



AUDIT REPORT
ON
THE ACCOUNTS OF
GOVERNMENT OF KHYBER PAKHTUNKHWA
AUDIT YEAR 2015-16

AUDITOR GENERAL OF PAKISTAN

ABBREVIATIONS & ACRONYMS

1. ADP Annual Development Program
2. APR Actual Payee Receipts
3. AM&R..... Annual Maintenance & Repair
4. ADB..... Asian Development Bank
5. BOQ..... Bill of Quantities
6. C&W..... Communication and Works
7. CCPO..... Capital City Police Office
8. CPO Central Police Office
9. CPWA..... Central Public Works Accounts
10. CPWD..... Central Public Works Department
11. CSR..... Composite Schedule of Rates
12. CTR..... Central Treasury Rules
13. CRBC Chashma Right Bank Canal
14. Cft..... Cubic feet
15. DAC..... Departmental Accounts Committee
16. DAO..... District Accounts Office
17. DFC..... District Food Controller
18. DFO Divisional Forest Officer
19. DDO Drawing & Disbursing Officer
20. DSC Developmental Steering Committee
21. EGB Empty Gunny Bag
22. EME..... Electro Mechanical Engineering
23. FDC Forest Development Corporation
24. FTR..... Federal Treasury Rules
25. FATA..... Federally Administrative Tribal Area
26. FANA Frontier and Northern Area
27. GFR General Financial Rules
28. GST..... General Sales Tax

29. HEC Higher Education Commission
30. HMC Hayatabad Medical Complex
31. IPC Interim Payment Certificate
32. KP Khyber Pakhtunkhwa
33. Kg Kilogram
34. Km Kilometer
35. KIMS.....Kohat Institute of Management Sciences
36. KUST.....Kohat University of Science and Technology
37. LG&RDD Local Government & Rural Development
Department
38. m² Square Meter
39. m³ Cubic Meter
40. MB Measurement Book
41. MCC Medicines Coordination Cell
42. NIT Notice Inviting Tender
43. NRC National Reserve Centre
44. NSR Non Schedule Rate
45. NTN.....National Tax Number
46. O&M..... Operation and Maintenance
47. OPD Out Patient Department
48. PAC Public Accounts Committee
49. PASSCO Pakistan Agriculture Storage & Supply
Corporation
50. PESCO.....Peshawar Electric Supply Corporation
51. PCC.....Plain Cement Concrete
52. PHE..... Public Health Engineering
53. PLA.....Personal Ledger Account
54. POL.....Petroleum, Oil & Lubricants
55. PDWP Provincial Development Working Party
56. PDMA.....Provincial Disaster Management Authority
57. RCC Reinforced Cement Concrete

- 58. SDO Sub Divisional Officer
- 59. S&EO Storage & Enforcement Officer
- 60. Sft Square Feet
- 61. SIP Special Initiative Package
- 62. STN.....Sales Tax Number
- 63. TS.....Technical Sanction
- 64. TTS Tenure Track System
- 65. UAA Un-attractive Area Allowance
- 66. VC..... Vice Chancellor
- 67. Vol Volume
- 68. WAPDA Water and Power Development Authority
- 69. WHO..... World Health Organization

TABLE OF CONTENTS

ABBREVIATIONS & ACRONYMS

PREFACE

i

EXECUTIVE SUMMARY

ii

SUMMARY TABLES & CHARTS

vi

I Audit Work Statistic

vi

II Audit Observations Classified by category

vi

III Outcome Statistics

viii

IV Irregularities pointed out

ix

CHAPTER – 1

Public Financial Management Issues pertain to Appropriation Accounts and Finance Accounts compiled by the Accountant General and Finance Department Government of Khyber Pakhtunkhwa

1

1 AUDIT PARAS.....

1

1.1 Non surrendering of anticipated savings – Rs.57,919.854 million.....

1

1.2 Short realization of targeted revenue – Rs.118,435 million

1

1.3 Decrease in the closing cash balance – Rs.20,239 million

2

CHAPTER - 2

Agriculture Department

2.1 Introduction

4

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

4

2.3 Brief comments on the status of compliance with PAC directives

6

2.4 AUDIT PARAS.....

7

2.4.1 Loss due to less deposit of cost of milk – Rs.71.05 million

7

2.4.2 Loss due to lack of interest in selling Hybrid Maize Baber - Rs.26.96 million

8

2.4.3 Loss due to non auction of stock of maize - Rs.22.34 million

8

2.4.4 Loss due to non auction of old machinery - Rs.20.00 million.....

9

2.4.5 Loss due to unnecessary purchase of maize seed - Rs.13.50 million

10

2.4.6 Loss due to increase in mortality rate of animals Rs. 2.96 million.....

11

2.4.7 Loss due to non auction of trees - Rs.1.63 million

12

2.4.8 Loss due to non-receipt of cost of milk etc. – Rs.1.48 million.....

13

2.4.9 Loss due to non-forfeiture of security of defaulter contractors - Rs. 1.10 million

13

2.4.10 Doubtful drawl of POL expenses-Rs13.59 million

14

2.4.11 Doubtful expenditure on daily paid labours - Rs.1.20 million

15

2.4.12 Non production of auditable record – Rs.1.50 million (approx)

16

2.4.13 Non-accountal of store items – Rs.3.25 million

17

2.4.14 Non-surrender of unutilized amount – Rs.23.22 million.....

17

2.4.15 Irregular payment on account of DPL charges – Rs.17.26 million

18

2.4.16 Irregular expenditure - Rs.9.14 million

19

2.4.17 Illegal occupation of government land - Rs.5.00 million

20

CHAPTER - 3

Communication & Works Department

3.1	Introduction	22
3.2	Comments on Budget and Accounts (Variance Analysis).....	22
3.3	Brief comments on the status of compliance with PAC directives	25
3.4	AUDIT PARAS.....	26
3.4.1	Loss due to excess payment in earth work- Rs.175.07 million	26
3.4.2	Loss to government due to allowing premium on CSR 2012 & Non Scheduled Items - Rs.63.04 million	27
3.4.3	Loss to government due to non-utilization of available earth from excavation – Rs.55.35 million	28
3.4.4	Loss due to excess payment - Rs.33.27 million.....	29
3.4.5	Loss to government due to cancellation of tendering process - Rs.30.00 million.....	30
3.4.6	Loss to public exchequer due to non transparency in the tender process - Rs.26.53 million.....	32
3.4.7	Loss due to non imposition of penalty for delay in completion of work -Rs.18.58 million.....	33
3.4.8	Expected Loss due to unauthorized change in the scope of work - Rs.854.39 Million.....	33
3.4.9	Loss due to non forfeiture of earnest money of 2nd and 3rd lowest bidder – Rs.14.06 million.....	35
3.4.10	Loss due to unauthorized payments of steel shuttering in R.C.C works - Rs.11.76 million	36
3.4.11	Loss due to non-deduction of income tax from assignee contractor – Rs.10.39 million.....	37
3.4.12	Loss due to unauthorized payment of escalation – Rs.2.79 million	38
3.4.13	Loss due to inclusion of premium in the amount of escalation – Rs.2.49 million	38
3.4.14	Loss due to non-recovery of the cost of timber from the contractor – Rs.1.84 million.....	39
3.4.15	Loss to public exchequer due to manipulation in tenders - Rs.1.31 million.....	40
3.4.16	Overpayment to contractor due to allowing form work – Rs.9.27 million.....	41
3.4.17	Overpayment due to deviation from approved PC-I technical sanction & BOQ-Rs.8.37 million ..	42
3.4.18	Overpayment due to allowing incorrect measurement - Rs.1.89 million	43
3.4.19	Non-recovery of outstanding government dues - Rs.20.87 million	44
3.4.20	Unauthorized expenditure due to abnormal increases in the cost of scheme -Rs. 993.15 million ..	45
3.4.21	Un-authorized expenditure on account of abnormal deviation from contract cost - Rs.703.48 million	46
3.4.22	Unauthorized payment to the contractors on account of escalation – Rs.71.33 million.....	47
3.4.23	Excess payment on account of excess over PC-1/BOQ items – Rs.44.75 million	48
3.4.24	Non-imposition of penalty due to non completion of works within stipulated period - Rs.13.71 million	49
3.4.25	Unjustified expenditure on road asset management system – Rs.2.49 million	50
3.4.26	Unauthentic payment on transportation of earth - Rs.12.57 million	51
3.4.27	Loss due to missing equipments & vehicles – Rs.5.94 million	52

CHAPTER - 4

Education Department

4.1	Introduction	54
4.2	Comments on Budget and Accounts (Variance Analysis).....	54
4.3	Brief comments on the status of compliance with PAC directives	56
4.4	AUDIT PARAS.....	57
4.4.1	Embezzlement of Rs.11.77 million	57
4.4.2	Misappropriation of Rs.4.90 million	58
4.4.3	Loss due to non-return of students after completion of Ph.D from abroad - Rs.59.07 million	59

4.4.4	Loss due to purchase of land on higher rates - Rs. 53.32 million.....	60
4.4.5	Loss due to unauthorized payment of escalation – Rs.32.47 million	61
4.4.6	Loss due to unauthorized payment of escalation - Rs.31.64 million.....	61
4.4.7	Loss due to non-recovery of outstanding dues – Rs.25.57 million.....	62
4.4.8	Loss to university due to award of agriculture land at lesser rates - Rs.13.34 million per annum	63
4.4.9	Loss to government due to non-completion of Ph.D in time - Rs.8.11 million	64
4.4.10	Loss due to purchase of land without access - Rs. 6.12 million.....	65
4.4.11	Loss due to allowing lesser monthly rent of shops - Rs. 4.26 million.....	66
4.4.12	Loss due to unauthorized leasing and fixing lesser monthly rent of university food canteen - Rs.4.16 million	67
4.4.13	Loss due to non-recovery of interest - Rs.1.86 million	68
4.4.14	Overpayment due to allowing higher rates – Rs.94.06 million	69
4.4.15	Overpayment due to allowing higher rates - Rs 52.86 million.....	70
4.4.16	overpayment due to allowing incorrect rate – Rs.3.17 million.....	70
4.4.17	Overpayment due to un-authorized drawal of project allowance - Rs. 1.62 million	71
4.4.18	Non-recovery from Ph.D scholars – Rs.72.68 million	72
4.4.19	Unauthorized retention of public money - Rs.6.55 million	73
4.4.20	Unauthorized award of increments to the TTS faculty members – Rs.2.34 million	74
4.4.21	Unauthorized expenditure on the construction, repair & maintenance of V.C KUST residence in the University of Peshawar - Rs.1.28 million.....	74
4.4.22	Excess expenditure over resources - Rs.282.88 million.....	75
4.4.23	Wasteful expenditure due to deficient execution of constructional work Rs.86.75 million.....	77
4.4.24	Wasteful expenditure on account of printing of item bank - Rs.26.20 million	78
4.4.25	Wasteful expenditure on stipend and tuition fee of Ph.D Scholars - Rs.17.93 million	79
4.4.26	Wasteful payment to consultant due to deficient execution of work Rs.5.30 million.....	80
4.4.27	Unauthentic expenditure and misappropriation of Rs.10.05 million.....	81
4.4.28	Doubtful expenditure on repair & maintenance work – Rs.51.99 million	82
4.4.29	Doubtful expenditure on purchase of equipments – Rs.22.21 million	93
4.4.30	Irregular payment on account of pay and allowances of staff appointed without advertisement – Rs.8.15 million	84
4.4.31	Non-production of auditable record of Jalozai Campus	85
4.4.32	Non-production of auditable record - Rs.3.50 million	85

CHAPTER - 5

Environment Department

5.1	Introduction	87
5.2	Comments on Budget and Accounts (Variance Analysis).....	87
5.3	Brief comments on the status of compliance with PAC directives.....	90
5.4	AUDIT PARAS	91
5.4.1	Suspected misappropriation of timber valuing Rs.17.47 million	91
5.4.2	Suspected misappropriation in expenditure incurred on daily wages labour in mega project - Rs.4.10 million	91
5.4.3	Misappropriation on account of less deposit of auction money of timber - Rs.1.20 million.....	92
5.4.4	Loss due to payment of royalty by FDC at lesser rates - Rs. 65.01 million	93
5.4.5	Loss due to auction of timber on lesser rate – Rs.18.27 million	94
5.4.6	Loss due to auction of timber on lesser rates - Rs.16.76 million.....	95

5.4.7	Loss to public exchequer due to fixing the reserve price less than market - Rs.5.13 million	96
5.4.8	Loss due to non-recovery of prohibitive duty on compensation cases Rs.3.42 million	96
5.4.9	Loss due to payment of rent of land at higher rate – Rs.3.06 million.....	97
5.4.10	Loss to government due to non recovery of prohibitive duty on compensation cases - Rs.2.68 million	98
5.4.11	Loss to the public exchequer due to misappropriation of government money - Rs.2.47 million....	99
5.4.12	Loss due to non establishment of youth nurseries – R .2.16 million.....	99
5.4.13	Overpayment on account of higher rate of daily labour - Rs.5.32 million	100
5.4.14	Non-recovery of outstanding government dues from FDC – Rs.18.88 million	101
5.4.15	Non recovery of outstanding dues from FDC-Rs. 3.96 million	102
5.4.16	Unauthorized expenditure on purchase of plants – Rs.13.44 million.....	103
5.4.17	Unauthorized payment on account of reward from receipts to the field staff – Rs.1.51 million...	104
5.4.18	Unauthorized expenditure on account of maintenance of existing nurseries – Rs.1.08 million....	104
5.4.19	Blockage of public money - Rs.33.56 million.....	105
5.4.20	Short deposit of government receipts - Rs.1.92 million	106
5.4.21	Doubtful expenditure on the construction of fish ponds – Rs.21.29 million.....	107
5.4.22	Wasteful expenditure due to non-establishment of private nurseries – Rs.4.91 million	108

CHAPTER - 6

Food Department

6.1	Introduction	110
6.2	Comments on Budget and Accounts (Variance Analysis).....	110
6.3	Brief comments on the status of compliance with PAC directives.....	113
6.4	AUDIT PARAS.....	114
6.4.1	Expected loss due to unnecessary retention of stock of wheat- Rs.1,038 million.....	114
6.4.2	Loss due to supply of defective wheat – Rs. 393.48 million.....	115
6.4.3	Potential loss to public exchequer due to excess purchase of wheat against covered accommodation – Rs.370.59 million.....	115
6.4.4	Loss to public exchequer due to un-necessary payment of interest – Rs.221.01 million.....	116
6.4.5	Loss due to purchase of wheat at higher rate - Rs. 202.08 million.....	117
6.4.6	Loss due to auction of damaged wheat – Rs.106.85 million	118
6.4.7	Loss due to non-deduction of income tax from suppliers of wheat – Rs.74.35 million	119
6.4.8	Loss due to less realization of cost of wheat-Rs. 68.81 million	120
6.4.9	Loss due to payment of interest on loan-Rs.41.24 million	121
6.4.10	Loss due to non-lifting of wheat as per quota – Rs.26.74 million.....	122
6.4.11	Loss due to non deduction of income tax from suppliers of wheat-Rs. 20.90 million	122
6.4.12	Loss due to non forfeiture of call deposit-Rs. 14 million	123
6.4.13	Loss due to non recovery of the effect of decrease in the POL prices - Rs.16.235 million	124
6.4.14	Loss due to shifting of wheat from government store to private mill-Rs.8.33 million	125
6.4.15	Loss due to non-recovery of renewal fee from contractors – Rs.6.17 million	126
6.4.16	Loss due to non-recovery of penalty from the contractors – Rs.4.23 million	127
6.4.17	Loss due to enhancement in rates Rs.3.53 million	128
6.4.18	Loss due to purchase of substandard empty gunny bags –Rs.1.04 million	129
6.4.19	Non-recovery of outstanding amount of subsidy – Rs.4,157.18 million.....	129
6.4.20	Non-recovery of security from contractors-Rs.27.73 million	130
6.4.21	Non-recovery on account of missing wheat – Rs.11.34 million.....	131

6.4.22 Non-recovery of long outstanding dues for enhancement of Ex-godown price of imported wheat – Rs.1.49 million	132
6.4.23 Non deduction of charges for rehabilitation of disabled persons - Rs.1.35 million	133
6.4.24 Non deduction of charges for rehabilitation of disabled persons – Rs.3.51 million.....	134
6.4.25 Unauthorized and illegal loaning and repayment-Rs. 1799.60 million	134
6.4.26 Unauthorized loan amounting to Rs.801.28 million.....	135
6.4.27 Unauthorized issuance of wheat to irrelevant flour mills –Rs.66.84 million	136
6.4.28 Excess payment to food department Government of Punjab-Rs.11.40 million.....	137
6.4.29 Excess payment due to unauthorized increase in the rates of transportation-Rs. 5.49 million.....	138
6.4.30 Excess payment due to unauthorized increase in the rates of transportation - Rs.4.35 million.....	139
6.4.31 Improper maintenance of store and stock account of wheat- Rs.2,487.63 million.....	139
6.4.32 Unjustified expenditure on procurement of wheat - Rs.608.94 million	141
6.4.33 Non-crediting of subsidy amount in food account-II - Rs. 293 million	141
6.4.34 Unauthentic and doubtful expenditure on procurement of wheat-Rs. 523.39 million.....	142
6.4.35 Irregular and unauthorized utilization of facility of loan - Rs.2,482.13 million.....	143
6.4.36 Irregular payment of carriage charges due to non deposit of cash security -Rs. 52.815 million...	144

CHAPTER - 7

Health Department

7.1 Introduction	146
7.2 Comments on Budget and Accounts (Variance Analysis).....	146
7.3 Brief comments on the status of compliance with PAC directives.....	149
7.4 AUDIT PARAS.....	150
7.4.1 Misappropriation of medicines - Rs.20.56 million	150
7.4.2 Suspected misappropriation on account of Local Purchase of Medicines - Rs.3.27 million.....	151
7.4.3 Misappropriation of medicines received from WHO – Rs.2.00 million	152
7.4.4 Misappropriation of equipments - Rs.1.60 million	153
7.4.5 Misappropriation of OPD receipts – Rs.1.38 million.....	154
7.4.6 Loss on account of pharmacy welfare shop - Rs.71.10 million	154
7.4.7 Loss due to non recovery of electricity charges – Rs.39.55 million.....	155
7.4.8 Loss due to illegal occupation of private rooms - Rs.13.63 million.....	156
7.4.9 Loss to the hospital due to supply of expired lab: chemicals - Rs.11.89 million	157
7.4.10 Loss due to non-recovery of hospital dues - Rs.8.25 million	157
7.4.11 Less deposit/recovery of blood bank receipts - Rs.6.66 million.....	158
7.4.12 Loss due to ignoring lowest responsive bidder - Rs.4.80 million	159
7.4.13 Loss due to damage of costly machinery during shifting – Rs.2.99 million	160
7.4.14 Loss on account of purchase of food item on higher rates – Rs.1.36 million.....	161
7.4.15 Over-payment due to local purchase of medicines on higher rates - Rs.5.96 million	162
7.4.16 Overpayment on account of purchase of medicines – Rs.1.02 million	163
7.4.17 Overpayment due to allowing higher rates – Rs.1.41 million	163
7.4.18 Non-recovery of Rs.36.20 million.....	164
7.4.19 Unauthorized issuance of emergency medicines to private room patients Rs.70 million	165
7.4.20 Unauthorized purchase and doubtful utilization of medicines - Rs.40.99 million	166
7.4.21 Irregular expenditure on account of local purchase of medicines - Rs.16.43 million	167
7.4.22 Irregular expenditure on account of purchase & repair of Air Conditioners Rs.10.85 million	168
7.4.23 Irregular and doubtful drawl of funds in anticipation of supply-Rs.6.26 million	170

7.4.24 Irregular and unauthorized payment of KIMS allowance Rs.6.20 million.....	171
7.4.25 Irregular and unauthorized expenditure on account of pay without rendering services Rs.2.59 million	171
7.4.26 Non-deposit of maintenance/depreciation charges in the government treasury Rs.34.77 million	172
7.4.27 Non deposit of maintenance/depreciation charges into govt. treasury 20.56 million	173
7.4.28 Non-deposit of side room charges into reserve fund– Rs.4.02 million	174
7.4.29 Wasteful expenditure of Rs.55.47 million.....	174
7.4.30 Wasteful expenditure due to non-installation of CT Scan - Rs.25.82 million.....	176
7.4.31 Wasteful expenditure on the purchase of x-ray machines – Rs.11.55 million	177
7.4.32 Wasteful expenditure on account of security services - Rs.7.02 million	178
7.4.33 Wasteful expenditure on the purchase of x-ray machine - Rs. 6.46 million.....	179
7.4.34 Double drawl of medicines - Rs.1.87 million.....	180
7.4.35 Fictitious liability/pending claims of various firms – Rs.6.24 million	180
7.4.36 Doubtful utilization of sanitary & electricity items - Rs.3.12 million.....	181
7.4.37 Less deposit of government receipts - Rs.2.92 million	182
7.4.38 Less realization of lithotripsy receipts – Rs.1.45 million	183
7.4.39 Less deposit of receipts - Rs. 10.44 million	183

CHAPTER - 8

Home & TA Department

8.1 Introduction	185
8.2 Comments on Budget and Accounts (Variance Analysis).....	185
8.3 Brief comments on the status of compliance with PAC directives	187
8.4 AUDIT PARAS.....	188
8.4.1 Suspected loss due to retention of obsolete weapons	188
8.4.2 Loss due to non-observance of codal formalities in auction of malkhana – Rs.21.85 million.....	189
8.4.3 Loss due to non-forfeiture of security – Rs. 13 million.....	189
8.4.4 Loss due to non-procurement of wheat in time – Rs.2.06 million	190
8.4.5 Loss due to non accountal of Mobile Oil costing Rs.1.80 million	191
8.4.6 Loss due to non deduction of DPR Charges Rs.1.83 million	192
8.4.7 Non-recovery of outstanding Government dues - Rs.212.03 Million	192
8.4.8 Non recovery of advance payment made without contract-Rs. 46.50 million	193
8.4.9 Non-recovery of outstanding dues against federal government departments – Rs.19.00 million .	195
8.4.10 Non-recovery from the defaulters – Rs.4.86 million	195
8.4.11 Non-recovery of penalty – Rs. 6.23 million	196
8.4.12 Unauthentic receipts on account of arms registration charges - Rs.369.14 million	197
8.4.13 Unauthentic issuance of stationery items - Rs.1.39 million	198
8.4.14 Irregular/Un-authorized transfer of Government money, received from sale of dry bread, to IG Prisons - Rs.2.22 million	198
8.4.15 Non-supply of arms & ammunition against advance payment - Rs.239.55 million.....	199
8.4.16 Non-supply of uniform by POF - Rs.125.50 million	200
8.4.17 Unjustified issuance of arms and ammunitions - Rs.6.29 million.....	201
8.4.18 Wasteful expenditure on supply of old ammunitions - Rs. 26.93 million	202
8.4.19 Excess payment over the actual demand of arms and ammunitions-Rs.101.23 million.....	203
8.4.20 Unnecessary retention of valuable arms – Rs.12.26 million	204
8.4.21 Doubtful payment on account of purchase of arms & ammunitions - Rs.103.40 million.....	205

CHAPTER - 9

Irrigation Department

9.1	Introduction	207
9.2	Comments on Budget and Accounts (Variance Analysis).....	207
9.3	Brief comments on the status of compliance with PAC directives	210
9.4	AUDIT PARAS	211
9.4.1	Embezzlement in abiana - Rs.2.01 million.....	211
9.4.2	Misappropriation due to doubtful payment to contractor without work done - Rs. 30 million.....	211
9.4.3	Misappropriation due to non utilization of dumped stone-Rs. 23.07 million.....	213
9.4.4	Loss due to dumping of stone without proper utilization – Rs.156.19 million	214
9.4.5	Loss due to consolidation of two items from CSR 2012 - Rs.80.90 million.....	214
9.4.6	Loss due to non deduction of void from earth work – Rs. 17.07 million.....	216
9.4.7	Loss due to twice payment of silt clearance -Rs. 15.26 million.....	217
9.4.8	Loss due to non deduction of Income Tax from the contractors-Rs. 15 million	217
9.4.9	Loss due to non recovery of compensation for delay - Rs. 6.04 million	218
9.4.10	Loss due to allowing loose measurement with less recovery-Rs. 5.97 million.....	219
9.4.11	Loss due to non-recovery of cost of available material from contractor - Rs.2.26 million	220
9.4.12	Unauthorized payment without Administrative Approval-Rs. 400 million	221
9.4.13	Unauthorized advance payment without actual work done-Rs. 108.83 million	222
9.4.14	Unauthorized excess over the bid cost - Rs. 10.25 million	223
9.4.15	Un-authorized payment to contractor – Rs.5.18 million	224
9.4.16	Irregular payment without obtaining detail accounts - Rs. 150 million	225
9.4.17	Irregular and Doubtful payment on presumptive measurement of work done-Rs. 25.18 million .	226
9.4.18	Irregular and Wasteful payment to Consultant -Rs.13.43 million.....	227
9.4.19	Irregular and unauthentic expenditure on purchase of machinery-Rs. 2.87 million.....	228
9.4.20	Unauthentic payment to the PESCO as arrear -Rs. 53.73 million.....	229
9.4.21	Excess payment beyond the period of agreement-Rs. 7.62 million	230
9.4.22	Non-deposit of unspent balances into government revenue - Rs.4.46 million.....	231
9.4.23	Doubtful expenditure on silt clearance - Rs. 45.27 million.....	231

CHAPTER - 10

Local Government Department

10.1	Introduction	233
10.2	Comments on Budget and Accounts (Variance Analysis).....	233
10.3	Brief comments on the status of compliance with PAC directives	235
10.4	AUDIT PARAS.....	236
10.4.1	Loss to govt. due to non recovery of mobilization advance - Rs.445.52 million.....	236
10.4.2	Loss to govt. due to non realization of compound interest on mobilization advance – Rs.392.19 million	237
10.4.3	Loss due to non imposition of penalty - Rs. 129 million.....	238
10.4.4	Expected loss to govt due to none performance of water tests of the water filtration plants – Rs.212.35 million	238
10.4.5	Unauthorized advance payments to Miraj Limited – Rs.888.00 million.....	239
10.4.6	Irregular and un-authorized award of mobilization advance due to acceptance of fake bank guarantee – Rs.549.43 million.....	240

10.4.7 Irregular award of contract due to non deposit of earnest money/ call deposit Rs.60.56 million .	241
10.4.8 Non-production of auditable record – Rs.247.34 million	242

CHAPTER - 11

Provincial Housing Authority

11.1 Introduction	244
11.2 Comments on Budget and Accounts (Variance Analysis).....	244
11.3 Brief comments on the status of compliance with PAC directives	246
11.4 AUDIT PARAS	247
11.4.1 Loss due to non-recovery of compensation for delay in completion of work Rs.26.47 million ...	247
11.4.2 Loss due to wasteful expenditure on Mega City-Rs. 20.97 million	248
11.4.3 Loss due to unauthentic payment and discontinuing work-Rs. 10.17 million.....	248
11.4.4 Loss due to non recovery of interest on Mobilization Advance- Rs. 1.83 million	249
11.4.5 Loss due to allowing premium on the non schedule items -Rs. 1.11 million	250
11.4.6 Unauthorized and doubtful advance payment to KPHA-Rs. 2.41 million	251
11.4.7 Irregular award of contract worth Rs. 974 million	252
11.4.8 Irregular and unauthorized investment of funds –Rs. 40 million	253
11.4.9 Excess payment on the de-notified land of Musazai Housing Scheme-Rs.863.21 million	254
11.4.10Unauthentic payment of Shamilat land Rs. 140.50 million	255
11.4.11Non production of record of acquisition of land and payment - Rs. 600 million	255

CHAPTER - 12

Public Health Engineering Department

12.1 Introduction	257
12.2 Comments on Budget and Accounts (Variance Analysis).....	257
12.3 Brief comments on the status of compliance with PAC directives	259
12.4 AUDIT PARAS	260
12.4.1 Irregular and un-authorized appointment of C-IV involving pay &allowances Rs.2.76 million ..	260
12.4.2 Wasteful expenditure due to non-functioning of water supply schemes - Rs.86.94 million	261
12.4.3 Wasteful expenditure on the purchase of substandard machinery-Rs.5.68 million.....	261

CHAPTER - 13

Social Welfare Department

13.1 Introduction	263
13.2 Comments on Budget and Accounts (Variance Analysis).....	263
13.3 Brief comments on the status of compliance with PAC directives	265
13.4 AUDIT PARAS	266
13.4.1 Non-recovery of undistributed stipend on account of zakat fund – Rs.4.89 million	266
13.4.2 Unauthorized payment on financial assistance to needy persons – Rs.1.90 million	266

Annexure – I MFDAC.....	268
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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 of the accounts of any authority or body established by the Province.

The report is based on audit of the accounts of various departments and organizations of the Government of Khyber Pakhtunkhwa for the financial year 2014-15 and the accounts of some formations for previous financial years. The Directorate General Audit Khyber Pakhtunkhwa conducted audit during 2015-16 on test check basis, with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs.1.00 million or more. Relatively, less significant issues are listed in the Annexure-I of the Audit Report. The audit observations listed in the Annexure-I shall be pursued with the Principal Accounting Officers at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observations will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

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

Most of the observations included in this report have been finalized in the light of written response and discussions in the DAC meetings.

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

Sd/-
(Rana Assad Amin)
Auditor General of Pakistan

Dated:14.04.2016

EXECUTIVE SUMMARY

The Directorate General Audit Khyber Pakhtunkhwa carries out the audit of Government of Khyber Pakhtunkhwa. The Government of Khyber Pakhtunkhwa conducts its operations under the Rules of Business 1985 that envisage provincial government as comprising 30 Principal Accounting Officers for different departments, 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 Public Account for which Annual Budget Statement is authorized by the Assembly. The Directorate General Audit has human resources of 68 officers and other staff resulting in 17068 man days. The annual budget amounted to Rs 95.74 million. The office is mandated to conduct regularity audit (financial attest audit and compliance with authority audit) and performance audit of departments and projects run by those departments. This is a Regularity Audit Report on Expenditures. The Receipts Audit Report has been published separately.

a. Scope of Audit

Out of total expenditure of the Provincial Government for the financial year 2014-15, auditable expenditure under the jurisdiction of Director General Audit Khyber Pakhtunkhwa was Rs.373.28 billion covering 30 PAOs and 1412 formations. Out of this, Director General Audit Khyber Pakhtunkhwa audited an expenditure of Rs 224.52 billion which, in terms of percentage is 60% of auditable expenditure.

b. Recoveries at the instance of audit:

Recovery of Rs 4648.70 million was pointed out. The recovery of Rs.115.10 million was effected during the year 2015-16 at the time of compilation of report.

c. Audit Methodology:

The audit year 2015-16 witnessed intensive application of desk audit techniques in the Director General Audit, Khyber Pakhtunkhwa. This was facilitated by access to live SAP/R3 data, intranet, internet facility, and availability of permanent files. Desk review helped auditors in understanding the systems, procedures, environment, and the audited entity before starting field

activity. This greatly facilitated in the identification of high risk areas for substantive testing in the field.

d. Audit Impact

There was no change in rules, practices and internal control systems during the year as pointed by audit. Hence, similar nature observations of previous years are repeated in this Audit Report.

e. Comments on Internal Control

Internal Control is a tool for management to improve performance, prevent losses, and control mismanagement of public money and safeguard government assets.

For effective management and achievement of the objectives, various types of internal controls should be in place. Accounting controls ensure completeness, accuracy, timelines and reliability of accounts. Financial controls help in budgeting and accurate forecasting. Administrative controls help in preventing unauthorized payments, losses and misappropriations, etc.

In most of the provincial government departments lack of internal control is evident from the following short comings in the financial management system:

- ✚ Non-observance of canons of financial propriety and non-compliance of rules & regulations.
- ✚ Non-recovery of government dues.
- ✚ Overpayments in pay & allowances and to contractors.
- ✚ Loss to government due to negligence.
- ✚ Excess payments to suppliers/ contractors.
- ✚ Irregular, unauthorized and unnecessary expenditure.
- ✚ Misuse of financial powers by the subordinate officials.
- ✚ Waste of funds due to un-necessary purchase of store etc.
- ✚ Retention of public money outside the government account.
- ✚ DAC meetings not convened regularly.
- ✚ The Directives of the DAC and PAC not pursued vigorously.

The Principal Accounting Officers should evaluate the existing internal controls and reinforce these controls in the offices and organizations working under their control. They should also ensure;

- ✚ To maintain accurate accounting records and make it available to auditors at the time of the audit. Non-production of record by any person or authority should be subject to disciplinary action under relevant Efficiency and Disciplinary Rules, applicable to such person in terms of section 14(3) of the Auditor General's (Functions, Powers, and Terms & Conditions of Service) Ordinance, 2001.
- ✚ To recover government dues and deposit it in government treasury.
- ✚ To avoid keeping of public money outside the government account and prevent unnecessary drawl of funds.
- ✚ To prevent misuse of government assets.
- ✚ To investigate the cases of losses and take remedial measures.
- ✚ To regularly convene DAC meetings and;
- ✚ To pursue directives of DAC & PAC.

f. The key audit findings of the report:

- ✚ Blockage of public money of Rs.33.56 million was noticed in 1 case.¹
- ✚ Decrease in cash balance of Rs.20,239.00 million was noticed in 1 case.²
- ✚ Double/Doubtful expenditure of Rs.263.94 million was noticed in 9 cases.³
- ✚ Embezzlement of Rs.13.78 million was noticed in 2 cases.⁴
- ✚ Excess expenditure / payment of Rs.1,320.92 million was noticed in 8 cases.⁵
- ✚ Fictitious liability / pending claims of Rs.6.24 million was noticed in 1 case.⁶
- ✚ Illegal occupation of government land of Rs.5.00 million was noticed in 1 case.⁷
- ✚ Improper maintenance of store of Rs.2,487.63 million was noticed in 1 case.⁸
- ✚ Irregular/unauthorized payments of Rs.4432.27 million was noticed in 20 cases.⁹
- ✚ Loss of Rs.6176.71 million was noticed in 94 cases.¹⁰
- ✚ Misappropriation of Rs.109.55 million was noticed in 11 cases.¹¹
- ✚ Non-deposit/accountal/crediting of Rs.360.06 million was noticed in 6 cases.¹²
- ✚ Non-imposition of penalty of Rs.13.71 million was noticed in 1 case.¹³

- ✚ Non-production of record of Rs.852.34 million was noticed in 5 cases.¹⁴
- ✚ Non-recovery of government dues of Rs.4,648.7 million in 17 cases.¹⁵
- ✚ Non-supply of arm & ammunition of Rs.365.05 million was noticed in 2 cases.¹⁶
- ✚ Non-surrendering of savings of Rs.57,943.07 million was noticed in 2 cases.¹⁷
- ✚ Overpayment of Rs.184.94 million was noticed in 11 cases.¹⁸
- ✚ Short/less realization of Rs.118,458.00 million was noticed in 6 cases.¹⁹
- ✚ Unauthentic expenditure of Rs.1,110.77 million was noticed in 7 cases.²⁰
- ✚ Unauthorized expenditure of Rs.5,989.44 million was noticed in 21 cases.²¹
- ✚ Unjustified expenditure of Rs.617.72 million was noticed in 3 cases.²²
- ✚ Unnecessary retention of Rs.12.26 million was noticed in 1 case.²³
- ✚ Wasteful expenditure of Rs.366.96 million was noticed in 13 cases.²⁴

1	Paras	5.4.19																			
2	Paras	1.3																			
3	Paras	7.4.34	2.4.10	2.4.11	4.4.30	4.4.29	9.4.23	5.4.21	8.4.21	7.4.36											
4	Paras	9.4.1	4.4.1																		
5	Paras	4.4.23	9.4.21	6.4.30	6.4.29	3.4.23	11.4.9	8.4.19	6.4.28												
6	Paras	7.4.35																			
7	Paras	2.4.17																			
8	Paras	6.4.31																			
9	Paras	7.4.23	9.4.17	9.4.19	12.4.1	10.4.6	7.4.25	11.4.8	7.4.24	6.4.35	9.4.18	10.4.7	11.4.7	2.4.16	7.4.21	7.4.22	6.4.36	2.4.15	4.4.31	9.4.16	8.4.14
		3.4.11	4.4.11	9.4.10	11.4.5	6.4.6	5.4.5	5.4.6	9.4.5	7.4.13	9.4.4	6.4.17	3.4.4	3.4.1	7.4.12	7.4.8	3.4.13	2.4.6	2.4.2	2.4.1	6.4.8
		3.4.27	8.4.5	2.4.4	2.4.3	2.4.7	8.4.6	6.4.11	9.4.8	9.4.6	5.4.12	6.4.12	3.4.9	10.4.3	3.4.7	9.4.9	7.4.7	11.4.4	6.4.13	6.4.7	8.4.3
10	Paras	2.4.9	6.4.10	8.4.2	8.4.4	2.4.8	11.4.1	9.4.11	7.4.10	4.4.13	4.4.7	6.4.16	5.4.8	6.4.15	3.4.14	4.4.3	6.4.9	5.4.9	5.4.4	4.4.4	4.4.10
		6.4.18	6.4.5	8.4.1	6.4.14	6.4.2	9.4.7	11.4.3	3.4.8	4.4.12	4.4.6	3.4.12	4.4.5	3.4.10	2.4.5	6.4.1	11.4.2	7.4.6	7.4.14	3.4.2	3.4.5
		5.4.10	4.4.9	10.4.4	10.4.2	10.4.1	6.4.3	5.4.7	3.4.15	3.4.6	3.4.3	6.4.4	7.4.9	5.4.11	4.4.8						
11	Paras	9.4.2	9.4.3	5.4.2	7.4.4	7.4.1	7.4.3	7.4.5	4.4.2	5.4.1	5.4.3	7.4.2									
12	Paras	7.4.26	7.4.27	7.4.28	9.4.22	2.4.13	6.4.33														
13	Paras	3.4.24																			
14	Paras	4.4.33	2.4.12	10.4.8	4.4.32	11.4.11															
15	Paras	8.4.8	5.4.15	6.4.23	4.4.19	8.4.10	6.4.22	6.4.19	8.4.9	3.4.19	8.4.7	5.4.14	8.4.11	7.4.18	6.4.20	13.4.1	6.4.21	6.4.24			
16	Paras	8.4.15	8.4.16																		
17	Paras	2.4.14	1.1																		
18	Paras	4.4.16	4.4.15	7.4.17	3.4.18	4.4.17	3.4.17	7.4.15	4.4.18	5.4.13	7.4.16	3.4.16									
19	Paras	5.4.20	7.4.37	7.4.39	7.4.11	7.4.38	1.2														
20	Paras	6.4.34	4.4.28	8.4.13	11.4.10	3.4.26	9.4.20	8.4.12													
21	Paras	7.4.20	9.4.13	10.4.5	11.4.6	6.4.25	4.4.21	9.4.14	3.4.20	4.4.22	3.4.21	5.4.18	5.4.16	7.4.19	6.4.27	6.4.26	5.4.17	13.4.2	9.4.15	3.4.22	9.4.12
		4.4.20																			
22	Paras	6.4.32	3.4.25	8.4.17																	
23	Paras	8.4.20																			
24	Paras	4.4.24	5.4.22	12.4.2	7.4.30	7.4.29	4.4.25	7.4.32	4.4.26	8.4.18	12.4.3	7.4.33	7.4.31	4.4.27							

Audit paras for the audit year 2015-16 having value of less than Rs.1.00 million involving procedural violations including internal control weaknesses and irregularities not considered worth reporting to the PAC are included in Annexure-I.

g. Recommendations

- ✚ The departments' compliance towards PAC directives was poor. The PAOs should give full attention to the PAC directives and improve compliance by their respective departments.
- ✚ The PAOs should ensure production of auditable record to audit in respect of cases relating to non production of record pointed by audit and take disciplinary action in terms of section 14 (3) of Auditor General's Ordinance, 2001.
- ✚ The PAOs should strengthen the internal control mechanism to prevent losses and recurrence of similar nature of irregularities.
- ✚ The PAOs should ensure holding of DAC meetings regularly.
- ✚ PAOs should promptly investigate cases of embezzlements/frauds.
- ✚ The departments should ensure adherence to the provisions of GFR, Procurement Rules and other Government Instructions.
- ✚ Departments need to deposit the public money received by them in the Provincial Consolidated Fund and Public Account instead of depositing into unauthorized accounts in commercial banks.
- ✚ Instances of making payments by the departments or their autonomous bodies/authorities to employees in contravention of rules and in disregard of the employees' entitlement need to be checked by effecting recoveries where due and taking disciplinary action against the officials involved in overpayments.

SUMMARY TABLES & CHARTS

Table 1 Audit Work Statistics

S.No	Description	No.	Budget (Rs. in billion)
1	Total entities in Audit jurisdiction	30	532.71
2	Total formations in audit jurisdiction	1,412	426.17
3	Total entities audited	12	244.52
4	Total formations audited	111	244.52
5	Audit and inspection reports	111	226.01
6	Special audit reports	0	0
7	Performance audit reports	0	0
8	Other reports	0	0

Table 2 Audit observations classified by category

S.No	Description	Amount (Rs. in millions)
1	Unsound asset management	2,493.87
2	Weak financial management	181,931.70
3	Weak internal controls relating to financial management	20,967.83
4	Others	20,618.22
Total		226,011.62

Table 3 Outcome statistics

S#	Description	Expenditure on acquiring physical assets (procurement)	Civil work	Receipts	Others	Total current year (Rs. in million)	Total last year
1	Outlays audited	73,356.20	28,310.62	0	142,853.84	244,520.65	155,633
2	Amount placed under audit observation/irregularities of audit	67,803.48	28,310.62	0	129,897.52	226,011.62	28,065
3	Recoveries pointed out at the instance of Audit	-	-	-	-	4,648.70	590.71
4	Recoveries accepted/established at the instance of Audit	-	-	-	-	3,947.80	562.262
5	Recoveries realized at the instance of audit	-	-	-	-	115.10	67.361

Table 4 Table of Irregularities pointed out

S.No	Description	Amount placed under audit observation (Rs. in million)
1	Violation of rules and regulations and violation of principle of propriety and probity in the public operations.	182,528.03
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	13.78
3	Accounting errors (Accounting policy departure from NAM*, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements	0
4	Weaknesses of internal control systems.	19,285.29
5	Recoveries and overpayments, representing cases of established overpayment or misappropriation of public money.	3,947.80
6	Non-production of record	605.00
7	Others, including cases of accidents, negligence etc.	19,631.72
Total		226,011.62

* The accounting policies and procedures prescribed by the Auditor General of Pakistan which are IPSAS (cash) compliant.

Chapter - 1

Public Financial Management Issues pertain to Appropriation Accounts and Finance Accounts compiled by the Accountant General and Finance Department Government of Khyber Pakhtunkhwa.

1 Audit Paras

1.1 Non surrendering of anticipated savings – Rs.57,919.85 million

According to para 95 of GFR Vol-I, all anticipated savings should be surrendered to Government well before the close of the financial year. No savings should be held in reserve for possible future excesses.

During review of the Appropriation Accounts of the Government of Khyber Pakhtunkhwa for the financial year 2014-15 compiled by the Accountant General Khyber Pakhtunkhwa, it was revealed that the allocated funds to the executing agencies could neither be fully utilized nor timely surrendered by the Grantees resulted into lapse of funds worth Rs.57,919.85 million.

The irregularity occurred due to non-adherence to the provisions of rules.

The matter was reported to the Accountant General, Khyber Pakhtunkhwa in October, 2015. It was replied that the departments concerned shall explain their position before the PAC as and when required.

The issue was discussed in the Departmental Accounts Committee meeting held in November, 2015. The Accountant General reiterated the previous reply. No further progress was reported till finalization of this report.

Audit recommends that response of the quarter concerned be obtained and position be explained before the PAC.

1.2 Short realization of targeted revenue – Rs.118,435 million

Para 26 of GFR Vol-I provides that subject to any special arrangement that may be authorized by competent authority with respect to any particular class of receipts it is the 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 the review of the Financial Statement and Finance Accounts of Government of the Khyber Pakhtunkhwa for the financial year 2014-15, it was

noticed that revised estimates of the receipts of Rs.441,458 million was approved by the legislature in the estimates of receipts of 2014-15 against which Rs.323,023 million as revenue receipt and Rs.2,540 million receipts from third party were shown realized. This showed that there was an overall shortfall of Rs.118,435 million (441458-233023) in the realization. Despite the fact that overall targets were decreased from original estimates of Rs.506,319 million to Rs.441,458 million in the revised estimate.

The record showed that main shortfall was in the development surcharge and royalties/dividend and profit share.

Audit held that target were required to have been realized which was not found to have been done.

The short realization occurred due to fixing un-realistic targets by the Finance Department.

When pointed out in September, 2015, the management stated that the setting of Revenue Targets for the departments of the Provincial Government is the authority of the Finance Department therefore the observation is proposed to be forwarded to the Finance Department for clarification. The reply of the Finance Department was conveyed by the Accountant General in November, 2015, wherein it was replied that the original targets of the revenue realization fixed by the Federal Government were revised and less releases were made.

Audit recommends that achievable targets needs to be fixed according to the actual realization in the previous years.

1.3 Decrease in the closing cash balance – Rs.20,239 million

During the review of the Financial Statement and Finance Accounts of Government of Khyber Pakhtunkhwa for the financial year 2014-15, it was noticed that cash balance at the close of the financial year decreased by Rs.20,239 million. There was a closing cash balance of Rs.55,069 million at the end of financial year 2013-14 which was decreased to RS.34,840 million, meaning thereby, that the cash balance was utilized by the provincial government resultantly decrease in the closing cash balance to the extent of Rs.20,239 million. This state of affairs shows that budget for the year under report was not prepared according to the actual receipts, in other words, receipts targets were not fully achieved.

The shortcoming occurred due to utilization of Public Account towards expenditure and decrease in the closing cash balance was the poor budgeting

by the financial analysts and weak financial controls regarding receipts realizations.

When pointed out in September, 2015, the management stated that the observation is proposed to be forwarded to Finance Department for clarification. The reply of the Finance Department was conveyed by the Accountant General in November, 2015, wherein it was replied that the original targets of the revenue realization fixed by the Federal Government were revised and less releases were made.

In the DAC meeting held in December, 2015, it was decided that response of the Finance Department may be obtained. No further action reported till finalization of this report.

Audit recommends that efforts needs to be made to accelerate the revenue realization and to increase the cash balance of the Provincial Government.

Chapter - 2

Agriculture Department

2.1 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.

2.2 Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2014-15 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	3,142,959,000	280	3,142,959,280	2,439,273,698	-703,685,582
19-Animal Husbandary	NC21	1,707,069,000	80	1,707,069,080	1,462,310,467	-244,758,613
33-Fishries	NC21	193,466,000	40	193,446,040	168,138,032	-25,308,008
Total		5,043,494,000	400	5,043,474,400	4,069,722,197	-973,752,203

Development

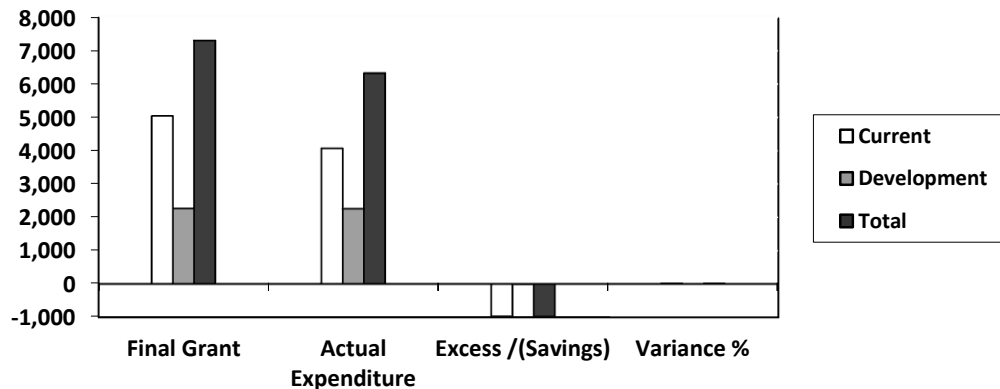
(Rs.)

Grant # 49 (Prov) NC12 & 22 and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/ (Savings)
Agriculture	NC22	952,256,000	60	2,005,261,060	2,045,034,148	39,773,088
	NC12	634,744,000	0	258,851,000	212,159,303	-46,691,697
Total		1,587,000,000	60	2,264,112,060	2,257,193,451	-6,918,609

Overview of expenditure against the final grant

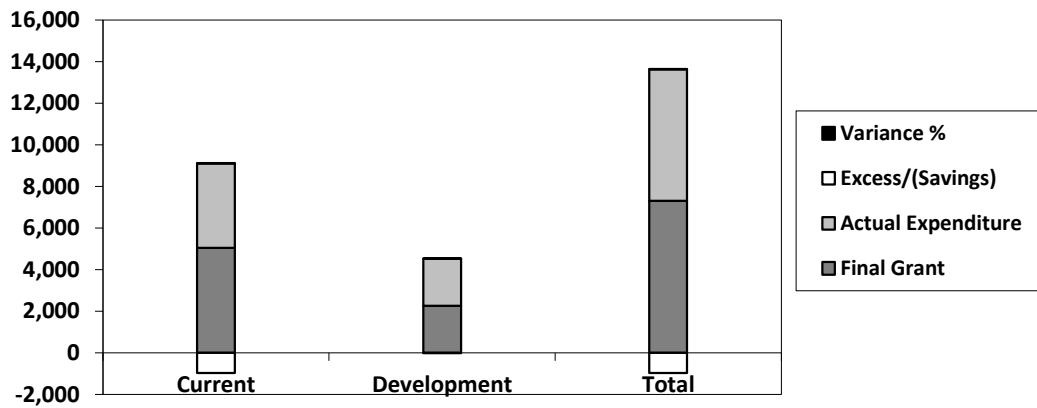
(Rs. in million)

Grant Type	Final Grant	Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	5,043.474	4,069.722	-973.752	19.31
Development	2,264.112	2,257.193	-6.918	0.31
Total	7,307.586	6,326.915	-980.67	13.42



Anticipated savings were not surrendered and lapsed

Para 95 of GFR Vol-I states that all anticipated saving should be surrendered immediately but not later than 30th June of each year in any case. The rule operates to enable government to be informed of expected savings in time to allow it to divert funding to where ever needed and to remain abreast of changes in circumstances that necessitate the change in pattern of expenditure and address the situation. In contravention, the Agriculture Department administering the above grant did not surrender anticipated savings of Rs.980.67 million thus preventing the government from utilizing the funds elsewhere and the considerable amount lapsed. The position of savings as well as percentage variance is shown in the following graphs.



2.3 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	-	01	01
6.	2007-08	-do-	06	-	03	03
7.	2008-09	-do-	06	-	04	02
8.	2009-10	-do-	13	-	06	07
9.	2010-11	-do-	33	-	11	22
10.	2011-12	-do-	07	-	06	01
11.	2012-13	-do-	04	-	01	03

2.4 Audit Paras

2.4.1 Loss due to less deposit of cost of milk – Rs.71.05 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 subordinates.

During the financial year 2014-15, the Director Cattle Breeding and Dairy Form Harichand deposited Rs.71.05 million less on account of cost of milk. It was observed that 465 cows of different breeds were available at the Form, and the daily produce from single cow was 12-14 liters. Details as under:

No of cows	Milk less	Net	Per day production of milk	2014-15 (365 days)	Rate (Rs.)	Amount (Rs.)
465	165	300	12 liters	365	60/-	78,840,000
					Shown deposit	7,789,702
Total						71,050,298

The above calculations show that the Director was supposed to deposit Rs.78.84 million instead of Rs.7.79 million. The Government sustained a loss of Rs.71.05 million due to less deposit.

The loss was due to negligence and weak internal controls.

The loss was pointed out in September 2015. The department furnished no proper reply.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault besides effecting recovery.

AP 73 (2014-15)

2.4.2 Loss due to lack of interest in selling Hybrid Maize Baber - Rs.26.96 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 subordinates.

During the financial year 2014-15, in the office of Director Cereal Crops Research Institute Pirsabak Nowshera, it was noticed that Hybrid Maize Seed Baber was produced by the experts of the “Project Hybrid Maize Seed Baber” incurring an expenditure of Rs.29.96 million. But its timely disposal was not made which inflicted a heavy loss to government exchequer as the same seed was declared not fit for sowing due to low germination and will be sold out on very nominal price. As per PC-1, the seeds were to be sold at the CCRI Pirsabak, Modal Farm Services Centres of DG Agriculture Ext and all Research Institutes besides private shops. The correspondence in this regard reveals that no strenuous efforts were made for its timely sale.

Audit held that when there was huge stock of previous year of the same variety, then production of the same seeds in this year is not understood.

When pointed out in September 2015, the management stated that the department has made hectic efforts for marketing of this seed via print and electronic media. The packing of the seed was made attractive but unfortunately due to severe hot and dry weather for prolong period and Ramzan curtailed the sale of seed. Moreover, during the last days of sowing, continuous rain spell also hindered the sowing of maize. However, Audit disagree with the reply.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the whole matter and devise ways to avoid such type of situation in future besides fixing responsibility against the person(s) at fault.

AP 118 (2014-15)

2.4.3 Loss due to non auction of stock of maize - Rs.22.34 million

According to para 167 of GFR Vol-1, stores which are reported to be obsolete, surplus or unserviceable may be disposed off by sale or otherwise under the orders of the authority competent to sanction the writing off of a loss.

During the financial year 2014-15, in the office of Director Cereal Crops Research Institute Pirsabak Nowshera, it was noticed that a huge stock of “Maize Hybrid Seed Baber” was lying in the store of the CCRI since 2013-14 but not put to an open auction, resulting into blockage of Government revenue amounting to Rs.22.34 million (139,657x 160=22,345,120). Non auction of 139657 kg Maize seed well in time caused a huge loss as the same seeds are in worst condition and not fit for germination.

Loss occurred due to weak internal controls.

When pointed out in September 2015, the management stated that the stock was not auctioned because at that time the sale of fresh seed was in progress, if the leftover seeds were auctioned at that time then there was possibility that bid winner may sale this low germination seed to the farmers. Now the competent authority has been approached to obtain sanction for open auction. The audit views regarding worst conditions and not fit for germination confirmed by the department.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault besides taking appropriate action to avoid such lapse in future.

AP 110 (2014-15)

2.4.4 Loss due to non auction of old machinery - Rs.20.00 million

According to para 167 of GFR Vol-1, stores which are reported to be obsolete, surplus or unserviceable may be disposed off by sale or otherwise under the orders of the authority competent to sanction the writing off of a loss.

During the financial year 2014-15, in the office of Director Cereal Crops Research Institute Pirsabak Nowshera, it was observed that precious agriculture machinery is lying in the open field, facing harsh weather which is deteriorating the valuable machinery. The combined harvester having a value of Rs.10.30 million lying useless, which can easily be repaired and utilized to generate income by lending to the farmers during harvesting season. Similarly another combined harvester gifted by Italian Government is also lying useless beside other valuable items including Corn Sheller, Fiat Tractor, Wheat drill, Seed dryer, Fertilizer spreader, Maize Planter, and wheat planter which will lose not only their value but also useability. Due to lying in open field and

harsh weather all these valuable machines having worth of Rs 20 million will be turned into scrape.

Audit held that weak internal control and mismanagement has put the fate of government assets at risk which will inflict dual loss, one in shape of money and the other is that KPK agricultural Department will be deprived off valuable precious machines.

When pointed out in September 2015, the management stated that detailed reply will be given later on.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to take appropriate action on priority and emergent basis to protect government machinery from further loss.

AP 111 (2014-15)

2.4.5 Loss due to unnecessary purchase of maize seed - Rs.13.50 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 subordinates.

During the financial year 2014-15, in the office of Director Cereal Crops Research Institute Pirsabak Nowshera, it was observed that a huge stock of Maize Seed Hybrid Baber 224,945 Kg was purchased @ Rs.60 Per kg (224,945x60=13,496,700) costing Rs.13.50 million despite the fact that 13,900 kg seeds were already lying in the store of CCRI Pirsabak having a cost of Rs.834,000.

Audit held that the purchase of seed was unnecessary and without anticipating the requirements which will block government funds amounting to Rs.14.33 million (Rs.13,496,700 + Rs.834,000=14,330,700). The seed will be sold at very low prices declaring not good for sowing.

The lapse occurred due to weak internal controls.

When pointed out in September 2015, the management stated that the seeds were procured as per PC-I target. Reply not convincing as the target was supposed to be as per requirements.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry and look into the past practice and its outcome and the result be shown to the PAC.

AP 108 (2014-15)

2.4.6 Loss due to increase in mortality rate of animals Rs. 2.96 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 subordinates.

During the financial year 2012-13, in the office of Director Cattle Breeding & Dairy Farm Hrichand, it was noticed that during the previous year out of 286 cows 19 died with the mortality ratio of 6.2% while during the current year it increased to 37 deaths with the mortality ratio of 11.93%. The increase in mortality rate shows the negligence and carelessness on the part of farm staff resulting into loss of Rs.2.96 million on account of death of 37 cows.

Audit held that proper care of the livestock was required to have been maintained. New technologies have been introduced in the department and the quality of inputs also enhanced, but the mortality ratio increased, which resulted into loss.

Loss occurred due to negligence on the part of staff.

When pointed out in Dec, 2013, the management stated that detailed reply will be furnished later no.

In the DAC meeting held in August, 2014, the department replied that the mortality percentage increased due to outbreak of incurable diseases at the farm resulting into death of animals. DAC directed that record in support of reply be got verified from Audit. The relevant record was verified on 07.12.2015. During verification of record it was found that actually 45 animals instead of 37 died during the year 2012-13 for which neither write off sanction of competent authority was obtained, nor departmental inquiry was conducted nor cost of animals deposited into treasury.

Audit recommends to investigate the matter through professional doctor which will help in the decrease of death ratio and also fix responsibility against the person(s) at fault. Position may be explained before the PAC.

AP 53 (2012-13)

2.4.7 Loss due to non auction of trees - Rs.1.63 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 subordinates.

During the financial year, 2014-15, in the office of Director Sugar Crops Research Institute Mardan, it was noticed that District Forest Officer Mardan vide letter No.677/DSC dated 4.10.2013 was requested for assessment of trees at market value for auction. DFO Mardan vide letter No.69 dated 27.12.2013 assessed and the following reserve rate was proposed.

SNo	Species	Nos of logs	CFC	Proposed rates per cft (Rs.)	Amount (Rs)
1	Eucalyptus	262	7,041.54	120	844,920
2	Poplar	592	16,329.60	80	783,792
Total					1,628,712

The sanction for proper auction of trees was held in abeyance due to unknown reasons. The Government was deprived from sale proceeds due to negligence on the part of management to convey sanction well in time, resulting dilapidation of whole log of trees by bad weather and the valuable trees of Rs.1.63 million turned into scrape. Trees not auctioned till date of audit i.e. Sep, 2015. Thus Government sustained a loss of Rs.1.63 million.

When Pointed out in Sep 2015, the management stated that detailed reply will be given later on.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault.

AP 119 (2014-15)

2.4.8 Loss due to non-receipt of cost of milk etc. – Rs.1.48 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 subordinates.

During the financial year 2012-13, in the office of Director Cattle Breeding & Dairy Farm Harichand, it was noticed that an amount of Rs.0.96 million was not recovered from the milk contractor as cost of milk, 6% income tax and Rs.90,000 per month chilling charges. FIR was lodged against the contractor for the recovery of total outstanding amount of Rs.4.19 million. The contractor deposited Rs.3.32 million and thus the balance amount of 0.96 million is to be recovered.

Similarly the contract for sale of dairy farm milk was awarded to a contractor @ Rs.40 per litre inclusive of income tax. However, during 2011-12 the rate of milk was Rs.43.77 per litre inclusive of income tax. Instead of increasing the rate of per litre milk, the rate was decreased which put the government into a loss of Rs.0.51 million.

Loss was pointed out in Oct, 2013. The management stated that detailed reply will be furnished later on.

The matter was discussed in the DAC meeting held in Aug 2014. DAC directed that detailed inquiry be conducted by Dr.Ehsan, Epidemiologist, Directorate of Livestock within one month. No inquiry report was furnished till finalization of this report.

Audit recommends to conduct inquiry, fix responsibility and recover the amount from the person(s) at fault.

APs 56&61(2012-13)

2.4.9 Loss due to non-forfeiture of security of defaulter contractors - Rs.1.10 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 subordinates.

During the financial year 2012-13, in the office of Director Cattle Breeding and Dairy Farm Harichand loss of Rs.1.10 million was sustained by government due to less receipt of forfeitable security of Rs.1.00 million and

refund of security received from a defaulter contractor amounting to Rs.100,000. Contract for sale of milk for the year 2012-13 was awarded to Mr. Mehtab Khan without receipt of any performance security and for the year 2013-14 to Mr. Asghar Ali without receipt of performance security of Rs.1.00 million. These two contractors failed to fulfill the conditions of contracts and could not complete the period of contracts as mentioned in letter No.1229 dated 20.09.2012 and 1644 dated 17.07.2013. A sum of Rs.500,000 as 10% security of the estimated sale of milk of Rs.5.00 million for the year 2012-13 and Rs.600,000 of estimated sale of milk of Rs.6.00 million for the year 2013-14 was required to have been received whereas only Rs.100,000 was received from only one contractor i.e. Mr. Asghar Ali which was also not forfeited and refunded on 22.07.2013. Had security of Rs.1.10 million been received during execution of contract with these two defaulter contractors and Rs.100,000 was not refunded to one contractor the government could have been saved from the loss of Rs.1.10 million. The loss may be investigated and recovered from these defaulter contractors besides taking necessary corrective action.

Loss occurred due to weak internal controls.

Loss was pointed out in October, 2013, wherein the management stated that detailed reply will be furnished to audit later on.

The matter was discussed in the DAC meeting held in Aug 2014. DAC decided that detailed inquiry be conducted by Dr.Ehsan Epidemiologist Directorate of Livestock within one month. However, no inquiry report was produced till finalization of this report.

Audit recommends to recover the loss from the concerned besides fixing responsibility.

AP 55(2012-13)

2.4.10 Doubtful drawl of POL expenses – Rs.13.59 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 subordinates.

During the financial year 2009-10, in the office of Agriculture Engineering Mardan, , it was noticed that an amount of Rs.9.88 million was paid to the supplier of POL on the basis of doubtful and invalid blank receipts which were provided by the supplier duly stamped. The drawl of the amount on the blank bills of the supplier create doubts that actually no expenditure on

the purchase of POL was incurred but the amount was drawn and misappropriated by the dealing hands.

Audit held that the POL expenses were required to have been drawn and paid on the basis of actual consumption of POL after obtaining authenticated bills of the supplier. However, the same was not done which shows that amount was misappropriated.

Misappropriation was pointed out in February 2012. The management furnished no reply.

The matter was discussed in the DAC meeting held in Jan, 2013. DAC directed that an inquiry be conducted within fifteen days. In the enquiry report it was concluded that the para was mere assumption with almost no ground reality. In light of inquiry report relevant record was got verified by audit on 04.12.2015, wherein it was concluded that POL was issued without acknowledgement, in excess of requirement and shortage in issue of POL was also noticed besides shortage of duration of use of bulldozers as compared to consumption of POL. This state of affairs shows that the inquiry officer did not scrutinized the record in detail. The dealing hands misappropriated the government money.

Audit recommends that the department should recover the amount and justify the expenditure before the PAC.

AP 230 (2010-11)

2.4.11 Doubtful expenditure on daily paid labours - Rs.1.20 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 subordinates.

During the financial year 2012-13, the Director Sugar Crops Research Institute Mardan incurred an expenditure of Rs.1.20 million on daily wage labours. It was observed that no demand/requisition for labour was made from Incharge Farm Manager. No details of specific work done by the labours were shown to audit. Thumb impressions affixed on the payment sheet were also of one and the same person.

The matter was pointed out in March, 2014, wherein it was replied that SCRI Mardan cultivated 70 acres land which is difficult to be controlled by the permanent staff and therefore, hired farm labours are engaged on daily basis.

In the DAC meeting held in Dec 2014, the department produced questionable, over written and unattested daily work done reports of labours which were not accepted. DAC directed to fix responsibility and recover the amount within 30 days. No progress was intimated till finalization of this report.

Audit recommends that responsibility be fixed against the person(s) at fault and recover the amount.

AP 166 (2012-13)

2.4.12 Non production of auditable record – Rs.1.50 million (approx)

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 the financial year 2014-15, in the office of Director Sugar Crops Research Institute Mardan, it was noticed that the local office have 152 jarib cultivable land wherein different crops like sugar cane, beat root, wheat was sown and auctioned. Apart from that there were fruit orchards where from citric was obtained and auctioned. The auditable record of the above crops / produce was demanded but not produced which creates doubt that handsome approximate amount of Rs.1.50 million was obtained from the auction of the produce and misappropriated.

Audit held that record was required to have been produced which was withheld.

Non production of record occurred due to weak internal controls.

When pointed out in Sep 2015, the management stated that detailed reply will be given later on.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility against the person responsible apart from verification of complete record of auction.

AP 127 (2014-15)

2.4.13 Non-accountal of store items – Rs.3.25 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 subordinates.

During the financial year 2012-13, the Director Sugar Crops Research Institute Mardan incurred an expenditure of Rs.3.25 million on the purchase of store items/articles. Out of the total expenditure the local office hardly provided/produced vouchers of Rs.2.02 million having no stock register. Neither any demands for issuance of these items/articles were received nor its consumption account was made available on record.

The vouchers of remaining purchased store items/articles amounting to Rs.1.23 million were not produced to audit for verification.

The matter was pointed out in March, 2015. It was replied that during 2012-13 Agriculture Research Station Charsadda was established. It is a huge station which is spread on 92 acres of land. Different store items, machinery and equipments, fertilizers and other necessary items were purchased for the station which are available on stock register. Reply was not convincing.

The matter was discussed in the DAC meeting held in Dec 2014. DAC directed that inquiry be conducted by the Administrative Department within one month. No progress was intimated till finalization of this report.

Audit recommends the implementation of DAC directives. Position may be explained before the PAC.

AP 176 (2012-13)

2.4.14 Non-surrender of unutilized amount – Rs.23.22 million

According to PC-1 for procurement of wheat, seed and fertilizer for flood affected districts in Khyber Pakhtunkhwa, the payment shall be made to the farmers duly verified by the Agriculture and District Revenue Department.

During the financial year 2010-11, the Director General Agriculture (Extension) Khyber Pakhtunkhwa Peshawar released Rs.93.12 million to DCO Swat vide cheque No.6114796 dated 04.04.2011 and Rs.51.12 million to DCO Charsadda vide Cheque No.6114799 dated 04.04.2011 for further distribution amongst the flood affectees. Out of the total released funds of Rs.144.24 million a sum of Rs.86.23 million was utilized, Rs.34.80 million surrendered

while Rs.23.22 million were neither surrendered nor utilized but unauthorizedly retained in the accounts (detail given below): -

(Rs in million)

S#	Cheque # & Date	Released amount	Utilized amount	Surrendered amount	Outstanding
1.	6114796 04.04.2011	93.12	73.06	19.07	0.99
2.	6114799 04.04.2011	51.12	13.17	15.73	22.23
Total		144.24	86.23	34.80	23.22

The irregularity was pointed out in September, 2011. The management replied that releases were made on the survey of Agriculture Extension staff. Detailed reply will be given later on.

The matter was discussed in the DAC meeting held in Aug 2012. DAC referred the para for verification of record. After verification of record it was confirmed that a sum of Rs.23.216 million not returned and still retained by the DCO.

Audit recommends to investigate the matter and surrender the unutilized amount to the government.

APs 101&114(2010-11)

2.4.15 Irregular payment on account of DPL charges – Rs.17.26 million

According to rule 28(2) of FTR Vol-I, a government officer supplied with funds for expenditure shall be responsible for such funds until an account of them has been rendered to the satisfaction of the audit. He shall also be responsible for seeing that payments are made to persons entitled to receive them.

During the financial year 2014-15, in the office of Senior Director Agriculture Research Institute Tarnab, it was noticed that an expenditure of Rs.17.26 million was incurred on daily paid labour charges for field operation. The expenditure was held irregular on the following grounds:

- Muster roll was not prepared properly.
- Work done certificate was not recorded on the face of muster roll.
- Large numbers of daily wages were shown on watch and ward duties, which is against the spirit of financial rules, as 40 numbers of chowkidars are available on the strength of local office.

- Equipments/materials used in field operation like tractor, seeds, fertilizers etc. were not mentioned.
- Cross verification of daily receipt issue register/stock register was not carried out to ascertain whether the material used was available during the period of field operation or otherwise.
- Payment was made through DDO instead of vendor or by cheque to concerned section incharge.

The lapse occurred due to weak of internal controls.

The matter was reported to the management in Sep, 2015. The management replied that Senior Director will submit his reply of Rs.11.40 million being the current budget, while the reply for Rs.5.861 million will be obtained from the concerned Project Director. No reply furnished till finalization of this report.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and take action against the person(s) at fault.

AP 03 (2014-15)

2.4.16 Irregular expenditure - Rs.9.14 million

As per the instructions contained in PC-I the concerned Agriculture Engineer/Assistant Agriculture Engineer will invite/collect applications from land owners interested in leveling of their land/installation of privately owned dug wells through wide publicity in the newspapers indicating the laid down criteria of the schemes.

During the financial year 2012-13, the Assistant Agriculture Engineer Swat incurred an expenditure of Rs.9.14 million on the following 2 ADP Schemes.

Name of Scheme	ADP No	Expenditure (Rs.in million)
Small Farmers Land Development in KPK	539/902299 of 2009-10	2.84
Installation of 500 Irrig Dugwells in Water Scare Areas of KPK	542/80606 of 2008-09	6.30
Total		9.14

Wide publicity was required to have been given to attract beneficiaries at large as per PC-I instructions, which was not done.

The expenditure is therefore, held irregular which is reported to higher ups for appropriate action.

When pointed out in January 2014, the management furnished no reply.

The matter was discussed in the DAC meeting held in March 2015. DAC decided that the newspaper cuttings attached with the working paper do not serve the purpose. As already pointed out by audit, wide publicity was required to be given to attract beneficiaries at large as per instructions of PC-I. The irregularity may be got regularized from Finance Department under intimation to audit.

The record was verified on 03.12.2015. Scrutiny of the record revealed that Expenditure incurred was not regularized from the Finance Department despite the DAC recommendation.

Audit recommends that department may explain its position before the PAC for non-regularization of irregular expenditure.

AP 102(2012-13)

2.4.17 Illegal occupation of government land - Rs.5.00 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 subordinates.

During the financial year 2014-15, in the office of Director Cereal Crops Research Institute Pirsabak Nowshera, it was observed that within the premises of CCRI Pirsabak a local person has occupied the Government land of one Jarib worth Rs.5.00 million and built a room, wash room and store without getting the permission of the concerned authorities. Illegal occupation of such a valuable piece of land by Qabza Group is a threat as slowly and gradually they will grab the fertile land which will further inflict a heavy loss to the public exchequer.

Audit held that illegal occupation to be vacated through local administration and the illegal construction be demolished with the help of law enforcing agencies without any delay to save the government assets being used for exploitation and claiming the ownership in future at the possession of land.

The lapse was due to weak internal controls.

When pointed out in September 2015, the management stated that detailed reply will be given later on. No progress was intimated till finalization of this report.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry, fix responsibility against the person(s) at fault and illegal occupation to be vacated through administration.

AP 112 (2014-15)

Chapter - 3

Communication & Works Department

3.1 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

3.2 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 FY2014-15 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-Works & Services Department	NC21	2,364,697,000	80	2,364,697,080	2,206,562,790	-158,134,290	
15-Roads, Highways, Bridges, Buildings and Structure (Repair)	NC21	2,900,980,000	0	2,900,980,000	2,131,052,860	-769,927,140	
	NC24	4,015,000	0	4,015,000	3,733,444	-281,556	
	Total	5,269,692,000	80	5,269,692,080	4,341,349,094	-928,342,986	

Development

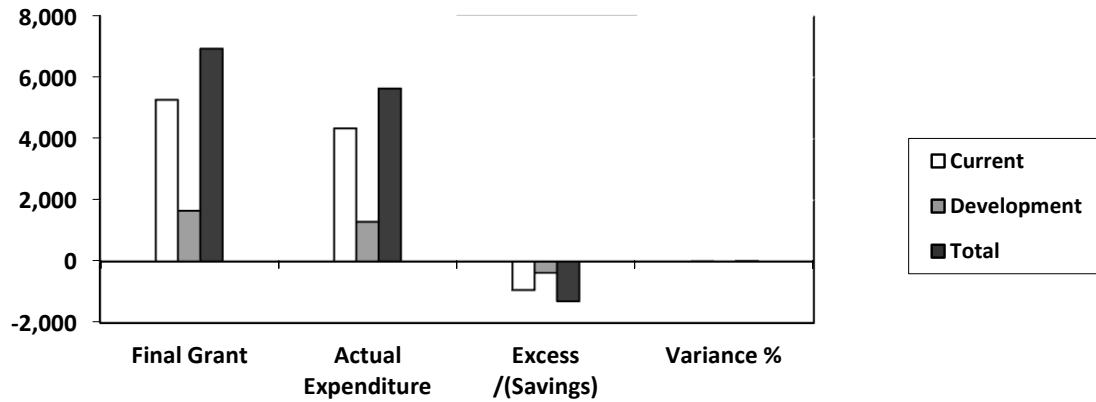
(Rs.)

Grant # 50 (Prov) NC12 and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/ (Savings)
Building	NC12	1,271,000,000	392,306,010	1,663,306,010	1,297,389,479	-365,916,531
Total		1,271,000,000	392,306,010	1,663,306,010	1,297,389,479	-365,916,531

Overview of expenditure against the final grant

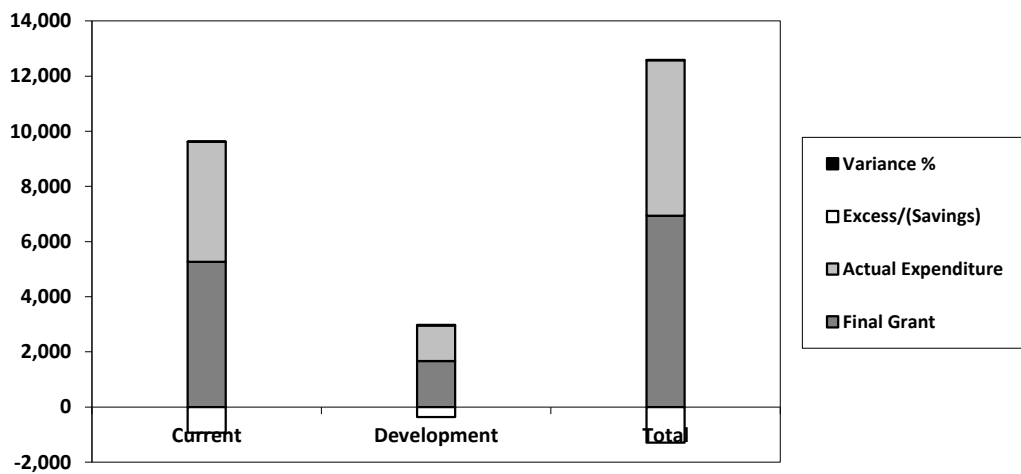
(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)	Variance %
Non Development	5,269.692	4,341.349	-928.343	17.62
Development	1,663.306	1,297.389	-365.917	5.28
Total	6,932.998	5,638.738	-1294.26	18.67



Anticipated savings were not surrendered and lapsed

Para 95 of GFR Vol I states that all anticipated saving should be surrendered immediately but not later than 30th June of each year in any case. The rule operates to enable government to be informed of expected savings in time to allow it to divert funding to where ever needed and to remain abreast of changes in circumstances that necessitate the change in pattern of expenditure and address the situation. In contravention, the Agriculture Department administering the above grant did not surrender anticipated savings of Rs.1,294.26 million thus preventing the government from utilizing the funds elsewhere and the considerable amount lapsed. The position of savings as well as percentage variance is shown in the following graphs.



3.3 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	C&W	40	-	27	13
2.	2002-03	-do-	20	-	09	11
3.	2003-04	-do-	20	-	09	11
4.	2004-05	-do-	28	-	13	15
5.	2005-06	-do-	15	-	13	02
6.	2007-08	-do-	03	-	02	01
7.	2008-09	-do-	06	-	05	01
8.	2009-10	-do-	14	-	11	03
9.	2010-11	-do-	38	-	23	15
10.	2011-12	-do-	07	-	06	01
11.	2012-13	-do-	10	-	03	07

3.4 Audit Paras

3.4.1 Loss due to excess payment in earth work- Rs.175.07 million

According to para 220 of CPWA Code, all payments shall be made for work done duly measured in accordance with quantity, quality, rates and specification approved in the detail cost estimate & according to para 69 & 89 CPWD Code, expenditure on a work should be restricted to the Estimate/BOQ Cost while paras 20 and 23 of GFR Vol-I, provides that every government officer is personally responsible for any loss sustained by government through fraud or negligence on his part or on the part of his subordinates.

During the financial year 2013-14, in the office of MD PKHA, it was noticed that a sum of Rs.175.07 million was paid in excess in the earth work in different schemes. The PC-I, survey and design was prepared by the consultant for which heavy payments were made. The purpose of engagement of consultant is to reduce the possibility of variation, but in the present case the variation increased from 10 to 100%, which is abnormal and failure of consultant. The same may please be investigated that why 100% variation occurred in most items of different schemes. In some schemes the stone available from rock excavation and disposed hard rock was not utilized in the RRM work.

S #	Name of scheme	Name of contractor	Amount (Rs. in million)
1	Construction of road from Dir upper to Sheringle package-II (KM 8 to 16)	Cemcon Pvt. Ltd	38.22
2	Dualization of CharsaddaTangi road Package-5 (from 16+100 to 19+600) 3.50 Kms.	Fine Home	10.20
3	Improvement/Rehabilitation of Sawari Sir Qilla Choga Puran Road Package-2 (0 to 650 km)	Muhammad Ibrahim	47.76
4	Improvement/Rehabilitation of Sawari Sir Qilla Chowga Puran road (49.50 to 67.50) 18 k.m. Package-II	Pir Muhammad & Co.	26.96
5	Improvement/rehabilitation of Sawari Sir Qilla Chowga Puran road (49.50 to 67.50) 18 km. Package-II	Shaukat Khan & Co.	28.70
6	Improvement/rehabilitation of shahbazgara road (km 12+750 to km 17.070) Package-IV	Shah Zaman (Pvt.) Ltd.	1.75

7	Construction of link road between N-45 & sheringle road	Dir Sheringle Construction Co.	12.74
8	Constitution of Bagh Dheri Bridge	New Khan Builders	8.74
Total			175.07

Excess quantity executed due to weak internal controls and defective PC-1, survey, design and BOQ.

Loss was pointed out in Dec, 2014. The management replied that the quantities based on preliminary topographic survey subject to variation on the basis of joint survey.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and initiate remedial measures to avoid such lapses in future.

APs 475,476,503,519,520,526,527&528(2013-14)

3.4.2 Loss to government due to allowing premium on CSR 2012 & Non Scheduled Items - Rs.63.04 million

Rate Advisory Committee (RAC) in its meeting held on 15.11.2012 under the chairmanship of Secretary Finance Department/Chairman Rate Advisory Committee, during discussion of Agenda Item No.03, categorically rejected 6.07% premium offered by the contractor on CSR 2012 in a scheme "Construction of Dormitories for the support staff at Khyber Pakhtunkhwa House Islamabad" and approved all those schemes which were below or at par with CSR 2012.

According to paras 20 & 23 of GFR Vol-I, any loss of public money, departmental revenue or receipts etc. held by or on behalf of government should be immediately reported, by the officer concerned, to his immediate official supervisor as well as audit, showing the errors or neglect of rules. After full investigation report should be submitted of the nature and extent of loss, showing the errors or neglect of rules by which such loss was rendered possible, and the prospects of effecting recovery. 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 financial year 2013-14, in the office of Executive Engineer, C&W Division Charsadda, it was observed that government sustained a loss of Rs.63.04 million by allowing premium to the contractor on Scheduled & Non-Scheduled Items in the scheme “Construction of Judicial Complex at Charsadda”.

(Rs.in million)

Description	T.S Estimate	8% Premium
Scheduled Items	548.92	43.91
Non-Scheduled Items	239.07	19.13
Total		63.04

Audit is of the view that if a scheme having a premium of 6.07% on CSR 2012 was not approved by Rate Advisory Committee then how premium of 8% was authorized in the instant case by the sanctioning authority.

Premium on CSR 2012 cannot be permitted on the ground that it is not admissible and announced by the Provincial Government of Khyber Pakhtunkhwa. Premium on Non-Scheduled Items is unjustified as not admissible under the rules because it is already based on Market Rates including contractor’s profit and taxes.

Loss occurred due to weak internal controls and non-adherence to rules.

When pointed out in Oct 2014, the management furnished no reply.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and fix responsibility against the person(s) at fault besides recovery of payment of premium on Scheduled & NSI amounting to Rs.63.04 million.

AP 326 (2013-14)

3.4.3 Loss to government due to non-utilization of available earth from excavation – Rs.55.35 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 subordinates.

During the financial year 2014-15, in the office of Managing Director PKHA, it was noticed that an item of work “road way excavation in surplus/unsuitable material” was executed through contractors under various schemes and another item, “formation of embankment from borrow pit/filling” was also executed. Loss of Rs.55.35 million sustained by the government due to non-utilization of available earth from excavation in “formation of embankment” showing it as unsuitable. It is added that in 80% cases, this item has been shown as unsuitable by the PKHA where embankment item was shown suitable from borrow pit. Audit holds that if roadway excavated earth is unsuitable then how it becomes suitable in that locality for embankment from borrow pit. The excavated earth was utilized but embankment was shown from borrow pit. The matter is reported to the competent forum for corrective action and recovery of loss.

Loss was pointed out in Sep, 2015. The management replied that tests have been carried out and due to the character specification, the earth was not used. Reply of the management is not convincing.

Audit is of the view that as in 80% cases the said materials are declared by the department as unsuitable which is a huge loss to government. Streamlining the procedure regarding declaring the excavated material as suitable/unsuitable.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and recover the loss from person(s) responsible, besides devising a strategy to save the public exchequer from such loss in future.

AP 96 (2014-15)

3.4.4 Loss due to excess payment - Rs.33.27 million

According to paras 20 & 23 of GFR Vol-I, any loss of public money, departmental revenue or receipts etc. held by or on behalf of government, should be immediately reported by the officer concerned, to his immediate official supervisor as well as audit. After full investigation report should be submitted of the nature and extent of loss, showing the errors or neglect of rules by which such loss was rendered possible, and the prospects of effecting

recovery. 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 subordinates.

During the financial year 2013-14, in the office of Executive Engineer, C&W Division Charsadda, it was noticed that a sum of Rs.33.27 million was overpaid to the contractors in the work “Abdul Wali Khan Sports Complex at Charsadda” vide voucher No.55-R dated 25.09.2014. According to its Master Plan, Drawing & Design the total area of the Sports Complex is 33,605 M².

During physical verification, the average height of earth filling was not more than 1 meter. By comparing the covered area quantity with the total paid quantities, which is more than the double quantities actually carried out at site as per following detail:

Total Paid Quantities of filling material	Actual quantities required to be	Excess paid quantities
78,219 M ³	33,605 M ³	44,614 M ³
Amount overpaid	44614x578.05 = Rs.25,783,342	
Compaction Charges of excess quantities	44614x167.78 = Rs.7,485,336	
Total overpaid amount	Rs.33.27 million	

Loss occurred due to weak internal controls.

When pointed out in Oct 2014, the management furnished no reply.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommend to conduct inquiry, fix responsibility and recover the amount of Rs.33.269 million from the person(s) at fault.

AP 317 (2013-14)

3.4.5 Loss to government due to cancellation of tendering process - Rs.30.00 million

According to paras 20 & 23 of GFR Vol-I, any loss of public money, departmental revenue or receipts etc. held by or on behalf of government, should be immediately reported by the officer concerned, to his immediate official supervisor as well as audit. After full investigation report should be submitted of the nature and extent of loss, showing the errors or neglect of

rules by which such loss was rendered possible, and the prospects of effecting recovery. 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 subordinates.

During the financial year 2013-14, the office of Executive Engineer, C&W Division Charsadda, it came to notice that various schemes were put to tender on CSR 2012 and the lowest rate of contractor was approved by the competent authority, but on the directives of higher authorities regarding hiring the services of consultants for the projects already tendered and not to accept bids below 10% on CSR 2012, the whole process of tendering already approved was cancelled.

Before cancellation, the Bid Costs of the contractors with their respective premiums was Rs.47.06 million but after the cancellation the Bid Costs of the schemes were considerably increased to Rs.77.21 million. Thus in this whole process the government was put into a loss of Rs.30.00 million.

Now through Notification No.SO(FR)/FD/9-7/2011/Vol-II dated 05.11.2014 issued by the Finance Department of Khyber Pakhtunkhwa, the competent authority has once again amended the rules for selection of bidders and deleted the condition of not to quote bids below 10% on MRS 2013 which made and termed the earlier decision of cancellation of the already approved bids as a failure and serious lapse on the part of responsible(s) involved. In the process of formulating policies for the selection of bidders, government was put into a heavy loss of Rs.30.00 million in one office.

Audit held that the impact of loss to government exchequer could be avoided or minimized if the local office had made an effort in a prudent manner on its part and presented before the competent forum the consequences of the cancellation

Audit held that loss occurred due to weak financial control system.

When pointed out in Oct 2014, the management furnished no reply.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to recover the loss of Rs.30.00 million from person(s) at fault after fixing responsibility besides analyzing the impact of this decision on other projects in the province.

AP 323 (2013-14)

3.4.6 Loss to public exchequer due to non transparency in the tender process - Rs.26.53 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 the government through fraud or negligence on his part or on the part of his subordinates.

During the financial year 2014-15, in the office of Managing Director, Pakhtunkhwa Highways Authority, it was noticed that tenders were invited from prequalified contractors/firms for execution of work, "Improvement and Widening of D.I.Khan-Chashma Road D.I.Khan Phase-I Sub Head Package- I (KM 0+000 to 8+000)" through print media vide Daily Aaj dated 16.05.2011, 03 contractors participated in the competition. M/s Brothers Construction & Builders offered the lowest rebate of 07% below on the BOQ cost based on CSR 2009. However, the management rejected the same bid i.e. for Rs.111.26 million and accepted the 2nd bid of Rs.131.48 million offered by M/s Haji Aurangzeb Khan Gandapur & Sons @ 9.90% above with lame excuse of non providing 8% additional security vide work order No.PKHA/CC/No.203/213 dated 04.04.2013. Though as per condition No.3 of NIT, 8% additional security was required for more than 10% below and not for 7% below. As such, the public exchequer sustained loss of Rs.26.53 million which may be recovered from the contractor or person(s) at fault.

The matter was reported to the management in October, 2015. The management replied that estimate was on CSR 2009+20% and the offered rebate of 7% was more than 10% below. The comparison was made with estimate. Reply is not convincing. M/s Brothers have quoted rates on CSR 2009 & not on the engineer estimate and the management has made wrong interpretation for award of work to the choice contractor on the plea of additional security because deposit of additional security is not required in this case being 7% below. Audit observed that recovery may either be made from the contractor or person(s) at fault.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and recover the loss from the person(s) at fault.

AP 92(2014-15)

3.4.7 Loss due to non imposition of penalty for delay in completion of work -Rs.18.58 million

According to clause 2 of the Contract Agreement, the contractor shall pay as compensation an amount equal to 1% or such smaller amount as the SE, whose decision in writing shall be final, may decide on the amount of estimated cost. The amount of compensation shall not exceed 10% of the cost of work

During the financial year 2010-11, in the office of XEN Highway Division Mardan, it was noticed that various contractors failed to complete the works due to poor performance and negligence on their part. However, as initially calculated, penalty amounting to Rs.32.41 million was neither imposed nor recovered from the contractors.

Loss was pointed out in Jan, 2014. The management furnished no reply.

In the DAC meeting held in Feb, 2015, the department replied that in some cases extension was not required while to others extension granted where required. DAC did not agree and directed that the relevant record be produced to audit for verification within 15 days.

The record was verified on 18.01.2016 and it was found that time extension to three contractors was granted while to four contractors neither extension was granted nor penalty amounting to Rs.18.58 million was imposed/recovered from them.

Audit held that penalty was required to have been imposed/ recovered as required under the rules which was not done.

Audit recommends that recovery may be made from persons responsible.

AP 139 (2012-13)

3.4.8 Expected loss due to unauthorized change in the scope of work - Rs.854.39 million

According to para 10(i) of GFR Vol-I, every public officer incurring expenditure from public fund 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.

During the financial year 2013-14, in the office of MD PKHA, it was noticed that a sum of Rs.854.387 million was authorized in excess in the schemes construction of road from Dir Upper to Sheringle Kohistan and Patrak 32 Km .

The scheme was originally approved for Rs.981.37 million with completion period of 30 months started from 1/2010 to 6/2013 and distributed in five packages. The said work was not completed in time upto 6/2013 and after 15 months of the original completion date 6/2013, on the request of MNA, the TST work changed to premix carpet. The original PC-1; BOQ Cost was based on CSR 2009 rates in which in each package premix carpet and TST was available , while the revised premix cost was based on MRS 2013 which is unique revision which leads to increase in the cost of the Schemes from Rs.981.37 million to Rs.1,835.74 million equal to double of the original cost (1,835.735-981.367=854.387) The original work was awarded on CSR 2009 and its revision on MRS 2013 is not justified which put the government into a loss of Rs.854.39 million.

The following TST Work has already been executed and paid.

Pachage	Item of work	Rate	Qty	Total (Rs.in million)
1	TST	339.82	3659.99	1.24
3	TST	339.82	5642.50	1.92
4	TST	339.82	3660.00	3.16

When the TST work was executed on CSR 2009 then the revision of the PC-1 for premix carpet on MRS 2013 was not justified.

Loss occurred due to lack of internal controls.

When pointed out in Dec, 2014, the management replied that CM KPK on the demand of the public representative has directed to revise the scheme by including premix carpet instead of TST. The premix will be done after receipt of revised administrative approval.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and fix responsibility against the person(s) at fault.

AP 514(2013-14)

3.4.9 Loss due to non forfeiture of earnest money of 2nd and 3rd lowest bidder – Rs.14.06 million

According to Procurement Rule 2003 para 29 (5) if the tenderer whose tender has been accepted fail to sign the contract or failed to provide any required security for the performance of the contract, the procuring entity shall order the forfeiture of earnest money and shall gave orders of acceptance to second lowest or in case of failure of the second lowest to the third lowest bidder and so on, on the same terms of forfeiture of earnest money.

During the financial year 2013-14, accounts record of the office of MD PKHA revealed that in the Schemes package No. 33/2010/FD Restoration of Flood damages in D.I.Khan Tank road (3-62)km on provincial High way S-I government sustained a loss of Rs 14.06 million due to non-forfeiture of earnest money in the light of above rule.

(Rs.in million)

S#	E/COST	2%	No of bidders	Total loss
1	62.915	1.279	11	14.06

The forfeiture from the 1ST lowest bidder was done in 2012 while the amount transferred in 2014 to the reserved fund account. If the TDR Purchased on the total amount worked out by audit, a sum of Rs.3.94 million would have been earned as profit.

(Rs.in million)

Amount	Rate of interest	Total amount	Year	Grand total
14.06	14%	1.97	2	3.94

According to the NIT Condition 8% additional security was required to have been deposited by the bidders who quoted more than 10% below rates while the contractor has quoted 9.99% below on CSR 2009. As the rate quoted by the bidder was less than 10% below therefore, there was no need of depositing 8% additional security.

Loss occurred due to weak internal controls and non-adherence to rules.

The matter was reported to the management in Dec. 2014, wherein the management furnished no reply.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry, fix responsibility against the person(s) at fault and take measures to safeguard the interest of Government.

AP 504(2013-14)

3.4.10 Loss due to unauthorized payments of steel shuttering in R.C.C works - Rs.11.76 million

According to paras 56,58&89 of CPWD Code and Government of Khyber Pakhtunkhwa W&S Department Notification No.SO(E) C&W/13-7/77 dated 23.11.1993. No work should be started/tendered without Technical Sanction. Technical sanction for each project should be issued from the start of the work and the number of technical sanction should be recorded in the NIT of the same work. Technical sanction is a guarantee that the proposals are structurally sound and that the estimates are accurately calculated and based on adequate data and proper detailed drawings & design have been sanctioned.

During the financial year 2013-14, in the office of Executive Engineer, C&W Division Charsadda, it was observed that government sustained heavy loss of Rs.11.76 million on account of "Erection and removal of steel form work for RCC or Plain Concrete" Form work is included in R.C.C and part of it in the Scheme "Construction of Judicial Complex Charsadda" upto 11th R/Bill vide voucher No.53-R dated 24.09.2014.

Moreover, as per Technical Sanction of the project, the item "Erection and Removal of Steel Form Work for RCC or Plain Concrete Vertical (06-39-b)" having a composite scheduled rate of Rs.774.41 PM³ was the item which was approved and made part of T.S on the demand of the client even though approved PC-I had no such provision for the same item and paid for an amount of Rs.475,448. But surprisingly, the consultant of the project authenticated the payment and approved through IPCs 05 to 07 a new item of work "Erecting & removing formwork to concrete in any shape/position Vertical (06-38-b)" having no provision in PC-I and Technical Sanction whatsoever for an amount of Rs.11.29 million.

Audit held that the execution of steel shuttering in RCC works is not admissible.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends that loss may be recovered from the concerned under intimation to audit.

AP 318 (2013-14)

3.4.11 Loss due to non-deduction of income tax from assignee contractor – Rs.10.39 million

According to Income Tax Ordinance 2001, if a person who is though domiciled in non taxable area and executes work in that area but is residing in taxable area within the meaning of section 82 of the Income Tax Ordinance, he shall be subject to the provision of the said ordinance.

During the financial year 2014-15, the accounts record of Managing Director, Pakhtunkhwa Highways Authority revealed that a work, “improvement/rehabilitation of Sawari-Sirqillah-Chawga-Puran Road Sub Head Package-II (KM 7 to KM12)” was awarded to M/s Ziaullah & Co. for execution at total cost of Rs.146.03 million vide work order No.FHA/CC/No.129/2010 dated 07.10.2010. However, the work was assigned to another contractor M/s Pir Muhammad & Co. vide assignment agreement dated 23.09.2013 notified by the authority No.48-PKHA/474/const: dated 24.09.2013. The work valuing Rs.138.60 million was executed upto 01.04.2014 vide voucher No.612 dated 01.04.2014 (13th R/B). However, income tax of Rs.10.39 million was not deducted from the bills. Therefore, the public exchequer sustained loss which may be recovered.

Loss occurred due to extending undue benefit to the contractor.

Loss was pointed out in Oct, 2015. The management replied that both contractors are exempted from income tax. Reply is incorrect. The former contractor is settled in District Peshawar, how he is exempted from the deduction of income tax?

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to recover the income tax.

AP 101 (2014-15)

3.4.12 Loss due to unauthorized payment of escalation – Rs.2.79 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 subordinates.

During the financial year 2013-14, in the office of MD Pakhtunkhwa Highways Authority, it was noticed that local office has allowed escalation on steel to the contractor. The record further showed that the contractor was granted secured advance of Rs.12.89 million on account of steel purchased by the contractor and brought to site. As the steel so purchased and subsequently utilized in the work was procured on the government finances therefore escalation on the steel was not admissible to the contractor. The payment on this account is termed as loss of Rs.2.79 million to the public exchequer.

Loss occurred due to extending undue favour to contractor, non-adherence to provision of rules and financial mismanagement.

When pointed out in Dec, 2014, the management stated that payment has been made as per provision of contract and no favour extended to the contractor. Reply not convincing.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and recover the amount from the contractor or person(s) at fault.

AP 536 (2013-14)

3.4.13 Loss due to inclusion of premium in the amount of escalation – Rs.2.49 million

According to S.No.6&10 of the Notification No.SOG/W&S 11-129/2005 dated 02.01.2009, issued by the Government of Khyber Pakhtunkhwa, the amount of escalation payable or deductible in respect of items of work provided in the letter under reference shall be calculated on the basis of quantity of item actually consumed on the work during the month.

During the financial year 2013-14, in the office of XEN Highway Division Peshawar, it was noticed that M/s Prime Construction Co. was allowed escalation of Rs.34.65 million in the construction of road from Garangi to Sher Killi of Pajjagi road upto 29th running bill paid vide Vr

No.91/R-I dated 25.06.2015. During review of the claim of escalation it was found that the escalation was claimed by including the amount of premium of 5% above with the amount of IPC meaning thereby that payment was made for the 5% higher rate despite the fact that base rate without including premium was claimed.

M/s Karcon Pvt. Ltd. was allowed escalation of Rs.16.47 million in the construction of road from Bacha Khan Markaz to Faqir Killi i/c Bridge upto 31st running bill paid vide Vr.No.84/R-1 dated 25.06.2015. During review of the claim of escalation it was found that the escalation was claimed by including the amount of premium of 5% above on other than bridge and 8% on bridge work with the amount of IPC meaning thereby that payment was made for 5%+8% higher rate despite the fact that base rate without including premium was claimed.

It may be added that escalation was allowed for admissible items on the basis of market price and actual consumption. Thus the inclusion of 5% premium of the contractor was neither required to be added nor was admissible. The payment of escalation of including the amount of premium resulted into loss of Rs.2.49 million.

Loss occurred due to non-adherence to the provisions of rules and weak financial controls.

Loss was pointed out in Oct, 2015. The management stated that reply will be furnished after verification of record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and recover the amount from the concerned.

APs 54&55 (2014-15)

3.4.14 Loss due to non-recovery of the cost of timber from the contractor – Rs.1.84 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 subordinates.

During the financial year 2014-15, in the office of XEN Highway Division Peshawar, it was noticed that the construction of road from Markaz to Faqir Killi i/c Bridge was awarded to M/s Karcon Pvt. Ltd. The record showed that the contractor was previously paid an amount of Rs.29,696 on account of removal of 27 trees having 600 mm dia @ Rs.1099.85 per tree which was deleted and excluded from the payments made to the contractor vide voucher No.17/R-1 dated 17.06.2014. It may be added that the item of work was included in the estimate of the work and was required to have been carried out by the contractor rather it would have definitely been executed but was intentionally deleted to escape the timber so obtained from the harvesting of the trees. The contractor has harvested 27 trees falling in the road according to the approved estimates. However, neither the timber so obtained from the harvesting of trees was accounted for anywhere in the accounts nor was disposed off, and sale proceed deposited in the revenue. This resulted into loss of Rs.1.84 million to the public exchequer.

Loss occurred due to weak internal controls.

When loss was pointed out in Sep, 2015, it was stated by the management that detailed reply will be furnished after verification of record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry, fix responsibility and recover the amount from the person(s) responsible.

AP 58(2014-15)

3.4.15 Loss to public exchequer due to manipulation in tenders - Rs.1.31 million

According to para 89(a) (b) of CPWD Code read with para-23 of GFR Vol-1, tenders must be invited in the most open and public manner & every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by the government through fraud or negligence on his part or on the part of his subordinates.

During the financial year 2014-15, in the office of MD PKHA while checking the tender documents of work, "Dualization of Mardan-Charsadda Road Phase-I Sub Head: Package-III" it was noticed that following manipulation carried out in %age of premium. As such, award of work to Ghulam Mohammad & Co. at premium of 8% (reduced from 14.12% to 8%)

led to loss of Rs.1.31 million (130,766,607 x 1% (8% - 7.12%) to public exchequer which may be recovered from contractor or person(s) at fault.

S#	Name of contractor (M/s)	Original premium offered (age%)	Manipulated offer (age%)	Difference (age%)
1	Ghulam M. & Co	7.12	14.12	7
2	NIC contractor	10	18	8
3	Itehad Co	15	45	30
4	Behram Construction Co	10	16	6

The matter was reported to the management in October, 2015. The management replied that no cutting has been made in the tenders and the lowest contractor reduced rates from 14.12% to 8%. Reply is evasive. The actual quoted rates of the winning contractor were 7.12% and not 14.12% and due to changes in rates and award of work to him at 8%, the difference in rates is 1%. Loss may be recovered from the contractor or person(s) responsible.

The rates in the tender form of four contractors manipulated which is very serious matter and needs special attention of the high ups.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault besides recovering the loss.

AP 116(2014-15)

3.4.16 Overpayment to contractor due to allowing form work – Rs.9.27 million

According to para 10 of GFR Vol-I, each officer is expected to incur expenditure from public money in a manner as a person of ordinary prudence would spend from his own pocket. Public money should be spent more carefully and economically in the public interest.

During the financial year 2013-14, in the office of MD PKHA, it was noticed that two contractors were allowed payment of Rs.9.27 million on account of erection and removal of form work in isolation despite the fact that

it cannot be allowed in isolation in RCC work because in RCC work, the rate of form work already included.

The item of work of RCC so allowed in the instance cases were inclusive of form work therefore, separate payment on account of form work termed as undue favour to contractor which resulted in an overpayment of Rs.9.27 million.

Audit held that payment was required to have been withheld because the composite rates of CSR already inclusive of form work.

Overpayment was pointed out in Dec, 2014. The management stated that the form work was paid for PCC and no extra payment was made to contractor.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry, fix responsibility and recover the overpayment.

APs 522&524 (2013-14)

3.4.17 Overpayment due to deviation from approved PC-I, technical sanction & BOQ – Rs.8.37 million

According to para 95 of CPWD code, Engineer is strictly prohibited to deviate from sanctioned design in the course of execution of work.

During the financial year 2012-13, in the office of XEN Highway Division Mardan, it was noticed that the work, “widening improvement & BTR from Access Road to Bacha Khan Campus (left & right side)” a quantity of 7,245M² of an item of work, “S/F of Railing as specified” was paid to contractor M/S Abdul Hakeem & Sons @ Rs.3,537.40PM².

Further verification revealed that in the PC-I, technical sanction & BOQ, schedule item of railing was approved @ Rs.2,379.47PM². The contractor was paid for the railing @ Rs.2,379.47PM² upto 16th running bill. In the 17th running bill the rate was changed from Rs.2,379.47PM² to Rs.3,537.40PM² in deviation of PC-I, TS and BOQ, resulting in an overpayment of Rs.8.37 million.

Moreover, the specification and quantity of the scheduled item was more protective and suitable on canal side than that of non-schedule item, claimed and paid.

The irregularity was pointed out in Jan 2014. The management furnished no reply.

In the DAC meeting held in Feb, 2015. The department replied that the rate of S/F of railing provided in PC-I was not suitable as per specification. The contractor applied to the then Chief Minister who marked the application to worthy Secretary C&W for necessary action. On his direction the rate according to design and specification was analyzed and approved in TS estimate, which was executed at site and paid accordingly. DAC disagreed and directed that recovery must be made.

Audit recommends that recovery should be made as per DAC decision.

AP 135 (2012-13)

3.4.18 Overpayment due to allowing incorrect measurement - Rs.1.89 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 subordinates.

During the financial year 2010-11, in the office of XEN Highway Division Mardan it was noticed that the contractor was allowed an item of work PCC 1:3:6 for a quantity of 613.85M³ in the construction and improvement of Gaddar Sawal Dher road to Bakhshali Degree College on the basis of measurement recorded on page No.8 of the MB No.174. The same quantity was brought to page No.130 and was paid to the contractor thus one quantity of work done was paid twice which resulted into an overpayment of Rs.1.89 million to the contractor.

When pointed out in Jan, 2014, the department furnished no reply.

In the DAC meeting held in Feb, 2015, the department replied that when there is a dispute between contractor and executing agency the work is re-measured. DAC did not agree and directed that the reasons for re-

measurement and all MBs from first to last bill be produced to audit for verification within 15 days.

The record was verified on 18.01.2016 and it was found that a quantity of 613.85 M3 of an item of work PCC 1:3:6 with 50% boulders was paid to the contractor on the basis of measurements recorded on page No 8 of the MB No. 174. The item of works was later on re-measured from RD00 to RD 3+925 and entries recorded on pages No.117 to 130 of the same MB. However, the previous entries already paid were added to the re-measured quantities which other wise were required to have been deducted. Similarly erection and removing of form work was also paid in accordance with the PCC work thus by doing so the contractor was allowed double measurement for a single item of work resulted into an over payment of Rs.2.98 million.

Audit held that payment was required to have been allowed in accordance with actual work done by the contractor which was not done.

Audit recommends that recovery may be made from persons responsible.

AP 146 (2012-13)

3.4.19 Non-recovery of outstanding government dues - Rs.20.87 million

According to para 26 of GFR Vol-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.

During the financial year 2014-15, in the office of Managing Director, Pakhtunkhwa Highways Authority, it was noticed that Rs.7.96 million are outstanding against the owners of Petrol and CNG pumps on account of Right of Way as on 30.06.2015. Non recovery of public revenue badly affects the budgeting of the authority as well as the public interest.

Similarly, a sum of Rs.200,000 is outstanding against M/s Al-Mehreen Enterprises on account of Hiring Charges of Bitumen Distributor, which needs immediate recovery from the contractor concerned.

The contracts of various Toll Tax Collection were auctioned by the Pakhtunkhwa Highways Authority at a total cost of Rs.90.84 million. However, receipt statement for 2014-15 shows Rs.78.13 million realized from Toll Tax Collection. Therefore, Rs.12.71 million were not deposited into government treasury.

Thus outstanding amount of Rs.20.87 million needs to be recovered from the concerned.

The matter was reported to the management in October, 2015. The management replied that:-

- Recovery is a continuous process and it can't be brought to nil. The receipt is actual and reasons for shortfall conveyed to the govt.
- The amount will be recovered through adjustment against security of the contractor

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to expedite efforts for early recovery of the outstanding amount.

AP 94(2014-15)

3.4.20 Unauthorized expenditure due to abnormal increases in the cost of scheme -Rs. 993.15 million

According to para 95 of CPWD code, Engineer is strictly prohibited to deviate from sanctioned design in the course of execution of work.

During the financial year 2014-15, in the office of MD PKHA, it was observed that in the start, local office prepared schemes with the least cost, got approved and awarded to the contractors and later on these schemes were subsequently abnormally increased due to various reasons despite the fact these schemes were prepared by the consultants. In certain cases overall scope of the scheme changed like conversion of TST work into Premix while in some cases the items of Earth work/Embankments allowed abnormally in excess of the BOQ. It may be added that in series of cases scheduled items were allowed as non BOQ. During test check it was found from the review of some cases that an amount of Rs. 993.15 million was spent in excess of the approved schemes which have no validity because all the schemes and BOQs were prepared by the consultant having paid fee for design, estimates etc. This excess so allowed is termed as unauthorized expenditure.

Audit held that all BOQs of the schemes were prepared by the consultants for which handsome amount was paid to him therefore before the

commencement of work proper analysis should have been carried out which was not done.

Unauthorized expenditure occurred due to weak internal controls, extending undue favor to contractor, non-adherence to the provisions of rules and procedures and financial mismanagement.

When pointed out in September 2015, the management stated that the increase was due to the reason that alignments were changed on the directives of CM, schemes revised due to additional works etc. Reply not convincing.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends that detailed scrutiny of all such schemes be carried out and be shown to PAC that what was the initial cost, why the cost increased and what was the role of consultants to whom huge amounts as consultancy paid.

APs 124 & 127 (2014-15)

3.4.21 Un-authorized expenditure on account of abnormal deviation from contract cost - Rs.703.48 million

According to para 19 of GFR Vol-I read with para 89 of CPWD Code, the agreement with contractor must be precise and definite. It should state the quantity and quality of work to be done and the terms upon which the payments will be made.

During the financial year 2014-15, in the office of Managing Director, Pakhtunkhwa Highways Authority it was noticed that contracts for Rs.416.54 million was made with the contractors for execution of work "Improvement/Widening of Serikot-Panyan Section of Provincial Highways S-1 (24 KM) Haripur". However, Final Bills of the contractors show that expenditure of Rs.703.48 million was incurred against contract cost of Rs.416.26 million which is gross deviation from contracts as well as drawing/designs approved by the competent forum. Audit would like to know the reasons for such abnormal deviation in each and every case. Either the surveys/reports carried out through the consultants were imaginary or non transparency observed in the tender process and execution of work.

(Rs. in million)

S#	Voucher No. & Date	Contractor	Contract cost	Cost of work executed	% age excess execution
1	659/23-04-2015 (33 rd & Final Bill)	M/S Raja Naik Mohammad & Bros.	146.88	247.47	68.485 %
2	648/21-04-2015 (35 th & Final Bill)	M/S Mohammad Afzal Khan & Bros	166.50	327.06	96.433 %
3	657/23-04-2015 (19 th & Final Bill)	Zeb Construction Co.	102.88	128.95	25.341 %
Total			416.26	703.48	69%

The issue was reported to the management in October, 2015. The management stated that BOQs are tentative. Variation orders are issued under Clauses 51 & 52 of the contract agreement for addition/alteration. Audit is of the view that Clauses 51 & 52 are frequently misused. The increase in cost from 416.25 million to 703.48 million is abnormal and is reported to the competent forum for corrective action.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and find out the deficiencies which resulted into abnormal deviation and increase in the contract cost, despite the fact that consultant was hired for this purpose.

AP 112(2014-15)

3.4.22 Unauthorized payment to the contractors on account of escalation – Rs.71.33 million

In accordance with the Government of Khyber Pakhtunkhwa, Work & Services Department Notification No.SOG/W&S/11-129/2005 dated 30.06.2005, escalation for extended period is not admissible.

During the financial year 2014-15, the accounts record of Managing Director Pakhtunkhwa Highways Authority, revealed that contracts for execution of approved works were made with the contractors. The works were

awarded after proper feasibility studies, geotechnical investigation, drawing designs carried out through consultants for which huge payments were made. For execution of works, services of other consultants for construction supervision at high costs were also acquired. Time frame for completion of the schemes was also mentioned in the work orders and contracts. Huge funds were provided for execution of these works in each financial year out of which investments were also made. However, despite availability of every facility and supervision by the consultants and department engineers, the works were not completed within time. The management failed to invoke liquidated damages clause of agreements rather escalation of Rs.71.33 million was allowed to the contractors for the extended period which was unauthorized. Recovery may either be effected from the contractors or the Pakhtunkhwa Highways Authority Engineers.

Unauthorized payment was made due to weak internal controls.

Unauthorized payment was pointed out in October, 2015. The management stated that the works could not be completed because of funds and shifting of utilities problems. Hence, escalation was admissible.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and the recover escalation paid from the person(s) concerned.

AP 102 (2014-15)

3.4.23 Excess payment on account of excess over PC-1/BOQ items – Rs.44.75 million

According to para 220 of CPWA Code read with paras 69 & 89 CPWD Code and para 20 read with para 23 of GFR Vol-I, all payments shall be made for work done duly measured in accordance with quantity, quality, rates and specification approved in the detail cost estimate. Expenditure on a work should be restricted to the Estimate/BOQ Cost. Every government officer is personally responsible for any loss sustained by government through fraud or negligence on his part or on the part of his subordinates.

During the financial year 2013-14, MD PKHA paid a sum of Rs.44.75 million for some items of work not provided in the approved PC-1/BOQ and paid in excess than quantities provided in the PC-1 and BOQ in the following schemes:-

S.No.	Name of scheme	Amount (Rs.in million)
1	Construction of link road motorway wali khan interchange	35.43
2	Construction of khwazakhela RCC bridge	9.32
Total		44.75

Some non BOQ Items were paid, though the survey drawing and design was carried out by the consultant for which heavy payments were made to him, but even then in some items more than 100% variation / excess payment, were made, which require proper investigation.

Audit held that variation order for 15% in excess on item is normally allowed. 100% variation on item of work or execution of those items not provided in the PC-1 required revision of the PC-1.

When pointed out in Dec, 2014, it was replied by the department that as per clause-51 & 52 of the contract agreement the variation order has been approved by the competent authority. Audit disagree with the reply.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and initiate remedial measures to avoid such lapses in future.

APs 477,500(2013-14)

3.4.24 Non-imposition of penalty due to non completion of works within stipulated period - Rs.13.71 million

According to clause 2 of the Contract Agreement signed between the government and the contractor, the time allowed for carrying out the work as entered in the tender shall be strictly observed by the contractor and shall be reckoned from the date on which the order to commence work is given to the contractor. The contractor shall pay as compensation an amount equal to ten percent or such smaller amount as the Superintending Engineer may decide on the said estimated cost of the whole work for every day that the due quantity of works remains incomplete, provided always that the entire amount of compensation to be paid under the provisions of this clause shall not exceed ten percent on the estimated cost of the work as shown in the tender.

During the financial year 2013-14, in the office of Executive Engineer, C&W Division Charsadda, it was observed that government was deprived of the amount of penalty amounting to Rs. 13.71 million which was not imposed on the contractors for non completion of works within the stipulated time period in the Scheme “Establishment of Girls Degree College Dargai District Charsadda”.

Audit held that loss occurred to government due to weak internal controls.

Non-imposition of penalty was pointed out in Oct, 2014. The management furnished no reply.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends that loss may be recovered from the person(s) at fault under intimation to audit.

AP 320 (2013-14)

3.4.25 Unjustified expenditure on road asset management system – Rs.2.49 million

According to S.No.(c) of Terms of reference provided in the PC-1 of scheme, road asset management system, the consultant will be required to ensure the equipments with one of the major insurance companies. As laid in para 159 of GFR Vol-I, the controlling officer is responsible to conduct physical verification of assets yearly.

During the financial year 2014-15, in the office of MD PKHA, it was noticed that “ADP scheme road asset management system” was administratively approved at a total cost of Rs.102.96 million on 24.09.2011. Expenditure of Rs.112.96 million which included payments of Rs.19.00 million to the consultants was incurred on the project. The expenditure stands unjustified on the following grounds:

- Rs.2.487 million were paid to National Insurance Co. Ltd. out of development funds NIDA-11 on account of insurance of vehicles & equipments vide Vr.No.689 dated 30.05.2013 which was the responsibility of the consultants in the light of condition-C of TOR.

- Vehicles costing Rs.9.098 million were purchased by the project management. The project has been closed but the vehicles are in possession of officers. Thus, the precious assets are misused. Physical verification of assets was not carried out by the controlling authority.

Unjustified expenditure was pointed out in Oct, 2015. The management stated that payment of insurance out of PKHA fund was decided in the meeting by the competent authority. On payment of insurance by the consultants, the rates would have been increased. Reply is not convincing.

The unjustified expenditure incurred due to not following the TOR clauses in letter and spirit.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to recover the insurance amount from the consultant and the whereabouts and misuse of vehicles be investigated.

AP 107(2014-15)

3.4.26 Unauthentic payment on transportation of earth - Rs.12.57 million

According to para 10 of GFR Vol-I, every government officer incurring or authorizing expenditure from public fund 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.

During the financial year 2014-15 in the office of Provincial Building Construction Division No. II Peshawar Mr.Abid & Brother was paid Rs. 12.57 million for transportation of earth of all types for every 500 meter extra lead beyond 4.5 KM up to 8KM in Casualty Block of Khyber Teaching Hospital.

Audit had the following observations:

- The relevant record did not show any proof for the disposal of excavated material i.e. who had ordered to takeaway material upto 8 KM.
- Site for disposal was not mentioned in the record.
- On physical verification of site and remarks of the locals, actually the material were thrown near PCSIR Laboratory which is within the limit of one KM and even still lying there as is evident from the attached photographs.

The payment so made is held irregular and needs recovery.

The irregularity occurred due to weak internal controls and undue favor to the contractor.

When pointed out in August 2015, the management replied that the transportation of the excavated materials has been completed under the supervision of consultant and the payment made accordingly. The excavated material have been transported and dumped at different places / locations in low lying areas in the out skirt of urban municipality of Peshawar, under supervision of the consultant beyond 8 Km. The item of work “Transportation of excavated materials beyond 8 Km” has been approved in the PC-I by the competent forum i.e. PDWP. Audit disagree with the reply.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry, fix responsibility and recover the excess amount paid.

AP 05(2014-15)

3.4.27 Loss due to missing equipments & vehicles – Rs.5.94 million

According to para 148 of GFR Vol-I, all material 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 officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register.

During the financial year 2013-14, in the office of MD PKHA, it was noticed that in the construction of Odigram Bridge Rs.5.94 million was paid to the contractor for the purchase of survey, laboratory equipments and transport for employer engineers. After completion of the scheme the said equipments and vehicles become the property of the PKHA but whereabouts of the same were not available in record of local office.

Audit held that missing of items occurred due to weak internal controls and non-observance of rules and procedures.

The irregularity was pointed out in Dec, 2014. The management replied that laboratory items purchased are on the charge of PKHA and proper handing/taking over has been done. Reply is not satisfactory. Complete record of lab equipments, machinery, vehicles purchased under bill No.7 of each project may be produced.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to carry out investigation in respect of all similar nature works executed in the PKHA and recovery should be made from the person(s) responsible.

AP 534 (2013-14)

Chapter – 4

Education Department

4.1 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.

Comments on budget and accounts (variance analysis)

4.2 Summary of the Appropriation Accounts:

A summary of grants/appropriation of Education Department and expenditure by the department in FY 2014-15 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 Archives and Libraries	NC21	7,044,880,000	250	7,044,880,250	5,427,015,642	-1,617,864,609
46-Elementary & Secondary Education	NC21	73,684,438,000	1,341,517,000	75,025,955,000	71,654,235,200	-3,371,719,800
	Total	80,729,318,000	1,341,517,250	82,070,835,250	77,081,250,842	-4,989,584,409

Development

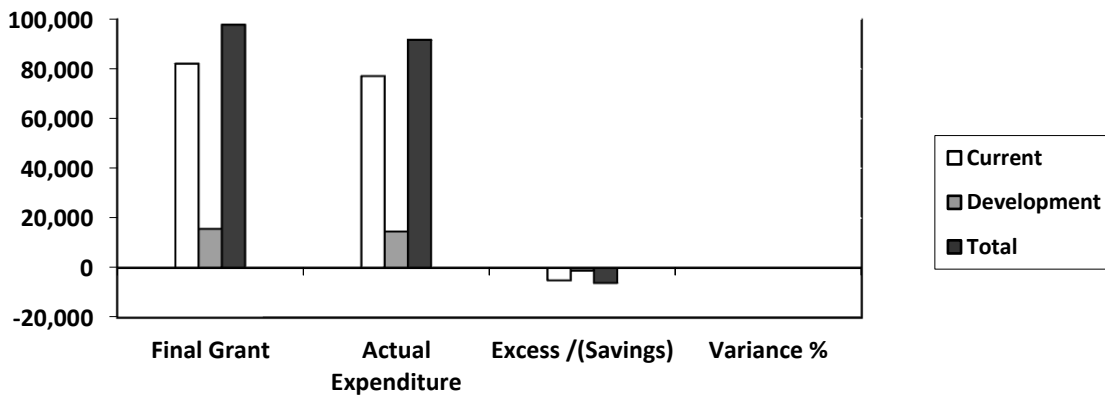
(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/ (Savings)
53-Education & Training	NC21	14,312,000,000	1,360,000,000	15,672,000,000	14,564,707,018	-1,107,292,983
	Total	14,312,000,000	1,360,000,000	15,672,000,000	14,564,707,018	-1,107,292,983

Overview of expenditure against the final grant

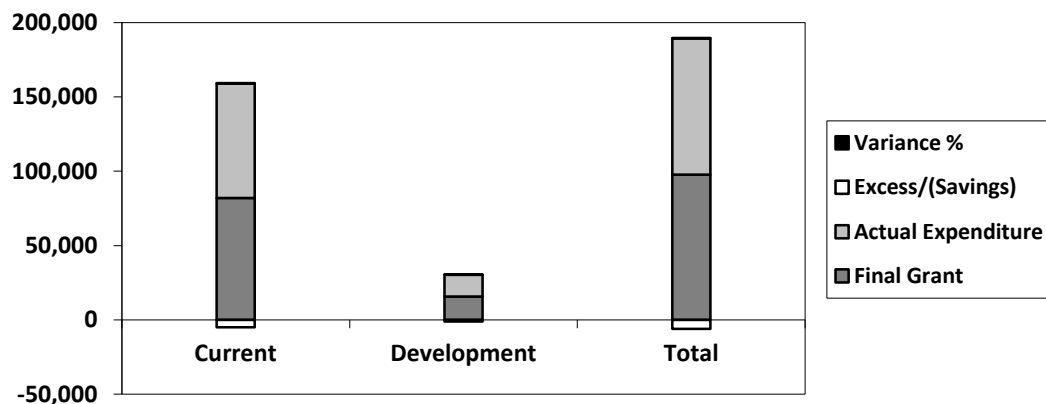
(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	82,070.835	77,081.251	-4,989.584	6.080
Development	15,672.000	14,564.707	-1,107.293	7.07
Total	97,742.835	91,645.958	-6,096.877	6.24



Anticipated savings were not surrendered and lapsed

Para 95 of GFR Vol I states that all anticipated saving should be surrendered immediately but not later than 30th June of each year in any case. The rule operates to enable government to be informed of expected savings in time to allow it to divert funding to where ever needed and to remain abreast of changes in circumstances that necessitate the change in pattern of expenditure and address the situation. In contravention, the Education Department administering the above grant did not surrender anticipated savings of Rs.6,096.877 million thus preventing the government from utilizing the funds elsewhere and the considerable amount lapsed. The position of savings as well as percentage variance is shown in the following graphs.



4.3 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	Education	49	-	42	07
2.	2002-03	-do-	16	-	09	07
3.	2003-04	-do-	06	-	03	03
4.	2004-05	-do-	22	-	09	13
5.	2005-06	-do-	13	-	07	06
6.	2007-08	-do-	10	-	05	05
7.	2008-09	-do-	06	-	04	02
8.	2009-10	-do-	11	-	02	09
9.	2010-11	-do-	33	-	13	20
10.	2011-12	-do-	13	-	09	04
11.	2012-13	-do-	10	-	03	07

4.4 Audit Paras

4.4.1 Embezzlement of Rs.11.77 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 subordinates.

During the financial year 2013-14, the record of University of Peshawar revealed that a sum of Rs.11.77 million was drawn by the dealing hands in the Institute of Chemical Sciences Department from the bank accounts, as detailed below:-

Name of Bank	Account Number	Amount (Rs.in million)
National Bank of Pakistan	8860-9 Private Account	5.31
National Bank of Pakistan	673-3 Contingency Account	0.30
National Bank of Pakistan	10991-7 Phil/PhD	3.41
Habib Bank Limited	0404-79007873-1 Indigenous Scholarship	2.60
National Bank of Pakistan	1187-9 Mora scholarship	0.15
Total:-		11.77

The said amount was neither reflected in the cashbook nor any supporting vouchers were available on record. Audit concludes that the amount has been embezzled.

The lapse occurred due to weak internal checks over dealing staff due to which huge amount embezzled.

The matter was reported to the management in April/May 2015, wherein the management replied that the University of Peshawar had already lodged an F.I.R against the suspected accounts officials (dealing hands) of the Institute of Chemical Sciences. The matter had already been under investigation and pending before the NAB.

In the DAC meeting held in January 2016, the department replied that the University of Peshawar had already lodged an FIR against the suspected Officials. Further, according to our knowledge the involved accounts officials of the ICS are behind the bars for further investigation and possible recovery. In our opinion the matter is already been in process of investigation and possible recovery through NAB. DAC decided to place the Para before PAC.

Audit recommends to recover the amount and take action against the person(s) at fault.

AP 272(2013-14)

4.4.2 Misappropriation of Rs.4.90 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 subordinates.

During the financial year 2013-14, the record of University of Peshawar revealed that a sum of Rs.4.90 million was drawn from the private fund account 8860-9 NBP, contingency fund account 673-3 NBP and private fund account 8860-9 NBP by the Director Institute of Chemical Sciences and allowed advances from Rs.10,000 to Rs. 300,000 to his staff for various purposes for which there was no provision in the financial rules. The record shows that the concerned staff had neither rendered any adjustment account nor re-deposited the amount in the account. So it is suspected that the said amount has been misappropriated.

The lapse occurred due to weak of internal controls.

The matter was reported to the management in April/May 2015. The management replied that they agreed with the observation upto the extent that the Director Institute of Chemical Sciences had withdrawn a sum of Rs.4.03 million and allowed advances to his staff for various purposes. However, the financial rules of the University of Peshawar allow the Head of any institution/department to draw any amount for onward payment for official purpose. In the instant case the Director ICS had given advance amounts to different officials of the Institute for various official affairs. To complete the process of the adjustment of entire advances, one month should be given to the ICS.

In the DAC meeting held in January 2016, the department repeated the previous reply. As there was no provision in the financial rules for the purpose,

therefore the DAC directed full adjustment and the practice should be discontinued.

Audit recommends to investigate the matter and take action against the person(s) concerned.

AP 274(2013-14)

4.4.3 Loss due to non-return of students after completion of Ph.D from abroad - Rs.59.07 million

According to Clause VII of the contract agreement executed with scholar, in case the scholar fails to qualify the course for which he/she was awarded scholarship, the University of Malakand reserves the right to recover entire expenditure inclusive of travel cost from the scholars/Guarantor.

During the financial year 2012-13, in the University of Malakand, it was noticed that 08 scholars/students were deputed for Ph.D from abroad. They were due for return during 2012-13 but they did not report back to the University. As such in light of clause-XIII of the dead agreement the scholar is liable to disqualification from foreign training or such other disciplinary action as University of Malakand may consider appropriate if he /she violates any of the condition of the dead. As they did not report to the University of Malakand therefore, appropriate action against these scholars should have been taken which was not done and resulted into loss of Rs.59.066 million (spent on their studies abroad) to the University.

The loss sustained due to weak internal controls.

When pointed out in February 2014, it was replied that warnings have been issued to all scholars on 10.10.2013 for joining university as soon as possible.

In the DAC meeting held in May 2014, it was replied that legal notices to all defaulters and their guarantors have been issued. It was decided to conduct detailed inquiry into the matter and produce complete record for verification. Till finalization of this report no progress was intimated to audit.

Audit recommends that university should follow the DAC decision in letter and spirit and explain reasons for non-implementation of DAC decision before the PAC.

AP 250 (2012-13)

4.4.4 Loss due to purchase of land on higher rates - Rs. 53.32 million

According to section 6 Page 14 of Land Acquisition Act 1894, subject to the provision of Part VII of this Act, when the Provincial Government is satisfied, after considering the report, if any made under section 5A, subsection (2), that any particular land is needed, a declaration shall be made to that effect under the signature of a Secretary to Such Government or of some officer duly authorized to certify its orders. Provided that no such declaration shall be made unless the compensation to be awarded for such property is to be paid out of public revenue or some fund controlled or managed by a local authority.

During the financial year 2013-14, it was noticed that land measuring 1478 Kanals costing Rs.102.04 million including all taxes and commission was purchased for the University of Peshawar Campus-II and Employees Welfare Foundation Township at Azakhel Nowshera. The land was purchased by the middle man on nominal price of Rs.31,500 per kanal (Rs.155,000 per jareeb + Rs.97,000 per jareeb/2 =126,000/4=Rs.31,500) and sold to University @ Rs.66,250 per kanal. Audit observed that as a result, University and Employees Welfare Foundation had sustained a huge loss of Rs.51.36 million (66,250-31,500=34,750 x 1,478).

Average Purchase Price per Kanal (Rs.)	Sale Price per kanal (Rs.)	Difference (Rs.)	No. of Kanals	Loss (Rs.in illion)
31,500	66,250	34,750	1478	51.36

It was further observed that Rs.1.96 million as commission was also paid to the middle man for which there was no provision in the rules and Land Acquisition Act.

The lapse occurred due to non-implementation of provisions of the Land Acquisition Act 1894 and relevant Sections of the university financial rules.

The matter was reported to the management in April/May 2015, but no reply was furnished.

In the DAC meeting held in Jan, 2016, the department replied that the case is under investigation by NAB. DAC decided to place the para before PAC.

Audit recommends to take action against the person(s) at fault and recover the amount.

APs 281-A&283(2013-14)

4.4.5 Loss due to unauthorized payment of escalation – Rs.32.47 million

According to Escalation/De-escalation order 2005, escalation is not admissible during the extended period and according to Clause-52 of the contract agreement no claim on account of fluctuation of rate may be allowed. It may be clearly understood by the contractor that no claim on account of any fluctuation as those in market rates, railway freights, taxes etc. will be entertained during the currency of this contract for item of work as per schedule of quality & specification attached with this contract.

During the financial year 2012-13, in the office of Directorate of Works University of Peshawar, it was noticed that the contractor was allowed escalation amounting to Rs.32.47 million in violation of the standing orders of the Finance Department wherein, it was provided that escalation may not be allowed in the extended period of construction. The clause-52 of the contract agreement provides that no claim of fluctuation in rates be allowed as mentioned above.

Similarly, the escalation was allowed on the consumption of steel for which rate of Rs.65,000 per ton was allowed in the running bill despite the fact that in contract document base rate of Rs.34,000 was provided. This shows that actual paid rate was not considered at the time of escalation.

The comparison of rates revealed that the paid rates were much higher than the rates provided in CSR 2009 despite the fact that contract was awarded in 2006. Therefore, the payment of escalation amounting to RS.32.47 million was unauthorized and a loss to the institution.

Loss occurred due to weak internal controls, under favour to the contractor and financial mismanagement.

The irregularity was reported to the management in June, 2014. The management replied that HEC has granted extension due to late release of funds and according to the contract agreement escalation was paid. The reply was not satisfactory because documentary evidences in support of reply was not provided.

In the DAC meeting held in June 2015, the department repeated the previous reply, however, DAC did not agree and directed that the relevant record may be got verified from audit. No further progress was intimated till finalization of this report.

Audit recommends to recover the loss as per clause of the contract agreement.

AP 555 (2012-13)

4.4.6 Loss due to unauthorized payment of escalation - Rs.31.64 million

According to Clause 52 of the contract agreement, no claim on account of fluctuation of rate may be allowed. It may be clearly understood by the contractor that no claim on account of any fluctuation as those in market rates,

railway freights, taxes etc. will be entertained during the currency of this contract for the item of work as per schedule of Quantity & specification attached with this contract.

During the financial year 2013-14, in the University of Peshawar, it was noticed that work “Construction of Two Academic Block No.11” was awarded to M/s Nishan Engineers Pvt Ltd, vide No. 694/DOW dated 20.3.2006, at a bid cost of Rs.254.66 million. Further verification of record revealed that un-authorized payment of escalation was allowed contrary to the above mentioned clause of agreement which resulted into loss of Rs. 31.64 million to the University. Moreover for purpose of escalation the base rate of steel was shown Rs.34,000 while actual payment of the said item in the bill was Rs.65,000 per ton. According to clause-2 of the contract agreement, Rs.50 million mobilization advance was paid to the contractor, this shows that escalation was paid on the government funds already paid to the contractor as mobilization advance. Thus loss of Rs. 31.64 million occurred due to unauthorized payment of escalation.

The loss occurred due to extending un-due benefit to the contractor by not following the contract clauses.

The matter was reported in April/May, 2015, wherein the management furnished no appropriate reply.

In the DAC meeting held in January 2016, an unnecessary reply was given. The Chair however did not agree with the reply and decided to place the para before PAC.

Audit recommends to recover the overpayment from the person(s) concerned.

AP 309 (2013-14)

4.4.7 Loss due to non-recovery of outstanding dues – Rs.25.57 million

According to para 26 of GFR Vol-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.

During the financial year 2012-13, in the University of Peshawar, it was noticed that an amount of Rs.25.57 million was outstanding/recoverable against the students of different disciplines/departments/institutions. However, no serious effort towards recovery of the outstanding amount has been made which resulted into loss to the institution. Audit held that amount was required

to have been recovered for better financial management and to avoid financial loss.

Loss occurred due to weak financial mismanagement.

The irregularity was reported to the management in June, 2014. The management replied that in the past students were facilitated to deposit dues in easy installments. The recovery is under process and will be adjusted before the completion of their courses. The reply was not satisfactory because most of the students have completed their studies without payment of dues.

In the DAC meeting held in June 2015, the department repeated the previous reply. DAC did not agree and directed that recovered amount may be got verified from audit and balance amount be recovered without further delay. No further progress was reported till finalization of this report.

Audit recommends to investigate the matter and recover the amount.

AP 558(2012-13)

4.4.8 Loss to university due to award of agriculture land at lesser rates - Rs.13.34 million per annum

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 subordinates.

During the financial year 2012-13, the Management of Gomal University D.I.Khan awarded 5,690 Kanal Agriculture Land on lease in the premises of the University on very nominal rate. The land was divided in several plots and the plots were awarded to different persons, each plot on different rate ranging from Rs.300 to Rs.2,630 per kanal per annum.

Audit observed during physical verification, that the entire cultivated/ Agriculture land is irrigated from Chishma Right Bank Canal system and have rich land/ environment and thus the total land was required to have been awarded on lease at least Rs.4,000 per kanal per annum (market rate was stated is more than Rs.4,500 per kanal per annum). Due to award of Agriculture land on lesser rates the University was put to a recurring loss of Rs.13.34 million (5,690 x 4,000 = 22,760,000 - 9,422,742) per annum.

Loss occurred due to weak internal controls and financial mismanagement.

The loss was reported in April 2014. The management stated that reply will be furnished after verification of record.

In the DAC meeting held in Dec 2015, it was decided that the documents showing that the land was awarded as per yield capacity, lease agreement, criteria for fixing rates and abiana record to substantiate the water supply be furnished for verification. No record was produced for verification till finalization of this report.

Audit recommends to investigate the matter in detail, recover the amount and streamline the procedure of awarding land on lease.

AP 494 (2012-13)

4.4.9 Loss to government due to non-completion of Ph.D in time - Rs.8.11 million

According to Clause VII of the contract agreement executed with scholar, in case the scholar fails to qualify the course for which he/she was awarded scholarship, the University of Malakand reserves the right to recover entire expenditure inclusive of travel cost from the scholars/Guarantor.

During the financial year 2012-13, in the University of Malakand, it was noticed that Scholar Mr. Aziz ur Rehman was deputed for Ph.D to the University of Manchester UK but he failed to complete his Ph.D degree. In the light of Clause-vii of the contract deed the entire expenditure inclusive of travel cost was required to be recovered from the scholar. This was not done hence resulted into loss of Rs.8.11 million to the University.

The loss occurred due to weak internal controls.

The loss was reported in February 2014, wherein the management replied that the scholar has submitted his thesis vide e-mail to his supervisor for review and response of the supervisor is awaited.

The matter was discussed in the DAC meeting held in May 2014, wherein it was decided that amount should be recovered from the concerned if he fails to obtain Ph.D degree within 4 months. No progress has been intimated to audit till finalization of this report.

Audit recommends to recover the amount from the concerned.

AP 251 (2012-13)

4.4.10 Loss due to purchase of land without access - Rs. 6.12 million

According to land acquisition Act 1894, where land acquired compulsorily is severed from other land owned by an interested person and as a result the land which has not been compulsorily acquired has no access, the authorized officer shall provide a reasonable access to that land.

During the financial year 2013-14, the record of University of Peshawar revealed that land measuring 1,478 Kanals costing Rs.102.04 million including all taxes and commission was purchased for University of Peshawar Campus-II & Employees Welfare Foundation Township at Azakhel Nowhshera. Audit observed that University and Employees Welfare Foundation had sustained a huge loss of Rs. 6.12 million because the land was purchased by the middle man without any access to the road. Later on in 12th meeting of the Board of Employees Welfare Foundation dated 29.6.2010 it was decided that 73 kanals and 10 marlas (18 jareeb and 30 marlas) land of university be exchanged with 24 kanals and 10 marlas land owned by Mr. Islam Badshah. This action of the committee is against the spirit of Land Acquisition Act due to which University of Peshawar and Employees Welfare Foundation sustained a loss of Rs.6.12 million. (1470 marlas – 490 marlas= 980 marlas x 6250 per marlas(market value of that time).

Land given in exchange	Land taken in exchange	Difference	Rate per marla (Rs.)	Loss (Rs. in million)
1470 marlas	490 marlas	980 marlas	6,250	6.12

The lapse occurred due to non-implementation of Land Acquisition Act 1894 and involving the relevant Sections/Officers of the university/government.

The matter was reported to the management in April/May 2015, but no reply was given.

In the DAC meeting held in Jan, 2016, the department replied that the case is under investigation by NAB. DAC decided to place the para before PAC.

Audit recommends to take action against the person(s) at fault besides recovery of the amount.

AP 282 (2013-14)

4.4.11 Loss due to allowing lesser monthly rent of shops - Rs. 4.26 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 subordinates.

During the financial year 2013-14, in the University of Peshawar, it was noticed that a lease deed was executed between the Director Administration University of Peshawar and lessee of the Departmental store, canteen and tandoor. Average monthly rent of shop having covered area of 178 sft is Rs.33 per sft. However Audit observed that University administration fixed a very nominal monthly rent for 136 existing shops, thus put the University to sustain annual loss of Rs. 4.26 million (detail as under):

S#	Name of market	Name of lessee	Covered area (sft)	Rent pm required @ Rs.33 per sft	Monthly rent fixed (Rs)	Difference	Months	Loss (Rs in million)
1	Saddiq-e-Akbar market	H.Ali Muhammad saboori	859.69	28,369.77	19,829	8,540.11	12	0.10
2	Urdu Department	Muhammad Ashraf	1,151.65	38,004.45	10,497	27,507.45	12	0.33
3	STC building	H.Liaqat Ali	4,327.10	142,794.30	22,162	120,632.30	12	1.45
4	Madina Market	Arsala Khan	6,424.45	212,006.85	13,997	198,003.85	12	2.38
Total								4.26

The irregularity occurred due to negligence on the part of management which extended undue benefit to the shop keepers at the cost of University.

The matter was reported to the management in April/May 2015, but no reply was given.

In the DAC meeting held in January 2016, the department has given an un-satisfactory reply. The Chair however did not agree with the reply and decided to constitute a fact finding inquiry committee for remedial action.

Audit recommends to conduct inquiry, fix responsibility and take appropriate steps to safeguard university's property and finances.

AP 288 (2013-14)

4.4.12 Loss due to unauthorized leasing and fixing lesser monthly rent of university food canteen - Rs.4.16 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 subordinates. According to S.No.5.22.25 Vice Chancellor has the power upto one million for auction/sale/disposal of assets.

During the financial year 2013-14, in the University of Peshawar, it was noticed that a lease deed was executed between the Director Administration/Director Sports, University of Peshawar and Mr. Abdul Aziz S/O Mr. Sher Afzal resident of Tehkal Payan Peshawar for the construction of restaurant, having covered area of 3,411 sft in Faqeer Api Park on self finance basis. Rent @ Rs. 6,000 per month of the restaurant will start after the completion of the structure, half of the rent will be paid at the end of each calendar month until the construction amount is adjusted. Monthly average rent of shop is Rs.33 per sft, thus the monthly rent of this restaurant, having covered area of 3411 sft, comes to RS.112,563. Monthly rent in this particular case has been fixed Rs.6,000, thus monthly loss is Rs.106,563 (112,563-6,000) and total loss of 39 months, from 01/2012 to 03/2015 is Rs.4.16 million. Detail given below:-

Rate per Sft required(Rs)	Rate per Sft allowed	Difference Sft	Total covered area Sft	Per month loss	Total months	Total loss (Rs.in million)
33	1.75 (6000/3411)	31.240	3,411	106,563	39 (1/2012 to 3/2015)	4.16

According to Directorate of Works Assessment Committee, the construction cost calculated was Rs.4.12 million so it will take 114 years to adjust expenditure (4,122,460/36,000 per year @ 3,000 per month = 114 year) for which Vice Chancellor was not competent. Thus the government sustained total loss of Rs.4.16 million and recurring loss of Rs.106,563 per month.

The loss occurred due to weak financial management and undue favour to contractor.

The matter was reported to the management in April/May 2015, but no reply was given.

In the DAC meeting held in January 2016, the department gave an unsatisfactory reply. The Chair however did not agree with the reply and decided to constitute a fact finding inquiry committee for remedial action.

Audit recommends to investigate the matter in detail and take action against the person at fault, besides taking remedial measures to save the recurring loss.

AP 287 (2013-14)

4.4.13 Loss due to non-recovery of interest - Rs.1.86 million

According to S.No.vi &vii of the Finance Department letter No.SO(DEV-II)12/15/2003-4 dated 28.06.2004, mark-up at the rate of 8% per annum will be charged on the mobilization advance and the amount of advance shall be recovered in five equal installments from the first five running bills of the contractors and if the number of running bills are less than five then the balance shall be recovered from the final bill.

During the financial year 2012-13, in the Islamia College University, Peshawar, it was noticed that mobilization advance was granted to M/s Hashtnagar Construction Co. for the work construction of Academic Block. The advance was required to be deducted from the first five running bills or from the final bill as per instructions of the Govt. of Khyber Pakhtunkhwa Finance Department. Some portion of the Mobilization advance was recovered from the contractor however the interest at the rate of Rs.8% was outstanding against him. This resulted into loss of Rs.1.86 million to the university.

The condition for the recovery of interest as prescribed by the Government of Khyber Pakhtunkhwa Finance Department circulated in the above letter was not included in the tenders executed with the contractors due to which government sustained huge loss of Rs.1.86 million. The loss may be recovered from the contractors or person(s) responsible.

Loss was due to weak internal controls.

Loss was pointed out in September 2013. No proper reply was furnished by the management.

In the DAC meeting held in Oct 2015, the matter was discussed. DAC directed to recover the amount from the contractor concerned. No recovery was intimated to audit till finalization of this report.

Audit recommends to recover the amount.

AP 37(2012-13)

4.4.14 Overpayment due to allowing higher rates – Rs.94.06 million

According to paras 10 & 23 of GFR Vol-I, each officer is expected to incur expenditure from public money in a manner as a person of ordinarily prudence would spend from his own pocket. Public money should be spent more carefully and economically in the public interest. 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 financial year 2012-13, in the office of Directorate of Works University of Peshawar, it was noticed that construction of two Academic Blocks was awarded to M/s Nishan Engineering Pvt. Ltd. Lahore on the basis of self prepared BOQ during 2005-06 when rates of CSR 1999 were applicable. The record showed that payment of Rs.238.35 million was allowed upto 20th final bill, however, comparison of certain rates paid to the contractor even with CSR 2009, reveals that the rates of CSR 2009 for the items concerned were found much lower than those paid and accepted in 2005-06. The acceptance and payment of unreasonably higher rates than CSR to contractor resulted into an overpayment of Rs.94.06 million.

Audit held that rates of CSR 1999 and market analysis of the rates was required to have been done before acceptance of higher rates which was not done.

Overpayment to the contractor occurred due to financial mismanagement and undue favor to contractor.

Overpayment was pointed out in June, 2014. The management stated that it was a special nature building where rich items specification have been used to maintain best quality of work and to increase the durability of structure.

In the DAC meeting held in June, 2015, the management replied that no overpayment has been made. DAC did not agree and decided to verify the record. No record produced for verification till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and recover the overpayment from the person(s) concerned, because there was no such item paid the rate of which was not available in the CSR 1999 & CSR 2009, nor the rates were approved from the Rate Advisory Committee.

APs 553&554 (2012-13)

4.4.15 Overpayment due to allowing higher rates - Rs.52.86 million

According to para 296 of CPWA code, to facilitate the preparation of estimates, as also to serve as a guide in setting rates in connection with contact agreements, a schedule of rates for each kind of work commonly executed should be maintained in the division and kept up to date. It should be prepared on the basis of the rates prevailing in each locality and necessary analysis of the rates for each description of work and for the varying conditions thereof should, so far as may be practicable, be recorded. The rates entered in estimates should generally agree with the scheduled rates but where, from any cause the latter are not considered sufficient the deviation should be explained in detail in the report on the estimates.

During the financial year 2013-14, in the University of Peshawar, it was noticed that an over payment of Rs.52.86 million was made to the contractor due to allowing item rates instead of CSR 1999 rates applicable at that time (2005-06). Comparison of the item rates with the CSR 1999 rates shows that these rates were much higher than the scheduled rates, which resulted into an overpayment of Rs.52.86 million.

The lapse occurred due to lack of internal controls.

The matter was reported to the management in April/May 2015. The management replied that the said project is of a special nature of ornamental building in which rich specifications have been used. In 2005-06 there was much uncertainty of rates in the market and developmental works were adversely affected and the CSR 1999 rates were almost obsolete. Most of the rich specifications used in the building were not available in the description of CSR 1999 not even in CSR 2009. Specially specification of major civil works and electrification items were missing in the CSR 1999 and CSR 2009. Reply of the management is not convincing.

In the DAC meeting held in Jan, 2016, the department repeated the previous reply. DAC did not agree with the reply and decided to place the para before PAC.

Audit recommends to conduct inquiry, fix responsibility and recover the overpayment from the person(s) at fault.

AP 307 (2013-14)

4.4.16 Overpayment due to allowing incorrect rates – Rs.3.17 million

According to paras 209 & 201 of the CPWA code, all payments of the work done are based on the quantities of the work recorded in the measurement book. It is incumbent upon 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 MB and see that all the rates are correctly entered and that all calculations, have been checked arithmetically.

During the financial year 2010-11, in the University of Science & Technology Bannu, it was noticed that construction of administration, academic blocks and multiple hall was awarded to M/s Surrani Gammon with the BOQ rate of Rs.58,600 per ton for providing, cleaning, cutting, bending, placing and fixing of steel. The record shows that higher rate of Rs.66,000 per ton was allowed to the contractor resulting into an overpayment of Rs.3.17 million.

Audit held that payment was required to have been made according to BOQ rate which was not done.

Overpayment occurred due to weak financial controls.

When pointed out in June 2012, the management stated that reply will be furnished later on.

In the DAC meeting held in Nov 2015, the management replied that 30% premium over the quoted non-schedule rate was allowed. DAC did not agree as item was non-schedule hence 30% premium was unjustified.

Audit recommends to investigate the matter, fix responsibility and recover the overpayment from the person(s) concerned.

APs 396, 399&408 (2010-11)

4.4.17 Overpayment due to un-authorized drawl of project allowance - Rs. 1.62 million

According to Project Policy circulated vide Government of K.P Establishment & Administration department (Regulation Wing) No. SOR-VI/E & AD/1-25/2007 dated 17.10.2008, the Government servants who are assigned additional charge of the post of the project will be allowed Additional Charge Allowance at the rate of 20% of the basic pay subject to maximum Rs.6,000 per month, in addition to their normal pay and allowances of their regular posts. They will not be entitled to Project Allowance.

During the financial year 2013-14, the record of University of Peshawar revealed that some staff members were assigned additional duties in Project Employees Welfare Foundation Township at Azakhel, Nowshera, which entitled them for Additional Charge Allowance @ 20% upto maximum

of Rs.6,000 per month as required under Project Policy but they were paid Rs.25,000, 20,000, 15,000 and 10,000 per month, thus Rs.1.62 million was overpaid, which needs justification.

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

The matter was reported to the management in April/May 2015, but no reply was given by the management.

In the DAC meeting held in January 2016, the department replied that under section 13 (4) (vi) of the University of Peshawar Act 1974, the Vice Chancellor has assigned additional duties to the officers at fixed honorarium out of University employees welfare foundation fund. DAC did not agree and decided to place the para before PAC.

Audit recommends to take action against the person(s) concerned and recover the excess amount paid.

AP 284 (2013-14)

4.4.18 Non-recovery from Ph.D scholars – Rs.72.68 million

According to HEC Islamabad Selection criteria and written statements given on stamp papers the candidates will be bound to serve University of Science & Technology Kohat for five years after successful completion of PhD program.

During the financial year 2013-2015, in the University of science & Technology Kohat, it was noticed that an amount of Rs.72.68 million was paid to eight (08) scholars for their Ph.Ds from foreign Universities of United Kingdom and Germany. These eight (08) scholars have given written statements on stamp papers that they will teach in University of Science & Technology Kohat on return from abroad after completion of their higher studies. However, they did not join KUST Kohat on the expiry of the period allowed for their Ph.Ds giving a huge financial loss to University exchequer. It is note worthy that they were also paid Pay & Allowances for the period in addition to the scholarship payments.

The non-recovery was pointed out in Nov, 2015. The management replied that the scholars have not completed their studies and are in progress. Their leaves have been approved by syndicate. First three years are with pay and 4th year approved through study leave committee/syndicate with pay and after 4th year it is without pay.

In the DAC meeting held in Jan 2016, the department repeated the previous reply. DAC did not agree and decided to take action against the defaulters and position be explained before PAC.

Audit recommends to recover the amount from the defaulter scholars.

AP 116(2013-15)

4.4.19 Unauthorized retention of public money - Rs.6.55 million

According to paras 10 and 23 of GFR Vol-1, 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. Public moneys should not be utilized for the benefit of a particular person or section of community. Moreover, every government officer will be personally responsible for any loss or fraud on his part or on the part of his subordinates.

During the financial year 2012-13, in the office of Director Curriculum Abbottabad, the cash book of ADP scheme "Multilevel Integrated Teachers Supervision and In-service Training System" revealed that a sum of Rs.6.55 million was drawn vide cheque No.872143 dated 26.06.2013, just before the closure of project on 30.06.2013, and was retained as Demand Draft in favour of Government printing Press and Stationery Department. The project was closed on 30.06.2013 however, till date of audit i.e. March 2014 the money was retained unauthorizedly as evident from the cash book receipt side.

It is worth mentioning here that after 09 months i.e. after the closure of the scheme, the item banks were not printed and thus the objective of the scheme also not achieved.

When pointed out in March 2014, the management stated that detailed reply will be given after consultation of record.

The matter was discussed in the DAC meeting held in July 2015. DAC decided that the amount of Rs.6.55 million was required to be kept in TDR to earn profit instead of demand draft. Finance Department may clarify the position of the case, para stands for PAC. No clarification from the department received till finalization of this report.

Audit recommends to take action against the person(s) at fault besides recovery. Position may be explained before PAC.

AP 645(2012-13)

4.4.20 Unauthorized award of increments to the TTS faculty members – Rs.2.34 million

According to HEC Model Tenure Tract Process Statutes, section 2.10.2.4, by 15th February of each year, every faculty member will submit self assessment report to the Chairperson of the department, who will submit it to V.C through Dean. The V.C will present it to syndicate and then to senate for approval of pay raise as one annual increment as per pay scale.

During the financial year 2012-13, in the University of Peshawar, it was noticed that annual increments worth Rs.2.34 million were granted to 19 Professors/Assistant Professors of different disciplines despite the fact that the annual assessment reports as required were not submitted, similarly on job performance review reports were also not provided by the competent forum therefore, the incumbants were not entitled for the grant of annual increment. Thus the payment so allowed as annual increment upto June, 2013 was unauthorized.

Audit held that annual increments were required to have been allowed after fulfilling the required formalities which were not completed.

The irregularity was reported to the management in June, 2014. The management replied that a committee has been constituted to revisit the Tenure Tract Statutes and to bring it at par with the HEC Statutes.

In the DAC meeting held in June 2015, the department repeated the previous reply. DAC did not agree and directed that either produce the report of the committee or recover the amount. No progress was intimated till finalization of this report.

Audit recommends to investigate the matter, fix responsibility besides recovery.

AP 570(2012-13)

4.4.21 Unauthorized expenditure on the construction, repair & maintenance of V.C KUST residence in the University of Peshawar - Rs.1.28 million

According to para 12 of GFR Vol-I, a controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided. He must be in a position to assume before Government and the Public Accounts Committee if necessary complete responsibility for departmental expenditures

and to explain or justify any instance of excess or financial irregularity that may be brought to notice as a result of audit security or otherwise.

During the financial year 2013-2015, in the University of Science & Technology Kohat, it was noticed that an amount of Rs.784,000 was paid to the University of Peshawar for construction of 2 Guard Rooms with attached baths , security check post etc in Bungalow No.F-5 University of Peshawar. This Bungalow No.F-5 University of Peshawar was the residence of BPS – 21 chairman English Department who was appointed VC Kohat University of Science & Technology on 14.10.2010. Furthermore Rs.0.50 million were spent on its repair & maintenance in 4 years from the treasury of Kohat University ignoring the fact that in University of Science & Technology Kohat there was a spacious VC House but it was not occupied and instead his residence Bungalow No.F-5 University of Peshawar was used as KUST VC House with all its perks & privileges for his 4 years tenure.

Apart from the above he (VC KUST) used second portion of a Bungalow downhill side of VC House at KUST as his guest house during his tenure of which detail record was not produced. Total amount of Rs.1.28 million needs to be recovered from the officer as unauthorizedly incurred from the kitty of KUST.

When pointed out in Nov, 2015, the management furnished no reply.

In the DAC meeting held in January 2016, the department replied that it has an MOU signed with University of Peshawar. However, Audit contended that the department had no authority to sign any such MOU, therefore the para is placed before the PAC.

Audit recommends to recover the unauthorized expenditure from the VC concerned.

AP 114(2013-15)

4.4.22 Excess expenditure over resources - Rs.282.88 million

According to paras 11 & 12 of GFR Vol-1, each head of the department is responsible for enforcing financial order/and strict economy at every step. He is also responsible to keep the expenditure within the limits of authorized appropriation.

During the financial year 2012-13, in the Gomal University D.I.Khan, it was observed from comparison of the employment strength and expenditure, that the university facing great financial crises and there was heavy deficit in

the last 02 years. The expenditure gradually increased without alternative income. Detail of Govt. grant and own receipts is as under:-

(Rs. in million)

Receipt 2012-13	
Opening Balance	(-)154.41
Recurring Grant from Government	485.56
Additional Grant from Government	48.66
Supplementary Grant	10.00
Receipt from own resources	307.11
Total Receipt	696.91
Expenditure/Payment	
Pay & Allowance	768.01
Other Charges	211.78
Total Expenditure	979.79
Deficit/Excess	282.88

The continued deficit is alarming for the organization which requires to following concrete steps for its remedy:

- Appointment of un-necessary staff be stopped/avoided.
- The expenditure should be kept within the available budget.
- Enrollment of the students should be enhanced.

When pointed out in April 2014, the department replied that efforts are being made to recoup the deficit. Moreover, an inquiry committee has been constituted by the provincial government to scrutinize the appointments.

The matter was discussed in the DAC meeting held in Dec 2014. DAC decided that appointments of unnecessary staff and deficit financing established and position may be explained before the PAC.

Audit recommends to investigate the matter and take steps for streamlining the process of recruitment, increase in enrollment of students and better financial management in the university.

APs 507 & 508 (2012-13)

4.4.23 Wasteful expenditure due to deficient execution of constructional work Rs.86.75 million

According to Chapter III of KPPRA rules regarding procurement of works with reference to method of advertisement read with Para 2.86 of B&R Code, all procurement, shall be advertised in print media, appearing in at least one National English and one Urdu Daily Newspaper with nationwide circulation alongwith advertising the same either on the procuring entity's or Authority's website or both. A sanction granted by the authority to an estimate must on all occasions be looked upon as strictly limited by the precise objects for which the estimate was intended to provide. Accordingly, any anticipated or actual savings on a sanctioned estimate for a definite project should not, without special authority is applied to carry out additional work not contemplated in the original project or fairly contingent on its actual execution.

During the financial years 2013-14 & 2014-15 in the University of Science and Technology Kohat it was noticed that an amount of Rs.86.75 million was paid to M/s Behram Construction Co, Rawalpindi for the construction of two Academic Blocks. The verification of different record of construction shows that the work was awarded but rules on the subject were not fully followed, like:-

- The works were awarded without considering rates of CSR 2009
- Advertisement was neither published in two dailies nor on the web site of the University.
- Some of the scheduled items of works were changed from the rates of CSR 2009.
- Rates of non BOQ items were changed within the record without any reason.
- Item of works were allowed and payments were made for which provision not existed in the Technical Sanction, BOQ & Detailed Cost Estimates.
- Item of works of lower specification were executed by contractor while rates paid were for higher specification.
- Some items of works were paid, which were even not executed by the contractor.
- Most of the items of work were below specification.
- Performance security bond was not obtained.
- Security deposit at the prescribed scale not deducted from some bills of the contractor.
- During physical visit certain cracks, from the ground floor to the other stories, were found and signs of seepage were also seen.
- The overall roof leveling not smooth.

The above shortcomings clearly depicts that the building was not constructed according to the rules and procedures beside violation of Technical Sanction, BOQ and detailed cost estimates, as well as deficiencies were also noticed. Therefore, the expenditure of Rs.86.75 million so spent is the wastage of the public resources.

When pointed out in November 2015, the management furnished no detailed reply.

In the DAC meeting held in Jan 2016, the department furnished parawise replies which the DAC did not found satisfactory and recommended to place the observation before the PAC for amicable decision.

Audit recommends to investigate the matter and fix responsibility against the person(s) at fault. The management should explain its position before the PAC.

AP 111 (2013-14 & 2014-15)

4.4.24 Wasteful expenditure on account of printing of item bank - Rs.26.20 million

According to paras 10 & 23 of GFR Vol-I, every government officer is expected to incur expenditure from public money in a manner as a person of ordinarily prudence would spend from his own pocket. Public money should be spent more carefully and economically in the public interest. 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 subordinates.

During the financial year 2012-13, in the office of Directorate of Curriculum and Teacher Education the accounts record of ADP scheme "Multilevel Integrated Teachers Supervision and In Service Training System" revealed that a sum of Rs.26.20 million was shown spent on the printing of item bank of grade-V (32,000 copies), grade-IV (24,000 copies) and grade III (24,000 copies). Out of the total printing cost a sum of Rs.19.65 million was drawn in advance vide cheque No.711999 dated 17.04.2013 and paid to the Government Printing Press Peshawar. As per PC-I of the scheme these items bank to be dispatched to 7,791 school both male and female in the six districts i.e. Mardan, Nowshera, Swabi Mansehra, Haripur and Abbottabad. The items bank as developed in the scheme was for training imparted to PSTs by the master trainers for further teaching to the students. The project closed on 30.06.2012 and further extended upto 30.06.2013 for completion of printing of these items bank and further dispatch to the schools of these six districts which

have not been done till the date of audit i.e. March, 2014. The funds provided for the transportation of these items bank to the schools were surrendered on the completion of the project time. The request of the local office for provision of funds for transportation was not entertained by Secretary E&S Department. Audit is of the view that if these items bank are now received in the office they will be dumped due to the reason that no fund for transportation available, as already surrendered on the closure of the scheme. Thus the expenditure incurred was wasteful.

It is also worth mentioning that the provincial committee for the scheme approved action plan and thus only printing of items bank for class-V was considered. However, the local office besides class-V paid advance payment for printing of items bank for class III for 24,000 copies/327.50 and sustained a loss to government for Rs.7.68 million due to deviation from the action plan of the project steering committee.

The wasteful expenditure incurred because the project authorities did not efficiently managed the activities, resulting into non-achievement of objectives within the stipulated time.

The matter was reported to the management in March 2014, wherein they stated that detailed reply will be given after consultation of record.

In the DAC meeting held in July 2015, it was decided that Secretary Industries and Secretary of Printing Press to conduct inquiry regarding delay of printing in which 75% advance payment was received by the Printing Press Department. No inquiry report received till finalization of this report.

Audit recommends to follow the DAC decision in letter and spirit and explain its position before the PAC.

AP 644 (2012-13)

4.4.25 Wasteful expenditure on stipend and tuition fee of Ph.D Scholars - Rs.17.93 million

According to para 4 of Surety Bond, awardees shall be bound to serve the University for a period of five years after his/her return from abroad on successful completion of study/training and such period shall commence from the date the awardee joins duty in the University, against any suitable post of which the University shall be the sole judge, and upon such terms and conditions as the University may prescribe.

During the financial year 2013-14, in the University of Peshawar, it was noticed that a sum of Rs.34.89 million was paid to various Foreign

Universities as tuition fee and stipend for three Ph.D scholars. Audit observed that payment is unauthentic because, 03 doctors after completion of their Ph.D did not return to Pakistan. No efforts were initiated by the University authorities against them according to agreement. The expenditure incurred was thus wasteful. As per surety bonds expenditure of Rs. 34.89 incurred on the stipend and tuition fee of these Ph.D scholars was supposed to be recovered from them, which was not done.

Wasteful expenditure incurred due to not following the conditions of surety bonds.

The matter was reported to the management in April/May 2015. The management furnished no relevant reply.

In the DAC meeting held in January 2016 the department replied that Mr.Jamshed Ahmed has successfully completed his Ph.D and joined back University in April,2015. While the course work and thesis of Mr.Jamshed Ahmed has been completed. But only his Viva will be held in October, 2015. Mr.Shamsul Haq did not join the university due to which the P&D department has forwarded his case to University Legal Cell for necessary action against the concerned scholar as per agreement. Outcome of the case will be forwarded to Audit. DAC decided to place the para before PAC.

Audit recommends to take action against the scholar as per conditions of surety bonds.

AP 308 (2013-14)

4.4.26 Wasteful payment to consultant due to deficient execution of constructional work Rs.5.30 million

According to chapter IV of KPPRA rules Criteria for eligibility of consultants--- The procuring entity shall not hire a consultant for an assignment in which there is possibility of conflict of interest. If a consultant has been engaged by the procuring entity to provide goods or works for a project, it shall be disqualified from providing consulting services for the same project. Similarly, consultant should not be hired for any assignment which by its nature, may be in conflict with another assignment of the consultant.

During the financial year 2013-2015, in the University of Science and Technology Kohat, it was noticed that an amount of Rs.5.30 million was paid to M/s ACE Architectural and Town Planning Services Pvt Ltd Lahore on account of preparation of detail designs of various buildings and roads at the University of Science and Technology Kohat. The consultancy includes

drawing and designing of academic block 1 & 2, in contravention of the above quoted rules and procedures. Similarly consultant should not be hired for any assignment which by its nature may be in conflict with any other assignment of the consultant. The consultancy on the PSDP funds was neither got approved from CDWP/PDWP nor awarded on competition basis as required under the rules. Certain deficiencies were found in the construction work like, defective drawings and designs of wash-rooms, defective BOQ and detailed cost estimates wherein important items were missing, deficient roofs and parapet walls, seepage in the constructed blocks besides other irregularities noticed. The shortcomings and deficiencies clearly depicts that the building was not constructed according to the design beside certain deficiencies, therefore, the payment of Rs.5.30 million so allowed to the consultant for the consultancy work, who did not performed efficiently and correctly to the desired satisfaction was the wastage of the public resources.

Wasteful expenditure was pointed out in November 2015. The management stated that damages / shortcomings are being rectified by the contractor.

In the DAC meeting held in January, 2016, the University Authorities stated it has penalized the consultant for defective work. DAC did not agree as neither penalty was imposed nor defects removed by the contractor and recommended to place the matter before the PAC for decision.

Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault.

AP 112 (2013-2015)

4.4.27 Unauthentic expenditure and misappropriation of Rs.10.05 million

According to the para 13 of GFR Vol-I, every controlling officer must satisfy himself not only that adequate provisions 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 stores.

During the financial year 2013-14, in the office of University of Peshawar, it was noticed that a sum of Rs. 10.05 Million was shown drawn from the Indigenous Account No. 0404-79007873-1 Habib Bank Limited of Pakistan, contingency account 673-3 NBP, Account No10991-7 NBP M.Phil/PhD and private fund account 8860-9 NBP by the Institute of Chemical Sciences Department and shown incurred on various purposes, but vouchers in support of expenditure were found missing. Therefore, in the absence of

vouchers the expenditure could not be considered as authentic and seems to have been misappropriated.

The unauthentic expenditure occurred due to weak internal controls

The matter was reported to the management in April/May 2015. The management replied that the University of Peshawar had already lodged an F.I.R against the suspected accounts officials (dealing hands) of the Institute of Chemical Sciences and the matter is already under investigation & pending before the NAB.

In the DAC meeting held in January 2016, the department replied that the University of Peshawar had already lodged an FIR against the suspected Officials. Further, according to our knowledge the involved Accounts officials of the ICS are behind the bars for further investigation and possible recovery. In our opinion the matter is already been in process of investigation and possible recovery through NAB. DAC decided to stand the Para till full recovery and the practice should be discontinued.

Audit recommends to recover the amount and take action against the person(s) at fault.

AP 273(2013-14)

4.4.28 Doubtful expenditure on repair & maintenance work – Rs.51.99 million

According to para 10(i) of GFR Vol-I, every public officer incurring expenditure from public fund 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.

During the financial year 2012-13, in the University of Haripur, it was noticed that contract of M&R was awarded to M/s S.K Builders with the tender cost of Rs.9.93 million while the upto date expenditure of Rs.51.99 million incurred which resulted in unauthorized excess expenditure of Rs.42.07 million. Furthermore, tender was also not award in transparent manner, three out of four bidders were one and the same and submitted their bids on different letter pads. Therefore the award of contract was doubtful.

Audit therefore, held that at the time of award of contract the bidders have misrepresented themselves a separate contractor and open competition did not took place therefore the award of contract was doubtful. The expenditure of Rs.51.99 million against tender cost of Rs.9.93 million was unauthorized.

Doubtful expenditure was pointed out in April 2014. The management furnished no reply.

In the DAC meeting held in Feb 2015, the management stated that tender was floated through Information Department Abbottabad and four bidders applied with different profile. The contract awarded to the lowest contractor was not more than Rs.9 million which was meant only for M&R work. Audit held that the reply of University's management further strengthens the stand of audit as against a total cost of Rs.9.92 million the contractor was illegally benefited by making him to continue the work upto Rs.51.992 million. DAC decided to place the para before PAC.

Audit recommends to conduct inquiry, fix responsibility and recover the amount from the person(s) at fault.

APs 273&274 (2012-13)

4.4.29 Doubtful expenditure on purchase of equipments – Rs.22.21 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 subordinates.

During the financial 2013-14, in the University of Engineering & Technology Peshawar, it was noticed that an amount of Rs.22.21 million was expended on the procurement of WUFU equipments vide voucher No.10 dated 04.10.2013. However, the equipments were neither taken on the relevant stock register nor were shown as assets in the balance sheet, except the copy of invoice which was pasted in a register. This makes the whole expenditure doubtful.

The record further showed that Manager I.T was found guilty of taking money of Rs.1.12 million in the said purchase and was suspended. A formal inquiry was ordered which further strengthened the contention of audit that the procurement process and the expenditure was doubtful.

Audit held that procurement was required to have been made in the most transparent manner under the supervision of high level procurement committee and in accordance with the rules, procedure and statutes of the university, however, this was not done.

The doubtful expenditure was pointed out in Dec, 2014. The management stated that case is properly being investigated by inquiry committee and report will be communicated to audit.

Audit requested the university management for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends that a high level inquiry committee be constituted to probe into the case, fix responsibility and recover the amount.

AP 448 (2013-14)

4.4.30 Irregular payment on account of pay and allowances of staff appointed without advertisement – Rs.8.15 million

According to para 10 of GFR Vol-I, each officer is expected to incur expenditure from public money in a manner as a person of ordinary prudence would spend from his own pocket. Public money should be spent more carefully and economically in the public interest.

During the financial year 2012-13, in the University of Malakand, it was noticed that staff (Director of Works PBS-19 and lecturer BPS-18) were appointed during the year and were paid Rs.8.15 million on account of pay and allowances. The appointments were required to have been made after advertising the posts which was not done and direct recruitment was made without fulfilling the codal formalities. The expenditure of Rs.8.147 million so incurred is held irregular and needs justification.

The irregular payment was made due to weak internal controls.

The irregularity was pointed out in Feb, 2014. The management replied that the posts have already been advertised for regular appointments.

In the DAC meeting held in May, 2014, the department replied that in the light of observation the same was placed before the syndicate for condonation in its 21st meeting held on 28.06.2014. Th syndicate granted condonation for the renewals granted so far and authorized the VC for renewing the contractual appointments made as per laid down procedure, till the arrival of the permanent appointees against the respective posts. DAC did not agree and directed that powers of VC regarding appointments without advertisement to be produced. No progress was intimated till finalization of this report.

Audit recommends to explain its position before the PAC.

AP 261 (2012-13)

4.4.31 Non-production of auditable record of Jalozai Campus

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 the financial year 2013-14, in the University of Engineering and Technology, Peshawar, it was noticed that all record relating to Jalozai campus, regarding developmental, non developmental, consultancy, details pertaining to human resource requirements, its utilization, and employment record etc at the time of audit was in the custody of Prime Minister Inspection Team Islamabad.

The University of Engineering and Technology Management was requested to provide the record for audit scrutiny, as and when received from inspection team of the Prime Minister. The authority was also requested to provide fact finding report of the inspection team, but till the date of audit i.e. Dec, 2014, the said record was not produced to audit.

When pointed out in Dec, 2014, the management replied that record was in Islamabad.

Audit requested the university management repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, submit report of the Prime Minister Inspection team to Audit and PAC and show action taken as per the recommendations of Inspection Team Report.

AP 433 (2013-14)

4.4.32 Non-production of auditable record - Rs.3.50 million

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 the financial year 2012-13, in the University of Peshawar, it was noticed that an amount of Rs.3.50 million was released to the Chemistry Department for contingent activities. The auditable record was time and again demanded from the Director concerned but not produced, therefore, the record

remained unaudited. It was reportedly known that there was embezzlement case of millions of rupees but record was not produced to ascertain the factual position. It is worthy to note that to physics, geology, English & zoology department only Rs.50,000 or no release was made while Rs.3.50 million released to the Chemistry Department.

The irregularity was reported to the management in June, 2014. The management replied that the amount was released for contingency and purchase of chemicals and glass wares. The record was handed over to the fact finding committee in respect of an embezzlement case.

In the DAC meeting held in June 2015, the department repeated the previous reply. DAC did not agree and directed that the record may be provided to audit as and when received from NAB after investigation is completed. No further action has been reported till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and recover the amount.

AP 560(2012-13)

Chapter – 5

Environment Department

5.1 Introduction

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

- ❖ Implementation of environmental policies
- ❖ Environment Planning
- ❖ Maintenance of Government owned forests
- ❖ Conservation of forests and wild lives
- ❖ Protection of fish ponds

5.2 Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2014-15 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	1,651,896,000	140	1,651,896,140	1,488,584,704	-163,311,436
22-Forestry (Wild Life)	NC21	339,596,000	24,016,000	363,612,000	330,664,420	-32,947,580
Total		1,991,492,000	24,016,140	2,015,508,140	1,819,249,124	-196,259,016

Development

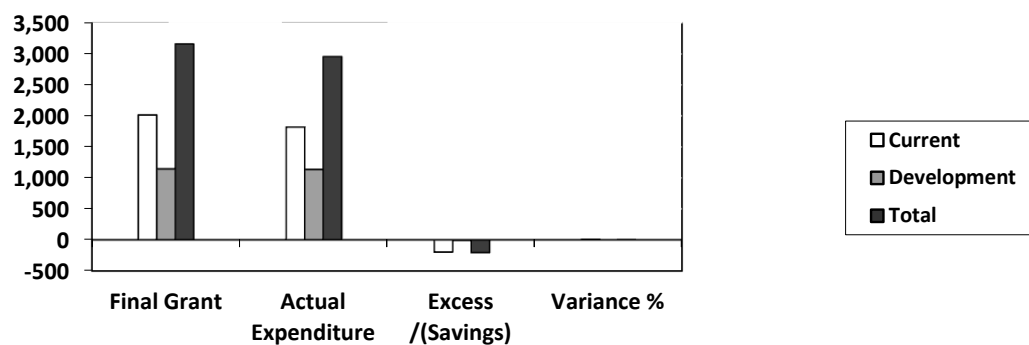
(Rs.)

Grant # 50 (Prov) NC 12 and Name of Department	Grant Type	Original Grant	Supplementary Grant/Re-appropriation	Final Grant	Total Actual Expenditure	Excess / (Savings)
Environment	NC22	33,340,000	10	25,167,010	25,317,144	150,144
Forestry	NC22	891,114,000	20	1,047,549,020	1,039,710,218	-7,838,802
Forestry	NC12	123,886,000	0	72,829,000	72,792,978	-36,022
Total		1,048,340,000	30	1,145,545,030	1,137,820,340	-7,724,680

Overview of expenditure against the final grant

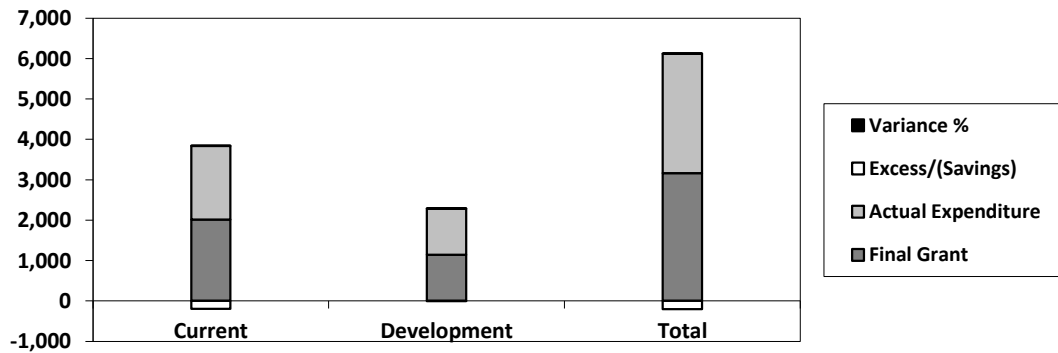
(Rs. In million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	2,015.508	1,819.249	-196.259	9.74
Development	1,145.545	1,137.820	-7.725	0.67
Total	3,161.053	2,957.069	-203.984	6.45



Anticipated savings were not surrendered and lapsed

Para 95 of GFR Vol I states that all anticipated saving should be surrendered immediately but not later than 30th June of each year in any case. The rule operates to enable government to be informed of expected savings in time to allow it to divert funding to where ever needed and to remain abreast of changes in circumstances that necessitate the change in pattern of expenditure and address the situation. In contravention, the Environment Department administering the above grant did not surrender anticipated savings of Rs.203.984 million thus preventing the government from utilizing the funds elsewhere and the considerable amount lapsed. The position of savings as well as percentage variance is shown in the following graphs.



5.3 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	Environment	31	-	19	12
2.	2002-03	-do-	10	-	09	01
3.	2003-04	-do-	12	-	07	05
4.	2004-05	-do-	29	-	10	19
5.	2005-06	-do-	18	-	07	11
6.	2007-08	-do-	07	-	03	04
7.	2008-09	-do-	09	-	03	06
8.	2009-10	-do-	10	-	04	06
9.	2010-11	-do-	22	-	12	10
10.	2011-12	-do-	03	-	01	02
11.	2012-13	-do-	05	-	01	04

5.4 Audit Paras

5.4.1 Suspected misappropriation of timber valuing Rs.17.47 million

According to Sub Section 4 of section 26, 23 and 45 of NWFP Forest Ordinance 2002, when an offence is established then apart from fines and sentences awarded by the court, all forest produce, tools, implements, carriages, including mechanically propelled vehicles, pack animals, sawing unit, chain saw, arms, ammunitions and other equipments and conveyances used in the commission of a forest offence shall stand confiscated in favour of government in addition to the punishment awarded under this section.

During the financial year 2012-13, in the office of Divisional Forest Officer, Chitral, it was noticed that a number of court cases were decided in favour of the Government and the culprits were fined by the court. Similarly, the case property was also decided to be confiscated towards Government. However, the case property valuing Rs.16.00 million was not taken on the relevant timber record.

In some other cases it was found that timber valuing 1.47 million was further misappropriated due to tempering in the available record, incorrect brought forward of balances and incorrect stock entries in the timber record.

Audit held that the confiscated timbers were required to have been properly accounted for and that the tempering in record was required to have been inquired into which was not done.

Misappropriation was pointed out in March 2014. The management stated that detailed reply will be submitted later on.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry, fix responsibility and recover the amount from the person(s) concerned.

AP s 266&271 (2012-13)

5.4.2 Suspected misappropriation in expenditure incurred on daily wages labour in mega project - Rs.4.10 million

The labor should be allowed as per Pakistan Engineering Council (PEC) bidding documents with labor component is 10% of the contract price

notified by the Works & Services Department vide letter No.SOG/W&S/11-29/2005 dated 02-01-2009, Para F-4 addressed to all administrative secretaries for information and compliance.

During the financial year 2014-15 in the office of Divisional Forest Officer, Mardan, it was noticed that funds to the tune of Rs.4.36 million were provided under Mega project to the local office. On scrutiny of record, it was revealed that Rs.4.10 million was shown drawn on muster roll on account of daily wages labour, which is 94.10% of the total expenditure under this project.

In the presence of all types of machinery and equipments and other modern technology, the ratio of the unskilled labour was required upto 10%, but it was enhanced to 94.10%, which is unrealistic. This shows that only Rs.257,400 was incurred on other activities.

Similarly under “Billion Trees Project” a sum of Rs.43.55 million was placed at the disposal of local office. On verification, it was observed that an amount of Rs.21.22 million was shown incurred on daily wage labour, which is 48.72% of the allocated budget, whereas the balance budget of Rs.22.33 million was utilized on the establishment of youth nurseries in private sector and plantation. The huge expenditure on daily wage labour was made in violation of rules.

The lapse occurred due to mismanagement and lack of planning.

The matter was reported to the management in December 2015. The management stated that detailed reply will be given after consulting the record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends that detailed investigation be carried out and procedure be devised to avoid such type of expenditure in future.

AP 139(2014-15)

5.4.3 Misappropriation on account of less deposit of auction money of timber - Rs.1.20 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 subordinates.

During the financial year 2014-15, in the office of Divisional Forest Officer Mardan, it was noticed that 132 transport permits were issued to various contractors on account of transportation of different species auctioned.

Actually realized receipts and taxes were Rs.5.99 million while Divisional Office deposited Rs.4.79 million, thus there was less deposit of Rs.1.20 million into the Government treasury and seems to have been misappropriated.

S.No	Amount Calculated by Audit (Rs)	Shown Deposit by the Office (Rs)	Difference (Rs)
1	1/4 th Value of Auction 1,921,681	1,572,000	349,681
2	20% FDF on Sale Value 1,537,345	1,307,519	229,826
3	5%FDF Per CFT 384,336	149,992	235,344
4	10% Income Tax 768,672	642,826	125,846
5	17% Sales Tax 1,306,743	1,123,102	183,641
6	1% Stamp Duty 76,867	0	76,867
Total	5,995,644	4,795,439	1,201,205

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

The matter was reported to the management in December 2015. The management replied that action will be taken accordingly.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry, fix responsibility and recover the amount.

AP 144(2014-15)

5.4.4 Loss due to payment of royalty by FDC at lesser rates - Rs. 65.01 million

According to para 28 of GFR Vol-I, no amount due to government should be left outstanding without sufficient reasons, and orders for irrecoverable amount must be sought from the competent authority.

During the financial year 2013-14, in the office of DFO Kalam, it was noticed that FDC has transported a quantity of 89,132 cft timber of various

species from Forests to timber market pertaining to five different lots. In return a meager amount of Rs.19.66 million for three lots was paid to DFO without details of per cft cost of timber while the payment of two lots was not paid. The per cft rate of the paid amount was found to be much lower as compared to market rate as by calculating the amount on minimum market rate of Rs.950 per cft FDC was required to pay Rs.84.67 million (89,132 cft @ Rs. 950 p.cft) as such Rs. 65.01 million was less paid.(Rs. 84.67 million – Rs. 19.66 million)

Audit held that payment was required to have been recovered from FDC which was not done.

Loss due to non recovery occurred due to weak internal controls.

Loss was pointed out in Oct, 2014, wherein the management stated that FDC has been asked to pay the amount.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and recover the amount from FDC.

AP 10 (2013-14)

5.4.5 Loss due to auction of timber on lesser rate – Rs.18.27 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 subordinates.

During the financial year 2014-15, in the office of Divisional Forest Officer, Mardan, it was noticed that Shesham Wood/ Timber was auctioned on different dates on lesser rates as compared to the rate approved vide Government of KPK, Environment Department notification No.SO(Tech)/ED/V-105/2013/Vol:VIII dated 24-01-2014. The reserve rates approved for shesham was Rs.1,800 per CFT. The sale of timber at lesser rate resulted into a loss of Rs.18.27 million.

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

The matter was reported to the management in December 2015. The management stated that detailed reply will be given after consulting the record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to carry out investigation and recover the loss besides fixing responsibility against the person(s) at fault.

AP 01(2014-15)

5.4.6 Loss due to auction of timber on lesser rates - Rs.16.76 million

According to para 23 of GFR Vol-I, every government officer will personally be responsible for any loss to Government either through his own willful fault or negligence or any of his subordinates. A complaint of Muhammad Rasool and all the members of timber contractors of district Mardan, Charsadda, and Swabi addressed to Director Anti Corruption Establishment, Khyber Pakhtunkhwa regarding auction of timber on lesser rates.

During the financial year 2014-15, in the office of Divisional Forest Officer, Mardan, it was noticed that Anti Corruption Team Mardan visited the local office for investigation of the complaint lodged by Muhammad Rasool. Accordingly, audit also examined the complaint and verified the relevant record. As a result of verification of record, it was disclosed that various species were auctioned on 18.11.2011 on higher rates, and the auction documents were submitted for approval to the Conservator Forest Department, the successful bidders were required to deposit the balance amount as per approved criteria, but due to unknown reasons, no one deposited the amount in the specified period. The contractor's bid securities were forfeited.

The timber was re-auctioned on 13.12.2011 on lesser rates, which resulted into a loss of Rs.16.76 million to public exchequer.

The lapse occurred due to mismanagement and weak internal controls.

The matter was reported to the management in December 2015. The management stated that detailed reply will be furnished after verification of record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to recover the amount besides fixing responsibility against the person(s) at fault.

AP 02(2014-15)

5.4.7 Loss to public exchequer due to fixing the reserve price less than market - Rs.5.13 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 subordinates.

During the financial year 2014-15, in the office of DFO Siran Mansehra, it was noticed that reserve price for timber sale was fixed very less than the market price and the government exchequer was put to a heavy loss of Rs.5.13 million. The local office in consultation with conservator office fixed a nominal price for valuable timber and the contract for sale of timber was awarded on lesser rate than the market price. It is pertinent to mention that the market rate taken as yard stick for calculating the above mentioned loss is also less than the Compounding rate (CC) of Forest Department. Thus the public exchequer was put to a loss of Rs.5.13 million.

Undue favor was extended to the contractor at the cost of the public property.

When reported to the management in Dec, 2015, it was stated that detailed reply will be furnished after consultation of record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and recover the loss from the person(s) at fault.

AP 90(2014-15)

5.4.8 Loss due to non-recovery of prohibitive duty on compensation cases Rs.3.42 million

According to letter of the Secretary Government of Khyber Pakhtunkhwa Environment Department No.SO(Tech)/ED/V-105/2006/Vol-III dated 20.06.2011, Rs.400 per cft should be recovered as duty on prohibited timber.

During the financial year 2013-14, in the office of DFO Agror Tanawal Forest Division Mansehra, it was noticed that prohibitive duty @ 400 per cft on forest produce in compensation cases of various forest ranges was not

recovered. The fine in all these compensation cases was charged and categorized as “possession of converted timber for sale” as per Forest Act, Appendix-II, compensation for forest offences and value of case property rules 2004, but duty amounting to Rs.3.42 million was not recovered from offenders, which resulted into loss to the stated extent.

Loss was pointed out in May, 2015. The management stated that detailed reply will be furnished after consultation of original record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends that recovery may be made from the person(s) responsible.

AP 468 (2013-14)

5.4.9 Loss due to payment of rent of land at higher rate – Rs.3.06 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 subordinates.

During the financial year 2014-15, in the office of DFO Swat, it was noticed that private land was hired for department nurseries under the billion tree tsunami project in Khyber Pakhtunkhwa. It was however, observed that higher rate of Rs.10,000 and Rs.15,000 per kanal was paid as compared to Rs.6,000 per kanal provided in the PCI of the project resulting into loss of Rs.3.06 million to the public exchequer.

Audit held that land was required to have been hired on the rates as prescribed in the PC-I which was not considered resulting into loss to the public exchequer.

Loss was pointed out in Jan, 2016. The management replied that the rate was approved by the project management committee. Reply was not correct because rate of PCI should have been followed.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and recover the loss from the person(s) responsible.

AP 110 (2014-15)

5.4.10 Loss to government due to non recovery of prohibitive duty on compensation cases - Rs.2.68 million

According to letter of the Secretary Government of Khyber Pakhtunkhwa Environment Department No.SO(Tech)/ED/V-105/2006/Vol. VIII dated 20.6.11 Rs.400/- per cft should be recovered as duty on prohibited timber.

During the financial year 2014-15, in the office of DFO Siran Mansehera, it was noticed that prohibitive duty @ 400 per cft on forest produce in compensation cases was not recovered. The fine charged in all these Compensation cases had been categorized “Possession of converted timber for sale” as per Forest Act, Appendix-II compensation for forest offences and value of case property rules 2004. The fines charged were categorized as prohibitive timber however; prohibitive duty was not recovered as per detail below:

Sub division	Upper Siran	Hilkot	Mansehra	Lower Mansehra	Total
CFT	914.27	961	903.61	3,914.61	6,693.49

The local office let off the smugglers and forest offenders on charging the compensation value only. However, the government orders were violated as prohibitive duty associated with the compensation cases for Possession of converted timber for sale was not recovered, which put the public exchequer into a loss of Rs.2.68 million (6693.49 Cft* 400/cft).

When pointed out in Dec, 2015, it was stated that detailed reply will be furnished after consultation of original record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends fixing of responsibility and recovering the loss.

AP 86 (2014-15)

5.4.11 Loss to the public exchequer due to misappropriation of government money - Rs.2.47 million

According to paras 23 and 26 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 subordinates. 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.

During the financial year 2014-15, in the office of DFO Siran Mansehra, it was noticed that contract agreements were made with the general public (growers/owners of land) for raising youth nurseries in the project "Billion Trees Tsunami Afforestation". First installment for soil preparation was paid @ Rs.25,000 per nursery in April, 2015 to the growers of the youth nursery for Rs.2.47 million. However, 2nd installment for plantation was not paid to them till Dec 2015, due to failure in the soil preparation for nurseries in the first phase. Thus Rs.2.47 million is a loss to the government. Audit holds that failure of the nursery growers in the 1st phase is because of weak assessment and lack of interest of the management or owners in the project activities. It is pertinent to mention that third party validation report was made by the monitoring team but the report was not provided to audit.

The lapse occurred due to extending undue benefit to the youth at the cost of Government and lack of interest of the management.

When pointed out in Dec, 2015, it was replied that efforts are made to recover the government money from the defaulters and detailed reply will be furnished later on.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends that in similar nature cases conduct inquiry, fix responsibility and recover the amount besides streamlining the procedure of establishment of youth nurseries.

AP 88 (2014-15)

5.4.12 Loss due to non establishment of youth nurseries – R .2.16 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 subordinates.

During the financial year 2014-15, in the office of Divisional Forest Officer, Mardan, it was noticed that 1st installment (1/4th of the total value) was released to 128 private/youth nurseries. The second installment was conditioned to the satisfactory, healthy position of the nursery. On verification, it was observed that 2nd installment was paid to 86 out of 128 persons, and the remaining 42 persons failed to establish youth nurseries in their respective areas. There were 8 other such persons whose names were included in the list of those who were granted 2nd installment, but were not found in the list for 1st installment. Due to failure of 42 persons in establishing youth nurseries, the government sustained a loss of Rs.2.16 million.

The Provincial/departmental monitoring teams did not perform their duties efficiently. The payment of first and second installment, without verifying existence of nurseries, resulted into loss of Rs.2.16 million, which needs to be recovered from the person(s) concerned or SDFO.

The lapse occurred due to mismanagement and lack of internal controls.

The matter was reported to the management in December 2015. The management replied that action will be taken accordingly.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter through out the province and recover the loss besides fixing responsibility against the person(s) at fault.

AP 141 (2014-15)

5.4.13 Overpayment on account of higher rate of daily labour - Rs.5.32 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 subordinates.

During the financial year 2014-15, in the office of Divisional Forest Officer, Mardan, it was noticed that budget under the object “hiring of daily wage labour” was provided in current budget, Railway Track Project, MEGA

Project and Billion Trees Project. On scrutiny of record, it was observed that daily wage labours were engaged and charged to Current budget, Railway Track/ MEGA Projects at the rate of Rs.300 per day, whereas in the Billion Trees Project, the labours were shown paid at Rs.400 per day in the same locality, which resulted into a loss of Rs.100 per day per person. By doing so, 53162 labours were paid an excess amount of Rs.5.32 million during the year.

The lapse occurred due to mismanagement and weak internal controls.

When pointed out in Dec, 2015, it was replied that the provision of Rs.400 is available in the PC-I of the project. Audit is of the opinion that the provision is no justification for payment in excess of rate of Rs.300 per day for unskilled labour approved by Chief Conservator Forest Department in other projects in the same locality.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry, fix responsibility besides recovery from the person(s) responsible.

AP 138 (2014-15)

5.4.14 Non-recovery of outstanding government dues from FDC – Rs.18.88 million

According to para 26 of GFR Vol-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.

During the financial year 2014-15, in the office of DFO Dir Kohistan at Shiringal, it was noticed that penalty amounting to Rs.18.887 million was imposed on two FDC lots, detail as under:-

Lot No.	Amount (Rs. in million)
87/M	1.59
616/M	17.29
Total	18.88

The record further revealed that no efforts were made by the concerned DFO for the recovery of outstanding dues of Rs.18.88 million.

Non-recovery was due to non-adherence to rules and weak internal financial controls.

The matter was pointed out in Oct, 2015. The management furnished no reply.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to accelerate efforts for early recovery and deposit the amount in Government Treasury.

AP 46 (2014-15)

5.4.15 Non recovery of outstanding dues from FDC-Rs. 3.96 million

According to para 28 of GFR Vol-I, no amount due to government should be left outstanding without sufficient reasons and order for irrecoverable sum must be sought from the competent authority.

During the financial year 2013-14, in the office of DFO Kalam, it was noticed that FDC has harvested trees of various lots, obtained timber and transported to market for sale. The record showed that Rs. 3.96 million was outstanding recoverables against the FDC on account of 40 % Government share, duty on timber, extension fee and fine etc for which strenuous efforts were not made.

Audit held that the outstanding amount was required to have been recovered from FDC which was not done.

Non-recovery of outstanding dues occurred due to weak internal controls.

Non-recovery was pointed out in October 2014, wherein the management stated that FDC has been asked to pay the amount.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to recover the amount from FDC.

AP 18 (2013-14)

5.4.16 Unauthorized expenditure on purchase of plants – Rs.13.44 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 subordinates.

During the financial year 2014-15, in the office of DFO Swat, it was noticed that an amount of Rs.13.44 million was spent on the purchase of large size plants from Adam Diyar Nursery Odigram in violation of PC-I wherein no provision for such type of plants was made. Similarly the competent authority has not released any amount for this purpose which shows that the powers of the cheque drawing authority were misused. Therefore, the amount of Rs.13.44 million, so spent was unauthorized.

It was noticed that in the PC-I uniform rate of Rs.15 per plant (that too was not provided for large size plants) was provided while the supplier was paid higher rates which resulted into loss of Rs.3.76 million to the public exchequer. No specific area was shown where the plants were planted to verify its existence and plantation.

Audit held that proper size of plants in the light of provisions of PC-I, and according to released funds was required to have been purchased and properly shown in the statement of excess/surrender.

Unauthorized expenditure was pointed out in Jan, 2016. The management replied that the provision of purchase of large size plants available in the approved PC-I and the purchases were made as per comparative statement. Audit disagree with reply.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and take appropriate action.

AP 107 (2014-15)

5.4.17 Unauthorized payment on account of reward from receipts to the field staff – Rs.1.51 million

According to rule 7 (i) of FTR Vol-I, all moneys received by or tendered to government officers on account of the revenues of the provincial government shall without undue delay be paid in full into a treasury or into the bank. Moneys received as aforesaid shall not be appropriated to meet departmental expenditure not otherwise kept apart from the provincial consolidated fund of the provincial government.

During the financial year 2014-15, in the office of DFO Swat, it was noticed that the local office paid Rs.1.51 million as reward from compensation cases to their staff on the rate as usually paid in routine i.e. 25% of the recovered amount from the forest offenders which is violation of the above rules. Thus unauthorized payment of reward amounting to Rs.1.51 million be recovered from the quarter concerned.

Audit held that expenditure from the receipts is unauthorized.

The irregularity was pointed out in Jan, 2016. The management furnished no reply.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to recover the unauthorized payment besides stoppage of this practice in future.

APs 123&124 (2014-15)

5.4.18 Unauthorized expenditure on account of maintenance of existing nurseries – Rs.1.08 million

According to paras 10 & 23 of GFR Vol-I, each government officer is expected to incur expenditure from public money in a manner as a person of ordinarily prudence would spend from his own pocket. Public money should be spent more carefully and economically in the public interest. 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 financial year 2013-14, in the office of Divisional Forest Officer Kunhar Watershed Division Mansehra, it was noticed that in the ADP scheme “integrated watershed management for the uplands of KP” Rs.100,000 was provided for the maintenance of existing nursery as per revised physical and financial target/plan duly approved by the Chief Conservator of Forest North Region-II, Abbottabad and communicated for strict compliance. Contrary to the above, the local office spent Rs.1.08 million on the maintenance of existing nursery. Audit holds that the Chief Conservator of Forest North Region-II, being head of the division had approved the revised target for physical activities with regard to the financial allocation, thus incurrence of expenditure over and above the revised financial target is unjustified and unauthorized.

The lapse occurred due to weak financial controls.

The irregularity was pointed out in May 2015. The management stated that detailed reply will be furnished after consultation of original record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry and fix responsibility against the person(s) responsible.

AP 410 (2013-14)

5.4.19 Blockage of public money - Rs.33.56 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 subordinates.

During the financial year 2013-14, in the office of Divisional Forest Officer Siran Mansehra, it was noticed that number of damaged reports were entered and cases were shifted to prosecution for decision. The confiscated timber and other items valuing Rs.33.56 million were issued on superdaris to various persons. Audit hold that the offenders shifted the cases to the prosecution instead of compounding the cases but the local office handed over the confiscated timbers and other valuable items on superdari. Audit further pointed out that there is no approved criteria and basis of superdari on which the valuable public assets are handed over to the people and in general it was required that the confiscated items shall be retained in the Forest Department

custody unless and until decision of the court is arrived. Efforts need to be made for early decision of the cases from court as huge value of government timber is involved in the prosecution cases.

(Rs. in million)

Name of sub division	Maneshra	Lower siran	Hilkot	Upper siran	Total
Value of confiscated material (Rs.)	781,738	4,895,426	11,796,279	16,104,069	33.56

Blockage of money was due to weak internal controls.

When pointed out in Dec, 2015, the management stated that detailed reply will be furnished after consultation of record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry, expedite the cases and evolve procedure for dealing with supardari cases.

AP 91 (2014-15)

5.4.20 Short deposit of government receipts - Rs.1.92 million

According to paras 23 & 26 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 subordinates. 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.

During the financial year 2014-15, in the office of DFO Siran Maneshra, it was noticed that Rs.4.09 million was realized on account of compensation of forest produce and vehicle/tool cases. The reconciled receipt statement of the local office revealed that Rs.2.18 million were deposited in the government treasury instead of Rs.4.09 million, thus resulting into short deposit of Rs.1.92 million.

The lapse occurred due to weak internal controls.

When pointed out in Dec, 2015, it was stated by the management that detailed reply will be furnished after consultation of record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to deposit the remaining receipt into government treasury.

AP 85 (2014-15)

5.4.21 Doubtful expenditure on the construction of fish ponds – Rs.21.29 million

Revised PC-I for “promotion of farm fisheries in Khyber Pakhtunkhwa” was approved for a total cost of Rs.30.948 million by DDWP in its meeting held on 17.02.2014 under the project titled “fish farming will be established in district Charsadda, Peshawar, Nowshera and Swabi (page-14), criteria for selection of fish farm will be: -

- i. All the sites for the establishment of fish ponds will be identified by respective Assistant Director.
- ii. Site having source of water channel, tube well, electricity.
- iii. Site having no dispute.
- iv. Site having accessibility.

During the financial year 2013-14, in the office of Director Fisheries Khyber Pakhtunkhwa, it was noticed that an expenditure of Rs.21.29 million was incurred on the construction of 29 fish ponds through On Farm Water Management Department. The record revealed that in all cases, contract agreements were executed after the completion of work, which show that the agreements were just executed as a formality. In some cases sites of the ponds were changed without obtaining approval from the competent authority. Similarly, security deposits in all cases were not obtained from the farmers. This state of affairs indicates that the entire expenditure was doubtful.

Audit held that the expenditure was required to have been incurred on the works before completing the aforementioned formalities, which were not done in all cases.

The lapse occurred due to mismanagement and lack of internal controls.

Doubtful expenditure was pointed out in Jan, 2015. The management stated that detailed reply will be furnished later on.

In the DAC meeting held in Dec, 2015, the department replied that initially feasible sites were selected by the committee of fisheries department with specific parameters, which were later on found in-appropriate by the joint team of both the departments. DAC did not agree and decided to conduct inquiry and report may be submitted to audit. No further progress was intimated till finalization of this report.

Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault.

APs 83,84,85,&95 (2013-14)

5.4.22 Wasteful expenditure due to non-establishment of private nurseries – Rs.4.91 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 subordinates.

During the financial year 2014-15, in the office of DFO Swat the project of “billion trees tsunami afforestation project in Khyber Pakhtunkhwa” revealed that for the establishment of private nurseries by different persons a sum of Rs.4.91 million was paid as 25% advance of the total cost of the scheme. But after expiry of the reasonable time no progress was shown till date of audit. The advance payments were made without any guarantee. Thus wasteful expenditure incurred.

Proper record was not maintained for each nursery to verify its physical existence and compare it with the financial utilization and targets.

Wasteful expenditure was pointed out in Jan, 2016. The management replied that according to the provision of approved PC-I, private nurseries will be raised. On identification and nomination of local community organization of target communities nursery units will be allotted to youth. The expenditure incurred on raising of plants will be paid to the nursery growers through cross cheque. The payment will be made in three installments. 25% will be paid as mobilization advance for the purchase of polythene bags, seed and initial

activities, 25% after three months based on physical monitoring and finally 50% on receipt of plants from the nursery during next phase. In Swat Forest Division specified agreement has been executed with the nursery growers through active involvements of local organization. The expenditure incurred on private nursery growers in the shape of 25% mobilization advance (1st installment). However, rest of two installments are due according to the provision of PC-I, but due to non release of funds the two installments not paid till 30.06.2015. Audit did not agree with the reply as till date of audit i.e. Jan, 2016 the last two installments not paid. Thus the expenditure already incurred was wasteful.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends that detailed investigation be carried out to ascertain the factual position and take appropriate action against the person(s) at fault.

AP 117 (2014-15)

Chapter – 6

Food Department

6.1 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.
- ❖ Service matters, except those entrusted to the Establishment and Administration Department.

6.2 Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

A summary of the grants/appropriation allocated to Food Department and expenditure by the department in FY 2014-15 is given below:

Non Development

(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/ (Savings)
35-Subsidies	NC21	2,714,900,000	0	2,714,900,000	2,714,900,000	0
49-State Trading in Food Grain & Sugar	NC11	85,413,719,000	80	85,413,719,080	14,712,978,673	-70,700,740,407
	NC14	1,100,000,000	0	1,100,000,000	41,241,160	-1,058,758,840
Total		89,228,619,000	80	89,228,619,080	17,469,119,833	-71,759,499,247

Development

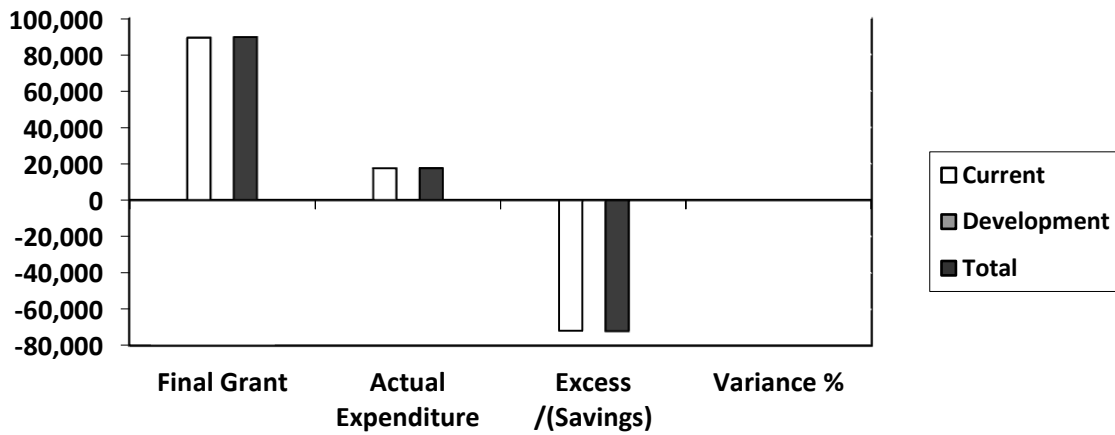
(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/ (Savings)
Food (Wheat)	NC22	6,043,000	0	6,043,000	2,102,328	-3,940,672
041401-Food (Wheat)	NC 12	494,957,000	0	362,820,000	108,965,504	-253,854,496
Total		501,000,000	0	368,863,000	111,067,832	-257,795,168

Overview of Expenditure against the Final Grant

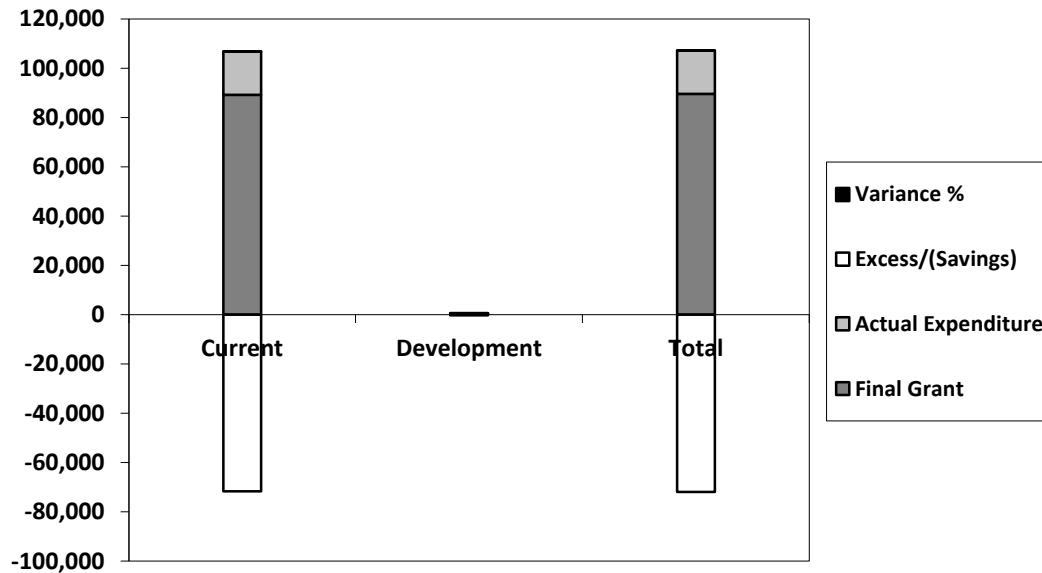
(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	89,228.619	17,469.120	-71,759.499	80.42
Development	368.863	111.068	-257.795	69.89
Total	89,597.482	17,580.188	-72,017.294	80.38



Anticipated savings were not surrendered and lapsed

Para 95 of GFR Vol I states that all anticipated saving should be surrendered immediately but not later than 30th June of each year in any case. The rule operates to enable government to be informed of expected savings in time to allow it to divert funding to where ever needed and to remain abreast of changes in circumstances that necessitate the change in pattern of expenditure and address the situation. In contravention, the Food Department administering the above grant did not surrender anticipated savings of Rs.72,017.294 million thus preventing the government from utilizing the funds elsewhere and the considerable amount lapsed. The position of savings as well as percentage variance is shown in the following graphs.



6.3 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	Food	21	-	12	09
2.	2002-03	-do-	12	-	07	05
3.	2003-04	-do-	02	-	-	02
4.	2004-05	-do-	11	-	08	03
5.	2005-06	-do	02	-	-	02
6.	2007-08	-do-	05	-	04	01
7.	2008-09	-do-	10	-	08	02
8.	2009-10	-do-	15	-	10	05
9.	2010-11	-do-	40	-	12	28
10.	2011-12	-do-	12	-	08	04
11.	2012-13	-do-	06	-	01	05

6.4 Audit Paras

6.4.1 Expected loss due to unnecessary retention of stock of wheat-Rs.1,038 million

According to paras 23 & 145 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 any other subordinates. Purchases must be made in the most economical manner in accordance with the definite requirements of the public services. Care should be taken not to purchase store much in advance of actual requirements.

During the financial year 2014-15, in the office of Storage & Enforcement Officer Peshawar , it was noticed that there were different blocks having 44 stores wherein a quantity of 42764 M. Ton wheat valuing Rs. 1,479 million (42,764 @ Rs. 34,600 per ton) was stored as on 22.09.2015. During 2014-15 only 12,395 M.Ton wheat was sold and issued to different flour mills. This transpired that during the coming financial year 2015-16 more or less to the same quantity of 12,764 M. Ton will be required. Thus quantity of 30,000 M. ton (42,764 MT – 12,764 MT) valuing Rs.1,038 million is not urgently required for issuance in the next year and there are likely chances that the Government stock will lose its value and will ultimately be a loss to the public exchequer.

Audit held that the procurement was required to have been made according to the actual requirements of the District, keeping in view the annual requirements which in the instant case was not made and unnecessary and excessive procurement was made.

Loss occurred due to unnecessary procurement, non-adherence to rules and procedure and weak internal controls.

The irregularity was pointed out in September 2015. The management stated that reply will be furnished later on.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and to streamline the system of procurement of wheat in such a transparent manner that the chances of blockage of money and damage of Government stock could be minimized.

AP 59 (2014-15)

6.4.2 Loss due to supply of defective wheat – Rs. 393.48 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 subordinates.

During the financial year 2014-15, in the office of Storage & Enforcement Officer Peshawar, it was noticed that the contractor has lifted PASSCO wheat dispatched from Mulsi Ahmad Pur, Vehari and some other stations which were received mixed with mud and sand and was not a quality wheat as was reported by the AFC PRC Peshawar to the S&EO Peshawar on 03.12.2013 and also directed the contractor to dispatch quality wheat from the destination. The record however is silent about the replacement or otherwise of wheat. Audit held that recovery or replacement of the mixed wheat was required to have been made from the contractor which was not done. This resulted into an approximate loss of Rs.393.48 million to the public exchequer even if it is presumed that 25% of the wheat was defective.

Loss occurred due to non adherence to the orders issued by the office itself and weak internal controls.

The irregularity was pointed out in September 2015. The management stated that reply will be furnished later on.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and recover the loss.

AP 62(2014-15)

6.4.3 Potential loss to public exchequer due to excess purchase of wheat against covered accommodation – Rs.370.59 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 subordinates.

During the financial year 2012-13, in the office of DFC Haripur, it was revealed from the review of the FG-3 register and other relevant record that the

local office has procured a quantity of 28137.368 MT wheat against the covered storage capacity of only 15500 MT and the balance quantity of 12637 m.tons was stored in open yards. The wheat in open yard was also open to deterioration and potential loss to the public exchequer.

The irregularity was pointed out in November 2013. The management replied that wheat was lying in open but not damaged.

In the DAC meeting held in August 2014, the Department replied that excess wheat was procured to save payment of the extra subsidy and carriage charges etc. DAC did not agree and directed that the record be got verified from audit. The relevant record was verified on 19th October 2015 and verification report was sent to the DFC Haripur with a copy to Administrative Department on 05.11.2015 for submission of record of FG3 and inquiry report on 10.11.2015. DFC Haripur certified that FG-13 register and relevant inquiry file of 9150 EG Bags has been submitted to Food Directorate for onward submission to KPK Ehtisab Bureau.

It has been confirmed by the verification report that there seems to be a potential loss of Rs.370.59 million due to storage of 12,637.37 m.tons wheat in the open which might be deteriorated due to weather.

Audit recommends to investigate the matter , fix responsibility and recover the loss from the person(s) held responsible.

AP 45 (2011-12)

6.4.4 Loss to public exchequer due to un-necessary payment of interest – Rs.221.01 million

According to para 12 of GFR Vol-I, a controlling officer must see not only that the expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended upon object for which the money was provided.

During the financial year 2013-14, in the office of Director Food Khyber Pakhtunkhwa, Peshawar, it was noticed that Food Department Peshawar had a deposit of an amount of Rs.5.00 billion in Account-II with the State Bank of Pakistan. But a loan of Rs.7.57 billion was taken from Bank of Khyber at interest rate of 11.19% p.a. to purchase 500,000 M.Tons wheat from PASSCO. Thus Government paid an interest of Rs.221.01 million, resulted in a loss.

Loss was pointed out in January 2015. The management replied that the arrangement of loan from commercial banks under commodities, operation and finance (COF) is in vogue throughout the country and without this the local wheat procurement is almost impossible which is more beneficial for the government as we have purchased the local wheat @ Rs.30,000 per ton as compared to Rs.38,120 per ton from PASSCO. The irregularity was admitted and nothing was said about the available amount in Account-II maintained in the State Bank of Pakistan Peshawar.

The matter was discussed in the DAC meeting held in July, 2015. DAC directed that record may be got verified from Audit within 30 days. No further progress was intimated till finalization of this report.

Audit recommends to investigate the matter that why the loan obtained when their was huge amount in Account-II. Position be explained before PAC.

AP 34(2013-14)

6.4.5 Loss due to purchase of wheat at higher rate - Rs. 202.08 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 subordinates.

During the financial year 2014-15, in the office of Director Food, Khyber Pakhtunkhwa, it was noticed that two different summaries were submitted to the Chief Minister Khyber Pakhtunkhwa regarding purchase of 100,000 m.tons wheat from PASSCO Punjab and 50,000 m.tons from Food Department Government of Punjab. In two summaries two different rates were inserted, one @ Rs.35,000 per m.ton with cost of bag @ Rs.992 per m.ton from Food Department Punjab with total cost of Rs.35,992 per m.ton. In case of purchase from PASSCO though the cost of wheat was 30,000 per M.Ton but an amount of Rs.8012.78 per M.Ton was included as incidental charges (cost of bag @ Rs.1,111.04 and other incidentals @ Rs.6,901.74 per m.ton) with total cost of Rs.38,012.78 per m.ton. This clearly indicate that on one hand the cost of wheat of Food Department Punjab was higher than the cost of wheat of PASSCO but PASSCO has included higher rate of Empty Gunny Bag and included unnecessary incidentals. The cost of PASSCO wheat was Rs.202.78 per m.tons higher than that of Food Department Punjab. The difference in the paid rate of cost of wheat and higher rate of bag with incidental charges put the provincial exchequer into a loss of Rs.202.08 million. Efforts were required to have been made for the reduction in rates with PASSCO as was done in case of Food Department or the entire quantity was

required to have been purchased from the Food Department Punjab which was not done.

Loss occurred due to non adherence to the provision of rules and weak financial management.

The irregularity was pointed out in August 2015. The management replied that Food Department Punjab was originally not interested to sell wheat to Khyber Pakhtunkhwa during 2014-15. The purchase was materialized on the intervention of Chief Minister Khyber Pakhtunkhwa.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and fix responsibility, besides streamlining the procurement procedure.

AP 6 (2014-15)

6.4.6 Loss due to auction of damaged wheat – Rs.106.85 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 subordinates.

During the financial year 2014-15, Director Food Khyber Pakhtunkhwa floated advertisement for auction of 3053.1 m.tons damaged wheat lying at different sale points of District Chitral. The daily issue quota for District Chitral was 120 m.tons as per Director Food various orders. The opening balance of 2014-15, as on 01.07.2014 was 12,247.918 m.tons with PR to PR receipt of 15,128.447 m.tons, thus making total of 27,376.365 m.ton. Out of which only 11,307.066 m.tons issued to different PR Centers during the year 2014-15, leaving a closing balance of Rs.16,069.299 m.ton. This clearly shows that there was sufficient quantity in the godowns of District Chitral to cater the needs of the year and there was no need of further dispatches. The available balance as on 30.06.2015 is also more than the total wheat issued during 2014-15. Thus audit is of the view that the damaged wheat was the result of unnecessary releases and allocations made during and upto the year ended June 2015.

The loss is due to weak internal controls and excess release of wheat.

Loss was pointed out in August 2015. The management replied that allocation of wheat for Chitral is made not only on demand of the DFC but also by the District administration and public representative as well. Three months reserve stock is also kept to meet emergency needs in case of natural calamity. The damaged stock accumulated for last several years, due to natural calamities and non-provision of proper storage. Audit disagree with the reply and is of the view that damaged wheat is the result of excess allocation than the actual requirements and improper maintenance of godowns.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and streamline the procedure of issuance/receipt of wheat in accordance with the requirements of the people besides proper repair and maintenance of godowns.

AP 17 (2014-15)

6.4.7 Loss due to non-deduction of income tax from suppliers of wheat – Rs.74.35 million

According to clause (a) of sub section (1) of section 153 of the Income Tax Ordinance, 2001 read with Federal Board of Revenue C.No.1(2)WHT/2011 dated 20.01.2011, withholding tax @ 3.5% (now 4%) shall be deductible from a person who is not grower/cultivator of the agricultural produce.

During the financial year 2014-15, the Storage & Enforcement Officer Azakhel Nowshera, locally procured 57192.227 ton wheat from different parties/growers and paid to them an amount of Rs.1,858.75 million by issuing cheques on the Bank of Kbyber without deduction of income tax @ 4%. The non-deduction of income tax resulted into a loss of Rs.74.35 million to public exchequer.

Loss due to non-recovery of income tax occurred due to weak internal controls and non-adherence to rules.

Loss was pointed out in August 2015. The management stated that detailed reply will be furnished later on.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and recover the amount.

AP 37 (2014-15)

6.4.8 Loss due to less realization of cost of wheat-Rs. 68.81 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 subordinates.

During the financial year 2012-13, in the office of DFC Haripur, it was noticed from wheat deposit and issue register FG-3, that during the months of November, December 2012 and February 2013, the purchaser of wheat has deposited Rs.20 million in excess of the actual cost of wheat. The irregularity was pointed out in November 2013 and reported to the department in January 2014. The management stated that the mill owners deposited amount in the treasury but wheat was issued later on.

Audit held that wheat was required to be issued according to the amount deposited by the purchasers however issue of wheat was made in excess of the amount deposited.

Loss due to less deposit of cost of wheat occurred due to non adherence to the rules and procedures and financial mismanagement.

The loss was pointed out in Nov, 2013. The management replied that the floor mills have deposited the amount in treasury but the wheat was issued later on.

In the DAC meeting held in August 2014, the department repeated the previous reply. DAC did not agree and directed that the original Treasury Challans may be got verified from audit. The relevant record was verified on 19th October 2015 and it was found that the purchaser has deposited Rs. 302.35 million against the issuance of wheat valuing Rs. 371.16 million, thus Rs. 68.81 million was less deposited by the purchasers.

Audit recommends to investigate the matter, fix responsibility and recover the amount from the person(s) at fault.

AP 42 (2012-13)

6.4.9 Loss due to payment of interest on loan-Rs.41.24 million

According to Govt. of Khyber Pakhtunkhwa Finance Department letter dated 03.10.2014, the expenditure incurred on purchase of 100000 m.ton wheat from PASSCO will be met from the released Budget Grant under NC 11054 (049) PR 4450 and that the payment will be made out of Food Account-II.

During the financial year 2014-15, in the office of Director Food, Khyber Pakhtunkhwa, it was noticed that during the period from 29.05.2014 to 31.08.2014 an amount of Rs.1843.40 million loans from BOK was obtained at the mark up rate of Rs.10.77% per annum. It was however observed that sufficient balance in the Food Account-II was available as on these dates where from payment could have easily been made. However the facility of loan from commercial bank availed which created further liability of payment of interest of Rs.41.24 million for the period from 09.05.2014 to 08.09.2014 only.

Audit therefore held that obtaining loan was unnecessary as sufficient balance in Food Account-II was available from where these payments could have been made. This resulted into a loss of Rs.41.241 million on account of payment of markup.

Loss occurred due to unnecessary loaning from bank.

The irregularity was pointed out in August 2015. The management replied that the local procurement was carried out by the department on obtaining loans from Commercial banks under COF, a procedure in vogue in the sister provinces and PASSCO, so as to made on spot payment to the growers/parties and that the Chief Minister Khyber Pakhtunkhwa has also approved the summary for procurement of wheat. Reply was not satisfactory because approval was awarded for utilization of amount available in Food Account-II first and then by obtaining loan from the Bank of Khyber.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and streamline the procurement procedure to avoid creating liabilities in the shape of payment of interest.

AP 2 (2014-15)

6.4.10 Loss due to non-lifting of wheat as per quota – Rs.26.74 million

According to normal release of wheat quota policy circulated vide Director Food Khyber Pakhtunkhwa letter No.9844/FG-337/releases dated 26.12.2013, wheat quota of 142 m.tons is uniformly/proportionately be distributed amongst the functional flour mills of DIKhan District.

During the financial year 2013-14, the record of District Food Controller DIKhan revealed that 28400 m.ton wheat costing Rs.994 million was required to be lifted by the 7 Flour Mills of DIKhan District with the ratio of 142 m.ton per day. The flour mills lifted 20170.9 m.ton wheat while a quantity of 8229.1 m.ton wheat was not lifted. Thus the government sustained a loss of Rs.26.74 million (3250 x 8229.1).

The loss occurred due to lack of interest of the concerned staff in the sale of wheat.

The loss was pointed out in January, 2015. The management replied that according to the practice in vogue of the department, the owners of the flour mills are at liberty in lifting the wheat from the government godowns.

In the DAC meeting held in July 2015. The department repeated the previous reply. DAC directed to conduct inquiry and result intimated to audit. No inquiry was reported to audit till finalization of this report.

Audit recommends the compliance of DAC decision and progress be shown to PAC.

AP 10 (2013-14)

6.4.11 Loss due to non deduction of income tax from suppliers of wheat- Rs. 20.90 million

According to clause (a) of sub section (1) of section 153 of the Income Tax Ordinance, 2001 read with Federal Board of Revenue C. No.1 (2) WHT/2011 dated 20.01.2011, withholding tax at the rate of 3.5% (now 4 %)

shall be deductible from a person who is not grower/cultivator of the agricultural produce.

During the financial year 2014-15, in the office of Storage & Enforcement Officer Peshawar, it was noticed that 16,073.49 m.ton wheat procured from different parties/ local growers and Rs. 522.388 million was paid to them by issuing cheques on the Bank of Khyber. Despite clear instructions of the Government, Income Tax @ 4% amounting to Rs. 20.90 million was not deducted from the claims of the suppliers. Non deduction of Income Tax resulted into loss of Rs.20.90 million to the public exchequer.

Loss occurred due to non adherence to the provisions of rules, undue favor to the contractors and weak internal controls.

The irregularity was pointed out in September 2015. The management stated that reply will be furnished later on.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and recover the amount.

AP 61 (2014-15)

6.4.12 Loss due to non forfeiture of call deposit-Rs. 14 million

According to Clause 6 of the guidelines/ procedure and tender form for the transportation of indigenous wheat from Punjab to Khyber Pakhtunkhwa for 2014-15 and Clause-2 of the contract Agreement executed with the contractors, on acceptance of rates, the successful bidders shall have to execute an agreement and provide 10% bank guarantee/ cash security of the freight value within 7 days failing which the earnest money shall stand forfeited in favour of government.

During the financial year 2014-5, in the office of Director Food Khyber Pakhtunkhwa, it was noticed that 14 carriage contractors were awarded contact for the transportation of indigenous wheat from Punjab to different destinations of the province but they failed to deposit bank guarantee/ cash security in light of clauses of the Guidelines of the Tender Form and Contract Agreement. The contactors failed to follow the clauses despite the fact that they have done business for more than Rs.277.33 million, therefore they were liable to be

penalized and call deposit of Rs.1.00 million deposited by each of them was required to have been forfeited toward the government as required under the aforementioned provision of rules, which was not done.

This indicates that on one hand the clauses of the tender form as well as contract agreement were not observed both by the contractors as well as by the local office while on the other hand government was put to sustain a loss of Rs.14 million (1,000,000 x 14) due to non forfeiture of call deposits of the contractors.

Loss due to non forfeiture of call deposits of the carriage contractors occurred due to weak internal controls and non adherence to the rules.

The irregularity was pointed out in August 2015. The management replied that the work order was issued to all concerned District Food Controllers and Storage & Enforcement Officer Peshawar /Azakhel were directed to collect the security @ Rs.10% freight value as a cash security in the name of Director Food Khyber Pakhtunkhwa in shape of call Deposit /TDR. The carriage contractors deposited the cash security where necessary. Reply was not satisfactory as no proof was provided. The office record of S&EO Peshawar & Azakhel shows that no bank guarantee/ security deposited by the carriage contractors.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and fix responsibility.

AP 9(2014-15)

6.4.13 Loss due to non recovery of the effect of decrease in the POL prices - Rs.16.235 million

According to clause 3.2 of the contract agreement executed with the contractors, 50% effect of the increase or decrease but not less than 10%, in the prices of POL will be adjusted and according to para 26 of GFR Vol-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.

During the financial year 2014-15, in the offices of Storage & Enforcement Officer Peshawar and Azakhel Nowshera, it was noticed that contractors were allowed original rate of Rs.3.2101 and Rs.3.2606 per ton per

km respectively on account of transportation of wheat. During the period under report there was almost 30% decrease in the prices of POL and according to clause 3.2 of the contract agreement executed with the contractors, 50% effect of the increase or decrease, but not less than 10%, in the prices of POL would be adjustable, which was not done. This resulted into loss of Rs.16.235 million to the public exchequer.

Audit therefore, held that variation due to decrease in the rates of oil was required to have been adjusted in the rate of transportation and recovered from the contractors, which was not done.

Loss occurred due to non adherence to the provision of clauses of the contract agreement, favor to the contractor and weak internal controls.

The irregularity was pointed out in September 2015. The management stated that reply will be furnished later on.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and recover the excess payment.

AP 39 & 60 (2014-15)

6.4.14 Loss due to shifting of wheat from government store to private mill-Rs.8.33 million

According to paras 151 and 167 of GFR Vol-I, the head of office should take special care for safe custody of store, keeping them in good condition and protecting it from any loss, damage or deterioration.

During the financial year 2014-15, in the office of Storage & Enforcement Officer Peshawar, it was noticed that 350.878 m.ton wheat valuing Rs. 8.33 million was shifted and stored in the private godown of Kaman Gara Flour Mill Peshawar without approval of the competent authority. The shifted wheat was later on damaged/infested and plunged during flood and become un-useable for the human beings, which resulted into loss of Rs.8.33 million to the public exchequer due to an illegal action of the local authority. Neither the stored wheat was recovered from concerned as no committee was constituted for taking action nor was any punishment proposed by the higher

ups for issuance of Government stock to private mill despite the fact that sufficient space was available in the Godown of the local office.

Audit held that loss occurred due to mismanagement and weak internal controls.

The irregularity was pointed out in September 2015. The management stated that reply will be furnished later on.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and recover the loss from the person(s) at fault.

AP 71 (2014-15)

6.4.15 Loss due to non-recovery of renewal fee from contractors – Rs.6.17 million

According to para 26 of GFR Vol-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.

During the financial year 2014-15, in the office of Director Food Khyber Pakhtunkhwa, it was noticed that 178 contractors registered with the Food Department, out of which 104 contractors deposited their registration renewal fee upto 2014-15 while the remaining 74 contractors did not deposited their renewal fee. Thus the government sustained a loss of Rs.6.17 million due to non-recovery of renewal fee. In some cases the contractors failed to deposit the renewal fee for the last 7 years for which no strenuous efforts were made.

The loss occurred due to weak internal controls and non adherence to rules.

The loss was pointed out in August 2015. The management replied that the carriage contractors were directed so many times to renew their registration and now, legal and other notices have been issued to these contractors.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to take punitive action against the responsible(s) and make good the loss from the contractors.

AP 19 (2014-15)

6.4.16 Loss due to non-recovery of penalty from the contractors – Rs.4.23 million

According to para 7.1 of the standard contract agreement executed with all carriage contractors that if the contractor does not lift the quantity specified in the work order/allocation letter within the stipulated time, the Director Food KP (contract operating officer) may impose a penalty of one per cent of the freight value per day of the quantity, which has not been transported. In case the transportation of remaining quantity is not resumed within twenty days of the last date, the agreement shall be cancelled and the remaining quantity will be transported at the risk and cost of the contractor.

During the financial year 2014-15, in the office of Director Food Khyber Pakhtunkhwa, it was noticed that 100,000 m.tons of wheat was purchased from PASSCO and allocated to different DFCs, for lifting through various carriage contractors. The following DFCs reported that against the allocated quantity of 52,000 m.tons a quantity of 34,292.631 m.tons wheat received while the balance not received. Later on it was reported that further quantity of 14,408.514 m.tons received while a quantity of 3,298.853 m.tons not transported by the carriage contractors. No penalty was imposed for late supply and non supply of wheat which resulted into loss of Rs.4.23 million. The security deposit of Rs.7 million @ Rs.1 million each contractor was also not forfeited.

S#	Name of office	Quantity allocated	Quantity received	Quantity late received	Quantity not received
1	DFC Kohat	6,000	5,580.000	420.000	0
2	DFC Charsadda	10,000	6,987.069	3,012.931	0
3	DFC Mardan	16,000	10,350.540	5,649.458	0
4	DFC Lower Dir	5,000	3,716.027	1,283.973	0
5	DFC Upper Dir	5,000	1,822.718	3,177.282	1,430.000
6	DFC Shangla	5,000	3,131.147	1,868.853	1,868.853
7	DFC Battagram	5,000	2,705.130	2,294.870	0
		52,000	34,292.631	17,707.367	3,298.853
Approximate amount of fine = 17707.367 + 3298.367 = 21006.22 @ Rs.4 per ton per KM for average distance of 252 km = 21.172 million x 1% x 20 days = 4.234 million					

The loss was due to weak internal controls.

The matter was reported in August 2015. The management replied that the statements received from the concerned DFCs and reconciliation statement with PASSCO reveals that all the stock allocated for all the districts of KPK has been received in the year 2014-15. The wheat stock for the above 7 districts received in full and there is no discrepancy. Audit disagree with the reply.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends that contract clause should have been implemented for late/non-supply of wheat, investigate the matter for early recovery.

AP 21 (2014-15)

6.4.17 Loss due to enhancement in rates Rs.3.53 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 subordinates.

During the financial year 2013-14, in the office of District Food Controller Dargai, it was noticed that the Director Food Khyber Pakhtunkhwa approved carriage rates for transportation of wheat from Punjab to Khyber Pakhtunkhwa in respect of M/s Muslim Khan @ Rs.3.394 per m.ton per km. The contractor transported the wheat during 2013-14 for which payment was made accordingly. However, the approved rates for 2013-14 were enhanced in 09/2014 retrospectively at belated stage vide Food Department No.SOF(Food Dept) 2-50/2214 dated 04.09.2014 without the concurrence of Finance Department though the prices of POL decreased several times during 2013-14. Due to this order there was a loss of Rs.3.53 million to public exchequer in Malakand District only.

. When pointed out in September 2015, the management stated that the Director Food has sent the enhancement in rate.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommend to investigate the matter, fix responsibility against the person(s) responsible and recover the loss besides to ascertain the impact of this notification in other DFCs also.

AP 74 (2014-15)

6.4.18 Loss due to purchase of substandard empty gunny bags – Rs.1.04 million

According to para 13 of GFR Vol-I, every controlling officer must satisfy himself not only that adequate provisions exist within the departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinates officers and to against waste and loss of public money and stores.

During the financial year 2013-14, the record of FG-13 of DFC DIKhan revealed that 13025 “A” class empty gunny bags were shown sealed by NAB in 6/2012 and remained sealed till the date of audit i.e. 01/2015. Audit is of the view that these bags might be substandard due to which the same were sealed by the NAB authorities. However, no record of the same was produced. Due to negligence of the concerned staff the government sustained a loss of Rs.1.04 million.

The matter was reported in January, 2015. The management replied that these gunny bags were sealed by NAB authorities and action will be taken as and when directed by the concerned authorities.

In the DAC meeting held in July, 2015, the management furnished the previous reply. DAC decided that the case is subjudice and final decision of the court be produced to audit.

As no progress reported so matter is placed before the PAC for appropriate action.

AP 14 (2013-14)

6.4.19 Non-recovery of outstanding amount of subsidy – Rs.4,157.18 million

According to para 26 of GFR Vol-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.

During the financial year 2014-15, in the office of Director Food Khyber Pakhtunkhwa, it was noticed that an amount of Rs.4,157.18 million was outstanding against the Federal Government on account of subsidy on wheat released to the flour mills situated in FATA. The Federal Government paid only an amount of Rs.293 million leaving a balance of Rs.4157.18 million. No strenuous efforts were made by the local office for early recovery.

Non-recovery of outstanding amount was due to non-observance of rules and weak internal controls.

The matter was pointed out in August 2015. The management replied that Food Department started supply of wheat to FATA during 1990-91 and continued till 2010-11. The department is making full efforts to recover the outstanding amount.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends that matter be taken up at higher level to recover the outstanding subsidy.

AP 18 (2014-15)

6.4.20 Non-recovery of security from contractors-Rs.27.73 million

According to Clause-6 of the guidelines/ procedure and tender form for the transportation of indigenous wheat from Punjab to Khyber Pakhtunkhwa for 2014-15 and Clause-2 of the contract Agreement executed with the contractors, on acceptance of rates, the successful bidders shall have to execute an agreement and provide 10% bank guarantee/ cash security of the freight value in favour of government.

During the financial year 2014-15, in the office of Director Food Khyber Pakhtunkhwa, it was noticed that different carriage contractors were awarded contract for the carriage of indigenous wheat from Punjab to various Districts of Khyber Pakhtunkhwa. It was specifically mentioned in the guidelines and procedures attached with the Tender Form that the successful bidders will have to execute an agreement and provide 10% bank Guarantee/ Cash Security of the freight value within 7 days, failing which the earnest money shall stand forfeited in favour of government. It was observed that the contract agreements were executed by the contractors but 10% security was neither deposited in the shape of Bank Guarantee nor cash security was deposited with the Director Food. This indicates that above clauses of the

tender form as well as contact agreement were violated and the contractors were given undue benefit of Rs.27.73 million in the shape of non deposit of security.

Loss occurred due to weak internal controls and non adherence to rules.

The irregularity was pointed out in August 2015. The management replied that the work order was issued to all concerned District Food Controllers and Storage & Enforcement Officer Peshawar /Azakhel and were directed to collect security @ Rs.10% of freight value as a cash security in the name of Director Food Khyber Pakhtunkhwa in shape of call deposit /TDR. The carriage contractors deposited the cash security. Reply is not satisfactory as no proof was provided.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit requires to investigate the matter for fixing the responsibility.

AP 10 (2014-15)

6.4.21 Non-recovery on account of missing wheat – Rs.11.34 million

According to clause 6.2.1 of the contract agreement executed with contractor M/s Inam & Co. for carriage of PASSCO wheat from Punjab, the contractor will arrange to deliver the wheat at the recipient station within the stipulated period. In case the truck loaded with wheat is lost while on way to its destination, the contractor will ensure its delivery within fifteen days of its loading failing which the contractor will make good the loss in kind within one month from the date of loading. In case the quantity is not delivered within one month, double than the landed cost will be recoverable from the contractor for which no excuse will be acceptable to the employer. According to the correspondence made by PASSCO with the Food Directorate, the authorized representative of Khyber Pakhtunkhwa will be responsible to check the weight, quality of wheat stock and bardana at the dispatching point before loading.

During the financial year 2013-14, in the office of Storage and Enforcement Officer Azakhel, it was noticed that 1525 bags of 152.763 m.tons indigenous wheat were shown transported through M/s Inam & Co from Khanewal in 2 trucks on 13.09.2013. The trucks were not received at the destination and were found missing till 25.12.2013 which were shown to have been received on 26.12.2013. However, the department failed to recover

double cost plus carriage charges of Rs.11.34 million from the contractor by invoking the relevant clause of the contract agreement, instead 10% security of Rs.1.64 million was also released.

Similarly 1389.481 Tons wheat costing Rs.51.58 million was transported from Punjab through the same contractor upto 12.09.2013. However, as per letter No.640/S&EO/NRC/ Azakhel dated 12.09.2013 by the local office, the transported wheat was found substandard mixed with sand etc of high moisture contents. Neither the wheat was replaced nor laboratory tests were carried out. No responsibility was fixed on the representatives of Food Department present at the loading points to check the quality of wheat.

Non-recovery was pointed out in December 2014. The management furnished no satisfactory reply.

The matter was discussed in the DAC meeting held in July, 2015. DAC directed that inquiry should be conducted by the Admn department within 30 days to check that the penalty of Rs.546,302 was imposed according to the clause of the contract agreement and result be shown to audit. No progress was intimated till finalization of this report.

Audit recommends to implement the decision of DAC and position be explained before the PAC.

AP 55(2013-14)

6.4.22 Non-recovery of long outstanding dues for enhancement of Ex-godown price of imported wheat – Rs.1.49 million

According to para 26 of GFR Vol-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.

During the financial year 2013-14, in the office of District Food Controller Bannu it was observed that imported wheat on the old rates were issued to Shahab Floor Mills despite the fact that ex-godown price was enhanced by the Director Food. Due to difference in rate government sustained a loss of Rs.1.49 million. No efforts were made by the local authority for recovery of the said amount.

Audit held that recovery of amount was required to have been made which was not done.

Loss to the government exchequer occurred due to weak internal controls.

Non-recovery was pointed out in December, 2014. The management furnished no satisfactory reply.

The matter was discussed in the DAC meeting held in July, 2015. DAC directed the department to get recover the amount. No further progress was intimated till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and recover the amount.

AP 50(2013-14)

6.4.23 Non deduction of charges for rehabilitation of disabled persons - Rs.1.35 million

According to Directorate of Social Welfare & Women Development letter No.DA/28/DSW/9851-72 dated 30-05-2011 and endorsed by the Food Directorate vide No. 3098-99/AO 117/disabled dated 08-02-2012, the Provincial Government has decided to deduct Rs.2,000 per million from the Contractor/firms bills who have completed business.

During the financial year 2014-15, in the office of Storage & Enforcement Officer Peshawar, it was notice that a sum of Rs 675.69 million was received from the sale of wheat issued to flour mills. However the DPR charges amounting to Rs 1.35 million as required were not deducted from the payment made to the flour mills.

Non recovery occurred due to non adherence to the provisions of rules and weak internal controls.

The irregularity was pointed out in September 2015. The management stated that reply will be furnished later on.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to recover the amount from the person(s) at fault.

AP 69 (2014-15)

6.4.24 Non deduction of charges for rehabilitation of disabled persons – Rs.3.51 million

According to Directorate of Social Welfare & Women development letter No.DAB/28/DSW/9851-72 dated 30.05.2011 and endorsed by the Food Directorate Peshawar vide No.3098-99/AC-117/Disable dated 08.03.2012 provincial government has decided to deduct Rs.2000 per million from the contractors/firms bills who have completed business.

During the financial year 2013-14, in the office of Director Food Peshawar, it was noticed that 880,000 empty jute bags were purchased and supplied by three suppliers in 2013-14 against the payment of Rs.123.40 million but disabled persons charges @ Rs.2,000 per million amounting to Rs.2.47 million were not recovered from their bills.

Similarly in DFC Kohat a sum of Rs.487.90 million was received from the sale proceeds of wheat, the DPR charges of Rs.975,806 were not recovered from the contractors/firms bills. Moreover, a sum of Rs.33.63 million was paid to contractors on account of transportation charges of wheat from Punjab, however, Rs.67,258 were not deducted from their bills.

Lapse occurred due to weak internal controls.

When pointed out in January 2015, the management furnished no proper reply.

The matter was discussed in the DAC meeting held in July, 2015. DAC directed to recover Rs.3.511 million within a period of one month under intimation to Audit. No further progress was intimated till finalization of this report.

Audit recommends to recover the amount.

APs 5&40(2013-14)

6.4.25 Unauthorized and illegal loaning and repayment-Rs. 1799.60 million

The Director Food vide letter No.19.12.2014 requested the Chief Manager Bank of Khyber for grant of loan despite the fact that sufficient balance was available in Food Account-II.

During the financial year 2014-15, in the office of Director Food, Khyber Pakhtunkhwa, it was noticed that Chief Manager, Bank of Khyber was requested vide letter No.7139/AC-1304-PASSCO dated 19.12.2014 for

payment of 1,799.60 million to the Director Food, Punjab which the Bank authorities paid vide DD No.398727 dated 19.12.2014. It may be added that approval of the competent authority not obtained for obtaining loan for payment to the Food Department Punjab. Furthermore, the Government of Khyber Pakhtunkhwa has allocated sufficient budget for the purchase of wheat from PASSCO/ Punjab. Therefore, payment was required to have been made from the allocated budget. Thus obtaining loan from the bank was unauthorized.

Unauthorized loaning and repayment occurred due to financial mismanagement, non adherence to the allocation of funds by the Finance Department and undue favor to the Bank authorities in the shape of payment of interest to them.

The irregularity was pointed out in August 2015. The management replied that wheat was purchased on emergent basis to meet the requirements and after fulfillment of required formalities. Reply was not convincing because in the summary duly approved by Chief Minister Khyber Pakhtunkhwa as well as Finance Department it was clearly mentioned that upfront payment would be made from Food Account-II and then from loan from bank. Sufficient balance in Food Account-II was available therefore payment was required to have been made from Food Account-II.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit requires to investigate the matter and fix responsibility.

AP 1 (2014-15)

6.4.26 Unauthorized loan amounting to Rs.801.28 million

Finance Department Government of Khyber Pakhtunkhwa vide letter No.BOVII/ FD/144/2014-15 dated 03.10.2014 has specifically issued instructions that payment on account of cost of 100,000 MT indigenous wheat from PASSCO will be paid from Food Account-II.

During the financial year 2014-15, Director Food Khyber Pakhtunkhwa obtained loan of Rs.801.28 million from the Bank of Khyber and paid to PASSCO vide DD No.397419 dated 23.10.2014 as advance payment for incidental charges of 100,000 MT wheat, despite the fact that cost of wheat worth Rs.3,000 million was paid from Food Account-II. It is added that the Government of Khyber Pakhtunkhwa has allocated sufficient funds in the Food

Account-II for the payment of cost of wheat as well as incidental charges. Finance Department vide above mentioned letter has clearly instructed that payment of cost of wheat will be met out from Food Account-II. Therefore in the presence of sufficient budget and clear instructions of Finance Department, obtaining interest bearing loan from the Bank of Khyber for payment of incidental charges was unauthorized.

Unauthorized loaning occurred due to financial mismanagement, non-observance of the instructions of Finance Department and undue favour to the Bank in the shape of payment of interest.

The unauthorized payment was pointed out in August 2015. The management replied that the availability of funds was insufficient for all the requirements i.e. cost of wheat and incidental charges in Food Account-II. The cost of wheat amounting to Rs.3,000 million was met out through AC bills while the cost of incidental charges amounting to Rs.801.28 million was arranged from the Bank of Khyber. Due to insufficient amount in Food Account-II only Rs.803.21 million was kept as balance for the usual expenditure of the Department. Loan was obtained on proper bidding and thus no unauthorized loan obtained.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit disagree with the reply and recommends to investigate the matter and fix responsibility against the person(s) responsible for unauthorized loan.

AP 3 (2014-15)

6.4.27 Unauthorized issuance of wheat to irrelevant flour mills –Rs.66.84 million

According to normal release of wheat quota policy circulated vide Director Food Khyber Pakhtunkhwa letter No.9844/FG-337/releases dated 26.12.2013, wheat quota of 142 m.tons is uniformly/proportionately be distributed amongst the functional flour mills of DIKhan District.

During the financial year 2013-14, District Food Controller DIKhan issued 3561 m.ton wheat costing Rs.66.84 million to Kajal Flour Mills Tank and Qadri Flour Mill without any authority. The issuance of wheat of these flour mills was unauthorized as these mills were situated in the Tank District,

for which separate quota of 39 m.ton was allowed. Thus the quota of DIKhan affected.

The lapse occurred due to extending undue benefit to the flour mills situated in Tank District.

The matter was reported to the management in January, 2015. The management replied that wheat had been issued to the said flour mills on the directives of Director Food KPK.

In the DAC meeting held in July 2015, the department repeated the previous reply. DAC directed to produce orders of the Director or Secretary Food who authorized the issuance of wheat quota to Tank. No progress was intimated till finalization of this report.

Audit recommends the compliance of DAC decision.

AP 11 (2013-14)

6.4.28 Excess payment to food department Government of Punjab- Rs.11.40 million

According to the calculations carried out by the local office vide their letter No 4942/AC-130.5 Punjab Food dated 03.09.2014 an amount of Rs. 1788.20 million as cost of 50,000 MT wheat was required to have been paid to Punjab Food Department.

During the financial year 2014-15, in the office of Director Food, Khyber Pakhtunkhwa, it was noticed that an amount of Rs. 894.10 million as cost of 25,000 m.ton wheat was calculated by the local office and sent to the Administrative Secretary for obtaining sanction of the Finance Department for the advance payment. The Finance Department agreed to the advance payment however, it was observed that instead of Rs.1788.20 million an advance payment of Rs.1,799.60 million was made for the purchase of 50,000 MT wheat. Thus an amount of Rs.11.40 million was paid in excess of the required payment of Rs. 1788.20 million.

Audit held that payment was required to have been made according to the calculations made by the local office and approval accorded by the Finance Department, which was not considered.

Excess payment occurred due to non adherence to the approval of the Finance Department and Financial mismanagement on the part of local office.

The irregularity was pointed out in August 2015. The management replied that sanction was obtained from Finance department accordingly and the calculations worked out by the audit party is incorrect and no excess payment of Rs.11.40 million has been made. The reply was not convincing because the Finance Department approved amount of Rs.5.70 million as 60% for 25,000 M.T while PASSCO has claimed Rs.22.80 million as 60% for 50,000 M.T. Rs.11.40 million was claimed in excess of actual amount.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit requires to investigate the matter and fix responsibility.

AP 5 (2014-15)

6.4.29 Excess payment due to unauthorized increase in the rates of transportation-Rs. 5.49 million

According to clause 3.2 of the contract agreement executed with the contractor 50% effect of the increase or decrease, but not less than 10 %, in the prices of POL will be adjusted and according to para 10(iv) of GFR Vol-I, public moneys should not be utilized for the benefit of particular person or section of community.

During the financial year 2014-15, in the office of Storage & Enforcement Officer Peshawar, it was noticed that an amount of Rs. 5.49 million was paid to M/s Hamayun & Co. carriage contractors on account of difference in the rates of transportation already agreed at the time of execution of contract agreement. However it was noticed that after execution of contract agreement the prices of POL did not increased beyond permissible limit of 10%. Thus no change was admissible. Therefore increase was irregular and resulted into excess payment of Rs. 5.49 million.

Excess payment occurred due to undue favor to the contractor, violation of the clauses of contract agreement and weak internal controls.

The irregularity was pointed out in September 2015. The management stated that reply will be furnished later on.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and recover the excess payment.

AP 63 (2014-15)

6.4.30 Excess payment due to unauthorized increase in the rates of transportation - Rs.4.35 million

According to clause 3.2 of the contract agreement executed with the contractor 50% effect of the increase or decrease, but not less than 10 %, in the prices of POL will be adjusted and according to para 10(iv) of GFR Vol-I, public moneys should not be utilized for the benefit of particular person or section of community.

During the financial year 2014-15, in the office of Storage & Enforcement Officer Azakhel Nowshera, it was noticed that an amount of Rs. 4.35 million was paid to two carriage contractors on account of difference in the rates of transportation already agreed at the time of execution of contract agreement and increases in the price of POL. However it was noticed that after execution of contract agreement the prices of POL did not increased beyond permissible limit of 10 % therefore no change was admissible. Thus increase was irregular and resulted into excess payment of Rs. 4.35 million.

Excess payment occurred due to violation of the clauses of contract agreement, undue favor to the contractor and weak internal controls.

The irregularity was pointed out in September 2015. The management stated that reply will be furnished later on.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and recover the excess payment.

APs 40&41 (2014-15)

6.4.31 Improper maintenance of store and stock account of wheat- Rs.2,487.63 million

According to para 151 of the GFR Vol-1, the head of an office or any other officer entrusted with stores of any kind should take special care for arranging for their safe custody, for keeping them in good and efficient condition and for protecting them from damage or deterioration. He should

maintain suitable accounts and inventories in respect of the stores in his charge with a view to preventing losses through theft, accident, fraud or otherwise and to making it possible at any time to check the actual balances with the book balances and the payment to suppliers, etc.

During the financial year 2014-15, in the office of Storage & Enforcement Officer Azakhel Nowshera, it was noticed that there were two blocks having 23 stores wherein a quantity of 71896.958 m.ton wheat valuing Rs.2,487.63 million (71,896.958 @ Rs.34,600 per ton) was stored upto and on 10.09.2015. The stores No A-1, A-4, B-1 & B-2 were visited alongwith the concerned staff and it was observed that the record in the stores was not properly maintained as required under the provisions of the rules. Two tags i.e. Tally cards and Stack cards were hanged on the wheat bags but were not properly filled even as printed on the tags. The following shortcomings were noticed.

- These tags only exhibit the details of total stacks and its lump sum quantity in each stack.
- The actual position about the date of receipt, station of dispatch and the quality of the wheat was not mentioned.

Therefore it could not be ascertained that when and from where it was procured.

Audit held that the proper tags showing date of receipt, station of dispatch and quality of the wheat must be mentioned which in the instance cases were not seen. Therefore the issuance of the store could also not be managed on the basis of first in first out (FIFO) and the chances of the damage to the Government store and misappropriation cannot be ruled out.

Improper maintenance of store occurred due to non-adherence to the provisions of rules and procedure and weak internal controls.

The irregularity was pointed out in September 2015. The management stated that reply will be furnished later on.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and streamline the system of store and stock taking in the department in such a transparent manner that the chances of the damage and misappropriation could be minimized.

AP 36 (2014-15)

6.4.32 Unjustified expenditure on procurement of wheat - Rs.608.94 million

According to para 10(i) of GFR Vol-I, every public officer incurring expenditure from public fund 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.

During the financial year 2013-14, in the office of District Food Controller Dargai, it was noticed that 18736.696 m.tons wheat costing Rs.608.94 million was procured from the businessmen of Punjab or agents of the flour mills of Khyber Pakhtunkhwa instead of local growers, except for few local growers, which was not a valid procurement process. As such, the local groweres were not encouraged/benefited to sell their fresh stock of wheat. It is added that the Bank of Khyber has claimed mark up of Rs.51.72 million on Commodity Operation Finance(COF) limit of Rs.7,500 million and the share of markup of D.F.C. Dargai on its financing for the amount of Rs.608.94 million comes to Rs.4.20 million ($51,721,355 \times 608.937/7500$).

When pointed out in September 2015, the management stated that the procurement was made from the parties.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommend to investigate the matter, fix responsibility against the person(s) responsible.

AP 75 (2014-15)

6.4.33 Non-crediting of subsidy amount in food account-II - Rs. 293 million

According to para 26 of GFR Vol-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.

During the financial year 2014-15, in the office of Director Food Khyber Pakhtunkhwa, it was noticed that an aggregate amount of Rs. 293 million was released by the FATA Secretariat to be transferred from Federal Account-I to the Provincial Food Account-II. However the said amount was not reflected in the Food Account-II upto June 2015.

The irregularity was pointed out in August 2015. The management replied that orders were issued by the Director Food but subsidy Assistant regularly visited AGPR Sub Office Peshawar to credit the amount as soon as possible. Audit held that the benefit of the subsidy so released by the Federal Govt. for the year 2014-15 to the Provincial Govt. could not be achieved.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and fix the responsibility against the person(s) at fault.

AP 8 (2014-15)

6.4.34 Unauthentic and doubtful expenditure on procurement of wheat- Rs. 523.39 million

According to para 9 of GFR Vol-I, no authority may incur any expenditure or enter into any liability involving expenditure from public funds until the expenditure has been sanctioned by general or special order of the authority and the expenditure has been provided in the authorized grants and appropriation for the year.

During the financial year 2014-15, in the office of Storage & Enforcement Officer Peshawar, it was noticed that 16073.49 m.ton wheat was locally procured from different parties/ growers and an amount of Rs.523.39 million was paid to them by issuing authorization to the Bank of Khyber for Cash payment. However the procurement process was not transparent because;

- The authenticated and signed bills of the suppliers/ parties/ growers were not available.
- Verification of weight in some cases was obtained from the weigh bridge of the Punjab which shows that the wheat was not supplied by the local growers on one hand while on the other it was an unauthentic weight verification certificate.

- The weight of the full and empty vehicles was carried out at the same time and station within the span of few seconds which was not possible.
- In some cases verification of the weight was available but it was only from one weigh bridge at Peshawar on ring road. The distance from the weigh bridge to the food grain godown is almost 5 to 10 Km and if the unloading time is added it would take at least five hours. This could never be done in minutes, which in the instant cases were noticed.

Audit held that actually no weight of the wheat was carried out at any stage of procurement and the entire quantity was taken on FG-3 and other record without its actual weight. Therefore the procurement of wheat valuing Rs.523.39 million was unauthentic and doubtful. Only the authorization certificates were available and issued to the consignees for presenting at the bank for receiving payments. The authorization certificates did not have the details of weight of wheat supplied by the parties. This makes the procurement doubtful/unauthentic.

Doubtful and un-authentic procurement of wheat occurred due to non-adherence to the rules and procedure and weak internal controls.

The irregularity was pointed out in September 2015. The management stated that reply will be furnished later on.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and streamline the system of procurement of wheat from the local growers/parties, its payment to the consignees, after getting proper documentary evidences for record and audit as required under the rules.

AP 58 (2014-15)

6.4.35 Irregular and unauthorized utilization of facility of loan - Rs.2,482.13 million

According to para 9 of GFR Vol-I, no authority may incur any expenditure or enter into any liability involving expenditure from public funds until the expenditure has been sanctioned by general or special order of the authority and the expenditure has been provided for in the authorized grants and appropriation for the year.

During the financial year 2014-15, in the office of Storage & Enforcement Officer Azakhel Nowshera & Peshawar, it was noticed that Rs.2,482.13 million was paid for local procurement of 57192.227 M. Ton wheat from different parties/ growers by issuing authorization for Cash payment to the Bank of Khyber. The process of obtaining loan from Commercial Bank finalized by the Directorate of Food was not covered under rules because their exist neither any approval of the legislature by issuing Act of Parliament nor any other legal authority of the provincial legislature was available which authorized the Food Department as well as local office for obtaining loan. Furthermore, the loan so obtained was never made part of the Provincial Consolidated Fund despite the fact that re-payment of the loan was made from Food Account-II (Provincial Consolidated Fund). All the payments were authorized by the local office without presenting bills for pre-audit to the Accountant General/DAO. Therefore, audit held that the facility of the loan for the local procurement of 73265.717 M.Ton wheat so utilized by the local office to the tune of Rs.2,482.13 million was irregular and un-authorized.

Irregular and un-authorized utilization of the facility of the loan for procurement of wheat occurred due to non adherence to the constitutional provision, rules and procedure and weak internal controls.

The irregularity was pointed out in September 2015. The management stated that detailed reply will be furnished later on.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter for streamlining the system regarding loaning, its incorporation in the Provincial consolidated fund and payment after proper pre-audit at the required level after proper coverage of the Act of Parliament.

APs 35&57 (2014-15)

6.4.36 Irregular payment of carriage charges due to non deposit of cash security -Rs. 52.815 million

According to clause 2.1 of the contract agreement executed with the contractor, the contractor shall produce security/ bank guarantee 10 % of the freight value as per work order as a token of satisfactory fulfillment of the terms and conditions of this agreement. According to letter dated 09.09.2014

issued by the S & E O Peshawar the contractor was directed to deposit cash security of Rs. 3 million.

During the financial year 2014-15, in the office of Storage & Enforcement Officer Peshawar, it was noticed that rates of Rs. 3.2101 per ton per KM for the transportation of wheat offered by M/s Ayaz & Brothers was approved and the contractor was directed to deposit cash security of Rs. 3,000,000 in light of clause 2.1 of the contract agreement. However the contractor did not deposited the same amount, thus the contractual obligations were not fulfilled. Therefore the contractor was benefitted and the payment of Rs. 52.815 million so allowed to him as carriage charges was irregular and unauthorized.

Audit held that payment to the contractor was required to have been allowed after the payment of cash security of Rs. 3 million which the contractor has not deposited.

The irregularity was pointed out in September 2015. The management stated that detailed reply will be furnished later on.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and fix responsibility against the person(s) at fault.

AP 66 (2014-15)

Chapter – 7

Health Department

7.1 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)

7.2 Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2014-15 against the total of grants/appropriation was as follows:

Non-Development

(Rs.)

Grant No. and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/ (Saving)
13-Health	NC21	25,237,123,000	3,435,178,000	28,672,301,000	26,387,451,132	-2,284,849,868
Total		25,237,123,000	3,435,178,000	28,672,301,000	26,387,451,132	-2,284,849,868

Development

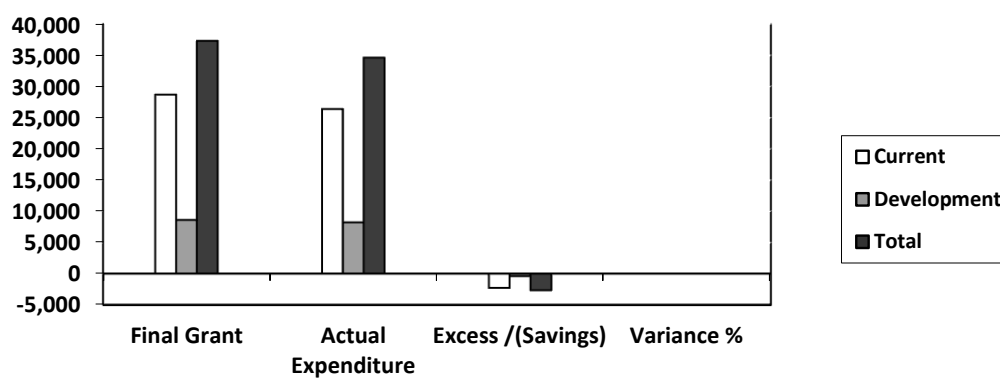
(Rs.)

Grant No. and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/ (Saving)
54-Health Services	NC12-22	8,610,000,000	10	8,610,000,010	8,217,423,762	-392,576,248
Total		8,610,000,000	10	8,610,000,010	8,217,423,762	-392,576,248

Overview of expenditure against the final grant

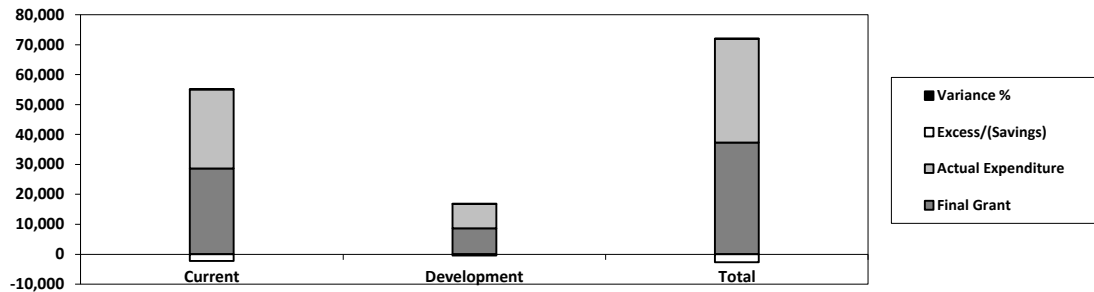
(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Saving)	Variance %
Non-Development	28,672.301	26,387.451	-2,284.850	7.97
Development	8,610.000	8,217.424	-392.576	4.56
Total	37,282.301	34,604.875	-2,677.426	7.18



Anticipated savings were not surrendered and lapsed

Para 95 of GFR Vol I states that all anticipated saving should be surrendered immediately but not later than 30th June of each year in any case. The rule operates to enable government to be informed of expected savings in time to allow it to divert funding to where ever needed and to remain abreast of changes in circumstances that necessitate the change in pattern of expenditure and address the situation. In contravention, the Health Department administering the above grant did not surrender anticipated savings of Rs.2,677.426 million thus preventing the government from utilizing the funds elsewhere and the considerable amount lapsed. The position of savings as well as percentage variance is shown in the following graphs.



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.	2001-02	Health	31	-	21	10
2.	2002-03	-do-	18	-	14	04
3.	2003-04	-do-	11	-	05	06
4.	2004-05	-do-	42	-	08	34
5.	2005-06	-do-	12	12	-	-
6.	2007-08	-do-	18	-	04	14
7.	2008-09	-do-	16	-	07	09
8.	2009-10	-do-	23	-	12	11
9.	2010-11	-do-	19	-	06	13
10.	2011-12	-do-	33	-	18	15
11.	2012-13	-do-	14	-	09	05

7.4 Audit Paras

7.4.1 Misappropriation of medicines - Rs.20.56 million

According to paras 148, 149, 151 & 155 of GFR Vol-I, all materials received should be examined, counted, measured, weighed at the time when delivery is taken, and entered in stock by a responsible officer. When materials are issued for departmental use, manufacture, sale etc., the officer in charge of the store should see that an indent in prescribed form has been made by a properly authorized person. The officer entrusted with stores should take special care for arranging their safe custody. A reliable list, inventory or account of all stores in the custody of government officer should be maintained in a form prescribed by the competent authority to enable a ready verification and checking the accounts at any time.

During the financial year 2010-11, in the office of Medical Superintendent DHQ Hospital DI Khan, it was noticed that medicines valuing Rs. 20.56 million were purchased by the local office but were either not taken on stock register or were fictitiously issued. In some cases stock was not physically available as such medicines were misappropriated by the dealing hands. The details are as under.

- Medicines, cotton roll, disposeable syringes valuing Rs.4.02 million were purchased but were either not taken on the relevant stock register/ not available in balance nor were handed over to the new store keeper.
- Medicines valuing Rs. 9.65 million were provided by DG Health/ NGOs during flood season but documentary evidence was not available. The DMS store physically verified the same on 23.07.2011 and found shortage of medicines.
- Medicines valuing Rs. 5.08 million were issued to units but the expense was either in excess of actual issue or fake issue was shown. The return from sub unit was also not taken on stock. DMS Zanana Hospital stated that no indent to store issued by her or even by the Gynecologist.
- Medicines valuing Rs. 1.29 million were taken on emergency stock register but neither issued to the sub store nor was physically available.
- Gynae medicines valuing Rs.0.50 million were shown issued from store but were neither acknowledged by the unit nor were actually issued.

Audit held that medicines were required to have been properly accounted for and issued according to actual demand and consumption of the units. Similarly the balance was required to have been handed over to the

newly posted store keeper which was not done, which resulted into misappropriation of medicines worth Rs.20.557 million.

Misappropriation of medicines occurred due to non adherence to the rules and procedures and financial mismanagement.

Misappropriation was pointed out in October 2011. The management admitted the misappropriation and stated that recovery will be made.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and recover the misappropriated amount from the person(s) concerned.

APs 217,219,220,221,223,224,226,230,237,238,244,251&2522010-11)

7.4.2 Suspected misappropriation on account of Local Purchase of Medicines - Rs.3.27 million

According to paras 10 & 145 of GFR Vol-I, every government officer is expected to exercise the same vigilance in respect of expenditure incurred from the public money as a person of ordinary prudence would exercise, in respect of expenditure of his own pocket and purchases must be made in most economical manner and in accordance with definite requirements of the public Service.

During the financial year 2013-14, the accounts record of Medical Superintendent Sarhad Hospital for Psychiatric Diseases Peshawar revealed that rates for local purchase of medicines were approved in respect of M/s Nimra Medicos but on further scrutiny of record it was observed that during this period an amount of Rs.3.27 million was paid to M/s Continental Enterprises on account of local purchase of medicines. The claim pertains for the financial year 2013-14. A huge expenditure on this account was incurred upto 30.06.2013, but due to un-known reasons liability of Rs.3.27 million was shown cleared during 2013-14. It is apprehended that due to lack of internal check/controls such irregularities/negligence were made.

Excess expenditure of Rs.3.27 million in the previous financial year 2012-13 and clearance from the budget allocation for 2013-14 needs detailed enquiry against the person(s) responsible.

When pointed out in Sep, 2014, the management furnished no reply.

The matter was discussed in the DAC meeting held in December 2015. DAC directed that fact finding inquiry be conducted within one month. No further progress was intimated till finalization of this report.

Audit recommends to conduct inquiry and take action against the person(s) responsible.

AP 167(2013-14)

7.4.3 Misappropriation of medicines received from WHO – Rs.2.00 million

According to paras 149 & 150 of GFR vol-I, when materials are issued from stock, the officer incharge of the store should see that an indent in the prescribed form has been made by a properly authorized person. When materials are issued a written acknowledgement should be obtained from the person to whom delivered. In cases of transfers, the officer incharge of store should see that the stores in his custody are handed over correctly to his successor and a proper receipt taken from him.

During the financial year 2010-11, the Medical Superintendent District Head Quarter Hospital D.I.Khan received huge quantity of medicines and cotton rolls amounting to Rs.2.00 million from W.H.O. In the stock register the quantity was entered but was not shown issued to wards nor handed over to newly posted storekeeper. In case of cotton rolls, 5 to 10 rolls were shown issued to the patients directly and stock register page was also not signed due to which it is not clear that by whom issued. Non-issuance and non-handing over to new store keeper shows that the medicines of Rs.2.00 million misappropriated.

The misappropriation was pointed out in October, 2011. The management agreed with audit and replied to recover the same but no recovery reported till finalization of this report.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry, fix responsibility and recover the misappropriated medicines from the person(s) at fault.

AP 236(2010-11)

7.4.4 Misappropriation of equipments - Rs.1.60 million

According to Para 149 read with Para 159 of GFR Vol-I, dead stock register be maintained with a detail of all items to check and verify the stock position at a glance and shall be verified physically once in a year by the officer other than custodian of store.

During the financial year 2010-11, MS DHQ Teaching Hospital D.I.Khan incurred an expenditure of Rs.15.68 million and Rs.2.50 million on the purchase of equipments. The work and services department under the scheme “Standardization of DHQ Hospital D.I.Khan” during 2008-09 & 2009-10 has installed new air conditioners in new wards of the hospital as per detail given below. A detail store position of air conditioners was submitted by each sub-unit dated 17.10.2011.

S#	Item	Quantity installed by C&W	Quantity available	Difference	Rate (Rs)	Amount (Rs in million)
1	Split AC 1.5 ton (as per work bills attached)	46	15	31	40,200	1.25
2	Window 1.5 ton (pell)	136	126	10	35,500	0.35
Total						1.60

Old stock of the existing building during demolition and donation record if any was not maintained to verify the then stock position. However on comparison of number of AC installed by Work’s Department with current physical verification disclosed that sufficient quantity of air conditioners valuing Rs.1.60 million were short.

The misappropriation was pointed out in October, 2011. The management replied that a detail of AC supplied by C&W will be obtained and inquiry shall be conducted. Report of which shall be sent to DAC. Till date no inquiry report has been shown to audit.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry, fix responsibility and recover the misappropriated amount from the person(s) at fault.

AP 253(2010-11)

7.4.5 Misappropriation of OPD receipts – Rs.1.38 million

According to para 26 of GFR Vol-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.

During the financial year 2010-11, the Medical Superintendent District Headquarter Hospital D.I.Khan realized a sum of Rs.1.38 million on account of OPD charges but was not deposited into government treasury. Thus Rs.1.38 million misappropriated by the dealing hands.

Audit held that misappropriation occurred due to weak internal controls.

Misappropriation was pointed out in October, 2011. The management agreed for inquiry. No progress has been intimated till finalization of this report.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry, fix responsibility and recover the amount from the person(s) concerned.

AP 245(2010-11)

7.4.6 Loss on account of pharmacy welfare shop - Rs.71.10 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 subordinates.

During the financial year 2014-15, in the office of Director Hospital KTH, the record of Pharmacy Welfare Shop revealed that gross profit of Rs.8.38 million was realized since start of the shop till September 2015. A sum of Rs.5.40 million incurred on the salaries and other miscellaneous expenditure resulting into a net profit of Rs.2.98 million for the 06 year i.e. from 2010 to September 2015. The profit earned is meager which does not justify the existence of such a big shop in the Hospital running round the clock in two shifts.

It was further noticed that the amount of net profit realized for Rs.2.98 million was also not credited into the Hospital receipts. Whereabouts of the

profit realized was not known to audit. It was not clear whether the said amount credited to the public exchequer or was retained in the bank account of the shop.

It is pertinent to mention here that the same type of pharmacy welfare shop in the Ayub Teaching Hospital Abbottabad was given to the contractor on the monthly rent of Rs.1.03 million thus earned a sum of Rs.74.09 million during 6 years. The comparison show that KTH was put into a huge loss of Rs.71.10 million (74,088,000 -2,984,184)

The lapse occurred due to weak internal controls of the management.

When reported to the management in October 2015, it was stated that detailed reply will be given after consultation of record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility for the loss against the person(s) at fault.

AP 149(2014-15)

7.4.7 Loss due to non recovery of electricity charges – Rs.39.55 million

According to F. R 45-B. I. The tenant will also be required to pay the cost of the water, electric energy, etc., consumed

During the financial year 2014-15, in the office of Khyber Teaching Hospital, it was noticed that in two Doctors Hostels a sum of Rs.20.67 million and Rs.19.77 million were paid as electricity bills for 9 months. A total no of 124 rooms are in use in each Hostel. Only Rs.300 per month is being deducted, thus only Rs.892,800 was deducted for 12 months (the deductions made from doctors was also not shown to audit). As heavy loss of Rs.39.55 million was sustained by Hospital despite clear orders regarding deduction of users charges from the occupants of rooms.

The loss occurred due to giving undue favor to the residents of doctor hostels. Moreover, recovery from the residents of doctor flats, nursing hostels, nursing flats in the office premises may also be made with exact calculation.

When reported to the management in October 2015, it was stated that detailed reply will be given after consultation of record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, recover the amount of electricity charges and streamline the procedure of recovery of electricity charges.

AP 139(2014-15)

7.4.8 Loss due to illegal occupation of private rooms - Rs.13.63 million

According to paras 23 and 26 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 subordinates. 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.

During the financial year 2014-15, in the office of Director Hospital KTH, it was observed that 17 rooms were occupied in Private B by the officers or for other accommodation purpose by various staff members. Similarly, 09 rooms were reserved for staff including one room for pharmacy store. Thus revenue of 26 rooms was not realized for Rs. $26 \times 500 \times 365 =$ Rs.4.54 million only in 2014-15. Thus there was huge loss of Rs.13.63 million in the last three years for the Hospital on account of income/receipt of private rooms being illegally occupied ($4,545,000 \times 3 = 13,635,000$) There is enough space in the administration block where these officers/officials can be accommodated. It is astonishing to note that new office rooms were constructed in the private rooms area, where only few were occupied for the offices however, the officers are not willing to shift there. Another building can be constructed from the receipts of 26 rooms but due to ill financial management this practice continued.

The matter is very sensitive which not only deprived Government from income but also the patients are deprived of facility.

The lapse occurred due to mismanagement and weak internal controls.

When reported to the management in October 2015, it was stated that detailed reply will be given after consultation of record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter and fix responsibility against the person(s) at fault besides taking appropriate action to save hospital from recurring loss.

AP 142(2014-15)

7.4.9 Loss to the hospital due to supply of expired lab: chemicals - Rs.11.89 million

According to serial No. 14 of the Health Department letter no. SO(D)Health/3-8/94 dated 27.3.2001, the pharmacist shall accept only fresh stock of medicines, however, any drug nearing expiry date shall be replaced at the earliest.

During the financial year 2014-15, in the office of Hospital Director MTI LRH Peshawar, it was observed that laboratory chemicals worth Rs.11.89 million supplied were found either expired or having short expiry dates. The valuable chemicals which were either expired or near to expiry within less than 06 month period is a great loss to the hospital as well as injurious to the patients.

The loss occurred due to weak internal controls and extending undue benefit to the supplier at the cost of precious lives of poor patients.

Loss was reported to the management in October 2015, but no reply was given by the management.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry, fix responsibility and recover the loss from the person(s) at fault.

237(2014-15)

7.4.10 Loss due to non-recovery of hospital dues - Rs.8.25 million

According to rule 17(2) of Medical Institution Rules 2001 all the receipts of an institution shall be deposited in the Bank in the name of the institution concerned.

During the financial year 2014-15, record of the Hospital Director MTI LRH Peshawar revealed that the Hospital authorities executed various contracts for cycle/car park, khoka shops and 09 shops on monthly rent basis. On further scrutiny of relevant record i.e. receipt statement, challans etc. it was observed that monthly rent of Rs.8.25 million is still outstanding against various contractors.

The recovery of the said amount was not made till the date of audit i.e. 29.09.2015. It is worth mentioning that 09 shops adjacent to Gyanee block were rented on monthly rent basis but formal contract was not executed with the contractors nor substantial amount as advance was received which also contributed towards non-payment of monthly rent.

The loss occurred due to weak internal controls.

Loss was reported to the management in October 2015. The management replied that the para relates to DMS Litigation/contract section detail reply along with record will be submitted in near future. No further detail submitted by the management.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to recover the dues from the person(s) concerned and proper contracts be signed with the contractors.

AP 238(2014-15)

7.4.11 Less deposit/recovery of blood bank receipts - Rs.6.66 million

According to para 26 read with para 23 of GFR Vol-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. Every government officer will be personally responsible for any loss or fraud on his part or on the part of his subordinate.

During the financial year 2014-15, in the office of Director Hospital KTH the main stock register of stationery revealed that a total no of 51,500 blood requisition forms were issued to wards and were consumed. According to rules screening charges @ Rs.250 per bag is to be collected from admitted patients and Rs.800 per bag from outsiders and deposited into account. As 51,500 blood bags were issued to patients therefore, Rs.12.87 million (51,500x250) was supposed to be received and deposited into account. Further

record revealed that only Rs.6.21 million was remitted into Hospital receipts, thus Rs.6.66 million was less deposited.

The lapse occurred due to weak supervisory control over the blood bank which put the government into a heavy loss of Rs.6.66 million.

When reported to the management in October 2015, it was stated that detailed reply will be given after consultation of record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry, fix responsibility and recover the amount from the person(s) concerned.

AP 167(2014-15)

7.4.12 Loss due to ignoring lowest responsive bidder - Rs.4.80 million

According to rule 29 of KP Procurement rules read with Health Department notification No.2-111/SPO/PC/H/Vol/2004-05, dated 06.06.2005, the tender accepting authority shall consider the detail evaluation report prepared by technical evaluation committee before taking final decision and the order shall be placed to the bidder, whose bid is responsive and having lowest evaluated price.

During the financial year 2014-15, in the office of Hospital Director MTI LRH Peshawar, it was noticed that a sum of Rs.11.60 Million was shown paid to M/S Allumed Solution for the supply of 20 No. KLS martin diathermy machines vide bill No. Kst 9005492 dated 23.9.2013. According to comparative statement lowest responsive bidder was M/S Sudais Associate whose bid was Rs.340,000 while the offer of M/s Allumed Solution was 580,000. Local office ignored the lowest responsive bid and accepted the higher rates due to which hospital sustained a loss of Rs.4.80 million ($580,000 - 340,000 = 240,000 \times 20$).

The loss occurred due to extending undue benefit to the contractor and non-adherence to rules.

Loss was reported to the management in October 2015, but no reply was given by the management.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry, fix responsibility and recover the loss from the person(s) at fault.

AP 253(2014-15)

7.4.13 Loss due to damage of costly machinery during shifting from one place to another -Rs.2.99 million

According to para 20 of GFR Vol-I, any loss of public money, departmental revenue or receipts etc. held by or on behalf of government should be immediately reported, by the officer concerned, to his immediate official supervisor as well as to audit. After full investigation report should be submitted of the nature and extent of loss, showing the errors or neglect of rules by which such loss was rendered possible, and the prospects of effecting recovery.

During the financial year 2014-15, record of the Hospital Director MTI LRH Peshawar revealed that Hospital sustained a heavy loss of Rs. 2.99 million as the costly machinery damaged during shifting from one place to another, as per detail given below:-

Name of machinery	dealer	Qty	Rate (Rs.)	Amount (Rs.in million)
Short Wave Sw-1000 Diathermy	M/S Sudais Associate	03	850,000	2.55
Therapeutical ultrasound	ZuisPharma land	03	146,000	0.44
Total				2.99

According to Unit incharge an order was received by the hospital authority to vacate the Physiotherapy building for Evening OPD, so the above machinery badly damaged during shifting from one place to another. The matter was required to be reported to the higher ups as well as to Audit and inquiry should have been conducted to fix responsibility, but no such action has been taken by the local office. Thus government sustained a loss of Rs.2.99 million.

The loss occurred due to negligence of the concerned staff.

Loss was pointed out in October 2015, but no reply was given by the management.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry and take action against the person(s) responsible

AP 240(2014-15)

7.4.14 Loss on account of purchase of food item on higher rates – Rs.1.36 million

According to paras 10 & 145 of GFR Vol-I, every government officer is expected to exercise the same vigilance in respect of expenditure incurred from the public money as a person of ordinary prudence would exercise, in respect of expenditure of his own pocket and purchases must be made in most economical manner and in accordance with definite requirements of the public Service.

During the financial year 2013-14, in the office of MS Sarhad Hospital for Psychiatric Diseases Peshawar, it was noticed that tender for the supply of diet charges was approved for the year 2011-12 by the DG Health Services KPK and was extended by the Hospital Management. On scrutiny of comparative statement it was noticed that extra ordinary high rates were approved during 2011-12, therefore, the supplier was willing for the supply of food items during 2013-14. For example; present market rate of beef is Rs.260 per kg but the supplier had quoted Rs.320 per kg in 2011-12. A survey of the market carried out and the comparison of approved/market was made which resulted into a loss of Rs.1.36 million.

Loss occurred due to weak internal controls.

Loss was pointed out in Sep, 2014. The management replied that as the quotations and rates were approved by DG Health KPK and the matter will be conveyed to the concerned quarter for reply.

In the DAC meeting held in Dec, 2015, it was decided that inquiry be conducted for recovery of overpayment and fixing responsibility.

Audit recommends to implement the decision of DAC.

AP 181 (2013-14)

7.4.15 Over-payment due to local purchase of medicines on higher rates - Rs.5.96 million

According to Standard Operating Procedure of Local Purchase of Medicines circulated vide Government of K.P Health Department No. SO(D)/Health/2-43/2003 dated 19.9.2006 bulk local purchase upto 30% of the allocated budget of medicines etc. (admissible in teaching hospitals) shall be subject to non-availability of government contract rate(Govt: MCC KP). LP contractor will have to submit weekly detailed bills along with warranty and price list of concerned firms. Bill will be tallied with the cash memos already submitted along with daily supplies by the quarter concerned.

During the financial year 2014-15, record of the Hospital Director MTI LRH Peshawar revealed that an expenditure of Rs.40.99 million was incurred on local purchase of medicines (Regular and CMC costing Rs.16.57 million and Rs.24.42 million respectively) and paid to the LP contractor. Audit observed that an overpayment of Rs.5.96 million has been made to the contractor due to allowing higher rates as compared with MCC and market rates. Following are the main causes of overpayment:-

- The MCC rates for 2013-14 were submitted till the finalization of new rates for the year 2014-15 vide Chief Executive LRH No.30380-84 dated 20.9.2014, but the medicines were purchased through LP contractor instead of placing order to the MCC firms due to which overpayment was made to the LP contractor.
- LP contractor has not submitted weekly detailed bills along with warranty and price lists of the concerned firms due to which higher rates were claimed by LP contractor.
- Medicines were available on stock , but instead of issuing the medicines from the regular , the same were purchased on higher rates through LP contractor due to which an overpayment was made.

The lapse occurred due to lack of internal controls.

Overpayment was reported to the management in Oct, 2015. The reply of the management was not satisfactory.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to take action against the person(s) at fault.

AP 235(2014-15)

7.4.16 Overpayment on account of purchase of medicines – Rs.1.02 million

According to para 11 of GFR Vol-I, each head of a department is responsible for enforcing financial order, strict economy at every step and observing all relevant financial rules and regulations by his own office and by subordinate disbursing officers.

During the financial year 2013-14, in the office of MS Sarhad Hospital for Psychiatric Diseases Peshawar, it was noticed that an expenditure of Rs.6.90 million incurred on the local purchase of medicines from M/S Nimra Medicos at 20% high discount. On verification of rates list approved by medicines co-ordination cell, it was revealed that most of these medicines were available in MCC list but the local purchase was made to facilitate the supplier, resulting into loss of Rs.1.02 million.

No check exercised by the hospital management and undue favour was extended to the supplier.

The matter was pointed out in Sep, 2014. The management stated that matter will be examined and appropriate action will be taken. The irregularity committed and needs detail investigations besides recovery from the person(s) responsible.

The matter was discussed in the DAC meeting held in Dec, 2015. DAC directed that inquiry be conducted to fix responsibility and recover the overpayment.

Audit recommends to implement the decision of DAC.

AP 177 (2013-14)

7.4.17 Overpayment due to allowing higher rates – Rs.1.50 million

According to paras 144 & 145 of GFR Vol-I read with para 29 of KP Procurement Rules 2003, all purchases should be made in a very public and economical manner through wide publicity.

During the financial year 2010-11, in the office of MS DHQ Hospital DIKhan, it was observed from tender documents that medical gas was purchased at higher rates and lowest offered rates were rejected with the plea that the lowest bidder had not deposited the renewal fee due to which a sum of Rs.817,350 was overpaid. Whereas, equipment valuing Rs.1.08 million were purchased from the same dealer during that financial year. In another case, a

sum of Rs.690,251 was overpaid due to excess rate accepted than the MCC approved rates.

When pointed out in Oct, 2011, the management agreed to recover the overpayment. But till the finalization of this report no intimated.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to recover the overpayment.

APs 228 & 232 (2010-11)

7.4.18 Non-recovery of Rs.36.20 million

According to para 26 of GFR Vol-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.

During the financial year 2013-14, in the office of MS DHQ Hospital DIKhan, it was noticed that inquiry committee of the Health department conducted inquiry against Misal Khan Medical Superintendent (MS) and decided to remove him from service and recover Rs.18.78 million on account of loss to public exchequer. The MS was dismissed from service on 27.02.2013, but huge amount of Rs.18.78 million not yet recovered.

Similarly another accused of the same case, Nazeer Hussain Store Keeper also removed from service but recovery of Rs.17.41 million is outstanding against him.

Non-recovery was pointed out in Sep, 2014. The management furnished no reply.

In the DAC meeting held in Dec, 2015, it was decided that the Commissioner DIKhan be approached to recover the embezzled amount. No recovery was intimated till finalization of this report.

Audit recommends to implement the decision of DAC in letter and spirit.

AP 372 (2013-14)

7.4.19 Unauthorized issuance of emergency medicines to private room patients Rs.70 million

According to No.SO(B-II) HD/ERP/2013 special initiative package dated 19.09.2013 regarding protocols/guidelines with regard to utilization of funds provided/transferred for free treatment of patients in emergency services as under:

- To provide free emergency medicines, diagnostics services to all those patients visiting casualty for emergency treatment needing urgent attention or intervention.
- All supplies / medicines /hygiene kit including diagnostic services to be provided free of cost to any normal delivery patient including C. Section and other complicated delivery cases admitted through casualty till the patient is discharged.
- Free medicines only with diagnostic services to all patients admitted to CCU, ICU, NICU& Nursery for 72 hours.
- Free treatment including medicines and diagnostic services to all patients of terrorist activities including burns till the patient is discharged.
- Free treatment including medicines and diagnostic services for 48 hours to all patients of accidents & Trauma admitted through casualty.

During the financial year 2014-15, in the office of Director Hospital Khyber Teaching Hospital Peshawar, it was noticed that a sum of Rs.70 million was incurred on medicine (on the casualty medicine Rs.10 million and special initialize package for Rs.60 million). Scrutiny of the record of private rooms A+B revealed that medicines of millions of rupees were shown issued to the patients of private rooms, VIP patients, hospital employees and others who were not admitted through casualty and were not entitled for emergency/casualty medicine as per the protocols/guidelines of the special initiative package quoted above. The issuance of emergency medicines to the regular patients of Private rooms is against the protocols/guidelines of SIP circulated vide above notification.

Moreover, the exact value of medicines issued from ERP & SIP to the private room patients be bifurcated by the local office.

The irregularity was pointed out in Oct, 2015. The management stated that detailed reply will be given after consultation of record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault besides streamlining the procedure of issuance of medicine to emergency and regular patients.

AP 141(2014-15)

7.4.20 Unauthorized purchase and doubtful utilization of medicines - Rs.40.99 million

According to Standard Operating Procedure of Local Purchase of Medicines circulated vide Government of K.P Health Department No. SO(D)/Health/2-43/2003 dated 19.9.2006 Day to Day local purchase shall be made upto 10 % of the allotted budget of drugs and bulk local purchase upto 30% of the allocated budget of medicines.

According to serial No. 17 of Job description of Pharmacist circulated vide Health Department letter No. SO(D)Health/3-8/94 dated 27.3.2001, the pharmacist shall ensure that drugs coming to the medicine store on daily LP basis, meet all the specification i.e. the required brand, and these are properly stamped and then entered on the LP book maintained for the purpose. He/she shall ensure that the batch No. expiry date of such drugs and signature of the receiving authorized person are properly recorded in the LP book.

During the financial year 2014-15, in the office of Hospital Director MTI LRH Peshawar, it was noticed that an expenditure of Rs.40.99 million was incurred on the purchase of LP medicines (Regular and CMC costing Rs.16.57 million and Rs.24.42 million respectively) and subsequently paid to the LP contractor. Moreover Audit observed that a total expenditure of Rs.52.962 million has been incurred on the purchase of medicines (Regular Rs.39.07 million and CMC Rs.13.89 million). According to SOP 10% amounting to Rs.5.30 million (52,961,733 x 10%) was required to be incurred on L.P but local office incurred Rs.40.99 million which is unauthorized. Moreover Audit further observed that:

No batch No. Expiry date etc; was entered in the LP book/register to ascertain that the medicines supplied were of good quality and were not near to expiry.

- No proper signatures of the receiving authorized person was taken on the LP book, in absence of which it could not be ascertained to whom the medicines were issued.
- LP contractor will have to submit weekly detailed bills along with warranty and price list of the concerned firms. Bill will be tallied with cash memos already submitted along with daily supplies by the quarter concerned as required under SOP, which was not done.

Audit opines that such serious lapses have been occurred in the presence of a pharmacist in pharmacy whose primary responsibility is to check and control such lapses but not even a single signature by any pharmacist has been found in the LP register which clearly shows that record was not properly maintained as per rules.

The lapse occurred due to lack of internal controls and non-adherence to rules & procedures.

It was reported to the management in Oct, 2015, the management furnished no satisfactory reply.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry and take appropriate action against the person(s) at fault besides streamlining the procedure of local purchase of medicines.

AP 236(2014-15)

7.4.21 Irregular expenditure on account of local purchase of medicines - Rs.16.43 million

According to para 10 of GFR Vol-I, 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. Public moneys should not be utilized for the benefit of a particular person or section of community.

During the financial year 2014-15, in the office of Director Hospital Khyber Teaching Hospital, it was observed that an amount of Rs.16.43 million was expended on the local purchase of medicines.

In this connection audit has the following observations:

- As per rules only Rs.7.07 million as 10% of the total budget of medicine (Rs.70.70 million for medicine, medicine casualty and kidney dialysis) was required to be expended on the local purchase but contrary to that Rs.16.43 million incurred on it.
- The comparison of the MCC, local tender system and the local purchase shows that at least 17.5% higher rates amounting to Rs.2.88 million were paid to the local purchase contractor. Had these purchases been made on MCC or tender, the Government would have been saved from the loss.
- Stamp duty @ 1 % amounting to Rs.164,000 was not deducted which may be recovered from the contractors.
- The Income/Tax was required to be deducted @ 7% instead of 4.5% which put the Government into a loss of Rs.410, 859 which needs to be recovered.
- The same contract was awarded during 2013-14 to the same contractor on 15.50% discount, however, during 2014-15 awarded on 12.65%, resulting into a loss of Rs. 468,378 @ 2.85% to the hospital.

The loss occurred due to weak internal controls and giving undue benefits to the contractor.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to streamline the system of local purchase through MCC and explain its position before the PAC.

AP 161 (2014-15)

7.4.22 Irregular expenditure on account of purchase and repair of Air Conditioners - Rs. 10.85 million

According to paras 10&11 of GFR Vol-I, each head of department is responsible for enforcing financial order and strict economy at every step. 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. Public moneys should not be utilized for the benefit of a particular person or section of community.

During the financial year 2014-15, in the office of Director Hospital KTH (MTI), a sum of Rs.10.85 million was provided in the budget head "A-13201-I. AC Work" out of the amount provided a sum of Rs.5.57 million was

incurred on the purchase of new split ACs and Rs.3.33 million incurred on the repair of split ACs and AC plant. Moreover, no vouchers and account for the remaining amount of Rs.1.95 million incurred on account of AC work was produced to audit. Audit raised the following observations:-

- The purchase of ACs in presence of Centralized Air Conditioning System is unjustified.
- The Hospital is having its own Centralized AC System, heavy staff deployed on its maintenance and on their salaries heavy expenditure incurred. On the other hand Hospital authority purchased split ACs without the approval of the Management Council. Resultantly the Centralized AC system remained out of order.
- The split ACs purchased were installed in doctor's chambers and not in the wards, resultantly the patients and other staff are suffering from the weather intensity. Moreover, this practice continued from several years and due to non maintenance of Air Condition Plant the patients and staff members are suffering from the hot weather.
- Due to defective central airconditioned system no proper temperature maintained in operation theaters, as per standard practice. Thus the patients, the doctors and staff suffer in OT.
- The split ACs purchased are out of order as evident from letter No.63816-19/KTH dated 17.10.2015 addressed to M/s Supertech Business Solution that you were informed through notices to repair split air conditioners and flooring standing in different units however, till date no action was taken.
- Sales Tax and income tax @ 20% from the supplier of split ACs was not deducted for Rs. 5,566,550 x 20% = Rs.1,113,310
- All the bills paid were required to be pre-audited from Resident Audit Department but same was not done, which is irregular.
- The tender floated were not according to KPPRA rules as the ACs were purchased from the distributor instead of manufacturer.
- Rate analysis for the purchase of Split Air Conditioners was not made as the same were purchased on the excessive rates from the market which needs proper inquiry.

If the amount of Rs.10.85 million would have been incurred on the repair of AC System instead of purchases and repair of Split ACs the whole hospital would have been benefited from AC plant.

The lapse occurred due to weak internal controls.

When reported to the management in October 2015, it was stated that detailed reply will be given after consultation of record. No progress shown till finalization of this report.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct detailed inquiry, fix responsibility and take measures for the comfort of patients, attendants, staff and doctors.

AP 140(2014-15)

7.4.23 Irregular and doubtful drawl of funds in anticipation of supply- Rs.6.26 million

According to para 7 of GFR Vol-I, unless otherwise expressly authorized by any law or rule or order having the force of law, moneys may not be removed from the Public Account for investment or deposit elsewhere without the consent of the Finance Deptt. According to S.No 6 of the condition of the MCC letter No. 167-267/ MCC dated 07.03.2014 bill for the payment will be submitted by the supplier after completion of the supply.

During the financial year 2013-14, in the office of District Health Officer Charsadda, it was noticed that Rs. 6.26 million was drawn from the treasury on account of cost of medicines. However the record of the local office revealed that the contractors have not supplied the said medicines till the date of audit i.e. 05.11.2014. It shows that the bills were submitted and money drawn by the dealing hands in anticipation of the supply of store by the contractor. Thus the drawl of funds without supply of medicines was irregular.

It may be added that the drawl of funds in anticipation of the supply of the store is the violation of aforementioned rules. Audit held that the funds were required to have been drawn after the supply of medicines by the supplier which was not done.

Irregular drawl of funds occurred due to weak internal controls and financial mismanagement.

Irregular and doubtful drawl was pointed out in November 2014. The management furnished no reply.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and recover the amount from the person(s) at fault.

AP 458(2013-14)

7.4.24 Irregular and unauthorized payment of KIMS allowance Rs.6.20 million

According to HEC letter No.F.P.2-15/HEC/2009/580 dated 4.8.2009 read with Finance DepttGovt of Khyber Pakhtunkhwa letter No.SOSR.III/FD/1-27/2003 dated 23.4.2003 and Higher Education Deptt letter No.SOA/FE/5-8/AA/AP/FA (1994-95) dated 18.9.2004, in order to maintain uniformity and standardization of allowances, facilities and perks etc in public sector universities, Vice Chancellors were directed to make payment of salary according to prescribed rates admissible under the BPS scheme.

During the financial year 2013-14, in the Khyber Medical University Peshawar, it was noticed that an amount of Rs.6.20 million was paid to the employees working in KIMS Kohat as special KIMS allowance in violation of the above rules. The said allowance in violation of above orders is irregular.

Audit held that irregular payment of KIMS allowance was made due to weak financial management.

The matter was reported in February 2015. No reply was given.

Audit requested the university management repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, recover the amount and stop further payment of KIMS allowance.

AP 843 (2013-14)

7.4.25 Irregular and unauthorized expenditure on account of pay without rendering services Rs.2.59 million

According to para 113 of GFR Vol-I, pay shall be paid to the government servants on rendering service against the sanctioned posts.

During the financial year 2010-11, in the office of MS DHQ Teaching Hospital D.I.Khan, it was reported by the Chief Nursing Supdt: of the hospital that a large number of nurses had engaged other individuals to perform duties in their places. It was a risky game playing with the lives of the patients. The payment to nurses not performing duties is serious irregularity and an unauthorized payment.

When pointed out in October, 2015, the management replied that inquiry will be conducted on the issue. The inquiry report still awaited till finalization of this report.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault.

AP 257(2010-11)

7.4.26 Non-deposit of maintenance/depreciation charges in the government treasury - Rs.34.77 million

According to Government of K.P Finance Department letter no. BOVI/FD/1-1/2011-12 dated 29.4.2013 at least 50% 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.

During the financial year 2014-15, in the office of Hospital Director MTI LRH Peshawar (Cardiology unit), it was noticed that a sum of Rs.69.54 million was realized as receipt during the period. As per Finance Department letter, 50% of receipt amounting to Rs.34.77 million (65,539,900 x 50%) were required to be deposited into separate account which was not done.

The lapse occurred due to non observing Government orders.

The matter was reported to the management in October 2015. The management replied that this notification is not applicable on the cardiology unit. Reply is not convincing.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to take appropriate action and deposit the amount into government account.

AP 295(2014-15)

7.4.27 Non deposit of maintenance/depreciation charges into govt. treasury 20.56 million

According to Finance Deptt: Notification of Govt. of KPK No.BOV/1-1/2011-12 dated 29/04/2013 that in order to streamline instruction on the subject, it is hereby informed that w.e.f 1st May 2013 at least 50% of the amount recovered from diagnostic services rendered to the patients will be directed to separate account to be maintained especially for the maintenance and repair of equipment, this fund will only be utilized on the said purpose and no other.

During the financial year 2014-15, in the office of Director Hospital KTH, it was noticed that a sum of Rs.41.13 million was recovered from diagnostic services during the said year. However, the local office did not deposit Rs.20.56 million as 50% to separate bank A/C for repair and maintenance of the equipment. The above order was not followed as by directing 50% share to separate account, the share of the stakeholders for the year 2014-15 would be reduced as below:

(Rs.in million)

Total receipts	50 % Govt. Share	Balance to be distributed	30% Dr Share required	30% actual paid to Dr.	Overpayment to Dr
41.131	20.565	20.565	6.169	9.245	3.076

Notification was made on 29.04.2013, therefore the local office has to calculate the exact amount of 50% share of diagnostics share from May 2013 to June 2014.

The lapse occurred due to weak internal controls and non implementation of government order.

When reported to the management in October 2015, it was stated that detailed reply will be given after consultation of record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility against the person(s) at fault and recover the excess amount paid to the stakeholders, besides depositing maintenance/depreciation charges in separate accounts.

AP 144 (2014-15)

7.4.28 Non-deposit of side room charges into reserve fund– Rs.4.02 million

According to para 26 of GFR Vol-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.

During the financial year 2014-15, in the office of Hospital Director MTI LRH Peshawar, it was noticed that for the months of July 2014 to June 2015 an amount of Rs.4.02 million was collected on account of side room charges in the wards, but on verification of record, it was disclosed that the said amount was not remitted into the Reserve Fund of the Hospital. Non-deposit of receipt is a serious lapse on the part of concerned staff.

The lapse occurred due to weak internal controls and non-observance of rules.

The matter was reported to the management in October 2015. The management furnished no reply.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to deposit the amount and take action against the person(s) at fault.

AP 265(2014-15)

7.4.29 Wasteful expenditure of Rs.55.47 million

The objective of the Government is to provide free health facility to the poor people at their door step.

During the financial year 2013-14, the accounts record of M.S Government Mental and General Hospital Dadar revealed that a sum of

Rs.55.47 million was incurred on salary and operative expenses of the Hospital. The 100 bedded Mental Hospital was shifted from Dhodial to T.B Sanatorium Dadar to vacate the place for Hazara University in 2001. 50 bedded T.B Sanatorium with 37 posts has been retained and merged with Govt. Mental Hospital Dadar with the new name of Government Mental and General Hospital Dadar. T.B Sanatorium was constructed in 1939 and no developmental work was carried out in the Hospital, the building has been badly damaged during past flood and earth quack.

Audit has the following observations: -

- Being mental hospital there is no Psychiatric and Clinical Psychiatric, both the posts are lying vacant since long.
- There is no facility of admission in the mental hospital for female patients whereas 14 female nurses were sanctioned and posted without any demand and need.
- 50 bedded General Hospital has only 3 beds in the emergency ward where the patients were admitted in the day only.
- The posts of male and female medical officers are also lying vacant.

In the absence of Psychiatrist and Clinical Psychiatrist in the Mental Hospital, not only treatment of the patients are unjustified but the expenditure incurred on the salary and operative expenses amounting to Rs.55.47 million also stands wasteful. The poor patients suffered due to non-posting of required doctors.

The lapse occurred due to lack of interest of the relevant persons.

The wasteful expenditure was pointed out in Dec 2014. The management stated that detailed reply will be furnished later on.

The matter was discussed in the DAC meeting held in Dec, 2015, wherein DAC decided that wasteful expenditure needs justification.

Audit recommends that in the absence of psychiatrist and clinical psychiatrist in the mental hospital, the poor patients will suffer badly, which needs remedial action on emergent basis. Steps taken by the management to be shown to the PAC.

AP 428 (2013-14)

7.4.30 Wasteful expenditure due to non-installation of CT Scan - Rs.25.82 million

According to para 10 of GFR Vol-I, each officer is expected to incur expenditure from public money in a manner as a person of ordinary prudence would spend from his own pocket. Public money should be spent more carefully and economically in the public interest.

During the financial year 2012-13, in the office of MS DHQ Hospital DIKhan, it was observed that a CT Scan Machine valuing Rs.25.82 million is rusting in the corridor of radiology department. This machine was purchased in the financial year 2011-12 and is still un-installed which cause financial loss to the government exchequer besides patients' sufferings. The following further shortcomings/observations were noticed.

- The machine is lying in hospital having no proper care from sun, rain etc. while its security is the responsibility of the contractor which was not availed by the local office.
- Due to non-installation of machine it is possible that its warranty period expire.
- Despite incurrence of huge expenditure on the purchase of machine the poor patients are deprived from its benefits.
- The machine has not yet been operationalized so one cannot be sure whether the machine will be working properly/effectively or otherwise.
- No inspection report of the electro medical engineer was available on the record.
- For the operation of machine, trained staff is required which in this case is not available.

When pointed out in Sep 2014, the management furnished no reply.

In the DAC meeting held in Dec, 2015, the management replied that the case is in process in the light of judgment by high court. DAC decided that as installation and functioning report from the department still awaited therefore, para placed before the PAC.

Audit recommends to conduct inquiry and fix responsibility against the person(s) responsible.

AP 357 (2013-14)

7.4.31 Wasteful expenditure on the purchase of x-ray machines having old technology -Rs. 11.55 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 subordinates.

During the financial year 2014-15, record of the Hospital Director MTI LRH Peshawar revealed that a sum of Rs.7.70 million was paid to M/s Shirazi Trading Co. for the purchase of 02 X-Ray machines vide cheque No. 166085 dated 14.4.2015 @ Rs.3.85 million while the payment of one machine (already received) was not paid during 2014-15. According to Head of Radiology Department three X-Ray machines Radext-50 are supplied to the LRH by the Shirazi Trading Company. One X-Ray machine is being installed in chest OPD and two machines are lying in Radiology department. According to supplier both X-Ray machines are same in all respect. He (Head of Radiologist) further observed that machine installed in Chest OPD is not according to specification and the floor mounted machine has technology of more than 20 years old. It is altogether different than Randext-50 highlighted in the brochure. Brochure of the company highlights the randext-50 ceiling only while the floor mounted variety details are not given in the brochure. The tube assembly of supplied Randext-50 also does not match the picture given in brochure for even floor-mounted variety. Tube movement is also uncontrolled and without brakes and there is danger of its falling, damage and injury to patient. There is a bar brake of tube assembly movement which is on the opposite side of the table and not easy to apply. These features of tube movement, tube assembly movement were not explained by the company agent at the time of sale instead he insisted that his machine is the only machine manufactured in Japan and it has best feature of all machines. After installation of the machine the representatives were called in several meetings regarding their fraud and replacement of all 03 X-Ray machines by latest General Electronics as company is no more agent of the Hitachi company. So from this audit view confirmed that old and obsolete technology machines were purchased at the rates of new and latest technology which put the Government into a loss of Rs. 11.55 million.

The lapse occurred due to extending undue benefit to the supplier on Government cost.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct detailed inquiry, fix responsibility and recover the loss under intimation to Audit.

AP 252(2014-15)

7.4.32 Wasteful expenditure on account of security services - Rs.7.02 million

According to para 10 of GFR Vol-I, each officer is expected to incur expenditure from public money in a manner as a person of ordinary prudence would spend from his own pocket. Public money should be spent more carefully and economically in the public interest.

During the financial year 2014-15, in the office of Director Hospital (MTI) KTH, it was observed that a sum of Rs.7.02 million was incurred on the Security services provided by MS-Askari Guard Pvt. Ltd for deploying 55 Security guards. The local office have 70 Chowkidars at its strength who are drawing huge amount as salary. The hiring of private security personnels put the attendance of the regular 70 chowkidars at question. Moreover, the private security guards (male and female) are also working in the different wards beside main gates. Moreover, service charges @ 8% were also not deducted from the Askari Guard Pvt.Ltd for Rs.561,637. In the presence of official Chowkidars, expenditure incurred on hiring services of 50 security guards from M/s Askari Guards Pvt Ltd. is wasteful.

					(Rs)
Month	Guard Amount @ Rs.12,000 PM	Supervisor @ Rs.14,000 PM	Lady Searcher @ Rs.11900 PM	Lady Searcher CCTV @ Rs.13,000 PM	Total payment
Jun, 2015	40	3	8	4	669,200
May, 2015	40	3	8	4	649,463
Apr, 2015	40	3	8	4	657,000
Mar, 2015	41	3	7	4	632,527
Feb, 2015	32	3	8	4	571,200
Dec, 2014	33	3	7	4	545,303
Jan, 2015	33	3	7	4	521,300
Aug, 2014	33	3	7	4	518,500
Sep, 2014	33	3	7	4	519,365
Oct, 2014	33	3	7	4	519,365
Nov, 2014	33	3	7	4	519,365
July, 2014	23	4	6	4	697,878
Total					7,020,466

The wasteful expenditure occurred due to weak supervisory control over the chowkidars and giving undue favor to the company at the cost of public revenue.

When reported to the management in October 2015, it was stated that detailed reply will be given after consultation of record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to hold inquiry and devise policy to save the hospital from recurring loss.

AP 170(2014-15)

7.4.33 Wasteful expenditure on the purchase of x-ray machine - Rs. 6.46 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 subordinates.

During the financial year 2014-15, in the office of Hospital Director MTI LRH Peshawar, it was noticed that a sum of Rs.6.46 million was paid to M/s Medequips Pharma for the purchase of Toshiba X-Ray. According to tender documents model DS-PH-1 was selected and order was placed but the supply was made of DST-1000A by the firm which was not according to specification and supply order. Thus the whole expenditure of Rs.6.46 million was wasteful.

The lapse occurred due to extending undue benefit to the supplier at Government cost and non-observance of rules.

It was reported to the management in October 2015, but no reply was given by the management.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault.

AP 258(2014-15)

7.4.34 Double drawl of medicines - Rs.1.87 million

According to para 148 of GFR Vol-I, all store received shall be counted, measured and weighed as the case may be and recorded in the stock register under proper attestation of store incharge.

During the financial year 2010-11, MS DHQ Hospital DIKhan purchased medicine of Rs.1.03 million. Entries were made in stock register at page 165 and issue was shown accordingly. It was astonishing that the same item with same quantity, invoice No and date was recorded at page 89 and issue was shown on page 165. The bill of the same amount was also drawn from District Account-IV. Thus there was double drawl of Rs.1.03 million.

It was further revealed that of other medicines were purchased for Rs.834,900 but the same amount was also drawn for the same quantity from District Account-IV. Thus Rs.834,900 was double drawn.

The double drawl was due to weak internal controls.

The matter was pointed out in Oct 2011. The management agreed with audit to recover the double drawn amount but till the finalization of this report no recovery affected.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to recover the amount and fix responsibility against the person(s) at fault.

APs 231, 229 (2010-11)

7.4.35 Fictitious liability/pending claims of various firms – Rs.6.24 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 subordinates.

During the financial year 2013-14, the accounts record of Medical Superintendent DHQ Hospital DIKhan, revealed that various firms submitted their claims of Rs.6.24 million on account of medicines supplied to the hospital during 2012-13. However, the payments were still outstanding to the hospital. Further record revealed that no stock entries of the medicines supplied by these firms were made available nor where about was known by the hospital staff. The claims of the firms were duly supported with the delivery challans and supply orders. In this connection the firms also informed the Director General Health Services KPK regarding the outstanding liabilities against the DHQ DIKhan.

It was stated by the sitting store keeper that the medicines supplied by the firms were not taken on the stock register. Other relevant documents of the medicines so purchased were also not available on the record.

The firm issued several reminders to MS DHQ Hospital DIKhan for the clearance of outstanding payments against the hospital. Audit apprehends that either fictitious liabilities were created or the medicines worth Rs.6.24 million has been misappropriated by the dealing hand.

The lapse occurred due to weak internal controls.

The matter was reported to the management in Sep, 2014. The management furnished no reply.

In the DAC meeting held in Dec 2015, it was replied by the management that no original record regarding the said medicine was available. DAC decided to conduct inquiry and fix responsibility against the person(s) at fault.

Audit recommends to implement the decision of DAC in letter and spirit.

AP 339 (2013-14)

7.4.36 Doubtful utilization of sanitary & electricity items - Rs.3.12 million

According to the para 13 of GFR VOL-I, every controlling officer must satisfy himself not only that adequate provisions 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 the financial year 2014-15, record of the Hospital Director MTI LRH Peshawar revealed that an expenditure of Rs. 3.12 million was incurred on the purchase of sanitary and electrical items. On further verification of record it was noticed that items were shown issued to different wards and units for utilization, but record of wards and Asstt. Director Works is silent about these items. Neither any utilization report of the items received by the wards/units was available with the Storekeeper nor with the A.D Works. It is further added that against the store utilized no record entry was made in measurement book by the technical staff of Works Department. Thus the expenditure of Rs.3.12 million was unverifiable.

The unauthentic utilization occurred due weak internal controls.

The matter was ported to the management in October 2015. No proper reply was furnished by the management.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and take action against the person(s) concerned.

AP 260(2014-15)

7.4.37 Less deposit of government receipts - Rs.2.92 million

According to para 26 of GFR Vol-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.

During the financial year 2014-15, in the office of Medical Superintendent DHQ Hospital Charsadda, it was noticed that a sum of Rs.8.00 million has been received from different units on account of OPD fee, Admin Fee, X-Ray etc, but the reconciliation statement of receipt duly verified by DAO shows that only a sum of Rs.5.08 million credited to Govt; Treasury till the end of June 2015, thus a sum of Rs.2,920,433 was less deposited which seems to have been misappropriated by the dealing hands.

The lapse occurred due to weak financial management.

When pointed out in September, 2015, the management replied that recovery would be made if the point of view of Audit was correct.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and recover the amount from the person(s) at fault.

AP 94(2014-15)

7.4.38 Less realization of lithotripsy receipts – Rs.1.45 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 subordinates.

During the financial year 2012-13, in the office of Institute of Kidney Diseases Hayatabad Peshawar, it was noticed that Rs.1.45 million was less realized by the lithotripsy section. Further scrutiny of the record shows that as per IT record total number of patients were 1530 w.e.f 01.07.2012 to 30.06.2013 while actual number of patients for the said period were 2013, so there was a difference of 483 patients which resulted into less realization of receipts amounting to Rs.1.45 million (483 x 3000)

Less realization was pointed out in Nov, 2013. The management stated that detailed reply will be furnished later on.

In the DAC meeting held in Dec, 2014, the department furnished no satisfactory reply. DAC decided that as IT section record and manually maintained record shows the difference, therefore, the amount may be recovered from the quarter concerned.

Audit recommends to recover the amount from person(s) at fault as decided in the DAC.

AP 181 (2012-13)

7.4.39 Less deposit of receipts - Rs. 10.44 million

According to para 26 of GFR Vol-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.

During the financial year 2014-15, in the office of Director Hospital Khyber Teaching Hospital, it was noticed that a sum of Rs.65.47 million was realized as per the statement provided by the IT department and handed over to the Almoner. However, the receipt statement provided by the Almoner shows an amount of Rs.55.03 million resulting into less deposit of Rs.10.44 million.

The less deposit of government receipts occurred due to weak internal controls.

When reported to the management in October 2015, it was stated that detailed reply will be given after consultation of record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility against the person(s) at fault and balance receipts be deposited into the government treasury.

AP 179(2014-15)

Chapter – 8

Home & Tribal Affairs Departments

8.1 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.

8.2 Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts:

The Summarized position of actual expenditure 2014-15 against the total of grants/appropriation was as follows:

Non-Development

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/ (Savings)
8-Home & T.A	NC 21	1,161,890,000	792,953,000	1,954,843,000	1,284,259,433	-670,583,567
9- Jail & conviction	NC 21	1,300,300,000	45,614,000	1,754,914,000	1,446,525,014	-308,388,986
10- police	NC 21	28,534,630,000	2,504,927,000	31,039,557,000	29,876,247,989	-1,163,309,011
Total		30,996,820,000	3,343,494,000	34,749,314,000	32,607,032,436	-2,142,281,564

(Rs.)

Development

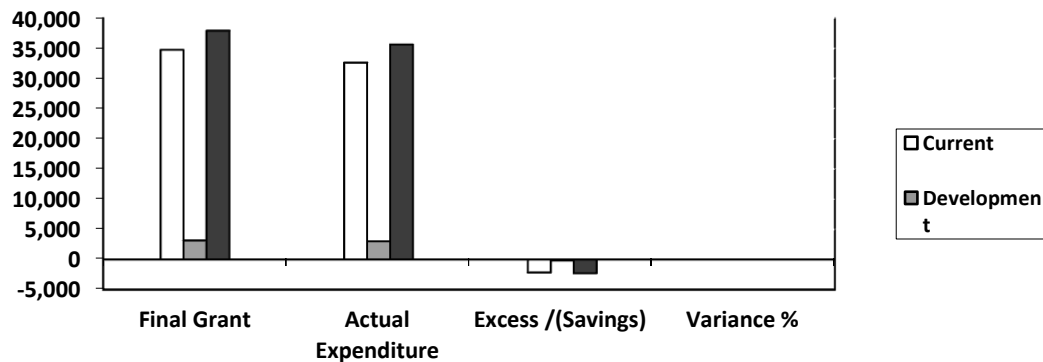
(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/ (Savings)
Home & TA	NC22	506,772,000	0	335,506,000	172,622,372	-162,883,628
Home & TA	NC12	2,993,228,000	0	2,818,417,000	2,828,529,565	10,112,565
Total		3,500,000,000	0	3,153,923,000	3,001,151,937	-152,771,063

Overview of expenditure against the final grant

(Rs. in million)

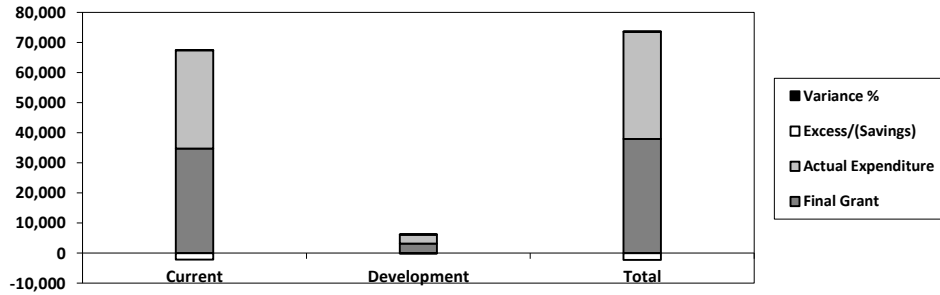
Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)	Variance %
Non-Development	34,749.314	32,607.032	-2,142.282	6.16
Development	3,153.923	3,001.152	-152.772	4.84
Total	37,903.237	35,608.184	-2,295.054	6.06



Anticipated savings were not surrendered and lapsed

Para 95 of GFR Vol I states that all anticipated saving should be surrendered immediately but not later than 30th June of each year in any case. The rule operates to enable government to be informed of expected savings in time to allow it to divert funding to where ever needed and to remain abreast of changes in circumstances that necessitate the change in pattern of expenditure and address the situation. In contravention, the Home & TA Department administering the above grant did not surrender anticipated savings of

Rs.2,295.054 million thus preventing the government from utilizing the funds elsewhere and the considerable amount lapsed. The position of savings as well as percentage variance is shown in the following graphs.



8.3 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	2001-02	Home & TA	36	-	28	08
02	2002-03	-do-	18	-	07	11
03	2003-04	-do-	12	-	09	03
04	2004-05	-do-	37	-	23	14
05	2005-06	-do-	04	-	03	01
06	2007-08	-do-	04	-	03	01
07	2008-09	-do-	12	-	05	07
08	2009-10	-do-	13	-	06	07
09	2010-11	-do-	39	-	10	29
10	2011-12	-do-	27	-	15	12
11	2012-13	-do-	12	-	02	10

8.4 Audit Paras

8.4.1 Suspected loss due to retention of obsolete weapons

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 subordinates.

During the financial year 2014-15, in the office of Inspector General of Police Khyber Pakhtunkhwa, it was noticed from the monthly statement of the serviceable and unserviceable weapons and ammunitions that there were different kinds of obsolete weapons available on the list of weapons. Record showed that in Dec, 2010 local office took up case with the Administrative department regarding guidance for the disposal of obsolete weapons. The record further showed that cabinet has constituted a committee for the disposal of the Malkhana/ Toshakhana but final action has not yet been taken. It may be added that all these weapons are foreign made and have value worth million of rupees. Audit therefore is of the view that action for the preservation and safe custody of the valuable asset is required to be taken or for its disposal.

Furthermore, the valuable assets losing its value with the passage of time therefore an early action needs to be taken.

Suspected loss due to retention of obsolete weapons worth million of rupees occurred due to weak internal controls.

When pointed out in December 2015, it was stated by the management that correspondence regarding obsolete weapons is in progress with the provincial government and the decision of the government will be implemented in letter and spirit.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends that the concerned forum may be approached for early finalization of the case to safeguard public assets.

AP 99 (2014-15)

8.4.2 Loss due to non-observance of codal formalities in auction of malkhana – Rs.21.85 million

According to paras 11 and 12 of GFR Vol-I, each head of the department is responsible for enforcing financial order, strict economy at every step and observing all relevant financial rules and regulations by his own office and by the subordinate disbursing officers.

During the financial year 2014-15, in the office of Secretary to Government of Khyber Pakhtunkhwa Home Department, it was noticed that Malkhana was auctioned in Aug 2013 and 21,851 various weapons were sold. A Committee for price fixing was constituted under the Chairmanship of Special Secretary Home. The average market rate of these weapons was not less than Rs.6,000 but astonishingly to notice that Committee fixed a very nominal price of Rs.530 per weapon which put the government into a loss of Rs. 21.85 million.

The loss occurred due to weak financial management.

Loss was pointed out in August, 2015. The management replied that the weapons were sold to frontier corps, police and government servants.

The matter is reported to the higher ups to ascertain the reasons of deterioration of valuable arms confiscated by police and recover the confiscated arms from Districts Administration. Loss to be recovered from the responsible(s).

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and recover the loss besides devising a policy for the disposal of confiscated weapons and to save these weapons from deterioration.

AP 2(2014-15)

8.4.3 Loss due to non-forfeiture of security – Rs. 13 million

According to clause 3 of the purchase committee of Government MCC, can blacklist or forfeit call deposit of the manufacturer / importer under “ the procurements of goods works, services & consulting services ordinance 2002 and rules framed there under, for non-supply , short supply, substitute supply in contravention of the Drug Act, 1976 shall be treated according to the Drug

Act 1976 and rules framed there under or according to Government instruction in the matter.

During the financial year 2011-12, in the Central Prison D.I.Khan it was revealed that 13 suppliers/manufacturers failed to supply medicines to the Central prison D.I.Khan despite the fact that medicines were requisitioned from them. Jail authorities reported the facts to the higher authorities for black listing the firms and forfeiture of their securities amounting to Rs.13 million. No fruitful result of the correspondence was found to have arrived resulting in loss of Rs.13 million to public exchequer.

When pointed out the management stated that reply will be furnished later on.

In the DAC meeting held in July, 2014, the department replied that the non-supply of medicines was conveyed as complaint to the Director General Health Services Khyber Pakhtunkhwa to take stern action against the defaulting manufacturers but no action has been reported by the D.G Health. DAC directed that the black listing of firms and forfeiture of the security deposited of the suppliers be pursued with quarter concerned. No further action was reported till finalization of this report.

Audit recommends that progress regarding black listing of firms and forfeiture of security deposit may be explained before PAC.

AP 614 (2011-12)

8.4.4 Loss due to non-procurement of wheat in time – Rs.2.06 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 services. Care should be taken not to purchase store much in advance of actual requirements.

During the financial year 2013-14, in the office of Superintendent Central Jail Haripur, it was noticed that yearly wheat requirement was 4,000 bags of 100 kg. Local office purchased only 375 bags of 100 kg @ Rs.2,932 per bag from DFC Haripur, whereas the remaining 3,625 bags were purchased @ Rs.3,500 per bag later on. Thus the government sustained a loss of Rs.2.06 million. Sufficient funds and storage capacity was available with the Jail Superintendent but due to weak financial management the government was put to the said loss.

When pointed out in May 2015, the management stated that detailed reply will be given later on.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and fix responsibility against the person(s) at fault.

AP 559 (2013-14)

8.4.5 Loss due to non accountal of Mobile Oil costing Rs.1.80 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 subordinates.

During the financial year 2012-13, Capital City Police Officer Peshawar incurred an expenditure of Rs.5.13 million on the purchase of mobile oil. It was noticed that purchase was made on higher rates than actual rates affixed on empty gallons and was also not taken on stock.

The audit observation was communicated to the management in August 2013. No reply was furnished by the management.

In the DAC meeting held in August 2014, the management replied that the rates quoted by audit are incorrect and empty gallons would be shown to audit. DAC did not agree and marked the para for verification from audit.

Verification of Mobile Oil stock was carried out on 12.01.2016 and it was revealed that:

- 4000 liters mobile oil costing Rs.1.34 million was not taken on stock as evident from monthly summaries. It seems that mobile oil or its cost had been misappropriated by the MTO.
- Loss amounting to Rs.0.46 million was sustained by Government due to allowing excessive rate of mobile oil.
- Contract agreement was required to have been executed at the beginning of the financial year for the whole year which was not done and loss was sustained due to allowing different rates of mobile oil.

Thus the Govt sustained a loss of Rs.1.87 million.

Audit recommends to conduct detailed investigation in similar nature cases, fix responsibility and recover the loss from the person(s) at fault.

AP 94 (2012-13)

8.4.6 Loss due to non deduction of DPR Charges Rs.1.83 million

According to the Directorate of Social Welfare & Women Development Department Peshawar letter No.DAB/279 dated 09.05.2012 all the provincial government departments were directed to deduct DPR Fund for the rehabilitation of disabled person from the bills of the contractors/ suppliers @ Rs.2,000 each per million and deposit the same into Bank account No.2626-5 in NBP to implement the orders of the Government as well as of the Apex Supreme court of Pakistan

During the financial year 2014-15, in the office of Inspector General of Police Khyber Pakhtunkhwa, it was noticed that the payments worth Rs.706.92 million was made under various heads of accounts however, Disable Person Rehabilitation Fund (DPR) @ Rs.2,000 per one million under the provision of rules referred to above was not deducted from the bills of suppliers/firms and contractors. Thus government sustained a loss of Rs.1.83 million.

Loss due to non deduction of DPR Fund occurred due to non observance of rules and procedures on the subject and weak internal controls.

When pointed out in December 2015, it was stated by the management that the contents of para has been noted and proper deduction will be initiated onward. NO progress intimated till finalization of this report.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to recover the loss on priority.

AP 129(2014-15)

8.4.7 Non-recovery of outstanding Government dues - Rs.212.03 Million

According to para 26 of GFR Vol-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.

During the financial year 2013-14 & 2014-15, in the offices of IGP Khyber Pakhtunkhwa and District Police Officer, Nowshera, it was observed

that police guards/force were deployed in different offices for security purpose and payment of Rs.212.03 million was made on account of their salaries. This amount should have been reimbursed by the borrowing offices as the police guards performed duty in those offices.

However, the borrowing offices did not clear their pending liability and the amount remained unrecovered. The details are as under:

(Rs. in million)

Sr.NO	Name of Office	Period	Amount
1.	I.G.P Khyber Pakhtunkhwa Peshawar	2013-14	101.32
2.	D.P.O Nowshera	2013-14	1.49
3.	D.P.O Nowshera	2014-15	109.22
Total			212.03

The matter was pointed out in August & November, 2014 and November, 2015. The management stated that detailed reply will be furnished later on.

The cases at Sr. No. 1 & 2 were discussed in the DAC meeting held in January, 2015, wherein the DAC directed to recover the full amount. In case of No. 3, audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to recover the outstanding government dues and work out the outstanding amount against the borrowing offices throughout the province.

APs 121, 297 (2013-14) & 77 (2014-15)

8.4.8 Non recovery of advance payment made without contract-Rs. 46.50 million

According to paras 10 (i), 11 and 12 of GFR Vol-I, every public officer incurring expenditure from public fund 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 that each head of a department is responsible for enforcing financial order, strict economy at every step and observing all relevant financial rules and regulations by his own office and by subordinate disbursing officers.

During the financial year 2014-15, in the office of Inspector General of Police Khyber Pakhtunkhwa, it was noticed that advance payment of Rs.46.50 million was made to POF WIL vide cheque No.1219398 dated 24.06.2015 for the supply of bandilier and sling etc. During checking the stock register and actual delivery of the said item it was found that even a single item was not supplied upto 28.11.2015 (the date of audit) by the POF authorities despite the fact that advance payment was made in June 2015.

Neither Contract Agreement as required under the rules, was executed with the supplier/ POF and terms and conditions of supply could also not be settled, nor any action towards recovery of advance payment was initiated despite lapse of six months over the advance payment made.

Audit held that payment was required to have been made after proper execution of Contract Agreement, settlement of the terms and conditions of supply which was not done.

Non recovery of advance payment and payment without Contract Agreement occurred due to violation of rules and weak internal controls.

When pointed out in December 2015 it was stated by the management that detailed reply will be furnished after consulting the record. The signing of contract agreement is in process which will be furnished in due course of time. It is pertinent to mention, however, that there is no laxity on the part of this office.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to take appropriate action as required under the rules and efforts be expedited for early supply of items.

AP 94 (2014-15)

8.4.9 Non-recovery of outstanding dues against federal government departments – Rs.19.00 million

According to para 26 of GFR Vol-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.

During the financial year 2011-12, in the office of DPO DIKhan, it was noticed that a sum of Rs.19.00 million was outstanding against various federal government departments. No efforts seems to have been made for its early recovery.

Non-recovery is due to weak internal controls.

Matter was reported to the management in Oct, 2012, wherein it was stated that reply will be furnished after consultation of record.

In the DAC meeting held in Feb, 2015, it was replied that correspondence regarding recovery of outstanding dues is under process. As and when the outstanding amount received, audit will be informed. DAC decided that para stand till recovery of the outstanding dues.

Audit recommends to investigate that throughout province how much is outstanding if in one district Rs.19.00 million is recoverable. Strenuous efforts should be made for early recovery.

AP 177 (2012-13)

8.4.10 Non-recovery from the defaulters – Rs.4.86 million

According to paras 23 & 26 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 subordinates. 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.

During the financial year 2014-15, in the office of DPO Abbottabad, it was noticed that 15105 challan/tickets valuing Rs.4.86 million were issued to various defaulters in connection with certain traffic offences but the outstanding amount was not realized from them. Therefore, the amount remained outstanding/unrecovered despite the fact that relevant documents like driving license of offender, CNIC and registration of the vehicles were lying in the custody of local office. Neither the offenders deposited the fine nor they

were contacted by local staff rather no strenuous efforts for the recovery of outstanding amount was made.

Audit held that the department has a technology based computerized system of issuance of tickets and realization of amount therefore, efforts at provincial level needed for the early recovery of the amount from offenders which were not made.

Non-recovery occurred due to weak internal controls.

The matter was reported to the management in Sep, 2015. It was stated by the management that reply will be submitted in due course of time. No reply submitted till finalization of this report.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to recover the amount from the defaulters and devise a procedure for timely recovery of fines.

AP 25(2014-15)

8.4.11 Non-recovery of penalty – Rs. 6.23 million

According to Contract Agreement and Supply Orders, all articles should be supplied in stipulated period of time to centralized Godown CPO at Police Line Peshawar

During the financial year 2013-14, in the office of Inspector General Police Khyber Pakhtunkhwa Peshawar, it came to notice that Rs.208.49 million was drawn from the Government account and shown incurred on the purchase of different items. It was however observed that the items purchased were not fully supplied within the stipulated period of time to the centralized Godown Police Line Peshawar as per contract agreement. Therefore, 2% Penalty amounting to RS.4.17 million was required to have been imposed which was not done.

Audit held that non-recovery of penalty was due to weak internal controls.

Non-recovery of penalty was pointed out in Nov 2014. The management furnished no reply.

In the DAC meeting held in Jan 2015, the department replied that some deliveries received and the supplier applied for extension. The position was

verified and it was found that the delayed supply was made but penalty of Rs.6.23 million not recovered from defaulters. DAC directed to recover the penalty. No progress was intimated till finalization of this report.

Audit recommends to implement the directives of DAC decision.

AP 306 (2013-14)

8.4.12 Unauthentic receipts on account of arms registration charges - Rs.369.14 million

According to para 26 of GFR Vol-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.

During the financial year 2014-15, in the office of Secretary to Government of Khyber Pakhtunkhwa Home Department, it was noticed that total receipts on account of Arms registration collection was realized as Rs.369.14 million for the whole province. Audit held these receipts as unauthentic on the following grounds:-

- There is no record at the Head Office regarding number of licenses issued in each district and number of licenses renewed, cartridge change and conversion with regard to collection of receipts.
- A detail statement showing the sub receipt head district wise to be maintained in support of the receipt realized which should be reconciled on monthly basis.
- No reconciled statement was produced to audit to authenticate the receipts realized.
- In the Head office there is no mechanism to cross check the receipts realized and total licenses issued by district office.

The lapse occurred due to weak internal controls.

The matter was pointed out in Aug, 2015. The management replied that audit observation noted and proper mechanism for checking of the Districts will be adopted.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry, take appropriate action against the person(s) at fault and streamline the mechanism.

AP 4 (2014-15)

8.4.13 Unauthentic issuance of stationery items - Rs.1.39 million

According to para 149 of GFR Vol-I, the officer in charge of the store should see that an indent in the prescribed form has been made by a properly authorized person, examine it carefully with reference to the orders for the issue of store and sign it and a written acknowledge should be obtained for authentication.

During the financial year 2012-13, DIG Traffic Peshawar incurred an expenditure of Rs.1.39 million on the purchase of stationery. The requisite stationery was shown issued to District Police Officers in Khyber Pakhtunkhwa. Neither challan under which the stationery issued to District Police Officers nor acknowledgment in token of receipt of stationery by the respective DPOs were found available on record. Moreover, stationery budget to all the DPOs have been provided according to their needs and requirements, as such there was no justification for issuance of stationery to them from the main office. The issuance of stationery costing Rs.1.388 million is held unauthentic.

The matter was reported in Feb, 2014 wherein department furnished no reply.

In the DAC meeting held in July 2014, the department replied that demands were received from various DPOs. DAC decided that record be verified from audit. Audit Officer was deputed to verify the record. It was reported that there was no order of the competent authority for centralized purchase nor there was any acknowledgement of any DPO out of 22 DPOs.

Audit recommends to conduct inquiry, fix responsibility and recover the amount from the person(s) at fault.

AP 409(2012-13)

8.4.14 Irregular/Un-authorized transfer of Government money, received from sale of dry bread, to IG Prisons - Rs.2.22 million

According to para 26 of GFR Vol-I, it is the duty of controlling officer to see that all sum due to Government are regularly and promptly assessed, realized & duly credited in Public Account. He is further responsible to

reconcile the figures with the treasury, see that the amount reported as collected has been duly credited in the public account.

During the financial year 2014-15, in the office of Central Prison Peshawar, it was noticed that dry bread was sold for Rs.3.33 millions, whereas 2/3rd was sent to IG Prisons and 1/3rd was retained. An amount of Rs.914,170, out of 1/3rd share, was spent on contingencies, and the balance amount of Rs.197,624 kept in bank account No.1364-0 at NBP. This resulted into loss to public exchequer due to non-deposit of the sale proceeds from dry bread into government treasury. Audit has the following observations:

- The receipts of dry bread were required to be deposited into Government treasury, instead of its distribution and incurring expenditure from it.
- The account of 2/3rd amount, valuing Rs.2.22 million sent to IG Prisons, was not produced to audit.
- Month wise receipts of dry bread was reflected in the register, but its weight was not mentioned any where, as to compare the rate of auction with open market.
- Reason for such mismanagement due to which huge quantity of bread was not utilized and turned into dry bread.

The non-deposit of receipts into Government treasury was due to weak internal controls.

The matter was pointed out in August, 2015. The department furnished no reply.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends that the sale proceeds from dry bread should be deposited into Government treasury.

AP 38(2014-15)

8.4.15 Non-supply of arms & ammunition against advance payment - Rs.239.55 million

According to para 10 (i) and 11 of GFR Vol-I, every public officer incurring expenditure from public fund 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 that each head of a department is responsible for enforcing financial order,

strict economy at every step and observing all relevant financial rules and regulations by his own office and by subordinate disbursing officers.

During the financial year 2014-15, in the office of Inspector General of Police Khyber Pakhtunkhwa, it was noticed that advance payment of Rs. 239.55 million was made to POF WIL for the supply of arms and ammunitions. During checking of the stock register and actual delivery of the said items it was found that arms and ammunitions valuing Rs. 242.57 million were not supplied upto 28.11.2015 (the date of audit) by the POF authorities despite the fact that advance payment was made in January 2015. Furthermore, neither Contract Agreement as required under the rules was executed with the supplier/ POF and terms and conditions of supply could also not be settled, nor any action towards recovery of advance payment was initiated despite lapse of eleven months over the advance payment made. Similarly NOC of the Ministry of Defense Government of Pakistan in favor of POF as required was also not obtained. Therefore, payment was unauthorized.

Audit held that payment was required to have been made after proper execution of Contract Agreement, settlement of the terms and conditions of supply and NOC from the MOD which was not available.

Non supply of arms & ammunition against the advance payment and payment without Contract Agreement & NOC occurred due to violation of rules and financial mismanagement.

When pointed out in December 2015, the management stated that detailed reply will be furnished after consulting the record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and expedite efforts for supply of arms & ammunitions.

AP 90(2014-15)

8.4.16 Non-supply of uniform by POF - Rs.125.50 million

According to para 23 of the 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 or his subordinates.

During the financial year 2014-15, in the office of Inspector General of Police Khyber Pakhtunkhwa, it was noticed that an aggregate amount of Rs.247.05 million was paid to POF Wah on account of supply of uniform articles. The position of the delivery was verified and it was found that during the period from 07.04.2015 to 22.09.2015 a quantity of 49721 single cellular black shirts instead of pairs and trousers drill khaki were provided and taken on stock that too were not issued upto the date of audit i.e. 28.11.2015. The remaining quantity of 50834 pairs of shirts and 50834 pairs of trousers drill khaki and the quantity of 930 blue shirts and 930 blue trousers costing Rs.125.50 million were not supplied.

Audit held that the quantity of uniform was required to have been collected from the POF in accordance with payment made to them or the advance payment so made in anticipation of supply received from them but both the actions were not taken.

Loss occurred due to weak internal controls.

Non-supply of uniform was pointed out in December, 2015. The management replied that the POF is a Government owned organization working under the MODP. The supply is in progress and the supplied store has properly been taken on stock and further distributed to district units as per their requirements. Reply not convincing.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and take appropriate action to safeguard public money.

AP 101(2014-15)

8.4.17 Unjustified issuance of arms and ammunitions - Rs.6.29 million

According to para 151 of GFR Vol-I, the head of office should take special care for safe custody of store, keeping them in good condition and protecting it from any loss, damages or deterioration.

During the financial year 2013-14, the stock registers of centralized KOT of Inspector General of Police Khyber Pakhtunkhwa, Peshawar Office, revealed that 213 SMGs Rifles along with ammunitions were issued to DIG Hazara for the use of ERRAs Authorities in 2009-10. DIG Hazara has already remitted Rs.6.29 million to CPO for the purchase of 213 SMGs Rifle with

Ammunitions but where about of the purchases as well as remitted amount was not known to Audit. The subject amount plus interest required to be deposited into Govt: treasury along with inquiry to be conducted to fix responsibility against the person(s) at fault.

Audit held that issuance of arms & ammunitions was due to weak internal controls.

When pointed out in November 2014, the management stated that detailed reply will be given later on.

In the DAC meeting held in Jan 2015, the department replied that DIG Hazara remitted Rs.6.28 million with the request to issue 213 SMG alongwith ammunitions from the available stock of CPO which shall later on be replenished out of the above mentioned amount received from ERRRA fund for the purchase of arms and ammunition. The store was released to DIG Hazara and order was placed to M/S Norinco China for the supply of requisite store. The firm supplied the store which is pending for inspection by technical committee. The relevant record has been taken away by NAB. As and when the case is finalized, the inspection will be carried out. No progress reported till finalization of this report.

Audit recommends that department should accelerate efforts for early finalization of the case, as whereabouts of funds and ammunitions not known to audit. Position may be explained before PAC.

AP 304 (2013-14)

8.4.18 Wasteful expenditure on supply of old ammunitions - Rs. 26.93 million

According to para 148 of GFR Vol-I, 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 officer who should see that the quantities are correct, their quality good and record a certificate to that effect and record them in the appropriate stock register.

During the financial year 2014-15, in the office of Inspector General of Police Khyber Pakhtunkhwa, it was noticed that advance payment of Rs.239.55 million was made to POF WIL for the supply of arms and ammunitions. The above payment includes an amount of Rs. 26.93 million paid for the supply of 600,000 ammunitions 7.62x51 mm CTN @ of 35.902 + 19% Sales Tax which was delivered to the CPO KOT on 08-05-2015. The report of the KOT incharge shows that all the cartridge/ ammunitions were supplied from old stock having lot NO. 9 and 10 and uptill the date of

verification i.e. 28.11.2015 not a single quantity of cartridge was issued. This was due to the reason that the relevant SMG-III Gun for which the ammunition was purchased was yet to be delivered by the POF authorities, therefore, the supply and dumping of ammunition valuing Rs.26.93 million, that too pertains to old lots of manufacturing, resulted into wastage of the public money.

Audit held that in light of the remarks of the CPO incharge the ammunitions in question were required to have been returned to POF either for replacement or recovery of cost thereof being old ammunition which was not done.

Wasteful expenditure on supply of old ammunition of Rs.26.93 million occurred due to weak internal controls.

The matter pointed out in December 2015. The management stated that the storage period of Arms is fifteen (15) years, therefore, there is no likelihood of the Arms, not being effective for use. So far the matter relates to the supply of SMG, the first batch of SMGs was rejected on technical grounds and further supply is in the pipeline.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and take appropriate measures to safeguard government interest.

AP 91(2014-15)

8.4.19 Excess payment over the actual demand of arms and ammunitions- Rs.101.23 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 services. Care should be taken not to purchase store much in advance of actual requirements.

During the financial year 2014-15, in the office of Inspector General of Police Khyber Pakhtunkhwa, it was noticed that the local office has made requisition for certain quantity of Arms and Ammunitions to POF Wah Cantt vide their letter dated 17.09.2014. In response the POF authorities, vide their letter dated 28.11.2014 has furnished pre-receipted bill for the enhanced quantity as compared to quantities requisitioned and advance payment of Rs.239.55 million paid vide Cheque No. 4051680 dated 08.01.2015 by the Police Department. The pre-receipted bill for enhanced quantity was not

examined in the light of demand previously placed which resulted in excess payment of Rs. 101.23 million for the enhanced quantity over the demand and the unauthorized payment was made.

Audit held that pre receipted bill of the enhanced quantity furnished by POF authorities was required to have been examined and restricted to the demanded quantity which was not done.

Excess payment for the enhanced quantity over the actual demand of arms and ammunitions occurred due to weak financial management and weak internal controls.

When pointed out in December 2015 it was stated by the management that all the codal formalities have been completed for enhancement of quantity of the store. The purchase was made according to requirements and availability of funds. Reply is not convincing.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter for fixing the responsibility.

AP 93(2014-15)

8.4.20 Unnecessary retention of valuable arms – Rs.12.26 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 subordinates.

During the financial year 2014-15, in the office of District Police Officer Mardan, it was noticed that China 7.62 bore and rifle 303 mark 2/4 in huge quantity lying dumped in a room since long. Detail as below:-

Detail	Quantity	Approximate rate (Rs)	Amount (Rs.in million)
China 7.62 bore	304	10,000	3.04
Rifle 303 mark 2/4	922	10,000	9.22
Total			12.26

The local office had dumped these valuable arms in a room and there is every possibility of deterioration in value. It was required to either auction these arms or bring it in use to safeguard the public assets.

The lapse occurred due to weak internal controls.

The matter was pointed out in Oct, 2015. The management stated that detailed reply will be given after consultation of record. No progress has been shown.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to take appropriate action to safeguard the public assets.

AP 61(2014-15)

8.4.21 Doubtful payment on account of purchase of arms & ammunitions - Rs.103.40 million

According to para 10 of GFR Vol-I, each officer is expected to incur expenditure from public money in a manner as a person of ordinarily prudence would spend from his own pocket. Public money should be spent more carefully and economically in the public interest.

During the financial year 2013-14, in the office of Inspector General of Police Khyber Pakhtunkhwa, it was noticed that Rs.208.49 million was drawn and shown incurred on the purchase of Arms & Ammunitions. These items were neither shown received nor taken on the stock register till the date of audit. Thus the expenditure of Rs.208.49 million was doubtful.

Doubtful payment occurred due to weak internal controls.

The matter was reported in Nov, 2014. The management stated that reply will be furnished after consulting the record.

In the DAC meeting held in Jan, 2015, the department replied that some of the quantities were outstanding against the supplier. DAC decided that para will stand till complete supply as per terms & conditions of agreement. The position of delivery was verified on 12.01.2016 and found that 41 smoke grenades of Rs.354,978 less supplied and 1062 G-3 with accessories supplied were found defective by IGP and returned and 13,800 rounds costing Rs.0.45 million returned. Income tax of Rs.95.94 million and stamp duty costing

Rs.6.65 million also recoverable. Thus full delivery was not made and the delivered items were declared defective and returned to supplier, balance supply was not made.

Audit recommends to investigate the matter, fix responsibility and recover the amount.

AP 296(2013-14)

Chapter – 9

Irrigation Department

9.1 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

9.2 Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2014-15 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)
24-Irrigation	NC21	3,206,651,000	598,641,000	3,805,292,000	3,498,481,060	- 306,810,940
Total		3,206,651,000	598,641,000	3,805,292,000	3,498,481,060	- 306,810,940

Development

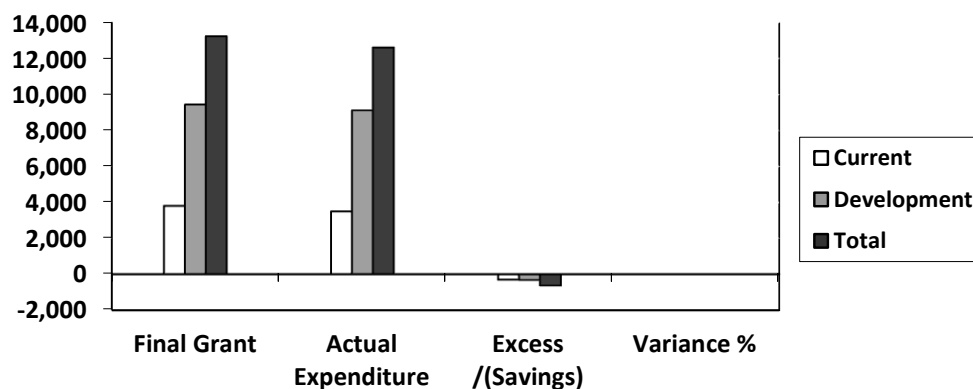
(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess /(Savings)
55- Construction of Irrigation Works	NC12	7,783,000,000	1,659,831,010	9,442,831,010	9,120,482,141	-322,348,869
Total		7,783,000,000	1,659,831,010	9,442,831,010	9,120,482,141	-322,348,869

Overview of expenditure against the final grant

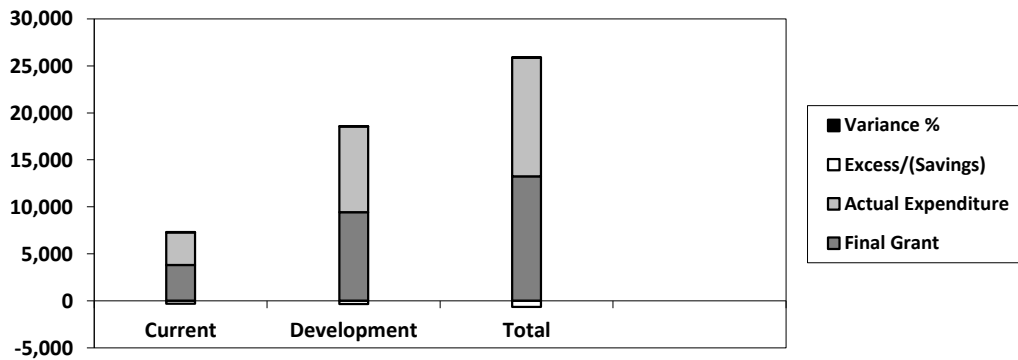
(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess /(Savings)	Variance %
Non-Development	3,805.292	3,498.481	-306.811	8.06
Development	9,442.831	9,120.482	-322.349	3.41
Total	13,248.123	12,618.963	-629.16	4.75



Anticipated savings were not surrendered and lapsed

Para 95 of GFR Vol I states that all anticipated saving should be surrendered immediately but not later than 30th June of each year in any case. The rule operates to enable government to be informed of expected savings in time to allow it to divert funding to where ever needed and to remain abreast of changes in circumstances that necessitate the change in pattern of expenditure and address the situation. In contravention, the Irrigation Department administering the above grant did not surrender anticipated savings of Rs.629.160 million thus preventing the government from utilizing the funds elsewhere and the considerable amount lapsed. The position of savings as well as percentage variance is shown in the following graphs.



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
01	2001-02	Irrigation	31	-	12	19
02	2002-03	-do-	17	-	08	09
03	2003-04	-do-	07	-	05	02
04	2004-05	-do-	40	-	19	21
05	2005-06	-do-	07	-	02	05
06	2007-08	-do-	09	-	03	06
07	2008-09	-do-	08	-	04	04
08	2009-10	-do-	09	-	05	04
09	2010-11	-do-	14	-	11	03
10	2011-12	-do-	18	-	06	12
11	2012-13	-do-	10	-	06	04

9.4 Audit Paras

9.4.1 Embezzlement in abiana - Rs.2.01 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 subordinates.

During the financial year 2014-15, in the office of Peshawar Canal Division, Mr.Abdul Hakim Patwari collected Rs.2.01 million on account of Abiana from the farmers. In spite of repeated directions he did not deposit the same. Beside 18 fard baches were also missing hence recovery of Abiana and its deposit in Govt treasury could not be ascertained.

Audit held that due to weak internal controls the Govt revenue was embezzled which needs immediate recovery besides re-visiting the present mechanisms of Abiana collection to avoid such like embezzlements in future.

Audit held that proper mechanism for monitoring of recovery did not exist in the department.

When pointed out in August 2015, the management replied that the accused Patwari is in Judicial Lock Up and the case is under investigation of Anti Corruption Department. Actual position of the case shall be ascertained on completion of the case.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility, recover the amount from the person(s) concerned beside evolving mechanism to avoid such type of cases in future.

AP 26 (2014-15)

9.4.2 Misappropriation due to doubtful payment to contractor without work done - Rs. 30 million

According to para 209 of the CPWA 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.

During the financial year 2014-15, in the office of Executive Engineer Flood Irrigation Division D.I.Khan, it was noticed that “Improvement and Extension of Guide Bund for protection of area between Guide Bund upto Spur No.1 of Dera Darya Khan Bridge” was awarded to M/s Khyber Grace Pvt Ltd with the estimated and tender cost of Rs. 578.67 million and Rs.599.21 million respectively. The contractor commenced the work on 01.01.2015 and Rs.30 million was paid vide Vr. No. 2/ S-2 dated 14.05.2015 against the total work done of Rs.33.51 million recorded on the body of the bill and Rs. 45.14 million recorded in the verified IPC as well as in MB No 102. It was however observed that as per MB contractor has constructed two channels but during visit nothing was found available on site, except a few trolley stone lying scattered in between the road side and bank of river Indus. (That too not seems to be newly carried.) It may be added that the payment so shown to have been made was not a genuine transaction and amount of Rs.30 million was paid without any work done, and seems to have been misappropriated by the dealing hands.

On verification the correspondence file and other relevant record it was found that soon after the commencement of work rather before the start of work the local office felt that there are certain discrepancies in the design and alignment of the work site which requires to be looked into resultantly the IRI Nandi Pur Punjab was contacted who made visits and suggested change in the alignment. The PC-I was under revision, however revised PC-I was not available. The payment so made seems to have been misappropriated as the scheme shown to have been abandoned since then with the orders of the competent authority.

Misappropriation due to doubtful drawl and payment to contractor without work done occurred due to financial indiscipline, weak internal controls and non observance of rules and procedures.

Misappropriation was pointed out in November 2015, wherein it was stated by the management that final reply will be furnished after verification of the relevant record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit is of the view that the work was started in hasty manner without going into detail survey of the scheme from expert like IRI Nandi Pur. The scheme was reportedly based on the survey of M/s NESPAK which resulted in such huge wastage of money and misappropriation of public resources. Thus audit recommends that a high level inquiry committee be constituted to

investigate the matter, fix responsibility against the person(s) at fault for recovery of the amount.

AP 95 (2013-2015)

9.4.3 Misappropriation due to non utilization of dumped stone-Rs. 23.07 million

According to paras 105,106,247&248 of the CPWA code regarding material at site account, all material received should be examined and counted and should be entered in MB. In all cases material issued to a work should as soon as received be brought to account and when material, are issued their cost treated as final charge or debited to suspense head material in account of work

During the financial year 2013-15, in the office of Executive Engineer Flood Irrigation Division D.I.Khan, it was noticed that an amount of Rs.23.07 million was paid to various contractors for dumping of stone in different vicinities of the river Indus. It was a routine activity of the department to procure and dump huge quantity of stones every year for throwing it into Indus River. However, the said quantities were neither taken on the material at site account nor the said accounts prepared. Therefore it could not be ascertained as to whether quantity procured was subsequently utilized or otherwise. It is therefore apprehended that the quantity was not utilized because of non availability of the requisite material at site account and the same or value thereof amounting to Rs.23.07 million seems to have been misappropriated by the dealing hands.

Audit held that the procured quantity of stone dumped at river bank was required to have been properly taken in the relevant material at site account for future disposal but nothing in this regard has been done.

Misappropriation of public money occurred due to non adherence to the provision of rules and weak internal controls.

When pointed out in November 2015, it was stated by the management that final reply will be furnished after verification of relevant record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and bring amicable solution of the issue.

AP 114 (2013-2015)

9.4.4 Loss due to dumping of stone without proper utilization – Rs.156.19 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 subordinates.

During the financial year 2013-14, in the office of XEN Flood Irrigation Division DIKhan, it was noticed that local office used to procure and dump huge quantity of stones every year for throwing into Indus River during flood season with the contention to protect local Abadies, spurs and guide bund from destruction. The review of the monthly accounts from June 2009 to June 2015 (only six years) shows that stones valuing Rs.156.19 million were procured through various contractors, dumped on the river banks for further use. This state of affairs clearly depicts that the quantity would be 10 times more than shown in the statement because these pertains to one month per year based information. The recurring expenditure on yearly basis termed as recurring loss to the public exchequer on the one hand while on the other it is not the final solution because during flood 2010 damages were again occurred.

Audit held that the procurement and use of stone is just the wastage of public resources and cannot be termed as the only solution to protect the locals from the flood. There might be more scientific systems and procedures and by adopting the same once for all the issue can be resolved.

The issue was pointed out in November 2015. It was stated by the management that final reply will be furnished after verification of the relevant record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends that the matter needs to be looked into for amicable solution of the issue.

AP 93(2013-14)

9.4.5 Loss due to consolidation of two items from CSR 2012 - Rs.80.90 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 subordinates.

During the financial year 2013-14, in the office of Executive Engineer, Peshawar Canal Irrigation Division Peshawar, it was noticed that Improvement and restoration of Bara River and revamping of Budni Nullah was awarded to different contractors. In the BOQ of the scheme as well as TS an item of work @ Rs. 151.08 pm³ on the basis of combination of two items of CSR 2012 was provided and accordingly paid, as per following details: -

S. #	CSR No.	Particular	Rate (Rs)
1.	3-10-a	Earth excavation in irrigation channels/ drains & disposal upto 25 m & dressing in ordinary soil	105.10 pm ³
2.	3-28	Extra for wet earth work	45.98 pm ³
Total			151.08 pm³

It may be added that the item at S. No. 1 is a complete and composite item of work provided in the CSR 2012 and fully covers the entire item of work of earth excavation duly dressed. The inclusion of an irrelevant item “extra for wet earth work” after dressing was neither relevant nor required at site because after carrying out the dressing in dry channel/ drains the adding of extra for wet was not possible. This clearly indicates that the inclusion and combination of an irrelevant rate of Rs. 45.98 pm³ meant extra for the wet earth work in the already completed rate of Rs. 105.10 Pm³ which was undue favor to the contractor and the Government was put to sustain a loss of Rs.80.90 million.

Loss occurred due to undue favor to the contractor and violation of provisions of CSR 2012

Loss was pointed out in Aug, 2014. The management stated that detailed reply will be submitted after consulting the record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry, fix responsibility and recover loss from the person(s) at fault.

APs 40&49(2013-14)

9.4.6 Loss due to non deduction of void from earth work – Rs. 17.07 million

According to clause 20 (b) of the contract agreement measurement of the earth work shall be solid measured of the borrow pits from which the material have been taken out and not resultant spill in which case no deduction shall be made. The measurement will be converted into solid measuring in accordance with following;

- Loose measurement = 0.50 to 0.60
- Packed measurement = 0.67 to 0.89
- Solid measurement = 1.00

During the financial year 2014-15, in the office of Executive Engineer Flood Irrigation Division DIKhan, it was noticed that various contractors were paid including payments on account of Barrow pit excavation undressed lead upto 50 meter, extra for wet earth work and supply and dumping/stacking of stones at site. However, the deduction of voids was not made, despite the facts that in certain cases voids from the earth work was deducted and converted into solid. Non-deduction of voids resulted into loss of Rs.17.07 million to the public exchequer.

Audit held that quantities of work done were required to have been measured and allowed after applying multiplication factor for converting loose measurement into solid as required under the provision of rules and standard contract agreement of the department which was not done.

Lapse occurred due to non adherence to provision of rules and standard contract agreement of the department.

When pointed out in November 2015, it was stated by the management that final reply will be furnished after verification of the relevant record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and recover the loss from the person(s) concerned.

APs 97, 98 & 106(2014-15)

9.4.7 Loss due to twice payment of silt clearance -Rs. 15.26 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 subordinates.

During the financial year 2013-14, in the office of Executive Engineer, Peshawar Canal Irrigation Division Peshawar, it was noticed that an amount of Rs.15.26 million was paid to contractors on account of silt clearance of the different RDs of Hazar Khani and Kabul River Canal in the KRC sub Division of the local office. The record showed that tender was floated for the said work in Dec 2013.

Similar nature work was carried out in the same Sub Division on the basis of tender floated in the month of June 2013 for the same year 2013-14. The contractors executed agreement and started work in the same canals and they were accordingly paid @ 43% below. This indicates that in KRC Sub Division one work in the same RDs was carried out twice which resulted into loss of Rs.15.26 million. The record further revealed that in the first instance only excavation of silt was paid while in the second instance excavation alongwith transportation was paid. Audit held that in the first instance the lower rate of the contractor was ignored due to extending favor to the contractor.

Loss occurred as the contractor quoted unreasonably lower rate and the local office extended undue favor to them.

When pointed out in Aug, 2014, the management stated that detailed reply will be submitted after consulting the record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry, fix responsibility apart from recovery of the loss from the person(s) concerned.

AP 44(2013-14)

9.4.8 Loss due to non deduction of Income Tax from the contractors- Rs.15 million

According to Income Tax Ordinance 1979 and Deputy Commissioner (IR) withholding zone Unit-II regional tax office Peshawar Notification No.

WHU-II/RTO/2014/28 dated 18.07.2014, Income Tax @ Rs. 7.5 % is recoverable from the contractor bills.

During the financial year 2014-15, in the office of Executive Engineer CRBC Irrigation Division D.I.Khan, it was noticed that an amount of Rs.400 million was paid to the Superintending Engineer/ Project Director CRBC WAPDA D.I.Khan vide cheque No.A 588129 dated 24.06.2015 on account of clearance of outstanding liabilities in lieu of O&M for the period from 10/2003 to 06/2015. The list provided by the quarter concerned was examined and it was found that it included payment to contractors on account of work done in different Canals, Disty and Minors etc. However income tax at the prescribed rate of Rs. 7.5 % amounting to Rs. 15 million (on 50 % amount) was not deducted from the bills of the contractors resulted into loss to the stated extent.

Non deduction of Income Tax occurred due to non adherence to the provision of rules and weak internal controls.

Non-deduction of income tax was pointed out in Oct, 2015. The management stated that final reply will be furnished after consulting the relevant record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility against the person(s) at fault and recover the income tax amount.

AP 75 (2014-15)

9.4.9 Loss due to non recovery of compensation for delay - Rs. 6.04 million

According to clause 2 of the contract agreement executed, the contractor shall pay compensation equal to 1 % of the estimated cost of the whole work as shown by the tender for every day that the work remained incomplete or unfinished.

During the financial year 2014-15, in the office of Executive Engineer Paharpur Irrigation Division D.I.Khan, it was noticed that "Modification and Improvement of disty No. 2 from RD 3100-10500" was awarded to M/s Mushtari Shah with estimated tendered cost of Rs. 16.551 million with the completion period upto 30.06.2014. The contractor started the work on 10.01.2013 and was required to complete the work by target date of 30.06.2014, however the contractor failed to complete it in time. Payment of

Rs.16.97 million was allowed upto 10th running bill vide Vr. No. 37 dated 23.06.2015 while in the Progress Report it was shown to have been finalized in June 2015 with the delay of one complete financial year. The contractor applied for extension on the plea that due to closure nature work which was incomplete by WAPDA CRBC the same work cannot be completed within stipulated time and extension was granted. Audit held that the work delayed by the contractor because major portion of the work was carried out by the contractor in 2014-15 after the expiry of original time. In fact payment to WAPDA for carrying out work was also made during 2014-15, thus it can clearly be understood that the delay was on the part of contractor and that the grant of extension was irregular.

Audit held that the contractor was at fault and penalty @ 1% of the estimated cost for 365 days delay amounting to Rs.6.04 million (Rs.16,550,600 x 1 % = 16,550 x 365 = 6,040,750) was required to have been imposed and recovered which was not done. This resulted into loss of Rs.6.04 million to the public exchequer.

Loss occurred due to non observance of rules, conditions of contract, and weak internal controls.

Loss was pointed out in Oct, 2015. The management stated that detailed reply will be furnished after scrutiny and re-verification of record/data.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and recover the amount from the concerned.

AP 50 (2014-15)

9.4.10 Loss due to allowing loose measurement with less recovery-Rs. 5.97 million

According to clause 20 (b) of the contract agreement, measurement of the earth work shall be solid measured of the borrow pits from which the material have been taken out and not resultant spill in which case no deduction shall be made. The measurement will be converted into solid measuring in accordance with following;

- Loose measurement = 0.50 to 0.60
- Packed measurement = 0.67 to 0.89
- Solid measurement = 1.00

During the financial year 2014-15, in the office of Executive Engineer CRBC Irrigation Division D.I.Khan, it was noticed that Package-I & II of the Repair plugging of critical damaged section of Flood Carrier Channels (FCC) in DIK was awarded to Syed Mohsin Shah and Brothers Construction and were allowed payment vide Vr. No. 51 & 54 dated 26.06.2015. On detailed checking of MB No 425 & 431 it was noticed that loose measurement of earth work was recorded and 0.90% deduction for compaction was deducted from the total measurement. It may be added that in the rate of the item of work compaction through animal roller was provided which could not be termed as solid measurement. According to the standard contract agreement as referred to above in case of loose measurement deduction factor @ 0.50 to 0.60 was required. If it is taken as only factor of 0.60 even than the contractors were allowed excess payment of Rs.5.97 million.

The lapse occurred due to non adherence to the rules of measurement of the work done and weak internal controls.

Loss was pointed out in November 2015. The management stated that final reply will be furnished after verification of relevant record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and recover the amount from the concerned.

AP 78 (2014-15)

9.4.11 Loss due to non-recovery of cost of available material from contractor - Rs.2.26 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 his subordinates.

During the financial year 2014-15, in the office of Executive Engineer Flood Irrigation Division D.I.Khan, it was noticed that an amount of Rs.42.26 million was paid to M/s Haji Aurang Zeb Khan contractor vide Vr. No. 33/S-1 dated 25.06.2015 on account of work done in the construction and

improvement of Guide Bund Road District D.I.Khan. On detail verification of record it was found that the contractor was paid for the following items of works.

Dismantling bricks work for a quantity of 2010.53 cft @ Rs.20 pcft	40211
Excavation in foundation for a quantity of 103051.26 cft @ Rs.4 pcft	412205

Audit held that both the bricks available from dismantling and excavated earth in foundation were required to have been re-used in the newly constructed wall and filling embankment of road which was not used. The non-use of material resulted into loss to the public exchequer as per following detail:-

bricks work for a quantity of 2010.53 cft @ Rs.203 pcft	408,138
filling material for a quantity of 103051.26 cft @ Rs.18 pcft	1,854,923
Total	2,263,061

Loss occurred due to non recovery from contractor and weak internal controls.

When pointed out in November 2015, it was stated by the management that final reply will be furnished after verification of the relevant record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and recover the amount from person(s) at fault.

AP 104(2013-14)

9.4.12 Unauthorized payment without Administrative Approval - Rs. 400 million

According to para 54 of CPWD Code read with SNo.6 of the second schedule, powers common to all departments of Delegation of Powers Rules 2001, for every work it is necessary to obtain the concurrence of the competent authority of the administrative department requiring the work and that the administrative department with the departmental development working

party has been empowered to grant administrative approval upto Rs.20.00 million.

During the financial year 2014-15, in the office of Executive Engineer CRBC Irrigation Division D.I.Khan, it was noticed that an amount of Rs.400 million was paid to the Superintending Engineer/ Project Director CRBC WAPDA D.I.Khan vide cheque No. A 588129 dated 24.06.2015 on account of clearance of outstanding liabilities in lieu of O&M for the period from 10/2003 to 06/2015. However the record showed that neither PC-1 of the scheme was approved nor Administrative Approval of the competent forum as required under the rules, was found to have been obtained. Thus the payment of Rs.400 million so made to the Superintending Engineer/ Project Director CRBC WAPDA D.I.Khan was unauthorized.

Audit held that payment was required to have been allowed after completing all codal requirements which in the instant case has not been completed.

Unauthorized payment without Administrative Approval occurred due to non adherence to the provision of rules and weak internal controls.

Unauthorized payment was pointed out in Oct, 2015. The management stated that final reply will be furnished after checking the relevant record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and fix responsibility against the person(s) at fault.

AP 72 (2014-15)

9.4.13 Unauthorized advance payment without actual work done-Rs. 108.83 million

According to para 228 of CPWA 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. Exceptions are, however, permitted in cases in which a contractor, whose contract if for finished work, requires an advance on the security of materials brought to site.

During the financial year 2014-15, in the office of Executive Engineer CRBC Irrigation Division D.I.Khan, it was noticed that an amount of Rs. 400 million was paid to the Superintending Engineer/ Project Director CRBC WAPDA D.I.Khan vide cheque No. A 588129 dated 24.06.2015. The amount includes Rs.291.17 million paid as outstanding liabilities while Rs. 108.833 million as advance without actual work done. Payment was made after obtaining approval of the Chief Minister Khyber Pakhtunkhwa through a summary where in it was clearly mentioned in para 7 (i) that approval of Rs.400 million under O & M allocation was accorded to clear the incurred liabilities of WAPDA on CRB main canal since 2001-02 to 30.06.2015. Therefore the advance payment without work done was not covered under the rules and termed as unauthorized payment to the stated extent.

Audit held that advance payment was required to have been allowed after obtaining the proper approval of the competent forum which in the instant case was not obtained.

Unauthorized advance payment occurred due to non adherence to the provision of rules and weak internal controls.

Unauthorized payment was pointed out in Oct, 2015. The management stated that final reply will be furnished after checking the relevant record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and fix responsibility against the person(s) at fault.

AP 73 (2014-15)

9.4.14 Unauthorized excess over the bid cost - Rs. 10.25 million

According to letter No.4717-18/IB/WC/426 dated 12-12-2012 issued by the Chief Engineer Irrigation Khyber Pakhtunkhwa, no excess over and above the approved aggregating amount of Rs.19.17 million may be incurred. The premium may not be utilized and the saving may be surrendered.

During the financial year 2013-14, in the office of Executive Engineer, Peshawar Canal Irrigation Division Peshawar, it was noticed that “construction of Canal Petrol road along augmentation channel of chilla nullah from GT road to Aman kot” was put to tender with the estimated cost of Rs. 27.78 million. The contract was awarded to Haji Khan Rahim Government contractor @ 31

% below the CSR 2012 vide work order dated 18.12.2013 having bid cost of Rs.19.17 million duly approved by the competent authority. The record showed that the contractor executed work valuing Rs.42.64 million and was paid Rs.29.42 million @ 31.5% below, meaning there by that the contractor was allowed a payment of Rs.10.25 million in excess of the bid cost despite the fact that it was clearly mentioned in the letter of approval by the Chief Engineer that no excess over the approved bid cost be allowed and the premium may not be utilized and the saving may be surrendered. Therefore the payment in excess of the bid cost amounting to Rs.10.25 million was unauthorized and termed as excess payment to the stated extent.

Audit held that the payment required to have been restricted to the bid cost which was not done and the contractor was allowed excess payment.

Unauthorized excess payment occurred due to non adherence to the directives of the high ups.

When pointed out in Aug, 2014, the management stated that detailed reply will be submitted after consulting the record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry, fix responsibility and recover the unauthorized excess payment allowed to the contractor.

AP 42 (2013-14)

9.4.15 Un-authorized payment to contractor – Rs.5.18 million

According to paras 209 and 221 of the CPWA 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 financial year 2014-15, in the office of Executive Engineer Flood Irrigation Division DIKhan for the financial year 2014-15 it was noticed that M/S Haji Pasham Khan and Co. was paid an amount of Rs.69.40 million vide voucher No.27/S-1 dated 25.06.2015. The amount includes Rs.5.18

million allowed for Barrow pit excavation undressed lead upto 50 meter for a quantity of 630939.70 cft @ Rs.8.22 per cft. On further verification of MB and PC-1 of the scheme, it was found that on page No.65 to 69 of MB No.101, the item of work was shown to have been carried out over main Spur and its channelization. However, the PC-1 of the scheme did not have any provision for the said items over main Spur or its channelization. Therefore the item of work so shown to have been carried over main Spur and its channelization was un-authorized as not covered in the PC-1. Thus the payment of Rs.5.18 million so paid to the contractor was unauthorized.

Audit held that quantities of work done were required to have been according to the PC-1 duly approved by the competent forum which was not done.

Lapse occurred due to non adherence to the provision of PC-1.

Unauthorized payment was pointed out in November 2015. It was stated by the management that final reply will be furnished after verification of relevant record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility against the person(s) at fault.

AP 103(2014-15)

9.4.16 Irregular payment without obtaining detail accounts - Rs. 150 million

According to para 15 of the GFR vol-1, every officer whose duty is to render any account in respect of the public money is personally responsible for its completeness and strict accuracy.

During the financial year 2014-15, the accounts record of Executive Engineer Paharpur Irrigation Division D.I.Khan revealed that an amount of Rs. 150 million was paid to Addl Superintendent-1 (O & M) CRBC Project WAPDA DIK on account of rectification work of the head regulator gates of link feeder No 4 and Disty No 2 to be carried out by the CRBC WAPDA authorities. The record showed that neither Technically Sanctioned Estimate of the work were available with the demand nor detailed account in the shape of paid vouchers was provided by the quarter concerned. In absence of the same

the authenticity of the expenditure could not be ascertained. Thus the expenditure was irregular and unauthentic.

Audit held that payment was required to have been allowed after obtaining the detailed Technically Sanctioned Estimate of the work from quarter concerned followed by the detailed disbursed account of the payment. Both the activities were not fulfilled therefore the payment was irregular and unauthentic.

Lapse occurred due to non adherence to the rules on the subject and weak internal control.

The irregular payment was pointed out in Oct, 2105. The management stated that detailed reply will be furnished after scrutiny and re-verification of record/ data.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility and initiate appropriate action against the person at fault.

AP 52(2014-15)

9.4.17 Irregular and Doubtful payment on presumptive measurement of work done-Rs. 25.18 million

According to paras 209 and 221 of the CPWA code all payments 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 financial years 2013-2015, in the office of Executive Engineer Flood Irrigation Division DIKhan, it was noticed that an amount of Rs.44.77 million was paid to M/s Haji Pasham Khan contractor against the total work done of Rs. 69.398 million upto 4th running bill allowed vide Vr.No.27/ S-1 dated 25.06.2015 for the work "Extension and improvement of spur No 18 on the right side of the Indus river in district DIKhan" under ADP 1127. The detail verification of page 94 to 100 of MB 101 it was found that the amount of Rs.25.18 million so included in the measurement sheet since previous was not the actual work done of the contractor but quantity of work

done was shown taken as per IPC 2. It clearly means that these quantities were taken presumptively from the IPC 2 of the contractor verified by the consultant and actual measurement of the work done has not been taken/ recorded in MB by the concerned Sub Engineer. The payment of Rs.25.18 million on presumptive measurement thus was allowed and is held irregular and doubtful.

Audit held that quantities of work done were required to be taken on spot in the MB which was not done.

Lapse occurred due to non adherence to rules on the subject and weak internal controls.

When pointed out in November 2015, it was stated by the management that final reply will be furnished after verification of relevant record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility against the person(s) at fault.

AP 99 (2013-2015)

9.4.18 Irregular and Wasteful payment to Consultant -Rs.13.43 million

According to Appendix A&B of the Contract Agreement executed with Consultant M/s NESPAK have the responsibility to carry out Survey, Prepare Design, PC-1, Construction Design, Periodic review, Supervise the construction activities and check all structural component and general lay out of the project including recommendation regarding source of appropriate construction material, coordinate between contractor and employer to monitor all tests of material to provide technical assistance, to certify interims payment bills of contractor etc and to provide indemnity bond to the effect that firm will be responsible for defect and design or quality of work supervised by the firm.

During the financial year 2014-15, in the office of Executive Engineer Flood Irrigation Division D.I.Khan, it was noticed that Consultancy and Supervision of four construction work at DIK and one at Kohat was awarded to M/s NESPAK including the project "Improvement and Extension of Guide Bund for protection of area between Guide Bund upto Spur No.1 of Dera Darya Khan Bridge" for which Rs.13.43 million was paid. The consultant verified an IPC of the said work of the contractor and the contractor was paid Rs.30 million but the work was declared not upto the mark by the Nandi Pur authorities due to weak Supervisory and Engineering controls. It may be added

that the payment so made was for transaction without any field activity by the consultant.

Audit held that the Consultant has neither performed his contractual obligations nor performed his professional duty thus he was deserved not to pay any remuneration at all. The payment of Rs.13.43 million so allowed to the Consultant was irregular and wastage of public resources.

Wasteful expenditure was pointed out in November 2015, where in it was stated by the management that final reply will be furnished after verification of the relevant record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends that a high level inquiry committee be constituted to investigate the matter for fixing responsibility.

APs 96& 101 (2013-14)

9.4.19 Irregular and unauthentic expenditure on purchase of machinery- Rs. 2.87 million

According to para 209 of the CPWA 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.

During the financial year 2013-14, the accounts record of Executive Engineer Paharpur Irrigation Division D.I.Khan, revealed that suppliers were allowed payments of Rs.2.87 million for “Supply and installation of pumping machinery” for Tube Wells. However neither the installation of machinery was shown nor stock register was available from where it could be ascertained that the supplied pumping machinery was installed and functioning. Therefore the expenditure was irregular and unauthentic. Furthermore, the paid bills of the supplier were also not available therefore it could not be ascertained that the machinery in question was installed or otherwise. Neither PC-IV was available nor any proof provided to audit. The Expenditure was thus irregular and unauthentic.

Audit held that payment was required to have been made after proper installation of machinery which was not done.

The lapse occurred due to non adherence to the provisions/rules on the subject, and weak internal controls.

The irregularity was pointed out in Oct, 2015. The management replied that detailed reply will be furnished after scrutiny and re-verification of record/data.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility against the person(s) at fault.

AP 64 (2014-15)

9.4.20 Unauthentic payment to the PESCO as arrear -Rs. 53.73 million

According to para 10 of GFR Vol-I, each officer is expected to incur expenditure from public money in a manner as a person of ordinary prudence would spend from his own pocket. Public money should be spent more carefully and economically in the public interest.

During the financial year 2013-14, in the office of Executive Engineer Warsak Canal Irrigation Division Peshawar, it was noticed that an amount of Rs.53.73 million was paid to the PESCO authorities on account of arrear of electricity charges of the pump house at Jamrud despite the fact that the dues were regularly paid during the year. Furthermore, the bills paid during the period from July 2013 to May 2014 shows that an amount of Rs.12.09 million was paid to PESCO in excess of the dues printed in the computerized bill of the pump house. The arrear bills was handwritten without any detail of consumption or price of electricity consumed, therefore the payment was unauthorized.

Audit held that the dues were required to have been paid according to actual arrears of the electricity consumption and actual amount pending payable which was not done.

Unauthentic and excess payment to PESCO was made due to non adherence to the actual pendency of the dues recorded on the body of the bills.

When pointed out in July, 2014, the management stated that detailed reply will be submitted after consulting the record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to fix responsibility and adjustment/recovery of the amount from the PESCO after proper reconciliation with them. Detailed study/verification to be carried out also in other irrigation divisions.

APs 9&10(2013-14)

9.4.21 Excess payment beyond the period of agreement-Rs. 7.62 million

According to S. No. 02 of the agreement on sharing of O&M cost for Chashma Right Bank Irrigation Project, executed between the WAPDA and Government Khyber Pakhtunkhwa, the date of application of the formula would be reckoned from December 2013. i.e on the expiry of one year test running period.

During the financial year 2014-15, in the office of Executive Engineer CRBC Irrigation Division D.I.Khan, it was noticed that an amount of Rs.400 million was paid to the SE/ PD CRBC WAPDA D.I.Khan vide cheque No.A 588129 dated 24.06.2015 on account of clearance of outstanding liabilities in lieu of O&M for the period from 10/2003 to 06/2015. The payment includes liabilities amounting to Rs.7.62 million for the period, prior to the period specified in the agreement. This resulted in excess payment of Rs. 7.62 million.

Audit held that payment was required to have been allowed for the period as provided in the agreement which in the instant case has not been done.

Excess payment occurred due to non adherence to the provision of clauses of agreement and weak internal controls.

Excess payment was pointed out in Oct, 2015. The management stated that final reply will be furnished after checking the relevant record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter, fix responsibility against the person(s) at fault and recover the excess payment.

AP 74 (2014-15)

9.4.22 Non-deposit of unspent balances into government revenue – Rs.4.46 million

According to para 399 of CPWA Code read with para 95 of GFR Vol-I, P.W Deposits, unclaimed for more than 03 complete accounts year should be forfeited in favour of the government. Unspent funds are to be deposited into government treasury.

During the financial year 2014-15, in the office of Executive Engineer Hazara Irrigation Division Abbottabad, it was observed from the review of PW Deposit-II Register that un-claimed Security Deposits of Rs.4.46 million were lying since Sep, 2003 to Nov, 2011. These unspent balances pertain to the deposit works which have since been completed and closed. These balances were either required to have been returned to the concerned departments/agencies or credited into government revenue as lapsed deposit soon after completion of the respective works. The un-necessary retention of the amount is against the spirit of financial rule.

When pointed out in August 2015, the management stated that reply will be given later on.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to deposit the unspent balance into government revenue.

APs 20&21 (2014-15)

9.4.23 Doubtful expenditure on silt clearance - Rs. 45.27 million

According to paras 209 and 221 of the CPWA 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 financial year 2013-14, in the office of Executive Engineer, Peshawar Canal Irrigation Division Peshawar, it was noticed that an amount of Rs.45.27 million was paid to contractors on account of silt clearance of the different drains under ADP scheme No. 481. The scrutiny of the relevant

record showed that all silt clearance was carried out in the months of April and May 2014 wherein water was in full swing in the Canals, Drains and all other Channels. The regular silt clearance season ends upto 31st January every year. It is therefore apprehended that the payment on account of silt clearance in the month of April and May 2014 was just the utilization of the provision of ADP. The expenditure of Rs.45.27 million so incurred is doubtful.

Doubtful expenditure occurred due to violation of rules and undue favor to contractors.

When pointed out in August 2014, the management stated that detailed reply will be submitted after consulting the record.

Audit requested the department repeatedly for holding of the DAC meeting, however DAC meeting was not convened till finalization of this report.

Audit recommends to conduct inquiry, fix responsibility apart from recovery of the loss from person(s) at fault.

AP 45 (2013-14)

Chapter – 10

Local Government Department

10.1 Introduction

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

- ❖ Planning and development including policy and procedure.
- ❖ Coordination work relating to the preparation of provincial annual development programme relating to local government.
- ❖ Processing of all developmental schemes, programmes and proposals submitted by local government formations.
- ❖ Foreign Aided Projects.
- ❖ Coordination of technical assistance from abroad including training facilities, expert and advisory services and equipments.
- ❖ Appropriation and re-appropriation of developmental grants in the local government budget.

10.2 Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2014-15 against the total of grants/appropriation was as follows:

Non-Development

(Rs.)

Grant No. and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/ (Saving)
17-Local Government	NC21	2,963,797,000	828,078,000	3,791,875,000	3,061,920,435	-729,954,565
Total		2,963,797,000	828,078,000	3,791,875,000	3,061,920,435	-729,954,565

Development

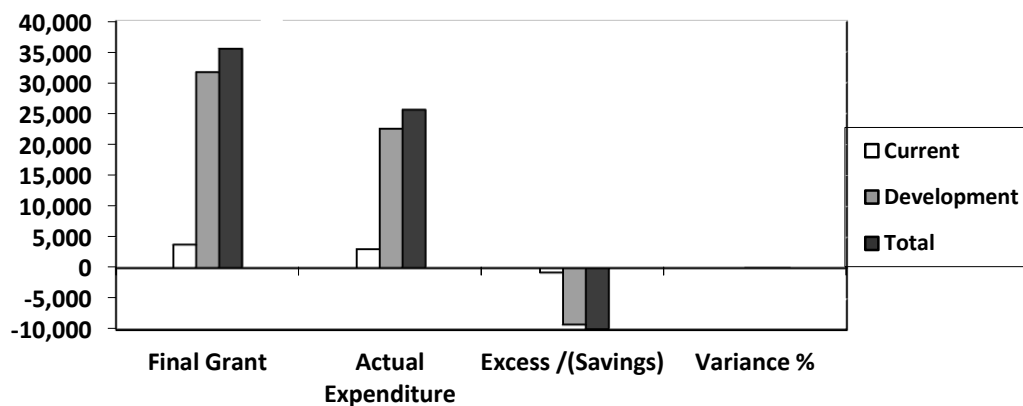
(Rs.)

Grant No. and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/ (Saving)
51-Rural and Urban Development	NC12 & NC 22	31,720,000,000	90	31,720,000,090	22,556,102,928	-9,163,897,162
Total		31,720,000,000	90	31,720,000,090	22,556,102,928	-9,163,897,162

Overview of expenditure against the final grant

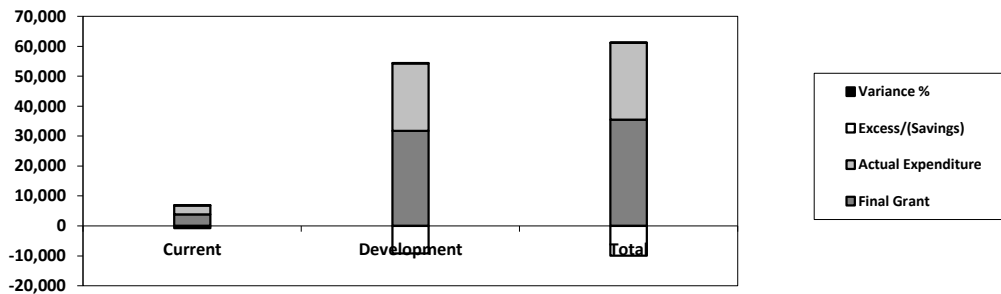
(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Saving)	Variance %
Non-Development	3,791.875	3,061.920	-729.955	19.25
Development	31,720.000	22,556.103	-9,163.897	28.89
Total	35,511.875	25,618.023	-9,893.852	27.86



Anticipated savings were not surrendered and lapsed

Para 95 of GFR Vol I states that all anticipated saving should be surrendered immediately but not later than 30th June of each year in any case. The rule operates to enable government to be informed of expected savings in time to allow it to divert funding to where ever needed and to remain abreast of changes in circumstances that necessitate the change in pattern of expenditure and address the situation. In contravention, the Local Government Department administering the above grant did not surrender anticipated savings of Rs.9,893.852 million thus preventing the government from utilizing the funds elsewhere and the considerable amount lapsed. The position of savings as well as percentage variance is shown in the following graphs.



10.3 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	2001-02	Local Govt.	22	-	07	15
02	2007-08	-do-	01	-	-	01
03	2008-09	-do-	04	-	01	03
04	2009-10	-do-	02	02	-	-
05	2010-11	-do-	20	-	-	20
06	2011-12	-do-	09	-	01	08
07	2012-13	-do-	06	-	01	05

10.4 Audit Paras

10.4.1 Loss to govt. due to non recovery of mobilization advance - Rs.445.52 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 subordinates.

During the financial year 2012-13, in the office of Secretary Local Govt. Peshawar, it was noticed that record amounting to Rs. 934.22 million was not produced to audit. The matter was discussed in the DAC meeting held on 10.09.2015 wherein the DAC directed to verify the record. Audit carried out verification of record in Dec, 2015 and observed the following deficiencies.

It was noticed that the contract of work namely Clean Drinking Water for All was awarded to M/s Ideal Hydrotech System to install 1150 water filtration plants, in Khyber Pakhtunkhwa including FATA and FANA, amounting to Rs.2.58 billion out of which the Khyber Pakhtunkhwa share was Rs.2.20 billion. Funds to the tune of Rs.871.24 million were released by the Finance Department to the Secretary Local Govt. out of which Rs.549.43 million were released to the contractor as mobilization advance for installation of water filtration plants in Khyber Pakhtunkhwa within 09 months. The commencement date of installation of these water filtration plants was 10.12.2007 and completion date was 10.09.2008. The progress Report of PPMU (Provincial Project Monitoring Unit) shows that out of 930 plants only 230 plants were installed till the date of verification i.e. Dec, 2015.

Moreover, on detailed scrutiny of record it was noticed that after adjusting 30% mobilization advance i.e. Rs.103.91 million from the contractor bills regarding 230 filtration plants, a huge amount of Rs. 445.52 million is still outstanding against the contractor.

Audit recommends that Principal amount along with interest may be recovered immediately from the contractor and strict disciplinary action be initiated against the person(s) at fault. Latest status be explained before PAC.

AP 57(2012-13)

10.4.2 Loss to govt. due to non realization of compound interest on mobilization advance – Rs.392.19 million

According to FD notification No.SO/dev-2)2-15 2003-04/FD dated 28-6-2004 amount of mobilization advance should be 2% of the project cost or Rs. 3 million whichever is less.

During the financial year 2012-13, in the office of Secretary Local Govt. Peshawar, it was noticed that record amounting to Rs. 934.22 million was not produced to audit. The matter was discussed in the DAC meeting held on 10.09.2015 wherein the DAC directed to verify the record. Audit carried out verification of record in Dec, 2015 and observed the following deficiencies.

It was noticed that the contract of work namely Clean Drinking Water for All was awarded to M/s Ideal Hydrotech System to install 1150 water filtration plants, in Khyber Pakhtunkhwa including FATA and FANA, amounting to Rs. 2.58 billion out of which the Khyber Pakhtunkhwa share was Rs.2.20 billion. Funds to the tune of Rs 871.24 million were released by the Finance Department to the Secretary Local Govt. out of which Rs.549.43 million were released to the contractor as mobilization advance for installation of water filtration plants in Khyber Pakhtunkhwa within 09 months. The commencement date of installation of these water filtration plants was 10.12.2007 and completion date was 10.09.2008. The progress Report of PPMU(Provincial Project Monitoring Unit) shows that out of 930 plants only 230 plants were installed till the date of verification i.e. Dec, 2015.

On detailed scrutiny of record it was noticed that Rs. 549.43 million was given to the contractor as mobilization Advance @ 63% on contract cost. Furthermore, compound interest @ 8 % per annum was also not recovered from the M/s Ideal Hydrotech Systems which further put the Govt. Exchequer into a huge loss of Rs.392.19 million. The loss may be recovered from the person at fault besides appropriate action to be taken against the officer/officials concerned.

Audit recommends that Rs. 392.195 million may be recovered from the person(s) at fault besides disciplinary action against the officer/officials at fault.

AP 59((2012-13)

10.4.3 Loss due to non imposition of penalty - Rs. 129 million

According to contract clause 27.1. penalty of 0.1 % of the contract value per day of the delayed plants but to a max limit of 5% of total contract price.

The accounts record of Secretary local Govt. Peshawar for the financial year 2012-13 revealed that record amounting to Rs. 934.22 million was not produced to audit. The matter was discussed in the DAC meeting held on 10.09.2015 where in the DAC directed to verify the record. Audit carried out verification of record in Dec, 2015 and observed the following deficiencies.

The contract namely (Clean Water Drinking for All) was awarded to M/s Ideal Hydrotech system to install 1150 water filtration plants in Khyber Pakhtunkhwa including FATA and FANA amounting to Rs. 2.58 billion out of which the Khyber pkahtunkhawa share was 2.196 billion. Funds to the tune of Rs 871.24 million were released by the finance department to the Secretary Local Govt. out of which Rs. 549.43 million was given to the contractor as mobilization advance for installation of 930 water filtration plants in Khyber pkahtunkhawa within 09 months. The commencement date of installing 930 water filtration plants was 10.12.2007 and completion date was 10.09.2008. The progress Report of PPMU (Provincial Project Monitoring Unit) show that only 230 plants were installed out of 930 till the date of verification i.e. Dec, 2015.

However it was astonishing to note that after lapse of more then 7 years only 230 plants were shown installed in the Progress report of PPMU (Provincial Project Monitoring Unit) resultantly Rs. 129 million as penalty of delayed work as per contract agreement was not imposed. Moreover no action has been taken against the quarter concerned showed that undue favor/advantage was given to the contractor.

Audit recommends to conduct detailed inquiry, fix responsibility and take person(s) at fault besides recovery from the contractor.

AP 58(2012-13)

10.4.4 Expected loss to govt due to none performance of water tests of the water filtration plants - 212.35 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 subordinates.

During the financial year 2012-13, in the office of Secretary Local Govt. Peshawar, it was noticed that record amounting to Rs. 934.22 million was not produced to audit. The matter was discussed in the DAC meeting held on 10.09.2015 wherein the DAC directed to verify the record. Audit carried out verification of record in Dec, 2015 and observed the following deficiencies.

It was noticed that the contract of work namely Clean Drinking Water for All was awarded to M/s Ideal Hydrotech System to install 1150 water filtration plants, in Khyber Pakhtunkhwa including FATA and FANA, amounting to Rs. 2.58 billion out of which the Khyber Pakhtunkhwa share was Rs.2.20 billion. Funds to the tune of Rs.871.24 million were released by the Finance Department to the Secretary Local Govt. out of which Rs.549.43 million were released to the contractor as mobilization advance for installation of water filtration plants in Khyber Pakhtunkhwa within 09 months. The commencement date of installation of these water filtration plants was 10.12.2007 and completion date was 10.09.2008. The progress Report of PPMU (Provincial Project Monitoring Unit) shows that out of 930 plants only 230 plants were installed till the date of verification i.e. Dec, 2015.

On detailed scrutiny of the record it was observed that 230 water filtration plants were shown installed in KPK and after installation of filtration plants, various water tests were required to be performed as per contract agreement. Only 89 water test reports were available with the PPMU, while the remaining water test reports were not available which shows that the said tests might have not been conducted and create doubts regarding the quality of the drinking water which was the core objective of the said project. The expenditure of Rs. 212.346 million incurred on the remaining 141 filtration plants raises the doubts that either the plants may not be installed or not functioning properly, which is against the core objectives of the project.

Audit recommends to conduct detailed inquiry regarding installation and functioning of these water filtration plants and progress be shown to PAC.

AP 63 (2012-13)

10.4.5 Unauthorized advance payments to Miraj Limited – Rs.888.00 million

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 the financial year 2012-13, in the office of Secretary Local Govt. Peshawar, it was noticed record amounting to Rs. 1,012.31 million was not produced to audit. The matter was discussed in the DAC meeting held on 10.09.2015 where in the DAC directed to verify the record. Audit carried out verification of record in Dec, 2015 and observed the following deficiencies.

It was noticed that a sum of Rs.888.00 million was drawn vide PLA's various Cheques and shown paid to Miraj Ltd in advance during 2012-13 for the supply of sanitation vehicles but the vehicles were not supplied. The whereabouts of the relevant auditable record was not known to audit till the date of verification of record. Furthermore interest @ 8% on the advance amounting to Rs.124.31 million per annum was also not shown recovered from the said contractor.

Audit is of the view that non production of vouchers and other auditable record is a serious irregularity on the part of local office which needs investigation by the high ups for corrective action under intimation to audit.

Audit recommends to conduct inquiry and fix responsibility against the person(s) at fault as they have neither produced record when initially audit was conducted nor they produced it to verification team.

AP 405(2012-13)

10.4.6 Irregular and un-authorized award of mobilization advance due to acceptance of non-operative bank guarantee – Rs.549.43 million

According to contract agreement clause 10.1 performance security shall be obtained for amount equal to the contract price.

During the financial year 2012-13, in the office of Secretary Local Govt. Peshawar, it was noticed that record amounting to Rs. 934.22 million was not produced to audit. The matter was discussed in the DAC meeting held on 10.09.2015 wherein the DAC directed to verify the record. Audit carried out verification of record in Dec, 2015 and observed the following deficiencies.

It was noticed that the contract of work namely Clean Drinking Water for All was awarded to M/s Ideal Hydrotech System to install 1150 water filtration plants, in Khyber Pakhtunkhwa including FATA and FANA, amounting to Rs. 2.58 billion out of which the Khyber Pakhtunkhwa share was Rs.2.20 billion. Funds to the tune of Rs 871.24 million were released by the Finance Department to the Secretary Local Govt. out of which Rs.549.43 million were released to the contractor as mobilization advance for installation

of water filtration plants in Khyber Pakhtunkhwa within 09 months. The commencement date of installation of these water filtration plants was 10.12.2007 and completion date was 10.09.2008. The progress Report of PPMU (Provincial Project Monitoring Unit) shows that out of 930 plants only 230 plants were installed till the date of verification i.e. Dec, 2015.

On scrutiny of record it was noticed that the bank guarantee and Performance Security against the said amount of mobilization advance furnished by the contractor was not construed as affective and operative by the Bank of Punjab vide letter CB/LHR/2008/235 dated 05.09.2008, which makes the whole process of tendering/bidding process illegal/irregular and doubtful. Moreover when the department came to know about the status of bank guarantee in 2008 than it is not understandable how they make such huge payments (including the clearance of contractor's bills) in 2012. Furthermore, this was the responsibility of the Secretary/PD/Director/CPO before making any advance payment to Contractor or clearing the bills from the concerned bank's/ zonal head to verify guarantees but unfortunately this was not done. Keeping the fact in mind the dealing hands had given undue favor to the contractor which needs justification

Audit recommends that appropriate action be taken against the contractor for production of fake Bank Guarantee and action should be taken against the officer/officials at fault.

AP 60(2012-13)

10.4.7 Irregular award of contract due to non deposit of earnest money and call deposit - Rs.60.56 million

According to para 89(e) of the CPWD code, security for the due fulfilment of the contract should invariably be taken. This security may take the form of a cash deposit, a deposit of interest bearing securities, a deduction of 10%.

During the financial year 2012-13, in the office of Secretary Local Govt. Peshawar, it was noticed that record amounting to Rs. 934.22 million was not produced to audit. The matter was discussed in the DAC meeting held on 10.09.2015 wherein the DAC directed to verify the record. Audit carried out verification of record in Dec, 2015 and observed the following deficiencies.

It was noticed that the contract of work namely Clean Drinking Water for All was awarded to M/s Ideal Hydrotech System to install 1150 water filtration plants, in Khyber Pakhtunkhwa including FATA and FANA, amounting to Rs. 2.58 billion out of which the Khyber Pakhtunkhwa share was

Rs.2.20 billion. Funds to the tune of Rs 871.241 million were released by the Finance Department to the Secretary Local Govt. out of which Rs.549.43 million were released to the contractor as mobilization advance for installation of water filtration plants in Khyber Pakhtunkhwa within 09 months. The commencement date of installation of these water filtration plants was 10.12.2007 and completion date was 10.09.2008. The progress Report of PPMU(Provincial Project Monitoring Unit) shows that out of 930 plants only 230 plants were installed till the date of verification i.e. Dec, 2015.

On detailed scrutiny of the contract agreement it was observed that Call deposit @ 2% as well as earnest money @ 8 % was not deposited/deducted from the contractor during acceptance of contract and from work done respectively. Furthermore being employer it was the responsibility of Secretary Local Govt and its supportive staff i-e PD/CPO/Director that the said amount would have been deducted from the contractor well in time but the same was not done which needs justification

Audit recommends to investigate the matter and justification be shown to the PAC.

AP 61(2012-13)

10.4.8 Non-production of auditable record – Rs.247.34 million

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 the financial year 2012-13, in the office of Secretary to Government of Khyber Pakhtunkhwa Local Governemnt Department, record in support of expenditure of Rs.934.22 million was not produced for audit. The matter was discussed in the DAC meeting held on 10.09.2015. DAC directed to verify the record. Audit carried out verification of record in Dec, 2015 but once again auditable reocrd in support of expenditure of Rs.247.34 million, as per following detail, was not produced.

(Rs.in million)

S#	Cheque No. & date	To whom paid	Amount
1	848889 19.10.2009	Secretary Local Council Board	100.00
2	848884 04.03.2009	-do-	50.00
3	848881 04.03.2009	-do-	37.94
4	848890 25.03.2010	NUDP	17.00

5	848891	18.01.2011	-do-	8.95
6	Nil	09.06.2011	-do-	8.95
7	848876	27.08.2007	DCO Charsadda	4.50
8	108309	27.02.2013	Guide Light Business Solution	20.00
Total				247.34

Audit held that auditable record was required to have been produced to the audit at the time of verification but was not produced.

Non-production of vouchers and other auditable record occurred due to weak internal controls.

Audit recommends to conduct inquiry and fix responsibility against the person(s) responsible for non-production of record.

APs 65&66 (2012-13)

Chapter-11

Housing Department

11.1 Introduction

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

- ❖ Administration and Development of sites, construction, of housing schemes.
- ❖ Establishment & Coordination of Civil works of Government owned housing schemes.
- ❖ Acquisition of land for housing schemes
- ❖ Development of land

11.2 Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

The Summarized position of actual expenditure 2014-15 against the total of our 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)
41-Housing	NC21	32,517,000	30	32,517,030	21,042,498	-11,474,532
Total		32,517,000	30	32,517,030	21,042,498	-11,474,532

Development

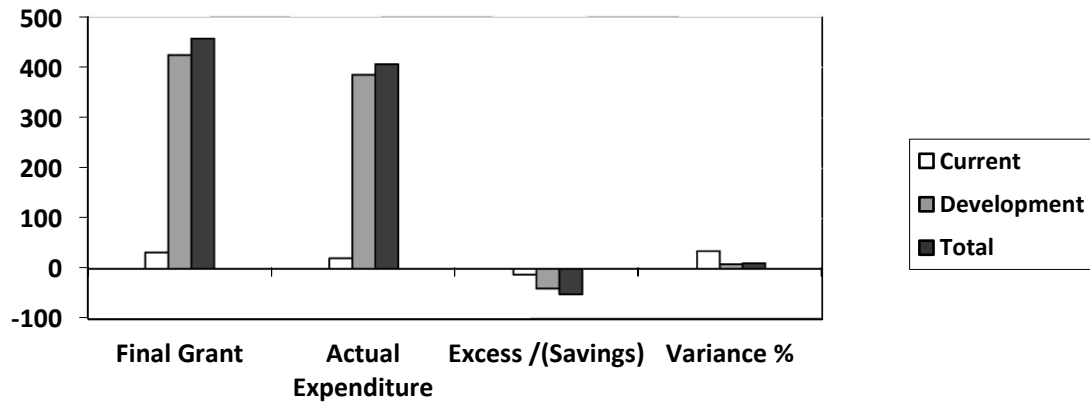
(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Expenditure	Excess/ (Savings)
Housing Department	NC22	0	0	0	523,681	523,681
Housing Department	NC12	956,000,000	0	424,233,000	384,421,711	-39,811,289
Total		956,000,000	0	424,233,000	384,945,392	-39,287,608

Overview of expenditure against the final grant

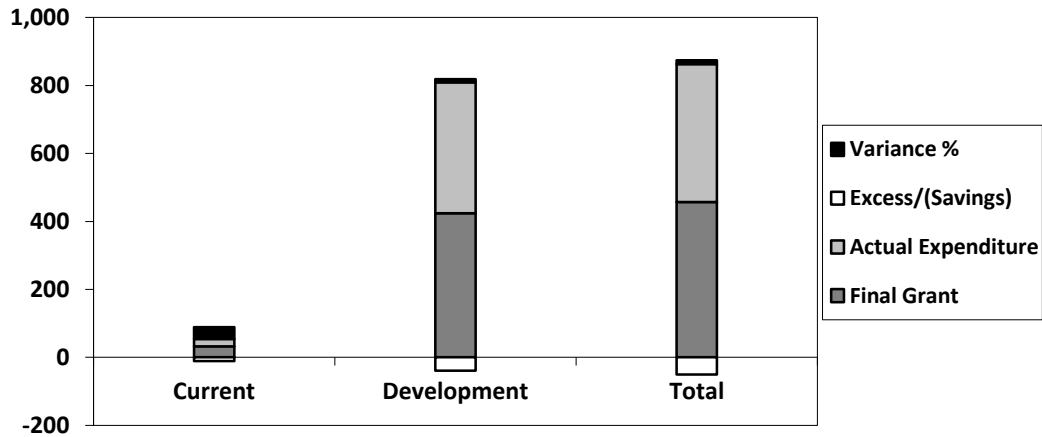
(Rs.in million)

Grant Type	Final Grant	Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	32.517	21.042	-11.475	35.29
Development	424.233	384.945	-39.288	9.26
Total	456.75	405.987	-50.763	11.11



Anticipated savings were not surrendered and lapsed

Para 95 of GFR Vol I states that all anticipated saving should be surrendered immediately but not later than 30th June of each year in any case. The rule operates to enable government to be informed of expected savings in time to allow it to divert funding to where ever needed and to remain abreast of changes in circumstances that necessitate the change in pattern of expenditure and address the situation. In contravention, the Provincial Housing Authority administering the above grant did not surrender anticipated savings of Rs.50.763 million thus preventing the government from utilizing the funds elsewhere and the considerable amount lapsed. The position of savings as well as percentage variance is shown in the following graphs.



11.3 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	2001-02	PP&H	40	-	17	23

11.4 Audit Paras

11.4.1 Loss due to non-recovery of compensation for delay in completion of work Rs.26.47 million

According to Clause 2 of the condition of the contract agreement, the contractor shall pay as compensation an amount equal to 1% or such smaller amount as the D.G PHA may decide on the amount of the estimated cost of the whole work as shown in the tender for every one day that the work remains un-commenced or unfinished after the specified date, provided that the entire amount of compensation to be paid under the provision of this clause shall not exceed 10% of the estimated cost of the work as shown in the tender.

During the financial years 2011-2013, in the office of Director General Provincial Housing Authority Peshawar, it was noticed that different contractors were awarded works at various locations of the housing schemes at Molazai, Nasapa and Jarma Kohat with the specific period of completion, however the contractors failed to abide by the said condition. They delayed the works abnormally despite the fact that repeated extensions in time for completion of the works were allowed to them but they failed to complete it. Neither penalty in light of the relevant clause of the contract agreement was imposed nor compensation for delay in completion of work amounting to Rs.26.47 million was recovered from them.

Audit held that non recovery of compensation was due to undue favour to the contractor and financial mismanagement on the part of local office.

The loss was pointed out in January 2014. The management stated that the contractor was informed time and again to complete the work. Final notices will be issued in case of failure. The security will be forfeited and intimated to audit. No progress was intimated till finalization of this report.

In the DAC meeting held in Oct 2014, the representatives of the PHA were not fully prepared therefore, the Chairman of DAC directed them to come up with revised working papers and replies. No further progress was intimated till finalization of this report.

Audit recommends to recover the compensation for delay and progress be shown to the PAC.

AP 370 (2012-13)

11.4.2 Loss due to wasteful expenditure on Mega City-Rs. 20.97 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 subordinates.

During the financial year 2012-13, in the office of Director General Provincial Housing Authority Peshawar, it was noticed that payment of Rs.20.97 million was allowed to M/s Shah's Consultant on account of carrying out different activities in the Mega City Project.

The record showed that neither any progress towards the launching of Mega City housing scheme has been initiated despite the fact that huge expenditure of Rs.20.97 million has since been incurred on its feasibility etc and a time of more than 18 month also elapsed but no physical work done on the ground. Therefore the expenditure of Rs.20.97 million seems to have been wasted and is a loss to the public exchequer.

Audit held that the wasteful expenditure was incurred due to financial indiscipline.

The loss was pointed out in January 2014. The management stated that detailed reply would be given later on.

In the DAC meeting held in Oct, 2014, the representatives of the PHA were not fully prepared therefore, the Chairman of DAC directed them to come up with revised working papers and replies. No progress was intimated till finalization of this report.

Audit recommends to investigate the matter and reasons of wasteful expenditure be explained before PAC.

AP 393 (2012-13)

11.4.3 Loss due to unauthentic payment and discontinuing work-Rs. 10.17 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 subordinates.

During the financial year 2012-13, in the office of Director General Provincial Housing Authority Peshawar, it was noticed that housing scheme at Jarma Kohat on the Government land was launched by the local office and construction of 30 feet wide road and sewerage system was awarded to M/s

Sirajul Haq & Brothers to start the work with tendered cost of Rs. 90.31 million and completion period of 12 months. The record showed that the contractor has executed only one item of each work and payment of Rs.10.17 million was allowed. No detailed entries of the work done was found recorded by the engineer concerned except lump sum entries in the MB. The payment in absence of the detailed record entries was thus unauthentic.

Furthermore the work was shown to have been stopped since long due to certain litigation problems, which before starting the work on the scheme were required to have been resolved. Non finalization of litigation problems and payment for earth work only resulting into loss of Rs. 10.17 million.

Audit held that loss occurred due to negligence of the staff.

Unauthentic payment was pointed out in Jan, 2014. The management stated that after the commencement of work, court stay order was imposed on all developmental activities.

In the DAC meeting held in Oct, 2014, the representatives of the PHA were not fully prepared therefore, the chairman of DAC directed them to come up with revised working papers and replies. No progress was intimated till finalization of this report.

Audit recommends to investigate the matter in detail and justify it before PAC.

AP 378 (2012-13)

11.4.4 Loss due to non recovery of interest on Mobilization Advance- Rs.1.83 million

According to the Finance Department letter No.SO(DEV-II)12-15/2003-04/FD dated 28.06.2004, grant of mobilization advance should be determined by the Administrative Secretaries, keeping in view the requirements of the project and site. Moreover 8% interest on advance be recovered from the contractor.

During the financial year 2012-13, in the office of Director General Provincial Housing Authority Peshawar, it was noticed that M/s Kasteer was allowed an interest free Mobilization Advance of Rs.45.78 million in violation of the instructions of Finance Department issued vide their letter referred to above. Allowing interest free Mobilization Advance to the contractor was unauthorized, undue extension of benefit and resulted into loss of Rs.1.83 million due to non recovery of 8% interest from the contractor. (Rs.45,778,000 x 8 % = Rs. 3.662/2 for 6 months = Rs. 1.83 million)

Audit held that the violation of Finance Department orders caused loss to the Government.

Loss was pointed out in Jan, 2014. The management stated that detailed reply would be given later on.

In the DAC meeting held in Oct, 2014, the representatives of the PHA were not fully prepared therefore, the Chairman of DAC directed them to come up with the revised working papers and replies. No progress was intimated till finalization of this report.

Audit recommends to recover interest on mobilization advance as per Finance department notification.1

AP 367 (2012-13)

11.4.5 Loss due to allowing premium on the non schedule items -Rs. 1.11 million

According to Finance Department Notification No.BO1/FD/1-7/2010-11/CSR dated 29.03.2011, 20% premium over the CSR 2009 was allowed w.e.f 1st April, 2011 onward applicable on all developmental / non developmental works which are to be tendered after that date. 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 subordinates.

During the financial year 2010-2013, in the office of Director General Provincial Housing Authority Peshawar, it was noticed that different works were awarded to various contractors in the completion of balance work at the Nasapa Housing Scheme wherein the contractors were allowed premium on the non-schedule items. Premium on the market rate is not allowed, as the Finance Department allowed premium only on the CSR items. The premium so allowed on the Non CSR items put the public exchequer into a loss of Rs. 1.11 million.

Audit held that loss occurred due to extending undue favor to the contractor, financial mismanagement and violation of rules.

Loss was pointed out in Jan, 2014. The management stated that detailed reply would be given later on.

The matter was discussed in the DAC meeting held in Oct, 2014. The representatives of PHA were not fully prepared therefore, the Chairman of

DAC directed them to come up with revised working papers and replies. No progress was intimated till finalization of this report.

Audit recommends to recover the loss from the person(s) concerned.

AP 372 (2012-13)

11.4.6 Unauthorized and doubtful advance payment to KPHA-Rs. 2.41 million

According to para 12 of the GFR Vol-1, a controlling officer must see not only that the total expenditure is kept within the authorized appropriation but also that funds allotted to the spending units are expended in the public interest and upon the object for which the money was provided.

During the financial year 2011-2013, in the office of Director General Provincial Housing Authority Peshawar, it was noticed that an amount of Rs.2.41 million was drawn and shown paid to Pakhtunkhwa Highways Authority for laying pipeline alongwith road for the housing scheme at Nasapa Charsadda road Peshawar on the basis of a demand note submitted by the KPHA authority which includes the following items.

➤ Restoration charges	Rs. 1,525,713
➤ Departmental Charges	Rs. 686,287
➤ Lease money for five years	Rs. 200,000

It may be added that the detail of work carried out or to be carried out has not been provided and detail estimates thereof also not submitted for approval therefore, the payment was made without any work done or to be done. Similarly the legal provision of the departmental charges and lease money worth Rs. 886,287 so demanded by KPHA and paid by PHA was also not provided thus the entire payment of Rs.2.41 million was unauthorized and doubtful.

Audit held that unauthorized and doubtful expenditure was due to financial indiscipline and violation of rules/ orders.

When pointed out in January 2014, the management stated that detailed reply would be given later on.

In the DAC meeting held in Oct, 2014, the representative of the PHA were not fully prepared therefore, the Chairman of DAC directed them to come

up with revised working papers and replies. No progress was intimated till finalization of this report.

Audit recommends to justify the unauthorized payment before the PAC.

AP 358(2012-13)

11.4.7 Irregular award of contract worth Rs. 974 million

According to condition (v) & (ix) of the NIT dated 28.11.2012 the prequalified bidders have to furnish 2 % call deposit with the bid documents and that 10 % security including 2 % earnest money will be deducted from the bidder.

During the financial year 2011-2013, in the office of Director General Provincial Housing Authority Peshawar, it was noticed that the construction of flats and houses at civil quarters was awarded to M/s Kasteer, despite the fact that at the time of award of contract the contractor has not submitted the earnest money in shape of call deposit as required under the condition no (v) of the NIT. The contractor has submitted Bank guarantee of the amount equal to the earnest money in violation of the condition of the NIT which made the bid as void. Therefore the award of contract worth Rs. 974 million was irregular.

Moreover the contractor has submitted Bank guarantee which too was not retained till the completion of work and was released to the contractor which according to the rules was required to have been retained till the completion of work.

Similarly 8% security from running bills of the contractor was deducted instead of 10 % as required, because 2% earnest money was not available as was released, which put the authority into a loss of Rs. 3.249 million (Rs.162.436 million paid up to 6/2013 x 2 % = 3.249 million) which was required to have been deducted from the running bills of the contractor.

Audit held that the irregularities occurred due to extending undue benefits to the bidder and violation of condition of the NIT.

The irregularity was pointed out in January 2014. The management replied that overall process was done as per bidding documents. Reply was not convincing.

In the DAC meeting held in Oct 2014, the authority furnished the previous reply. DAC did not agree and directed to conduct inquiry. No progress was intimated till finalization of this report.

Audit recommends the implementation of DAC decision and progress be shown to the PAC.

AP 363 (2012-13)

11.4.8 Irregular and unauthorized investment of funds –Rs. 40 million

According to Accountant General Khyber Pakhtunkhwa instructions contained in letter No.T-15(71)/PLA/PHA/457-64 dated 29.12.2009 granting NOC for PLA “funds authorized by the Finance Department and Accountant General for the PLA shall not be transferred to current or saving account and it shall not be permissible to draw the whole amount or part thereof and place it in a separate account at the treasury or a commercial bank”.

During the financial year 2012-13, in the office of Director General Provincial Housing Authority Peshawar, it was noticed that an amount of Rs.40 million was drawn from the Salary Account No. 0010005838010015 of the PHA staff opened and maintained in the Allied Bank Limited vide Cheque No 15987558 dated 24.04.2013 and invested in the Al Baraka Bank for one year at the mark up rate of Rs.9.50 % per annum. The investment was irregular and unauthorized due to the following reasons.

- NOC for PLA authorized by the Finance department and AG, violated by the authority.
- The salary funds so drawn and invested did not meant for the investment.
- Proper investment policy duly approved from the competent forum was not available.
- Approval of the competent authority not available.
- Neither open tender system as required under the rules was adopted nor open competition amongst the bank for obtaining competitive and more favorable rates of mark-up/ profit was made.

Audit held that irregular and unauthorized investment of funds was due to financial mismanagement.

The irregularity was pointed out in January 2014. The management stated that PHA has its own investment committee and recommended rates to competent authority for investment. Audit disagree.

In the DAC meeting held in Oct 2014, the representatives of the PHA were not fully prepared therefore, the Chairman of DAC directed them to come up with revised working papers and replies. No further progress was intimated till finalization of this report.

Audit recommends to investigate the matter, take appropriate action against the person(s) at fault and explain its position before the PAC.

AP 389 (2012-13)

11.4.9 Excess payment on the de-notified land of Musazai Housing Scheme - Rs.863.21 million

According to para 12 of GFR Vol-I, a controlling officer must see that total expenditure is kept within the limit of authorized appropriation and that funds allotted to spending units are expended in the public interest and upon the object for which the money was provided.

During the financial year 2011-2013, in the office of Director General Provincial Housing Authority Peshawar, it was noticed that 9,122 Kanal land was acquired through private negotiation @ Rs.117,000 per Kanal for the Musazai Housing Scheme and an amount of Rs. 863.21 million was drawn by the Land Acquisition Collector and shown paid to different land owners of the scheme.

It may be added that the area for which the above payment was made, was objected by the planning wing of PHA that the shape of the land was not correct and later on some area was de-notified and revised section iv was issued for 5,943 kanal. Therefore the Land measuring 3,178 Kanal was excluded which was not required for the said housing scheme as such the payment of Rs. 863.206 million so made for the acquisition of this land was to be recovered This resulted into excess payment of Rs.863.21 million to the owners whose land was de-notified.

Main reason behind the above payment was hurry in payment and non observance of rules.

When pointed out in January 2014, the management stated that detailed reply would be given later on.

In the DAC meeting held in Jan, 2014, the representatives of the PHA were not fully prepared therefore, the Chairman of DAC directed them to come up with revised working papers and replies. No progress was intimated till finalization of this report.

Audit recommends to conduct detailed inquiry, fix responsibility against the persons(s) at fault and recover the excess amount paid.

AP 352(2012-13)

11.4.10 Unauthentic payment of Shamilat land Rs. 140.50 million

According to para 12 of GFR Vol-I, a controlling officer must see that total expenditure is kept within the limit of authorized appropriation and that funds allotted to spending units are expended in the public interest and upon the object for which the money was provided.

During the financial year 2011-2013, in the office of Director General Provincial Housing Authority Peshawar, it was noticed that 8,905 kanal and 10 Marlas land was acquired through private negotiation for the Jalozei Housing Scheme and payments were made accordingly. However it was noticed from the payment record that out of total acquired land 1,470 kanal and 8 Marlas land was consisting of Shamilat land for which payment was also made. It may be added that the ownership of the Shamilat land could not be determined as legal due to the reason that there are more than one owner therefore payment of the Shamilat land made to other than owner amounting to Rs.140.50 million could not be termed as authentic payment.

Main reason behind the unauthentic payment was undue favor to the recipients and non observance of rules on the subject.

The unauthentic payment was pointed out in January, 2014. The management stated that detailed reply would be given later on.

In the DAC meeting held in Oct, 2014, the representative of the PHA were not fully prepared therefore, the Chairman of DAC directed them to come up with revised working papers and replies. No progress was intimated till finalization of this report.

Audit recommends to conduct inquiry and factual position be shown to the PAC.

AP 353 (2012-13)

11.4.11 Non production of record of acquisition of land and payment - Rs. 600 million

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 the financial year 2012-13, in the office of Director General Provincial Housing Authority Peshawar, it was noticed that an amount of Rs. 600 million was drawn from the Assignment Account of the PHA vide Cheque

No. 107928 dated 29.05.2012 and shown paid to the Land Acquisition Collector of the PHA on account of payment to land owners of the Nathiagali Housing Scheme. The relevant record of the acquisition of land and payment to the owners, as per following details, was demanded but not produced and it was stated that the relevant record was taken away by the NAB for their investigation which has not yet been returned. Therefore the record remained unaudited.

- Cash Book of receipt and expenditure
- Slip of deposit in Bank account
- Approval for the opening of Bank Account
- Statement of Bank accounts
- Details of the payments made from the said account
- Counterfoils of used Cheque Books
- Total area of the land acquired.
- Sketch of the PC-1 showing location of the land.
- Acquisition of land.
- Detail of the total number of the owners.
- Detail of the total payment made to the owners.
- Commitments between the owners and department.
- Any other record.

Audit held that non production of record was due to weak internal controls because the copies of the relevant record was required to have been retained.

Non-production of record was pointed out in January 2014. The management stated that the detailed reply would be given later on

In the DAC meeting held in Oct 2014, the representatives of the PHA were not fully prepared therefore, the Chairman of DAC directed them to come up with revised working papers and replies. No further progress was intimated till finalization of this report.

Audit recommends to show to PAC the latest status of NAB investigation and the action taken by the authority.

AP 357 (2012-13)

Chapter - 12

Public Health Engineering

12.1 Introduction

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

- ❖ Public Health Work pertaining to Government Buildings and Government Residential Estates.
- ❖ Public Health Engineering and Drinking Water Supply Scheme.
- ❖ Determination of rates of supply to consumers in bulk and otherwise and prescribed tariff (only in the case of Private undertakings).
- ❖ Levy and collection of fees, etc. for supply of water for drinking purposes.
- ❖ Sanitary and Waste Water Disposal Project.
- ❖ Services matters, except those entrusted to Establishment and Administration Department.

12.2 Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

A summary of grants/appropriation allocated to the Public Health Engineering Department and expenditure by the department in FY 2014-15 is given below:

Non Development

(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/ (Savings)
16-Public Health Engineering	NC21	4,437,853,000	133,066,000	4,570,919,000	4,298,400,327	-272,518,673
Total		4,437,853,000	133,066,000	4,570,919,000	4,298,400,327	-272,518,673

Development

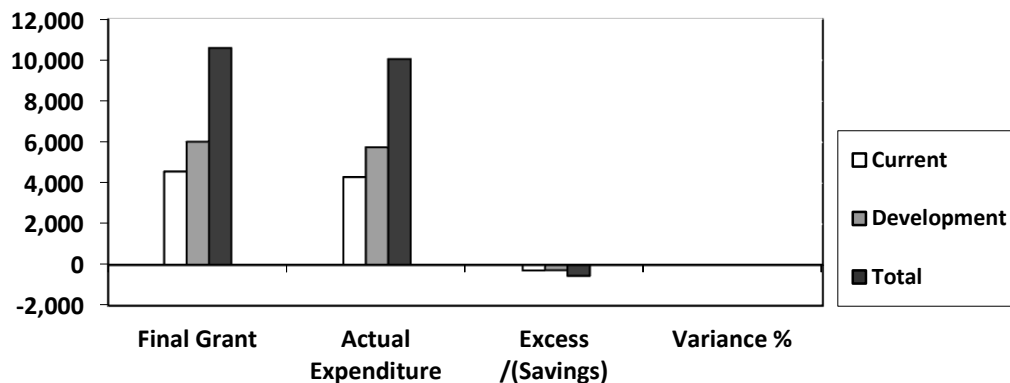
(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/(Savings)
52-Public Health Engineering	NC12	5,851,000,000	169,582,000	6,020,582,000	5,754,517,070	-266,064,930
Total		5,851,000,000	169,582,000	6,020,582,000	5,754,517,070	-266,064,930

Overview of Expenditure against the Final Grant

(Rs. in million)

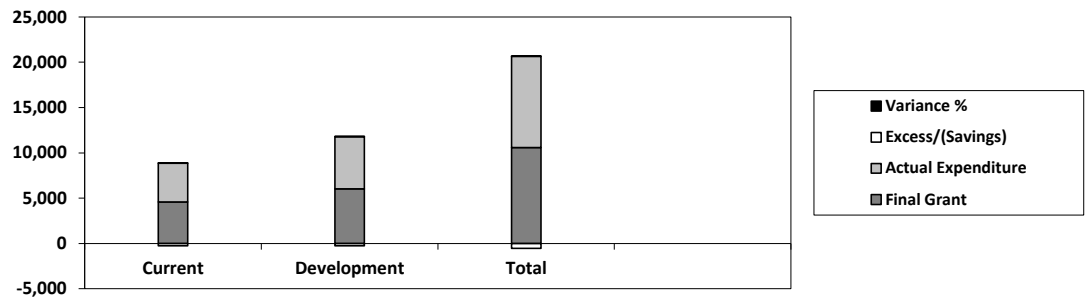
Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	4,570.919	4,298.400	-272.519	5.96
Development	6,020.582	5,754.517	-266.065	4.42
Total	10,591.501	10,052.917	-538.584	5.09



Anticipated savings were not surrendered and lapsed

Para 95 of GFR Vol I states that all anticipated saving should be surrendered immediately but not later than 30th June of each year in any case. The rule operates to enable government to be informed of expected savings in time to allow it to divert funding to where ever needed and to remain abreast of

changes in circumstances that necessitate the change in pattern of expenditure and address the situation. In contravention, the Public Health Engineering Department administering the above grant did not surrender anticipated savings of Rs.538.584 million thus preventing the government from utilizing the funds elsewhere and the considerable amount lapsed. The position of savings as well as percentage variance is shown in the following graphs.



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

S.No.	Audit Report year	Total Paras	Compliance received	Compliance not received	Percentage of compliance
1.	Nil	Nil	Nil	Nil	Nil

12.4 Audit Paras

12.4.1 Irregular and un-authorized appointment of C-IV involving pay and allowances - Rs.2.76 million

According to the Establishment & Administration (Regulation Wing) notification No. SOR-VI (E&AD) 1-3/2008, dated 3.11.2008, that the appointment in Basic Pay Scale-1 to 4 shall be made on the recommendations of the departmental Selection Committee through the District Employment Exchange concerned.

During the financial year 2013-14, in the office of Executive Engineer Public Health Engineering Mansehra, it was noticed that 46 C-IV in different cadres i.e. Operator-Cum-Chowkidar, Valve-man, etc; in BPS-I involving pay and allowances worth Rs.2.76 million (12,001 P.M x 5months x46) were enrolled during the period w.e.f.2/2014 to 5/2014. The process of appointment was irregular and un-authorized on the following grounds:-

- No lifting of ban/ relaxation could be obtained from the competent forum till date, in absence of which the appointments were irregular.
- It was noticed that the Employment Exchange certificates were got obtained just before the appointment orders in almost all cases due to which the process of selection was doubtful.
- Few Nos of C-IV were enrolled who provided land for water supply schemes, while the remaining were enrolled irrespective of the local resident as per Govt: rules and procedure.

The lapse occurred due to extending undue favour to the official concerned.

The irregularity was pointed out in September, 2014. The management furnished no reply.

In the DAC meeting held in November 2015 the department replied that there was no ban on recruitment against vacant posts at that time. DAC decided to stand the para in the light of Establishment department circular dated 13.11.2013.

Audit recommends that the department may explain its position before the PAC.

AP 13(2013-14)

12.4.2 Wasteful expenditure due to non-functioning of water supply schemes - Rs.86.94 million

According to PC-I page-1, the objective of the construction of water supply schemes is to provide drinking water facilities to the Tehsil Allai District Battagram.

During the financial year 2013-14, in the office of XEN PHE Division Battagram, it was noticed that a sum of Rs.86.94 million was shown incurred on the construction of Water Supply Schemes, , but even after elapse of reasonable time the water supply schemes are not yet functional due to which the objectives of the provincial Government to provide drinking water to the village abadies of Tehsil Allai and District Battagram has badly suffered. Thus the whole expenditure of Rs.86.94 million is wasteful.

The lapse occurred due to weak internal controls and planning.

The irregularity was pointed out in September, 2014. The management furnished no reply.

In the DAC meeting held in November 2015, the department replied that the umbrella PC-I was not revised and hence all the running schemes were considered as final. DAC directed that Administrative Secretary may verify the actual position of these schemes regarding functioning or otherwise. No progress was intimated till finalization of this report.

Audit recommends to conduct inquiry and ascertain the factual position besides fixing of responsibility and explain its position before the PAC.

AP 05(2013-14)

12.4.3 Wasteful expenditure on the purchase of substandard machinery- Rs.5.68 million

According to para 23 of GFR Vol-1 & rule 635 of CTR, every Government officer will personally be held responsible for any loss sustained by Government through negligence or fraud on his part. All balances unclaimed for more than three complete account years shall at the close of June in each year be credited to Government.

During the financial year 2013-14, in the office of XEN PHE Mansehra, it was noticed that a sum of Rs.5.68 million was lying in 5th deposit as 10% testing charges of various firms who supplied the pumping machinery, stabilizer and other equipment for Rs.5.68 million for water supply schemes w.e.f 06/2009 to 06/2013. The amount of Rs.5.68 million was still lying in the

5th deposit as on 30.6.2014, it means that the firm had either not supplied the said machinery or defective machinery was supplied due to which the said amount was not released to the firm. Thus the expenditure incurred on the scheme stands wasteful.

The lapse occurred due to weak internal controls.

The irregularity was pointed out in September, 2014. The management furnished no reply.

In the DAC meeting held in November 2015, the department replied that the machinery has been supplied and installed but most of the Schemes have not been energized by the PESCO due to which testing of schemes is awaited. DAC decided that as most of the schemes are not operational due to non-energizing by the PESCO so the position be explained before the PAC.

Audit recommends to conduct inquiry, fix responsibility and take action against the person(s) at fault. The department should also investigate about similar nature schemes in other divisions of the province.

AP 17(2013-14)

Chapter – 13

Social Welfare Department

13.1 Introduction

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

- ❖ Planning and co-ordination in the fields of Social Welfare.
- ❖ Charitable endowments.
- ❖ Standards of social work and education.
- ❖ Training and education of disabled.
- ❖ Custody, protection, treatment and rehabilitation of children involved in crimes, setting up and improvement of juvenile courts.
- ❖ Matters relating to formulation of public policies and laws to meet their special needs of women, ensuring that women's interests and needs are adequately represented in public policy formulation by various organs and agencies of Government.
- ❖ Registration of and assistance to women's organizations.
- ❖ Promotion and undertaking of projects for providing special facilities for women.
- ❖ Promotion and undertaking of research on the conditions and problems of women.

13.2 Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2014-15 against the total of grants/appropriation was as follows:

Non-Development

(Rs.)

Grant No. and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/ (Saving)
32-Social Welfare	NC21	1,114,157,000	150	1,114,157,150	898,629,643	-215,527,507
33-Zakat and Ushr	NC21	153,867,000	45,286,000	199,153,000	148,578,823	-50,574,177
Total		1,268,024,000	45,286,150	1,313,310,150	1,047,208,466	-266,101,684

Development

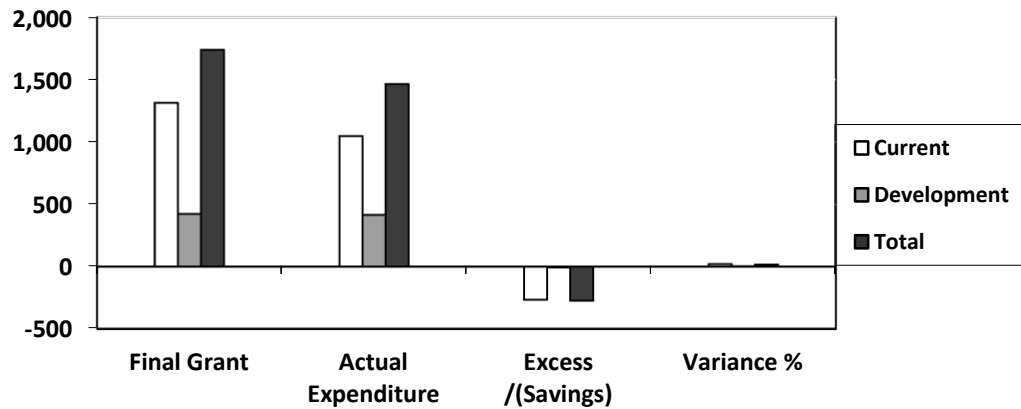
(Rs.)

Grant No. and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/ (Saving)
Social Welfare & Women Development	NC22	223,807,000	10	248,596,010	244,316,030	-4,279,980
Social Welfare	NC12	276,193,000	0	174,849,000	171,314,701	-3,534,299
Total		500,000,000	10	423,445,010	415,630,731	-7,814,279

Overview of expenditure against the final grant

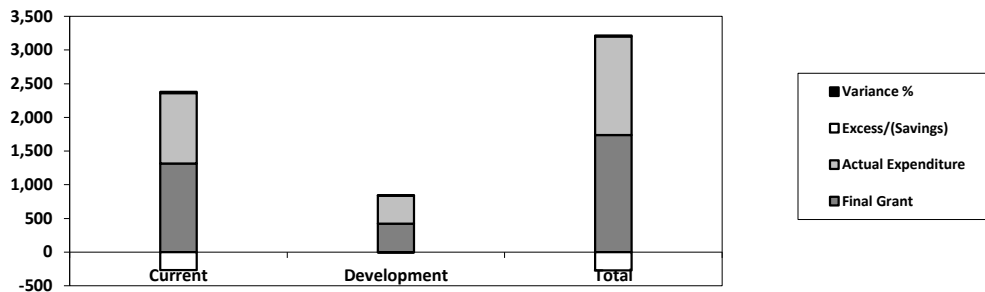
(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Saving)	Variance %
Non-Development	1,313.310	1,047.208	-266.102	20.26
Development	423.445	415.631	-7.813	1.845
Total	1,736.755	1,462.839	-273.915	15.77



Anticipated savings were not surrendered and lapsed

Para 95 of GFR Vol I states that all anticipated saving should be surrendered immediately but not later than 30th June of each year in any case. The rule operates to enable government to be informed of expected savings in time to allow it to divert funding to where ever needed and to remain abreast of changes in circumstances that necessitate the change in pattern of expenditure and address the situation. In contravention, the Social Welfare Department administering the above grant did not surrender anticipated savings of Rs.273.915 million thus preventing the government from utilizing the funds elsewhere and the considerable amount lapsed. The position of savings as well as percentage variance is shown in the following graphs.



13.3 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	Nil	Social Welfare	Nil	Nil	Nil	Nil

13.4 Audit Paras

13.4.1 Non-recovery of undistributed stipend on account of zakat fund – Rs.4.89 million

Rule 290 of CTR, strictly prohibits incurrence of expenditure hastily during the month of June just to avoid lapse of funds.

During the financial year 2008-2011, in the office of Director Social Welfare Khyber Pakhtunkhwa, it was noticed that a huge amount was distributed among various districts on account of stipend and onward distribution among the post graduate students but it is astonishing to note that after a lapse of considerable period some districts have not distributed the stipend fully and the funds amounting to Rs.4.17 million were neither returned to the directorate nor deposited into government treasury. Similarly a sum of Rs.716,300 was long outstanding against different zakat committees which was not disbursed.

The lapse occurred due to weak internal controls.

Non-recovery was pointed out in June, 2012. The management replied that recovery will be made and shown to audit.

In the DAC meeting held in May, 2014, the department replied that amount will be deposited into government treasury. DAC directed to recover the full amount and deposit it in the government treasury within a week. No progress was intimated till finalization of this report.

Audit recommends to recover the amount and deposit it into government treasury, besides taking action against the person(s) at fault.

APs 400&402 (2008-2011)

13.4.2 Unauthorized payment on financial assistance to needy persons – Rs.1.90 million

According to para 12 of GFR vol-I, a controlling officer must see not only that the expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended upon object for which the money was provided.

During the financial year 2008-2011, in the office of Director Social Welfare Khyber Pakhtunkhwa, it was noticed that an amount of Rs.1.90 million was distributed among needy persons in cash from the budget of

PCSW while there was no provision of such activities in the said council and thus huge amount was unauthorizedly distributed.

The lapse occurred due to non-adherence to rules.

Unauthorized payment was pointed out in June, 2012. The management stated that reply will be furnished later on.

In the DAC meeting held in May, 2014, the department replied that the expenditure was incurred after observing all codal formalities. The amount was kept within the limit of authorized appropriation and the funds were expended in the best public interest. The provision of financial assistance to needy persons properly exist in the budget of PCSW. DAC did not agree with the reply of the department and directed to recover unauthorized disbursed amount. No progress was intimated till finalization of this report.

Audit recommends to implement the directives of DAC and progress be shown to PAC.

AP 391 (2008-2011)

Annexure – I
MEMORANDUM FOR DEPARTMENTAL ACCOUNTS COMMITTEE
(MFDAC)

S.No.	AP No.	Year	Department	Amount	Subject:
1.	16	2013-14	Irrigation	0.831	Unnecessary retention of Income Tax
2.	23	2013-14	Irrigation	0.544	Un-acknowledgement / unauthentic payment on Account of Stationary.
3.	32	2013-14	Irrigation	0.736	Irregular unauthorized expenditure for purchase of furniture.
4.	37	2013-14	Irrigation	0.800	Non production of books of vehicles for consumption of POL.
5.	11	2014-15	Irrigation	0.800	Loss due to allowing payment for substandard work
6.	17	2014-15	Irrigation	0.546	Non Deduction of Income Tax worth Rs.546
7.	67	2014-15	Irrigation	0.902	Doubtful expenditure on tube-well Rs.0.90 million.
8.	69	2014-15	Irrigation	0.915	Irregular and unauthentic payment to WAPDA Rs. 0.91 million
9.	07	2013-14	Agriculture	0.582	Loss due to less receipt of crops yield for utilization of green fodder of animals cultivated on government land amounting to Rs.0.582 million.
10.	12	2013-14	Agriculture	0.750	Irregular and unjustified expenditure on purchase of Nilli Ravi Breed Semon and Buffelow Bulls cemon costing Rs.0.75 million.
11.	59	2013-14	Agriculture	0.655	Non realization cost of vaccine costing Rs.0.65 million.
12.	62	2013-14	Agriculture	0.887	Suspected mis-appropriation sugar beat pulp (Baggas) costing Rs.0.89 million.
13.	63	2013-14	Agriculture	0.617	Loss to Govt. due to irregular and unauthorized issue of feed for animal amounting to Rs.0.61 million.
14.	75	2013-14	Agriculture	0.247	Non-recovery of Rs.0.25 million on account of sale of maize seed
15.	86	2013-14	Agriculture	0.494	Overpayment of Rs.0.49 million due to non-deduction of voids from the bills
16.	108	2013-14	Agriculture	0.734	Unjustified & irregular drawal of TA/DA amounting Rs.0.74 million.
17.	109	2013-14	Agriculture	0.504	Irregular expenditure of Rs.0.50 million on account of previous year's liability.
18.	179	2013-14	Agriculture	0.345	Unauthentic expenditure on account of consumption of fertilizer Rs.0.35 million.
19.	26	2013-14	S&GAD	0.088	Non recovery of Rs.0.088 million on account of room rent shahi mehman khana.
20.	33	2013-14	S&GAD	0.320	Non recovery of Long outstanding dues for Rs.0.32 million
21.	35	2013-14	S&GAD	0.759	Non recovery of room rent of Rs.0.76 million
22.	46	2013-14	S&GAD	0.115	Non deduction of taxes amounting to Rs.0.11 million of professional tax and DPR.
23.	360	2012-13	DG PHA	0.618	Un-authorized expenditure of RCC in Raft Rs. 0.69 million

24.	374	2012-13	DG PHA	0.801	Excess payment of Rs.0.80 million due to allowing excess steel.
25.	375	2012-13	DG PHA	0.585	Overpayment of Rs.0.58 million
26.	398	2012-13	DG PHA	0.969	Unauthorized expenditure incurred on POL of vehicle Rs.0.97 million
27.	461	2013-14	Education	0.133	Overpayment of Rs.0.13 million due to non deduction of drilling cost from boring of tubewell.
28.	462	2013-14	Education	0.130	Overpayment of Rs.0.13 million on account of deputation allowance.
29.	134	2013-15	Education	0.720	Unauthorized payment of Rs.0.72 million on account of below qualification appointment of deputy registrar admission and student affairs BPS-18
30.	135	2013-15	Education	0.453	Non recovery of Rs.0.45 million on account of 10% tax on services provided for repair and maintenance of KUST vehicles
31.	136	2013-15	Education	0.435	Overpayment of Rs.0.43 million due to grant of seven Nos of premature increments to store officer appointed in BPS-17
32.	9	2013-14	C&W	0.475	Excess payment due to allowing 50% excess in item over TS-Rs. 0.48 million
33.	12	2013-14	C&W	0.374	Excess payment of due allowing carriage of Asphalt Rs.0.37 million
34.	15	2013-14	C&W	0.850	Misappropriation of funds due to double expenditure on one Road Rs.0.85 million
35.	31	2013-14	C&W	0.938	Irregular expenditure of Rs.0.94 million on account of Rent of office building.
36.	127	2014-15	Forest	0.497	Misappropriation of Rs.0.50 million on account of less deposit of receipt of compensation cases
37.	114	2014-15	Forest	0.469	Non deduction of stamp duty worth Rs.0.50 million
38.	112	2014-15	Forest	0.522	Irregular / unauthentic quotation process of FDF Rs.0.52 million
39.	153	2014-15	Forest	0.256	Misappropriation of 1000 KG Polythene bags costing Rs.0.26 million.
40.	151	2014-15	Forest	0.452	Unauthentic / fictitious payment of Rs.0.45 million.
41.	143	2014-15	Health	0.925	Loss of Rs.0.92 million due to un-necessary retention of four nos of private rooms
42.	159	2014-15	Health	0.618	Loss to Government due to ignoring lowest rates on account of purchase of medicine Rs.0.62 million
43.	114		Health	0.329	Un-authorized issuance of supply order amounting to Rs.0.33 million
44.	168	2014-15	Health	0.924	Loss to government due to non deduction of income tax Rs. 0.92 million
45.	169	2013-14	Health	0.416	Misappropriation of Rs.0.42 million on account of Purchase of lab chemicals