



**AUDIT REPORT
ON
THE ACCOUNTS OF
DISTRICT GOVERNMENT
BANNU
AUDIT YEAR 2012-13**

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AA	Administrative Approval
AP	Advance Para
ADP	Annual Development Plan
AOM&R	Annual Ordinary Maintenance and Repair
BOQ	Bill of Quantity
CPWA Code	Central Public Works Account Code
CPWD Code	Central Public Works Department Code
CSR	Composite Schedule of Rate
CTR	Central Treasury Rules
C&W	Communication and Works
DAC	Departmental Accounts Committee
DCO	District Coordination Officer
DG	Director General
EDO	Executive District Officer
F&P	Finance and Planning
GFR	General Financial Rules
IPSAS	International Public Sector Accounting Standards
LGO	Local Government Ordinance
MFDAC	Memorandum for Departmental Accounts Committee
PAO	Principal Accounting Officer
PAC	Public Accounts Committee
PC-I	Planning Commission One
PCC	Plain Cement Concrete
PHE	Public Health Engineering
RCC	Reinforced Concrete Cement
RDA	Regional Directorate of Audit
RHC	Rural Health Center
R&E	Revenue and Estate
TS	Technical Sanction
WSS	Water Supply Scheme
XEN	Executive Engineer
ZAC	Zilla Accounts Committee
SOAE	Schedule of Authorized Expenditure
PEC	Pakistan Engineering Council

Preface

Articles 169 &170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections-8 and 12 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 and Section-115 of the Khyber Pakhtunkhwa Local Government Ordinance, 2001 (as amended) require the Auditor General of Pakistan to conduct audit of the receipts and expenditure of District Fund and Public Account of District Government.

The report is based on audit of the accounts of various offices of District Government, Bannu for the financial year 2010-11 and 2011-12. The Director General of Audit, District Governments, Khyber Pakhtunkhwa conducted audit during 2011-12 and 2012-13 on test check basis with a view to reporting significant findings to the relevant stakeholders.

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.

The observations included in this Report have been finalized in the light of preliminary discussions with the department.

The Audit Report is submitted to the Governor of Khyber Pakhtunkhwa in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 115 of Khyber Pakhtunkhwa Local Government Ordinance, 2001 (as amended), for transmission to the appropriate legislative forum.

Islamabad
Dated:

(Muhammad Akhtar Buland Rana)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Director General District Governments Audit, Khyber Pakhtunkhwa carries out the audit of 25 District Governments. Regional Directorate of Audit (RDA) Bannu, on behalf of the DG District Governments Audit, Khyber Pakhtunkhwa carries out the audit of two District Governments namely Bannu and Lakki Marwat. This Regional Directorate has a human resource of 7 officers and staff, a total of 2121 man days. The annual budget amounted to Rs4.439 million. The office is mandated to conduct regularity (financial attest audit and compliance with authority audit) and performance audit of programmes/ projects.

District Government, Bannu conducts its operations under Khyber Pakhtunkhwa Local Government Ordinance, 2001 (as amended). It comprises one Principal Accounting Officer (PAO) covering seven groups of offices i.e. Finance & Planning, Revenue, Works & Services, Education, Health, Community Development and Agriculture. Financial provisions of the Ordinance describe the Government as District Local Fund and Public Account for which Annual Budget Statement is authorized by the District Administrator in the form of budgetary grants.

Administratively, District Bannu is subdivided into one Tehsil namely Bannu. District Administration comprises District Administrator and District Coordination Officer.

a. Audit Objectives

Audit was conducted to ensure that:

1. Moneys shown as expenditure in the accounts were authorized for the purpose for which they were spent.
2. Expenditure incurred was in conformity with the law, rules and regulations framed to regulate the procedure for expending public money.
3. Every item of expenditure was incurred with the approval of the competent authority in the Government for expending the public money.
4. Public money was not wasted.
5. The assessment, collection and allocation of revenue were done in accordance with the law and there was no leakage of revenue which legally should come to Government.

b. Audit Methodology

Audit was carried out against the standards of financial governance provided under various provisions of the Khyber Pakhtunkhwa LGO, 2001 (as amended), GFR Vol-I, II, Delegation of Financial Powers and other relevant overriding laws, which govern the propriety of utilization of the financial resources of the District Government in accordance with the regularity framework provided by the relevant laws.

The selection of the audit formations i.e. DDOs was made keeping in view the significance and risk assessment, samples were selected after prioritizing risk areas by determining significance and risk associated with identified key controls. Sample size selected in the Audit formation ranged from 15% to 30%.

c. Expenditure audited

Total expenditure of the District Government Bannu for the financial year 2011-12, was Rs2,695.426 million covering one PAO and 184 formations. Out of this, Regional Directorate Audit (RDA) Bannu audited expenditure of Rs512.131 million which, in terms of percentage, is 19% of total expenditure. Four (04) formations were planned and 100% achievement against the planned activities was made.

d. Receipts audited

The receipts of District Bannu for the financial year 2011-12 were Rs5.425 million. Out of this, RDA Bannu audited receipts of Rs1.358 million which in terms of percentage is 25% of auditable receipts.

e. Recoveries at the instance of audit

Recovery of Rs39.218 million was pointed out during the audit. Out of the total recoveries, Rs39.218 million was not in the notice of the executive before audit.

f. Desk Audit

The audit year 2012-13 witnessed intensive application of desk audit techniques in RDA. This was facilitated through internet and review of permanent files which helped auditors in understanding the systems, procedures, environment, and the audited entity before starting field activity. Desk Audit greatly facilitated the identification of high risk areas for substantive testing in the field.

g. Changes in Rules, Practices and Systems

On pointation of audit, the management of the District Government agreed to conduct physical verification of the government assets. The management also agreed to deposit various government dues into government treasury. Audit stressed upon reconciliation of receipts and expenditure with the respective accounts office to which they agreed.

h. Key audit findings of the report;

- i. Irregularities / non compliance Rs498.237 million was noted in six cases. ¹
- ii. Internal control weakness Rs77.633 million was noted in nine cases. ²

Minor irregularities/weaknesses pointed out during the audit are being pursued separately with the authorities concerned, as detailed at Annex-A.

¹ 1.2.1.1 to 1.2.1.6

² 1.2.2.1 to 1.2.2.9

Recommendations

- i. Disciplinary actions need to be taken to stop the practice of violation of the rules and regulations in spending the public money.
- ii. Strenuous efforts need to be made by the departments to recover long outstanding dues on account of water charges.
- iii. All sectors of District Government need to strengthen internal controls i.e. financial, managerial, operational, administrative and accounting controls etc to ensure that reported lapses are preempted and fair value for money is obtained from public spending.
- iv. Deduction of taxes on supplies and contracts need to be ensured.
- v. Lapsed deposits need to be timely credited into treasury.
- vi. Decisions taken in the DAC meetings need to be implemented.

SUMMARY TABLES & CHARTS

Table 1: Audit Work Statistics **(Rs in million)**

Sr. No.	Description	No.	Budget
1	Total Entities (PAO) in Audit Jurisdiction	01	2,700.851
2	Total formations in audit jurisdiction	184	2,700.851
3	Total Entities (PAO) Audited	04	771.093
4	Total formations Audited	04	513.489
5	Audit & Inspection Reports	04	513.489
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

Table 2: Audit observation Classified by Categories

(Rs in million)

Sr. No.	Description	Amount Placed under Audit Observation
1	Unsound asset management	0
2	Weak financial management	469.612
3	Weak Internal controls relating to financial management	76.549
4	Others	29.709
Total		575.87

Table 3: Outcome Statistics**(Rs in million)**

S.No	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total Current year	Total last year
1	Outlays Audited	4.089	460.920	1.358	304.726	513.489	462.410
2	Amount Placed under Audit Observation /Irregularities of Audit	0	119.551	0	456.319	575.87*	89.125
3	Recoveries Pointed Out at the instance of Audit	-	20	0	19.218	39.218	47.012
4	Recoveries Accepted /Established at the instance of Audit	-	-	-	-	-	-
5.	Recoveries Realized at the instance of Audit	-	-	-	-	-	-

*The amount placed under Audit observation includes observations of 2010-11 and 2011-12.

Table 4: Table of Irregularities pointed out**(Rs in million)**

S. No.	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations, principle of propriety and probity in public operation	443.842
2	Report cases of fraud, embezzlement, thefts and misuse of public resources	0
3	Accounting Errors (accounting policy departure from NAM ¹ , 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	Quantification of weaknesses of internal control systems.	23.939
5	Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies	78.380
6	Non-production of record	0
7	Others, including cases of accidents, negligence etc.	29.709
Total		575.87

¹ The Accounting Policies and Procedures prescribed by the Auditor General of Pakistan which are IPSAS(Cash).

CHAPTER 1

1.1 District Government Bannu

1.1.1 Introduction

Activities of District Governments are managed through offices of District Coordination Officer and Executive District Officers under Khyber Pakhtunkhwa Local Government Ordinance 2001 (LGO 2001). District Offices are headed by Executive District Officers (EDOs). The EDO by means of a standing order distributes the work among the officers, branches, and/or sections of each district office. Following is the list of offices which manage the activities of District Government.

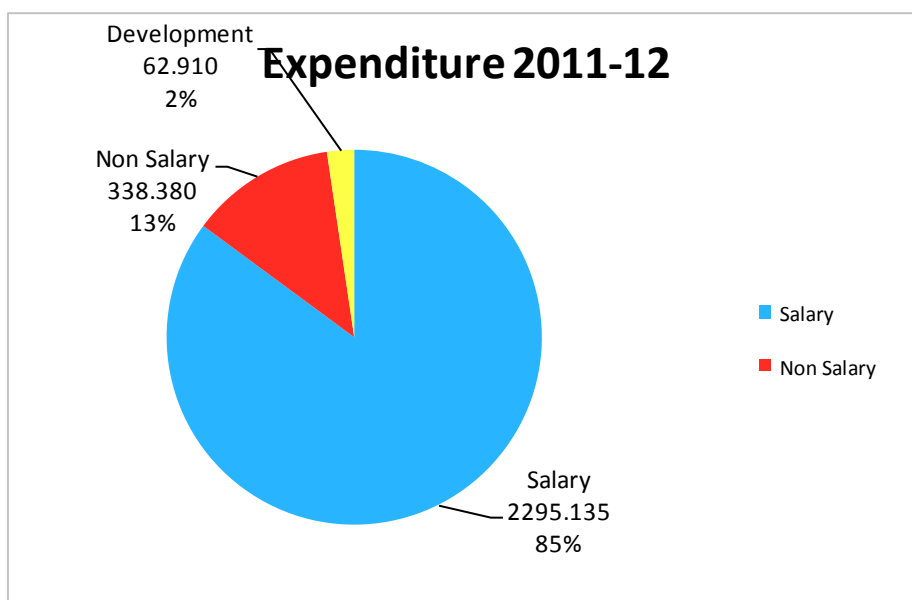
1. District Coordination Officer (DCO)
2. Executive District Officer (Agriculture)
3. Executive District Officer (Community Development)
4. Executive District Officer (Education)
5. Executive District Officer (Finance and Planning)
6. Executive District Officer (Health)
7. Executive District Officer (Revenue)
8. Executive District Officer (Works and Services)

Under Section 29(K) of the Khyber Pakhtunkhwa LGO 2001, Executive District Officer (EDO) act as Departmental Accounting Officer for his respective group of offices and be responsible to the District Accounts Committee of the Zilla Council. All departments formed functions / activities under provisions of LGO, 2001 and Khyber Pakhtunkhwa District Government Rules of Business, 2001.

1.1.2 Comments on Budget and Accounts (Variance Analysis)

(Rs in million)

2011-12	Budget	Expenditure	Saving/Excess
Salary	2,372.385	2295.135	(78.25)
Non-salary	340.432	338.380	(2.052)
Developmental	101.342	62.910	(38.432)
Total	2,814.159	2696.425	(118.734)



Detail is given at Annex-B

1.1.3 Brief comments on the status of compliance with ZAC / PAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Details of PAC/ZAC meetings are given below:

Sr. No.	Audit Year	PAC/ZAC meeting convened /Not convened
1	2002-03	ZAC Convened
2	2003-04	ZAC Convened
3	2005-06	ZAC Convened
4	2006-07	ZAC Convened
5	2007-08	ZAC Convened
6	2008-09	ZAC Convened
7	2009-10	Not convened
8	2010-11	Not convened
9	2011-12	Not convened

1.2 AUDIT PARAS

1.2.1 Irregularity / Non compliance

1.2.1.1 Unauthorized expenditure -Rs407.721 million

According to condition No. 7 of the Delegation of the Financial Power and powers of re-appropriation Rules 2001, “re-appropriation will not be made to meet expenditure on purposes not contemplated in the schedule of the authorized expenditure pertaining to a particular financial year. If fund to meet such expenditure are not available under the relevant grant, the re-appropriation to meet such expenditure may be made but only after a token sum has been authorized through a supplementary grant by the Finance Department.

Final grant statement relating to various departments of District Government Bannu for the year 2010-11 indicated that Rs407.721 million were incurred out of account-IV, on different object heads provided through re-appropriation/supplementary grant. Neither original grant was sanctioned nor token grant provided for the said object heads.

Audit observed that unauthorized allocation and expenditure occurred due to non compliance of rules, which resulted in loss to Government.

When reported in May 2012, Management stated that detail reply would be furnished after scrutiny of record.

Request for the convening of DAC meeting was made on 02.05.2012. DAC meeting was not convened till finalization of this Report.

Audit recommends fixing responsibility on person(s) at fault.

AP 158 (2010-11)

1.2.1.2 Difference between book and bank balance -Rs29.709 million

According to Para 89 (3-viii) of GFR Vol-I the head of the department and the Accountant General, will be jointly responsible for the reconciliation of

the figures given in the accounts maintained by the head of the department with those that appear in the Accountant General's books.

EDO (Finance & Planning) Bannu prepared Revised Budget of Rs2205.596 million for 2010-11 with expenditure Rs2108.432 million and saving of Rs97.164 million. An expenditure of Rs2138.141 million was booked by National Bank of Pakistan Bannu against the District Government Bannu, which was less by Rs29.709 million.

Audit observed that difference in books was occurred due to non compliance of rules, which resulted in overstatement of annual expenditure.

When reported in May 2012, Management stated that detail reply would be furnished after scrutiny of record.

Request for the convening of DAC meeting was made on 02.05.2012. DAC meeting was not convened till finalization of this Report.

Audit recommends probe into the matter and fixing responsibility on person(s) at fault.

AP 161 (2010-11)

1.2.1.3 Overpayment due to higher rate - Rs28.240 million

Para 23 of GFR Vol-I provides that, "Every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence either on his part or on the part of subordinate staff.

Executive Engineer C & W Buildings Division Bannu overpaid Rs28.240 million to DOR Bannu for the purchase of 30 Kanal land in work "Construction of Tehsil building Domel" during 2011-12. Payment was made @ Rs1.00 million per kanal instead of Rs0.059 million yak sala rate.

Audit observed that overpayment was occurred due to non-compliance of Government rules, which resulted into loss to Government.

When reported in November 2012, Management stated that the matter may be referred to DOR for appropriate reply that would be in better position to explain the position.

Request for the convening of DAC meeting was made on 19.11.2012. DAC meeting was not convened till finalization of this Report.

Audit recommends fixing responsibility on person(s) at fault and recovery under intimation to Audit.

AP 34 (2011-12) A/C-I

1.2.1.4 Release of funds in excess of SOAE -Rs18.889 million

According 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.

EDO (Finance & Planning) Bannu provided Rs18.889 million to various departments during 2010-11 in excess of Revised Schedule of Authorized Expenditure 2010-11, resulting in excess release over SOAE.

Audit observed that excess release occurred due to non compliance of rules, which resulted in loss to Government.

When reported in May 2012, Management stated that detail reply would be furnished after scrutiny of record.

Request for the convening of DAC meeting was made on 02.05.2012. DAC meeting was not convened till finalization of this Report.

Audit recommends fixing responsibility on person(s) at fault and recovery under intimation to Audit.

AP 159 (2010-11)

1.2.1.5 Non recovery of penalty -Rs10.679 million

According to clause 2 of the contract agreement, for delay in the completion of work within stipulated period of time, penalty @ 1 % per day subject to maximum of 10% of the estimated cost of the work was required to be recovered.

Executive Engineer C & W Division Bannu award contract of Construction of RCC Bridge over Kurram River to Muhammad Khel Construction Company during 2010-11 for estimated cost of Rs106.790 million. Neither the work was completed in stipulated period of time nor applied for extension of time limit. The department did not impose penalty amounting to Rs10,679,000.

Audit observed that non imposition of penalty was occurred due to weak financial control, which resulted into loss to Government.

When reported in August 2011, Management stated that contractor has applied for extension within time limit. No documentary proof was provided.

In DAC meeting held on 14.05.2012, Department reiterated their previous reply, DAC did not agree with the plea of the department and directed to produce complete record within 15 days. No progress was intimated till the finalization of this Report.

Audit recommends fixing responsibility on person(s) at fault and recovery under intimation to Audit.

AP 60 (2010-11) A/C-I

1.2.1.6 Irregular payment of escalation -Rs2.999 million

Clause 5A Serial No.7 of Contract agreement states that no escalation shall be allowed to the contractor in respect of the period extended for completion of the work due to his own fault.

XEN C & W Roads Division Bannu paid Rs13,783,211 to M/S Muhammad Khel Construction Company vide voucher No. 2HDB up to 5th

R/Bill, dated 25-06-2012 under ADP No. 356 for the work “Construction of RCC bridge over Baran river on Bannu Miran Shah road” in District Bannu. The following irregularities were noticed:

1. The scheme which was required to be completed within 24 months was delayed and was not completed upto 21-06-2012 after laps of 49 months;
2. Revised AA, dated 10-05-2012 was accorded as an Ex post facto sanction for the time extension which is not admissible/ authorized under any rule;
3. Escalation in case of time extension due to the fault of contractor is not allowed under any rule, but the contractor was paid Rs2,999,241 in the above referred voucher under head escalation which needs recovery;
4. An amount of Rs1025,380/- was paid for ‘Tonsile Wire’, which was later on recovered, whereas for escalation the said amount was not excluded.

The scheme was delayed by the contractor, for which he was required to be penalized instead of compensating him in shape of escalation.

Audit observed that escalation was irregularly allowed due to non-compliance of government rules, which resulted in loss to government.

When reported in November 2012, Management replied that escalation was paid as per PEC formula. Reply was not satisfactory.

Request for the convening of DAC meeting was made on 19-11-2012. DAC meeting was not convened till finalization of this Report.

Audit recommends fixing responsibility on person(s) at fault and recovery under intimation to Audit.

AP 49 (2011-12) A/C-I

1.2.2 Internal Control Weaknesses

1.2.2.1 Doubtful expenditure -Rs17.265 million

Para 23 of GFR Vol-I provides that, “Every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence either on his part or on the part of subordinate staff. No work should be commenced or liability incurred in connection with it until administrative and technical sanctions have been obtained from competent authority as per para 178 of GFR Vol-I read with para 54 & 56 of CPWD Code and para 2.4 of B&R Department Code.

XEN C & W Division Roads Bannu paid Rs17,265,473 was paid to Mr. Waqar Bannu Construction Company vide voucher No. 1HDB(1), dated 13-03-2012 and 3HDB, dated 08-06-2012 for construction of Main Wali Noor Jani Khel road. The expenditure seems to be doubtful due to the following reasons:

1. A single road is under construction under three different ADPs i.e. 357, 358 and 361 with AA cost of Rs15.75 (M), 24.607 (M) and 15 (M). Payment on a single scheme from three different ADPs in a single year may give a chance of double or even triple payment on one road distance;
2. PC-I and TS were not produced to audit party and it is suspected that the work was started and payment was made without PC-I and TS; and
3. An amount of Rs3.51 million was paid to the contractor under ADP No. 361 without agreement.

Audit observed that doubtful expenditure occurred due to internal control, which resulted in violation of rules.

When reported in November 2012, Management stated that no triple payment was made. Reply was not tenable as no documentary proof was provided.

Request for the convening of DAC meeting was made on 19.11.2012. DAC meeting was not convened till finalization of this Report.

Audit recommends fixing responsibility on person(s) at fault and recovery under intimation to Audit.

AP 41 (2011-12) A/C-I

**1.2.2.2 Irregular escalation - Rs16.630 million
Non-imposition of penalty -Rs10.70 million**

Clause 6 of the work order and Clause 2 of the Contract Agreement requires that penalty of 1% per day and up to maximum of 10% of the tender cost may be imposed for delay in completion of work.

Clause 5A Serial no.7 of Contract agreement states that No escalation shall be allowed to the contractor in respect of the period extended for completion of the work due to his own fault.

XEN C & W Division Roads paid Rs82,239,312 Mr. M/S Muhammad Khel Construction Company vide voucher No. 15HDB (13th R/Bill), dated 25-06-2012 under ADP No. 356 for the work Construction of RCC bridge on Kurram river between Shagai Machan Khel and Adhami Rasool Khan District Bannu. The following irregularities were noticed:

1. Escalation in case of time extension due to the fault of contractor is not allowed under any rule, but the contractor was paid Rs16,630,418 vide voucher No. 7HDB, dated 15-06-2012 under head escalation which needs recovery; and
2. 10% penalty was not recovered from contractor as was required under rule and thus government was deprived from revenue amounting to Rs10.70 million;

Audit observed that irregular escalation was occurred due to internal control, which resulted in loss to government.

When reported in November 2012, Management stated that Extension in time was granted due to cogent reasons. Reply was not tenable.

Request for the convening of DAC meeting was made on 19.11.2012. DAC meeting was not convened till finalization of this Report.

Audit recommends fixing responsibility on person(s) at fault and recovery under intimation to Audit.

AP 46 (2011-12) A/C-I

1.2.2.3 Irregular advance payment -Rs15.980 million and Non-imposition of penalty - Rs9.92 million

Clause 6 of the work order and Clause 2 of the Contract Agreement requires that penalty of 1% per day and up to maximum of 10% of the tender cost may be imposed for delay in completion of work. Rule-397 of FTR states that No payment can be made to a contractor except for work actually done or supplies actually received. Subject to General of special orders as may be issued by the Govt in this behalf advance, if any made to contractor during the execution of a work shall invisible be recovered from their bills.

XEN C & W Division Buildings paid Rs107,065,469 was paid to M/S Surrani Macro Pak vide voucher No. 48/B-ii (10th R/Bill), dated 19-06-2012 for the work Installation of Medical Gasses in Khalifa Gul Nawaz Medical Complex Bannu (ADP No. 93/30001). The following irregularities were noticed:

1. The work was required to be completed till 14-06-2012 but neither the work was completed till the date of physical verification i.e. 14-11-2012 nor time extension was requested. Thus government was deprived from revenue amounting to Rs9.92 million in shape of penalty;
2. An amount of Rs15.980 million was paid to the contractor for an item "Central Suction Plant" without actual supply; and
3. AA cost is Rs72.100 million and TS cost is Rs79.272 million while claim for the same work was Rs107.065 million which is 48.5% above than AA and 35.06% above than TS cost.

Audit observed that irregular payment was made due to internal control, which resulted in loss to government.

When reported in November 2012, Management stated that the time extension is in process, if competent authority is not convinced then penalty will be recovered. The reply was not tenable.

Request for the convening of DAC meeting was made on 19.11.2012. DAC meeting was not convened till finalization of this Report.

Audit recommends fixing responsibility on person(s) at fault and recovery under intimation to Audit.

AP 30 (2011-12) A/C-I

1.2.2.4 Doubtful execution of work -Rs8.40 million

Para 129 of central public works department Manual Chapter-VI states that the Sub Divisional Officer, while preparing a bill must satisfy himself that work is actually done in accordance with the claim. Para 209 (d) of CPWA Code provides that it is incumbent upon the person, responsible for measurements in the measurement book (MB), to record the correct and actual figures. Rule 283 of CTR states that the head of an office is personally responsible for the amount drawn on a bill signed by him or on his behalf until he has obtained a legally valid acknowledgement on the office copy of the bill.

XEN C & W Division Buildings Bannu paid Rs8,400,000 to Mr. Sher Usman Wazir government contractor vide voucher No. 104/B-ii and 105/B-ii, dated 25-06-2012 under ADP No. 421 for the work Construction of Tehsil building at Domel Package-I and II. The following irregularities were noticed:

1. Payment was shown made to the contractor without acknowledgement;
2. When the contractor was asked, he was unaware about the payment;
3. Fake quantities were claimed without actual measurement at sight as these entries don't match with the actual work done;
4. Measurement Book (MB) was not produced to audit for verification; and
5. It is astonishing to note that an amount of Rs1,775,000 was paid for item No. 11 of voucher No. 105/B-ii, dated 25-6-2012 by measuring the steel in Sft. It was not understood that how the steel used in compound wall was measured in Sft.

Audit observed that irregularities were occurred due to internal control, which resulted doubtful execution of work.

When reported in November 2012, Management stated that payment made to the contractor is 1st R/Bill and correction of the typing mistake will be made in subsequent bills. The reply was not tenable.

Request for the convening of DAC meeting was made on 19.11.2012. DAC meeting was not convened till finalization of this Report.

Audit recommends fixing responsibility on person(s) at fault and recovery under intimation to Audit.

AP No 28 (2011-12) A/C-I

1.2.2.5 Irregular advance payment of Rs6.674 million and excess payment of Rs22.290 million

Rule-397 of FTR advances to contractors:- No payment can be made to a contractor except for work actually done or supplies actually received.

XEN C & W Buildings Division Bannu paid Rs113,656,430 to M/S Freezol Pvt Ltd vide voucher No. 75/B-ii (15th R/Bill), dated 22-06-2012 for the work Air-conditioning system in Khalifa Gul Nawaz Medical Complex Bannu.

The following irregularities were noticed:

1. An amount of Rs6,674,400 was paid to the contractor in advance for supplying and installation of spare parts, as the same were not found supplied and installed. Advance payment to contractor is not allowed under any rule; and
2. All the items included in the above claim of Rs113,656,430 were non-scheduled items and were purchased without rate analysis. It was astonishing to note that an item which was purchased in 2008 for Rs9,850,000 was purchased with same specifications for Rs17,280,200 i.e. at higher rate of Rs7,430,200 which resulted into excess payment of Rs22,290,600 (7,430,200*3).

Audit observed that irregularity occurred due to weak internal control, which resulted in loss to Government.

When reported in November 2012, Management replied that the consultant has verified the claim and UET Peshawar and UET Taxilla have been requested for inspection. UET Taxilla inspected work and their report was awaited. Reply was not tenable as no documentary proof was provided.

Request for the convening of DAC meeting was made on 19-11-2012. DAC meeting was not convened till finalization of this Report.

Audit recommends fixing responsibility on person(s) at fault and recovery under intimation to Audit.

AP 31(2011-12) A/C-I

1.2.2.6 Irregular escalation and loss to government -Rs5.35 million

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

XEN C & W Division Roads paid Rs5,348,208 to Mr. Walayat Khan Government contractor under head escalation vide voucher No. 12HDB, dated 20-06-2012 under ADP No. 357/80637, Sub Head Construction of RCC 6 span bridge on Khaisoor Khawar in PK-72 District Bannu. The work was completed in the first year and as per AA and TS of the scheme, escalation is allowed for the 2nd and 3rd year. Thus the amount paid under head escalation is held irregular and needs to be recovered.

Audit observed that irregular escalation was occurred due to internal control, which resulted in loss to Government.

When reported in November 2012, Management stated that there was provision of escalation in the Administrative Approval. Reply was not tenable as the same provisions were provided for 2nd and 3rd years.

Request for the convening of DAC meeting was made on 19.11.2011. DAC meeting was not convened till finalization of this Report.

Audit recommends fixing responsibility on person(s) at fault and recovery under intimation to Audit.

AP No 40 (2011-12) A/C-I

1.2.3.7 Loss to Government -Rs5.042 million and Non-imposition of penalty -Rs7.337 million

Clause 6 of the work order and Clause 2 of the Contract Agreement requires that penalty of 1% per day and up to maximum of 10% of the tender cost may be imposed for delay in completion of work.

XEN C & W Buildings Division Bannu paid Rs17,280,200 to M/S Freezol Pvt Ltd vide voucher No. 69/B-ii, dated 22-06-2012 for supply of “Air cooled electric chiller” in work “Air-conditioning system in Khalifa Gul Nawaz Medical Complex Bannu”.

The following irregularities were noticed:

1. An amount of Rs5,041,500 was paid in excess of the PC-I and work order/ BOQ rate for the purchase of chiller installed in 6th block by allowing higher rate; and
2. Due to delay in completion of work, penalty @ of 10% as was required under rules to be recovered from the contractor was not recovered and thus government was deprived from revenue amounting to Rs7.337 million being 10% of the tender cost.

Audit observed that non imposition of penalty was occurred due to weak internal control, which resulted in loss to Government.

When reported in November 2012, Management replied that after proper scrutiny necessary recovery would be made if required. No recovery was intimated till finalization of this Report.

Request for the convening of DAC meeting was made on 19-11-2012. DAC meeting was not convened till finalization of this Report.

Audit recommends fixing responsibility on person(s) at fault and recovery under intimation to Audit.

AP 32 (2011-12) A/C-I

1.2.2.8 Doubtful execution of work -Rs1.252 million

Para 228 of CPWA Code advance 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.

Executive Engineer PHE Division paid Rs1,251,899 for the work titled “ADP No. 227/100100 Rehabilitation of existing old/ VDO WSS in KPK” sub head “WSS Nurar Yaqoob Khan”. On physical verification it was noticed that works mentioned below were not found executed while payment was made to the contractor on making fake entries in the measurement book (MB):

S.No.	Work	Name of contractor	Voucher No.	Voucher Date	Amount paid (Rs)
1	Distribution system	Taj Ali Khan	20/B	15-6-2012	334,267
2	Steel Girder	Essaki Construction Co.	13/B	04-6-2012	43,632
3	Pumping machinery	KSB Pumps Co.	11/B	04-6-2012	800,000
4	V/ Regulator	Rehman Bros	36/D	22-6-2012	74,000
Total					1,251,899

The payment to M/S KSB Pumps Company Ltd for pumping machinery includes installation charges also, but the machinery was neither installed nor present at sight.

Audit observed that doubtful execution of work occurred due to weak internal control, which resulted in loss to government.

When reported in August 2012, Management stated that no fake entries were made in MB and all the sub heads are completed. The reply was not tenable as no work was found executed during physical verification.

Request for the convening of DAC meeting was made on 19-11-2012. DAC meeting was not convened till finalization of this Report.

Audit recommends fixing responsibility on person(s) at fault and recovery under intimation to Audit.

AP No 17 (2011-12) A/C-I

1.2.3.9 Loss to Government due to non-imposition of penalty –Rs1.04 million

Clause 2 of Contract Agreement provides that in the event of contractor failing to complete the work within the time allowed, he shall be liable to pay as compensation an amount equal to one percent or such smaller amount as the SE may decide, on the said estimated cost of the whole work for every day that the quantity of work remains incomplete; provided always that the entire amount of compensation to be paid shall not exceed ten percent of the estimated cost of the work.

Executive Engineer PHE Division Bannu paid Rs6.500 million to four different companies detail in annexure-A. Supply orders were issued well in time i.e. in December, 2011 and January, 2012 which include a clause that supply would be made within a period of 3 months, but the companies failed to make supply within time limit. The Executive Engineer PHE Bannu was required to impose penalty as per rules quoted above but was not done and thus depriving government from revenue amounting to Rs650,000. Further neither the old pumping machinery was taken on dead stock register nor were any sale proceeds deposited into government resulting to a minimum loss of Rs390,000 ($6,500,000 * 6/100$).

Audit observed that government sustained loss due to weak financial and internal control.

When reported in November 2012, Management stated that detail reply would be furnished after scrutiny of record.

Request for the convening of DAC meeting was made on 19-11-2012. DAC meeting was not convened till finalization of this Report.

Audit recommends fixing responsibility on person(s) at fault and recovery under intimation to Audit.

AP 19 (2011-12) A/C-I

ANNEXURE

Annex - A

Detail of MFDAC Paras

Sr. No.	AP No.	Department	Caption	Nature	Amount (Rs)
1.	193	EDO (Health)	Irregular withdrawal of fund	Internal Control	449,000
2.	194		Irregular and un-authorized expenditure	Internal Control	230,000
3.	195		Irregular drawal and retention of fund	Internal Control	2,599,000
4.	196		Irregular expenditure	Internal Control	11,912,000
5.	197		Un-authorized expenditure	Non-compliance	199,000
6.	198		Irregular drawal of fund	Internal Control	4,37,000
7.	199		Non-achievement of objectives	Internal Control	4,319,000
8.	200		Mis-classification	Internal Control	100,000
9.	201		Loss to Govt. due to non-recovery	Internal Control	420,000
10.	202		Irregular payment	Internal Control	91,000
11.	203		Wasteful expenditure	Internal Control	77,626,000
12.	204		Un-authorized payment	Non-compliance	3,659,000
13.	205		Overpayment	Overpayment	466,000
14.	208		Less deduction of Income Tax	Internal Control	13,000
15.	209	PHE	Non-realization of water charges	Non-compliance	138,260,000
16.	210		Irregular retention from credit	Internal Control	570,000
17.	211		Irregular execution of work	Internal Control	987,000
18.	212		Irregular expenditure	Internal Control	540,000
19.	213		Non-conducting the rate analysis	Internal Control	9,000,000
20.	214		Misappropriation of funds	Misappropriation	804,000
21.	215		Un-verified deduction of income Tax	Non-compliance	1,113,000
22.	216		Non-recovery of sales tax	Recovery	583,000
23.	218		Irregular execution of work	Internal Control	20,000,00
24.	219	DCO	Irregular payment	Internal Control	98,000,000
25.	220		Un-authorized expenditure	Non-compliance	98,000,000
26.	221		Irregular expenditure	Internal Control	1,875,000
27.	222		Irregular expenditure	Internal Control	400,000
28.	223		Irregular expenditure	Internal Control	189,000
29.	224		Irregular payment	Internal Control	119,000
30.	225		Suspected mis-appropriation	Misappropriation	25,000
31.	226		Suspected mis-appropriation	Misappropriation	28,000

32.	227		Irregular expenditure	Internal Control	12,000
33.	228		Non-production of record	Nonproduction	456,000
34.	230		Un-authorized expenditure	Non-compliance	247,000
35.	231	C & W	Un-authorized expenditure	Non-compliance	1,350,000
36.	232		Doubtful expenditure	Non-compliance	20,000,000
37.	234		Fraudulent payment	Misappropriation	267,000
38.	235		Irregular expenditure	Internal Control	2,580,000
39.	236		Non-deduction of Income tax	Recovery	67,000
40.	237		Non-conducting of rate analysis	Internal Control	1,224 ,000
41.	238		Irregular expenditure	Internal Control	372,000
42.	239		Loss to Govt.	Internal Control	120,000
43.	240		Excess expenditure	Non-compliance	2,750,000
44.	241		Un-authorized expenditure	Non-compliance	5,940,000
45.	242		Overpayment	Overpayment	41,000
46.	243		Irregular expenditure	Internal Control	19,903,000
47.	016	PHE	Irregular retention	Internal Control	3,583,000
48.	018		Wasteful expenditure	Internal Control	1,327,000
49.	020		Non-receipt of sales tax	Recovery	1,615 ,000
50.	021		Non-handing over and evaluation reports	Internal Control	113,000,000
51.	022	C & W	Irregular payment	Internal Control	1042,402,000
52.	023		Less collection of professional tax	Recovery	108,000
53.	024		Incurrance of liability	Internal Control	1,000,000
54.	025		Un-authorized expenditure	Non-compliance	40,000,000
55.	026		Award of project	Internal Control	40,000,000
56.	027		Non-recovery of profit	Recovery	4,000,000
57.	029		Non-imposition of panelty	Recovery	990,000
58.	031		Irregular payment	Internal Control	113,656,000
59.	032		Loss to Govt.	Internal Control	5,042,000
60.	033		Non-deposit of Govt. dues	Recovery	283,000
61.	034		Loss to Govt.	Internal Control	28,040,000
62.	035		Less collection of professional tax	Recovery	148,000
63.	036		Loss to Govt.	Internal Control	16,428,000
64.	037		Overpayment	Overpayment	597,000
65.	038		Irregular expenditure	Internal Control	20,060,000
66.	039		Overpayment due to higher rates	Overpayment	473,000
67.	042		Irregular expenditure	Internal Control	12,196,000
68.	043		Non-imposition of penalty	Recovery	1,754,000
69.	044		Misclassification	Internal Control	10,000,000
70.	045		Irregular award of contract	Internal Control	107,000,000

71.	047		Suspected misappropriation	Misappropriation	3,120,000
72.	048		Irregular expenditure	Internal Control	3,396,000
	049		Irregular escalation	Internal Control	2,999, 000

**EDO Wise Expenditure Summary
District Bannu 2011-12**

Department	Salary (Rs)	Non Salary (Rs)	Total Expenditure (Rs)	%age
DCO	9,193,077	4,795,540	13,988,617	0.52
EDO (Agriculture)	86,636,467	62,658,593	149,295,060	5.4
EDO (Community Development)	70,884,382	51,266,121	122,150,503	4.53
EDO (Education)	1,786,428,907	56,642,865	1,843,071,772	68.35
EDO (Finance and Planning)	10,606,283	4,355,001	14,961,284	0.55
EDO (Health)	144,150,120	25,333,697	169,483,817	6.29
EDO (Revenue)	30,578,526	3,722,954	34,301,480	1.27
EDO (Works and Services)	156,657,238	129,605,229	286,262,467	10.62
Total	2,295,135,000	338,380,000	2,633,515,000	98%
	85%	13%	0	98%
Developmental			62,910,000	2%
Grand Total	2,295,135,000	338,380,000	2,696,425,000	100