax ordinance.

During DAC meeting on 22.09.2021, department admitted the lapse and delay; and it was decided that effective measures be adopted within 02 months for declaring the lessee defaulter and for full recovery of outstanding dues.

Audit recommends implementation of DAC decision.

AP No. 15 (2018-19)

Chapter 18

PLANNING & DEVELOPMENT DEPARTMENT

18.1 A) Introduction

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

- ❖ Planning development and control of industries, including cottage industries.
- ❖ Industrial Research
- ❖ Industrial training (including training of demonstration parties).
- ❖ Industrial exhibition within the country.
- ❖ Survey of industries.
- ❖ Trade and commerce, within the Province, including Government commercial undertakings, Merchandise Marks Act, railway freight, import and export, trade control, capital issue, Insurance Act, Registration of Accountants, Auditors Certificate Rules, Partnership Act, trade condition reports, trade enquiries and agreements.
- ❖ All cases relating to Boilers Act, Patent and Designs Act, Explosive Act and Companies Act.
- ❖ Registration of Joint Stock Companies, Firms, Societies.
- ❖ Store Purchase Department, purchase of stores and capital goods including stores for Government Presses and Public Works Department.
- ❖ The Provincial Advisory Panels for Industries and Minerals.
- ❖ Chambers and Associations of Commerce and Industry.

Audit Profile of Planning & Development Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2020-21 (Rs in Million)	Revenue/Receipts Audited FY 2020-21 (Rs in Million)
1	Formations	13	01	4,875.520	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	11	07	2443.398	N/A

18.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2020-21 is given below:

Non-Development;

(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
04-Planning and Development and Bureau of Statistics	NC21	468,934,000	154,624,000	564,193,526	572,436,542	8,243,016
Total		**468,934,000**	**154,624,000**	**564,193,526**	**572,436,542**	**8,243,016**

Development;

(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
51-Rural and Urban Development	NC12 & NC 22	25,230,000,000	1,336,668,000	26,566,668,000	23,452,924,581	-3,113,743,419
Total		**25,230,000,000**	**1,336,668,000**	**26,566,668,000**	**23,452,924,581**	**-3,113,743,419**

Overview of expenditure against the final grant;

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	564.194	572.437	8.243	1.46%
Development	26,566.668	23,452.925	(3,113.743)	-11.72%
Total	**27,130.862**	**24,025.361**	**(3,105.500)**	**-11.45%**

It can be seen from the above variance analysis that the budgets could not be utilized and 11.45% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and many plans might have been left unachieved.

18.1 (C) Issues in the Planning & Development Department

The main issue in the planning and development department was that they incurred millions of expenditure of regularized projects out of ADP. Some of the projects have not achieved their objectives and have been given un-justified extensions.

18.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 281.262 million were raised in this report during the current audit of Planning & Development Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	24.84
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	246.482

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

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2001-02	Planning & Development	08	06	-	02
2.	2003-04	-do-	04	03	-	01
3.	2004-05	-do-	08	02	-	06
4.	2007-08	-do-	05	01	-	04
5.	2008-09	-do-	08	05	-	03
6.	2011-12	-do-	10	05	-	05
7.	2012-13	-do-	24	11	-	13
8.	2013-14	-do-	02	01	-	01
9.	2014-15	-do-	03	01	-	02
10.	2015-16	-do-	00	00	-	00
11.	2016-17	-do-	00	00	-	00

18.4. Audit Paras

18.4.1 Wastage of money due to unjustified extension of capacity building project with unsatisfactory performance

According to Para (5), page 3 of the approved PC-I, Capacity Building Project (CBP) of the P&D Department Phase-II has been prepared with the objectives to strengthen the overall working capacity of the P&D Department through appropriate staff, equipment and skill development.

During audit of the accounts record of Secretary to Government of Khyber Pakhtunkhwa Planning & Development Department for the financial year 2019-20, audit observed that:

- That the project CBP was initiated in the year 2011 with a total cost of Rs.253.580 million for the period 2011-2014.
- That the life span and total cost of the CBP was enhanced in 2nd revised PC-I to 732.404 million with completion in 2020; which was followed by 3rd revision, that increased the total cost up to Rs.838.735 million and life span up to 2018-22.
- Main objective of the project was to strengthen the working capacity of the P&D department through appropriate staff, equipment and skill development besides logistic support.
- However, the project only provided logistic support in terms of financial resources, and apparently compromised other objectives such as provision of appropriate staff and skill development, which was the basic theme of the CBP.
- No detail was found on record regarding Human resource development.
- The project could not achieve its goals and objectives within targeted time, which led to increase in cost and life span.
- The project had only Project Director BPS-19, Accounts Officer with 3 supporting staff, while the rest of employees (about 73) were class-IV staff with cost of Rs.14, 034,779/- in pay and allowances during 2019-20.
- Despite sufficient budget under every object head; bills of main P&D worth millions of rupees were processed under CBP during every month in 2019-20, as no pre-audit system was present.

The lapse occurred due to non adherence to PC-1 provisions and financial mismanagement.

In the DAC meeting held on 30.11.2021, department submitted a lengthy written reply regarding the project and activities undertaken, but it could not establish it through any documentary evidence. Therefore, it was DAC decided that reply be revised, supported by documentary evidence and produced to audit within 15 days. However, no supporting document was shared with audit by the time of finalization of this report which could justify and verify the huge expenditure of CBP in line with PC-1 objectives.

Audit recommends implementation of DAC decision.

AP No. 348 (2019-20)

18.4.2 Irregular expenditure on hiring of vehicles - Rs. 30.163

According to section 9 of PC-1 of the National Multiple Indicator Cluster Survey Khyber Pakhtunkhwa regarding the Logistic Arrangement for the field operations for data collection; there will be 32 team supervisors, an editor supported with one male and four female enumerators. Each team will be provided 15 seated hired vehicles model not less than 2015.

During audit of the accounts record of Project Multiple Indicator Cluster Survey (MICS) Khyber Pakhtunkhwa under Secretary P & D for the financial year 2019-20, it was observed that an amount of Rs. 33,163,620 was paid to VIP Afridi transport service as transportation charges. Audit held the payment irregular on the following grounds.

- Specification of the vehicles, model, number, type etc was not provided to audit for verification.
- The contract agreement was not available to verify the period for hiring.
- In tender the period was 03 months but bills were paid for 04 months.
- Some of the bills did not contain original voucher of the supplier to verify the month and team.
- Taxes were not properly deducted at uniform rate, questioning the pre audit system in force.
- Rs.2,583,980 was paid for pick and drop facility which was not provided in PC-1

The Lapse occurred due to weak financial management.

In the DAC meeting held on 30.11.2021, department did not produce any documentary evidence in support of all the audit observations. DAC decided that every observation mentioned in audit Para be responded with documentary evidence which was not available. Therefore, it was marked for verification. However, department did not produce any record to audit by the time of finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 353 (2019-20)

18.4.3 Un-justified enhancement in cost and non achievement of PC-1objectives – Rs. 160.795 million

Para-11 of GFR provides that each head of the department is responsible for enforcing financial orders, strict economy at every step and observing all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

During audit of the accounts record of Secretary Planning & Development Department Peshawar, for the financial year 2019-20, it was observed that PC-I of the scheme titled "Development of Regional GDP/Economic Indicator (BOS)" was approved with a cost of Rs 116.987 million on 7/05/2012 by the PDWP. The completion period of the scheme was 30-06-2019.

During 2014, 1st revision was approved in the scheme by the competent forum PDWP on 3/2/2014 the cost of the scheme was reduced to 110.316 million. Astonishingly 2nd revision was made in the PC-I and the cost of the scheme was enhanced to 165.946 million however the scheme was not completed till 30th June, 2020 and the project objectives were left outstanding.

The 3rd revision was made in the PC-I and the cost was enhanced directly from 165.946 million to 326.741 million which was un-justified.

Audit held that repeated revision in PC-1 and its cost enhancement without any measurable achievement of PC-1 objectives should be justified.

The lapse occurred due to weak internal controls.

In the DAC meeting held on 30.11.2021, the Para was marked for verification of documents justifying the revision, project achievement, and progress, minutes of the meetings, and competent forum approval. However, no documentary evidence was produced to audit for verification till finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 364 (2019-20)

18.4.4 Irregular expenditure on account of purchase of software - Rs. 34.840 million.

According toPara 23 of GFR Vol-I, every government officer will be personally responsible for any loss or fraud on his part or on the part of his subordinate.

During test audit of the accounts record of the "Telemedicine Project" by Planning and Development department for FY 2019-20, it was observed that telemedicine software (MD Consults.org) was purchased on much higher rate than the first approved PC-I. In the first approved PC-I a sum of Rs. 7.749 million were provided but the procurement actually cost Rs. 34.840 million, paid vide cheque no. 1630549 dated 16.05.2018 in advance without approval of the competent forum. The PDWP in its meeting held on 17.01.2020 under the chairmanship of the ACS decided to revise the PC-I to get the project ongoing and decided that independent internal inquiry in light of the M&E P&D observation may be conducted and responsibility be fixed in the irregularities occurred in the procurement. The forum further stated that approval of revised PC-I does not mean that the forum has endorsed the irregularities in the procurement process and execution of the project.

The following irregularities were noticed which was also pointed out by the M&E P&D.

1. Extra ordinary expensive software "MD consults.org" to the tune of Rs. 34.840 million has been procured in the project. The original services provider "Tech4life enterprises" provides the same software in very low pricesi.e cost of its highly advance plan for scaling Tele-Medicines network is only $ 499.99 per month which makes approximately Rs.0.07millon per month, Rs.0.084 million with the Tele-Medicines project.

2. Dr. Shariq Khoja is MD Ph.D and Chief Executive of Tech4life Enterprise who was hired as a consultant, despite the fact that master degree in the field of IT/Computer sciences was the requirement of position/individual consultant. The consultant has given the idea that hardware based system is expensive which may be converted to low price web based software system. Therefore, the project's scope of work was changed by the Management. Due to conversion from hardware based system to software based system the cost of the project was not reduced.

3. Features of the software and required hardware were already known for which the M/S Micro Grind Mineral (MGM) distributor in Pakistan of the Tech4life was engaged in dummy procurement process. The Consultant M/S Shariq Khoja was not member of the procurement committee but has participated in the bid opening on 06.11.2017 and subsequent meeting on 07.11.2017. Moreover, the bids were also evaluated by the consultant who was not a member.

4. M/S ShariqKhoja was the Chief Executive of Tech4life whose distributor in Pakistan was M/S MGM and he was hired as consultant of the project who changed the scope of the project by converting it from hardware based system to software based system showing conflict of interest.

The lapse occurred due to weak project management.

In the DAC meeting held on 30.11.2021, it was decided that department will produce all the relevant documents mentioned in their reply including inquiry report and ACS decisions.

However, no document was produced to audit till finalization of this report.

Audit recommends implementation of DAC decision.

AP No. 365 (2019-20)

18.4.5 Irregular expenditure of regularized projects - Rs. 155.464 million

As per Khyber Pakhtunkhwa Regularization Act 2018, project means a perpetual nature project, the continuation of which and conversion to regular budget is essential for service delivery duly identified by the Departments and reflected in the Schedule. As per the regularization act several projects were regularized whose detail is attached in schedule 2 of this act.

During the audit of accounts record of Secretary Planning & Development Department Khyber Pakhtunkhwa for the financial year 2019-20, it was noticed that several projects were regularized through Khyber Pakhtunkhwa Employees Act 2018, but the same projects were still meeting their contingent expenditure from ADP. Detail of Projects is given below:

Rs.

Project Description	Cost center	Original Budget	Final Budget	Progressive Exp
PR14100586-Capacity building of Planning & Development Department (Phase-II).	PR5829	90,000,000	100,000,000	100,000,000
PR14100588-Establishment of M&E System in Khyber Pakhtunkhwa	PR5829	50,000,000	49,100,000	26,174,417
PR14100589-"Re-organization of SDU, P&D Department"	PR5829	30,000,000	8,336,000	6,107,555
PR5900 - Urban Policy Unit (UPU) (Reg Act)	PR5900	26,420,000	19,863,276	23,182,489
Total		**196,420,000**	**177,299,276**	**155,464,461**

Audit is of the view that millions of budget of these projects are used as a safe cushion for meeting regular expenses of Planning and Development Department. The employees of these projects have been regularized, these projects should be closed, and no further budget should be given to them.

In the DAC meeting held on 30.11.2021, Para was recommended for verification of documents, justification, budget, expenditure, and progress of projects to be provided within 15 days. But no documentary evidence was shared with audit till finalization of this report.

Audit recommends detail verification and immediate closure of all such projects just for meeting contingent expenditure from ADP.

AP No. 329 (2019-20)

Chapter 19

PUBLIC HEALTH ENGINEERING DEPARTMENT

19.1 A) Introduction

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

- Master planning for water supply & sanitation projects including Sewage Treatment and Solid Waste Management.
- Planning and designing of water supply & sanitation projects including Sewage Treatment and Solid Waste Management.
- Construction and maintenance of Rural Drinking Water Supply and Sanitation Scheme including Sewage Treatment Plants and Solid Waste Management.
- Execution of PHE works on behalf of other agencies/departments as Deposit Works.
- Water Quality Monitoring/Mapping including maintenance of water quality data base.
- Public Health Engineering works pertaining to government buildings and Government Residential Estates under the control of District Government.
- Determination of rates of supply to consumers in bulk and otherwise and prescribed tariff (only in the case of private/public undertakings).
- Levy and collection of fees, etc. for supply of water for drinking purposes.
- Levy and collection of fees, etc. for provision of Sanitation services including Sewage Treatment and Solid Waste Management

Audit Profile of Public Health Engineering Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2020-21 (Rs in Million)	Revenue/Receipts Audited FY 2020-21 (Rs in Million)
1	Formations	55	11	6981.900	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	01	-	-	-

19.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2020-21 against the total of grants/appropriation was as follows:

Non-Development;

(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual expenditure	Excess / (Savings)
16-Public Health Engineering	NC21	7,567,585,000	696,439,000	8,264,024,000	7,540,766,909	-723,257,091
Total		**7,567,585,000**	**696,439,000**	**8,264,024,000**	**7,540,766,909**	**-723,257,091**

Development;

(Rs)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
52-Public Health Engineering	NC12 & 22	3,548,000,000	568,446,000	4,116,446,000	4,114,365,162	-2,080,838
60-Merged Areas	NC12	1,935,000,000	0	1,767,997,470	1,699,853,785	-68,143,685

Overview of expenditure against the final grant;

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	8,264.024	7,540.77	-723.257	-8.75%
Development	5,884.443	5,814.22	-70.225	-1.19%
Total	**14,148.47**	**13,354.99**	**-793.48**	**-5.61%**

It can be seen from the above variance analysis that the non-developmental budget could not be utilized as budgeted, hence, the budgeting needs to be improved in this area. On other hand the developmental budget has been properly utilized with negiligible variance.

19.1 (C) Issues in Public Health Department

During audit of the Public Health Engineering Department, it was noticed that poor contract management mechanism was in practice as the developmental schemes could not be completed within the stipulated time but the department neither granted time extensions based on justified grounds nor penalty was imposed on the contractors. Huge government revenue was outstanding against the consumers on account of water charges but the department did not take concrete steps to realize the water charges. Instances of non-deduction of taxes were observed and reported to the management for corrective action but response was awaited on the part of the management.

19.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.381.431 million were raised in this report during the current audit of Public Health Engineering Department. This amount also includes recoveries of Rs. 343.345 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	11.772
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	30.677
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	338.982
5	Others	-

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

S.No	Audit Year	Name of Department	Total No. of actionable points	Full Compliance	Partial Compliance	Nil Compliance
1	2014-15	PHE	10	04	-	06
2	2015-16	-do-	03	-	-	03

19.4 Audit Paras

19.4.1 Non-recovery of outstanding water charges – Rs. 1.263 million

According to Secretary to Government of Khyber Pakhtunkhwa, Public Health Engineering Department letter No.S.O (T)/PHED/2-1/2010 (N) Dated 10.11.2011, water charges @ Rs 120 per month per house connection shall be collected.

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During audit the Executive Engineer, PHE Division, Abbottabad for the financial year 2020-21, it was observed that water user charges of Rs.1,263,638/- was outstanding against the consumers during financial year 2020-21. However, no legal action was taken by the staff of local office for recovery of long outstanding water charges as summarized below:

S. No.	Year	Water charges accrued (Rs)	Recovered (Rs)	Arrear (Rs)
1.	2020-21	33,485,400	32,221,762	1,263,638

The lapse occurred due to non-enforcement of the above instructions.

When pointed out in August, 2021, management stated that recovery will be made and progress will be intimated accordingly.

The Department was requested for holding the DAC meeting vide Audit/DAC/Dir(w)/ PHE/27 dated 15.10.20201. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

AP No.121 (2020-21)

19.4.2 Overpayment to contractor due to defective rate analysis – Rs. 4.363 million

According to section 3.14.2 of the Technical Specifications for workmanship MRS-2019, Material, and Equipment should be provided by the contractor:

- Pipes of approved type, Quality and Standards as mentioned in BOQ (PVC, DuctileIron, HDPE etc.)
- Machinery for Drilling

According to the rate analysis of item 24-16-a-02 of the MRS-2016, the rate composite include material (GI pipe cost), sundries labour and contractor's profit & overhead charges.

During audit of accounts record of the Executive Engineer PHE Division Kohat, for financial year 2020-21, it was observed that payment of Rs.170,071,492/- was made to M/S

Aurangzeb & Sons for drinking water supply scheme (DWSS) from Indus river to village Rehman Abad Shakardara portion till 7th running bill vide voucher No. 03/18-08-2020. The payment of Rs. 170,071,492/- was made for executing only one NSI as summarized below:

Item (NSI)	Qty (M)	Rate (Rs.)	Amount (Rs.)
S/F cut joint welding jointing test & disinfect 10" dia GI pipe line using heavy quality (6.35 mm thick) grade-B with bitumen coating, excavation/ back filling complete in all respect	14593	11654.32	170,071,491

Scrutiny of agreement file, rate analysis, and paid bill revealed overpayment of Rs. 4,362,869/- as elaborated below:

i. The rate analysis signed by the contractor for the above mentioned item showed rate of Rs.13050 per meter and after applying 10.35% rebate comes to Rs.11654.32 per meter. The rate analysis included the following items under installations which had no justification as it was responsibility of the contractor. Furthermore, the rate analysis of the similar item of 6" dia (24-16-a-02 MRS-2016) does not have provision for these components which were included in the rate analysis of the instant item.

Item	Rate included in per 100 feet	Remarks
Hiring of welding plant & electric generator i/c cost of diesel required at site	6000	The technical qualification of contractor is on the basis of plant & facilities owned by the contractor. Hence, hiring of welding plant was his responsibility to participate in such mega project.
Fabrication of bends and other special of required size	2000	Once welder was included in rate analysis @ Rs.1000 per 100 ft work, then fabrication of bends etc. was his duty and no separate item as fabrication should have been allowed.
Cost of welding electrodes	1440	-
Carriage 100 RFT pipe at various length	1000	-

By excluding the above items from the rate analysis, per unit cost comes to Rs.11,355.35/meter after applying the contractor's rebate of 10.35% below on NSI. Hence, the defective rate analysis resulted in overpayment of Rs. 4,362,869/- (11654.32 – 11355.35 = 298.97 x 14593)

The lapse occurred due to defective rate analysis.

When pointed out in August 2021, the management stated that detailed reply will be submitted after scrutiny of record.

The Department was requested for holding the DAC meeting vide Audit/Dir(w)/PHE/IR04/2020-21/15 dated 22.09.20201. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery of above pointed out amount as well as reducing the rate of NSI for further payments.

AP No. 36 (2020-21)

19.4.3 Loss to government due to short-realization of water charges - Rs. 189.020 million

According to paras 26 & 28 of GFR volume-I, it is the duty of the departmental controlling officer to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the public account, no amount due to government should be left outstanding without sufficient reason.

During test audit of the water Charges record in the office of Executive Engineer, PHE Division, Kohat for the financial year 2020-21, it was noticed that government revenue on account of water Charges for the below mentioned financial years had not been fully recovered from the users of Tube well water. This caused short-realization of government revenue of Rs. 189,020,348/- as summarized below:

Rs.

Year	No. of Connections	Water Charges Revenue				
		Previous Arrears	Accrued during year	Progressive Arrears	Recovered	Balance
2013-14	9,968	89,031,857	14,353,920	103,385,777	2,138,256	101,247,521
2014-15	10,476	101,247,521	15,085,440	116,332,961	1,602,724	114,730,237
2015-16	10,476	114,730,237	15,085,440	129,815,677	2,149,879	127,665,798
2016-17	10,476	127,665,798	15,085,440	142,751,238	2,962,970	139,788,268
2017-18	10,636	139,788,268	15,315,840	155,104,108	3,256,461	151,847,647
2018-19	10,636	151,847,647	15,315,840	167,163,487	2,423,145	164,740,342
2019-20	10,942	164,740,342	15,756,480	180,496,822	3,121,553	177,375,269
2020-21	10,942	177,375,269	15,756,480	193,131,749	4,111,401	**189,020,348**

Short realization of Water Charges resulted in loss to the government.

When pointed out in August 2021, the management stated that detailed reply will be submitted after scrutiny of record.

The Department was requested for holding the DAC meeting vide Audit/Dir(w)/PHE/IR04/2020-21/15 dated 22.09.20201. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

AP No. 58 (2020-21)

19.4.4 Loss due to non-deduction of withholding sales tax on services - Rs. 2.364 million

According to S.No.14 of the Second Schedule to the KP Finance Act-2013, as amended vide KP Finance Act 2019, (Reduce rate of tax), in case of projects funded under the governments ADP budget, Sales tax shall be charged at the rate of two (2%) Percent without any input tax adjustment. Further According to Sr. No. 5(V) of the KP sales tax on services withholding regulations 2020, a withholding agent shall withheld full amount of tax on services liable to tax at reduced rate.

During audit of accounts record of the Executive Engineer, PHE Division, Kohat for the financial year 2020-21, it was observed that Rs.117, 243,491/- was paid to various construction services providers (contractors/suppliers). Sales tax amounting to Rs.2,344,870/- at the reduced rate of 2% as notified by KPRA, was required to be deducted from the payments but the same was not made which resulted in loss to the government as summarized below:

Summary showing Detail of payments made under ADP &AM&R to different contractors/ supplier for various contractual construction works/supply during the year 2020-21.	
Total Payments made under ADP to various contractors/suppliers – Rs.	92,748,673
Total AM&R Payments made to various contractor/Suppliers – Rs.	24,494,818
Grand Total (Contractual Payment) – Rs.	117,243,491
KPPPRA Sales Tax required @ 2% - Rs.	2,344,870

The lapse occurred due to weak internal controls and non-adherence to rules.

When pointed out in August 2021, the management stated that detailed reply will be submitted after scrutiny of record.

The Department was requested for holding the DAC meeting vide Audit/Dir(w)/PHE/IR04/2020-21/15 dated 22.09.20201. However, no DAC meeting was convened till finalization of this report.

Audit recommends early recovery and fixing of responsibility for the lapse.

AP No. 61 (2020-21)

19.4.5 Non recovery of outstanding water user charges - Rs. 146.335 million

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

During audit of accounts record of the Executive Engineer, Public Health Division, Swat it was noticed that water user charges of Rs 146,335,277 was outstanding against the consumers and not recovered. Moreover, no legal actions were taken by the department for recovery of long outstanding water charges.

The lapse occurred due to ill-management.

When pointed out in September 2021, the management stated that efforts are being made to recover the outstanding water charges and further stated that this office achieved more than the target fixed. Reply was not tenable as no recovery was made till date.

The management was requested for holding the DAC meeting vide letter Audit/Dir(Works)/C&W/IR No.05/2020-21/26 dated 15.10.2021, which was not arranged till finalization of this report.

Audit recommends recovery under intimation to Audit and fixing of responsibility on the person(s) at fault.

AP No. 66 (2020-21)

19.4.6 Un-authentic payment of pipes without manufacturer's invoice and material tests – Rs. 29.288 million

According to terms & conditions No. 2, 3 & 6 of the work order No. 3-8/5-7-A dated 02-07-2021, the supply of all items and installation should confirm to the required specification of PHED and MRS-2019. All necessary material tests (pipes & civil work) to be performed by the contractor before installation/ use of such material at site. Contractor is required to purchase the pipe of all size from International Organization for Standardization (ISO) certified manufacturers which are approved by the PHED Standardization Committee.

During audit of accounts record of the Executive Engineer PHE Division Kohat, for financial year 2020-21, it was observed that payment of Rs.29,288,084/- was made to various contractors for G.I. pipes of various dia in drinking water supply schemes as per following breakup:

Rs.

Work	Contractor	V. No.	Amount
DWSS Ghulam Banda	Umer Hayat	1/01-06-2021	3,619,208
WSS Banda Malook Shah	Khan Amir	2/02-06-2021	1,755,987
Restoration of WSS Gumbat City	Haji Mir Salam	45/21-06-2021	4,850,277
WSS Bazid Khel	Shahid & Co.	77/24-06-2021	4,293,491
DWSS Chichana	M.Wali Khan	54/18-06-2021	9,690,731
WSS Muslim abad Highway	Shahid & Co.	61/24-06-2021	5,078,390
Total			**29,288,084**

In this regard, the following irregularities were observed:

i. Material tests of pipes were not conducted/ available to authenticate the quality of pipes.
ii. Original invoices of these pipes were not available to verify the specifications of the procured G.I. pipes & ISO certified manufacturers with the approved specifications by the PHED Standardization Committee.
iii. The MRS-2019 rates which were paid to the contractors, were for the specifications i.e. tested to a hydraulic pressure of not less than 50 kg/cm2 and obtained from Karachi Pipe Mills or equivalent, despite payment at the MRS rates, the quality could not be verified to be of the required level.
iv. The certificate recorded by Sub Engineer and SDO on the voucher also showed that "work has been done" but did not mention/ verify that the work has been done as per approved standard.

The lapse occurred due to deviation from the instructions contained in the work order and specifications laid down in the Technical Specifications MRS-2019.

When pointed out in August 2021, the management stated that detailed reply will be submitted after scrutiny of record.

The Department was requested for holding the DAC meeting vide Audit/Dir(w)/PHE/IR04/2020-21/15 dated 22.09.20201. However, no DAC meeting was convened till finalization of this report.

The matter is reported for appropriate action under intimation to Audit.

AP No. 39 (2020-21)

19.4.7 Overpayment to contractor due higher rates of solar based submersible pumps – Rs. 1.389 million

According to KPPPRA letter No. KPPPRA/M&E/Suggestions/4-16/2014-15/540 dated 22.05.2015, the departments are advised to rationalize/revise the cost estimates in PC-1s after careful market analysis by bringing them down for justification and matching to the market rates, needs and availability in light of the instructions issued by Chief Minister vide letter No. SO.III/CMS/KPK/5-1/2015/P&D Department/3034-35 dated 02.03.2015.

During audit of accounts record of the Executive Engineer PHE Division Kohat, for financial year2020-21, it was observed that payment of Rs.7,762,495/- were made to the below mentioned firms for supply of solar based submersible pumps and commissioning of solar system:

Rs.

S. No	Scheme	Particulars	Firm	V. No.	Amount
1	WSS Kam Sam	Solar based submersible pump with water discharge 5000 IGPH and commissioning charges	Renewable Power	11/14.06.21	2,124,270
2	WSS Kamal Khel	Solar based submersible pump with water discharge 4000 IGPH and commissioning charges	-do-	24/09.06.21	3,126,060
3	WSS Nari Kalay	Solar based submersible pump with water discharge 2800 IGPH and commissioning charges	MAK Pumps	15/18.02.21	2,512,165
				Total	**7,762,495**

Scrutiny of bills and comparison of the specifications of the supplied items revealed the following observations:

i. The solar based submersible pump at S. No. 1 with highest water discharge capacity i.e. 5000 IGPH was supplied by MS Renewable Power @ Rs.2,124,270/- while the same items with low water discharge i.e. 4000 & 2800 IGPH was procured at the highest rates. This resulted in overpayment of Rs. 1,389,685/- (3126060 – 2124270 & 2512165 – 2124270).

ii. The items at S. No. 1 & 2 were procured in 6/2021 while S. No. 3 in 02/2021, the variation in rates needs justification.

The lapse occurred due to weak internal controls.

When pointed out in August 2021, the management stated that detailed reply will be submitted after scrutiny of record.

The Department was requested for holding the DAC meeting vide Audit/Dir(w)/PHE/IR04/2020-21/15 dated 22.09.20201. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery as well as fixing of responsibility on the person(s) at fault.

AP No. 45 (2020-21)

19.4.8 Doubtful expenditure on M&R of PHE residential colony – Rs. 7.409 million

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

During audit of accounts record of the Executive Engineer PHE Division Kohat, for financial year2020-21, it was observed that following payments were made to the contractors for M&R of PHE residential colony:

S. No	Scheme	Contractor	V. No.	Amount
1	Repair of PHE residential colony	Super Shaheen	56/20-06-2021	5,535,435
2	Special repair of PHE colony	Yaseen Akbar	36/16-06-2021	1,873,492
Total				**7,408,927**

Scrutiny of bills revealed the following irregularities which needs justification and corrective action:

i. The payment to MS Yaseen Akbar was made for M&R work at specific quarters i.e. basic pay scale (BPS) 1-17, which indicated that M&R work was carried out by MS Yaseen Akbar as per contract agreement executed in 2019-20. Whereas, payment to MS Super Shaheen for Rs. 5,535,435/- did not show any information regarding residential units.

ii. There were total of 18 quarters which have already been repaired through MS Yaseen Akbar in 2019-20, the further payment to MS Super Shaheen in 2020-21 had no logic.

iii. The M&R work in quarters for BPS 1-17 was already paid to MS Yaseen Akbar but the same were again provided in the BOQ assigned to MS Super Shaheen which is duplication. This also indicated that both firms are owned by the one & same person who took contracts through different firms which is restricting the competitive process.

iv. Payment of Rs. 2,222,236/- was made to MS Super Shaheen on account of marble and tile work whereas there was no provision of marble, tile work in the BOQ.

v. MB No. 694 and technical sanctions were not produced to audit for authentication.

The above irregularities depict that duplication of M&R work has been made which needs to be inquired for appropriate action.

The lapse occurred due to weak internal controls.

When pointed out in August 2021, the management stated that detailed reply will be submitted after scrutiny of record.

The Department was requested for holding the DAC meeting vide Audit/Dir(w)/PHE/IR04/2020-21/15 dated 22.09.20201. However, no DAC meeting was convened till finalization of this report.

Audit recommends fact finding inquiry for appropriate action.

AP No. 46 (2020-21)

Chapter 20

REVENUE AND ESTATE DEPARTMENT

21.1 (A) Introduction

The Board of Revenue was the successor of the office of the Financial Commissioner. It was originally constituted under the provisions of the West Pakistan Board of Revenue Act, 1957, which on dissolution of One Unit in 1970 became the Board of Revenue, Khyber Pakhtunkhwa.

The Revenue and Estate Department is the controlling authority in all matters connected with the administration of land, collection of Government dues including land taxes, land revenue, preparation of land records and other matters relating thereto. Senior Member Board of Revenue is incharge of the Department.

The Revenue and Estate Department is the custodian of the rights of the land holders and is the highest revenue court in the province with Appellate/Provisional jurisdiction against orders of subordinate revenue officers/courts including collectors. All Revenue Officers and Revenue Courts are subject to the general superintendence and control of the Revenue and Estate Department. The Department itself is subject to the administrative control of the Provincial Government.

A. Main functions of the Revenue & Estate Department

- Assessment and collection of Land Revenue, Agriculture Income Taxand Land Tax.
- Land surveys and record of rights, including restrictions over transfer of title.
- Laws regarding land tenure, relations between landlords and tenants, special remission of land revenue and remission under sliding scales.
- Compulsory acquisition of land, Land Acquisition Act and Rules made thereunder.
- Matters connected with the recruitment, training, pay, allowances, promotions, leave, postings and transfers of revenue staff.
- Registration of document including collection of Registration Fees.
- Stamps and Court Fees, Judicial and non-Judicial.
- Revenue Settlement and Re-assessment.
- Preparation of Gazetteers, Land Laws.
- Territorial adjustment and changes, Boundary Dispute, Land Commission.
- Land Settlement.
- Collection of Capital Value Tax on transfer of immovable property.
- Collection of Advance Income Tax on behalf of Federal Government ontransfer of immovable property.

Audit Profile of Revenue & Estate Department:

Sr. No.	Description	Total No.	Audited	Revenue Receipts Audited FY 2020-21 (Rs. in million)
1	Formations	160	14	2,011

20.1 (B) Comments on Budgeted Receipts (Variance Analysis)

During the financial year 2020-21, Revenue & Estate Department, Government of Khyber Pakhtunkhwa collected an amount of Rs. 7,793million which was 101% of the revised estimates of Rs. 7,724million.

A comparison of budget estimates, revised estimates, and actual receipts for the year 2020-21 is tabulated below. The variation between the revised estimates and actual receipts is depicted in both absolute and percentage terms.

Variance Analysis of Revenue & Estate Department

(Rs. in million)

Sr. No.	Category of Receipts	Head of Account	Budget Estimates	Revised Estimates	Actual Receipts (As per Finance Account 2020-21)	%age of Total Receipts	Short (-) Excess (+) (Col.6-5)	Variance %age
1	2	3	4	5	6	7	8	9
1	Tax on Agriculture Income	B01175	89	89	95	1.2	6	6.7
2	Fee for Registering Documents	B01311, 12 & 20	305	74	70	0.9	-4	-4.8
3	Land Revenue	B014	2,753	3,485	3,376	43.3	-109	-3.1
4	Capital Value Tax	B01701	0	98	84	1.1	-15	-14.7
5	Stamp Duty	B027	1,600	3,344	3,552	45.6	207	6.2
6	Others	C03805, 24, 31, 32 & 70	41	634	617	7.9	-17	-2.7
Total :			**4,788**	**7,724**	**7,793**	**100**	**69**	**0.9**

The above figures highlight that actual receipts were 0.9% more than the revised estimates. Thereceipts target during the year was increased from Rs. 4,788 million to Rs. 7,724 million showing an increase of Rs. 2,936 million (61%) which was a substantial increase.However, the Department achieved this increased target.

Comparison of taxes and duties disclosed no major changes in their rates during 2019-20& 2020-21. However, Registration Fee and Capital Value Tax were exempted by the Government on transfer of immovable property

The budgeted receipts estimates and revised estimates for the years 2019-20 & 2020-21are illustrated below. The department did not achieve revised target during 2019-20 despite substantial decrease in budget estimates. However, the department was able to achieve the revised target in 2020-21 despite substantial increase.

Receipts estimates and revised estimates for 2019-20& 2020-21

(Rs. in million)

Year	Budget Estimates	Revised Estimate	Actual Receipts (As per Finance Account)	Variation	Percentage of Variance
2019-20	7,641	5,666	4,931	-736	-12.9
2020-21	4,788	7,724	7,793	69	0.9

20.1 (C) Issues in the Revenue & Estate Department

The main issue in the Revenue and Estate department was that in several cases mutation fee and advance tax was either non-assessed or assessed short. Lans tax and agriculture income tax was also short assessed in many cases. During audit of the revenue receipts it was also observed that Goernment revenues were mis-appropriated.

20.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.33 million were raised in this report during audit of Revenue & Estate Department. The pointed out amount also include arrears and observation relating to the previous year. The entire amount pointed out by the audit is recoverable. Summary of the audit observations classified by nature is as under:

Table D:Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	3
3	Irregularities	-
A	Non/short-recoveries	18
B	Non/short-assessment	12
4	Others	-
Total		**33**

20.3 Brief Comments on the Status of Compliance with PAC Directives

The status of compliance with PAC directives:

Sr. No.	Audit Report Year	Total Paras	Paras Discussed	Paras Settled	Paras Stand	Percentage of compliance	Remarks
1	2002-03	5	5	2	3	40%	-
2	2003-04	4	4	3	1	75%	-
3	2004-05	5	-	-	-	-	Yet to be discussed in PAC
4	2005-06	6	-	-	-	-	-do-
5	2006-07	5	-	-	-	-	-do-
6	2007-08	12	12	10	2	83%	-
7	2008-09	13	13	7	6	54%	-
8	2009-10	4	-	-	-	-	Yet to be discussed in PAC
9	2010-11	6	-	-	-	-	-do-
10	2011-12	8	-	-	-	-	-do-
11	2012-13	5	5	2	3	40%	-
12	2013-14	6	-	-	-	-	Yet to be discussed in PAC
13	2014-15	5	-	-	-	-	-do-
14	2015-16	9	-	-	-	-	-do-
15	2016-17	7	-	-	-	-	-do-
16	2017-18	9	-	-	-	-	-do-
k17	2018-19	9	-	-	-	-	-do-
18	2019-20	7	-	-	-	-	-do-
19	2020-21	8	-	-	-	-	-do-
Total		**125**	**39**	**24**	**15**	**62%**	

Compliance with the PAC directives is satisfactory. It is worth mentioning here that partial recoveries have been affected by the Department. However, paraswill be considered for settlement once complete recoveries are effected and verified.

20.4 AUDIT PARAS

20.4.1 Loss due to short-realization of Land Taxand Agriculture Income Tax - Rs. 18 million

According to the Khyber Pakhtunkhwa Land Tax and Agriculture Income Tax Ordinance 2000, Land Tax and Agriculture Income Tax are recoverable for every assessment year in respect of cultivable land of an owner at the rates specified in the First and Second Schedule of the said ordinance as amended vide Khyber Pakhtunkhwa Finance Acts 2014 and 2019.

During the financial year 2019-20, Tehsildars in the under mentioned tehsils did not recover Land Tax and Agriculture Income Tax amounting to Rs. 18 million as detailed below:

Rs.

Sr. No.	Formation	PDP No/Year	Amount
1	TehsildarTangiCharsadda	231/2019-20	1,259,109
2	TehsildarTopiSwabi	256/2019-20	15,680,235
3	TehsildarLahorSwabi	263/2019-20	1,012,528
Total			**17,951,872**

The loss occurred due to in-efficiency of the department and resulted in loss to the Government.

When pointed out, management stated that recovery would be made and compliance would be shown to Audit.

The matter was reported to the department in February and March 2021. DAC in its meetings held on 24-06-2021 & 29-07-2021 directed the department to recover the amount within one month. However, no progress was reported to Audit till finalization of this report.

Audit recommends implementation of DAC directives.

20.4.2 Loss due to non-assessment of advance tax on purchase of immovable property - Rs. 7.00 million

According to Section 236K of the Income Tax Ordinance 2001 as amended by Federal Finance Act 2019 any person responsible for registering or attesting transfer of any immovable property shall at the time of registering or attesting transfer collect from the purchaser or transferee an Advance Tax at the rate of 1% of the fair market value. Further, as per Rule-1 of Tenth Schedule to the Ordinance, tax from persons not appearing in the active taxpayers' list, shall be increased by hundred percent of the rate.

During the financial years 2019-20 & 2020-21, different Tehsildars/Sub Registrars did not assess Advance Tax on purchase / transfer of immovable property. This resulted into non/short-assessment of Government revenue Rs. 7 million. Detail is given in annexure XVI.

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

When pointed out by Audit it was replied by the management that pointed out amount would be recovered.

The matter was reported to the department during March to November 2021. In the DAC meetings held on 20-05-2021, 24-06-2021, 29-07-2021, and 11-10-2021, the department was directed to get the recovered amount verified from Audit and recover the balance within one month but no progress was reported till finalization of this Report.

Audit recommends implementation of DAC decisions and expeditious recovery of Government revenue.

AP No. 247, 257, 259, 262, 265, 274, 306, 311, 318, 320 (2019-20)
AP No. 3, 46, 66, 67, 72, 73, 102 (2020-21)

20.4.3 Loss due to short-assessment of Mutation Fee - Rs. 5.25 million

According to Sr. No. 8 of theBoard of Revenue Notification No. TOSD/Mutation/2014/26365-402 dated 29.06.2018, Mutation Fee on sale mutations is chargeable at the rate of 2% of the value of land. Further value of land is required to be calculated according to the valuation table notified by the District Collector.

During the financial years 2019-20& 2020-21,Tehsildars in different tehsils calculated value of land transferred at rates lower than the notified rates of District Collectors. This under valuation of land caused short assessment of Government revenue of Rs.5million asdetailed in the annexure XVII.

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

When pointed out by Audit it was replied by the management that pointed out amount would be recovered.

The matter was reported to the department during March to November 2021. In the DAC meetings held on 20-05-2021, 24-06-2021, 29-07-2021 and 11-10-2021, the department was directed to get the recovered amount verified from Audit and recover the balance within one month but no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives and prompts recovery of Government dues.

AP No. 246, 258, 264, 273, 305, 316 (2019-20)
AP No. 2, 38, 65, 71, 82, 83, 94 (2020-21)

20.4.4 Misappropriation of Government revenue - Rs. 3.00 million

According to Para 8 of GFR, subject to such general or specific instruction as may be issued by Government in this behalf it is the duty of the Revenue or Administrative Department concerned to see that the dues of Government are correctly and promptly assessed collected and paid into the treasury. Para-23 of GFR provides that every Government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

During audit of Tehsildar Tehkal, Peshawar for the financial year 2020-21, while comparing Computerized Payment Receipts (CPRs) of Advance / Withholding Tax with FBR data, it was found that value of Property mentioned in certain CPRs attached with the Mutations and tax shown paid was not matching with the said CPRs available in the FBR data. Further scrutiny of the record revealed that these CPRs were tampered to increase the value of property and tax paid. This caused loss of Rs. Rs.3 million to Federal Government exchequer.

The loss occurred due to misappropriation of Advance Tax.

When pointed out by Audit it was replied by the management that notices had been issued to the concerned for recovery of the pointed out amount.

The matter was reported to the department in October 2021 and was requested to convene DAC meeting followed by reminder dated 24-12-2021. However, the meeting was not convened till finalization of this Report.

Audit recommends recovery of the Government revenue and fixing responsibility against persons at fault.

AP No. 101 (2020-21)

20.4.4 Misappropriation of Government revenue - Rs. 3.00 million

According to Para 8 of GFR, subject to such general or specific instruction as may be issued by Government in this behalf it is the duty of the Revenue or Administrative Department concerned to see that the dues of Government are correctly and promptly assessed collected and paid into the treasury. Para-23 of GFR provides that every Government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

During audit of Tehsildar Tehkal, Peshawar for the financial year 2020-21, while comparing Computerized Payment Receipts (CPRs) of Advance / Withholding Tax with FBR data, it was found that value of Property mentioned in certain CPRs attached with the Mutations and tax shown paid was not matching with the said CPRs available in the FBR data. Further scrutiny of the record revealed that these CPRs were tampered to increase the value of property and tax paid. This caused loss of Rs. Rs.3 million to Federal Government exchequer.

The loss occurred due to misappropriation of Advance Tax.

When pointed out by Audit it was replied by the management that notices had been issued to the concerned for recovery of the pointed out amount.

The matter was reported to the department in October 2021 and was requested to convene DAC meeting followed by reminder dated 24-12-2021. However, the meeting was not convened till finalization of this Report.

Audit recommends recovery of the Government revenue and fixing responsibility against persons at fault.

AP No. 101 (2020-21)

Chapter 21

SOCIAL WELFARE SPECIAL EDUCATION AND WOMEN EMPOWERMENT DEPARTMENT

21.1 A) Introduction

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

- ❖ Prepare and promote Social Welfare policy, plan of action and its implementation in the Province.
- ❖ Promote public sector facilitation and support for the protection, rehabilitation and look after of the deprived, marginalized and vulnerable individuals, groups and communities in the Province.
- ❖ Sensitize the vulnerable people and marginalized communities to organize themselves by resolving their needs and problems on self help basis.
- ❖ Facilitate community organizations, registration and regulating the affairs of voluntary sector in the Province.
- ❖ Provision of technical and financial support to the civil society, non-profit social welfare organizations in the Province.
- ❖ Initiation and promotion of legislation, standing operating procedures and social action for improvement in the public and private sector support for the people.
- ❖ Strengthening the existing institutional care system and helping the people on need of support directly in their families and communities.
- ❖ Improve livelihood of the poor people through economic empowerment and skills development.
- ❖ Support the affected people in crises both in calamity as Well as in man-made disaster.
- ❖ Provide support to poor patients through social services medical centers.
- ❖ Reducing social evils, harmful practices and promoting peace through social mobilization, social or adult education and family facilitation centers.

Audit Profile of Social Welfare Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2020-21 (Rs in Million)	Revenue/Receipts Audited FY 2020-21 (Rs in Million)
1	Formations	04	02	722.620	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	03	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	01	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

21.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2020-21 against the total of grants/appropriation was as follows:

Non-Development;

(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
32-Administration	NC21	193,803,000	0	179,570,059	179,606,059	36,000
32-Social Welfare	NC21	602,477,000	0	409,285,986	409,396,554	110,568
Total		**796,280,000**	**0**	**588,856,045**	**589,002,613**	**146,568**

Development;

(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
50-Social Welfare	NC22	155,060,000	0	265,125,380	269,148,596	4,023,216
50-Social Welfare	NC12	94,940,000	0	92,936,807	92,936,446	-361
Total		**250,000,000**	**0**	**358,062,187**	**362,085,042**	**4,022,855**

Overview of expenditure against the final grant;

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	588.856	589.003	0.147	0.02%
Development	358.062	362.085	4.023	1.12%
Total	**946.918**	**951.088**	**4.169**	**0.44%**

21.1 (C) Issues in Social Welfare department

During audit of the social welfare department the main issue in the social welfare department was non-utilization of DPR charges. Millions of government funds were blocked and were never utilized for the welfare of the people.

21.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 182.039 million were raised in this report during the current audit of Social Welfare Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	182.039
5	Others	-

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

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1	2014-15	Social Welfare	Nil	-	-	-
2	2015-16	-do-	-	-	-	-
3	2016-17	-do-	-	-	-	-

21.4 Audit Paras

21.4.1 Blockage of public money urawn under Grant-in-Aid - Rs. 9.35 million

According to Para-207 (1) (II) of GFR Vol-I, unless in any case Government directs otherwise, every order sanctioning a grant should specify clearly the object for which it is given and the conditions, if any, attached to the grant, 2) only so much of the grant should be paid during any financial year as is likely to be expended during that year. The authority signing or countersigning a bill for grant-in-aid under Treasury Rule 406 should see that money is not drawn in advance of requirements. 3) Before a grant is paid to any public body or institution, the sanctioning authority should as far as possibly insist on obtaining an audited statement of the account of the body or institution concerned in order to see that the grant-in-aid is justified by the financial position of the grantee and to ensure that any previous grant was spent for the purpose for which it was intended

During audit of the accounts record of Director Social Welfare, Special Education & Women Development for the financial year 2019-20, it was observed that Grant-in-Aid for Rs.4, 000,000 was released to Provincial Council for Social Welfare Khyber Pakhtunkhwa with an opening balance of Rs.8, 048,859 on 01-07-2019 and closing balance of Rs. 9,350,856/- on 30-06-2020, lying in PLS account No.13003 for onward disbursement to Voluntary Social Welfare Agencies. Further scrutiny revealed that the Grant-in-Aid released by the Finance Department was not disbursed to Voluntary Social Welfare Agencies and remained un-utilized. Not only money was drawn in advance of actual requirements but it was also not ensured that any previous grant sanctioned was spent for the purpose for which it was received.

The lapse occurred due to weak financial management and lack of initiatives.

Drawl of Grant-in-Aid in advance with no disbursement resulted in blockage of Government funds.

When pointed out in February, 2021, it was replied by the Management that reply will be made within due course of time.

No DAC was held till finalization of this report.

Audit recommends disbursement of funds to Voluntary Agencies and fixing responsibility on the person (s) at fault for blockage of public money.

AP No. 246 (2019-20)

21.4.2 Non-utilization of DPR fund & Grant-in-Aid for the welfare of disabled persons - Rs. 161.334 million

As per Section-17(2) (3) of the Disabled Persons (Employment and Rehabilitation Ordinance, 1981, there shall be established by the Federal Government a fund to be known as the Disabled Persons Rehabilitation Fund; 2) The Fund shall be administered by the National Council which shall, in consultation with the Federal Government, make such allocations to the Provincial councils as it thinks necessary; 3) the fund shall be utilized for:

a. The Establishment of training centers for disabled persons;
b. Technical assistance to disabled persons who are not fit to undertake any employment;
c. Disbursement of stipends or scholarships to disabled persons receiving training;
d. The welfare of disabled persons; and
e. Providing artificial limbs, surgical therapy, and medical treatment to disable persons.

During audit of the accounts record of Director Social Welfare, Special Education & Women Development Peshawar for the financial year 2019-20, it was observed that an amount of Rs. 161,330,604 was lying in PLS accounts maintained for DPR Fund and Grant-in-Aid for rehabilitation of Disabled Persons, as per following detail.

S.no.	Funds Source	Account No.	Balance on 01-07-2019	Balance as on 30-06-20
1	DPR Fund	12988	92,352,784	129,412,960
2	Grant-in-Aid	12987	33,002,138	31,917,644
Total			**125,354,922**	**161,330,604**

Audit observed that the fund should have been utilized for the welfare of the disabled people but remained in the accounts un-utilized, depriving disabled people from the necessities the government had envisaged for them through the special ordinance.

The lapse occurred due to negligence and lack of initiatives on the part of management.

When pointed out in February, 2021, it was replied by the Management that reply will be made within due course of time.

No DAC was convened till finalization of this report.

Audit recommends utilization of DPR Funds for the welfare of disabled persons and investigation for fixing responsibility for non utilization of the fund.

AP No. 247 (2019-20)

21.4.3 Blockage of government money due to non-utilization of funds for the welfare of senior citizens– Rs. 11.355 million

According to section-10(1) (4) (b) of the Khyber Pakhtunkhwa Senior Citizens Act, 2014, there shall be established a Fund to be known as the Khyber Pakhtunkhwa Senior Citizens Welfare Fund and that the Fund shall be utilized for welfare of the senior citizens.

During audit of accounts record of Director Social Welfare, Special Education & Women Development Peshawar for Financial year 2019-20, it was observed that Grant-in-Aid amounting to Rs.10, 000,000 was released by Finance department and was credited to PLS account No.09940 on 29-06-2018 with a closing balance of Rs.11, 355,754 as on 30-06-2020.

Audit observed that the available funds remained in this account for two years and not a single penny was spent out of it for welfare of the senior citizens.

The lapse occurred due to non-observance of rules and inefficiency of the department concerned.

When pointed out in February, 2021, it was replied by the Management that reply will be made within due course of time.

No DAC was convened till finalization of this report.

Audit recommends utilization of funds for welfare of Senior Citizens and fixing responsibility on the person (s) at fault for blocking public money.

AP No. 248 (2019-20)

Chapter 22

SPORTS, CULTURE, TOURISM, YOUTH AFFAIRS, ARCHAEOLOGY & MUSEUMS DEPARTMENT

22.1 A) Introduction

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

- Tourism.
- Sports.
- Archaeology.
- Excavation, Exploration/Survey, Conservation, restoration and rehabilitation.
- Museums.
- Culture
- Youth Affairs.
- Service matters except those entrusted to Establishment and Administration Department

Audit Profile of Tourism Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2020-21 (Rs in Million)	Revenue/Receipts Audited FY 2020-21 (Rs in Million)
1	Formations	11	05	2294.940	N/A
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	01	01	160.165	N/A
4	Foreign Aided Projects (FAP)	01	01	1050	N/A

22.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2019-20 against the total of grants/appropriation was as follows:

Non-Development;

(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
38-Tourism	NC21	25,332,000	10	39,073,367	39,073,367	0
38-Others	NC21	128,828,000	30	163,777,984	163,777,984	0
38-Promotion of Cultural Activities	NC21	2,040,343,000	130	953,552,177	953,552,177	0
38-Archives, Library and Museum	NC21	146,046,000	40	183,108,549	183,108,549	0
Total		**2,340,549,000**	**210**	**1,339,512,077**	**1,339,512,077**	**0**

Development

(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
50-Sports	NC22	1,019,968,000	0	1,792,707,190	1,779,913,967	-12,793,223
50-Sports	NC12	1,896,032,000	0	2,083,823,007	2,047,740,434	-36,082,573
Total		**2,916,000,000**	**0**	**3,876,530,197**	**3,827,654,401**	**-48,875,796**

Overview of expenditure against the final grant;

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	1339.512	1339.512	0.000	0.00%
Development	3876.530	3827.654	-48.876	-1.26%
Total	**5216.042**	**5167.166**	**-48.876**	**-0.94%**

22.1 (C) Issues in the Sports, Culture & Tourism Department

During audit of the Tourism Authority Khyber Pakhtunkhwa, it was observed that staff of the Tourism Corporation was irregulary absorbed in the KP Tourism Authority. Millions of assets were procured without any procurement plan. More than 600 million of budget was available in different ADP schemes but were not surrendered to the Government. Assets and liabilities were not properly transferred to the tourism Authority resulting in mis-appropriation of millions of funds. Investment of the idle funds was also delayed resulting in millions of loss to government.

22.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 1756.288 million were raised in this report during the current audit of Sports and Culture Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	394.306
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 service delivery issues	735
5	Others	626.982

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

SNo.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial complianc	Nil compliance
1	2001-02	Sports & Tourism	14	14	-	-
2	2002-03	-do-	12	11	-	01
3	2003-04	-do-	06	06	-	-
4	2004-05	-do-	03	01	-	02
5	2005-06	-do-	04	03	-	01
6	2008-09	-do-	14	05	-	09
7	2009-10	-do-	32	09	-	23
8	2010-11	-do-	25	08	-	17
9	2011-12	-do-	20	08	-	12
10	2012-13	-do-	08	07	-	01
11	2013-14	-do-	12	06	-	06
12	2014-15	-do-	Nil	-	-	-
13	2015-16	-do-	Nil	-	-	-
14	2016-17	-do-	Nil	-	-	-

22.4 Audit Paras

22.4.1 Non-transfer of assets, liabilities and record from TCKP to KPCTA

Suspected misappropriation of funds worth millions

According to Section 8(iii) of Khyber Pakhtunkhwa Tourism Act 2019; once the Secretary of the Department certifies that the Authority has developed requisite capacity to handle the functions, activities, offices or centers of the corporation, Directorates and Institutes, which he has given in the Notification No.SO (G)/5-3/2020 Dated 23rd September 2020, the provision of Clause (i) and (ii) shall be given effect. According to clause (ii) of section 8 of the same act all movable and immovable assets and liabilities of the corporation, Directorates and institute including furniture, equipment, vehicles, record and data etc shall be transferred to the authority and the ownership of such assets shall vest in the authority.

During Audit of accounts record of Khyber Pakhtunkhwa Culture and Tourism Authority (KPCTA) for the financial year 2020-21, it was observed that proper handing/taking of the assets, liabilities and record from Tourism Corporation Khyber Pakhtunkhwa (TCKP) to KPCTA has not been done. The Financial Statements of the financial year 2019-20 were not produced to audit for verification of assets and liabilities transferred to the authority. Detail of assets and liabilities were taken from financial statements of 2018-19. Audit observed the following

- TCKP had Rs 111,559,057 of Securities withheld from different contractors on 30th June 2019. Current status of these securities, whether released or not, is not known.
- They had a balance of Rs 71,896,934 in advances and prepayments on 30th June 2019. Advances included given to employees against salaries and for expenses amounting to Rs. 6,495,398 and 14,793,671 respectively but no record was found regarding recoveries/adjustment of the said advances.
- They had a total of 18 bank accounts with a balance of Rs. 757,973,539 on 30th June 2019, including 06 accounts maintained for ADP Schemes. Accounts of the ADP schemes amounting to Rs 359,717,268 in April 2020 were transferred to KPCTA on but no record was produced to audit for the remaining bank accounts.
- They had a total income of 79,545,859 for the FY 2018-19 from investment and properties. No income for the financial year 2020-21 has been disclosed/reported and transferred to KPCTA, despite the fact that the authority was handling all the expenditure and operations of the Corporation.
- They have budgeted Rs. 1,876,020 for pension contribution and contributory provident (CP) fund for the FY 2018-19. Neither the total balance in the CP fund and Pension account is nor their current status available on the record.
- Moreover TCKP has not been not dissolved till the date of audit, despite the fact that all the employees, functions and activities of the corporation have been transferred.

The lapse occurred due to weak management controls.

When pointed out in December 2021, it was replied that detailed replied will be given at the DAC.

The department was requested to arrange DAC meeting vide letter No. Audit/DAC/Misc/APs (SIR No 179-196)/2020-21/2665 Dated 30/12/2021, but no DAC meeting was convened till finalization of this report.

Audit recommends special audit of the assets and liabilities not transferred.

AP No. 179 (2020-21)

22.4.2 Non transfer of profit on endowment fund and bank account for the financial year 2020-21 worth millions

Fraudulent retention/non-disclosure of profit on Endowment Fund and bank account for the financial year 2020-21 worth millions

According to Section 8(iii) of Khyber Pakhtunkhwa Tourism Act 2019, once the Secretary of the Department certifies that the Authority has developed requisite capacity to handle the functions, activities, offices or centers of the corporation, Directorates and Institutes, which he has given in the Notification No.SO(G)/5-3/2020 Dated 23rd September 2020, the provision of Clause (i) and (ii) shall be given effect. According to clause (ii) of section 8 of the same act all movable and immovable assets and liabilities of the corporation, Directorates and institute including furniture, equipment, vehicles, record and data etc shall be transferred to the authority and the ownership of such assets shall vest in the authority.

During Audit of accounts record of Khyber Pakhtunkhwa culture and Tourism Authority for the financial year 2020-21, it was noticed that endowment fund of the TCKP worth Rs. 500 million was transferred to KPCTA on 27st of July 2021 along with the profit of 26 days for the Financial Year 2021-22, from 1st July to 26th July 2021 amounting to Rs. 2,051,770. Profits on the endowment fund for the financial year 2020-21 after absorption of the TCKP is neither transferred to KPCTA nor brought into accounts. Despite the fact that all expenditure including pay & allowances and contingencies from September 2020 onwards were incurred from Grant-in-Aid given to KPCTA, there is reason to retain the profit from endowment fund during 2020-21. Profit on the endowment fund for the Y 2018-19 was Rs. 43,363,758/-. Similarly the Profit from the bank account for the FY 2018-19 was Rs. 1,491,198, no profit in the FY 2020-21 was disclosed.

The lapse occurred due to weak management controls.

When pointed out in December 2021, it was replied by the department that detail reply will be furnished at the DAC.

The department was requested to arrange DAC meeting vide letter No. Audit/DAC/Misc/APs (SIR No 179-196)/2020-21/2665 Dated 30/12/2021, but no DAC meeting was convened till finalization of this report.

Audit recommends detail scrutiny of the funds should be done regarding its investment, utilization, and profits for the year 2020-21, till the date of actual transfer of funds.

AP No. 181 (2020-21)

22.4.3 Late/non-investment of idle cash balances – Rs. 270 million

Loss to government due to late/non investment of idle funds – Rs. 88.68 million

According to Section 13 (g) of the Khyber Pakhtunkhwa Tourism Act 2019; subject to any general instructions of the Finance Department, invest any fund of the authority if not immediately required.

During Audit of accounts record of Khyber Pakhtunkhwa culture and Tourism Authority for the financial year 2020-21, it was noticed thatthe entity has invested Rs. 270 million of idle funds in Bank of Khyber in the month of May 2021. Audit observed that the same balance was saved from the Grant in Aid of the financial year 2019-20 and was lying in the bank account of the Authority since start of the financial year 2020-21 and should have been invested at that time to earn maximum return on it. But on the contrary these funds were invested in the month of May 2021 (@ 7.51), resulting in loss of 88.68 million to exchequer.

The lapse occurred due to weak financial controls.

Non-investment of funds resulted in loss to government.

When pointed out in December 2021, it was replied that detailed reply will be given at the time of DAC.

The department was requested to arrange DAC meeting vide letter No. Audit/DAC/Misc/APs (SIR No 179-196)/2020-21/2665 Dated 30/12/2021, but no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility.

AP No. 182 (2019-20)

22.4.4 Irregular/unauthorized absorption of Tourism Corporation staff into Culture & Tourism Authority

According to para section 8(iv) of the Khyber Pakhtunkhwa Tourism Act 2019, the employees of the Corporation and Institute shall be examined by the scrutiny committee, to be constituted in the prescribed manner and recommend to the board for their retention in the service of the Authority or otherwise. Existing performance of the employees to be evaluated and better human resource be retained. Section 8 (iv) (a) of the same act says that they shall receive the salary as if they had continued to work against the existing cadre or post.

During the audit of accounts record of Khyber Pakhtunkhwa Tourism Authority for the financial year 2020-21, it was noticed that all the staff of TCKP was absorbed in KPCTA under the notification of Secretary Sports No.SO(G)/5-3/2020 Dated 23rd September 2020. Audit observed that all the 67 number of employees were absorbed without scrutiny. Scrutiny report was demanded but was not produced to audit for verification. Moreover 20 number of fixed pay employees were absorbed in the KPCTA as regular employees and their salaries were fixed accordingly.

The lapse occurred due to non-observance of rules.

When pointed out in December 2021, the department gave vague reply and stated that the employees of the TCKP were retained as contract employees. However no clearance of the scrutiny report and absorption of fixed pay employees as regular have been made in the reply.

The department was requested to arrange DAC meeting vide letter No. Audit/DAC/Misc/APs (SIR No 179-196)/2020-21/2665 Dated 30/12/2021, but no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter.

AP No. 183 & 184 (2020-21)

22.4.5 Abundant procurement wasting the existing assets of Tourism Corporation Khyber Pakhtunkhwa (TCKP)

According to Section 8(ii) of KP Tourism Act 2019, all movable and immovable assets and liabilities of the corporation, Directorates and institute including furniture, equipment, vehicles, record and data etc shall be transferred to the authority and the ownership of such assets shall vest in the authority read with GFR para 145; all purchases must be made in the most economical manner.

During Audit of accounts record of Khyber Pakhtunkhwa culture and Tourism Authority for the financial year 2020-21 it was observed that physical assets amounting to Rs. 33,223,094 were procured without proper procurement plan and ignoring the assets of TCKP worth millions. Detail of the procured assets is given below.

Rs.

Description	Amount
Computer Equipments	1,841,736
IT Equipment	1,772,342
Plant And Machinery	18,029,500
Furniture and Fixture	11,579,516
Total	**33,223,094**

Due to such procurement the existing assets taken over from TCKP were wasted, as there is no room for the furniture, equipments and machinery received thereon. TCKP was a full fledge office with own furniture and equipments, all in working condition but are now lying somewhere in Godown waiting to be declared unusable.

The lapse occurred due to weak management controls.

Due to lavish procurement, government incurred loss of millions of rupees.

When pointed out in December 2021, it was replied by the department that the procurement has been made according to the need of the excess human resource. However the wasted assets of TCKP were not mentioned in the reply.

The department was requested to arrange DAC meeting vide letter No. Audit/DAC/Misc/APs (SIR No 179-196)/2020-21/2665 Dated 30/12/2021, but no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility.

AP No. 185 (2020-21)

22.4.6 Loss to Government due to non Leasing of Properties transferred from TCKP and other departments

According to Section 5 of KP Tourism Act 2019; the Board shall have the power to fix rent of all authority buildings (residential and non-residential) including tents, camping pods, tourist resorts, gazebos, skiing resorts, rest houses and those properties entrusted to the Authority from other departments from time to time.

During Audit of accounts record of Khyber Pakhtunkhwa Culture and Tourism Authority for the financial year 2020-21, it was observed that hundreds of properties with revenue potential of millions have been transferred to KPCTA. Scrutiny of the record revealed that these properties were not leased out after possession. Detail is given below:

- 28 properties advertised but not yet leased.
- 14 properties transferred from TCKP, Some of the properties needs minor repair for bringing them into working condition, but no efforts were made to bring them in working condition, despite the fact that sufficient budget is available in ADP for renovation of properties.
- 4169 kanals of land is transferred from TCKP situated in Hund, Kheshgi, DI khan and Naran but were not leased out only because of no demarcation and fencing.
- 168 properties were transferred to KPCTA through GoKP Rest Houses and Tourism Properties Act 2020 Dated 19th November 2020, but whose fate is still not decided.

The lapse occurred due to weak management controls.

Non-leasing of properties deprived provincial government from millions of Revenue.

When pointed out in December 2021, it was replied that detailed reply will be furnished in DAC.

The department was requested to arrange DAC meeting vide letter No. Audit/DAC/Misc/APs (SIR No 179-196)/2020-21/2665 Dated 30/12/2021, but no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility.

AP No. 186 (2020-21)

22.4.7 Irregular investment of funds - Rs. 465 million

According to Section 37 of KPPPRA rules Submission of bids and bid opening. (4) No bids or tenders received after the prescribed time and date in the solicitation documents or in accordance with subsequent corrigendum, shall be entertained. (6) All announcements pertaining to public procurement shall specify the last date for submission of bids as well as the public bid opening which shall be the same. (7) The bids, technical or financial as the case may be, shall be opened at the prescribed time provided in the solicitation documents in the presence of the procurement committee and the bidders who choose to be present.

During Audit of accounts record of Khyber Pakhtunkhwa culture and Tourism Authority for the financial year 2020-21, it was observed that KPCTA requested profit rates from selective banks for investment of funds amounting to Rs. Million. Detail scrutiny of the bidding documents revealed the following:

- Last Date and time for submission of bids and opening of quotations was not mentioned.
- The letter was addressed to few selected banks.
- Attendance of the bidders was not available.
- The envelops were not signed by the members of the procuring committee.
- The procuring entity requested to submit bids within 15 days but most of the bids were submitted after 15 days of the request of the procuring entity including Bank of Khyber to whom the tender was awarded.

The lapse occurred due to non-adherence of rules.

When pointed out in December 2021 it was replied that detailed reply will be furnished at the time of DAC.

The department was requested to arrange DAC meeting vide letter No. Audit/DAC/Misc/APs (SIR No 179-196)/2020-21/2665 Dated 30/12/2021, but no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter.

AP No. 187 (2020-21)

22.4.8 Non-production of auditable record

According to para 17 of GFR Vol-I read with Section 14 of the Auditor General's Ordinance 2001, no information nor any book or other documents, to which the Auditor General has a statutory right of access, may be withheld from the Director General Audit.

During Audit of accounts record of Khyber Pakhtunkhwa culture and Tourism Authority for the financial year 2020-21, the following record was requisitioned.

- Financial Statements of TCKP for Financial year 2019-20 and 2020-21 (Till absorption)
- Utilization report, profit earned and bank statement of TCKP endowment fund during FY 2020-21.
- Detail of assets along with asset registered to be transferred to KPCTA
- Scrutiny committee report of employees transferred to KPCTA.
- Detail of bank accounts and bank statements of TCKP.

Despite written requisition and several verbal requests, the record was not produced to audit for verification.

The lapse occurred due to non-observance of rules.

When pointed out on December 2021, it was replied that the detailed reply will be furnished at the DAC.

The department was requested to arrange DAC meeting vide letter No. Audit/DAC/Misc/APs (SIR No 179-196)/2020-21/2665 Dated 30/12/2021, but no DAC meeting was convened till finalization of this report.

Audit recommends production of auditable record and strict disciplinary action against the persons at fault.

AP No. 189 (2020-21)

22.4.9 Non-surrender of ADP funds - Rs. 626.982 million

According to para 209(ii) of GFR Vol-I, any portion of the amount which is not ultimately required for expenditure upon that object should be duly surrendered to government.

During Audit of accounts record of Khyber Pakhtunkhwa culture and Tourism Authority for the financial year 2020-21, it was noticed that budget worth Rs. 626,982,000 was released under different ADP schemes. Detail is given below.

Rs.

S No	Name of the Scheme	Budget available

1	Tourism Facilitation Centre	81,196,218
2	Small Scale Tourism Promotional Activities in KP	35,000,000
3	Holding important Tourism Festivals	137,983,747
4	Feasibility study for tourism in KP	73,513,389
5	Development of Entertainment Area and Establishment of Recreational Facilities for promotion of Tourism in KP	43,928,000
6	Arrangement of events in Tourism and Culture Sector in KP	19,999,000
7	Operationalization, Infrastructure, Development, items and capacity building in KPCTA and regional offices institute at divisional level	9,999,000
8	establishment of tourism police	14,998,425
9	Development of camping Pods sites and rest houses in KP	150,096,935
10	Promotion of cultural activities in KP	9,588,784
11	Promotion of cultural community activities and sponsorship for National/International Exposures	5,000,500
12	Promotion of cultural activities in Merged Districts KP	45,678,002
	Total	**626,982,000**

Audit observed that the budget was neither utilized for the said activities and nor surrendered to finance department resulting in blockage of funds worth Rs. 626.982 million.

The lapse occurred due to weak management and financial controls.

Non-surrendering the funds resulted in blockage of funds.

When pointed out in December 2021, it was replied that the projects are ongoing schemes and will be surrendered once the projects are finalized.

The department was requested to arrange DAC meeting vide letter No. Audit/DAC/Misc/APs (SIR No 179-196)/2020-21/2665 Dated 30/12/2021, but no DAC meeting was convened till finalization of this report.

Audit recommends surrendering of unutilized budget and action for fixing responsibility.

AP No. 191 (2020-21)

22.4.10 Un-verified budget received from TCKP/Culture Department - Rs. 394.306 million

According to para 17 of GFR vol I read with Section 14 of the Auditor General Ordinance 2001, no such information or any books or other documents, to which the Auditor-General has a statutory right of access, may be withheld from the Director General Audit

During Audit of accounts record of Khyber Pakhtunkhwa culture and Tourism Authority for the financial year 2020-21, it was noticed that budget worth Rs. 394,306,554 was transferred from TCKP and Directorate of culture on 05/04/2021 and 15/06/2021 respectively to KPCTA in the fresh accounts opened for the said projects as detailed below:

Rs.

S No	Name of the Scheme	Transferred from TCKP/Culture
1	Tourism Facilitation Centre	79,665,132
2	Small Scale Tourism Promotional Activities in KP	31,000,000
3	Holding important Tourism Festivals	136,608,747
4	Feasibility study for tourism in KP	73,514,389
5	Development of Entertainment Area and Establishment of Recreational Facilities for promotion of Tourism in KP	38,929,000
6	Promotion of cultural activities in KP	9,588,784
7	Promotion of cultural community activities and sponsorship for National/International Exposures	5,000,500
8	Promotion of cultural activities in Merged Districts KP	20,000,002
	Total	**394,306,554**

As these were ongoing ADP projects and these funds remained in possession of the TCKP for most part of the year in FY 2020-21, no record was found available for the amount of money spent from these schemes during 2020-21 before transferring these funds to KPCTA. For verification FAT requested the bank statements and expenditure detail of the projects before transfer of funds to KPCTA but the department failed to produce the required record.

The lapse occurred due to non-observance of rules,

When pointed out in December 2021, it was replied by the department that record of the ADP schemes prior to transfer of funds to KPCTA falls under the jurisdiction of commercial audit.

The department was requested to arrange DAC meeting vide letter No. Audit/DAC/Misc/APs (SIR No 179-196)/2020-21/2665 Dated 30/12/2021, but no DAC meeting was convened till finalization of this report.

Audit recommends verification of the record.

AP No. 192 (2020-21)

Chapter 23

TRANSPORT DEPARTMENT

23.1 A) Introduction

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

- ❖ Administration of provincial transport authority and regional transport authorities.
- ❖ Administration of the West Pakistan Motor Vehicles Ordinance, 1965 except enforcement of the provision of the Ordinance relating to control of traffic and inspection and checking of motor vehicles for the purposes of traffic control.
- ❖ Administration of Motor Vehicle Ordinance, 1965 and Rules framed thereunder.
- ❖ Administration of Directorate of Transport Khyber Pakhtunkhwa, Provincial Transport Authority, Regional Transport Authorities.
- ❖ Inspection & Certification of roadworthy vehicles.

Audit Profile of Transport Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2020-21 (Rs in Million)	Revenue/Receipts Audited FY 2020-21 (Rs in Million)
1	Formations	43	04	1688.060	120
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	02	01	395.000	N/A
4	Foreign Aided Projects (FAP)	02	02	9,668.903	N/A

23.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2020-21 against the total of grants/appropriation was as follows:

Non-Development;

(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual expenditure	Excess / (Savings)
45-Administration	NC21	43,767,000	10	1,703,854,122	1,703,854,122	0
45-Road Transport	NC21	2,240,130,000	27,888,990	216,697,108	216,695,102	-2,006
Total		**2,283,897,000**	**27,889,000**	**1,920,551,230**	**1,920,549,224**	**0**

Development;

(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
50-Tansport	NC22	230,525,000	0	188,916,608	188,951,568	34,960
50-Tansport	NC12	1,595,475,000	0	227,925,000	227,925,000	-
Total		**1,826,000,000**		**416,841,608**	**416,876,568**	**34,960**

Overview of expenditure against the final grant;

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	1,920.551	1,920.549	(0.002)	0.00%
Development	416.841	416.876	0.035	0.01%
Total	**2,337.392**	**2,337.425**	**0.033**	0.001%

Variance Analysis ofTransport & Mass Transit Department:

(Rs. in million)

Sr. No.	Category of Receipts	Head of Account	Budget Estimates	Revised Estimates	Actual Receipts (As per Finance Account 2020-21)	%age of Total Receipts	Short (-) Excess (+) (Col.6-5)	Variance %age
1	Receipt from bus and truck services	B02804	5	5	5	1.0	0	0
2	Motor Vehicles Fitness Certificate Fee	B02811	64	74	70	13.6	-4.2	-5.6
3	Motor Vehicles Route Permit Fee	B02812	269	388	373	72.5	-15.5	-3.9
4	Motor Driving License Fee (LTV, HTV, PSV)	C0355A	0	51	66	12.8	15	29.4
Total :			**338**	**519**	**515**	**100**	**-4.6**	**-0.9**

The above figures show that actual receipts were 0.9% less than the revised estimates of the receipts. The receipts target during the year was increased from Rs. 338 million to Rs. 519 million showing anincrease of Rs. 181 million (54%). the Department was unable to achieve this revised target which shows poor fiscal planning.

22.1 (C) Issues in Transport Department

During audit of the transport department it was observed that irregular expenditure were made on procurement of intelligent transport system (ITS) equipment. It was also observed that millions of recoveries were outstanding against different bus terminal. Another important issue in the transport department was that fleet for the BRT buses were not supplied till the date of audit. On revenue receipt side it was observed that route permit fee and penalty on the late depositors were not fully collected.

23.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 3,445.661 million were raised in this report during the current audit of Transport Department. This amount also includes recoveries of Rs. 42.628 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	3,383.422
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	54.056
5	Others	13.183

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

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil Compliance
1	2014-15	Transport	Nil	-	-	-
2	2015-16	-do-	Nil	-	-	-
3	2016-17	-do-	Nil	-	-	-

23.4 Audit Paras

23.4.1 Non-recovery of outstanding dues against Peshawar Bus Terminal - Rs. 16.1 million.

According to clause 2 of the contract agreement between Director Transport and the contractor for the collection of taxes of Peshawar Bus Terminal, the latter shall pay the auction money on the 10th of each month to the Director Transport & Mass Transit Khyber Pakhtunkhwa Peshawar. During audit of the accounts record of Director Transport & Mass Transit Khyber Pakhtunkhwa Peshawar for the Financial Year 2019-20, it was noticed that contract for auction of Peshawar Bus Terminal was awarded to the contractor Mr.Dilawar Khan at approved auction cost of Rs.100.350 million. Further scrutiny of the record revealed that the contractor did not deposit auction money amounting to Rs. 16,100,000 for a period of 56 days from 23.3.2020 till finalization of the audit i.e 17.05.2020.

The lapse occurred due to weak financial controls which resulted in non-recovery of outstanding dues.

When pointed out in April 2021, it was replied that recovery will be made and shown to audit. However, no progress was intimated to audit till finalization of this report.

Audit recommends recovery of the outstanding dues.

AP No. 325 (2019-20)

23.4.2 Non-recovery of outstanding rent - Rs. 21.528 million.

According to lease agreement between the Director Transport & Mass Transit KP and M/S Daewoo Pakistan Express Bus Service Ltd, the latter shall pay monthly lease of Rs.1, 656,000/- per month to the Government.

During audit of the accounts record of Director Transport & Mass Transit Khyber Pakhtunkhwa Peshawar for the Financial Year 2019-20, it was noticed that 10 kanal land was awarded on lease to M/S Daewoo Bus services Pvt Ltd @ Rs 1,656,000 per month. Further scrutiny of the record revealed that monthly rent w.e.f March 2020 to March 2021 amounting to Rs 21.528 million was not deposited by the lessee till date of audit.

The lapse occurred due to weak financial controls which resulted in non-recovery of outstanding dues.

When pointed out in April 2021, it was replied that recovery will be made and shown to audit.

No DAC meeting was convened till finalization of this report

Audit recommends recovery along with interest.

AP No. 327 (2019-20)

23.4.3 Non-verification of degrees and experience certificates

According to Establishment Division Islamabad Notification No.6(28)2011-DG-II dated 08-03-2011, the verification of degrees/certificates of new appointees from respective university/board is mandatory for all Government departments.

During financial attest audit of Peshawar Sustainable Bus Rapid Transit Corridor Project-TransPeshawar for financial year 2019-20, it was observed that Project Management recruited a number of employees during 2019-20 as per following details**:**

Name	Designation	Joining Date	Experience claims of departments
Muhammad tahir Ul Islam	IT support officer	05th Dec, 2019	WSSCM Mardan, Grandmidwest group of hotels Dubai, Duty Squad Peshawar
Gulzar khan	Facilities officer	01-06-2020	CECOS university, Tribal Global Construction pvt ltd Peshawar, Albunyan General Contracting LLC Dubai
Abid Ur Rehman Ayaz	Facilities Officer	01-06-2020	ZRK Group pvt ltd, OGDCL, AIM Construction company and services, Pakistan Petroleum limited, Petrosin engineering Pakistan
Muhammad Umar	Facilities Officer	01-06-2020	NESPAK, Power construction corporation of China ltd, MES Nowshehra
Intezar Khan	Assistant enginner Mechanical	September 02, 2019	SINOPEC E&C Middle east company ltd, Saudi Arabia, Dewan Salman Fibers ltd, Haripur, Pakistan
Sana Ullah	Facilities Officer	25th June, 2020	Global Consultant Peshawar, Malik Ismail Sher & Sons construction Co, University of Lahore, Abasyn University
Alamgir Nijat Bangash	Business development Specialist	March 16,2020	Tianshi International Pakistan Pvt.ltd, seronic Pvt.ltd, Sofnix pvt.ltd, Ovex technologies
Yusuf Bilal	Assistant Engineer electrical	01-06-2020	MMP Pvt.ltd, SSEM Company Saudi Arabia, QD-SBG Qatar, Al-Ambatt Contracting est Saudi Arabia, AM electro-Mechanical company UAE

Audit observed that neither degrees of the newly recruited employees were verified nor experience certificates, provided by the employees, were sent to the concerned employer for cross verification to authenticate the appointments.

The lapse occurred due to weak internal Management controls.

When pointed out it in November, 2020 it was replied by the Project Management that degrees had been verified by the candidates.

The reply was not satisfactory because audit team was of the opinion that it should be cross verified.

Audit therefore, recommends cross verification of degrees/experience certificates from the quarter(s) concerned.

AP No. 180 (2019-20)

23.4.4 Wasteful expenditure on account of license fee – Rs. 13.183 million

According to Clause-01 of Contract Agreement, the first party shall develop and construct the subject property according to its requirements and shall provide the plan/drawing of construction to the 2nd party before execution of work at site as indentified earlier.

During financial attest audit of Peshawar Sustainable Bus Rapid Transit Corridor Project-TransPeshawar for financial year 2019-20, it was observed that Project Management signed a contract with City District Government Peshawar on 06-11-2019 for using and utilization of Kohat adda and an amount of Rs 13,183,333 was paid to City District Government on account of rent/license fee, as per following detail:

Rs.

Cheque No & Date	Amount	Month
160616073 dated 27-01-2020	1,283,333	Nov and Dec 2019
175839808 dated 03-02-2020	700,000	January 2020
175839842 dated 05-03-2020	700,000	February 2020
32217520 dated 15-06-2020	2,100,000	March, April & May 2020
160616024 dated 05-12-2020	8,400,000	One year advance license fee
Total	**13,183,333**	

Audit observed that since the Bus Rapid Transit (BRT) was not operational till 30-06-2020. Neither Kohat Adda was used/utilized by Trans Peshawar nor was any construction work carried out on the said site therefore, had payment of rent/license fee held wasteful.

The lapse occurred due to non-adherence to provisions of Agreement.

When pointed out in November 2020, it was replied that the delay occurred due to contractual dispute, the construction work took longer than expected.

The reply was not satisfactory. Proper care should have been taken before awarding of the contract.

No DAC meeting was convened by the time of finalization of this report.

Audit recommends recovery of the said amount from the person(s) at fault.

AP No. 181 (2019-20)

23.4.5 Irregular payment on account of income tax – Rs. 11.428 million

According to 'Schedule 3(Allocation and withdrawal of loan proceeds) of the Loan Agreement signed between Asian Development Bank and Government of Khyber Pakhtunkhwa, "the withdrawal should be 100% of total expenditure claimed exclusive of taxes and duties imposed within the territory of the borrower",

During financial attest audit of Peshawar Sustainable Bus Rapid Transit Corridor Project-TransPeshawar for financial year 2019-20, it was observed that Project Management paid an amount of Rs 11,428,433 on account of income tax to FBR out of operational cost during 2019-20. Detail is given in annexure XVIII.

Audit observed that income tax, required to be paid from GoKP share, was paid from funds of Asian Development Bank therefore, the payment was held ineligible.

The lapse occurred due to weak internal controls.

When pointed out it in November, 2020 it was replied by the Project Management that income tax had correctly been deducted from ADB funds.

The reply was not satisfactory. As per loan agreement the taxes were required to be paid from GoKP funds.

Audit recommends deduction of taxes from GoKP share.

AP No. 182 (2019-20)

23.4.6 Irregular expenditures on purchase of ITS equipment - Rs. 16.414 million

According to Clause 25.1 of the Contract Agreement, the employer or its representative shall have the right to inspect and /or test any component of the IT products and/or services, as specified in the SOR, or specified such tests to be executed by the contractor, to confirm their good working order, and /or conformity to the contract at the point of delivery and /or at project site.

According to LMKR letter No.LMKR 10026 BRT dated 30-09-2019, the Chief Executive Officer of Trans Peshawar was requested to carry out the inspection of equipments and accept the delivery note.

During financial attest audit of Peshawar Sustainable Bus Rapid Transit Corridor Project-TransPeshawar for financial year 2019-20, it was observed that Project Management signed a contract for BRT System Control Goods and Services on 31-12-2018 with Joint Venture of LMK Resources Pakistan (Pvt) Limited, Beijing Santel Technology & Trading Corporation and Beijing E-Hualu Information Technology Company Limited. Accordingly 360 Bicycle Sharing Vehicles @ 588 USD per vehicle were received.

Audit observed the following irregularities:-

i. The Inspection Committee in their report mentioned some deviations from specifications. But even then 50% of the contract price amounting to Rs16,414,154 was paid to the supplier.
ii. Entries in stock register for the bicycles received were not provided for audit scrutiny.
iii. Since the bicycles were not yet in use therefore, it would lose its useful life in store with the passage of time as the chances of wear and tear could not be ruled out.

The lapse occurred due to weak internal controls.

When pointed out in November 2020, it was replied that contractor has addressed the discrepancies.

The reply was not satisfactory. The contractor had only recorded his remarks on the observations raised by the Inspection Committee. Stock entries were the responsibility of Trans Peshawar.

No DAC meeting was convened by the time of finalization of this report.

Audit recommends fact finding inquiry.

AP No. 183 (2019-20)

23.4.7 Irregular expenditure on purchase of ITS equipment – Rs. 382.077 million

According to additional notes of Inspection Report "equipments for each item/category were verified and counted. The equipments(s) were physically verified in random and were found satisfactory. Further working/operation/software inspection will be carried out, once devices are installed/operational.

According to "Note for Approval" dated 15-04-2020, in order to test infrastructure and operate the system smoothly with estimated passenger of 250,000 per day, it is important to simulate the real operation and performance of different components of the system before formal launch.

Notice for commencement of operation was issued to operator after approval of Board of Directors of Trans Peshawar on 01-01-2020 and subsequent pre-operation schedule was issued to operator with starting date of 17-02-2020.

During financial attest audit of Peshawar Sustainable Bus Rapid Transit Corridor Project-TransPeshawar for financial year 2019-20, it was observed that the Project Management signed a contract for BRT System Control Goods and Services with Joint Venture of LMK Resources Pakistan (Pvt) Limited, Beijing Santel Technology & Trading Corporation and Beijing E-Hualu Information Technology Company Limited on 31-12-2018. An amount of Rs 382,077,343 was paid for purchase of various equipments.

Audit observed the following irregularities:-

i. According to inspection report, only physical verification was carried out and as per note quoted above, further performance etc were to be checked after installation of equipments. Audit opines that since the operation was started in February/March 2020, the inspection of ITS equipments should have been carried out to authenticate the huge expenditure incurred, which was not done.
ii. Stock register was not maintained for proper receipt and issue of equipments.
iii. The inspection report was signed by the representatives of LMKR (the supplier), which was also irregular.

The lapse occurred due to weak internal controls.

When pointed out in November, 2020 it was replied by the Project Management that inspection of equipments was not possible at the delivery stage. It was also stated that the inspection of equipments was done at the request of contractor at the time of delivery to contractor warehouse.

The reply was not tenable. The inspection of ITS equipments was the first and foremost responsibility of Trans Peshawar. Moreover, if the supplier i.e, LMKR, was also maintaining and operating the equipments, then the defects, if any, could not be known till completion of the supply. Moreover, all the equipments had since been installed therefore; a proper Inspection Committee should have been constituted to carry out inspection of the equipments which was not done.

Audit recommends conducting fact finding inquiry.

AP No. 184 (2019-20)

23.4.8 Irregular expenditure on procurement of ITS equipment - Rs 8.831 million

According to Clause-25.1 of the Contract Agreement, the employer or its representative shall have the right to inspect and /or test any component of the IT products and/or services, as specified in the SOR, or specified such tests to be executed by the contractor, to confirm their good working order, and /or conformity to the contract at the point of delivery and /or at project site.

During financial attest audit of Peshawar Sustainable Bus Rapid Transit Corridor Project-TransPeshawar for financial year 2019-20, it was observed that the Project Management paid an amount of Rs 2,297,753 on account of procurement of air conditioners for data cabins at stations and Rs. 6,534,213 on account of procurement of supply and installation of unshielded twisted pair (UTP) cables during 2019-20.

Audit has following observations:

i. Proper inspection was not carried out, rather only physical verification showing the number of air conditioners and cable roll were recorded on inspection form.
ii. No proper inspection committee was constituted, and the inspection report was signed by only one facilitation officer.

iii. The inspection report was also signed by representative of LMKR (the supplier), which was irregular.
iv. Stock register was also not maintained.

The lapse occurred due to non-adherence to provision of Contract Agreement.

When pointed out in November 2020, it was replied that at the delivery stage, only physical verification was carried out and functionality test could only be performed after installation of the equipments. It was further stated that constitution of Inspection Committee was not required.

The reply was incorrect. Proper inspection committee should have been constituted to verify the quality as well as quantity of the equipments. Moreover, since installation of all ITS equipments had been completed therefore, a comprehensive inspection to check the quality and quantity of equipments needed to be prepared by a Technical Committee but was not done.

Audit recommends inquiry into the matter.

AP No. 185 (2019-20)

23.4.9 Non-supply of fleet/ BRT buses – Rs. 2,976.100 million (US$ 17,767,760)

According to the Contract Agreement executed on 12-03-2018, between Trans Peshawar (The Urban Mobility Company), Peshawar and MS Xiamen Golden Dragon Bus Co. Ltd, China worth USD 48,479,844 and PKR 366,179,086 for the supply of 220 number of buses alongwith maintenance/ training services for the Peshawar Bus Rapid Transit, Section 6 – Delivery and Completion Schedule showed the following delivery schedule:

Description of Goods	Particulars	Required Arrival date of goods
12m (155 buses) & 18m (65buses)	Delivery of 1st batch of vehicles comprising a minimum of 25% of the total vehicles	3.5 months from the date of contract signing.
	Delivery of 2nd batch of vehicles comprising a minimum of 25% of the total vehicles	4.5 months from the date of contract signing.
	Delivery of 3rd batch of vehicles comprising a minimum of 25% of the total vehicles	5.5 months from the date of contract signing.
	Delivery of the vehicles comprising of the quantity required to complete the full order.	6.5 months from the date of contract signing.

According to agenda item No 03 of 20th meeting of Board of Directors, the delay in supply of remaining buses will trigger cost and possibly contract claims and obligation.

During financial attest audit of Peshawar Sustainable Bus Rapid Transit Corridor Project-TransPeshawar for financial year 2019-20, it was observed that the Project Management executed a Contract Agreement with MS Xiamen Golden Dragon Bus Co. Ltd, China for supply of 220 numbers of buses along with maintenance/ training services for the period of two (02) years. Delivery of the buses was required to be completed after 6.5 months from the date of contract signing i.e. 27.09.2018.

Audit observed that even after lapse of considerable time, only 93 vehicles of 12 meter and 35 vehicles of 18 meter had been supplied by the company till 30.06.2020 which resulted into non-delivery of 92 buses worth Rs. 2,976,099,800/- (US$ 17,767,760 × Rs.167.5 (Calculated at exchange rate @ Rs.167.5 as on 30th June 2020) (12m = 62 buses x US$ 155530 & 18m = 30 buses x US$ 270830).

The lapse occurred due to non-implementation of clauses of Contract Agreement.

When pointed out in November 2020, it was replied that delay in supply of buses was not on the part of Trans Peshawar.

The reply was evasive. The supply of all 220 buses was required to be made within 6.5 months of signing of Contract Agreement.

Audit recommends conducting impartial inquiry into the matter for fixing responsibility besides, delivery of the remaining fleet of buses.

AP No. 186 (2019-20)

23.4.10 Loss due to non-realization of route permit fee & penalty-Rs. 5 million

Under Section 60 of the Motor Vehicles Ordinance 1965 read with Rules 71, 85 & 91 of the Motor Vehicles Rules 1969, route permit is issued for a specific period. The same is required to be renewed one month before the expiry of its validity on payment of fee prescribed by the Government in Notification No. SO(G)TD/5-6/R. Mobilization dated 02-07-2019, or surrendered to the issuing authority. In case of default exceeding three months, registration of the vehicle is liable to be suspended/cancelled under Section 34(1)(b) of the Motor Vehicles Ordinance 1965.

During the financial years 2019-20& 2020-21, following Transport Authorities neither recovered Route Permit Fee &Penalty from the defaultersnor suspended/canceled registration of the defaulting vehicles. This resulted in non-realization of Government revenue amounting toRs. 5million as detailed below:

Rs.

Sr. No.	Secretary Transport Authority	AP No/Year	No. of cases	Amount pointed out
1	RTA Swat	199/2019-20	33	326,760
2	PTA Peshawar	204/2019-20	82	758,500
3	RTA Peshawar	206/2019-20	177	1,320,650
4	RTA Peshawar	85/2020-21	196	2,252,300
Total			**488**	**4,658,210**

The loss occurred due to non-enforcement of rules.

When pointed out it was replied by the management that efforts would be made to recover the outstanding Government dues.

The matter was reported to the department in January and October 2021. The department was requested to convene DAC meeting followed by the reminder dated 11-12-2021. However, the meeting was not convened till finalization of this Report.

Audit recommends recovery of Government dues from the defaulters.

Chapter 24

THEMATIC AUDIT REPORT ON CONTROL OF SOIL EROSION BY IRRIGATION DEPARTMENT KHYBER PAKHTUNKHWA

1. Introduction

The role of Irrigation department is to provide sufficient water for agriculture productivity. There are many rivers, flood streams and drains in the province to cater for irrigation needs. However, excessive urbanization has deprived land from tree and plant cover which in monsoon season causes low level floods resulting into loss of fertile land due to soil erosion. Irrigation Department Khyber Pakhtunkhwa executes projects to control soil erosion by establishing flood fighting structures or flood mitigating structures and reclaim land by eradicating water logging and salinity.

Khyber Pakhtunkhwa is located in the north western region of the country and its susceptibility to floods has increased due to its specific geography and topography which causes soil erosion. The population in hilly terrain tends to settle in valleys along the river banks and make use of fertile floodplains for agriculture purpose to earn their livelihood. Similarly, access roads are generally aligned along river banks which eventually become hub of commercial activities in the area. Due to less availability of flat lands, encroachments and settlement within the floodplains have increased manifold which have enhanced flood damage potential and vulnerability.

Floods in Khyber Pakhtunkhwa and soil erosion

Floods in Khyber Pakhtunkhwa are generally caused by heavy concentrated rainfall in the catchments of River Indus during the monsoon season, which are also augmented by snowmelt flow. Major floods in the Indus basin occur in late summer (July to September) when the South Asian region is subjected to heavy monsoonal rains. Major floods in the province have occurred in 1976, 1982, 1988, 2005, 2006,2007 and 2010. In KP, Flash floods are experienced commonly in Swat, Upper and Lower Dir, Chitral, Shangla, Kohistan, Peshwar, Mardan, Kohat and D.I.Khan Districts. Flash floods tend to occur more in recent years owing to changing weather patterns.

Vulnerable sites:

Vulnerable areas along the river banks in the province mostly located in Malakand, Mardan, Peshawar, Hazara and D.I.Khan Divisions. For identification of the specific areas and coordinates Government of Irrigation Department of Khyber Pakhtunkhwa tasked NESPAK consultants which is yet to be completed.

Erosion of agricultural lands along river banks have been reported by NESPAK at certain locations of Swat, Panjkora Kabul, Haro, Kunhar, Siran, Rivers, Dargai Khwar, Narangi River, Kalpani Nullah, Muqam Nullah, Badri Nullah and Chitral River.

Loopholes in the existing structures;

Most of the Flood Embankments and Flood Protection Structures were carried out on the right bank of Kabul River which proved fruitful to protect the agricultural land on right bank while the opposite lift bank was left prone. Resultantly, the flow of water meandered to the left side and causing erosion of agricultural land at large scale. (Review of the protection work through Google Earth).

Any river erosion system needs to be designed to cope with the expected peak river flood volumes, as this is when most damage to river banks and their erosion protection measures occurs. Flood events are often described as one in 100 years floods or one in 50 years flood, and any river bank protection system needs to cope with these flood events. During physical verification of embankments on both sides of Kabul River it was observed that the embankments/protection works could be effective against the low and medium level flood but it would not be reliable against the heavy floods like 2010. The reasons for the drawback were selection and execution of flood protection work mainly carried on traditional manners being politically motivated and without any proper feasibility studies/river riverine surveys.

1.1 <u>Background;</u>

The Irrigation Department of Khyber Pakhtunkhwa, according to Rules of Business 1985, is responsible to carryout rivers and riverine surveys, to construct Embankments, prepare and execute the Land Reclamation and Flood Control Schemes. All such activities play an important role in the control of soil erosion and reclamation of agriculture land.

The international covenants like Sustainable Development Goals (SDGs) agreed by the United Nation Organization member states on September 25, 2015 also include focus on the protection of forest and agricultural land. More specifically, Target 15.3 of sustainable development goals (SDG) provides to "combat desertification, restore degraded land and soil, including that affected by desertification, drought, and floods.

The Irrigation department, Government of Khyber Pakhtunkhwa, has made certain efforts to reduce flood related calamities and losses through scattered interventions at various locations along the streams/rivers.

As enshrined in its Rules of Business 1985, the Irrigation Department, Khyber Pakhtunkhwa, executed numerous developmental schemes for provision and improvement of irrigation facilities, construction and rehabilitation of small dams, canal patrol roads and flood protection works for the last four (4) years with following financial break up;

Rs. in million

S.No.	Year	Final Grant	Expenditure
1.	2017-18	8,178.344	8,178.344
2.	2018-19	8,256.500	8,256.500
3.	2019-20	10,619.328	10,604.931
4.	2020-21	10,675.296	10,675.296
Total		**37,729.468**	**37,715.071**

The above expenditure includes the execution of developmental schemes by the Irrigation Department, Khyber Pakhtunkhwa on flood mitigation, embankments, and protection work during the last four years worth -Rs. 6,831.179 million with following financial breakup.

Rs. in million

S.No.	Year	No. of schemes completed	Amount
1.	2017-18	8	975.700
2.	2018-19	19	2,908.300
4.	2019-20	5	873.800
5.	2020-21	4	2,073.379
		Total	**6,831.179**

Besides the above completed schemes, a number of schemes approved during 2013-14 and onward were still in progress. Total value (E/Cost) of the ongoing flood mitigation, embankments and protection schemes up to June 2021 was Rs. 22,537.129 m with up to date expenditure of Rs. 12,430.815 million.

River and riverine surveys are required which help in the identification of areas vulnerable to floods and lead to soil erosion at a high level. As per rules of business, conducting river and riverine surveys and land reclamation is the responsibility of Irrigation Department Khyber Pakhtunkhwa. Unfortunately, neither the requisite surveys have been made nor any record/data regarding land reclamation has been maintained. However, a Feasibility Study for preparation of comprehensive flood management plan for Khyber Pakhtunkhwa has been assigned to NESPAK consultant at a cost of Rs. 123.00 m during 2016 which has not been completed yet.

1.2 Establishing the Audit Theme

1.2.1. Reasons for selection

- The rivers and riverine change its course with the passage of time by eroding agriculture and plain land. During floods such erosions become devastating and deprive population of agriculture land besides human and financial losses. Protection of soil from erosion is important for safeguarding cultivable land and protects the inhabitants from devastation.
- Pakistan is one of those top 10 countries in the world which is vulnerable to adverse effects of the climate change. Water level in the rivers gets higher which sometimes leads to floods that cause soil erosion in many places. By making embankments and protective walls, Irrigation Department can mitigate such vulnerabilities.

- Cultivable land in Pakistan is shrinking gradually with the increase in population and soil erosion which is mainly caused by floods. The government needs to focus on controlling the soil erosion and reclamation of agriculture land to protect the cultivable land and save the population from devastation during floods.
- Rules of Business of Khyber Pakhtunkhwa Irrigation Department 1985 stipulate that irrigation department will carry out rivers and riverine surveys, construct embankments, prepare, and execute the Land Reclamation and Flood Control Schemes. Such activities have direct or indirect impact in reclamation of agricultural land and control of Soil erosion.
- SDG-15.3 is exclusively dealing with the protection of land that binds the signatory countries to "combat desertification, restore degraded land and soil, including affected by desertification, drought, and floods, and strives to achieve a land degradation natural world".

1.2.2. Purpose

Pakistan is one of the most vulnerable countries to climate change. One of the adverse effects of climate change is high level floods. The purpose of selecting this theme for audit is to ascertain the impact of flood mitigation by embankments and protection works on river sides by the irrigation Department. It will study its impact on controlling soil erosion and reclamation of land. It will seek answers to the questions like whether the execution of such schemes protected cultivable land by controlling soil erosion and ensured safety for the population during floods. It will also help in to examine that the Irrigation Department has prudent policies and strategies for flood mitigation, soil erosion management and also to check that strategies are implemented effectively. It will help in the evaluation of achievements of the Irrigation Department against the targets given in medium term budget estimates and departmental targets and analyze the data of funds allocated and the quantity of land reclaimed.

1.2.3 Scope

River banks are mainly eroded during floods. The provincial government has made huge expenditures after 2010 floods which greatly damaged agriculture land, besides human and financial damages. Last four (4) years have been selected for the thematic audit starting from 2016-17 to 2020-21 to gauge the performance of Irrigation department in light of targets and objectives set under its Rules of Business 1985. Audit scope includes analyzing the implementation of water policy with respect to soil erosion which also analyze of data of schemes/programs implemented for flood control and its impact on control of soil erosion and reclamation of land. Terms of Reference of the thematic audit are as follows;

1. Ascertain the successful implementation of various policies and schemes for the flood protection and control of soil erosion.
2. Evaluate effectiveness of the schemes in achieving targets.
3. To check whether proper monitoring and evaluation frame was in place and was effective in ensuring timely completion of quality work.
4. To identify loopholes in the completed and ongoing schemes.

5. To point out areas ignored by the department and where such initiatives were essential and which are potentially vulnerable.

2. Legal frame work governing the theme.

The National Water Policy is based on the concept of Integrated Water Resources Management primarily aimed at a number of policy objectives out of which the following are important with regard to soil erosion and flood management.

i. Improving watershed management through extensive soil conservation, catchment area treatment, preservation of forests and increasing forest cover;
ii. Flood management to mitigate floods and minimize their damages;

1) The Government of Khyber Pakhtunkhwa Rules of Business, 1985, promulgated in pursuance of the provision contained in Article 139 of constitution of the Islamic Republic of Pakistan, the Khyber Pakhtunkhwa Irrigation Department is required to perform;

i. a) River and riverine surveys
   b) Construction and maintenance of canals
   c) Tube-wells and other water utilization schemes in areas other than those declared as “Local Areas” under the soil Reclamation Act, 1952
   d) Formation of Embankments
   e) Drainage other than field drains in areas declared as “Local Areas” under the soil Reclamation Act 1952
   f) Storage of water and construction of water reservoirs.

ii. Barrage construction work and all matters connected therewith.
ii. Water logging schemes in areas other than those declared as Local Areas under the soil Reclamation Act 1952
iv. Land Reclamation Schemes in areas other than those declared as “Local Areas” under soil Reclamation Act, 1952
v. Flood Control Schemes
iii. Administration of Canal and Drainage Act 1873 (VIII of 1873)
iv. Booking of irrigation where Minor Canal and Drainage Act is applicable
v. Matters pertaining to distribution of river supplies
vi. Inland water-ways and inland navigation.

2) SDG No. 15 and targets SDG-15.3 aims exclusively with protection of land also bind the signatory countries to “combat desertification, restore degraded land and soil, including affected by desertification, drought, and floods, and strives to achieve a land degradation natural world”.

3. Stakeholders and Governmental organizations identified as directly/indirectly involved.

- Irrigation Department, Government of Khyber Pakhtunkhwa
- Forestry, Environment and Wildlife Department Government of Khyber Pakhtunkhwa
- Agricultural Department Government of Khyber Pakhtunkhwa
- Department of Finance, Government of Khyber Pakhtunkhwa
- Planning and Development Department, Government of Khyber Pakhtunkhwa
- Chief Engineers, Irrigation Department,
- Superintending Engineers at various circles of Irrigation Department,
- Executive Engineers at Divisional level.

Note: - The Forestry, Environment &Wildlife (FE&W) and Agricultural Departments of KP are directly involved in the Control of Soil Erosion however, as per Audit Plan, thematic Audit is restricted to the role of Irrigation Department KP in Controlling Soil Erosion.

4. Role of important organizations

Secretary Irrigation Department, Government of Khyber Pakhtunkhwa is responsible for overall supervision and administrative control of the department, who is assisted at Secretariat level by Additional Secretary, Deputy Secretary (Tech) and Planning & Monitoring Cell (PMC). In all technical matters, the Secretary is assisted by the PMC. It prepares the draft proposals for Annual Development Program (ADP) and Public Sector Development Plan (PSDP). The PMC prepares plans, liaison with Federal Government and Donor Agencies regarding new schemes and also monitor progress of implementation of the existing portfolios. Execution of the water sector schemes and their operations are carried out by attached departments. There are three attached departments headed by their respective Chief Engineers (C.E) working under the administrative control of Irrigation Department. The attached departments are elaborated as under: Operation and Maintenance Wing (North), Operation and Maintenance Wing (South) and Small Dams Organization.

The Planning and Development Department has the important mandate to formulate and contribute at policy level in the Provincial and Sectoral development policies of Khyber Pakhtunkhwa.

Irrigation Engineers plan, design, and manage the construction of irrigation projects to distribute water to agricultural lands. They are responsible for the construction of irrigation canals and river dams. They conduct research on soil drainage & conservation of Forests and ranges. They conduct scientific studies of water sheds and river systems to determine the amount and quality of water that can be diverted to agricultural regions. Submit proposals to government agencies for the construction of dams and irrigation canals that distribute waters to food producing regions of the country. They estimate the potential damage of dams and canals on environment in the regions where water is being drawn. Conduct studies to determine optimum construction design plans for dams, canals and reservoirs and manage the construction to assure protection of environment.

5. Funding Procedures and Sources

Government of Khyber Pakhtunkhwa, Finance Department provides Funds for approved schemes under ADP as well as Salary and Non-salary Budget (recurring budget).

6. Field audit activity

6.1 Methodology

Thematic 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. These standards require comprehensive planning to ensure that an audit of high quality is carried out in an economic, efficient, and effective way within the planned time and cost.

6.1.1 Site Visits

To comply with the thematic Audit scope and objectives, the Secretariat office of Irrigation Department and selected Divisional Offices headed by Executive Engineers in various Districts were visited by the audit teams. The samples selected for Thematic Audit were, schemes related to flood mitigation, embankments and protection schemes completed during the last four (4) years as well as those which are still in progress during 2020-21 in different Irrigation Divisions of the Department, schemes having prolonged time span and those in which substantial amount of expenditure was involved as per details given in the tables on the next pages;

Detail of completed schemes selected for Thematic Audit.

Rs. in million

S#	Name of Scheme	A.A date	AA Cost	Name of Division	Year of Completion	Expenditure
1.	150943 Const: of FPW snd Irrigation Channels In Adenzai Area in District Dir Lower	15.3.2016	57.4	XEN Irrigation Division Lower Dir, Timergara	2017-18	56.6
2.	150335 - Development & Rehabilitation of irrigation infrastructure, Flood Protection Works including Rod Kohi System in Kulachi area District D.I.Khan.	09.02.2016	100	Flood Division D.I.Khan	2018-19	86.3
3.	150898 - Revamping/ desilting and rehabilitation of Storm Water Drains / Khawars and Flood Protection Works in Badaber and Koh-e-Daman andadjoining area, District Peshawar.	09.02.2016	148.6	XEN Peshawar Canal Irrigation Division	2018-19	146.3
4.	140526-Construction of Flood Embankment of Kheshki to Nowshera Kalan on Left Side of Kabul River, District Nowshera.	19.2.2016	1396.3	XEN Peshawar Canal Irrigation Division	2018-19	1391.6
5.	160297-Construction of Flood structures on left bank of Kabul River near Pir Sabaq village, District Nowshera.	11.1.2017	80	XEN Peshawar Canal Irrigation Division.	2019-20	55.4
6.	190304 - Constn of flood protect: work on both sides of Chora Khwar near Chitral Colony & Construction of FPW at Regi Lalma and construction of water channel in Lakaray Kaniza UC-42 Malakandar Chora Khwar District Peshawar	3.10.2019	149	XEN Peshawar Canal Irrigation Division	2019-20	125.8
7.	120716-Revamping of Budni Nullah in District Peshawar	16.2.2016	700	XEN Peshawar Canal Irrigation Division	2020-21	640.5
8.	150936 - Construction / Improvement of Flood Protection Works and Water Channels in Fateh Pur, Khwaza Khela, Char Bagh and adjoining areas District Swat	3.11.2015	186	XEN Irrigation Division Swat	2020-21	167.6
					Total	**2670.1**

a. Detail of ongoing schemes selected for Thematic Audit.

Rs. in million

S#	Name of Scheme	A.A date	AA Cost	Name of Division	Present status	Expenditure
1.	140523-Construction of Flood Embankment on Right side of Kabul River (Reach 1) District Nowshera	28.10.2014	914.3	XEN Peshawar Canal Irrigation Division	In progress	601
2.	140524-Construction of Flood Embankment on Right side of Kabul River (Reach 2) District Nowshera	28.10.2014	929.1	XEN Peshawar Canal Irrigation Division	In progress	720
3.	140525-Construction of Flood Embankment on Right side of Kabul River (Reach 3) District Nowshera	28.10.2014	2312	XEN Peshawar Canal Irrigation Division	In progress	1665.8
4.	150383-Consttt: of Protection Structures on R/S of Kabul River U/S and D/S Nowshera Mardan Road Bridge District Nowshera	10.12.2015	2714.3	XEN Peshawar Canal Irrigation Division	In progress	3257.7
5.	150418-Consttt: Flood protection Structures, Bridges, improvements/restoration of existing structure on Swat River and its tributaries in tehsil Matta District Swat.	29.11.2018	974.7	XEN Irrigation Division Swat	In Progress	848.1
6.	160274-Feasibility Study/Preparation of Comprehensive Flood Management Plan for KP	03.11.2016	123	CE North/XEN Mechanical Division Peshawar	In Progress	80.9
					Total	**7173.5**

Objectives of the Audit were to observe the impact of flood mitigation structures on control of soil erosion and to ascertain the agricultural land reclaimed by the Khyber Pakhtunkhwa Irrigation Department besides financial audit of expenditure made on flood protection and mitigation structures.

6.1.2 Documents Reviewed

Various documents were reviewed to gain an understanding of the effectiveness of flood mitigation structures on the control of soil erosion in Khyber Pakhtunkhwa. Some of the documents reviewed were;

- Khyber Pakhtunkhwa Rules of Business 1985
- Sustainable Development Goals
- Laws, rules and regulations relevant to the subject of audit;
- EMIS and PMC data regarding all types of funds released and utilized under ADP on developmental schemes for provision and improvement of irrigation facilities,

construction, and rehabilitation of small dames, canal patrol roads and flood protection works for the last four (4) years.

- Detail of completed and ongoing schemes of flood protection work obtained from PMC Section of the Irrigation Department.
- Proposed PC-I for vulnerable location in KP by NESPAK Consultants.
- FDRD Master plans.

6.2 Key audit findings

6.2.1 Weakness of Internal Control

Weaknesses in the Internal Control system relevant to the theme "Control of Soil Erosion by Irrigation Department" were observed at various levels. Most significant among them were;

Managerial Issues

- Non-conducting river and riverine surveys
- Non-completion of Feasibility Study for preparation of comprehensive flood management plan
- Ineffective monitoring and evolution of Flood Protection Schemes
- Non compilation of PC-I targets
- Execution of developmental scheme without feasibility study
- Abnormal delay in execution and completion of flood protection work
- Delay in completion of developmental scheme and non-compilation of PC-I targets
- Preparation of estimates without the involvement of consultant

Financial Issues

- Unauthentic Expenditure
- Non-imposition of penalty

Internal Audit

Internal Audit Cell was established in the Irrigation Department in compliance with the Internal Audit Charter which has been staffed with an Audit Officer and one Senior Auditor. The core objective of Internal Audit Cell within the department is to ensure that public resources allocated are responsibly utilized through a system of coherent activities which were also subject to accountability. Internal Audit is a cross cutting function and play its role across all the functions of the Irrigation Department. It identifies risk areas in the various business areas and provides corrective action to mitigate risks. It has to work closely with all line mangers to improve effectiveness and efficiency of the processes in risk management, control environment and overall governance.

6.2.2 Critical Review

The National Water Policy bounds the provincial Governments to formulate their respective Master Plans and projects for water conservation, water development, and water management. Control of Soil Erosion by devising a comprehensive flood management plan to mitigate floods and minimize their damages is one of the policy objectives included in the National Water Policy. The SDG 15.3 is also focused on protection of land, binds the signatory countries to “combat desertification, restore degraded land and soil, including affected by desertification, drought, and floods, and strives to achieve a land degradation natural world”. Similarly, the Irrigation Department of KP is mandated, under the provision of the KP Rules of Business 1985 to carry out river and riverine survey in the province in order to ascertain vulnerable locations and prepare comprehensive flood management plan for KP to protect the agricultural land from soil erosion and population from the devastations of floods.

The irrigation department made an expenditure amounting Rs 6831.179 million on the flood protection schemes completed during the last four (4) years. There are several other schemes related to flood mitigation which are still on going and not completed after a long time. Its estimated cost of Rs. 22,537 million with expenditure of Rs. 12,430.815 million up to June 2021. Despite the fact that the Irrigation department prepares schemes and spent huge amount on flood protection works with the aim to protect population as well as agricultural land by controlling soil erosion but these intervention are carried out without having conducted any river and riverine survey since 1985 till date.

Out of the total expenditure of Rs. 6831.179 million spent on various flood protection works completed during the last four years, 8 numbers of completed schemes having value of Rs. 2670.331million were selected for Audit. Scrutiny of the PC-Is revealed that a certain quantity of agricultural land was claimed to have been protected from erosion however no record was available which could show the exact amount of land reclaimed. No PC-4 or completion analysis of each completed scheme was available on record.

As per rules of business, conducting of river and riverine surveys and land reclamation is the responsibility of Irrigation Department, Khyber Pakhtunkhwa. Unfortunately, neither the river and riverine surveys were conducted nor any record/data regarding land reclamation was maintained. However, a Feasibility Study for preparation of comprehensive flood management plan for KP has been assigned to NESPAK consultant at a cost of Rs. 123.00 million during 2016 which is still not completed.

Besides the above completed schemes, a number of schemes approved during 2013-14 and onward were still in progress despite lapse of their actual completion period. The total value (E/Cost) of the ongoing flood mitigation, embankments, and protection schemes up to June 2021 was Rs. 22,537.129 million with up to date expenditure of Rs. 12,430.815 million. The delay in completing schemes within the specified time period not only causes escalation in cost but also deprives general public form its benefits.

Finance department of Khyber Pakhtunkhwa assigned Medium Term Target(s) to Irrigation Department for the financial years 2017-18, 2018-19, 2019-20, 2020-21 under KPI 1.3.1 “Number of flood protection structures constructed / rehabilitated” as 10/30000, 10/25000, 10/25000 and 10/25000 (No./Area Protected in Acres) for each financial year respectively however, no such data was maintained from which achievements the department made could be ascertained.

6.2.3 Significant Audit Observations

6.2.4 Managerial Issues:

6.2.4.1 Non-conducting river and riverine surveys

According to the Government of Khyber Pakhtunkhwa Rules of Business, 1985, the Irrigation Department is required to conduct River and Riverine Surveys.

Irrigation Department Khyber Pakhtunkhwa incurred an expenditure of Rs. 6831.179 million on the execution of various Flood Protection and Flood Mitigation Structures throughout the province during the financial year 2017-18 to 2020-21 as per detail below.

S.No.	Year	No. of schemes completed	Rs in million
1.	2017-18	8	975.700
2.	2018-19	19	2,908.300
4.	2019-20	5	873.800
5.	2020-21	4	2,073.379
		Total	**6,831.179**

On verification of record, it was observed that no river and riverine surveys were carried out for the preparation of comprehensive flood management plan. A detailed survey was required which would have identified the vulnerable sites where floods could damage the agriculture land as well as population. Moreover, record/ data regarding land reclamation were also not available.

When pointed in September 2021 the management replied that the scope of activities under taken by Irrigation Department regarding river and riverine surveys includes reconnaissance and topographic survey of selected rivers reaches including cross section and long section upto high flood level on both the banks, showing alignments of rivers, inventory of already constructed flood protection/irrigation structures, consisting facility and other interventions within the river or its flood plan prominently.

Reply is not tenable, according to the Government of Khyber Pakhtunkhwa Rules of Business 1985 the river and riverine survey was required to be conducted throughout the entire province.

The management was requested for arrangement of DAC meeting vide letter No. Audit/DAC/Irrigation/20-21/31, dated 31.12.2021 which was not convened till finalization of the report.

Audit recommends that department should conduct river and riverine surveys and devise a comprehensive plan in light of the study and prepare schemes with long term objectives and benefits.

AP No. 285 (2020-21)

6.2.4.2 Non-completion of Feasibility Study for preparation of comprehensive flood management plan worth - Rs. 123 million.

According to the Government of Khyber Pakhtunkhwa Rules of Business, 1985, the Irrigation Department is required to conduct River and Riverine Surveys.

To fulfill its mandatory duty as provided in the Khyber Pakhtunkhwa Rules of Business 1985 regarding conducting river and riverine survey, the Khyber Pakhtunkhwa Irrigation Department assigned a Feasibility Study to NESPAK Consultants for the preparation of comprehensive Flood Management Plan worth Rs. 123.00 million during 2016. Audit observed that NESPAK Consultant has submitted only its Inception report on 16.11.2018. Further progress, as per scope of services and deliverables of the consultant provided under para 1.3 and 1.4 of the inception report (as numerated below), was not made.

i. Review Report.
ii. Inception Report
iii. Monthly Progress Reports
iv. Survey and Geotechnical Studies Report
v. Inventory of existing structures on the rivers
vi. Draft Feasibility Report
vii. Final feasibility report and Master Plan
viii. Draft Umbrella PC-I
ix. Final Umbrella PC-I

The consultant failed to complete the task of Feasibility Study after a lapse of six (6) years which was required to be completed.

When pointed out in September 2021 the management replied that the Feasibility Study is in progress, requisite extensions has been granted to the consultant to complete the assignment within extended time period.

Reply is not tenable as documentary proof in support of the reply was not furnished.

The management was requested for arrangement of DAC meeting vide letter No. Audit/DAC/Irrigation/20-21/31, dated 31.12.2021 which was not convened till finalization of the report.

Audit recommends completion of the Feasibility Study assigned to the NESPAK Consultant and also fix responsibility for delay in completion of the task.

6.2.4.3 Ineffective monitoring and evaluation of Flood Protection Schemes.

In the Irrigation Department of Government of Khyber Pakhtunkhwa, Planning and Monitoring Cell (PMC) is functioning under the supervision of the Director (Technical) along with other specialized staff and required resources.

During thematic Audit of Control of Soil Erosion by Irrigation Department it was observed that numbers of Flood Protection schemes were approved during 2013-14 and onward. The total value (E/Cost) of the ongoing flood mitigation, embankments and protection schemes up to June 2021 was Rs. 22,537.129 million with up to date expenditure of Rs. 12,430.815 million (6.1.1 (b) of this report). As a general procedure such type of schemes falls under midterm interventions and to be completed within 2 to 3 years.

The delay in completion of schemes within the specified time period is due to ineffective monitoring and evaluation system resulting into cost/time overrun and may not only leads to human disaster and loss of valuable agricultural product/land upon sudden floods in river /nullahs streams but may also cause damage to the incomplete structures particularly.

When pointed out in September 2021 the management did not reply.

The management was requested for arrangement of DAC meeting vide letter No. Audit/DAC/Irrigation/20-21/31, dated 31.12.2021 which was not convened till finalization of the report.

Audit recommends the matter to be inquired for taking appropriate action.

AP No. 287 (2020-21)

6.2.4.4 Non compilation of PC-I targets Rs. 1396.349 million.

According to PC-I of the scheme titled "Construction of flood embankment from Kheshki to Nowshera Kalan on left side of Kabul river District Nowshera" following objectives were mentioned;

- Restoring the productivity of agricultural land through control of water logging salinity and floods.
- Implementing irrigated flood control and on farm water management programs.
- To protect the citizens of District Nowshera from devastations of floods and its agriculture land from frequent soil erosions.

During audit of accounts of the Executive Engineer, Irrigation Division Charsadda, it was observed that an ADP Scheme "Construction of Flood Embankment from Kheshki to Nowshera Kalan on Left side of Kabul River" was executed and completed at a revised cost of Rs.1396.349 Million including consultancy charges of Rs. 38.463 million.

Audit observed that;

1. No Feasibility Study was conducted before preparation of PC-I.

2. The objectives of the PC-I was focused on the control of soil erosion of the valuable agricultural land of district Nowshera but these objectives were not quantified, accumulated and reported or shared at Divisional, as well as Department level for record.

The lapse occurred due to weak internal control and the achievements of the project were not ascertained.

When pointed in November 2021 the management replied that detailed reply will be furnished after consultation of record.

The management was requested for arrangement of DAC meeting vide letter No. Audit/DAC/Irrigation/20-21/25, dated 13.12.2021 which was not convened till finalization of the report.

Audit recommends that all the projects should have clearly defined and quantified objectives so the real benefit could be calculated.

AP No. 223 (2020-21)

6.2.4.5 Execution of developmental scheme without feasibility study and non compilation of PC-I targets - Rs. 86.293 million.

Under objectives of the PC-I of the scheme “Development & Rehabilitation of Irrigation Infrastructure, Flood Protection works including Rod Kohi System in Kulachi Area Distt: D.I. Khan”, target was given to protect village abadies comprising of Houses and 1425 Kanals of Agriculture lands from devastation of floods.

The ADP Scheme “Development & Rehabilitation of Irrigation Infrastructure, Flood Protection works including Rod Kohi System in Kulachi Area Distt: D.I. Khan”, executed and completed by the Executive Engineer Gomal Zam Irrigation Division D.I Khan, was administratively approved at a cost of Rs.100.00 million. The scheme was divided into 07 Nos of sub-works, awarded to different contractors on item rate basis and expenditure to the tune of Rs.86.293 million upto 6/2019 was made as per detail given below:

Rs. in million

S#	Sub works	Amount	Expenditure
1.	Construction of Flood distributor at Pota Danni Ramak	44.998	44.432
2.	Improvement of Pawl/Gang Choudwan	11.93	12.494
3.	Improvement of Pawl/Gang in Mosazai	8.662	7.109
4.	Improvement of Pawl/Gang Waqali in Daraban Kalan	9.566	8.970
5.	Improvement of Pawl Looni in Maddi Village	13.05	0
6.	Construction X-Drainage work at Disty No.5	0.586	0
7.	Improvement of Pawl in Mouza Siggi and Looni	11.247	12.883
8.	Advertisement		0.245
			0.125
			0.035
		100.039	**86.293**

Audit observed that:

i. Both any feasibility study was conducted before preparation of PC-I, nor any river and riverine survey was available for the implementation and execution of the required developmental work.
ii. Sub-works at S. No. 6 & 7 under the scheme were not executed and were dropped which may hamper the achievement of the PC-I targets.
iii. On completion of these sub-works, the achievements in accordance with the objectives were not accumulated and reported or shared at Divisional level, as well as Department level for record.
iv. An income of Rs.19.50 million was forecasted in the PC-I, but outcome of targeted income was not known.

The lapse occurred due to weak internal control and the achievements of the project were not ascertained.

When pointed out in October 2021, management stated that detail reply shall be submitted after scrutiny of original record.

The management was requested for arrangement of DAC meeting vide letter No. Audit/DAC/Irrigation/20-21/24, dated 13.12.2021 which was not convened till finalization of the report.

Audit recommends the matter to be enquired at appropriate level for fixing responsibility.

AP No. 208 (2020-21)

6.2.4.6 Abnormal delay in execution and completion of flood protection work - Rs. 2,987.225 million

According to PC-1 of the scheme " Construction of flood embankment of right side of Kabul River (Resch-1, 2 & 3) District Nowshehra", the objective of the project was to provide flood protection arrangements to the Village-Abadis and other infrastructure etc. along with the right bank of Kabul River from Shah Alam till Bara River.

PC-1 for the project "Construction of flood embankment on right side of the Kabul River District Nowshehra" was approved and executed by XEN Peshawar Canal Irrigation Division, Peshawar for three (3) Reaches.

The scrutiny of record revealed that the above mentioned projects comprising Three (03) Reaches were planned to overcome the devastation of 2010 flood and to provide protection to Village- Abadis and other infrastructure etc. along the right bank of Kabul River. The project consists of construction of pitched earthen embankment in a length of 9000 Feet on the right bank of Kabul River with gabion apron as toe protection. The basic aim of the project was protection of land and houses of the inhabitants of these areas and to improve the Socio-Economic condition of the people by providing sense of security who were badly affected by 2010 flood. A sum of Rs. 2987.225 was expended on the project, which was initiated to be completed in Two (02) years but the same project was still in progress and physically 80% work has been shown completed.

Audit raised the following observations.

PC-1 is silent about the eradication of soil erosion and the main objective of the project is to mitigate the devastation of 2010 flood. Unnecessary delay in completion of the 02-years project and elongated to a span of Eight (08) years which resulted in escalation and enhancement of over-all cost. Time and again extensions to the contractors transpire undue favor.

The lapse occurred due to weak internal control which led to delay in completion of the developmental scheme and deprived the general public from benefit of the project.

When pointed out in October 2021, management stated that detail reply shall be submitted after scrutiny of original record.

The management was requested for arrangement of DAC meeting vide letter No. Audit/DAC/Irrigation/20-21/30, dated 28.12.2021 which was not convened till finalization of the report.

Audit recommends investigating the matter.

AP No. 195 (2020-21)

6.2.4.7 Delay in completion of developmental scheme and non-compilation of PC-I targets Rs.7476.606 million.

As a general procedure construction of Flood Protection /Embankments works falls under midterm interventions and to be completed within 2 to 3 years.

Peshawar Canal Irrigation Division spent Rs.7476.606 million till 6/2021 on various scheme for control of flood and protection of available structure after the devastation of 2010 flood as per detail given on the next page;

Rs. in million

Detail of Work	Period	Expenditure Upto 6/2021
140523- Const: of Flood Embankment on R/S of Kabul River (Reach-1)	2014-18	601.379
140524- Const: of Flood Embankment on R/S of Kabul River (Reach-II)	2014-18	720.033
140525- Const: of Flood Embankment on R/S of Kabul River (Reach-1II)	2014-18	1665.813
150383 Const: of Protection structureon R/S of Kabul River U/S & D/S	2015-18	2357.781
150588 Const: of Flood Protection work & bridges on Nullahs & Khwars	2015-18	444.265
170665 Const: of Flood Embankment on Kabul River upper side on M/way	2017-19	299.194
190309 Const: & Impro: of drainage system/channel/Canals, ponds, Culverts	2019-21	122.815
140531 Const: of Flood Protection structure to minimize flood devastation	2014-18	175.367
150436 Const: of Flood Protection structure at vulnerable locations on river	2015-18	60.090
160275 Providing Flood Protection structure in rivers, Nullah &hill torrent	2017-18	267.803
160459 Const: of Flood Protection structure along Jabba Daudzai & zangal	2016-18	732.566
180617 Const: of Flood Protection wor, Irrigatio channels &installation of solar	2016-18	11.000
200301 Flood Protection work/Irrigation channel/solar t/wells & other allied		18.500
Total		**7476.606**

Audit raised the following observations.

- The schemes are still under process and have not been completed within the stipulated time of contract.
- No assessment was made by the Irrigation Department to analyze how much flood control measures were achieved.
- No record of land saved from erosion was maintained.
- Achievement of targets and objectives of the schemes were not provided to audit in support of such a huge incurrence and its impact on the irrigation system.

Audit held that the goals and objectives were not achieved and unnecessary extension to the contractor shows non seriousness of the management in achievement of PC-1 objectives.

The lapse occurred due to weak internal controls of the management.

When pointed out in October 2021, management stated that detail reply shall be submitted after scrutiny of original record.

The management was requested for arrangement of DAC meeting vide letter No. Audit/DAC/Irrigation/20-21/30, dated 28.12.2021 which was not convened till finalization of the report.

Matter is reported for justification and corrective measures.

AP No. 197 (2020-21)

6.2.4.8 Preparation of estimates without the involvement of consultant - Rs. 974.750 million

The Provincial Government issued the following directions on 25-06-2013 regarding selection of consultants, project life and consultant/contract agreement.

i. Consultant firms shall be engaged for all new civil works with categorization in large and small categories costing Rs.250 (M) or more and costing less than Rs. 250(M) respectively.
ii. Consultant firms of national/international repute will be shortlisted with verification of their credentials such as staff qualification, strength, and income tax return of staff.
iii. Consultants shall offer bids for feasibility study, project formulation, design, PC-1 preparation, tendering, bids evaluation, quality control, and detailed supervision.
iv. Consultants shall offer bids in lump sum amount instead of percentage.

During Audit of the XEN Irrigation Division Swat in 2020-21, it was noticed that the following ADP Schemes having an estimated cost of Rs.974.750 were designed by the department itself without involving Consultants as well as divided into various packages just to avoid third party involvement which is considered as irregular.

ADP No.	Name of Work	Estimated Cost (M)
Old ADP No.1098, 1297 New ADP No. 1300, 150418 (2018-19)	Construction of flood protection structures, bridges and improvement/ restoration of existing structures on Swat River & its tributaries in Tehsil Matta District Swat.	Rs.974.750

Audit is of the view that non-involvement of consultants in the above cited schemes needs justification.

Lapse occurred due to weak internal control of the management.

When pointed out in October 2021, management stated that detail reply shall be submitted after scrutiny of original record.

The management was requested for arrangement of DAC meeting vide letter No. Audit/DAC/Irrigation/20-21/22, dated 24.11.2021 which was not convened till finalization of the report.

The matter is brought to the notice of high ups for corrective measures.

AP No. 187 (2020-21)

6.2.5 Financial Irregularities.

6.2.5.1 Unauthentic expenditure -Rs. 30.607 million.

According to the observations of Pre PDWP meeting held on 13.9.2019, the supply of GI wires for Flood Protection Work shall be from standardized company source.

During the financial year 2020-21, the record of the Executive Engineer, Warsak Canal Irrigation Division Peshawar, revealed that a developmental scheme "Construction of Flood Protection work on both side of Chora Khwar near Chitral colony, FPW at Regi Lalma and Water Channel in Lakaray Kaniza UC-42 Malakandar Chora Khwar Distt: Peshawar" was administratively approved for Rs.149.01 million by the Irrigation Department vide No.PMC/PDWP/170919/ADP, dated 3.10.2019.

Payment of Rs. 30.607 million was made to contractors for the execution of an item of work "Provide & Weave GI Wire netting for wire creates 6"x9" mesh 8 SWG wire" for a quantity of 82,829.83 m^2 but neither the bills was accompanied by the relevant company invoices, nor any Laboratory test was carried out by the Division for ascertaining the standard of GI Wire to comply with instruction of the PDWP.

#	Voucher No & dt.	Name of work	Contractor	GI wire qty in m^2	Rate per m^2	Amount
1.	3/WG, 17.9.20	FPW R/S Chora Khwar	Ali Constn:	9426.73	369.52	3,483,365.27
2.	2/L, 2.3.21	FPW Miyagano Ghari	SJK	31243.39	369.52	11,545,057.47
3.	8/L, 5.4.21	FPW Lakary Kaniza	WAMA	35994.61	369.52	13,300,728.29
4.	49/L, 8.6.21	FPW L/S Chora Khwar	Musa	6165.10	369.52	2,278,127.75
Total				**82,829.83**	369.52	**30,607,278.78**

The lapse occurred due to weak internal controls and non-implementation of the commitment already made in the PC-I.

When pointed out in October 2021, management stated that detail reply shall be submitted after scrutiny of original record.

The management was requested for arrangement of DAC meeting vide letter No. Audit/DAC/Irrigation/20-21/26, dated 15.12.2021 which was not convened till finalization of the report.

Audit recommends the matter to be enquired for fixing responsibility, physical verification for ascertaining the standard quality and quantity so supplied and executed at site under intimation to audit.

AP No. 230 (2020-21)

6.2.5.2 Non-imposition of penalty on the contractors for delay in execution/completion of works - Rs. 27.346 million

According to clause-7.4 of the contract agreement, that if the contractor fails to complete the work within the time for completion, the contractor’s only liability to the procuring entity for such failure shall be to pay the amount in the contract data for each day up to a maximum of 10% of sum stated in the acceptance letter.

During the course of Thematic audit of Control of Soil Erosion by Irrigation Department Swat Matta in 2020-21,it was noticed that the following schemes were executed and awarded to the below cited Govt. contractors, which should have been completed within the stipulated time frame as clearly mentioned in the work order but could not be done so. Detail is given in the table on next page;

Contractor	Name of Work	Vr. No/Date	Bid Cost	Commence date	Completion date	Penalty @ 10%
M.Younis	Const. of F/protection on R/S of river Swat from Bara Bama to Sher Palam.	06-10-16 169/1-w	36.29	06-10-16	06-10-19	3.629
M.Niaz	Const. of F/protection on R/S of river Swat from Khwaza khela to Bara Bama	06-10-16 168/1-w	33.27	06-10-16	06-10-18	3.327
Mustafa Kamal	Const. of F/protection from Toutkay to Outfall	06-10-16 167/1-w	34.03	06-10-16	06-10-18	3.403
Jamshid Bacha	Const. of F/protection from Sakhra to Kalkot	06-10-16 176/1-w	33.7	06-10-16	06-10-18	3.37
Rahmat Shoaib	Const. of F/protection on R/S of river Swat from Kalakot to Khwaza khela	06-10-16 171/1-w	32.5	06-10-16	06-10-18	3.25
Jamshid Bacha	Const. of F/protection from Gualirai to Sulathan	06-10-16 175/1-w	34.5	06-10-16	06-10-18	3.45
Hizbullah Khan	Const. of F/protection in Chuprial Barthana Khairerai & Bedara	03-05-19 1129/c-/2018-19	33.27	06-10-16	Nil	3.327
Salah Const.	Const. of F/protection along Fazal Banda Khwar to Gualarerai	06-10-16 170/1-w	35.9	06-10-16	06-10-19	3.59
Total						**27.346**

Audit held that instead of imposing penalty; extension was granted to these contractors in the above schemes which inflicted a loss to the outskirt land in shape of increase of salinity and conversion of fertile agricultural land into barren land.

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

When pointed out in October 2021, management stated that detailed reply shall be submitted after scrutiny of original record.

The management was requested for arrangement of DAC meeting vide letter No. Audit/DAC/Irrigation/20-21/22, dated 24.11.2021 which was not convened till finalization of the report.

Audit recommends investigating the matter and taking appropriate action.

AP No. 189 (2020-21)

7. Departmental Responses

The department stated that detailed replies will be submitted after consulting original record.

8. Recommendations

The Irrigation Department needs to accelerate their efforts for Control of Soil Erosion by devising a comprehensive flood management Plan to mitigate floods and minimize their damages. This could only be possible by fulfilling the mandatory duties by conducting river and reverine survey in the province in order to ascertain vulnerable locations and to prepare a comprehensive flood management plan for Khyber Pakhtunkhwa, to protect the agricultural land from soil erosion as well population from the devastations of floods.

The department should strive for completion of the schemes within the stipulated time period to save government from additional financial burden and get fruitful result of the schemes. The PC-I of the projects should have clearly defined and quantified objectives so the real benefits could be calculated.

Track record of the agricultural land protected from erosion and expected income thereof need to be maintained in order to quantify the outcome of flood protection works and income generated.

9. Conclusion

The Irrigation Department besides their other mandatory responsibilities such as provision and improvement of irrigation facilities, construction and rehabilitation of small dams, canal roads patrol also makes interventions in flood protection works with an aim to protect agricultural land from erosion and population form devastation of floods but these interventions are made without any proper planning, survey and feasibility studies. On the completion of these project, post completion analysis were not being carried out to ascertain the objectives of the schemes. Most of the schemes are being executed on the request of the general public through their local representatives.

The projects/schemes take too much time for completion. The department fails to complete the schemes within the stipulated time periods and instead of 2 to 3 years completion period these schemes takes 5 to 7 years for completion which definitely leads to time over run, the cost of the schemes enhances, the government exchequers sustained addition financial burden and general public deprives from the timely execution of the schemes. Generally, the delay in completion of the schemes occurs due to the laxity of the contractors who were provided extensions in completion period instead of penalizing them for the delay in execution of the contracts.

The schemes are being executed uneconomically as the department extends undue favor to contractors by approving higher rates on item rate basis instead of government approved rates (government approved Market Rate System), allowing excess quantities of expensive items of work by non execution of scheme to extent of the PC-I/BOQ quantities. The department frequently revises the Technical Sanctions for mere adjustment of every excess over the approved PC-I quantities. In most of the schemes the works were being restricted to less items of works than the provision in approved PC-I/BOQ by exhausting the approved cost and then the department justifies/fixes these irregularities by obtaining revised Technical Sanctions.

Chapter 25

THEMATIC AUDIT REPORT ON RESEARCH IN AGRICULTURE DEPARTMENT KP

1.1 Introduction

The economy of Khyber Pakhtunkhwa is agrarian in nature where 80 percent of the total population is rural, with agriculture as their major source of livelihoods. Agriculture contributes 22 percent to the provincial GDP and provides employment to 40 percent of the labor force. However, 31 percent of the provincial population continues to be food insecure with high rate of malnourishment which is directly linked to the Sustainable Development Goals No 2 of the United Nation.

The government of KP has established the Research in Agriculture Department (RAD) to carry out research on different parameters of agricultural productivity so as to meet the growing food requirements of the population and make recommendations for long-term food security in the province.

The purpose of this audit is to investigate the role of RAD in food security represented by developing seed variety, horticultural promotion, studying climatic conditions conducive for particular crops, examining the effectiveness of various pesticides.

1.2 Background Genesis

The Agriculture Department GoKP has introduced a ten years agriculture Policy 2015-2025, which also emphasizes agricultural research in the province. Khyber Pakhtunkhwa faces an alarming situation with respect to food security and nutrition. Under nutrition is one of the main causes of death among infants and young children, and a very disturbing 48% of the child population of Khyber Pakhtunkhwa are stunted (shorter than expected for age group) with under nourishment impacting the development of their brains and affecting their productivity throughout the life[1].In terms of livelihoods, the well-endowed areas are capable, after suitable development efforts, to provide a good standard of living and to meet the food needs of the population.

The KP agriculture research and development system has not kept pace with the changing market scenarios and require developing capability and capacity for supporting producers in coping with the changing climate, poorly managed natural resources, water shortages, declining productivity, new market demands, rising food prices, and declining food security.

The role of the Agriculture department KP and DG research is to undertake extensive research activities and to develop cost effective and quality production technologies to cater local consumption, industrial use and exports, Advance biotechnology and hybrid seed production, Modern pre & post post-harvest handling, packaging and processing technologies, Strengthen

[1]Pakistan's National Nutrition Survey, Planning Commission, 2011

research linkages and coordination with national and international research and development partners

1.3 Establishing the Audit Theme

1.3.1 Reasons of selection

The Planning Commission has estimated that in order to achieve the national economy growth target of 7-8% per annum, agriculture has to grow at 4%. Agriculture growth also needs to keep ahead of population growth by 1-2% to allow for increased consumption without increased reliance on imports.

The Agriculture Department GoKP has introduced a ten years agriculture Policy 2015-2025, which emphasizes to enhance sector productivity, food security and improve natural resource management. For this purpose the agriculture research will focus on the collaborative research activities on strategic products in the value chain, a competitive grants system, and technology dissemination activities mainly in poor and remote areas.

1.3.2. Purpose/ Objectives: This audit is aimed at the following objectives:

- Being first of its kind, this audit looks deeply into the effectiveness of various aspects of the system, processes, and structures that have been put in place at the RAD for carrying out its different activities/functions.
- It examines what steps have been taken by the research section of agriculture department for the increased consumption and export for high value agriculture commodities
- It focuses on the extent to which recent developments in science and technology have been integrated for intensifying the production and preservation of agriculture produce.
- It highlights how the agriculture research contributes to address the multiple economic challenges faced by the province by taking advantage of the unique and diverse agro-climatic conditions of the province.
- It examines the vision of RAD for food security, poverty reduction and economic growth, the agriculture policy/research has focused on increasing provincial government reliance on its own resources, improving the Government's capacity in terms of effectiveness and efficiency.

1.3.3 Scope

To cover up the agriculture thematic audit, the scope was limited only to the research and development component in the agriculture sector of Khyber Pakhtunkhwa. The audit was started from the office of Secretary to the Government of Khyber Pakhtunkhwa, Agriculture Department and then trickled down to the office of Director General Research KP, followed by a few offices of research institutes. The focused remained on the specific direction and objectives of the government of KP towards the agriculture research & development which was clearly outlined in the Agriculture Policy that the department of Agriculture mainly focuses on

1. construction of lab facilities and other research infrastructure,
2. provision of material and services
3. research and development activities in a program mode

2. Legal frame work

The themes for this audit have been selected from the agriculture policy Khyber Pakhtunkhwa 2015-2025 (A Ten Year Perspective). The specific goals and objectives of the agriculture policy are to;

- Enhance sector productivity and competitiveness by activities such as improving the supply chain, technology dissemination, and trade promotion.
- Address food security and incomes needs of the vulnerable sections of the population and targeted actions and needed to improve food security, reduce poverty and enhance the role of women
- Improve natural resource management, adaptation to climate change and disaster risk management.

3. Stakeholders and governmental organizations identified as directly/indirectly involved

- Secretary to the Government of Khyber Pakhtunkhwa, Agriculture Department Peshawar.
- Directorate General Agriculture Research, KP Peshawar.
- Agriculture Research Institute Mingora Swat
- Agriculture Research Institute D I Khan
- Director Sugar Crops Research Institute (SCRI) Mardan
- Director Cereal Crops Research Institute Pirsabak Nowshera
- Director Soil & Plant Nutrition Agriculture Research Institute Tarnab Peshawar
- Senior Director Agriculture Research Institute Tarnab Peshawar
- Agriculture Research Station Baffa Manshera
- Directorate General Crop Reporting Services Headquarter Peshawar

4. Role of Important Organizations

Federal Government

The agriculture and food security policy would aim to:

- create a modern, efficient and diversified agricultural sector that can ensure a stable and adequate supply of basic food supplies for the country’s population, and provide high quality products to its industries and for export;
- ensure attractive incomes and decent employment for those who live and work in rural areas;
- use the resource base in an efficient and sustainable manner;

- flexibly adapt to climate change and be resilient enough to quickly recover from shocks and emergencies;
- ensure that all sections of the population have stable access to adequate, nutritious and safe foods necessary for a healthy life

In line with the above, the key elements of a new agriculture policy for Pakistan are to:

- Move to a more innovation and technology based agriculture that makes efficient and sustainable use of natural resources;
- redirect public sector agriculture expenditure by focusing agriculture subsidies to socio-economic groups that need it most such as small farmers, landless, women, and nomads and transhumant, and public investments in creation of knowledge, technology and essential infrastructure that would facilitate and encourage private investments by raising profitability of agriculture and rural-based activities; and
- Ensure that food is accessible to all sections of the population, in particular vulnerable groups such as children and women, and is prepared, stored and consumed in a way that ensures nutritional security.

The above key elements would apply to the provinces as well as the federal government and would act as guiding principles for development efforts at all levels.

Provincial Government

- Responsibility for creating and enforcing a legislative and regulatory framework, setting up the partnerships to generate and disseminate new technologies, undertake activities that are focused on providing targeted support to poor and vulnerable group, and managing and guiding use of natural resources.
- The government sector has to grow overtime based on increased technical strengths with more advisory and regulatory role, conducting demand driven basic research, developing capacities of the private sector service providers.

Private Sector

- The private sector will take lead in generating the demand pull and access to markets that will drive production, storage and processing.
- Establish the supply channels for inputs, credit and farm machinery and equipment.
- Private sector would also provide the investment that will drive change, bear the associated risk, and provide the necessary national/ international linkages.

Besides the above, there are a number of research institutes located in various district performing research related activities in the field of agriculture under the direct supervision of Director General Research KP and Secretary to Government of KP, Agriculture department. The secretary is being the administrative department, defining and directing the government vision, strategy and planning in agriculture research to the DG Research, who getting their research job from agriculture institutes keeping in view their capacity and mandate. In the research institutes, there are a number of employees including PHDs working regularly in research activities.

5. Organization's Financials:

The Agriculture Department KP providing regular budgets to their Agriculture Research Institutes through Director General Research KP Peshawar. Besides this, the department also managing some fund through developmental schemes. At present, the following PSDP and ADP schemes are under operation mode.

S. No	Name of project	Source of fund	Total cost in million
1	Wheat productivity enhancement project KP	PSDP Scheme	211.000
2	Productivity enhancement of Rice in potential area of KP	PSDP Scheme	90.000
3	Productivity enhancement of Sugarcane in KP	PSDP Scheme	138.365
4	Surveillance on Pesticide and Fertilizer Adulteration in KP	ADP Scheme	233.903
5	Eco-friendly Management Techniques of fruit flies	ADP Scheme	44.048
6	Strengthening and Rehabilitation of Agriculture Research Stations and Institutes in KP	ADP Scheme	498.600
		TOTAL	**1215.916**

6. Field Audit Activity

6.1 Methodology

Audit team used qualitative method by discussions and interviews with Director Research Institutes of the Agriculture Department. Agriculture Policy 2015-2025 of KP Government was studied in detail along with PC-1s of PSDP and ADP schemes approved in the field of research and development. The audit team also obtained the data from the office of DG Crop Reporting Services KP;

- To review the impact of research & development on the agriculture production.
- To review the operation sustainability of research activities in the field of agriculture.
- To review the modern and innovation technological adaptation in the field of research.
- To review the role of agriculture research in food security.

6.2. Audit Analysis

6.2.1. Review of Internal Controls

In the office of Secretary Agriculture & livestock department, there was no internal audit and monitoring and evaluation system exists despite of the fact that the post for the subject activities is available in the system. The department is completely dependent and relying on the monitoring and evaluation reports of P&D department, which is a matter of great concern.

Similarly, six different development schemes worth Rs. 1215.916 million related to research and development are in progress under the supervision of Director General Agriculture Research Khyber Pakhtunkhwa with no monitoring and evaluation system despite of the fact that five Planning Officers are regularly drawing monthly salaries from the government treasury.

6.2.2 Significant Audit Observations

As a result of thematic audit of Research in Agriculture Department Khyber Pakhtunkhwa, the audit findings were categorized under headings of Governance, Planning and Strategic, Financial Mis-management and Procurement & Contract Management as under:

Governance Issues

6.2.2.1 Non-Implementation of Agriculture Policy 2015-2025 in Research and Development

According to page 40 of the Agriculture Policy of KP, the research needs to be done in collaboration with universities in Khyber Pakhtunkhwa and elsewhere, with research institutions at federal level and other provinces, and with the Consultative Group for Institutional Agriculture Research (CGIAR) system. In view of the need for collaboration and the need to look across the supply chain, a strong multidisciplinary research planning and execution is needed. For this purpose, a provincial system that reviews research proposals to ensure synergy, eliminate duplication and provide strategic focus, particularly on value chains with high potential, needs to be set up.

During thematic audit of the office of Secretary to Government of KP Agriculture Department Peshawar for the financial year 2020-21 it was observed that in contrary to the policy guidelines of KP government, the agriculture research activities were carried out by the Agriculture institutes in various districts without any proper collaboration with universities in KP and elsewhere, with research institutes at federal level and other provinces and with Consultative Group for Institutional Agriculture Research (CGIAR) system. The provincial government has also not established a proper system supposed to review the research proposals to ensure synergy, eliminate duplication, and provide strategic focus.

It was further noted in the thematic audit proceeding that the research institutions of Agriculture department KP have not shared their research findings with other provinces nor were they obtained the new research mechanisms and result oriented experiments from other provinces, which kept the agriculture department KP lagging behind other provinces in the field of agriculture research and development. For instance, Sugar Crop Research Institute Mardan which was established from the pre-partition era for the sugarcane research and development has not shared and collaborated the research experiments with other provinces. This fact was admitted by the Sugar Crop Research Institute Mardan in one of their PC-1 that the per hector yield production of sugarcane is very much low in KP as compared to Punjab and Sindh, but the department has not made a single effort to get the approved research of other provinces in the field of sugarcane for adaptation in the KP.

Audit held that despite clear cut direction and policy guidelines in the field of research and development of the KP government in the shape of agriculture policy, the agriculture department along with the government in hand have failed to get the desired objective.

AP No. 140 (2020-21)

6.2.2.2 Wasteful expenditure due to non-achieving of mandated objectives - Rs. 16.580 million

Agriculture Research Station Baffa Mansehra provides the following mandate of the research station;

- To achieve self sufficiency in food grains, fruits and vegetables through research oriented efforts in Hazara division.
- To increase income and improve socio-economic condition of farming community.
- To strengthen linkages with national and international organization, Govt and non-govet agriculture stakeholders to boost agriculture productivity of the area.

During audit of the accounts records of Agriculture Research Station Baffa Manshera for the financial year 2020-2021, it was noticed that the research station started its activities in 1980-81 duly upgraded in 1990-91 with disciplines comprising of Economic Botany, Cereal Botany, Entomology, Pathology, Soil Science, and Horticulture. After the establishment of Hazara University in the premises of research station, the ARS was shifted to Baffa in 2001 on the area of 130 kanals. Audit observed that since the establishment of research station, the researchers and management can hardly achieved the following achievements.

S. No	Particulars	Year
1	Developed three varieties of Soybean (Kharif-93, Wahab-93 and Ajmeri)	1993
2	Developed Lenttil variety	1989
3	Developed Maize variety (Qayyum)	2018
4	Release of Garlic variety (Pakhal Gaint)	2018

Audit held that the office is regularly incurring expenditure both in establishment charges and operation heads of accounts but in return the research station have completely failed to show their existence and deliver its mandatory objectives as defined in the annual report. Due to non-existence of internal audit and monitoring & evaluation cell, the administrative department was also failed to closely monitor and evaluate the performance of their subordinate offices and held them accountable for the poor performance which is the requirement of Agriculture Policy of 2015-2025.

The lapse occurred due to weak internal controls.

Audit recommends investigating the matter and taking appropriate action.

6.2.2.3 Loss due to low yield of wheat - Rs. 1.833 million

According to the Annual Report 2020-21 of the Agriculture Research Institute Tarnab, the objective of the Farm Management Section is to:

- Produce quality seed of wheat for farmers community of the province
- Utilize fallow land efficiently after laying research experiments
- Increase income of the farm.

According to journal for the year 2020-21, published by the Directorate of outreach agriculture research Peshawar, the standard average yield of wheat varieties is about 32 to 40 mond per acre.

During Audit of the accounts record of the Senior Director Agriculture Research Institute Tarnab for the financial year 2020-21, it was noticed that 30 acres wheat was cultivated by the Farm Management section for seed production which produced yield of 31,166 kgs i.e. 623.32 monds, which came to about 20 monds per acre. The yield produce is very low as compared to the standard yield required which is about 40 monds per acre. The section failed to achieve the standard yield produce despite the availability of all the required facilities and resources due to which loss of Rs. 1,833,110/- (details below) was sustained by the Government on one hand and on the other hand the main objective of the section to produce quality seed for farmers community of the province to increase their yield and improve economic condition.

Rs.

S.No	Variety	Area	Qty produced	Qty required	Diff	Sale rate/kg	Loss
1	Shahkar	25 acres	Basic 14162kg Certified 12009kgs	Basic 28,324 kgs Certified 24,018 kgs	14162kgs 12009 kgs	61 57	863,882 684,513
2	Khaista-17	05 acres	4995 kgs	9990 kgs		57	284715
Total							**1,833,110**

It is pertinent to note that in the year 2019-20 the average yield of wheat produced by the section was about 24.29 monds per acre, but in 2020-21 it was below from even the previous year.

The lapse was occurred due to weak internal controls.

The matter is therefore, reported for appropriate action under the rules.

AP No. 83 (2020-21)

6.2.2.4 Loss due to low yield of Maize amounting to Rs. 1.269 million

According to the Annual Report 2020-21 of the Agriculture Research Institute Tarnab, the objective of the Farm Management Section is to produce quality seed of wheat, maize and other crops. Read with the Journal published by the Cereal Crops Research Institute Pirsabak Nowshera, the average yield of the maize varieties is about 40 to 60 monds per acre.

During Audit of the accounts record of the Senior Director Agriculture Research Institute Tarnab for the financial year 2020-21, it was noticed that 25 acres of Azam variety of maize was cultivated by the Farm Management section for seed production. As per the crop register the total produce was 17,160 kgs which comes to about 343 monds i.e. about 13.725 monds per acre. When compared to the standard yield of maize required, the produce by the section is very low because produce to 62,500kgs (25acres x 50monds x 50kgs) of maize was required to have been obtained. On one hand the objective of the Farm Management Section to produce quality seed for farmer's community of the province was badly suffered and on the other hand loss of Rs. 1,269,520/- (62500kgs – 17160kgs x Rs. 28 per kg) was sustained by the Government due to low yield despite the availability of all the required facilities and resources.

The lapse was occurred due to weak internal controls.

The matter is therefore, reported for appropriate action under the rules.

AP No. 84 (2020-21)

6.2.2.5 Non-attaining of objectives by spending billion of rupees

According to the Annual Report 2020-21, the mandate of the Agriculture Institute Tarnab Peshawar is the generation and dissemination of knowledge and technologies for improving crop productivity in order to achieve growth, equity, and food security in the agriculture sector of the province.

The Agriculture Institute has the following medium and long term plan;

Medium term plan

I. Improvement in the existing technology.
II. Collection of germplasms for development of new varieties.
III. Development of Integrated plant nutrient management for cereals, fruits, and vegetables.
IV. Identification and diagnosis of crop disease, weeds, and pests.
V. Developing integrated control for various diseases, weeds, and insect pests.
VI. Dissemination of technology through imparting trainings to the growers.

Long term plan

I. Variety (s) development.
II. Production technology development.
III. Promotion of development technology to the end users.

During audit of the accounts records of Senior Director Agriculture Research Institute Tarnab for the financial year 2020-2021, it was observed that Agriculture Research Institute Tarnab was established in the year 1908 having 200 Acres of land for multiple research activities with sufficient number of researchers and other technical staff including 10 PhDs who are also getting PhD allowance from government treasury. However, analysis of the annual report revealed that the research institute was not been able to introduce the new varieties development since 1945 except the following few one;

S. No	Name of Fruit	Name of variety	Year of approval	Potential yield
1	Sweet orange	Tarnab Malta (blood)	2010	250-300 seedless fruits
2	Sweet orange	Sherkhana-1	2010	300-400 seedless fruits
3	Sweet orange	Red blood	2021	300-400 fruits
4	Mandarin	Tarnab Daisy	2020	Nil
5	Citrus Root Stock	Sour Orange	2021	Nil
6	Citrus Root Stock	Australian Naranj	2021	Nil
7	Citrus Root Stock	Tarnab Naranj	2021	Nil
8	Grape Fruit	Tarnab Shamber	2013	Nil
9	Grape Fruit	Tarnab Reed	2013	Nil
10	Grape Fruit	Tarnab Shamber	2013	Nil

The loss occurred due to weak internal controls.

Audit recommends investigating the matter and taking appropriate action.

AP No. 141 (2020-21)

6.2.2.6 Non-achieving of PC-1 targets - Rs. 90.370 Million

According to page 19 of the approved PC-1 of ADP project "Surveillance on Pesticide and Fertilizer adulteration in Khyber Pakhtunkhwa" following were the targeted activities of Agriculture Research component as listed below;

S. #	Name of activity	Unit	Total PC-1 Target	Target for 2020-21	Target achieved
1	Construction, renovation and up-gradation of Pesticides and Fertilizer Laboratory at Directorate of SPN	%	100	50	Nil
2	Methodology development for pesticides residue analysis of approximately 50 different pesticides	%	100	20	Nil
3	Analysis of Pesticides samples for possible adulteration from four zones of KP	No	1000	200	110
4	Collection and analysis of fertilizer products of different manufacturing companies from four zones of KP	No	1000	200	70
5	Establishment of one bio-remediation structure at Peshawar for heavy metal removal from contaminated irrig. water	%	100	50	Nil
6	Development of soil enhancer/bio-fertilizer for improving soil health	%	100	20	20
7	Formers field days/workshops	No	05	01	Nil
8	Farmers trainings	No	04	01	Nil
9	Trainings to new and existing technical staff	No	04	01	Nil

During audit of the accounts records of Directorate of Soil & Nutrition Agriculture Research Institute Tarnab for the financial year 2020-2021, it was observed in the ADP project “Surveillance on Pesticide and Fertilizer adulteration in Khyber Pakhtunkhwa” that the management was incurred expenditure of Rs. 90,370,000/- under different heads of accounts.

However, the yearly targets objectives set out in the approved PC-1 were not achieved despite the necessary allocation of fund.

Audit held that no serious efforts were taken by the management to get the desired targeted objectives by implementing the standards set in the PC-1.

The lapse occurred due to weak internal controls and non-compliance of PC-1 provision.

Audit recommends investigating the matter for appropriate action under the rules.

AP No. 108 (2020-21)

6.2.2.7 Loss due to lease of un-suitable land for sugarcane cultivation - Rs. 1.565 million (approx)

According to the findings of the damages assessment committee headed by Mr. Noora jan PRO who visited the leased land at Lund khwar dated 26.01.2021, the seed at leased land was damaged due to frost up to 50 to 55% and hence was not suitable for further production and hence be disposed off as soon as possible.

During Audit of the accounts record of the Director Sugar Crop Research Institute Mardan for the financial year 2020-21, it was noticed that an agreement was signed with land owner Mr. Muzamil Khan for lease of 10 acres of land at Lund Khwar (DARHA) for one years and Rs. 800,000/- paid vide cheque No. 1791744 dated 13.2.20 and 1791361 dated 23.01.2020 for testing and research of various varieties of sugarcane for improved seed produce. However, the whole process was done without any proper feasibility to select a frost free area. Resultantly in January-2021 due to severe frost in the selected area the yield of sugarcane was badly affected. A committee was formed to assess the damages caused by the frost headed by Mr. Noora Jan PRO. The committee in its report submitted that the sugarcane seed at the leased land was damaged up to 50 to 55% and hence was not suitable for further production and should be disposed off as soon as possible.

Audit is of the view that due to poor planning in area selection on one hand loss of Rs. 1,565,628/-was sustained by Government exchequer and on the other hand farmers were deprived from the availability of good varieties of sugarcane seed to increase their yield and improve their economic conditions.

Rs.

Particulars	**Amount**	**Remarks**
Leased land	800,000	Cess Fund
DPL (field & Watch & Ward)	565,628	Cess Fund
Cost of other stores	200,000	Approx
Total	**1,565,628**	

The lapse occurred due to weak internal controls.

Audit recommends detailed investigation and appropriate action under the rules.

AP No. 54 (2020-21)

6.2.2.8 Wasteful expenditure due to non-achievement of mandatory goals by SCRI Mardan - Rs. 79.106 million

According to annual report of the Sugar Crops Research Institute Mardan for 2020-21, the mandate of the institute includes:

- Development of high yielding, best quality sugarcane, and sugar beet varieties adapted to agro-ecological conditions of Khyber Pakhtunkhwa.
- Development of improved production technologies and demonstration of the same to the growers through adaptive research program.
- Production of quality seed cane of approved commercial cane varieties for quick replacement of old sugarcane varieties.
- Standardization of plant protection techniques for ensuring production of healthy sugarcane/sugar beet at the farmers' fields.
- Reaching out to the farming community through mass media such as workshops/seminars/field days, internet, newspapers, and radio talks.

During Audit of the accounts record of the Director Sugar Crop Research Institute Mardan for the financial year 2020-21, it was noticed that there are two major crops cultivated by the institute in the premises of the institute and other leased lands i.e. Wheat and sugarcane. However, the institute failed in development of high quality seeds in both the crops. Data revealed that various varieties of sugarcane seed were cultivated in SCRI Mardan and other leased land at Ghano Dheri and Lund Khwar for testing and research of improved seed which is adoptive to agro-ecological conditions of KP and huge expenditure on account of lease payments, DPL and cost of other stores were made however, in January-2021 due to severe frost the yield of sugarcane was badly affected. A committee was formed to assess the damages caused by the frost headed by Mr. Noora Jan PRO. The committee in its report submitted that the sugarcane seed was damaged up to 50 to 55% and hence was not suitable for further production and should be disposed off as soon as possible. Still the damaged seed was sold to the poor needy farmers who were forced to submit an affidavit that if the seed didn't perform the SCRI Mardan will not be responsible.

Similarly, Wheat seed was cultivated on an area of 22 acres which produced 28200 kg of wheat with an average of 26 mounds per acre which was very low. On the other hand the quality of wheat was so poor that Federal Seed Certification and Registration Department rejected the wheat due to unverified seed source.

Audit held that SCRI established in 1952 and declared as a sugarcane research institute in 1981, the researcher failed to develop high yielding, best quality sugarcane, sugar beet varieties adapted to agro-ecological conditions of KP despite elapse of 40 years, which was the main goal and mandate of the institute. And it is a known fact that high Frost in winter seasons is one of the major problems of the areas of KP where sugarcane is cultivated. So in 2020-21 both the crops produced were of poor quality due to which the institute failed to achieve its mandatory objectives on one hand and on the other hand farmers were also deprived from the availability of quality seed to improve their yield and economic conditions. The expenditure of Rs.

79,106,199/- (details below) incurred by the institute during the period is considered as wasteful and needs justification.

Rs.

S.No	Particulars	Expenditure
1.	Operating Expenditure	11,077,483
2.	Productivity Enhancement of Sugar Cane (PSDP)	59,472,000
3.	Cess Fund	8,556,716
	Total	**79,106,199**

The lapse occurred due to weak internal controls.

The matter is therefore, reported for appropriate action under the rules.

AP No. 58 (2020-21)

6.2.2.9 Loss due to low yield of wheat - Rs. 1.929 million

According to the Annual Report 2020-21 of the Cereal Crops Research Institute Pirsabak, the objective of the Wheat breeding/production Section is to:

- Develop wheat varieties, for normal/late sowing in irrigated and rain fed areas with high yield, disease resistance, and good baking quality.
- Production of breeder's nucleus seed (BNS) of approved and commercial wheat varieties in order to maintain purity of the seed and for further production of Pre-Basic and Basic seed to demand of the institute and farming community.

According to broacher for the year 2020-21, issued by the CCRI Pirsabak, the standard average yield of the wheat varieties is about 50 to 60 mond per acre.

During Audit of the accounts record of the Director Cereal Crops Research Institute Pirsabak for the financial year 2020-21, it was noticed that 88.5 acres wheat was cultivated by the Wheat Seed Production Section for seed production which produced yield of 140,743 kgs of total cleaned and un-cleaned wheat seed or 2815 monds, which came to about 31.8 monds per acre. The total cleaned seed after deduction of broken, choppy and mix wheat etc, was 121,918kgs i.e. 86% of the total produce. The yield produce is very low as compared to the standard yield required which is about 40 monds per acre. The section failed to achieve the standard yield produce despite the availability of all the required facilities and resources due to which loss of Rs. 1,929,198/- (details below) has been sustained by the Government on one hand and on the other hand the main objective of the CCRI to produce quality high yielding varieties of seed for farmers community of the province to increase their yield and improve economic condition has been defeated due to availability of about 28982 kgs less seed.

Rs.

S.No	Variety	Area in acres	Qty produced cleaned	Qty required cleaned	Diff	Sale rate/kg	Loss
1.	Wadan	29	38000kgs	49880kgs	11880kgs	69 (pre-basic)	819,720
2.	Khaista-17	31	44500kgs	53320kgs	8820kgs	61 (Basic)	538,020
3.	PS-15	11	14975kgs	17600kgs	2625kgs	69 (Pre Basic)	181,125
4.	Shahkar	10	12572kgs	17200kgs	4628kgs	-do-	319,332
5.	PS-13	6	9683kgs	10320kgs	637kgs	-do-	43,953
6.	PS-05	1.5	2188kgs	2580kgs	392kgs	-do-	27,048
						Total	**1,929,198**

The lapse occurred due to weak internal controls.

The matter is therefore, reported for appropriate action under the rules.

AP No. 102 (2020-21)

6.2.2.10 Wasteful expenditure due to non-achievement of project targets - Rs.8.012 million

Loss due to production of low quality paddy seed - Rs. 62,200/-

According to the PC-I of the project “Productivity Enhancement of Rice in the Potential areas of Khyber Pakhtunkhwa” the main objective of the project is to enhance per acre Rice productivity to secure food security for the growing population in the province with the specific objective to introduce hybrid rice and other high yielding varieties “Fakhre Malakand, Swatai-2014 and Basmati types” of rice among the farmers of the province of Khyber Pakhtunkhwa. Read with serial No. 4 & 5 (activities Description) page 3 of year wise physical targets that Pre-basic and Basic seed will be produced by the ARI D.I Khan for ARI swat due to limited land at Swat.

During Audit of the accounts record of the Director Agriculture Research Institute D.I Khan for the financial year 2020-21, it was noticed that 10.5 acres of paddy seed “Fakhre-Malakand” was cultivated by the ARI D.I Khan for ARI Swat as per the PC-I requirement due to shortage of land at Swat. The requirement was to produce Pre-Basic and Basic class of paddy seed for which BNS or Pre-Basic seed was required to have been cultivated. However, Basic class of seed was cultivated due to which certified class of 12.44 tones of seed was produced which was neither the requirement nor demand as per objectives of the PC-I. On one hand government funds of Rs. 8.012 million expended during the year were wasted by deviating from the PC-I objectives and on the other hand loss of Rs. 62,200/- (12440kgs x 5 (difference of Basic and certified class seed) has been occurred due to production of low class of seed.

The lapse was occurred due to mismanagement at administrative level and non-coordination of various wings of the agriculture department.

The matter is therefore, reported for detailed justification and appropriate action under the rules coupled with taking immediate steps for disposal of rice seed to avoid loss of Rs. 1.639 million.

AP No. 136 (2020-21)

6.2.2.11 Less production of rice seed for farmers and loss due to low yield of Rice seed - Rs. 1.696 million

According to the PC-I of the project "Productivity Enhancement of Rice in the Potential areas of Khyber Pakhtunkhwa" the main objective of the project is to enhance per acre Rice productivity to secure food security for the growing population in the province with the specific objective to introduce hybrid rice and other high yielding varieties "Fakhre Malakand, Swatai-2014 and Basmati types" of rice among the farmers of the province of Khyber Pakhtunkhwa. Read with broachers for rice variety "Fakre-Malakand" published by ARI Mingora Swat according to which the variety has the yield capacity of 80 monds (40 kg per mond) per acre or 64 monds (50 kgs per mond).

During Audit of the accounts record of the Director Agriculture Research Institute D.I Khan for the financial year 2020-21, it was noticed that 10.5 acres of paddy seed "Fakhre-Malakand" was cultivated by the ARI D.I Khan for ARI Mingora Swat as per the PC-I requirement due to shortage of land at Mingora Swat. Scrutiny of the crop register revealed that as against the required yield of 64 monds per acre (33600 kgs), the institute only managed to achieve yield of only 12.4 tones i.e. 12400 kgs resulting into less yield of 21200 kgs of rice seed. This resulted into loss of Rs. 1,696,000/- (21,200 kgs x Rs. 80 per kg) on one hand and on the other hand objective of the project to enhance per acre Rice productivity to secure food security for the growing population in the province with the specific objective to introduce hybrid rice and other high yielding varieties of rice among the farmers of the province of Khyber Pakhtunkhwa has badly suffered due to less availability of 21200 kgs of rice seed.

The lapse occurred due to mismanagement and poor planning at administrative level because "Fakre-Malakand" variety of rice is suitable for cold areas and its cultivation in hot environment of D.I Khan was not suitable and non-professional decision due to which not only loss occurred but objectives of the project has badly suffered.

Audit recommends inquiry at administrative level for fixing responsibility.

AP No. 137 (2020-21)

7. Departmental Responses

The department submitted partial replies and stated that for detailed replies the relevant records will be consulted and will be submitted accordingly.

8. Recommendations

After going through the thematic audit of Agriculture Department KP Research Sections the following recommendations for policy makers and stake holders as under:

- Allocating and providing the committed amount of fund promised under the Agriculture Policy 2015-2025 to Agriculture Research component for Strengthening of existing Research Infrastructure by making more investments for increased production and making positive impact in the food security.
- Detail investigation needs to be carried out for the irregular and doubtful purchases coupled with enquire for the losses sustained in the procurement process.
- The Research Institutes network should be developed for linkage with international, national, and other provinces Research Institutes for easy access and sharing of research experiments for public at large.
- The planning and strategy in research activities should be fully aligned with Agriculture Policy 2015-2025, and SDGs to get the desired objectives.
- There should be proper planning and co-ordination among the Agriculture Department, FD and P&D department so that PSDPs and ADPs Schemes should be fully funded and target benefits in PC-1 be extended timely.
- Farmer’s response and proper feedback through a modern network mechanism be established for decision making in the field of research activities in agriculture and allocation of funds on actual needs and on priority basis.
- Keeping liaison with the research institutes and extension agencies and acting as a two way channel in the transfer of technology.
- To carry on continuous studies on changes in the rural economy by means of periodic surveys and re-surveys of selected sites representing typical situations.
- To carry on research work on structural changes and fundamental problems of agricultural economy and rural development of the KP.
- The transfer and posting of agriculture researchers from one institute to another institute needs to be made keeping in view the continuity of research projects in hands.
- The KP Government may establish its own independent seed certification council to speed up the approval process and avoid the dependency on Federal Seed Council.
- Internal Audit wing and instrumental monitoring and evaluation system needs to be developed in Agriculture Department immediately.

9. Conclusion

The entire influx of fund to the Research Institutes in KP was made in shape of PSDPs and ADPs schemes along with regular budget allocation. However, these schemes have not contributed the desired objectives mentioned in the respective PC-1s and played very limited role in the food security of the province as evident from the annual reports of Crop Reporting Services KP. Audit also suggested that Crop Reporting Services KP figures to be worked out so that the overall economic benefits against the investment made in the Agriculture Research would be calculated against the standard criteria. This Crop Reporting Services KP values will also help out that as a result of investment made by KP Government in assessment of a sustainable economic growth over the useful life of the facilities. Further, the Government of KP should develop Agriculture Research at least up the standard of Punjab so as to bring the less developed areas of KP at par with developed areas by providing equal opportunities of employment and income generation for improving living standard.

10. References

Audit team used qualitative method by discussions and interviews with the concern personals of Secretary Agriculture office and Technical Experts, Directors of Research Institutes Agriculture Department and following documents were studied during quantitative methods as under:

- Agriculture and Food Security Policy of the Government of Pakistan, Ministry of National Food Security, and Research I.
- Agriculture Policy of KP Government 2015-2025 (A Ten Year Prospective)
    - Respective PCs-1 of PSDP and ADP schemes related to research component
    - SDGs goals (02 UN goals set 2015 to be achieved by the year 2030)
    - Report of the Crop Reporting Services KP and its data analysis.

Chapter 26

THEMATIC AUDIT ON

WHEAT PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

1.1 Introduction:

Pakistan is an arable country, with agriculture contributing by 18.9% to total GDP of the country. Agriculture absorbs 42.3% of total labor force of the country. But we are still not self sufficient, and our food availability is dependent on both indigenous production and its import. One of the important crops is wheat, which is our staple crop and government gives it much importance to its acquisition, production, supply and its availability. Being staple food, it contributes 72 percent to the food basket of Pakistan.

Punjab plays a major role in wheat production by allocating 16 million acres (71.5 percent), followed by Sindh, Khyber Pakhtunkhwa and Baluchistan with almost similar trends in production.

If on one side availability of wheat is important, on the other side so is its affordability. Only in 2020 its prices surged by more than 50% which led to a crisis like situation. Heavy Rainfall, smuggling, decisions regarding its import, export, expected production, and many other policy decisions have drastic impact on procurement, availability, and supply of this important crop.

1.2 Background:

A significant increase in wheat production has been observed in the past four decades, that is, from 11 million tons, in 1980 to 25 million tons in 2020, while, during this period, the area under wheat has increased from 17.2 million acres to 21.8 million acres. The yield of wheat has increased by over 75 pc during the last eleven years – at an average growth rate of about 2 percent per annum, while the area under cultivation has increased only at a rate of around 0.65 percent per annum.

After the 18th amendment, provincial governments are responsible to procure wheat from the farmers at the minimum support price and releasing it to the flour mills at a fixed price. Wheat prices and movements are managed at the provincial and district levels. The farming community of Pakistan annually retains 60 percent of the wheat crop for seeding purpose and domestic consumption. To meet food security goals, the government ensures procuring between 25–30 percent of the total wheat production, while the remaining 10-15 pc is left for purchase by the private sector. Provincial governments should procure wheat according to their demand, but this requires financial resources and the provincial governments, especially the smaller ones, are reluctant to spend their money on wheat procurement. Ultimately, the federal government has to procure additional wheat and stock it for the entire year. Estimates suggest that procurement and distribution of just 30 pc of total wheat production costs the government Rs. 48 billion per annum – buying 7.3 million tons at Rs.35/kg costs Rs. 255 billion. Borrowing this amount from banks at an interest rate of 7.3 pc costs Rs. 11.8 billion, and then storage and transportation costs Rs. 36.2 billion to Pakistan Agricultural Storage & Services Corporation (PASSCO). This makes a total of Rs. 48 billion. The government often fails to timely pay off the loan that it borrows from the banks for procurement of wheat. This has led to a circular debt of more than Rs. 700 billion on account of wheat only.

1.3 Audit Theme

1.3.1 Reasons of selection

As it was explained in the preceding paragraphs that wheat is one of the most important food item in Pakistan; every decision related to it along with other uncontrollable events have power to trigger crisis like situation. Strikes, hoarding, and inflationary pressures have the tendency to create law and order situation and people can challenge writ of the state.

For fiscal year 2019-20, the Ministry of National Food Security and Research and provinces assessed that wheat production would be over 27 million tons. However, heavy rainfall in the middle of the year changed the scenario.

The government assessed that the wheat shortfall stood at one million tons. This assessment was revised upward to 1.5 million tons. This shortfall was again revised upward a third time, and wheat shortfall was hovering around two to 2.2 million tons.

According to an estimate, Pakistan should produce around 28 million tons to take care of round the year requirement of the population coupled with having 1.2 to 1.5 million tons strategic reserves.

During crisis (shortfall or excess supply), the government provides an exemption to trade wheat internationally. To fulfill the country’s current demand, the Government of Pakistan allowed importing wheat on a subsidies basis. Government has lifted 60% regulatory duty, 11% customs duty, 6% withholding tax, and 17% sales tax to incentivize wheat import in Pakistan. Still, things did not go as planned, and the government could not avoid the price hike.

SDGs Goal 2 is related to zero hunger with sub goals such as availability, productivity, access, agricultural practices and many more. Timely efforts on this front will help us honoring our international commitments.

1.3.2 Objectives

Food procurement and supply chain management is of utmost importance. If on one side it helps the households to put food on the table, on the other it shows efficiency and effectiveness of government and its departments vis a vis its policies, decisions and its institutions working to achieve those objectives .It is one of the barometer to measure performance of any government;

it will not be an exaggeration to say that government failing on this front will take no time in losing their credibility in the eyes of the masses.

Studying this important aspect of food security and its issues discovered will be helpful for research bodies, United Nations Development Program (UNDP), Food department, provincial and federal government. By in depth analysis relevant stakeholders can rectify the situation and devise some better solutions.

1.3.3 Scope

Food department of KP deals with 35 food items, but thematic audit focused only on wheat. Audit team developed TORs for thematic audit of Food department for the year 2020-21 which was duly approved by the competent authority. TORs were mainly focused on: wheat allocation data, contract agreement for procurement of wheat, selection of transporters for supply of wheat, checking timelines of transporters for the supply, storage capacity of wheat by Food department, issues in storage and late supply or less supply, selection and supervision of functional flour mills, distribution of flour to registered dealers and role of District food controllers.

Vertically audit team focused on policy decisions and role of Secretary Food department followed by an important role of Director Food as second in command in this hierarchy as major operational decisions are made by Food Directorate KP.

Horizontally audit team selected 13 District Food controllers (DFCs) and storage facilitation centers from different regions of the province so as better sample is taken of the whole population. Formations were selected from main KP, southern region and northern region of the province.

Formations planned and audited horizontally were: Storage and Enforcement office Peshawar, Rationing Controller Peshawar, District Food Controller (DFC) Charsadda, DFC Mardan, DFC Malakand, DFC Swat, DFC Dir lower, DFC Haripur, DFC Azakhel, DFC Kohat, DFC Bannu, and DFC DI Khan.

2. Legal Framework

The legal framework that was related to the theme included the following:

I. The GoKP Food Department Notification No.SOF/FD/7-8/2020/7189 dated 23-07-2020
II. MoU between PASSCO and Food Department Govt. of KP
III. Food Department, Govt. of KP wheat Procurement Guidelines/SOPs for the crop year 2020-21
IV. The Flour Mills (Control) Order, 1959
V. The Government of NWFP (now GoKP) Establishment & Administration Department (Regulation Wing) Notification Peshawar, dated 6th April, 1985,
VI. Contract Agreements with the Carriage Contractors for the transportation of wheat

And Food Department instructions/letters and tender documents

3. Stakeholders and Governmental Organizations Directly/Indirectly involved

Important organizations and departments involved with the theme are:

- Ministry of National Food and Security
- Food department KP
- Trading Corporation of Pakistan (TCP)
- Pakistan Agricultural Storage Services Corporation (PASSCO)
- District Food Controller office of every district
- District administration

4. Role of Important Organizations

Food Department, Government of Khyber Pakhtunkhwa, has main responsibility of wheat procurement and transportation to the Provincial Reserve Centers (PRCs). It determines net wheat requirement for 38.642 million population of Khyber Pakhtunkhwa including merged districts on the basis of 124 kg per person per annum, after considering estimates of local production of wheat obtained from the Agriculture Department.

To ensure a smooth supply of wheat and incentivize farmers to produce more, the Pakistan Agricultural Storage and Services Corporation (PASSCO) procures wheat on a Minimum Support Price (MSP). This price is determined based on the excess and shortage of wheat supply in Pakistan.

Food Department issues wheat procurement guidelines/SOPs every year before the start of procurement of wheat from growers. The PRCs are declared as purchase centers, where wheat is purchased from locals and Punjab Growers/ group of Growers who voluntarily provide it.

During the financial year 2020-21, Food Department procured wheat, after approval from the Provincial Cabinet, by importing through TCP, and also purchased it from PASSCO and Punjab Food Department. A quantity of 442610 Metric Ton wheat was imported through TCP against the target of 450,000 Metric Ton, and 624934 Metric Ton indigenous wheat was purchased from Pakistan Agricultural Storage Services Corporation (PASSCO) and Punjab Food Department against the target of 650,000 Metric ton, and 419 Metric Ton against the target of 100,000 Metric Ton was purchased from growers.

The transportation of wheat from Karachi Port and Punjab to the Provincial Reserve Centers (PRCs) is made through Carriage Contractors. Once, wheat is transported to the PRCs, it is issued to the flour mills according to the wheat release plan. There are 230 flour mills in Khyber Pakhtunkhwa, where 202 were operational during the period.

The wheat quota of the districts is population based. The wheat quota of every district is issued to the functional flour mills equally; after grinding this wheat flour is issued by the flour mills to the dealers nominated by the District Food Controllers (DFCs) under the administrative control of the district administration.

District Food Controllers under the District Administration supervise the flour mills and Atta dealers to ensure that the wheat issued to flour mills was completely grinded and that the flour was finally issued by the flour mills to the nominated Atta dealers.

Food Department also plays its role in price stability of wheat flour in the market, where the wheat supply to the market is managed in anticipation of the market price. Wheat release plan during the year is not fixed; rather it is changed from time to time, so the quantity of wheat issued is changed from time to time. The quantity of wheat to be released to flour mills during the wheat harvest season is low; after the harvest is over, it is gradually increased so as to stabilize the price.

It is pertinent to mention that major supply of wheat and wheat flour is made by the private traders as well; which minimizes important role of Food department in managing the market.

5. Organization's Financials

Food Department of the Government of Khyber Pakhtunkhwa financed the purchase and transportation of wheat from the budgetary allocations of the provincial Government.

During the financial year 2020-21, Food Directorate procured wheat from growers, PASSCO and also imported it through TCP. Detail of the Food Directorate budget allocations for the purchase and transportation of wheat is below:

Rs.

S.no.	Head of Account	Budget	Expenditure
1	Cost of Wheat	87,5000,000,000	52,206,362,452
2	Cost of Transportation	5,849,098,229	5,849,098,229
3	Government Subsidy	11,977,000,000	9,990,000,000

6. Field Audit Activity

6.1 Methodology

Audit team started with desk audit in the form of series of discussion in understanding the concept, and role of each department. After detail discussion, it was in a better position to develop TORs which went through scrutiny of the higher ups and were developed after necessary changes. It was followed by selection of formations to be audited horizontally and vertically. Audit team in first days of audit at office of the Secretary and Director Food understood the process through discussion with the officials and also got hold of relevant rules, mandate of the departments involved. It was followed by receipt of annual plan for procurement, selection of transporters and its distribution to districts. Audit team thoroughly audited the process of procurement, supplies delivered and payments made and based on the record provided, developed audit observations.

6.2 Audit Analysis

6.2.1 Review of Internal Controls

The Food Department had weak controls over wheat allocation and PR to PR (provincial reserve) transportation mechanism. Their instructions for wheat quota allocation on population based were not being followed in totality. In some cases wheat allocations were made in excess of the godowns capacity and immediate requirement of the district, as in case of PRC Kohat, D.I.Khan, and Mardan; worth mentioning is the case of Kohat, where wheat was first dumped at PRC Kohat, and then transferred to other districts on PR to PR basis. For other districts, like Swat, Charsadda, and National Reserve Center (NRC) Azakhel and few others timely allocations were not made, so their requirements were met through PR to PR transfer of wheat, which resulted in huge extra cost.

Similarly a weak control over the transportation channel was observed. The 10% securities against the allocations as required under the contract were not obtained from the contractors, and they were not kept bound to perform well on delivery of wheat, as a result, the contractor in some cases, particularly in case of PRC Swat, transported less than the allocated quantity, and transported zero quantity in some allocations to PRC Swat. Allocations of wheat assigned to the contractors were also not followed by the Food Department, due to which a quantity of 2108.747 Metric ton wheat loaded from PASSCO was not delivered to PRC Buner, due to weak supervision and follow up.

Moreover, safe custody of wheat in Godowns was also not ensured. In D.I. Khan a quantity of 189 Metric ton of wheat was found short in the godown.

Another important internal control was lacking of established criteria specifying certain conditions before the PR to PR transportation. Resultantly, the PR to PR transportation was mismanaged, due to which huge financial losses occurred. In some districts like in PRC Mardan and Malakand, wheat was both received and transferred on the same day. It was like the wheat was received just to be transferred. Had the allocations of wheat been judiciously managed, the PR to PR transfer of wheat could have been avoided.

Similarly, weak control over the flour mills was witnessed. Food Department guidelines required that the DFC will visit the flour mills frequently. But, it was found that flour mills were visited almost once in a month, resulting into loss of control of Food Department over its affairs in respect of the subsidized wheat issued to flour mills. In some cases, like in District Dir Lower, Bannu, and Buner, instead of grinding of wheat and issuing to the nominated dealers, flour mills were found involved in sale and illegal transportation of wheat issued to them. Some flour mills in Peshawar were found involved in mixing of maize flour in wheat flour. In some instances, wheat was issued in excess of its grinding capacity, and in another case wheat quota of one flour mill, which was not functional, was issued to another flour mill instead of dividing it equally among all the functional flour mills.

Another weak control observed was over the Atta dealers. Food department Guidelines required that the wheat flour issued to authorized Atta dealers by the flour mills will be sold to public on the Government subsidized rate, but in various districts, the Atta dealers were involved in malpractices, like over pricing and sale of flour in black.

The wheat procurement target was not achieved, although financial resources were placed at the disposal of DFC for the purchase of wheat, but they could not achieve the target. Possible reasons could be either unrealistic targets set for them or lack of efforts on the part of DFCs.

In another important area it was observed that department had weak internal controls over the godowns management. A feasibility study was conducted through a consultant firm to work out the minimum wheat storage requirement and the viability of modern storage approach like steel silos in the merged districts. Once the feasibility is completed, the Government will be able to provide/maintain adequate storage of wheat grains in these districts to cater to the local demand and to meet the requirements in case of emergency in the area. But, it was found that 11 developmental schemes for the development of Food Grain Godowns were started much before the execution of this study. This indicated ill planning, weak controls regarding godowns management. Audit held that if food grains godowns were meant to be executed before feasibility study then why the study was sponsored, therefore, it was sheer wastage of public money on feasibility study. Additionally, instances were found in Battagram, Charsadda, and Kohat where wheat was stored in open spaces which were vulnerable to damage.

6.2.2 Critical review

As far as the legal framework, guidelines and SOPs there is no dearth of it in Food department, particularly regarding wheat procurement and supply chain. Majority of the issues surfaced during its operation stage. Food department carry out the whole planning process from procurement till consumption. There were several lacunas observed in this chain.

First of all audit believe that this figure of 124 kg annual consumption per person is in use for the whole province. As there are different regions within the province with different taste, income level, and production. Based on this figure estimates for wheat were made and decisions regarding its import, buying and production were being decided. If this basic figure is flawed, under stated or over stated then the whole chain will be disturbed leading to shortage, or over supply. Both have implications of its own with financial impact and effects on general population. Secondly, wheat allocations under department guidelines/SOPs were made according to population but were subject to frequent revisions which disturbed the whole supply chain with financial implications. Thirdly, in most of the cases, contract agreements with carriage contractors were not followed in true spirit which made the whole process questionable. Fourthly, regarding enforcement of state writ, several deficiencies were witnessed in the form of frequent violations of SOPs by flour mills. Some minor and temporary punishments were imposed against the persons who will hardly deter them from repeating the same illegal acts.

Food department with its strong and important role regarding food security need to enhance its role in the form of strict supervision and enforcement of applicable rules and regulations. Through revised allocations, and PR to PR transportations the whole procurement and supply chain was kept on disturbing. There was no documented reason behind revised allocations and frequent transfers of wheat from one centre to another which caused extra cost. Department seems to have no clear policy or conditions under which such kind of transfers should be made. Ideally, initial allocations should be based on strong empirical data and should not have been subjected to such frequent changes as were witnessed in almost every district.

District Food Controllers (DFCs) failed to utilize the whole budget for procurement from local growers which could have been economical. Despite the fact that department had received huge budget which was disbursed to various DFCs, but only few of them utilized it for the said purpose. DFCs have little staff to actively monitor the whole operations. With few inspectors at their disposal strict enforcement of rules regarding wheat will always be a pipe dream. Storage, supply of wheat to flour mills and ensuring its onward supply to registered dealers come under their domain. With little capacity and manpower it becomes difficult at times to actively pursue flour mills and their operations which work in no lesser way than a cartel. Furthermore, together with district administration the penalties imposed are not stringent enough to make flour mills in order. With minor fines, and suspension of their license for few days or wheat quota, they come back and start getting their share of wheat.

Overall funding process is streamlined, and is done through banking channel. But department did not take care of tax deductions from some carriage contractors during payment. Moreover, bank guarantees were not obtained from some of the transporters which left the department with fewer options against carriage contractors when they failed to supply wheat as per allocation. Directorate of food went against its own contract clause which had bound it to obtain bank guarantees from them.

Yet, wheat procurement and supply chain is not free of extraneous factors which drastically alter the situation. Involvement of too many stakeholders makes it more complex. There are too many factors such as Political, social, economic, law and order situation, ecological, and climatic changes which have huge implications. Food department cannot take care alone of every aspect of this process. A bad weather, only one factor can alter the whole planning. Similarly, blockage of inter provincial transport; restrictions on export, or increasing or decreasing the minimum support price, all have the tendencies to trigger wheat crisis. Therefore, close coordination within federating units, realistic targets based on authentic data, technological processes to assess climatic changes, and strict enforcement of rules and regulations will make better the whole wheat procurement and supply chain.

6.2.3 Significant Audit Observations

6.2.3.1 Non obtaining 10% security from the contractors and non delivery of 22395 Ton imported wheat by the contractors

According the tender notice conditions and Contract Clause 2.2 “the contractor shall have to provide an amount equal to 10% of total transportation charges.

During audit of the PRCs/NRC Azakhel, for the financial year 2020-21, it was noticed that 06 allocations of indigenous wheat from PASSCO and 08 allocations of imported wheat were allotted to various contractors. However, the 10% security of the quantity allocated was not taken from the contractors, in violation of the contract/tender conditions. So, the Government interest was not safeguarded.

The verification of record revealed that against the allocated quantity of 27000 Ton, only 4605 Ton was delivered by the contractors. Detail is below:

S.No.	Name of PRC	Allocation No.	Quantity Allocated (Ton)	Quantity Delivered (Ton)
1	NRC Azakhel	Second	2000	0
2	PRC Dir Lower	Second	4000	0
	PRC Nowshera	Second	2000	0
3	PRC Haripur	Second	2000	500
4	PRC Mansehra	Second	2500	500
5	Abbottabad Havelian	Second	2500	1298.737
6	PRC Malakand	Second	2000	306.263
7	PRC Swat	First	5000	1000
8	PRC Swat	Second	5000	1000
		Total	**27000**	**4605**

Had the 10% security been taken from the contractors, they would have been bound to make the delivery in time. Due to non delivery of the allocated quantity in the first and second Allocation, the Allocations were revised and the quantity was reduced to the level of actual quantity that was delivered. Contractors were not penalized and Government interest was compromised.

The lapse occurred due to weak internal controls.

Audit recommends imposition of penalty against contractors and action against Director Food for not following relevant applicable rules.

AP No. 57 (2020-21)

6.2.3.2 Storage of wheat in open space

According to Para 5.5 of Wheat Procurement Guidelines/SOPs, Food Department Khyber Pakhtunkhwa, "The Procured wheat shall be stored in the Godown first. No dumping shall be made in the open without the approval of the Competent Authority".

According to the Government of NWFP (now GoKP) Establishment & Administration Department (Regulation Wing) Notification Peshawar, dated 6th April, 1985, the Food Department function is to provide Storage for Food grain.

During audit of the DFC Swat, for the financial year 2020-21, it was noticed that the wheat stock at PRC Swat on various dates was in excess of the Godown storage capacity of 9100 Ton, so that the DFC had nowhere to keep the excess quantity but to keep it in open space.

The physical inspection of PRC Swat on 18-09-2021 revealed that 12701.723 Ton wheat was taken on Stock Register, and 3601.723 Ton wheat was lying in open, which was prone to risk of bad weather. In addition, some loaded vehicles were also standing to be unloaded.

The lapse occurred due to non adherence to rules.

Audit recommends fixing the responsibility.

AP No. 56 (2020-21)

6.2.3.3 Storage of wheat in open space

According to Wheat Procurement Guidelines/SOPs, Food Department Khyber Pakhtunkhwa, Para 5.5 "The Procured wheat shall be stored in the Godown first. No dumping shall be made in the open without the approval of the Competent Authority".

According to the Government of NWFP (GoKP) Establishment & Administration Department (Regulation Wing) Notification Peshawar, dated 6th April, 1985, the Food Department function is to provide Storage for Food grain.

During audit of the Directorate of Food, for the financial year 2020-21, it was noticed that wheat at PRC Battagram, Kohat, and Charsadda was kept in open space. Detail is below:

1.The DFC letter No.1431-34/IMP Wheat dated 18-10-2020 revealed that wheat allocated and transported to PRC Battagram was in excess of the available storage capacity. The letter revealed that 2504.22 Ton wheat was accommodated against the 2200 Ton storage capacity. The letter revealed that wheat was kept in open space.

2. The DFC Kohat letter vide No.450/FG-71 dated 09-12-2020 also revealed that wheat was kept in open space.

3. Similarly, the Deputy Commissioner Charsadda letter No.DC(CHD)/G.B/Food/2019-20 dated 23-03-2021 revealed that1795 Ton wheat was stocked in open.

The wheat allocations were not managed properly in accordance with the storage capacity. Because the available storage capacity was exhausted due to allocation of wheat in excess of the storage capacity, wheat was kept in open space.

The allocations of wheat were required to have been made in accordance with the available capacity of the Godowns.

Audit recommends fixing responsibility for the lapse.

AP No. 42 (2020-21)

6.2.3.4 Ill planning for the construction of food grain godowns

During audit of the office of Secretary Food Department, for the financial year 2020-21, it was observed that the project “study regarding situation analysis of total food storage requirement and current capacity (both public and private) in optimizing facility location and storage choices based on demand and supply pattern” was awarded to M/S Zahid Jamil & Co. at Rs.5.591 million. The aim of the scheme was to conduct a study through a consultant firm to work out the minimum wheat storage requirement and the viability of modern storage approach like steel silos in the merged districts. Once the feasibility is completed, the Government will be able to provide/maintain adequate storage of wheat grains in these districts to cater to the local demand and to meet the requirements in case of emergency in the area. The study was completed in June 2021

The verification of record revealed that 11 developmental schemes for the development of Food Grain Godowns were started much before the execution of this study. The construction of food grain Godowns first and carrying out the feasibility study later revealed ill planning. The study was required to have been carried out before the start of construction of the food Grain Godowns.

Audit therefore, held that financing this study as a formality was sheer wastage of public money.

Audit recommends investigation and fixing responsibility.

AP No. 5 (2020-21)

6.2.3.5 Non-achievement of wheat procurement target from growers

According to the Govt. of KP Food Department letter No.1271/FG-429/Procurement dated 19-03-2021, the wheat procurement target was 100,000 Ton for the Crop year 2021.

During audit of the Director Food, for the financial year 2020-21, it was noticed that wheat procurement target of 100,000 Ton was not achieved. Further scrutiny of the record revealed that Rs.4.9 billion were placed in the Food Account-II, and subsequently deposited in the Director Food account for the target procurement of wheat. Out of this fund, Rs.2250 million was transferred to the Bank Accounts of the DFCs for procurement of wheat. However, only 419.268 Ton wheat was procured resulting into non achievement of the target despite availability of sufficient budget.

Out of Rs.4900 million, an amount of Rs.20.544 million was spent over the procurement from growers. The wheat procurement was made only in 4 centers out of 15 target centers. No strenuous efforts were made in the remaining centers for wheat procurement. The allocation of fund to the remaining 11 centers was not justified. This resulted into inefficient allocation of fund.

Audit recommends investigating the matter and fixing responsibility.

AP No. 19 (2020-21)

6.2.3.6 Missing of 2108.747 Ton wheat to the PRC Buner by the carriage contractor- Rs 172 million

According to the Contract Clause 6.2, In the process of lifting and delivery of wheat, the shortage of wheat up to two percent of the total weight or wheat loaded on a truck will be temporarily acceptable to the employer; provided that the shortage is made good within 15 days after the delivery failing which the contractor will make good the loss at the rate of the landed cost. In case the shortage is more than two percent, and the contractor has not justified, he shall be liable to pay the employer at a rate double than the landed cost of the wheat delivered short at the destination.

The MoU between the Govt. of KP Food Department and PASSCO on 01-11-2019 revealed that the price of Fair average quality (FAQ) wheat at PASCO storage point was Rs.36724.29 per Ton (Cost of wheat Rs.32500 plus half of the incidental charges of Rs.4224.49). Thus the cost of wheat with full incidental charges was Rs.40948.98 per Ton.

During audit of the Director Food, for the financial year 2020-21, it was noticed that allocation of 4000 Ton wheat was made for the PRC Buner in the 2nd Allocation during 2019-20, to be transported by the carriage contractor M/S Javed & Co. The Director Food letter No.3927/M/S Javed & Co 2019-20 dated 07-10-2020 revealed that 2108.747 Ton wheat was not delivered by the contractor, who was directed to deposit double of the landed cost amounting to Rs.112.567 million. While submitting this report this office received letter No. 4636/M/S Javed

& Co 2020-21 dated 25.10.2021 for information in which department requested Commisioner Malakand to proceed against the contractor under Land revenue act which further substantiate Audit observation.

As per Clause 6.2 of the agreement, the contractor was to be penalized by an amount equal to double the landed cost of the wheat that was not delivered. Therefore, the landed cost of wheat was Rs. 86,351,038/- (Rs.40948.98 X 2108.747), and double of the landed cost was Rs. 172,702,077/- which was to be recovered from the contractor. Further, to safeguard the interest of the Government, the 10% amount of transportation charges of wheat on freight value as security at the time of quantity allocated was not taken from the contractor as required under clause 2.2 of the agreement.

The recovery status from the contractor was not made known to Audit.

Audit recommends recovery from the contractor and further strict actions as per law.

AP No. 27 (2020-21)

6.2.3.7 Determination of wheat requirement without research

According to the Food Department, the annual wheat requirement was calculated @ 124 kg per head per.

During audit of the accounts record of Directorate of Food, for the financial year 2020-21, it was noticed that the annual requirement of wheat for the population of 37.558 million people was determined at the rate of 124 kg per head per annum. So, the annual required wheat was 4.657 million Ton. Annual production of wheat was estimated to be 1.190 million Ton after 10% deduction for seeds. Therefore, the net wheat requirement was 3.466 million Ton per annum.

The Food department follows this 124 kg per head per annum as national average. The research studies reveal that human taste change after increase in the income level. But, the Food department has not carried out any survey/research study to find out that this average is an accurate estimate of annual required wheat for the 37.558 million people of Khyber Pakhtunkhwa. In Khyber Pakhtunkhwa, the food preferences in the Southern and Northern areas are not similar. So, to have a reasonably accurate estimate of the annual wheat requirement, the application of 124 kg per head per annum across the province with different food preferences and income level is questionable.

Further, the wheat release plans of the Food Department are based on the population of the districts of Khyber Pakhtunkhwa; the plans however do not consider the local production of the district, where some districts like Mardan, Swabi, Charsadda, and D.I.Khan are wheat producing areas. Other districts like Chitral, Swat, Dir Lower, and Upper etc do not produce sufficient wheat, but the Food Department do not consider this factor in their wheat release plans.

Audit recommends reassessment of this figure based on regional surveys within the province.

AP No. 46 (2020-21)

6.2.3.8 Missing of 189.934 ton imported wheat

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

During audit of the accounts record of DFC DI Khan, for the financial year 2020-21, it was noticed that 189.934 Ton imported wheat was short in the Godown. The verification of record revealed that issuance of wheat to flour mills was stopped on 12th May 2021 and the closing stock of wheat was 1741.104 Ton. Issuance to flour mills was started again on 20-09-2021 and continued up to 08-10-2021. As per FG-III register, a quantity of 189.934 Ton was the closing balance on 08-10-2021, but the Godown was short and the quantity was physically not available.

The physical verification carried out in compliance to the DFC letter Vide No.2262/DFC-DIK dated 07-10-2021 revealed that 189.934 Ton was not available in the Godown. The wheat was misappropriated. The benefits of the subsidized wheat could not be delivered to the public.

Audit recommends fixing of responsibility and the loss be made good.

AP No. 48 (2020-21)

6.2.3.9 Issuance of wheat quota to the flour mills of district Swabi from 02 PRCs

According to Director Food letter No.1677/FG-337/Releases dated 20-04-2021, the daily wheat quota for district Swabi was 82 Ton per day.

According to the Govt. of KP Notification No.SOF/FD/7-8/2020/7189 dated 23-07-2020, Para 2-I, all the districts shall have population based wheat quota which shall be uniformly distributed among the functional flour mills of the district.

During audit of the DFC Mardan, for the financial year 2020-21, it was noticed that the Director Food allowed attachment of the functional flour mills of district Swabi with PRC Mardan vide letter No. 1816/FG-337/Releases dated 03-05-2021. The verification of record revealed that 160 Ton wheat was issued to the flour mills of Swabi for 7th and 8th May, as double quota for two days. The flour mills of district Swabi were issued 164 Ton wheat for 7th and 8th May as double quota for two days from the PRC Swabi also. The daily wheat quota was 82 Ton per day as per wheat releases order vide No.1677/FG-337/Releases dated 20-04-2021.

Thus the flour mills of District Swabi were issued their wheat quota from both the PRCs on the same day resulting into excess issuance of 160 Ton wheat than the wheat quota allowed to them.

The lapse occurred due to weak internal controls and inefficient supply chain management.

Audit recommends fixing responsibility in absence of strong justification for the lapse.

AP No. 54 (2020-21)

6.2.3.10. Loss due to transportation of 9000 ton imported wheat from PRC Kohat to PRC Malakand - Rs. 27.99 million

According to the GoKP Notification No.SOF/FD/7-8/2020/7189 dated 23-07-2020, Para 2-I, all the districts shall have population based wheat quota which shall be uniformly distributed among the functional flour mills of the district. However, in case no flour mill is established in a particular district i.e. Khyber Mohmand, Orakzai, and Torghar, the wheat quota of the district will be distributed among the functional flour mills of the adjacent districts recommended by the concerned commissioners.

During audit of the accounts record of DFC Malakand, for the financial year 2020-21, it was noticed that imported wheat was received on PR to PR basis and also transferred on PR to PR basis on the same day, so that the wheat was received just to be transferred. For example:

1. On 13-12-2020, 164 Ton imported wheat was received from PRC Kohat to PRC Malakand, but 71.112 Ton was transferred to PRC Dir Upper and 104.157 Ton was transferred to PRC Dir Upper Warai. Similarly, on 14-12-2020, 603 Ton imported wheat was received from PRC Kohat, but 70.074 Ton was transferred to PRC Dir Upper and 100.994 Ton was transferred to Dir Upper Warai. This receipt and transfer of wheat continued during December 2020.

2. Further verification of record revealed that a quantity of 4729.107 Ton imported wheat was received from Karachi in December 2020. Further, a quantity of 5000 Ton imported wheat was received on PR to PR basis from Kohat, but 3407.302 Ton imported wheat was transferred from PRC Malakand to Dir Lower and Upper on PR to PR basis.

3. Similarly, in November, 2146.287 Ton imported wheat was received on PR to PR basis from PRC Kohat, but 792.698 Ton imported wheat was transferred from PRC Malakand to PRC Dir Lower. This indicated that the wheat was received on PR to PR basis just to be transferred on PR to PR basis. This was a complete mismanagement of wheat allocation. A total of 9000 Ton imported wheat transported to PRC Kohat was transferred to PRC Malakand on PR to PR basis. It overburdened the public exchequer with an additional cost.

4. Similarly, in the month of Feburary 2021, 1066.797 Ton imported wheat was received in PRC Malakand from Port Qasim Karachi, but 2000 Ton imported wheat was transferred to

PRC Swat. This indicated that the requirements of PRC Swat were fulfilled by transferring imported wheat first from Karachi to PRC Malakand, and then from PRC Malakand it was transferred to PRC Swat on PR to PR basis with additional cost to public exchequer. It resulted in additional cost of Rs.960, 000.

5. Financial loss of Rs.27, 990,000 occurred, because, the rate of transportation from Karachi to Kohat was 7390 and the rate from Karachi to Malakand was Rs.6499 Ton. The Food Department not only paid higher rate of transportation from Karachi to Kohat, but also paid additional cost of Rs.2219 per Ton for transportation from PRC Kohat to PRC Malakand. Had the Food Department made the transportation directly from Karachi to PRC Malakand, it would have avoided the financial loss.

The imported wheat requirement could be managed through Allocation directly to the PRC Malakand, without its transportation first from Karachi to Kohat, then from Kohat to Malakand and from Malakand to Dir Lower and Upper. This long channel was avoidable.

The lapse occurred due to inefficient wheat allocation and supply chain management.

Audit recommends fixing responsibility for not safeguarding public money.

AP No. 50 (2020-21)

6.2.3.11 Loss due to PR to PR transportation of imported wheat from Mardan to PRC Mansehra, Abbottabad and Haripur - Rs.27.506 million

According to the GoKP Notification No.SOF/FD/7-8/2020/7189 dated 23-07-2020, Para 2-I, all the districts shall have population based wheat quota which shall be uniformly distributed among the functional flour mills of the district. However, in case no flour mill is established in a particular district i.e. Khyber Mohmand, Orakzai, and Torghar, the wheat quota of the district will be distributed among the functional flour mills of the adjacent districts recommended by the concerned commissioners.

During audit of the Director Food, for the financial year 2020-21, it was noticed that there was mismanagement of imported wheat Allocations and PR to PR transportation at PRC Mardan. The PR to PR transportation of 12000 Ton imported wheat from PRC Mardan to Mansehra, Abbottabad-Havelian, Haripur, and Buner was ordered on 23-10-2020, although, the 12000 Ton imported wheat had not even completely arrived in PRC Mardan Godowns. This indicated mismanagement of wheat allocations and PR to PR transportation.

On 14-10-2020, one week after the imported wheat arrived at PRC Mardan, the PR to PR transportation started. It was done parallel with the arrival of allocated TCP imported wheat, so that the wheat arrived was transferred to other districts on the same day. For example, on 27-10-2020, 1243.62 Ton imported wheat arrived at PRC Mardan, and on the same day, 99.76 Ton imported wheat was transferred to PRC Abbottabad-Havelian. Similarly, on 28-10-2020, 1095.172 Ton of imported wheat received at PRC Mardan and 74.556 Ton was transferred to

Abbottabad Havelian. And on the next day i.e. 29-10-2020, 180 Ton imported wheat was transferred to PRC Mansehra and 100.06 Ton were transferred to PRC Haripur. This receipt and transfer on the same day or on the very next day continued from October 2020 to February 2021.

Audit is of the view that the supply of imported wheat to other districts could be managed through initial allocations and this PR to PR transportation was avoidable. But, the PR to PR transportations were made parallel with allocation of TCP imported wheat. The PR to PR transportation puts a huge financial drain over the Public exchequer every year. The wheat could be directly transported through in time initial allocation, and the PR to PR transportation could be avoided. Detail is below:

S.No.	From	To	Quantity	Order No.	Date
1	Mardan	Mansehra	4000	4256/FG-332/PR to PR	23-10-2020
2	Mardan	Abbottabad	4000	4255/FG-332/PR to PR	23-10-2020
3	Mardan	Haripur	2000	4257/FG-332/PR to PR	23-10-2020
4	Mardan	Buner	2000	4227/FG-332/PR to PR	22-10-2020
		Total	**12000**		

Financial loss of Rs.27.506 million in the form of additional cost occurred due to transportation of 10,000 Ton imported wheat from Karachi to PRC Mardan and then from Mardan to PRC Mansehra, Abbottabad Havelian and Haripur, instead of its transportation directly to these PRCs. The rate of transportation of imported wheat from Karachi to PRC Mansehra, Abbottabad Havelian, and Haripur was low, and was higher for Karachi to Mardan. The Food department not only paid higher transportation rate due to transportation of wheat from Karachi to PRC Mardan, but also paid additional PR to PR transportation charges from PRC Mardan to these PRCs. Further, financial bid was not received in the tender process for the transportation of imported wheat from Karachi to PRC Buner. As a result, the imported wheat was to be unloaded at any other PRC and then reloaded for transportation to District Buner. This added to inefficiency in the wheat allocation and transportation.

Provincial exchequer was put to loss in the form of extra cost due to inefficient supply chain management.

Audit recommends investigating the matter and fixing responsibility.

AP No. 28 (2020-21)

6.2.3.12 Loss due to PR to PR transportation of 12000 ton imported wheat to NRC Azakhel - Rs.31.23 million

According to the GoKP Notification No.SOF/FD/7-8/2020/7189 dated 23-07-2020, Para 2-I, all the districts shall have population based wheat quota which shall be uniformly distributed among the functional flour mills of the district. However, in case no flour mill is established in a particular district i.e. Khyber Mohmand, Orakzai, and Torghar, the wheat quota of the district will be distributed among the functional flour mills of the adjacent districts recommended by the concerned commissioners.

During audit of the accounts record of Directorate of Food, for the financial year 2020-21, it was noticed that 1st, 2nd and 3rd Allocations of imported wheat were mismanaged. The 1stand 2ndAllocation was made on 30-09-2020. The second Allocation was revised on 19-10-2020. In these Allocations, provision for D.I.Khan, Karak, and NRC Azakhel was mismanaged. Detail is below:

S.No.	Center Name	Quantity
	First Allocation of Imported Wheat	
1	D.I. Khan	6000 Ton
2	Karak	2000 M. Ton
3	Azakhel	2000 Ton
	Second Allocation of Imported Wheat	
1	D.I.Khan	10,000 Ton
2	Karak	6000 Ton
3	Azakhel	2000

The verification of record revealed the following:

1. The quantity for Azakhel was kept low both in 1st and 2nd Allocation. But, quantity for D.I.Khan was kept high. In the second revised Allocation quantity for D.I.Khan was further increased from 6000 Ton to 10000 Ton, and for Karak it was increased from 2000 Ton to 6000 Ton. Further, the allocated quantity of 2000 Ton in the second allocation for NRC Azakhel was not delivered and the allocation of 2000 Ton was reduced to zero. Furthermore, zero allocation was made for NRC Azakhel in the 3rd allocation.

2. The increase in quantity for D.I. Khan and Karak in the second revised allocation was made just 4 days before the order for transfer of wheat on PR to PR basis from D.I.Khan and Karak to Azakhel. The transfer of wheat to NRC Azakhel on PR to PR basis, instead of allocation from Karachi Port directly was totally unjustified and mismanagement of wheat Allocations.

3. The verification of record revealed that 12000 Ton (7000 Ton and 5000 Ton) imported wheat was ordered to be transferred from D.I.Khan and Karak to NRC Azakhel on 23-10-2020 on PR to PR, which was transferred to NRC Azakhel in November 2020.

4. This indicated that this 12000 Ton wheat already transported to D.I.Khan and Karak was not needed there at D.I.Khan and Karak. The allocations for NRC Azakhel were kept low, so as to transfer the 12000 Ton from D.I.Khan and Karak to NRC Azakhel. The NRC Azakhel is the largest Godown in Khyber Pakhtunkhwa with 121000 Ton storage capacity, so the PR to PR

transfer of wheat from the PRCs with smaller capacity, in this case the PRC Kohat, to the NRC with highest capacity was not justified.

The need of Azakhel could be fulfilled in the 1st, 2nd, and 3rd Allocation, without the PR to PR transfer, thus saving public money, time, and human efforts.

Financial loss of Rs.31.23 million occurred due to transportation of 12000 Ton imported wheat from Karachi to PRC D.I.Khan and PRC Karak and then to NRC Azakhel, instead of direct transportation from Karachi to NRC Azakhel. Had the wheat been transported directly from Karachi to NRC Azakhel, additional cost could be avoided. The quantity for Azakhel was kept low in the Allocations to justify the PR to PR transfer from D.I. Khan and Karak.

Provincial exchequer was put to loss in the form of extra cost due to inefficient supply chain management.

Audit recommends investigation and fixing of responsibility.

AP No. 30 (2020-21)

6.2.3.13 Mismanagement of wheat allocations for the PRC Kohat

According to the Govt. of KP Notification No.SOF/FD/7-8/2020/7189 dated 23-07-2020, Para 2-I, all the districts shall have population based wheat quota which shall be uniformly distributed among the functional flour mills of the district. However, in case no flour mill is established in a particular district i.e. Khyber Mohmand, Orakzai, and Torghar, the wheat quota of the district will be distributed among the functional flour mills of the adjacent districts recommended by the concerned commissioners.

During audit of the Director Food, for the financial year 2020-21, it was noticed that Wheat procured from PASSCO and imported wheat was not allocated in accordance with the available storage capacity and the definite requirement of the population of District Kohat. The Allocations were made in excess of the available storage capacity and requirement of the population of the District.

The DFC Kohat letter No.826/FG-71 dated 01-12-2020 revealed that safe storage capacity at PRC Kohat was for 14100 Tons, where 13071.858 Tons wheat was already available in Godowns leaving space for only 1028.142 Tons. But, irrespective of the available capacity, additional 24000 Tons (11000 Tons Imported and 13000 PASCO) wheat allocations were made for this center as revealed by the letter referred above.

This mismanagement of wheat allocations resulted in creation of space for PR to PR transfer. The DFC District Kohat requested vide the above referred letter for permission to store the wheat in open platforms and its transfer to other districts on PR to PR. The record of the DFC Kohat revealed that 41433.997 Ton imported wheat was received at PRC Kohat, out of which only 13375 Ton was issued to flour mills and 28058.993 Ton were transferred to other districts.

The wheat could be allocated in accordance with the available storage capacity of the needy districts without dumping first at PRC Kohat.

Provincial exchequer was put to loss in the form of extra cost due to inefficient supply chain management.

Audit recommends inquiry and fixing of responsibility.

AP No. 31 (2020-21)

6.2.3.14 Excess supply of 2617.171 ton wheat to PRC D.I.Khan and Kohat

According to the Govt. of KP Notification No.SOF/FD/7-8/2020/7189 dated 23-07-2020, Para 2-I, all the districts shall have population based wheat quota which shall be uniformly distributed among the functional flour mills of the district.

During audit of the accounts record of Directorate of Food, for the financial year 2020-21, it was noticed that 2617.171 Ton imported wheat was supplied to the PRC D.I. Khan and Kohat in excess of allocations. The excess supply of imported wheat added in PR to PR transfer from PRC D.I.Khan and Kohat. It is important to mention again that PR to PR transportation puts additional financial burden. The excess was made almost in every allocation. Contractors did not follow the approved allocation. In order to cover the excess supply than allocation, the Allocations were revised. Detail is below:

S.No.	Allocation No. and Date	PRC	Allocated Quantity	Excess Quantity
1	1st	D.I. Khan	6000	37.359
2	2nd (Revised)	D.I. Khan	10000	1001.429
3	-do-	Kohat	8000	32.67
4	3rd	D.I. Khan	13275	68.883
5	4TH	D.I. Khan	5500	349.79
6	-D0-	Kohat	6000	29.77
7	5TH	D.I. Khan	8000	362.599
8	6TH	D.I. Khan	3500	263.439
9	7TH	D.I. Khan	5500	299.691
10	8TH	Kohat	5500	171.541
			Total	**2617.171**

Lapse occurred due to weak controls over the carriage contractors.

Provincial exchequer was put to loss in the form of extra cost due to inefficient supply chain management.

Audit recommends inquiry into the matter and fixing responsibility.

AP No. 33 (2020-21)

6.2.3.15 Loss due to transportation of wheat on PR to PR from Kohat to Swat- Rs.33.253 million

According to the Govt. of KP Notification No.SOF/FD/7-8/2020/7189 dated 23-07-2020, Para 2-I, all the districts shall have population based wheat quota which shall be uniformly distributed among the functional flour mills of the district.

During audit of the accounts record of DFC Swat for financial year 2020-21, it was noticed that allocations of imported wheat for PRC Swat were not made in accordance with the requirements of District population. Further scrutiny of the record revealed the following:

1. Allocation of 5000 Ton wheat in the first Allocation, vide No.3784/FG-433/imp dated 30-09-2020, was reduced to 1000 Ton in the revised Allocation, vide No.4076/FG-433/imp dated 13-10-2020.

2. Similarly, allocation of 5000 Ton wheat in the 2nd Allocation vide No.3785/FG-433/imp dated 30-09-2020, was reduced to 1000 Ton, vide Noo.4175/FG-433/imp dated 20-10-2020.

But, after 9 days of the 1st Allocation (Revised), and 2 days after the 2nd Allocation (Revised), 5000 Ton of the already transported wheat for the PRC Kohat was ordered to be transferred to PRC Swat on PR to PR basis. Reduction of allocation for PRC Swat created space for PR to PR transfer of wheat.

3. Similarly, in the 3rd Allocation, no provision was made for District Swat. Further, wheat allocations in the 4th, 5th and 6th Allocations were also kept low.

But, the PR to PR transfer of 5000 Ton wheat of the already transported wheat for District Kohat was again ordered for District Swat vide No.4753/FG-332/PR to PR on 19-11-2020. Furthermore, another PR to PR transfer of 3000 Metric ton wheat of the already transported wheat for the District Kohat was ordered to be transferred to District Swat, vide No.853/FG-332/PR to PR on 25-02-2021.

The Allocations of imported wheat for District Swat were mismanaged. Instead of proper allocation of imported wheat, the requirements of District Swat were met through PR to PR transfer of a total of 10500 Metric ton from PRC Kohat. Had the Allocations been made in accordance with the population of the District Swat, the PR to PR transfer could be completely avoided which came with an additional cost.

Financial loss of Rs.33, 253,500 was incurred due to this inefficient transfer of imported wheat from Karachi to PRC Kohat and then from PRC Kohat to PRC Swat.

The rate of transportation of imported wheat from Karachi to swat was Rs.6799 per Ton, but was Rs.7390 from Karachi to Kohat. The rate of transportation of import from Karachi to Kohat was higher as compared to the rate from Karachi to Swat. By transportation of 10500 Ton imported wheat from Karachi to PRC Kohat and then from PRC Kohat to PRC Swat, additional cost of Rs.2576 per Ton was paid on PR to PR from PRC Kohat to PRC Swat. The Public interest was not safeguarded; rather it was overburdened due to avoidable payment of Rs 33.253 million.

Lapse occurred due to weak internal controls and no mechanism and SOPs for revision of allocations and PR to PR transfer.

Provincial exchequer was put to additional cost of Rs.33, 253,500 due to inefficient supply chain management.

Audit recommends inquiry into the matter.

AP No. 34 (2020-21)

6.2.3.16 Loss due to PR to PR transfer of 1000 ton wheat from PRC Malakand to PRC Dir Lower

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

During audit of the DFC Dir Lower for financial year 2020-21, it was noticed that a quantity of 1000 Ton imported wheat was transferred from PRC Malakand Dargai Skhakot to the PRC Dir Lower. Further scrutiny of record revealed that the rate of transportation of imported wheat from Karachi to the PRC Malakand Dargai Skhakot was Rs.6499 per Ton, and was Rs.7139 per Ton from Karachi to Dir Lower. But transportation of wheat from Karachi to PRC Malakand and then to PRC Dir Lower cost public exchequer Rs.7599 (6499+1100) per Ton. So additional Rs 460 per metric ton was paid on this transportation with cumulative impact of Rs 460,000 (460 X 1000).

The extra avoidable cost was due to inefficient supply chain management.

The matter is reported for justification and corrective action.

AP No. 39 (2020-21)

6.2.3.17 Misuse of govt. subsidized wheat by the Chakdara Flour Mill

According to the Food Directorate letter No.2811/FG-147/Operational dated 21-07-2020, Para 4 (C) the flour mill will grind wheat in full and no wheat quantity will be sold in the open market".

During audit of the accounts record of DFC Dir Lower for the financial year 2020-21, the DFC vide letter No.56/DFC-Dir-L/Show Cause dated 18-01-2021, revealed that keeping in view the Source Report, a truck loaded with 13.4 Ton PASSCO wheat was captured by the DFC Dir Lower which was to be illegally transported to District Malakand. The verification of letter vide

No.58-B/DFC-Dir-L/Inspection of F/Mills dated 18-01-2021 revealed that the DFC visited Chakdara Flour Mill also, where the PASSCO wheat was not available.

The Food Grain License of the mill was suspended for 30 days on 18-01-2021. The License was restored on the statement of the mill owner that the captured wheat was private and not Govt. Subsidized. Although, the DFC himself physically verified that the PASSCO wheat was not available in the premises of the mill on 17-01-2021. His quota was also restored. The subsidized wheat was not issued to the flour mill in February 2021, but was issued in March, April and May.

Further, the quality of the subsidized flour of the Chakdara Flour Mill was also found very poor, as revealed vide letter No.336/DFC-Dir-L/Cancellation of FGL dated 12-05-2021, and his license was cancelled for 15 days.

Furthermore, the DFC letter No.1362/DFC-Dir-L/Show Cause dated 30-12-2020 revealed that 5510 bags of 100 Kg wheat was issued to Chakdara Flour Mill in November 2020. The actual electricity units were 21191 against the required 24795 units at the rate of 4.5 units per bag of 100 Kg. This revealed that complete grinding of the Govt. Subsidized wheat was questionable due to low electricity consumption. So his license was suspended for 3 days.

Above quoted instances reveal the repeating malpractices of a flour mill and lack of effective control on the part of department.

Audit recommends stringent measures against such flour mills and enhancement of fine and other penalties to stop them from exploitation of people and government resources.

AP No. 51 (2020-21)

6.2.3.18 Illegal acts by flour mills

During the course of audit, numerous issues were found related to flour mills in different districts. They are briefly narrated.

New Bannu Flour Mill was found involved in selling of the Government Subsidized wheat that was issued to the mill for grinding and issuance to general public. The DFC Bannu letter No.830/DFC/ BFM-5/A dated 17/02/2021 revealed that a truck bearing No.1186-E was loaded with Government Subsidized wheat from the New Bannu Flour Mill, which was sold to some dealers in Lakki Marwat. A fine of Rs.270, 000 was imposed over the mill by the Additional Assistant Commissioner-I Bannu vide letter No.AAC-I dated 25-01-2021. The confiscated wheat was auctioned at Rs.4100 per bag of 100 kg.

In second instance 30 Ton government subsidized wheat was confiscated while it was illegally smuggled from district Buner. The wheat was auctioned at Rs.5300 per 100 kg in the presence of the Committee constituted by the Special Judge Anti Corruption. The amount of

Rs.1,590,000 realized from the auction of wheat was paid to Circle Officer Anti Corruption department Buner vide cheque No.2372944 dated 22-06-2021.

During audit of the Rationing Controller Peshawar, for the financial year 2020-21, it was noticed that different flour mills were found to have mixed maize flour in the Govt. Subsidized wheat. The Govt. Subsidized wheat flour was misappropriated by the flour mills due to mixing of maize flour in it. But only their wheat quota was suspended as penalty for a limited number of days. Detail is below:

- Mohmand Flour Mills was found involved in mixing maize flour in govt. subsidized atta and was fined by nominal amount of Rs 150,000
- Fahad Flour Mills was involved in mixing and its license was suspended for 15 days.
- Lucky Star Flour Mills was found involved in mixing of maize with subsidized wheat provided by government. Its quota was suspended for 15 days.
- Salim Flour Mills was found involved and its wheat quota was suspended for 15 days.
- Adam Flour Mill was found involved and its quota was suspended for 15 days.
- Prime Flour Mill and Zain Flour Mill were issued warning due to low quality of wheat flour.

Audit recommends that for such illegal acts with drastic consequences on food security, the punishments need to be enhanced along with increased checks on flour mills.

APs No. 36, 45 & 49 (2020-21)

7. Departmental Responses

Department was requested verbally for initial replies to audit observations followed by letters to Director Food and Secretary Food but no written reply was given despite considerable lapse of time. Resultantly, Audit observations were issued to the principal accounting officer with a request of holding DAC meeting vide letter no. Audit/DAC/Food/SIR No.1 to 59/2020-21/2587 dated 16.12.2021 followed by a quick reminder No. DGA/Food/2021-22/2597 for holding of DAC meeting but no DAC meeting was convened till finalization of this report.

8. Recommendations

- The cost of cultivation (PKR. 43,312 per acre in Pakistan) is more than double than in India (PKR. 16,117). But, production is 56% less in Pakistan than in India. So, it is essential to rationalize the inputs and invest more heavily in crosscutting seeds and land preparation technology.
- The government can tackle inflationary pressures by promoting competitiveness in the wheat market. High yielding and relatively low-risk varieties need to be introduced by involving the private sector. Knowledge-based innovations and interventions will increase competitiveness, and ensure food security.

- Careful initial allocations should be made based on reliable data/surveys and keeping in mind the dynamics of main regions of the province.
- These allocations should not be revised whimsically but should be done under define conditions or in crisis like situation.
- Department should increase its liaison with agriculture department, bureau of statistics and search for deficiencies in the data regarding production, and consumption.
- If there are even slight chances of error or unreliability in the data, then serious efforts should be made to advance new studies, research and surveys because based on this data the whole planning is done and it cannot afford wrong calculations.
- Penalties against carriage contractors should be enhanced to deter them from misappropriation, late supplies, or wrong supplies. Bank securities from every transporter should be taken and in case of failure department should take strict action against its own employees for failing to do so.
- SOPs for Flour mills inspection and penalties should be revised with additional measures for strict compliance.
- Strengthening of DFCs offices with additional manpower for better check on flour mills and dealers.

9. Conclusion

Wheat contributes by 72% to food basket in Pakistan with huge chunk of cultivable land dedicated to its production. KP is not self sufficient in its production and is dependent on its transfer from Punjab and import. Food department being a major player in market plays vital role in making decision regarding the availability and transportation of wheat. Together with DFCs and district administration it ensures that procurement and supply chain is in order. During the audit of 13 out of 35 field offices numerous issues were observed. The basic data on consumption of wheat, based on which whole planning is done cannot be termed reliable. DFCs could not make strenuous efforts to purchase wheat from local growers despite availability of sufficient budget, and they remained dependent on its transport and import. Department was found to have less supervision and effective control on transporters and flour mills despite their repeated irregularities. Various cases were observed of less supply, over supply and no supply from transporters. There seemed to be lack of effective planning as well reflected in frequent revised allocations without any strong basis. These revised allocations led to additional cost and extra burden on provincial exchequer which was avoidable with effective planning. Various instances were observed regarding storage which questions storage management plan of the department and its concern for such an important crop. However, being an issue with the involvement of too many stakeholders, its solutions could not be left alone to food department. A collaborative approach with different departments together with new surveys/research, enhanced capacity building of the department, stricter punishment against the culprits, new storage management plan, and define criterion for inter district transfer of wheat can solve these issues with huge saving to provincial exchequer and ensuring wheat availability and securing its supply chain without major disruption.

10. References

- Economic Survey of Pakistan 2020-21
- Pakistan Institute of Development Economics, Volume II, Issue X, 2021

Annexure-A

MFDAC

S#	AP No.	FY	Department	Amount (Rs.million)	Para
1	AP No. 51	2020-21	C&W Division, Buner	3.816	Non deposit of receipt into Government Treasury - RS. 3.816 million
2	AP No.290	2019-20	C&W Division Kohat	72.118	Non-renewal of Performance Securities – Rs.72.118 million
3	AP No.464	2019-20	C&W Division Hangu	3.539	Doubtful payment of same running bill at different dates – Rs.3.539 million
4	AP No. 599, 603 & 611	2019-20	C&W Highway Division Bajaur	74.150	Un-authentic payment on account of excavation – Rs.74.150 million
5	AP No.613	2019-20	C&W Highway Division Bajaur	5.396	Overpayment to contractor on account of asphalt carriage charges – Rs.5.396 million
6	AP No.128	2018-19	PBMC	6.738	Doubtful payment on account of AOM&R of residential units – Rs.6.738 million
7	AP No.350	2019-20	C&W Division, Malakand	42.916	Non-imposition of penalty for delay in completion of the schemesRs.42.916 million
8	AP No. 701	2019-20	C&W Building Division Mardan	9.733	Unauthorized expenditure over and above the approved design and without technical sanction – Rs.9.733 million
9	AP No. 168	2019-20	C&W Division Abbottabad	4.326	Wasteful expenditure on account of internal electrification work worth Rs. 4.326 million
10	AP No. 121	2020-21	C&W Division Abbottabad	1.413	Overpayment due to allowing excessive quantities-Rs1.413 million
11	AP No. 122	2020-21	C&W Division Abbottabad	4.881	Overpayment due to allowing excessive quantities than approved PC-1/BOQ -Rs 4.881 million
12	AP No. 124	2020-21	C&W Division Abbottabad	14.246	Non-Imposition of penalty for delay in completion of works – Rs 14.246 million
13	AP No. 126	2020-21	C&W Division Abbottabad	2.030	Overpayment due to allowing excess quantities -Rs 2.030 million

14	AP No. 178	2020-21	C&W Division, Kurram	3.160	Overpayment due to non-utilization of excavated materials- Rs 3.160 million
15	AP No.302, 305, 308, 307, 309	2020-21	C&W Division, Kurram	24.894	Overpayment due to non-utilization of excavated materials- Rs 24.894 million
16	AP No. 353	2020-21	C&W Building Division, D.I.Khan	39.750	Non-collection of 10 % Performance Security
17	AP No.347	2020-21	C&W Building Division, D.I.Khan	5.737	Overpayment due to allowing higher quantities than approved design– Rs 5.737 million
18	AP No.367	2020-21	C&W Building Division, D.I.Khan	4.541	Irregular expenditure on AOM&R of Office buildings –Rs 4.541 million
19	AP No.584	2020-21	C&W Division, Dir (Upper)	5.181	Loss due to defective BOQ for bidding process – Rs.5.181 million
20	AP No.587	2020-21	C&W Division, Dir (Upper)	4.934	Doubtful payment to the contractor on account of excavation – Rs.4.934 million
21	AP No.590	2020-21	C&W Division, Dir (Upper)	31.580	Un-authorized expenditure on AOM&R/ Special repair of roads due to allowing items outside scope of M&R work – Rs.31.580 million
22	AP No.59	2020-21	C&W Division, Buner	12.722	Un-justified payment without testing of material -Rs.12.722
23	AP No.408	2020-21	C&W Building Division, Khyber	8.089	Overpayment due to allowing unauthorized escalation – Rs 8.089 million
24	AP No.409	2020-21	C&W Building Division, Khyber	67.162	Un-authorized award of contracts – Rs 67.162 million
25	AP No.413	2020-21	C&W Building Division, Khyber	5.107	Doubtful expenditure on Solarization - Rs. 5.107 million
26	AP No.414	2020-21	C&W Building Division, Khyber	212.694	Un-authentic expenditure being supervised by an unregistered Engineer - Rs. 212.694 million
27	AP No.415	2020-21	C&W Building Division, Khyber	48.494	Overpayment due to non-deduction of withholding tax – Rs.48.494 million
28	AP No.417	2020-21	C&W Building Division, Khyber	8.663	Un-justified payment without testing of material -Rs.8.663 million

29	AP No.79	2020-21	C&W Highway Division South Waziristan	8.474	Doubtful expenditure on account of steel – Rs.8.474 million
30	AP No.420	2020-21	C&W Building Division, Khyber	4.464	Un-justified payment without testing of material -Rs.4.464 million
31	AP No.421	2020-21	C&W Building Division, Khyber	3.369	Un-authorized & pre-mature release of full additional security -Rs. 3.369 million
32	AP No.422	2020-21	C&W Building Division, Khyber	28.479	Non submission performance bank guarantee – Rs.28.479 million
33	AP No.422	2020-21	C&W Building Division, Khyber	284.794	Un-authorized award of contract – Rs.284.794 million
34	AP No.422	2020-21	C&W Building Division, Khyber	5.700	Non-forfeiture of bid security – Rs.5.700 million
35	AP No.423	2020-21	C&W Building Division, Khyber	5.700	Non-forfeiture of 2% Call Deposit due to non-commencement of work – Rs.5.700 million
36	AP No.425	2020-21	C&W Building Division, Khyber	6.717	Un-authorized & Premature release of security before handing over the building and technical sanction – Rs.6.717 million
37	AP No.148	2020-21	C&W Highway Division Mardan	1.355	Overpayment due to allowing excess quantityof Asphalt Wearing Coursethan required – Rs.1.355 million
38	AP No.493	2019-20	Engineer Highway Division Mardan	15.357	Advance payment to the contractor Rs. 15.357 million
39	AP No.489, 495 & 502	2019-20	Engineer Highway Division Mardan	4.423	Loss to government due to execution of excessive quantities of Asphalt Rs. 4.423 million
40	AP No.479	2019-20	C&W Division Swat	13.460	Overpayment to contractor on account of steel Rs. 13.460 million
41	AP No.498 & 499	2019-20	C&W Highway Division Mardan	1.331	Unauthorized retention of ADP funds in 2nd deposit worth Rs. 1.331 million
42	AP No.469	2019-20	C&W Division Swat	16.948	Doubtful payment on account of PCC work without using form work - Rs. 16.948 million
43	AP No.810	2019-20	C&W Highway Division Kurram	28.914	Wasteful expenditure on account of bituminous surface treatment – Rs.28.914 million

44	AP No.811, 818,823 &835	2019-20	C&W Highway Division Kurram	780.167	Irregular and non- transparent tendering process adopted by procurement committee – Rs.780.167 million
45	AP No.42	2016-17	C&W Highway Division, Swat	223.948	Execution of substandard work – Rs.223.948 million
46	AP No.803	2019-20	C&W Highway Division Kurram	41.075	Loss to government due to non-whereabouts of the excavated material costing Rs. 41.075 million
47	AP No.594	2018-19	C&W Highway Division DI Khan	6.848	Irregular payment due to unauthentic execution of granular sub base &TST – Rs.6.848 million
48	(AP No.294)	2019-20	C&W Division, Kohat	40.960	Irregular payment on account of Non-Scheduled Items without rate analysis – Rs.40.960 million
49	(AP No. 237)	2019-20	C&W Division Dir (Lower)	12.405	Loss to government due to variation in rates of similar works due to tendering on item rate basis – Rs.12.405 million
50	(AP No .680)	2019-20	C&W Building Division Mardan	66.095	Wasteful expenditure due to execution of sub-standard work and deviation from the approved design worth Rs. 66.095 million
51	(AP No. 169)	2018-19	MD-PKHA	2.990	Unauthorized payment to the contractor due to allowing quantities excess than BOQ & TS Rs. 2.990 million
52	(AP No. 171)	2019-20	C&W Highway Division Abbottabad	88.753	Non-imposition of penalty on contractor for delay in the execution of work – Rs. 88.753 million
53	(AP No.119)	2020-21	C&W Division, Abbottabad	47.869	Unjustified payment of 2 % design & 3 % supervision charges to NESPAK –Rs. 47.869 million
54	(AP No.588)	2020-21	C&W Division, Dir (Upper)	15.290	Wasteful expenditure on AOM&R/ Special repair of roads due to substandard work – Rs.15.290 million
55	(AP No.46)	2016-17	C&W Highway Division Swat	11.105	Doubtful payment on account of PCC work without using form work – Rs.14.875 million
56	AP No.617, 620 & 621	2018-19	C&W Highway Division, D.I.Khan	64.617	Suspected misappropriation on account of AOM&R items – Rs.64.617 million
57	AP No.469	2019-20	C&W Division Swat	16.948	Doubtful payment on account of PCC works without using form work - Rs. 16.948 million
58	AP No.596	2018-19	C&W Highway Division, D.I.Khan	75.907	Non transparent award of contract due to unauthorized reduction in bid Cost – Rs.75.907 million

59	AP No.503	2019-20	C&W Highway Division, Mardan	2.404	Un-authentic execution of AOM&R work – Rs.2.404 million
60	AP No.611	2018-19	C&W Highway Division DI Khan	87.201	Unauthentic and doubtful expenditure on account of sub base & base course – Rs.87.201 million
61	AP No.612	2018-19	C&W Highway Division DI Khan	6.160	Overpayment to contractor on account of wearing course – Rs.6.160 million
62	AP No.59	2016-17	C&W Highway Division Swat	32.000	Expected loss due to non-usage of pneumatic rubber tire road (PTR) roller – Rs.32.00 million
63	AP No.545	2020-21	C&W Division Bannu	8.057	Un-authorized payment of land compensation to the contractor – Rs.8.057 million
64	AP.249	2020-21	C&W Highway Division,Nows hera	13.483	Non transparent award of contract-Rs 91.600 million and loss to Government – Rs.13.483 million
65	AP.249	2020-21	C&W Highway Division,Nows hera	1.832	Non imposition of penalty-Rs 9.160 million and less deposit of 8% additional security-Rs 1.832 million
66	AP.250	2020-21	C&W Highway Division,Nows hera	150.097	Non transparent award of contract – Rs.150.097 million
67	AP.250	2020-21	C&W Highway Division,Nows hera	15.000	Non-imposition of penalty – Rs.15.00 million
68	AP No. 723 & 724	2019-20	Engineer,C&W Division Kohistan	56.788	Unverified expenditure on account of Steel & Pie test – Rs.56.788 million
69	AP No.726, 731 & 733	2019-20	Engineer,C&W Division Kohistan	109.156	Non-whereabouts of the excavated material costing – Rs.109.156 million
70	AP No.184	2019-20	C&W Highway Division South Waziristan	3.219	Doubtful expenditure on account of Steel – Rs.3.219 million
71	AP No.121	2019-20	Irrigation Division-II, Swabi	6.645	Overpayment on account of Asphaltic Wearing Course – Rs.6.645 million
72	AP No.128	2019-20	Irrigation Division-II, Swabi	4.638	Un-authorized payment without detail measurement and later on recovered – Rs.4.638 million
73	AP No.129	2019-20	Irrigation Division-II, Swabi	17.734	Non-obtaining 10% performance securities – Rs.17.734 million
74	AP No.129	2019-20	Irrigation Division-II, Swabi	4.580	Non-forfeiture of 2% bid securities – Rs.4.580 million

75	AP No.129	2019-20	Irrigation Division-II, Swabi	177.338	Non-Annulment of contracts worth – Rs.177.338 million
76	AP No.137	2019-20	Irrigation Division-II, Swabi	5.675	Non-imposition of penalty on contractor for non-completing the work – Rs.5.675 million
77	AP No. 227	2019-20	Irrigation Division, Abbottabad	9.258	Unauthorized expenditure due deviation from the approved design /PC-1 worth Rs.9.258 million
78	AP No.237	2019-20	Irrigation Division, Abbottabad	2.717	Non-obtaining 10% Performance Security – Rs.2.717 million
79	AP No. 58	2020-21	Irrigation Division, Abbottabad	2.698	Overpayment due to allowing higher quantities than approved BOQ – Rs 2.698 million
80	AP No. 35	2020-21	Irrigation & Hydel Power Division Khyber	512.659	Un-authentic expenditure being supervised by unregistered Engineer and PC-I Employee - Rs. 512.659 million
81	AP No. 37	2020-21	Irrigation & Hydel Power Division Khyber	3.089	Loss to public exchequer due to extending undue benefit to the contractor – Rs.3.089 million
82	AP No. 46	2020-21	Irrigation & Hydel Power Division Khyber	32.068	Overpayment due to non-deduction of withholding tax – Rs.32.068 million
83	AP No. 124	2020-21	PHE Division, Abbottabad	2.983	Non-Imposition of penalty for delay in completion of works – Rs 2.983 million
84	AP No.51	2020-21	PHE Division Kohat	2.186	Un-authorized retention of balance funds/ savings in 3rd deposit – Rs.2.186 million
85	AP No.56	2020-21	PHE Division Kohat	2.540	Non deduction of 8% additional securities from the Contractors – Rs.2.540 million
86	AP No.56	2020-21	PHE Division Kohat	31.751	Un-authorized award of contracts to the non-responsive bidders – Rs.31.751 million
87	AP No.63	2020-21	PHE Division Kohat	1.320	Loss due to rejection of lowest bids without recording cogent reasons and awarding at the lesser rebate – Rs.1.320 million
88	AP No.63	2020-21	PHE Division Kohat	1.400	Non-forfeiture of the 2% earnest money and 8% additional security – Rs.1.40 million
89	AP No.141	2019-20	Irrigation Division-II, Swabi	1.528	Inadmissible payment due to allowing un-necessary items of works – Rs.1.528 million

90	AP No.142	2019-20	Irrigation Division-II, Swabi	1.526	Overpayment on account of Asphaltic Base Course – Rs.1.526 million
91	AP No.143	2019-20	Irrigation Division-II, Swabi	25.114	Un-authentic payment of NSI without rate analysis – Rs.25.1142 million.
92	AP No.143	2019-20	Irrigation Division-II, Swabi	6.914	Overpayment due to variation in rates of similar work through one & same firm – Rs.6.914 million

MFDAC – Reveue Receipt

Sr. No.	PDP No./Year & Department	Amount (Rs.)	Subject
1	PDPs No. 195, 216, 301/2019-20 PDPs No. 20, 29, 55, 114, 120/ 2020-21 (Excise & Taxation Department)	434,000	Non-realization of license renewal fees from real estate agents/ motor vehicle dealers
2	PDP No. 304/2019-20 PDPs No. 31, 58/2020-21 (Excise & Taxation Department)	65,612,387	Non achievement of revenue target
3	PDPs No. 196, 303/2019-20 PDPs No. 24, 26, 28, 56/2019-20 (Excise & Taxation Department)	-	Non assessment of Hotel Tax, Professional Tax & Property Tax
4	PDPs No. 294/2019-20 (KPRA)	1,050,992,058	Short fall due to non-achievement of revenue target
5	PDPs No. 295/2019-20 (KPRA)	-	Non recovery of Provincial Govt. dues from FBR on account of cross input tax adjustment of Sales Tax for 2019-20
6	PDPs No. 296/2019-20 (KPRA)	-	Suspected loss of millions of rupees due to non-provision of withheld tax detail by AG KP, AGPR sub office Peshawar & MAG to KPRA
7	PDPs No. 261/2019-20 PDPs No. 68, 69, 70, 76/2020-21 (Revenue & Estate Department)	853,939	Non-realization /deposit of Mutation Fee
8	PDPs No. 249, 312, 315/2019-20 (Revenue & Estate Department)	725,048	Short assessment of Capital Value Tax on transfer of immovable property
9	PDPs No. 235, 248/2019-20 PDPs No. 47, 74/2020-21 (Revenue & Estate Department)	562,758	Non-assessment of Advance /Withholding Tax on sale of immovable property

10	PDPs No. 260, 307/2019-20 PDPs No. 95, 103, 106/2020-21 (Revenue & Estate Department)	434,141	Non-assessment of Mutation Fee on exchange mutations of immovable property
11	PDPs No. 266/2019-20 PDPs No. 75, 98/2020-21 (Revenue & Estate Department)	245,675	Non/short-assessment of Mutation Fee/Stamp Duty on gift of immovable property to other than legal heirs
12	PDPs No. 232/2019-20 (Revenue & Estate Department)	138,900	Non-realization local rate
13	PDPs No. 84, 92, 96, 100/2020-21 (Revenue & Estate Department)	113,602,765	Non-reconciliation of receipts figures with accounts/treasury office
14	PDPs No. 200, 207, 208, 209/2019-20 PDPs No. 86, 87/2020-21 (Transport Department)	514,500	non-realization of license renewal fee from bus stands & GFAs
15	PDPs No. 202, 211/2019-20 PDPs No. 89/2020-21 (Transport Department)	51,303,796	Short fall of revenue receipts due to non-achievement of target
16	PDPs No. 201, 210/2019-20 PDPs No. 88/2020-21 (Transport Department)	-	Loss due to non-realization of 3% Provincial Govt. share from TMAs/MCs

Annexure I

S.NO	Page No	Head of Account	Amount in Rs.
1.	86	G01112	(915,244)
2.	86	G01132	(780,173,594)
3.	86	G01133	(738,151,530)
4.	86	G01134	(10,931,298)
5.	87	G01135	(438,545,233)
6.	87	G01136	(25,591)
7.	87	G01147	(4,824,291,748)
8.	87	G01191	(9,052,849,384)
9.	88	G02104	(17,473,107)
10.	88	G05101	(3,056,663)
11.	89	G05111	(143,044,942)
12.	89	G05114	(483,289,886)
13.	89	G05119	(382,391)
14.	89	G05133	(51,686,729)
15.	90	G06102	(65,596)
16.	90	G06123	(85,678)
17.	91	G06208	(174)
18.	92	G06304	(283,062,202)
19.	95	G10131	(562,984,627)
20.	95	G10407	(3,023,952,712)
21.	96	G10408	(776,654,404)
22.	96	G10413	(203,622)
23.	96	G10418	(1,473,241)
24.	99	G11264	(17,951,609)
25.	107	G12794	(242,839,686)
26.	108	G12795	(23,626,500)
27.	108	G12797	(83,146,560)
TOTAL			**(21,560,863,951)**

Annexure II

Haripur Bypass road (P-V)

Item	Paid Rate MRS-2017 (Rs.)	MRS 2013 rates after 13.78% rebate	Excess Rate (Rs.)	Qty	Overpayment (Rs.)
RCC in roof slab beam 1:2:4: (06-06-a-03)	9538.28	7043.08	2495.2	12.360	30841
PCC 1:3:6 (06-05-h)	6302.26	4831.51	1470.75	645.113	948800
Lean Concrete (06-05-i)	5481.08	4190.82	1290.26	14.607	18847
Steel G-60 (06-07-b)	111598.88	103008.25	8590.63	0.573	4922
Reinforced concrete pipe culvert (16-23-d)	8502.05	5144.64	3357.41	313.926	1053978
P/L cut, joint, test PVC pipe 6” dia (24-18-a-03)	995.69	853.19	142.5	246	35055
Str: excavation (03-60-a)	315.25	188.69	126.56	291.48	36882
RCC in roof slab beam (06-06-a-03)	9538.28	7043.08	2495.2	644.858	1609049
Lean Concret (06-05-i)	5481.08	4190.83	1290.25	27.206	35103
Steel G-60 (06-07-b)	111598.88	103008.25	8590.63	60.946	523565
				Total	**4,297,042**

Haripur Bypass road (P-VII)

Item	Paid Rate MRS-2017 (Rs.)	MRS 2013 rates after 10% rebate	Excess Rate (Rs.)	Qty	Overpayment (Rs.)
Boring for caste in place RCC piles (16-27-b)	6124.02	4405.30	1718.72	1500 m	2578080
Confirmatory boring Alluvial Soil (16-25-a)	8425.20	6753.19	1672.01	109.5 m	183085
				Total	**2,761,165**

Haripur Bypass road (P-IV)

Item	Paid Rate MRS-2017 (Rs.)	MRS 2013 rates after 10.36% rebate	Excess Rate (Rs.)	Qty	Overpayment (Rs.)
R/way excavation (03-59-a)	309.89	232.24	77.65	12265.8	952439
RCC in roof slab (06-06-a-03)	9538.28	7233.45	2215.83	23.404	51859
PCC 1:3:6 (06-05-h)	6302.26	5023.15	1279.11	347.035	443896
Lean Concrete (06-05-i)	5481.08	4357.05	1124.03	10.372	11658
Steel G-60 (06-07-b)	111598.88	107094.18	4504.70	0.394	1775
Reinforced Concrete pipe culvert (16-23-e)	10208.70	7312.07	2896.63	156.313	452781
				Total	**1,914,408**

Haripur Bypass road (P-II)

Item	Paid Rate (Rs.)	MRS 2013 rates after 10.3% rebate	Excess Rate (Rs.)	Qty	Overpayment (Rs.)
R/Way excavation (03-59 a)	309.89	232.39	77.5	5711.638	44265
PCC 1:3:6 (06-05-h)	6302.26	5026.5	1275.76	945.546	120629
Reinforced concrete pipe culvert (16-23-b)	3901.69	2714.35	1187.34	128.809	15294
				Total	**1,801,88**

Sherkot – Hangu road (P-II)

Item	MRS 2013 rate	Admissible Rate after 15.64% rebate	Paid Rate	Excess Rate	Qty paid	Overpayment (Rs.)
PCC 1:3:6 (06-05-h)	5603.70	4727.28	5883.89	1156.61	124.714	144,245
Reinforced concrete pipe culvert (16-23-b)	3026.03	2552.75	3177.3	624.55	76.250	47,622
Structural excavation in common material (03-60-a)	218.85	184.62	229.79	45.17	3568.972	161,210
PCC 1:3:6 (06-05-h)	5603.70	4727.28	5883.89	1156.61	1177.45	1,361,850
PCC 1:3:6 (06-05-h)	5603.70	4727.28	5883.89	1156.61	103.99	120,276
					Total	**1,835,203**

Haripur Bypass road (P-III)

Item	Paid Rate (Rs.)	MRS 2013 rates after 10.4% rebate	Excess Rate (Rs.)	Qty	Overpayment (Rs.)
PCC 1:3:6 (06-05-h)	6302.26	5020.92	1281.34	1150.836	1,474,612
Reinforced concrete pipe culvert (16-23-b)	3901.69	2711.32	1190.37	220.959	263,023
Total					**1,737,635**

Annexure III

(Amount in Rupees)

Sr. No.	Month of Deposit	Outstanding amount on 30-06-2020	Transferred in July-20	Transferred in Aug-20	Cancelled CPR	Balance Recoverable
1	Jul-19	1,771,431	-	-	-	1,771,431
2	Aug-19	771,346	-	-	-	771,346
3	Sep-19	1,006,582	-	-	220,034	786,548
4	Oct-19	1,000,909	-	-	-	1,000,909
5	Nov-19	852,723	-	-	-	852,723
6	Dec-19	2,586,442	-	-	-	2,586,442
7	Jan-20	57,242,762	14,512,680	1,619,747	29,424,806	11,685,529
8	Feb-20	9,041,552	207,877	1,623,425	-	7,210,250
9	Mar-20	3,391,132	2,988,932	-	-	402,200
10	Apr-20	11,733,588	4,550,961	-	-	7,182,627
11	May-20	53,476,783	48,955,094	137,779	-	4,383,910
12	Jun-20	98,498,508	90,176,815	2,833,666	-	5,488,027
Total		**241,373,758**	**161,392,359**	**6,214,617**	**29,644,840**	**44,121,942**

Annexure IV

(Amount in Rupees)

Sr. No.	Doc. date	Cctr Description	Payee Name	Total Value in Rs.	STS Recover-able @ 15%	1/5th withheld & deposited with FBR
1	12/23/2019	DFC Shangla	GhausUd Din & Sons	6,989,846	1,048,477	209,695
2	1/23/2020	DFC Shangla	GhausUd Din & Sons	7,235,098	1,085,265	217,053
3	1/23/2020	DFC Shangla	GhausUd Din & Sons	4,043,930	606,590	121,318
4	2/27/2020	DFC Shangla	GhausUd Din & Sons	6,312,488	946,873	189,375
5	2/27/2020	DFC Shangla	GhausUd Din & Sons	5,297,513	794,627	158,926
6	3/3/2020	DFC Shangla	GhausUd Din & Sons	2,624,982	393,747	78,750
7	3/3/2020	DFC Shangla	GhausUd Din & Sons	5,759,645	863,947	172,790
8	4/13/2020	DFC Shangla	GhausUd Din & Sons	8,489,075	1,273,361	254,673
9	12/20/2019	DFC Lakki	Haji Banoor Khan & Co	2,480,000	372,000	74,400
10	12/24/2019	DFC Kohat	Haji Banoor Khan & Co	10,800,695	1,620,104	324,021
11	2/6/2020	DFC Kohat	Haji Banoor Khan & Co	4,038,220	605,733	121,147
12	2/7/2020	DFC Lakki	Haji Banoor Khan & Co	6,312,949	946,942	189,388
13	2/26/2020	DFC Kohat	Haji Banoor Khan & Co	8,391,134	1,258,670	251,734
14	2/26/2020	DFC Kohat	Haji Banoor Khan & Co	2,283,455	342,518	68,504
15	4/17/2020	DFC Karak	Haji Banoor Khan & Co	10,359,752	1,553,963	310,793
16	12/3/2019	DFC Swabi	M/S Ayaz and Brothers	6,048,198	907,230	181,446
17	12/12/2019	DFC Swabi	M/S Ayaz and Brothers	4,282,490	642,374	128,475
18	12/23/2019	DFC Swabi	M/S Ayaz and Brothers	9,635,059	1,445,259	289,052
19	12/27/2019	DFC Swabi	M/S Ayaz and Brothers	5,842,480	876,372	175,274
20	1/15/2020	DFC Swabi	M/S Ayaz and Brothers	1,875,004	281,251	56,250
21	1/31/2020	DFC Mardan	M/S Ayaz and Brothers	18,208,786	2,731,318	546,264
22	1/31/2020	DFC Swabi	M/S Ayaz and Brothers	12,619,007	1,892,851	378,570
23	2/28/2020	DFC Swabi	M/S Ayaz and Brothers	6,433,476	965,021	193,004
24	2/28/2020	DFC Swabi	M/S Ayaz and Brothers	842,720	126,408	25,282
25	3/19/2020	DFC Swabi	M/S Ayaz and Brothers	10,310,815	1,546,622	309,324
26	3/19/2020	DFC Swabi	M/S Ayaz and Brothers	4,585,279	687,792	137,558
27	4/13/2020	DFC Swabi	M/S Ayaz and Brothers	3,550,995	532,649	106,530
28	4/13/2020	DFC Swabi	M/S Ayaz and Brothers	1,242,544	186,382	37,276
29	4/16/2020	DFC Swabi	M/S Ayaz and Brothers	10,512,913	1,576,937	315,387
30	12/3/2019	DFC Charsada	Muhammad Zahir& Sons	7,621,132	1,143,170	228,633
31	12/9/2019	DFC Charsada	Muhammad Zahir& Sons	2,594,176	389,126	77,825
32	12/23/2019	DFC Charsada	Muhammad Zahir& Sons	10,984,348	1,647,652	329,531
33	12/24/2019	DFC Charsada	Muhammad Zahir& Sons	5,279,276	791,891	158,379
34	1/6/2020	DFC Charsada	Muhammad Zahir& Sons	4,253,438	638,016	127,604
35	5/12/2020	DFC Chitral	Muzaffar Khan & Co	2,241,750	336,263	4,000
36	5/12/2020	DFC Chitral	Muzaffar Khan & Co	1,810,236	271,535	2,000
37	12/3/2019	DFC Abbottabad	Pak Carriage Contractors	6,881,915	1,032,287	206,457

38	12/6/2019	DFC Battagram	Pak Carriage Contractors	5,203,593	780,539	156,108
39	12/10/2019	DFC Abbottabad	Pak Carriage Contractors	6,035,237	905,286	181,057
40	12/12/2019	DFC Battagram	Pak Carriage Contractors	4,365,022	654,753	130,951
41	12/19/2019	DFC Battagram	Pak Carriage Contractors	4,748,050	712,208	142,442
42	12/19/2019	DFC Abbottabad	Pak Carriage Contractors	6,719,482	1,007,922	201,584
43	1/6/2020	DFC Abbottabad	Pak Carriage Contractors	12,743,963	1,911,594	382,318
44	1/6/2020	DFC Abbottabad	Pak Carriage Contractors	1,794,515	269,177	53,835
45	1/23/2020	DFC Abbottabad	Pak Carriage Contractors	9,669,948	1,450,492	290,098
46	1/23/2020	DFC Battagram	Pak Carriage Contractors	9,509,585	1,426,438	285,288
47	2/21/2020	DFC Abbottabad	Pak Carriage Contractors	8,415,990	1,262,399	252,480
48	3/3/2020	DFC Abbottabad	Pak Carriage Contractors	9,274,960	1,391,244	278,249
49	3/19/2020	DFC Abbottabad	Pak Carriage Contractors	3,498,365	524,755	104,950
50	3/24/2020	DFC Battagram	Pak Carriage Contractors	6,992,640	1,048,896	209,780
51	3/24/2020	DFC Battagram	Pak Carriage Contractors	464,569	69,685	13,938
52	4/6/2020	DFC Battagram	Pak Carriage Contractors	4,267,210	640,082	128,017
53	4/8/2020	DFC Abbottabad	Pak Carriage Contractors	6,331,378	949,707	189,941
54	4/16/2020	DFC Abbottabad	Pak Carriage Contractors	7,311,582	1,096,737	219,347
55	4/20/2020	DFC Battagram	Pak Carriage Contractors	7,053,793	1,058,069	211,614
56	12/5/2019	DFC Mansehra	SardarWali Khan	4,148,892	622,334	124,467
57	12/5/2019	DFC Mansehra	SardarWali Khan	11,802,608	1,770,391	354,078
58	12/20/2019	DFC Mansehra	SardarWali Khan	11,104,182	1,665,627	333,125
59	12/20/2019	DFC Mansehra	SardarWali Khan	11,047,835	1,657,175	331,435
60	1/10/2020	DFC Mansehra	SardarWali Khan	10,757,859	1,613,679	322,735
61	1/31/2020	DFC Mansehra	SardarWali Khan	5,707,918	856,188	171,237
Total						**11,825,762**

Annexure-V

(Amount in Rupees)

Detail of services provided by HRS (NTN No 2829881) to Pak Telecom (NTN No 1161581-8)						
Annex C of HRS						
Month of returns	**Date**	**Document No**	**Document Nature**	**Sales Value**	**VAT Amount**	**VAT Withheld**
Jul-19	24/6/2019	30763	Sales Invoice	4,442,133	666,320	133,264
Sep-19	2/9/2019	30084	Sales Invoice	3,771,940	565,791	113,158
Oct-19	1/10/2019	30146	Sales Invoice	3,641,493	546,224	109,245
Aug-19	1/8/2019	30023	Sales Invoice	3,206,933	481,040	96,208
Nov-19	1/11/2019	30212	Sales Invoice	4,297,133	644,570	128,914
Dec-19	2/12/2019	30285	Sales Invoice	4,325,567	648,835	129,767
Jan-20	8/1/2020	30411	Sales Invoice	7,012,833	1,051,925	210,385
Jan-20	9/1/2020	30420	Sales Invoice	253,267	37,990	7,598
Total:				**30,951,299**	**4,642,695**	**928,539**

Detail of services procured by Pak Telecom (NTN No. 1161581) from HRSG (NTN No. 2829881)					
Annex A of Pak Telecom					
Doc Date	**Invoice No**	**Doc Description**	**Purchase Value**	**VAT Amount**	**VAT Withheld**
1-Jul-19	41915	Purchase Invoice	6,715,463	1,074,474	-
1-Jul-19	30763	Purchase Invoice	4,442,147	666,322	133,264
1-Jul-19	41916	Purchase Invoice	335,025	53,604	-
1-Jul-19	41897	Purchase Invoice	147,013	23,522	-
1-Jul-19	41876	Purchase Invoice	15,200	2,432	-
1-Aug-19	40051	Purchase Invoice	5,169,000	827,040	-
1-Aug-19	30023	Purchase Invoice	3,206,947	481,042	96,208
1-Aug-19	40050	Purchase Invoice	357,506	57,201	-
1-Aug-19	40013	Purchase Invoice	145,394	23,263	-
1-Aug-19	40027	Purchase Invoice	106,738	17,078	-
1-Aug-19	40025	Purchase Invoice	47,969	7,675	-
2-Sep-19	40207	Purchase Invoice	4,763,900	762,224	-
2-Sep-19	30084	Purchase Invoice	3,771,940	565,791	113,158
2-Sep-19	40180	Purchase Invoice	425,463	68,074	-
2-Sep-19	40206	Purchase Invoice	344,519	55,123	-
2-Sep-19	40203	Purchase Invoice	63,594	10,175	-
1-Oct-19	40383	Purchase Invoice	4,899,863	783,978	-
1-Oct-19	KPK/30146	Purchase Invoice	3,641,493	546,224	109,245
1-Oct-19	40384	Purchase Invoice	352,181	56,349	-
1-Oct-19	40351	Purchase Invoice	270,794	43,327	-
1-Oct-19	40374	Purchase Invoice	32,544	5,207	-

1-Oct-19	40375	Purchase Invoice	4,850	776	-
1-Oct-19	40354	Purchase Invoice	3,144	503	-
1-Nov-19	40564	Purchase Invoice	5,211,619	833,859	-
1-Nov-19	30212	Purchase Invoice	4,297,140	644,571	128,914
1-Nov-19	40572	Purchase Invoice	352,938	56,470	-
1-Nov-19	40567	Purchase Invoice	191,444	30,631	-
1-Nov-19	40535	Purchase Invoice	150,488	24,078	-
1-Nov-19	40536	Purchase Invoice	5,025	804	-
2-Dec-19	40754	Purchase Invoice	5,033,613	805,378	-
2-Dec-19	30285	Purchase Invoice	4,325,580	648,837	129,767
2-Dec-19	40753	Purchase Invoice	388,581	62,173	-
2-Dec-19	40806	Purchase Invoice	129,088	20,654	-
2-Dec-19	40708	Purchase Invoice	127,550	20,408	-
2-Jan-20	40928	Purchase Invoice	470,450	75,272	-
2-Jan-20	40931	Purchase Invoice	273,144	43,703	-
2-Jan-20	41039	Purchase Invoice	2,744	439	-
9-Jan-20	41042	Purchase Invoice	11,668,856	1,867,017	-
9-Jan-20	30411	Purchase Invoice	7,012,840	1,051,926	210,385
10-Jan-20	41052	Purchase Invoice	388,925	62,228	-
10-Jan-20	30420	Purchase Invoice	253,280	37,992	7,598
3-Feb-20	41091	Purchase Invoice	444,194	71,071	-
2-Mar-20	41246	Purchase Invoice	425,200	68,032	-
1-Apr-20	OP/ISD	Purchase Invoice	423,556	67,769	-
1-Apr-20	41144	Purchase Invoice	93,863	15,018	-
1-Apr-20	41370	Purchase Invoice	37,244	5,959	-
1-Apr-20	41143	Purchase Invoice	22,494	3,599	-
4-May-20	41618	Purchase Invoice	409,556	65,529	-
4-May-20	41589	Purchase Invoice	11,031	1,765	-
4-May-20	41588	Purchase Invoice	1,594	255	-
1-Jun-20	41792	Purchase Invoice	427,331	68,373	-
1-Jun-20	41716	Purchase Invoice	2,144	343	-
Total			**81,844,199**	**12,785,557**	**928,539**

Summary

	Rs.
Total Input Tax Adjustment Claimed by Pak Telecom Mobile on HRS invoices during 2019-20	12,785,557
Less Sales Tax paid by the HRS on Sales invoices issued to Pak Telecom Mobile. during 2019-20	4,642,695
Difference between Tax shown deposited by HRS and input tax adjustment made by Pak Telecom Mobile. (Unauthentic Input Tax Adjustment or Concealment of Sales)	**8,142,862**

Annexure VI

Rs.

Districts	**Qty Allocated**	**Distance by taking single station**	**Rate per ton per KM for 2019-20**	**Rate per ton per KM for 2020-21**	**Diff in rate**	**Loss**
Peshawar	13,000	680	4.63	4.24	0.39	3,447,600
Charsadda	5,000	630	4.9599	4.449	0.5109	1,609,335
Nowshera	2,000	640	4.79	4.378	0.412	527,360
Dir Lower	10,000	850	4.98	4.3	0.68	5,780,000
Swat	9,000	900	4.81	4.21	0.6	4,860,000
Mardan	4,000	650	4.69	4.2833	0.4067	1,057,420
Swabi	3,000	600	4.83	4.3795	0.4505	810,900
Battagram	2,000	770	6.07	5.83	0.24	369,600
Mansehra	5,000	700	5.67	5.07	0.6	2,100,000
Abbottabad	4,000	660	5.03	4.61	0.42	1,108,800
NRC Azakhel	19,000	650	4.67	4.24	0.43	5,310,500
Bannu	6,000	570	5.3332	4.2097	1.1235	3,842,370
Sarai Naurang	1,000	590	5.388	4.46	0.928	547,520
Karak	4,000	600	5.3635	4.4646	0.8989	2,157,360
Hangu	3,000	640	5.4326	4.56	0.8726	1,675,392
Kohat	3,000	600	5.3665	4.4696	0.8969	1,614,420
Malakand	7,000	750	4.29	3.75	0.54	2,835,000
Total	**100,000**					**39,653,577**

Annexure-VII

Rs.

1	2	3	4	5	6	7	8
Diagnostic services	**Amount realized**	**Maintenance/ Depreciation charges required to be deposited (50%)**	**Divisible share (2-3)**	**Govt. Share 60%**	**Total Amount to be deposited (3+5)**	**Actual Deposits**	**Short Deposit (6-7)**
X-Ray fee	2,590,446	1,295,223	1,295,223	777,134	2,072,357	1,398,840	
Ultrasound Fee	2,909,875	1,454,937	1,454,937	872,962	2,327,899	1,571,332	
Laboratory Fee	4,169,538	2,084,769	2,084,769	1,250,861	3,335,630	2,251,550	
ECG Fee	641,674	320,837	320,837	192,502	513,339	346,504	
Total					**8,249,225**	**5,568,226**	**26.8099,9**
2019-20							
X-Ray fee	2,162,443	1,081,221	1,081,221	648,732	1,729,953	1,167,719	56,2234
Ultrasound Fee	1,974,674	987,337	987,337	592,402	1,579,739	1,066,324	
Laboratory Fee	3,646,713	1,823,356	1,823,356	1,094,013	2,917,369	1,969,225	
ECG Fee	694,365	347,182	347,182	208,309	555,491	374,957	
Total					**6,782,552**	**4,578,225**	**22,04327**
2018-19							
X-Ray fee	3,038,731	1,519,731	1,519,731	911,619	2,431,350	1,640,914	
Ultrasound Fee	2,452,005	1,226,002	1,226,002	735,602	1,961,604	1,324,083	
Laboratory Fee	4,808,501	2,404,250	2,404,250	1,442,550	3,846,800	2,596,590	
ECG Fee	959,233	479,617	479,617	287,769	767,386	517,986	
Total					9,007,140	6,079,573	**29,27567**
Grand Total							**78,1289,3**

Annexure-VIII

Rs.

Contractor	Item Name	Supply Order No	Supply Order Date	Quantity	Rate	Amount	Receiving Date	Penalty
Macter International	Inj Epocan 4000IU Epoetin	13437	5/11/2020	1000	259	259000	14/1/2021	18130
NISA Pvt. Ltd	BM Disposiable Syringe 20ml	13100	29/10/2020	20000	15.12	302400	8/12/2020	21168
ICI Pakistan	Inj HY Cortsone 250mg	12690	22/10/2020	20000	67.8	1355994	4/1/2021	94920
Bosch Parma	Inj Amoxiciline 1.2 gm	12631	22/10/2020	5000	110	550000	23/12/2020	38500
-Do-	Inf Bofalgan 1g/100ml	12639	22/10/2020	30000	64.2	1926000	21/12/2020	134820
Brooks Pharma	Inj Accuran 3ml	12663	22/10/2020	6000	120	720000	30/12/2020	50400
-Do-	Pyodine Solution	12670	22/10/2020	5000	364.5	1822500	1/1/2021	127575
-Do-	Pyodine Scrub	12674	22/10/2020	2000	388	776000	1/1/2021	54320
MS FYNK Pharma	Inj Omeprazole 40mg	12611	22/10/2020	60000	41.9	2514000	21/12/2020	175980
-Do-	Inj Ceftrixone 1gm	12595	22/10/2020	50000	53	2650000	18/12/2020	185500
-Do-	Inj Ketrolac30mg/ml	12583	22/10/2020	20000	19	380000	28/12/2020	26600
Karim Industry	Absorbent Cotton Wool 200gm	12659	22/10/2020	5000	105.5	527500	22/12/2020	36925
-Do-	Crepe Bandage 6"	12651	22/10/2020	10000	71.8	748000	22/12/2020	52360
Sanofi Aventis	Inj Clexane 60ml	2944	5/3/2020	3000	409.05	1227150	30/5/2020	85900
MS NOVO Nordisk	Inj Insulin 70/30	12643	22/10/2020	2000	405	810000	5/12/2020	56700
Hashir Surgicals Service	Iv Cannula – 24	1361	13/06/2020	100000	87	8700000	28/12/2020	609000
-Do-	Iv Cannula – 22	1461	25/06/2020	100000	78.70	7870000	28/12/2020	550900
	Total							**2319698**

Annexure IX

STATEMENT SHOWING DETAIL OF CONTRACTS

S #	Name Contractor	Rate	From	To	Months	Amount
1	Car Parking	80,000	1.7.2019	30.6.2020	12	960,000
2	Canteen	500,777	1.7.2019	30.6.2020	12	6,009,324
3	Tuck-shop	150,550	1.7.2019	30.6.2020	12	1,806,600
4	Fair Price Pharmacy	1,020,500	1.11.2019	30.6.2020	8	8,164,000
5	Waste Management	60,000	1.7.2019	30.6.2020	12	720,000
TOTAL						16,939,924

DETAIL OF DEPOSIT OF SHOPS/CANTEEN/CAR PARKING & WASTE MATERIAL RECEIPTS FOR 2019-20

	Amount Deposited	Name of Contractors					
S #	Months	Car Parking	Canteen	Tuck-shop	FPP	W.Material	Total
1	Jul-19	80000	0	0	0	60,000	140,000
2	Aug-19	80000	386048	0	0	55000	521,048
3	Sep-19	80000	0	0	0	0	80,000
4	Oct-19	80000	0	0	0	0	80,000
5	Nov-19	0	386048	0	2041000	0	2,427,048
6	Dec-19	0	0	0	1020500	0	1,020,500
7	Jan-20	80000	386048	0	1020500	60000	1,546,548
8	Feb-20	80000	193024	0	0	0	273,024
9	Mar-20	0	0	0	0	0	-
10	Apr-20	0	0	0	0	0	-
11	May-20	0	0	0	0	55000	55,000
12	Jun-20	0	0	0	0	0	-
Receipts deposited		480000	1351168	0	4082000	230000	6,143,168
Receipts required		960,000	6,009,324	1,806,600	8,164,000	720,000	17,659,924
Total							11,516,756

Annexure X

S. No.	Parameter	Capri Medicals	Strongman Medical Products	Remarks
1	Fully Compliance with Specifications	40/40	31/40	Capri's quoted specifications did not match with the ones in the manufacturer's profile, and thus should not have been given 40 marks. Strongman is a local manufacturer of Incinerator, supplied-&-installed it to 169 different well reputed institutions, and complied with the required specifications even with additional features, and thus should have been given full marks.
2	Additional Features	2/4	0/4	Capri should not have been given 2 marks for additional features as it did not fulfil the required specs even. On the other hand, Strongman offered additional features and should have been given 2 marks.
3	Manufacturer Authorization	5/5	Y	Capri's authorization certificate could not be found on record and thus should not have been given 5 marks for manufacturer authorization. On the other hand, Strongman was manufacturer of the product and was given "Y" instead of giving 5 marks.
4	CE Certification	2/2	0/2	Capri's CE Certificate could not be found on record and thus should not have been given 2 marks.
5	Foreign Trained Engineers	3/3	0/3	Capri's Foreign Trained Engineers' documents could not be found on record and thus should not have been given 3 marks.
6	Workshop Performance Certificates	3/3	0/3	Strongman should have been given 3 marks, as it was shown to have tools & equipment in its workshop and was having ISO Certification for its workshop as well.
7	3 Years Tax Return	3/3	3/3	Capri's tax returns could not be found on record and thus should not have been given 3 marks.
8	2 Years Audited Balance Sheet	2/2	2/2	Capri's audited balance sheet could not be found on record and thus should not have been given 2 marks.
9	Chamber of Commerce Registration	1/1	1/1	Capri's registration documents could not be found on record and thus should not have been given 1 mark.

Annexure XI

S. no	Name and Designation	Detail of weapons
1	Kashif Alam DIG	9mm Glock pistol=01 Magazines=02 Rounds=64
2	Karim Khan DIG	9mm Glock Pistol=01 Magazines=02 Rounds=28
3	Gul Said Afridi SSP	Rifle (M4)=01 Magazines=03 Rounds=90
4	Nisar khan SP	9mm Glock Pistol=01 Magazines=02 Rounds=30
5	Fazal hamid SSP	9mm Glock Pistol=01 Magazines=02 Rounds=30
6	Iftikhar uddin SP	Life Jacket-01 Rifle SMG=01 Magazines=03 Rounds=90
7	Said wazeer DIG	Life jacket=01
8	Raheem ullah khan SP	Life jacket=01
9	Arshid khan DSP	Life jacket

Annexure XII

Detail of Employees received Irregular Arrears

S No	P No	Name of Employee	Job Title	BPS	Total
1	106330	Israr Amin khan	Constable	07	464,804
2	106627	Awais Khan	Constable	07	377,135
3	106995	Fawad Ahmad	Constable	07	311,580
4	108091	Sajjad Khan	Constable	07	624,971
5	108119	Taimoor Ahmad	HC	09	949,554
6	108165	Mukhtiar Ahmad	Constable	07	782,471
7	344083	Rehman Khan	ASI	11	304,700
8	354485	Sohail Mohammad	ASI	11	313,148
9	396053	Ajab Khan	Constable	07	340,776
10	921897	Ghulam Ullah	Constable	07	201,105
11	50157536	Farhad Khan	ASI	11	393,920
12	50195093	Ishfaq Ahmad	Constable	07	342,189
13	50211859	Fiaz Ullah	Constable	07	222,587
14	50294634	Yaseen Gul	Constable	07	595,015
15	568045	Rashid Khan	ASI	11	111,000
		Total			**6,334,955**

Annexure XIII

S.No	Particulars	Name of Supplier	Vr No & Date	Payment made on	Period of Delivery	Amount	DPR	Professional Tax
1	Single Cabin Pickup 55 Units (Traffic)	-do-	Approved vide N. sheet dtd:14.7.20	14.07.2020	05 months	210,361,140	420,000	
2	Single Cabin Pickup 4x2 33 Units Single Cabin Pickup 4x4 09 Units Ambulance 03 Units	Toyota Frontier Motors	Vr.20 05/2021	11.06.2021	05 months	203,044,287	390,000	Rs .100,000
	RHD Yaris ATIV 1.3 CVT Automatic 16 Units	-do-	Vr.26 06/2021	23.06.2021	05 months	45,357,584	90,000	
	Double Cabin Pickup 4x4 25 Units	-di-	Vr.48 06/2021	25.06.2021	05 months	166,351,025	332,000	
	Double Cabin Pickup 4x4 07 Units	-do-	Vr.50 06/2021	25.06.2021	05 months	46,578,287	92,000	
	REVO G Double/C 4x4 14 Units Fortuner 07 units	-do-	Vr.14 05/2021	11.06.2021	05 months	165,786,873	330,000	
	Fortuner Segma-4 (4x4) Diesel 05 Units	-do-	Vr.19 05/2021	11.06.2021	05 months	49,959,595	98,000	
	RHD Land Cruiser 200 VX Turbo 01 Unit	-do-	Vr.02 10/2020	27.10.2020	05 months	53,230,000	106,000	
	RHD IMV Hilux Pickup 4x4 S/C 67 Units Ambulance RHD Hiace Deluxw (Std Roof) 07 Units	-do-	Vr.04 03/2021	14.06.2021	05 months	416,192,699	832,000	
						1,356,861,490	2,690,000	100,000

Annexure XIV

S.No	Particulars	Name of Supplier	Payment made on	Amount
1	Single Cabin Pickup 55 Units (Traffic)	Toyota Frontier Motors	14.07.2020	210,361,140
2	Single Cabin Pickup 4x2 33 Units Single Cabin Pickup 4x4 09 Units Ambulance 03 Units	-do-	11.06.2021	203,044,287
3	RHD Yaris ATIV 1.3 CVT Automatic 16 Units	-do-	23.06.2021	45,357,584
3	Double Cabin Pickup 4x4 25 Units	-di-	25.06.2021	166,351,025
4	Double Cabin Pickup 4x4 07 Units	-do-	25.06.2021	46,578,287
5	REVO G Double/C 4x4 14 Units Fortuner 07 units	-do-	11.06.2021	165,786,873
6	Fortuner Segma-4 (4x4) Diesel 05 Units	-do-	11.06.2021	49,959,595
7	RHD Land Cruiser 200 VX Turbo 01 Unit	-do-	27.10.2020	53,230,000
8	RHD IMV Hilux Pickup 4x4 S/C 67 Units Ambulance RHD Hiace Deluxw (Std Roof) 07 Units	-do-	14.06.2021	416,192,699
			Total	**1,356,861,490**

<u>Fabrication of Vehicles</u>

S.No	Particulars	Name of Supplier	Amount
1	Body fabrication & fabrication of Mild/Hard Steel 188 Nos Vehicles	Frontier Work motors	74,636,000
2	Body fabrication & fabrication of Mild/Hard Steel 71 Nos Vehicles	Frontier Work motors	28,187,000
Total			**102,823,000**

Annexure XV

S.No.	Name of offenders	Quantity illegally excavated	Outstanding dues to be paid	Paid amount
1.	Mr.Akabar & Afzal Khan	50000 Tons	10,000,000	0
2.	Mr.Khanif & Naseer Khan	20000 Tons	8,000,000	0
3.	Mr.Mehboob ur Rehman	175000 Tons.	7,000,000	0
4.	Mr.Ahmad Salar	10000 Tons	4,000,000	0
5.	Mr.Farooq	125000 Tons	5,000,000	0
6.	Syed Ibrar Shah	137500 Tons	5,500,000	0
7.	Mr.Akbar Jan	150000 Tons	6,000,000	0
8.	Khattak Alied Construction	500000 Tons	20,000,000	0
9.	Mr.Umar Zada	125000 Tons	5,000,000	0
10.	Muhammad Amin	25000 Tons	5,000,000	0
11.	Bacha	75000 Tons	3,000,000	
12.	Mr.Bakht Zada & Khanif Khan	225000 Tons	9,000,000	0
13.	Mr.Salih Hayat	10000 Tons	4,000,000	0
14.	Mr.Masood	10000 Tons	4,000,000	0
Total recoverable outstanding dues from defaulter			95,500,000	

Annexure XVI

(Amount in Rupees)

Sr. No.	Formation	PDP No./ Year	No. of cases	Amount pointed out	Amount verified	Balance
1	TehsildarAbbottabad	247/2019-20	16	275,488	93,388	182,100
2	TehsildarTopiSwabi	257/2019-20	80	1,974,500	-	1,974,500
3	TehsildarTopiSwabi	259/2019-20	06	121,921	-	121,921
4	TehsildarTopiSwabi	262/2019-20	02	48,900	-	48,900
5	TehsildarLahorSwabi	265/2019-20	23	377,801	-	377,801
6	TehsildarKhanpur Haripur	274/2019-20	15	790,208	313,367	476,841
7	Tehsildar D I Khan	306/2019-20	26	888,745	52,000	836,745
8	TehsildarPaharpur DIK	311/2019-20	65	188,991	92,155	96,836
9	Tehsildar Settlement Mansehra	318/2019-20	01	42,000	-	42,000
10	Tehsildar Settlement Mansehra	320/2019-20	29	242,950	102,150	140,800
11	TeshsildarKarak	3/2020-21	16	35,500	10,939	24,561
12	Sub-Registrar Mardan	46/2020-21	16	542,375	508,376	33,999
13	Tehsildar SDC Mardan	66/2020-21	07	106,692	-	106,692
14	Tehsildar SDC Mardan	67/2020-21	03	130,000	-	130,000
15	Tehsildar City Peshawar	72/2020-21	27	842,395	-	842,395
16	Tehsildar City Peshawar	73/2020-21	15	422,286	-	422,286
17	NaibTehsildarTehkal Peshawar	102/2020-21	17	743,400	-	743,400
Total			**364**	**7,774,152**	**1,172,375**	**6,601,777**

Annexure-XVII

(Amount in Rupees)

Sr. No.	Formation	PDP No./ Year	No. of cases	Amount pointed out	Amount verified	Balance
1	TehsildarAbbottabad	246/2019-20	16	275,488	93,388	182,100
2	TehsildarTopiSwabi	258/2019-20	11	155,335	88,976	66,359
3	TehsildarLahorSwabi	264/2019-20	23	380,230	-	380,230
4	TehsildarKhanpur Haripur	273/2019-20	14	1,296,571	869,730	426,841
5	Tehsildar D I Khan	305/2019-20	26	1,041,283	60,548	980,735
6	Tehsildar Settlement Mansehra	316/2019-20	29	242,950	132,150	110,800
7	TehsildarKarak	2/2020-21	16	35,500	10,939	24,561
8	TehsildarBesham, Shangla	38/2020-21	09	1,318,783	19,515	1,299,268
9	Tehsildar SDC Mardan	65/2020-21	07	106,692	-	106,692
10	Tehsildar City Peshawar	71/2020-21	04	73,043	-	73,043
11	TehsildarBarikot Swat	82/2020-21	16	1,118,703	-	1,118,703
12	TehsildarBarikot Swat	83/2020-21	23	326,981	-	326,981
13	TehsildarMatta Swat	94/2020-21	32	154,926	-	154,926
Total			**226**	**6,526,485**	**1,275,246**	**5,251,239**

Annexure XVIII

S No	Month	Cheque No & Date	Amount (Rs.)	Remarks
01	09/2019	142962394 dated 26-09-2019	198,879	Payment of income tax on office rent
02	-do-	142962393 dated 26-09-2019	783,225	Tax on salaries
03	-do-	142962383 dated 16-09-2019	198,879	Payment of Income tax on office rent for 08/2019
04	-do-	142962382 dated 16-09-2019	7,885	Payment of Income Tax on goods/services during 08/2019
05	-do-	142962380 dated 16-09-2019	198,879	Payment of Income tax on office rent for 07/2019
06	-do-	142962379 dated 16-09-2019	165,196	Payment of Income tax on goods/services during 07/2019
07	10/2019	160615992 dated 24-10-2019	198,879	Payment of Income tax on office rent for 10/2019
08	-do-	160615988 dated 24-10-2019	63,126	Payment of Income tax on goods/services during 09/2019
09	-do-	160615983 dated 24-10-2019	782,493	Tax on salaries
10	08/2019	142962364 dated 27-08-2019	744,734	Payment of advance income tax
11	07/2019	142962352 dated 31-07-2019	808,067	Payment of advance income tax
12	11/2019	160616020 dated 26-11-2019	584,279	Payment of advance income tax
13	-do-	160616016 dated 26-11-2019	198,879	Payment of income tax on office rent
14	12/2019	160616052 dated 26-12-2019	88737	Payment of Income tax on goods/services during 12/2019
15	-do-	160616049 dated 26-12-2019	464,856	Tax on salaries
16	-do-	160616045 dated 26-12-2019	198,879	Payment of income tax on office rent
17	-do-	32195120 dated 16-12-2019	5,019	Payment of Income tax on goods/services during 10/2019
18	-do-	160616037 dated 16-12-2019	44,861	Payment of Income tax on goods/services during 11/2019

19	-do-	160616036 dated 16-12-2019	74,391	Payment of Income tax on goods/services during 10/2019
20	01/2020	160616070 dated 23-01-2020	657,557	Payment of advance income tax
21	-do-	160616061 dated 23-01-2020	198,879	Payment of income tax on office rent
22	-do-	160616057 dated 07-01-2020	142,634	Tax on salaries
23	02/2020	175839827 dated 24/02/2020	655,837	Tax on salaries
24	-do-	175839823 dated 19/02/2020	198,879	Payment of income tax on office rent
25	-do-	175839821 dated 19/02/2020	102,317	Payment of Income tax on goods/services during 01/2020
26	-do-	175839820 dated 19/02/2020	116,504	Payment of Income tax on goods/services during 02/2020
27	03/2020	175839844 dated 20/03/2020	198,879	Payment of income tax on office rent
28	-do-	175839833 dated 05/03/2020	66,951	Payment of Income tax on goods/services during 02/2020
29	04/2020	175839869 dated 27/04/2020	593,223	Tax on salaries
30	-do-	175839867 dated 27/04/2020	87,146	Payment of Income tax on goods/services during 03/2020
31	-do-	175839866 dated 27/04/2020	593,712	Tax on salaries
32		175839861 dated 27/04/2020	198,879	Payment of income tax on office rent
33	06/2020	32217536 dated 29/06/2020	181,954	Payment of Income tax on goods/services during 06/2020
34	-do-	32217530 dated 15/06/2020	567,602	Tax on salaries
35	-do-	32217523 dated 15/06/2020	587,208	Tax on salaries
36	-do-	32217521 dated 15/06/2020	271,250	Payment of Income tax on goods/services during 04/2020
37	-do-	32217516 dated 15/06/2020	198,879	Payment of income tax on office rent
			11,428,433	