CONSOLIDATED AUDIT REPORT ON THE ACCOUNTS OF

(GOVERNEMNT OF KHYBER PAKHTUNKHWA)

FOR THE AUDIT YEAR 2023-24

TABLE OF CONTENTS

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's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 require the Auditor-General of Pakistan to conduct audit of the accounts of Federal Government, Provincial Governments and the accounts of any authority or body, established by these Governments. Auditor-General of Pakistan, being Auditor-General of Azad Jammu & Kashmir (AJ&K) and Gilgit-Baltistan (GB) also conducts audit in both these Regions under their respective legal provisions.

This consolidated Audit Report (Khyber-Pakhtunkhwa) is based on audits of the accounts of 2,664 entities of the Government of Khyber-Pakhtunkhwa for the financial year 2022-23, conducted by 5 Field Audit Offices, and also contains some audit observations for the previous years. The audit was conducted during 2023-24 on a test check basis in accordance with applicable laws / rules and according to the INTOSAI auditing standards to report significant audit findings to the stakeholders. The report includes only the systemic issues and audit findings carrying high monetary value. Relatively less significant issues shall be pursued with the respective Principal Accounting Officers (PAOs) in the meetings of Departmental Accounts Committees (DACs) and in cases where the PAOs do not initiate appropriate action, the audit observations will be brought to the notice of the Public Accounts Committee in the next year's Audit Report. Sectoral analysis has been added in this report covering strategic review and overall perspective of audit results.

Impact Audit – A new concept of Impact Audit has been introduced, which is an attempt to determine the impact of a new programme or recent changes to an existing programme, with its specific focus on service delivery.

Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening the internal controls to avoid violation of rules and regulations.

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

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(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

Islamabad
Dated: . .2024

EXECUTIVE SUMMARY

a. Scope of Audit

Department of Auditor-General of Pakistan (DAGP) is mandated to conduct audit of 2,664 formations working under different PAOs/Departments in Province of Khyber-Pakhtunkhwa. Audit coverage relating to expenditure for the current audit year, under compliance audit category, comprises 243 formations having a total expenditure of Rs. 340.215 billion and receipts of Rs. 45.730 billion for the financial year 2022-23.

In addition to this compliance audit report, DAGP conducted Financial Attest Audits, Special Audits, Performance Audits, Forensic Audits, etc. Reports of these audits are published separately.

b. Recoveries at the instance of audit

As a result of audit, a recovery of Rs. 60.051 billion was pointed out in this report. Recovery effected from January to December 2023 was Rs. 0.969 billion that has been verified by audit.

c. Audit Methodology

Desk audit was carried out to understand systems, procedures and control environment of audited entities. Permanent files of the audited entities were updated and utilized for understanding the institutional framework. Audit methodology included:

i. Understanding the business processes with respect to control mechanism.

ii. Identification of key controls on the basis of prior years' audit experience/special directions from the Auditor General's office.

iii. Prioritizing risk areas by determining significance and risks associated with the identified key controls.

iv. Design/update audit programmes for testing the identified risk conditions.

v. Selection of audit formations on the basis of:

   a. Materiality/significance.

   b. Risk assessment.

vi. Selecting samples as per sampling criteria/high value items/key items.

vii. Execution of audit programmes.

viii. Identification of weaknesses in internal controls and development of audit observations and recommendations relating to non-compliance with rules, regulations and prescribed procedures.

ix. Evaluating results.

x. Reporting.

xi. Follow-up.

d. Audit Impact

Audit through its findings and recommendations helped the management in different ways like:

i) Improvement in their existing working, specially related to their revenue generation and expenditure utilization.

ii) Improvement in their working by following the rules and regulations.

iii) Effecting recoveries in different cases.

iv) Improvement in transparency and accountability of operations within the commercial entities.

Major issues pointed out during audit were admitted by the management and the entities agreed to review the pointed out issues and take necessary corrective actions. The strengthening of internal control in the audited entities were well taken by the management for review and corrective measures. Despite non-convening of DAC meetings, following impact was made due to audit:

i) Provincial Disaster Management Authority (PDMA) Khyber-Pakhtunkhwa was making payments through cash / personal accounts of the camp managers for the expenses related to Bakka Khail Camp. On pointation of Audit, the administrative department vide letter dated 15.09.2023 issued instructions to carry out all the activities of camp through bank payments to the vendors instead of payments in cash.

ii) PDMA Khyber-Pakhtunkhwa published annual report of the Authority for year 2022 as pointed out / recommended by the audit authorities in previous audit reports.

iii) PDMA Khyber-Pakhtunkhwa hired a consultant firm to formulate Provincial Disaster Management Plan (PDMP) to effectively cope with disasters in a planned manner.

iv) An amount of Rs. 10.000 billion which was transferred from the Pension Fund Investment Account to the Provincial Consolidated Fund treated as “Dividend” was recorded as “Domestic Debt” through transfer entry.

v) Third Party Payments which were not reflected in the Financial Statements and Finance Accounts of the Government are now being reflected in the accounts.

Audit findings and recommendations would have a multiplier impact if the DAC and PAC meetings were held regularly. DAC meeting is one of the major tools to improve internal controls and overall governance but the PAOs did not convene the required number of DAC meetings despite repeated requests. If the DAC meetings are conducted regularly, recurrence of irregularities would decrease and pointed-out government dues can be recovered timely in strengthening financial management and improving internal controls.

e. Comments on Internal Controls and Internal Audit Department

The present report has identified a range of irregularities, which have been recurring over the years. The recurrence of these irregularities indicates that systemic issues were cropping up either due to inadequate oversight mechanism or inappropriate design of internal controls.

Although many Audit Entities have internal audit setups, but the financial irregularities observed during the current audit reflect that this function failed to deliver effectively. The efficient functioning of internal audit would have helped the management in effective implementation of internal controls and strengthening the internal control environment in audited entities. It is high time that positions of Chief Finance & Accounts Officers (CF&AO) and Chief Internal Auditors (CIA), as enacted through PMF Act coupled with Financial Management and Powers of Principal Accounting Offices Regulations 2021, are put in place in all Ministries/Divisions and their services are effectively utilized to strengthen Public Financial Management (PFM) System.

d. Key Audit Findings of the Report

Major audit findings included in this Audit Report have been clubbed under various categories as under:

i. Human Resource / Employment related irregularities – Rs. 1,885 Billion.

ii. Financial management, Misappropriation and procedural irregularities – Rs. 474.729 Billion.

iii. Internal Control and Performance related irregularities – Rs. 16.305 Billion.

iv. Duties, taxes, assessment and claims related issues – Rs. 19.281 Billion.

v. Procurement and hiring of services related irregularities – Rs. 283.032 Billion.

vi. Value of money, Public Service Delivery & Performance related issues – Rs. 17.387 Billion.

vii. Project Related Issues – Rs. 5.905 Billion.

viii. Management of Accounts with commercial banks – Rs. 63.380 Billion.

ix. Recovery Related Irregularities – Rs. 24.958 Billion.

x. Other / Miscellaneous Issues – Rs. 9.276 Billion.

xi.

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

AUDITOR-GENERAL OF PAKISTAN

PUBLIC SECTOR ENTERPRISES GOVERNMENT OF KHYBER PAKHTUNKHWA

Chapter–1

Industries, Commerce, Mineral Development and Technical Education Department

Introduction

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

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

Attached Departments

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

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

(Rs in million)

Entity	Particular	Budgeted	Actual	Saving/ (Excess)
SML	Salary, Wages and Staff Expenses	10.36	8.26	2.1
	Other Expenses	21.97	19.88	2.09
	Development & Excavation Expenses	10.52	9.28	1.24
	Total	**42.85**	**37.42**	**5.43**
KP-EZDMC	Operational Expenses	1,096	747	351
	Capital Expenses	538	232	306
	Developmental Expenses	5,728	2,241	3,487
	Total	**7,537.4**	**3,379.36**	**4,144**
KP-TEVTA	Salary & Operational Expenditure	3,095.92	3,000.59	95.33
	ADP	2,252..10	1,132.56	1,119.54
	Total	**5,348.02**	**4,133.15**	**1,214.87**
GP & SD	Expenditures	239.12	195.96	43.16
	Total	**239.12**	**195.96**	**43.16**

Source: Data provided by the Management

Sectorial analysis for the year 2022-23

(Rs in million)

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

Source: Data provided by the Management

Audit Profile of "SML, TEVTA, EZDMC and GP&SD"

(Rs in million)

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

Source: Data provided by the Management

1.1 SARHAD MINERALS LTD (SML), PESHAWAR

1.1.1 Introduction

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

1.1.2 Comments on Audited Accounts

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

1.1.3 Compliance of PAC Directives

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

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

1.1.4 Audit Impact

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

1.1.5 Category-wise Summary of Audit Observations

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

Overview of Audit Observations

(Rs in million)

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

1.1.6 AUDIT PARAS

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

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

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

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

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

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

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

Para- 3 (SML – 2018-22)

1.1.6.2 Loss due to defective agreement – Rs 55.66 million

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

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

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

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

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

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

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

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

Para- 6 (SML – 2018-22)

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

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

During audit of Sarhad Minerals Limited (SML) Peshawar, for the years 2018-19 to 2021-22, it was observed that the management entered into salt extraction contract with three contractors i.e. M/s Shamus Zaman, M/s Shahid Wali and M/s Zahoor Wali on 13.9.2014, 12.09.2015 & 12.09.2016 respectively for a period of 01 year @ Rs 110/ metric ton. The contract period of all the three contactors was further extended by the Board up to 30.06.2020, however, thereafter the period was not further extended by the authority but the contractors are still working and excavating salt and a payment of Rs 6.261 million was made to the contractor up to 31.01.2023.

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

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

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

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

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

Audit recommends to investigate the matter of such irregular payment.

Para- 02 & 10 (SML – 2018-22)

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

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

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

The position showed weak financial controls in the organization.

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

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

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

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

Para- 07 (SML – 2018-22)

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

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

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

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

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

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

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

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

Para- 11 (SML – 2018-22)

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

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

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

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

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

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

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

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

Para- 15 (SML – 2018-22)

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

1.2.1 Introduction

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

1.2.2 Comments on Audited Accounts

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

1.2.3 Compliance of PAC Directives

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

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

1.2.4 Audit Impact

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

1.2.5 Category-wise Summary of Audit Observations

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

Overview of Audit Observations

(Rs in Million)

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

1.2.6 AUDIT PARAS

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

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

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

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

Audit is of the view that special allowance was allowed by the Chairman STVET at its own without the approval of KP-TEVTA, therefore held irregular. The payment of un-authorized allowance was increased to Rs 9.270 million and after closure of KP-STVET its recovery is remote.

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

Audit recommends compliance of DAC directives.

Para- 1 (KP-TEVTA – 2022-23)

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

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

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

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

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

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

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

Audit recommends compliance of DAC directives.

Paras- 2 & 3 (KP-TEVTA – 2022-23)

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

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

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

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

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

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

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

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

Audit recommends compliance of DAC directives.

Para- 4 (KP-TEVTA – 2022-23)

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

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

During audit of KP-TEVTA Peshawar for the year 2022-23, it was observed that the management maintained account No 3003207683 at Bank of Khyber, Peshawar. All the Funds released by the Finance Department against different ADP projects are placed/deposited therein. As per monthly bank statement a handsome profit/interest of Rs 56.530 million was credited in the account during the year 2022-23.

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

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

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

Audit recommends compliance of DAC directives.

Para- 5 (KP-TEVTA – 2022-23)

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

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

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

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

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

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

Audit recommends compliance of DAC directives.

Para- 6 (KP-TEVTA – 2022-23)

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

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

During audit of the KP-TEVTA, Peshawar for the year 2022-23 it was observed that as a result of tender for preparation of feasibility study report for establishment of Construction Machinery Training Institute (CMTI) in newly merged areas of FATA in December 2020, three firms i.e. M/s Shaz Consultant, M/s ESS-I-AAR Consultant JV and M/s Structural Engineering Solution JV technically qualified. M/s ESS-I-AAR Consultant quoted the lowest rate Rs 4.404 million, while, M/s Shaz Consultant was 2nd lowest with Rs 5.145 million. The management ignored the 1st offer and awarded the work to 2nd lowest firm M/s Shaz Consultant. Further, the contract was signed with the firm in March 2021, whereas, the date of Stamp Paper and attestation of Notary Public was 13.09.2021.

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

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

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

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

Audit recommends compliance of DAC directives.

Para- 7 & 8 (KP-TEVTA – 2022-23)

1.2.6.7 Misappropriation of tuition fee of DIT – Rs 7.071 million

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

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

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

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

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

Audit recommends compliance of DAC directives.

Para- 9 (KP-TEVTA – 2022-23)

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

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

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

Position showed weak internal controls in the organization.

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

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

Audit recommends compliance of DAC directives.

Para- 10 (KP-TEVTA – 2022-23)

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

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

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

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

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

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

Audit recommends compliance of DAC directives.

Para- 11 (KP-TEVTA – 2022-23)

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

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

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

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

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

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

Audit recommends compliance of DAC directives.

Para- .12 (KP-TEVTA – 2022-23)

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

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

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

The management failed to implement the schemes within scheduled time and the PC-I of both the projects was expired in June 2021 and projects were dropped out from the ADP Schemes.

Despite the fact that the PC-I of the projects have since been expired and dropped out from the ADP schemes, tenders were called for through press and purchase orders worth Rs 46.890 million were issued on 24.06.2022.

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

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

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

Audit recommends compliance of DAC directives.

Para- 13 (KP-TEVTA – 2022-23)

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

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

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

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

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

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

Audit recommends compliance of DAC directives.

Para- 14 (KP-TEVTA – 2022-23)

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

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

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

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

The irregularity was occurred due to inefficient project management.

Audit is of the view that sufficient funds against said projects was available with the TEVTA even then the management failed to procure the items approved in PCs-I and abnormally delay attributed the fact of price hike due to which the management compromised on specification and quality of the product. As the management did not follow the specification given in PC-1 and Tender documents while placing the orders due to which procurement worth Rs 20.920 million is held irregular.

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

Audit recommends compliance of DAC directives.

Para- 16 & 17 (KP-TEVTA – 2022-23)

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

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

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

Position showed weak controls of financial management in the organization.

Audit is of the view that after above said claim of the NAVTTC management, the TEVTA was required to reconcile its figures with the Commission for the materialization of claimed amount of Rs 51.071 million. Delay in reconciliation might resulted in loss to the TEVTA on this account.

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

Audit recommends compliance of DAC directives.

Para- 21 (KP-TEVTA – 2022-23)

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

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

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

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

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

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

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

Audit recommends compliance of DAC directives.

Para- 22 (KP-TEVTA – 2022-23)

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

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

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

Position showed weak administrative control in the organization.

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

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

Audit recommends compliance of DAC directives.

Para- 23 (KP-TEVTA – 2022-23)

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

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

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

Position showed weak administrative control in the organization.

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

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

Audit recommends compliance of DAC directives.

Para- 24 (KP-TEVTA – 2022-23)

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

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

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

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

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

The irregularity was reported to the management and department on October 06, 2023. During DAC meeting held on January 23, 2024 the management admitted the facts highlighted by audit. DAC directed the management to hold a fact-finding inquiry on the matter to find reasons under which the 100% advance payment was made without bank guarantee.

Audit recommends compliance of DAC directives.

Para- 25 (KP-TEVTA – 2022-23)

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

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

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

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

Position showed weak financial management of the organization.

Audit is of the view that non-preparation/compilation of annual accounts as well as other accounts record, firstly, restricts the management/BoD to make quick and right decisions and secondly the BoD is unaware about the status of receipts/expenditure/assets/liabilities. The Board has also not approved the addition/deletion in assets during said period. Further, non-compliance to its own regulation is a serious lapse on the part of management.

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

Audit recommends compliance of DAC directives.

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

Para- 26 (KP-TEVTA – 2022-23)

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

1.3.1 Introduction

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

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

1.3.2 Comments on audited accounts:

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

1.3.3 Compliance of PAC directives

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

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

1.3.4 Audit Impact

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

1.3.5 Category-wise Summary of Audit Observations

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

Overview of Audit Observations

(Rs in Million)

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

1.3.6 AUDIT PARAS

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

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

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

Position showed weak financial management of the organization.

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

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

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

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

Para- 1 (KP-EZDMC – 2022-23)

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

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

During audit of KP-EZDMC, Economic Zone Hattar for the year 2022-23 it was observed that industrial plots No.140, 143-145 measuring 6 acre at Phase-V Economic Zone Hattar were allotted to M/s Solve Tech Industries on 20-08-1990. After short operation, the allotee closed the industry in year 2000 and sub-letted the premises to M/s Eco Pak Industry for storage purposes without approval of the Estate Management. The management issued cancellation notices in 2009 and 2010 but the plot was not cancelled. Further, the allottee shifted/removed machinery from the site without approval of estate management. A fact-finding committee was constituted to investigate un-authorized transfer of machinery in 2014. However, the report of the committee was not shared with audit. In February 2023 the management transferred the leasehold rights of the plot to M/s ACM Hi-Tech Engineering (Pvt) Ltd. on payment of 5% transfer charges Rs 3.6 million only.

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

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

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

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

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

Para- 4 (KP-EZDMC – 2022-23)

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

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

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

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

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

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

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

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

Para- 5 (KP-EZDMC – 2022-23)

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

According to KPPRA Rule 14- (b) single stage, two envelops bidding shall apply to large and complex contracts where the experience and the past performance in the execution of similar contracts, capabilities with respect to personnel and construction equipment's and financial status and capacity of the bidder is required to the procuring agency. The procuring entity shall evaluate the technical proposal based on criteria specified in the ["bid solicitation"]1 documents without reference to the price and reject any proposal which does not conform to the specified requirements.

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

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

Position showed weak administrative controls in the organization.

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

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

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

Audit recommends to investigate the matter and fix responsibility thereof.

Para- 7 (KP-EZDMC – 2022-23)

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

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

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

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

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

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

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

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

Para- 8 (KP-EZDMC – 2022-23)

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

According to KPPRA Rule 14- (b) single stage, two envelops bidding shall apply to large and complex contracts where the experience and the past performance in the execution of similar contracts, capabilities with respect to personnel and construction equipment's and financial status and capacity of the bidder is required to the procuring agency. The procuring entity shall evaluate the technical proposal on the basis of criteria specified in the ["bid solicitation"]. After evaluation and approval of the technical proposals the procuring entity, shall publicly open the financial proposals of the technically accepted bids only. The lowest evaluated bid shall be accepted.

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

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

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

Position showed weak internal controls in operational activities.

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

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

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

Audit recommends to investigate the matter besides fixing responsibility thereof.

Para- 9 (KP-EZDMC – 2022-23)

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

According to KPPRA Rule 14- (b) single stage, two envelops bidding shall apply to large and complex contracts where the experience and the past performance in the execution of similar contracts, capabilities with respect to personnel and construction equipment's and financial status and capacity of the bidder is required to the procuring agency. The procuring entity shall evaluate the technical proposal based on criteria specified in the ["bid solicitation"]2 documents without reference to the price and reject any proposal which does not conform to the specified requirements. The bid found to be the lowest evaluated bid shall be accepted.

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

Position showed weak internal controls in operational activities.

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

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

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

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

Para- 10 (KP-EZDMC – 2022-23)

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

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

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

Position showed weak operational controls in the organization.

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

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

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

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

Para- 12 (KP-EZDMC – 2022-23)

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

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

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

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

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

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

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

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

Para- 13 (KP-EZDMC – 2022-23)

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

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

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

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

Position showed weak internal controls in the organization.

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

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

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

Audit recommends to investigate the matter and fix responsibility thereof.

Para- 14 (KP-EZDMC – 2022-23)

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

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

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

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

Position showed weak operational controls in the organization.

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

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

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

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

Para- 15 (KP-EZDMC – 2022-23)

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

a) Introduction:

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

b) Comments on Audited Accounts

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

c) Ccompliance of PAC Directives

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

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

d) Audit Impact

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

e) Category-wise Summary of Audit Observations

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

Overview of Audit Observations

(Rs in Million)

S. No.	Classification	Amount
1	Non-Production of record	27.93
2	Reported cases of fraud, embezzlement and misappropriation	37.69
3	Irregularities	
	a. HR / Employees related irregularities	16.09
	b. Procurement related irregularities	6.76
	c. Management of Accounts with Commercial Banks	-

4	Value for money and services delivery issues	16.69
5	Recovery	-
6	Others	1,110.59

f) AUDIT PARAS

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

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

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

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

Position showed weak administrative controls in the organization.

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

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

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

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

Para- 1 (GP & SD – 2020-23)

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

According to Rule – 10(2) of KP Civil Servant Appointment, Promotion and Transfer Rules1989, "initial recruitment to the posts, which does not fall within the purview of commission, shall be made on the recommendations of Departmental Selection Committee after press advertisement of posts".

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

Position showed weak administrative controls in the organization.

Audit is of the view that recruitment without press advertisement is clear-cut violation of the Supreme Court of Pakistan orders and also against the prescribed rules of KP Government. The position also indicates that appointments were made in non- transparent manner and leads towards un-due favour to the ineligible persons at the cost of Govt. Exchequer.

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

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

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

Para- 2 (GP & SD – 2020-23)

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

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

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

Position showed weak financial controls in the organization.

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

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

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

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

Para- 3 (GP & SD – 2020-23)

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

According to Para-23 of KP General Financial Rules, "every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other government officer to the extent for which it may be shown that he contributed to the loss by his own action or negligence".

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

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

Position showed weak internal controls in the organization.

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

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

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

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

Para- 4 (GP & SD – 2020-23)

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

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

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

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

Position showed poor store inventory management system in the organization.

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

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

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

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

Para- 5 (GP & SD – 2020-23)

1.4.6.6 Irregular procurement of store by splitting - Rs 6.761million

According to Clause – 19 of KPPRA Rules 2014 the procuring entity shall engage in open competitive bidding if the cost of the object to be procured is more than the financial limit which is applicable under rule 18 of these rules. Procurement from Rs 500,000/- to Rs 5 million shall be posted on the procuring entity's website and Authority's website. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring entity.

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

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

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

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

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

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

Para- 7 (GP & SD – 2020-23)

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

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

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

One of the reasons of non-finalization/compilation of annual accounts is non-availability of accountant/accounts staff.

Position showed weak administrative controls in the department.

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

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

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

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

Para- 8 (GP & SD – 2020-23)

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

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

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

Position showed weak internal controls in procurement matters.

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

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

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

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

Para- 13 (GP & SD – 2020-23)

Chapter-2

SPORTS, CULTURE, TOURISM ARCHAEOLOGY AND MUSEUM DEPARTMENT

Introduction

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

Attached Departments

This Department have the following attached Formations/Directorates:

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

6 Kaghan Development Authority

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

(Rs in million)

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

Source: Data provided by the Management

Sectorial analysis for the year 2022-23

(Rs in million)

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

Source: Data provided by the Management

Audit Profile of "TCKP"

(Rs in million)

S. No.	Description	Total Nos.	Audited	Expenditure audited for the year 2022-23	Revenue / Receipts audited for the year 2022-23
1	Formations	1	1	202.39	83.56

2	Assignment Accounts/ SDAs etc.(excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Source: Data provided by the Management

2.1 Tourism Corporation Khyber Pakhtunkhwa

2.1.1 Introduction

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

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

2.1.2 Comments on Audited Accounts

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

2.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full compliance	Partial Compliance	Pending Paras No	% of Compliance
2020-21	18	-	-	4.2.4.1 to 4.2.4.18	0
2017-18	4	-	-	4.1.4.1 to 4.1.4.4	0
2016-17	13	-	-	4.1.4.1 to 4.1.4.13	0
2015-16	2	-	-	4.1.4.1 to 4.1.4.2	0
2014-15	6	-	-	4.1.4.1 to 4.1.4.6	0
2013-14	6	-	-	4.1.4.1 to 4.1.4.6	0
2012-13	7	-	-	4.1.4.1 to 4.1.4.7	0
2011-12	1	-	-	4.1.4.1	0
2010-11	5	-	-	6.3.1 to 6.3.5	0

STC					

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

2.1.4 Audit Impact

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

2.1.5 Category-wise Summary of Audit Observations

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

Overview of Audit Observations

(Rs in million)

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

2.1.6 AUDIT PARAS

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

According to Khyber Pakhtunkhwa Tourism Act, 2019 Chapter-III, Section-8 (i) "the Authority shall take over the administrative, financial and regulatory control of all the activities, offices, projects, centers etc. of the Corporation, Directorates and Institute in the prescribed manner". The Act further clarifies under Section – 3 "all action required for giving effect to the provision of this Act. including administrative and financial transition shall be completed within one year of the commence of this Act". The TCKP Board in its 22nd meeting held on 24-06-2020 appointed to the Bank of Khyber as liquidator of the Company, who was responsible to submit its liquidation report to the ACS Committee. As per Section – 387 (5) of the Companies Ordinance 1984 (now Companies Act. 2017) "the winding up proceedings shall be completed by the liquidator within a period of one year".

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

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

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

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

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

Para- 4 (TCKP – 2020-22)

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

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

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

Position showed weak internal controls in the organization.

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

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

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

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

Para-2 (TCKP – 2020-22)

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

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

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

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

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

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

Para- 3 (TCKP – 2020-22)

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

According to General Financial Rules (GFR) Chapter-VIII-Rule-159, "physical verification of all stores must be made at least once in every year to ensure the physical existence of the organization assets". Rule – 23 further provides that "every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence".

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

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

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

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

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

Para- 6 (TCKP – 2020-22)

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

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

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

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

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

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

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

Para- 8 (TCKP – 2020-22)

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

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

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

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

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

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

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

Para- 18 (TCKP – 2020-22)

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

According to TCKP Services Rules Chapter-V (Medical Facilities) under the heading "Explanation", "the corporation will arrange for medical cover through authorized medical attendants and chemists. Cash reimbursement pertaining to the medical treatment is not allowed except in extraordinary circumstances and on the verification of such expenses by the authorized medical attendants".

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

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

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

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

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

Para- 20 (TCKP – 2020-22)

CHAPTER-3

Finance Department

Introduction

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

Attached Departments

This Department have the following attached Formations/Directorates:

1. General Provident Investment Fund
2. Pension Fund
3. Hydel Development Fund
4. Central Provident Fund
5. Retirement Benefit & Death Compensation Fund

1. Bank of Khyber
2. Local Government Fund

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

(Rs in million)

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

Source: Data provided by the Management

Sectorial analysis for the year 2022-23

(Rs in million)

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

Source: Data provided by the Management

Audit Profile of "HDF"

(Rs in million)

S. No.	Description	Total Nos.	Audited	Expenditure audited for the year 2022-23	Revenue / Receipts audited for the year 2022-23

1	Formations	1	1	5,426.00	7,725.80
2	Assignment Accounts/ SDAs etc.(excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Source: Data provided by the Management

3.1 Hydel Development Fund (HDF), Peshawar

3.1.1 Introduction

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

3.1.2 Comments on Audited Accounts

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

3.1.3 Compliance of PAC directives

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

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

3.1.4 Audit Impact

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

3.1.5 Category-wise Summary of Audit Observations

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

Overview of Audit Observations

(Rs in million)

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

3.1.6 AUDIT PARAS

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

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

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

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

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

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

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

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

Para- 1 (HDF – 2018-23)

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

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

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

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

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

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

Para- 2 (HDF – 2018-23)

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

According to Para 23 of GFR "every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence."

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

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

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

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

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

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

Para- 7 (HDF – 2018-23)

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

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

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

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

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

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

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

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

Para- 8 (HDF – 2018-23)

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

According to Para 23 of GFR "every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence."

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

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

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

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

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

Para- 9 (HDF – 2018-23)

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

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

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

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

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

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

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

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

Para- 11 (HDF – 2018-23)

3.1.6.7 Loss due to fraudulent transactions - Rs 2.07 million

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

During audit of Hydel Development Fund, Peshawar for the years 2018-19 to 2022-23, it was observed that the management made two transactions with National Bank of Pakistan vide authority letters dated 17.02.2014 and 24.03.2014. The record showed that funds of HDF amounting to Rs 602,113 and Rs 1,629,347 were unlawfully transferred to HBL A/c No. 22727000337803 on 17.02.2014 maintained at Bhittai Colony, Karachi. The amount was transferred by the then Assistant Fund Manager of HDF and countersigned by the then Secretary Finance and Secretary Energy & Power Department of KP. Record showed that these authority letters were not issued by KP Government, FIA after its investigation asked the management of HDF to conduct a Departmental Inquiry/Forensic Audit of all investments in PIBs by the HDF and for special audit of total investment of Rs 150 billion by the KP Finance Department in NBP. The issue was also placed in the 15thBoD meeting wherein it was decided that a reputed firm may be hired for conducting forensic audit. The firm M/s Parker Russell conducted forensic audit and pointed out fraudulent transactions of Rs 2.077 million.

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

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

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

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

AUDIT REPORT

ON

THE ACCOUNTS OF

CLIMATE CHANGE, ENVIRONMENT AND

DISASTER MANAGEMENT ORGANIZATIONS

OF GOVERNMENT OF KHYBER PAKHTUNKHWA

AUDIT YEAR 2023-24

AUDITOR-GENERAL OF PAKISTAN

CLIMATE CHANGE, ENVIRONMENT AND DISASTER MANAGEMENT ORGANIZATIONS

Chapter - 1

Provincial Disaster Management Authority and Rescue 1122 under Relief, Rehabilitation and Settlement Department, Government of Khyber Pakhtunkhwa

1.1 Introduction

A. Provincial Disaster Management Authority Khyber Pakhtunkhwa

In order to alleviate the sufferings of people affected by earthquake, floods and military operations, there was a need to establish a system of relief, reconstruction and rehabilitation for affected persons. In this regard, an Act No. XXIV of 2010 was promulgated for establishment of National Disaster Management Authority by the Parliament. In compliance of Section 15 of the said Act, the Provincial Government of Khyber Pakhtunkhwa established Provincial Disaster Management Authority on 27 October, 2008 to deal with the disaster management activities in the province. PDMA Khyber Pakhtunkhwa is mandated to prepare and implement the disaster management policies in the Province under National Disaster Management (Khyber Pakhtunkhwa) Act, 2012. The District Disaster Management Units (DDMUs) are mandated for executing disaster management activities at district level.

Rescue 1122 Khyber Pakhtunkhwa

The Khyber Pakhtunkhwa Rescue 1122 was established in January 2010. Later, the Khyber Pakhtunkhwa Emergency Rescue Service Act, 2012 was enacted as guiding legislation of the department. After successful implementation of Emergency Offices in the major Districts of the Province, now the expansion is being made in the merged areas of FATA. Rescue-1122 Khyber Pakhtunkhwa is mandated to ensure the presence of rescue service in the province in an efficient and effective manner. Its function includes to respond and carry out the relief operations for public in emergencies i.e. acts of terrorism, fire incidents, road traffic accidents, building collapses and medical emergencies.

B. Comments on Budget & Accounts of audited formations (Variance analysis)

(Rs. in billion)

Sr. No.	Financial Year	Name of formation	Budget	Expenditure	Savings
1.	2022-23	PDMA &DDMUs Nowshera, Charsada, Swabi, D I Khan, Tank, Swat, Dir Upper, Dir Lower, Shangla, Kohistan Upper,	15.141	13.996	1.145

		Kohistan Lower at Pattan and Kohistan Lower at Kolai Palas)			
2.	2022-23	Rescue 1122 (Hqs) Khyber Pakhtunkhwa	1.906	1.246	0.660
Total			**17.047**	**15.242**	**1.805**

Source: budget and expenditure statements

C. Sectoral Analysis

The Relief Rehabilitation and Settlement Department (RR&SD), Khyber Pakhtunkhwa is mandated to formulate policies, strategies and guidelines for relief, rehabilitation and emergency activities in the Province. The Provincial Disaster Management Authority (PDMA), Rescue 1122 service and Directorate of Civil Defence act as implementation agencies of the Department.

The total size of Annual Development Programme (ADP) 2022-23 of Khyber Pakhtunkhwa was Rs. 376.19billion, out of which an allocation of Rs. 4.087billion (1.09%) was kept for the development schemes of Relief, Rehabilitation and Settlement Department (PDMA & Rescue-1122) for FY 2022-23.

There are 38 ongoing projects of Relief, Rehabilitation & Settlement Department, Khyber Pakhtunkhwa in the provincial ADP 2022-23, out of which 30 projects pertain to Rescue-1122 and 08 belong to PDMA. Rescue-1122 projects mainly include:

i. Development expenditures on District and Tehsil Emergency Offices
ii. Feasibility Study and Expansion of Emergency rescue Services to conduct mines rescue operations
iii. Establishment of Rescue Academy

The ADP projects related to PDMA include:

i. Revamping of PEOC & MIS Section and Development of MIS for PDMA
ii. Establishment of Camp Management Support Unit for Displaced Persons (DPs) in PDMA
iii. Establishment of Gender and Child Cell in PDMA
iv. Economic revitalization of North Waziristan compensation for business lost

An expenditure amounting to Rs. 6.814 billion was incurred on these projects by June, 2023 out of the total approved cost of Rs. 18.453 billion.[3]

Details of budget and expenditure of PDMA, Khyber Pakhtunkhwa for the financial years 2022-23& 2021-22 is as under:

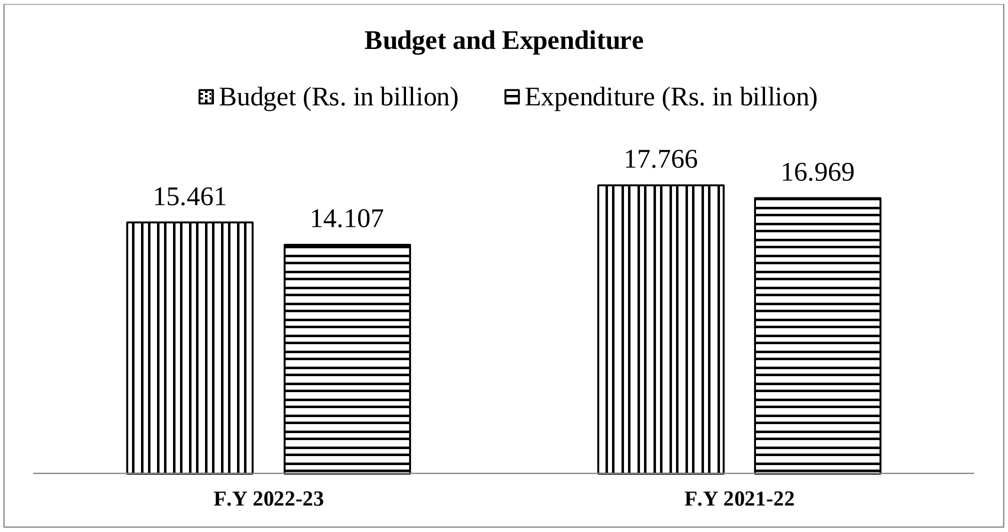
(Rs. in billion)

Sr. No.	Financial Years	Name of Formation	Budget	Expenditure	Savings
1.	2022-23	PDMA & DDMUs Khyber Pakhtunkhwa	15.461	14.107	1.354

[3]https://pndkp.gov.pk/adp/

2.	2021-22	PDMA & DDMUs Khyber Pakhtunkhwa	17.766	16.969	0.797

Graphical representation of the budget and expenditure for the last two financial years is as below:



Out of the total expenditure of PDMA, Khyber Pakhtunkhwa for the financial year 2022-23, major expenditure of Rs. 8.974 billion was incurred on Citizen Losses Compensation Program (CLPC) for Temporarily Displaced Persons (TDPs) of newly merged areas of Khyber Pakhtunkhwa and House Damages during Flood 2022.

Provincial Disaster Management Authority (PDMA), Khyber Pakhtunkhwa is the lead agency dealing with disasters and disaster planning in the province. While the Authority has achieved success in the post disaster related activities and relief operations in the aftermath of disasters, the activities related to mitigation and prevention measures have not been well initiated and the focus has not been on the Disaster Risk Reduction (DRR) measures. The Provincial Disaster Management Plan had not been prepared by PDMA which indicates that there is lack of proper ground work and planning in dealing with the future disasters. PDMA has approved policy document i.e. Khyber Pakhtunkhwa, Provincial Disaster Management Authority Relief Compensation Regulations 2019, which is a good steps toward streamlining the compensation payments. However, in certain instance it was noticed that there were procedural lapses and lack of documentation while making the compensation payments.

Similarly, PDMA was not able to fully make use of Disaster Management Information System (DMIS) designed to enhance PDMA's core functions, including Warehouse Management, maintenance of records of food and non-food items in both the main warehouse and district warehouses. DDMUs did not enter record of receipt and distribution of Food Items / Non Food Items on DMIS.

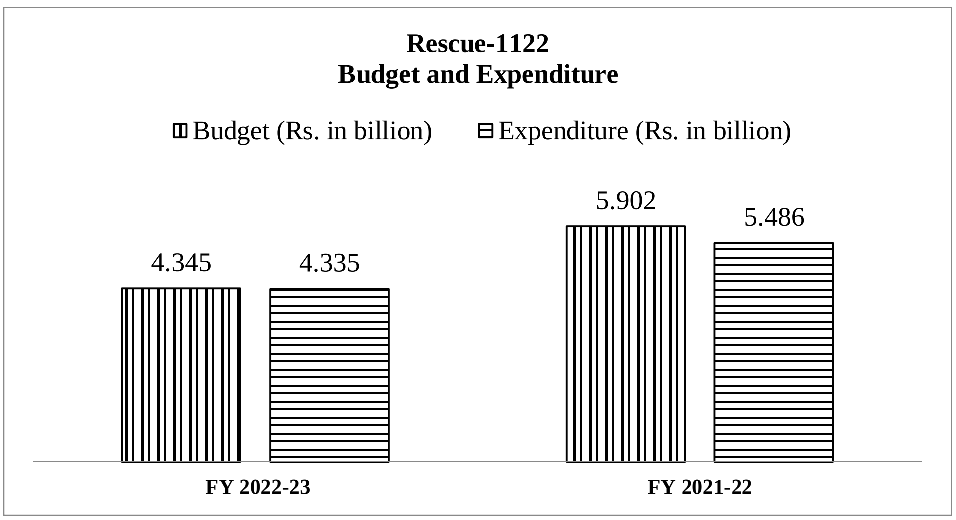
During audit of donor assistance of flood 2022, it was noticed by the audit team that District Disaster Management Units (DDMUs) lacked proper warehousing facilities. The relief items stock was found stored in government offices / education buildings and rented rooms. Critical deficiencies were consistently observed during the visit of these storage locations which includes disorganized stacking, insufficient pallet utilization, inadequate air circulation, structural instability, roof leakage, and rat infestations. In times of disaster, the availability of both permanent and temporary warehouses plays a critical role in ensuring the swift and effective delivery of relief items to affected areas. These warehouses serve as logistical hubs, facilitating the storage, organization, and distribution of essential supplies that are vital for the survival and recovery of disaster-stricken communities.The DDMUs are required to look into this matter and take necessary measures.

The detail of budget and expenditure of Rescue-1122, Khyber Pakhtunkhwa for the financial years 2022-23 and 2021-22 is as under:

(Rs. in billion)

Sr. No.	Financial Years	Name of formation	Budget	Expenditure	Savings
1.	2022-23	Rescue 1122 (HQ) & DEOs	4.345	4.335	0.010
2.	2021-22	Rescue 1122 (HQ) & DEOs	5.902	5.486	0.416

Graphical representation of the budget and expenditure for the last two financial years is as under:



A review of Rescue-1122 expenditure for the financial year 2022-23 indicates that an expenditure amounting to Rs. 3,919.43 million was incurred on establishment, expansion and operationalization of District Emergency Offices, while expenditure amounting to Rs. 415.92 million was expended on patient referral ambulance service.

The Khyber Pakhtunkhwa Emergency Rescue Service (Rescue 1122) has played a key role in providing rescue services in the province since inception. Emergency Rescue Service (Rescue 1122) Khyber Pakhtunkhwa took following major steps during the financial year 2022-23:

i. Rescue 1122 service was fully operationalized in all districts of Khyber Pakhtunkhwa.
ii. Eight (08) Rescue 1122 stations were established at tourist spots for provision of emergency and rescue services.

iii. Expansion of Rescue-1122 stations to Tehsil level in Khyber Pakhtunkhwa including merged areas was under process and target of expansion in major tehsils was achieved.

However, certain measures are still required to be taken to achieve full benefits of the Service. To point out a few, the Emergency Service Academy has not been established so far resulting in lack of training and non-enhancement of skills and professional expertise of the staff. Similarly, Rescue 1122 has not established Emergency Rescue Service Fund for dealing with emergency operations and staff welfare as required under Khyber Pakhtunkhwa Emergency Service Act 2012.

Data related to rescue operations carried out by Rescue Service 1122, Khyber Pakhtunkhwa since inception in 2010 to date i.e. 2023 is as under:

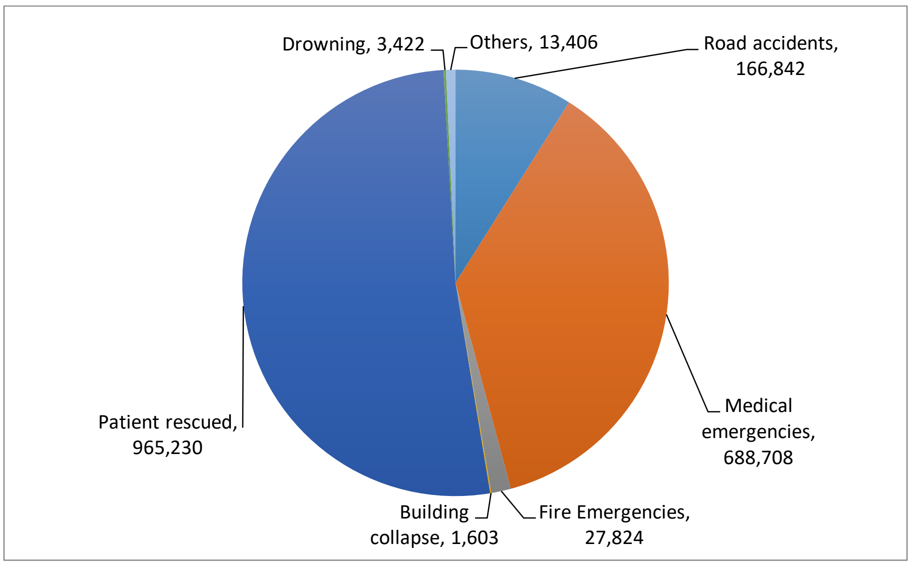


Table I: Audit profile of Relief, Rehabilitation & Settlement Department, Government of Khyber Pakhtunkhwa.

(Rs. in billion)

Sr. No.	Description	Total Nos.	Audited	Expenditure audited FY 2022-23	Revenue/ Receipts audited FY 2022-23
1.	Formations	74(main entities and regional /district offices)	14(including PDMA (Hqs), 12DDMUsand Rescue-1122 (Hqs) where major expenditure was incurred)	15.242	Nil

2.	• Assignment Account • SDAs • Fund A/c (excluding FAP)	1 Nil 1	1 - 1	Nil	Nil
3.	Authorities /Autonomous bodies etc. under the PAO	2	2	Nil	Nil
4.	Foreign Aided project (FAP) USAID Funded	1	1	0.372	Nil

1.2 **Classified Summary of Audit Observations**

Audit observations amounting to Rs. 2,772.469million have been raised pertaining to "Rescue-1122 (Hqs), PDMA and DDMUs Nowshera, Charsada, Swabi, D I Khan, Tank, Swat, Dir Upper, Dir Lower, Shangla, Kohistan Upper, Kohistan Lower at Pattan and Kohistan Lower at Kolai Palas).Recovery of Rs. 359.167 million has been pointed out in **the audit observations. Summary of the audit observations classified by nature is as under:**

Table II: Overview of Audit Observations

(Rs. in million)

Sr. No	**Classification**	**Amount**
1.	**Irregularities**	**1,951.692**
A	**HR/ Internal Control Weaknesses**	**1,844.942**
B	**Procurement**	**106.750**
2.	**Financial Management**	**664.124**
3.	**Public Service Delivery / Performance**	**156.653**

1.3 Brief Comments on the Status of Compliance with PAC Decision

The Directorate General Audit (CC&E) started auditing and reporting Relief and Rehabilitation Department of Khyber Pakhtunkhwa since financial year 2016-17. No Audit Report has been discussed in PAC meeting so far.

1.4 AUDIT PARAS

HR / Internal Control Weaknesses

1.4.1 Payment of monthly allowances to alternate recipients instead of actual TDPs – Rs. 772.840 million

According to Para 23 of General Financial Rules (GFR) Vol-I, every Government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

Provincial Disaster Management Authority (PDMA) Khyber Pakhtunkhwa (Complex Emergency Wing) disbursed Monthly Subsistence Allowance (MSA) and Monthly Ration Allowance (MRA) at the rate of Rs. 12,000 and Rs. 8,000 per month respectively to the Temporary Displaced Persons (TDPs).

During audit of PDMA Khyber Pakhtunkhwa for the financial year 2022-23, it was observed that payment amounting to Rs. 772.840 million was made to alternate recipients in place of actual TDPs. Moreover, it was also observed that there was no documentary evidence justifying the practice. Details are as under:

Allowance Type	Origin of TDPs			Total No. of Alternate recipients	Rate per month (Rs.)	Total Amount disbursed (Rs.)
	Returned from Khost/ Afghanistan	District Khyber	District NWA			
1	**2**	**3**	**4**	**5 (2+3+4)**	**6**	**7 (5x6)**
Monthly Ration Allowance	12921	61	25660	38642	8,000	309,136,000
Monthly Subsistence Allowance	12921	00	28173	41094	12,000	463,704,000
Grand Total	**25842**	**61**	**53833**	**79736**	--	**772,840,000**

Audit held that payment to alternate recipients without approved policy and mechanism was not justified and may result in inadmissible payments.

Initial audit observation was issued on 09.08.2023. The management replied that monthly allowances for TDPs are disbursed through cellular companies, ensuring transparency via biometric verification. However, issues such as fingerprint challenges for elderly individuals, those residing abroad, or deceased/disabled persons prompted the formulation of a policy to address these challenges/issues. This policy, endorsed by the then Additional Chief Secretary (Ex FATA), allows for payments to alternate beneficiaries in place of the primary recipients. All payments to alternate beneficiaries are duly verified by relevant tribal leaders and district administration, adhering to the established policy. Further, a deadline until 30th December 2023 has been set, in collaboration with TDP Secretariat/11 Corp, for 3600 families to submit revised alternate beneficiaries (wife, son, daughter) along with a Family Registration Certificate (FRC). Failure to comply will result in the cessation of allowances by PDMA.

The Departmental Accounts Committee (DAC) meeting was held on 20&21.12.2023. The forum decided to discuss the matter in next DAC meeting after implementation of policy of revised alternative recipients.

Audit recommends implementation of DAC decision.

(Para No.6 of AIR 2022-23 PDMA, Khyber Pakhtunkhwa)

1.4.2 Unverifiable expenditure without supporting documents and distribution of relief items without maintenance of necessary record – Rs. 153.169 million

According to Para. 4.5.3 of Accounting Polices and Procedural Manual, each claim should be accompanied by all necessary supporting documentation.

Further, according to Deputy Commissioner Nowshera letter No. 9922-26/Flood/PS/DC/NSR/2022 dated 26.08.2022, the tehsildar concerned shall be responsible to collect food and non-food items from office of the ADC (R&HR) and shall maintain proper record against each affected individual. Furthermore, Deputy Commissioner Office also constituted the village committees for distribution of relief items. The village committees were required to submit the detail of beneficiaries within two (02) days.

District Disaster Management Units (DDMU) in Khyber Pakhtunkhwa made various payments amounting to Rs. 153.169 million. Moreover, the DDMUs also distributed relief items among the flood affectees 2022. Details are as under:

(Rs. in million)

Sr. No.	Name of DDMU	Amount	Particulars
1.	Nowshera	140.546	Purchase of food and non-food items **(Annexure-II-a)**
2.	Kohistan Upper at Dassu	3.216	Compensation and miscellaneous expenditure
3.	Tank	3.622	Transportation of food and non-food items
4.	Tank	2.990	Transportation for Claim Assessment Committee visits
5.	Tank	2.00	M/s Eminent Technologies
6.	Charsadda	0.795	Various cheques
7.	Dir Upper	-	Distribution of relief items to the affectees
8.	Kohistan Upper at Dassu	-	Distribution of relief items to the affectees
9.	Kohistan Lower at Pattan	-	Distribution of relief items to the affectees
Total		**153.169**	**---**

During audit of DDMUs Nowshera, Dassu, Tank, Charsadda, Dir Upper, Kohistan Upper and Kohistan Lower at Pattan for the financial year 2022-23, it was observed as under:

i. The vouchers and necessary supporting documents in support of payments made was not available on record.

ii. Management of DDMUs Nowshera, Dir Upper, Kohistan Upper at Dassu and Pattan handed over relief items (food & non-food item) in bulk quantities to the field revenue staff - Patwaries and Village Committees for distribution among the affectees. **(Annexure-II-b & Annexure-II-c)** However, record of subsequent distribution to flood affectees such as detail of beneficiaries, date and place of distribution, acquaintance roll etc. was not available.

Audit held that in-absence of proper record, the expenditure incurred and distribution of relief items could not be authenticated.

The observation was issued to the respective DDMUs during August-October 2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that proper mechanism may be devised by the PDMA and DDMAs for receipt and distribution of relief items and supporting record may be maintained by the relief agencies upto the level of end user for audit scrutiny.

(Para No. 06, 04, 7&11, 08, 04, 09 and 5 of AIR 2022-23 of DDMU Nowshera, Dassu, Tank, Charsadda, Dir Upper, Kohistan Upper and Kohistan Lower at Pattan)

1.4.3 Irregular cash drawl of public funds – Rs. 39.113 million

According to Finance Department, Government of Khyber Pakhtunkhwa letter No.BO (W&M)/6-5/2019-20 dated 19.02.2020, in order to streamline the management in public account and observe fiscal discipline, it was decided to stop forthwith all payments through open cheques or cash payments.

Further, according to Para 2.3.2.8 of Accounting Policies & Procedures Manual, to minimize the risk of fraud and corruption, payments shall be made through direct bank transfer and cheques.

District Disaster Management Units (DDMUs) in Khyber Pakhtunkhwa made various payments amounting to Rs. 39.113 million through cash/bearer cheques during the financial year 2022-23. Details are as under:

(Rs. in million)

Sr. No.	Name of DDMU	Amount
1.	Dir Lower	13.606
2.	Nowshera	12.995
3.	Shangla	3.481
4.	Tank	3.412
5.	Dir Upper	3.082

6.	D.I. Khan	1.748
7.	Swabi	0.789
Total		**39.113**

During the audit of DDMU Dir Lower, Nowshera, Shangla, Tank, Dir Upper, D.I. Khan and Swabi for the financial year 2022-23, it was revealed from the bank statements that management had withdrawn amount and made payment in cash amounting to Rs. 39.113 million instead of payment through cross cheques.

Audit held that cash withdrawal was violation of the instructions of Finance Department Government of Khyber Pakhtunkhwa and chances of misuse of the amount could not be ruled out.

The observation was issued to the respective DDMUs during August-October 2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that non-adherence to the instructions of Finance Department and irregular cash drawl of government money may be inquired to fix responsibility on the persons at fault.

(Para No. 02, 10, 03, 09, 01, 06 and 03 of AIR 2022-23 DDMU Dir Lower, Nowshera, Shangla, Tank, Dir Upper, D.I. Khan and Swabi)

1.4.4 Irregular compensation payments on accounts of damaged houses – Rs. 21.160 million

According to Para 8(1)(b) of Khyber Pakhtunkhwa, Provincial Disaster Management Authority Relief Compensation Regulations 2019, the compensation cases shall be initiated by the Revenue field staff or halqa patwari or moharrir, as the case may be, by submitting report along with mandatory documents.

District Disaster Management Unit (DDMU) Kohistan Upper paid an amount of Rs. 21.160 million on account of compensation of 93 fully/partially damaged houses during the financial year 2022-23.

During the audit of District Disaster Management Unit (DDMU) Kohistan Upper for the financial year 2022-23, it was observed as under:

i. There was no disaster/calamity/incident report available on record with essential information such as the nature, date, and the extent of damages in the affected areas.

ii. In all compensation cases, there were no reports of field revenue staff showing the details about the nature and date of the disaster/calamity/incidents. As such, the initiation of compensation cases without the report of Revenue field staff was irregular.

iii. Certificates of ownership lacked necessary details and affixation of official stamps. (**Annexure-III-a).**

iv. There was limited photograph evidence available with DDMUs to accurately assess the extent of damage. (**Annexure-III-b)**

v. Multiple compensation claims were assessed and paid on the same photograph which was not justified and raised concerns about assessment process. (**Annexure-III-c).**

vi. Cases of multiple payments within a family were also observed. For instance, eight cheques were issued within a family i.e. a father and seven sons. Further, the attached photographic evidence with the respective compensation claims did not indicate the presence of distinct houses for each applicant, raising doubts about the legitimacy of these claims. (**Annexure-III-d)**.

vii. There were some cases which were processed without pictorial evidences.

viii. The assessment form, in all the cases, was found without the official seal of the members of claim assessment committee.

Audit held that payment of compensation without disaster incident reports and lack of evidences was unjustified and the authenticity of assessment and payment of compensation could not be verified.

The observation was issued to the management on 06.10.2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that the management may look into the matter and take necessary corrective measures. Besides, in future, all claims may be processed and paid strictly as per the approved regulations and specified procedures.

(Para No. 7 of AIR 2022-23 DDMA Kohistan Upper)

1.4.5 Missing stocks of already held relief items and non-availability of record of distribution of fresh relief items

According to Rule 148 of General Financial Rules (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 Government officer who should see that the quantities are correct and their quality good, and record a certificate to that effect. The officer receiving the stores should also be required to give a certificate that he has actually received the materials and recorded them in the appropriate stock register.

District Disaster Management Unit (DDMU) Charsadda reported the status of old stock to PDMA vide letter dated 21.02.2022 and provided details of quantities of items like tents, blankets, buckets, jackets, mosquito nets, water tanks, and gallons held with the DDMA. (**Annexure-IV)**

During the audit of DDMU Charsadda for the financial year 2022-23, it was observed as under:

i. The whereabouts of the old stock reported to PDMA was not available and the items were not depicted in the stock register.

ii. Relief items received by DDMU in July 2022 were claimed to be issued to various locations. However, essential records such as demand, district administration's order for dispatch, acknowledgment, acquittance rolls and proof of receipt of the items by the affectees were not available.

Audit held that unknown whereabouts of the old stock of relief items and absence of distribution of new stock of relief items was lapse on the part of management. Further, chances of mismanagement of relief items could not be ruled out.

The observation was issued to the management on 18.08.2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that unknown whereabouts of the costly relief items and absence of distribution record may be inquired to fix responsibility.

(Para No. 5 of AIR 2022-23 DDMU Charsadda)

1.4.6 Unverifiable expenditure incurred without observance of codal formalities – Rs. 12.997 million

According to Rule 178 of General Financial Rules (GFR) Vol-I, except in cases covered by any special rules or orders of Government, no work should be commenced or liability incurred in connection with it until i. administrative approval has been obtained ii. sanction has been obtained iii. a properly detailed design and estimate has been sanctioned, and iv. funds to cover the charge during the year have been provided by competent authority.

District Disaster Management Unit (DDMU) Nowshera made payment amounting to Rs. 12.997 million to the contractor M/s Jamal Shah & Co vide cheque No. 48112682 dated 28.04.2023 during the financial year 2022-23.

During the audit of DDMU Nowshera for the financial year 2022-23, it was observed that DDMU Nowshera released funds amounting to Rs. 3.00 million to TMA Nowshera for works related to flood 2022. DDMU requested TMA Nowshera to provide vouched accounts. In response TMA provided vouched accounts for Rs. 12.997 million. Audit observed as under:

i. Incurrence of expenditure amounting to Rs. 12.997 million against the funds Rs. 3.00 million and creation of liability amounting to Rs. 9.997 million without approval of the competent authority was unjustified.
ii. Detailed design, engineering estimate, administrative approval, and technical sanction duly approved by the competent authority were not available.
iii. TMA awarded work through quotations. Moreover, the quotation call letter and the quotations did not contained detailed description of work required to be carried out i.e. name of work, location, estimated quantity/ measurement, time required to complete the work etc.
iv. The contractor submitted bills / vouchers without mentioning any detail of work carried out.
v. The Measurement Book (MBs) for the work duly certified by the technical branch of TMA along with pre/post pictorial evidence and GPS coordinates were not available to authenticate the work.

Audit held that payment without observing codal formalities in violation of rules resulted into irregular payment.

The observation was issued to the management on 18.08.2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that an inquiry may be conducted to probe the facts and action be taken against the responsible for making payment in violation of rules and regulations.

(Para No. 12 of AIR 2022-23 DDMU Nowshera)

1.4.7 Non-fixing of responsibility for negligence resulting in loss to Government – Rs. 140.00 million

According to Finance Department, Government of Khyber Pakhtunkhwa letter No. BO IX/FD/1-1/Relief-2021-22 dated 18.05.2022, the administrative department was required to fix responsibility against the concerned officers / officials for delay in submission of Civil Petition for Leave to Appeal (CPLA) in Supreme Court of Pakistan resulting a huge loss of Rs. 140.00 million to government exchequer.

Provincial Disaster Management Authority (PDMA) Khyber Pakhtunkhwa released an amount of Rs. 139.291 million vide cheque No. 064370 dated 08.11.2022 to Deputy Commissioner Nowshera for onward payment to the plaintiff.

During audit of the PDMA Khyber Pakhtunkhwa for the financial year 2022-23, it was observed that despite clear orders by the Finance Department, the administrative department did not take necessary action to fix responsibility against the concerned officers / officials for delay in submission of CPLA in Supreme Court of Pakistan till date of audit i.e. August, 2023.

Audit held that inaction on the part of the Relief and Rehabilitation Department resulted in non-fixing of the responsibility for the lapse which had led to loss of Rs. 140.000 million.

Initial audit observation was issued on 09.08.2023. The management replied that the delay in filing the CPLA was result of prolonged correspondence among different government tiers. After receiving the Peshawar High Court's order dated 06.09.2019 on 24.10.2019, PDMA forwarded it to the Law Department for review by the Scrutiny Committee. The committee deemed it suitable for CPLA on 05.11.2019, providing PDMA only one day to submit the CPLA. Despite filing the CPLA with a delay condemnation application, the Supreme Court of Pakistan did not grant the request and CPLA was dismissed being time barred by 17 days.

The reply was not acceptable because PDMA had not obtained the copies of Court order in time. There was a major delay of 48-day by PDMA, which resulted in delayed correspondence. As a result, the CPLA could not be filed in time and was dismissed by the Supreme Court of Pakistan being time barred causing a substantial loss of Rs. 140.00 million to the government exchequer.

The Departmental Accounts Committee (DAC) meeting was held on 20&21.12.2023. The DAC directed the administrative department to conduct a fact-finding inquiry and its outcome be shared with audit authorities.

Audit recommends implementation of DAC decision.

(Para No.2 of AIR 2022-23 PDMA, Khyber Pakhtunkhwa)

1.4.8 Non-conducting of inquiry for the negligence resulting in loss to Government exchequer – Rs. 3.900 million

According to Relief, Rehabilitation & Settlement Department letter No. SO(Lit)/RR&SD/2-14/2021-Said Rehman (CPLA)/248 dated 07.10.2021, the Commissioner Malakand Division Swat was requested to nominate an inquiry officer to conduct a fact-finding inquiry against the delinquent officer / officials on becoming the case titled “M/s Said Rehaman etc. versus Government of Khyber Pakhtunkhwa” as time barred.

District Disaster Management Unit (DDMU) Shangla paid Rs. 3.900 million to the thirty nine (39) decree holders / petitioners @ Rs. 100,000 each in a case titled “M/s Said Rehman etc. versus Government of Khyber Pakhtunkhwa” during the financial year 2.022-23.

During the audit of District Disaster Management Unit (DDMU) Shangla for the financial year 2022-23, it was observed that management did not conducted any fact-finding inquiry against the delinquent officer / officials on fault due to which the case titled “M/s Said Rehaman etc. versus Government of Khyber Pakhtunkhwa” became time barred.

Audit held that payment was made due to negligence of management and non-initiation of fact finding inquiry was also lapse on the part of administrative department.

The observation was issued to the management on 26.09.2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that fact-finding inquiry may be carried out and outcome may be shared with audit authorities.

(Para No. 5 of AIR 2022-23 DDMU Shangla)

1.4.9 Missing relief items and non-maintenance of record of distribution

According to Rule 148 of General Financial Rules (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 Government officer who should see that the quantities are correct and their quality good, and record a certificate to that effect. The officer receiving the stores should also be required to give a certificate that he has actually received the materials and recorded them in the appropriate stock register.

Further, according to Para 23, 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.

Provincial Disaster Management Authority (PDMA) Punjab dispatched various relief items which included 2000 tents, 7500 food packages and 6000 bags of atta (20-kg) to the District Disaster Management Unit (DDMU) Dera Ismail Khan.

During the audit of DDMU Dera Ismail Khan for the financial year 2022-23 it was observed as under:

i. DDMU provided an incomplete and unsigned list regarding receipt of relief items which indicated less receipt of relief items. Details are as under:

Sr. No.	Item	Quantity dispatched by PDMA	Qty. received by DDMU	Less receipt
1.	Tents	2,000	1,000	**1,000**
2.	Food packages	7,500	2,500	**5,000**
3.	Atta (20-kg)	6,000	2,500	**3,500**

ii. There was no supporting record to confirm the actual receipt of items from PDMA i.e. acknowledgments /goods receipt notes, inspection reports, transportation details and stock register.

iii. Subsequent distribution record of relief items among the affectees was also not available to authenticate the distribution.

Audit held that less receipt relief items and absence of proper record of receipt and subsequent distribution was serious lapse on the part of management. Resultantly, chances of misuse of relief items could not be ruled out.

The observation was issued to the management on 01.09.2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that whereabouts of relief items may be probed into besides fixation of responsibility for non-maintenance of receipt and distribution record of relief items.

(Para No. 12 of AIR 2022-23 DDMU Dera Ismail Khan)

1.4.10 Non-maintenance of record and non-reporting of relief items through Disaster Management Information System (DMIS)

According to Provincial Disaster Management Authority (PDMA) Notification No. PDMA/KP/A&F/PEOC/1-2/2022-23 dated 15.03.2023, all the Addl: Deputy Commissioners (Relief & HR) /DDMO in respective districts of Khyber Pakhtunkhwa were nominated as focal persons for carrying out the tasks related to Disaster Management Information System (DMIS) which included verification of damaged items, ensure entry of Food Items (FI) / Non Food Items (NFI’s) provided by donors, and maintain & monitor stockpiles of relief items.

Provincial Disaster Management Authority (PDMA) Khyber Pakhtunkhwa in collaboration with International Rescue Committee (IRC) developed DMIS with the intention to enhance PDMA's core functions, including warehouse management. This system was designed to aid District Administration in providing food and non-food items, while also maintaining records of these items in both the main warehouses and district warehouses.

During the audit of District Disaster Management Unit (DDMU) Kolai Palas, Shangla, Dir Upper, Dir Lower, Swat, Tank, Swabi, Charsadda, Nowshera and D.I. Khan for the financial year 2022-23, it was observed that activities related to DMIS were not carried out in the respective DDMUs.

Audit held that non recording of FI / NFIs in DMIS was lapse on the part of management of DDMUs which resulting into non-implementation of instructions and failure to meet the objectives of DMIS.

The observation was issued to the respective DDMUs during August-October 2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that necessary corrective measures may be taken to ensure effective utilization of the DMIS and successful achievement of its objectives.

(Para No. 06, 09, 07, 07, 04, 16, 07, 11, 22 and 16 of AIR 2022-23 DDMU Kolai Palas, Shangla, Dir Upper, Dir Lower, Swat, Tank, Swabi, Charsadda, Nowshera and D.I. Khan)

1.4.11 Unverifiable distribution of relief items by DDMU Kohistan Lower

According to National Disaster Management Authority (NDMA) guidelines on stocking, maintenance and supply of relief & rescue items, 2(a), relief items mean items distributed in emergency situation caused by any disaster providing immediate relief for basic needs of human beings to affectees. These can be food and non-food or both such as tents, blankets, rice, wheat flour etc.

District Disaster Management Unit (DDMU) Kohistan Lower at Pattan received 6,141 blankets from NDMA in addition to 873 blankets, and 598 quilts from PDMA.

During the audit of DDMU Kohistan Lower at Pattan for the financial year 2022-23, it was observed that the DDMU had shown distributed 5,261 blankets among various Chairmen Village Council, although there was no declaration of disaster or emergency in place. Moreover, neither acknowledgment from the respective chairmen was available on record, nor any record of distribution of blankets among the affectees like names and details of beneficiaries, acquaintance rolls and proof the receiving of the items was available. (**Annexure-V)**

Audit held that distribution of relief items without any notified disaster / emergency and in the absence of record authenticating the receipt of items by the affectees was unjustified resulting in unverifiable distribution of relief items.

The observation was issued to the management on 04.10.2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that distribution of relief items without disaster/emergency may be inquired to fix responsibility on the persons at fault beside corrective measures may be taken to avoid occurrence of such events in future.

(Para No. 4 of AIR 2022-23 DDMU Kohistan Lower at Pattan)

1.4.12 Non-maintenance of inventory and record of donations provided by charity organizations for flood relief 2022

According to PSO to Chief Secretary, Government of Khyber Pakhtunkhwa Notification No. PSO/CS/KP/ Floods/2022 dated 28.08.2022, collection through major charity organization shall be routed through district administration to ensure optimal distribution. An inventory shall be maintained by Deputy Commissioners concerned to ensure all affected area are covered.

Various national and international charity organizations (NGOs/INGOs) distributed relief items (food & non-food items) including cash grants to the flood affectees of 2022.

During the audit DDMUs Dassu, Pattan, Dir Upper, Dir Lower, Swat, Charsadda, Nowshera and Dera Ismail Khan for the financial year 2022-23, it was observed that despite clear instructions issued by the Government of Khyber Pakhtunkhwa, no record of donations provided by national and international charity organizations was maintained. For instance, the details of relief items and cash grant distributed by various charity organizations in one DDMU i.e. District D.I. Khan is at **Annexure-VI.**

Audit held that due to non-maintenance of record/inventory, optimal utilization of donations in all the affected areas could not be ascertained.

The observation was issued to the management on 01.09.2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that corrective measures may be taken to maintain necessary record to ensure fair distribution of donations among the affectees.

(Para No. 11, 9, 9, 8, 5, 2, 2 and 11 of AIR 2022-23 DDMU Dassu, Pattan, Dir Upper, Dir Lower, Swat, Charsadda, Nowshera and D.I. Khan)

1.4.13 Unverifiable receipt and issuance of relief items by DDMU Nowshera during flood relief 2022

According to Rule 148 of General Financial Rules (GFR) Vol-I, all materials received should be examined, counted, measured or weighed as the case may be, when the delivery is taken, and they should be taken in charge by a responsible Government officer who should also see that the quantities are correct and their quality is good, and record a certificate to that effect. The officer receiving the stores should record them in the appropriate stock register."

District Disaster Management Unit (DDMU) Nowshera received a large quantity of relief items from PDMA during the financial year 2022-23 for onward distribution among the flood affectees. Further, an adequate quantity of relief items was also available in stock as on 30.06.2023.

During audit of DDMU Nowshera for the financial year 2022-23, it was observed as under:

i. Entries in Stock register were not recorded in prescribed manner. Alterations, cutting and over writing was observed in many cases. For instance, alteration, cutting and overwriting in entries of tents, mattresses and hygiene kites was made during the currency of audit. **(Annexure-VII)**

ii. DDMU provided a list of items received from PDMA. The comparison of said list with available stock register revealed variation in quantities e.g. as per list, 725 tents were received from PDMA however, the stock register revealed receipt of 600 tents only.

iii. Discrepancies in quantities of relief items dispatched by PDMA and received in DDMU was also observed. For instance, PDMA dispatched 7140 blankets to DDMU, whereas, the stock register shows receipt of 7100 blankets. As such, 40 blankets were missing.

iv. Various relief items were dispatched by PDMA to DDMU Nowshera, but the receipts of those items was not confirmed as no entry in stock register was recorded. Details of these items is as under:

Sr. No	Item	Qty.	Date of dispatch	Folio/GDN No.
1.	Plastic Dongi	3672	29.08.2023	3526
2.	Glass (Plastic)	1848	29.08.2023	3526
3.	Glass (steel)	1236	29.08.2023	3526
4.	Plastic Chabri	1140	29.08.2023	3526
5.	Plastic Dolcha	852	29.08.2023	3526
6.	Plats Plastic	630	29.08.2023	3526
7.	Plats Steel	540	29.08.2023	3526
8.	Steel Mug	348	29.08.2023	3526

v. Supporting record of issuance of relief items against the entries shown in stock register was not available i.e. demand notes, handing / taking over certificates and acknowledgments etc.

vi. Relief items were issued in bulk quantity to various officers / officials as well as to unknown individuals without any justification. Further, subsequent record of distribution of these items among the flood affectees was also not available.

Audit held that improper maintenance of stock register, and absence relevant record was violation of rules resulting into non authentication of receipt and distribution of relief items.

The observation was issued to the management on 18.08.2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that improper maintenance of record may be inquired to fix responsibility. Beside a comprehensive stock register along with allied record may be maintained to avoid risk of mismanagement and misuse of relief items.

(Para No. 5 of AIR 2022-23 DDMU Nowshera)

1.4.14 Improper maintenance of cash book(s) by DDMUs in respect of the funds released for relief purposes

According to Rule 5 of Federal Treasury Rules, a Cash Book should be maintained in Form T. R. 4A. The cash book should show (on the receipts side) the opening cash balance and (on the disbursement side) the closing cash balance of the month. A certificate to the affect that the closing balance has been verified by actual count and found correct should also be recorded.

Further, according to Para 2.1.4 of the Guidelines for Drawing and Disbursing Officers, the function and responsibility of DDO is to carry out reconciliation with the accounts office well in time and to promptly identify and settle discrepancies.

District Disaster Management Units (DDMUs) in Khyber Pakhtunkhwa were required to maintain separate cash books for the funds released by Provincial Disaster Management Authority (PDMA) Khyber Pakhtunkhwa for relief purposes.

During the audit of DDMUs Dassu, Pattan, Shangla, Dir Upper, Tank, D.I. Khan, Swabi and Nowshera for the financial year 2022-23, it was observed as under:

i. The cashbooks lacked a systematic monthly arrangement, with entries recorded for sporadic and fragmented periods.

ii. Various instances of cutting, overwriting and corrections were observed in the totaling of monthly balances, which raised concerns about the accuracy of the financial records.

iii. Monthly reconciliation with the bank was not carried out. Discrepancies existed between opening and closing balances in cashbooks and corresponding in the bank statement.

iv. The cashbooks were found unsigned by the DDO and head of the department.

v. Certificates verifying the correctness and accuracy of the entries at the end of each month were also not recorded by the DDOs.

vi. Instances of missing cheques and broken series of cheque numbers were noted, with no information on whether they were issued or cancelled.

Audit held that improper maintenance of cashbooks was not justified resulting into unverifiable expenditure and non-reconciliation of monthly accounts with banks.

The observation was issued to the respective DDMU during August-October 2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that responsibility for improper maintenance of cash book may be fixed beside maintenance of cash books in proper format and monthly reconciliation may also be carried out with the respective banks.

(Para No. 10, 8, 8, 5, 15, 14, 6, and 4 of AIR 2022-23 DDMU Dassu, Pattan, Shangla, Dir upper, Tank, D.I. Khan, Swabi and Nowshera)

1.4.15 Non-maintenance of record of affectees accommodated in relief camps and non-retrieval of items upon closure of the camps

According to Para 6(3)(g) of National Disaster Management Authority (NDMA) guidelines for minimum standard of relief in camps, soon after the arrival in a relief camp, the affected person/family shall be registered by camp management in collaboration with NADRA. The camp manager shall ensure to maintain record of each registered person / family as per prescribed format (Annexure-I to the Guidelines). Further, Para 8(f) of the Guidelines ibid provides that upon closure of the relief camps, all the registers, reports, bills, vouchers and record etc. shall be kept in a box under lock and key and be shifted to the office of the Deputy Commissioner concerned through DDMU.

Further, according to Guideline w(1) of NDMA guidelines on stocking, maintenance and supply of relief & rescue items, it should be endeavored to establish central relief camps to provide coordinated relief assistance to the people. Such camps should be established under respective districts / tehsil / agency administration. On closure of relief camps, if possible, all usable relief equipment / stores i.e. tents, generators, may be retrieved, serviced, maintained and stored back for future use.

District Disaster Management Unit (DDMU) Nowshera and Dera Ismail Khan incurred an expenditure amounting to Rs. 162.216 million and 118.204 million respectively for provision of cooked food and food items to the affectees accommodated in relief camps. Moreover, National Disaster Management Authority (NDMA), Provincial Disaster Management Authority (PDMA) KPK and others agencies had issued a large quantity of relief items to DDMU Kohistan lower at Pattan for onward distribution among the affectees accommodated in relief camps. **(Annexure-VIII)**

During the audit of DDMU Nowshera, Dera Ismail Khan and Lower Kohistan at Pattan for the financial year 2022-23, it was observed that the record of affectees accommodated in each relief campswas not maintained. Moreover, record regarding retrieval of relief items from the affectees upon closure of the relief camps was also not maintained as required under the NDMA guidelines.

Audit held that non-maintenance of record of affectees accommodated in relief camps was unjustified and lapse on the part of management.

The observation was issued to the respective DDMU during August-October 2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that non-maintenance of record may be inquired to fix responsibility.

(Para No. 3, 8 and 12 of AIR 2022-23 DDMU Nowshera, D.I. Khan and Pattan)

1.4.16 Missing / less receipt of relief items dispatched by NDMA and PDMA to DDMUs in Khyber Pakhtunkhwa

According to Rule 148 of General Financial Rules (GFR) Vol-I, all materials received should be examined, counted, measured or weighed as the case may be, when the delivery is taken, and they should be taken in charge by a responsible Government officer who should also see that the quantities are correct and their quality is good, and record a certificate to that effect. The officer receiving the stores should record them in the appropriate stock register."

National Disaster Management Authority (NDMA) Islamabad and the Provincial Disaster Management Authority (PDMA) Khyber Pakhtunkhwa had dispatched various relief items to District Disaster Management Units (DDMUs) for further distribution among the affectees of flood 2022.

During the audit of DDMU Dassu, Dir Upper and Dir Lower for the financial year 2022-23, it was observed as under:

i. NDMA dispatched various relief items (food and non-food items) to DDMU Dassu. However, neither any record of receipt nor subsequent distribution among the flood affectees was available. **Annexure-IX-a.**

ii. PDMA had dispatched various relief items to DDMU Dassu however, the stock register revealed less receipt of relief items such as 1,328 Blanket and 250 bucket were missing.

iii. Stock register of the DDMU Dassu showed a receipt of 525 tents from PDMA. However, as per details shared by PDMA, no tents were issued to DDMU Dassu.

iv. NDMA dispatched 13,600 food packages and 78 bags of wheat flour to DDMU Dir Upper as detailed at **Annexure-IX-b.** However, DDMU Dir Upper showed receipt of 1,023 food packages only.

v. NDMA dispatched 14,222 food packages to DDMU Dir Lower as detailed at **Annexure-IX-c.** However, DDMU Dir Lower showed receipt of only 1,022 food packages.

vi. NDMA dispatched a huge quantity of donations / relief items received from friendly states to DDMU Dir Lower. However, DDMU had not maintained any record of receiving of these donated relief items. **Annexure-IX-d.**

Audit held that missing /short receipt of relief items was serious lapse on the part of management of DDMUs and chances of mismanagement and misuse of relief items could not be ruled out.

The observation was issued to the respective DDMU during August-October 2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that short / less receipt of relief items may be investigated and outcome may be share with audit authorities.

(Para No. 06, 08 and 03 of AIR 2022-23 DDMU Dassu, Dir upper and Dir lower)

1.4.17 Physical verification of assets / stocks and costly relief items not conducted by PDMA, Khyber Pakhtunkhwa

According to Rule 159 of General Financial Rules (GFR) Vol-I, physical verification of store should be carried out once in a year. Moreover, Rule 160 provides that a certificate of verification of stores with its results should be recorded on the list, inventory or account, as the case may be, where such a verification is carried out.

Provincial Disaster Management Authority (PDMA) Khyber Pakhtunkhwa procured various items i.e. IT equipment, plant & machinery, furniture & fixture, machinery & equipment, hardware items and relief items etc. from different head of accounts during various financial years.

During audit of PDMA Khyber Pakhtunkhwa for the financial year 2022-23, it was observed that the Authority had not carried out physical verification of stock, store and costly relief items to ascertain and verify the receipt, proper storage and issuance of the item and identify theft, misplacement and misuse of items, if any.

Audit held that non-conducting of physical verification of costly items and stores was not justified as physical verification of stores was extremely important for an organization like PDMA which was constantly engaged in procurement, storing and distribution of relief and other item to multiple agencies and users.

Initial audit observation was issued on 09.08.2023. The management replied that a committee headed by Director HR/Admin PDMA has been notified to carry out the annual physical verification of stores and stocks. The physical verification report will be shared accordingly.

The Departmental Accounts Committee (DAC) meeting was held on 20&21.12.2023. The DAC directed to ensure completion of physical verification of all the stock and store, including warehouse of PDMA till 31.03.2024. In case of non-compliance till the date fixed by DAC, responsibility shall be fixed on the person(s) at fault.

Audit recommends implementation of DAC decision.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide Para No. 1.4.47. Recurrence of same irregularity is a matter of serious concern.

(Para No.43 of AIR 2022-23 PDMA, Khyber Pakhtunkhwa)

1.4.18 Non-obtaining of vouched accounts and non-adjustment of advance amount by Rescue 1122 - Rs. 443.208 million

According to Para 668 of Federal Treasury Rules (FTR) Vol-I, the grant released for departmental or allied purposes is subject to adjustment by submission of detailed accounts supported by vouchers or refund.

Further, according to Para No. 4.5.7.2 of Accounting Policies and Procedure Manual, the authorizing officer shall ensure that the claim voucher (bill) bears valid evidence that preparation, approval and certification have been properly carried out.

Rescue 1122 Khyber Pakhtunkhwa transferred an amount of Rs. 443.208 million to C &W department KPK and Deputy Commissioners for acquisition of land and civil works during the financial year 2022-23. (**Annexure-X**)

During audit of Rescue 1122 Khyber Pakhtunkhwa for the financial year 2022-23, it was observed that vouched account, payment vouchers and allied record in respect of releases were not obtained from the respective departments. Moreover, reconciliation with departments was also not carried out to ascertain the total amount utilized and unspent balances, if any, for return to Rescue 1122.

Audit held that non-obtaining of vouched accounts was not justified and violation of rules. In absence of vouched accounts and non-reconciliation of the expenditure, the expenditure incurred by the department concerned could not be verified.

Initial audit observation was issued on 25.08.2023. The management replied that vouched account has been received from the concerned department and available for verification.

The reply of the management was not acceptable because complete vouched account such as sanctions with supporting documents, payment vouchers, bills and approvals were not provided in support of reply.

The Departmental Accounts Committee (DAC) meeting was held on 08.12.2023. The DAC directed the Rescue 1122 to obtain the vouched accounts from Deputy Commissioners/District Revenue Officers. Besides, The DAC directed to review and verify the vouched accounts received from C&W department and adjust the amounts accordingly and retrieve un-spent balances, if any.

Audit recommends implementation of DAC decision.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide Para No. 1.4.8 having financial impact of Rs. 828.017 million. Recurrence of same irregularity is a matter of serious concern.

(Para No.08 of AIR 2022-23 Rescue-1122, Khyber Pakhtunkhwa)

1.4.19 Non-obtaining of supporting documents and vouched accounts by PDMA and DDMUs – Rs. 258.555 million

According to Para 6 of Revised Procedure for Operation of Assignment Accounts, the drawing authorities will submit monthly account of expenditure with copies of paid vouchers to the AGPR/DAO concerned for post audit purpose by 15th of each month who will carry out 100% post audit. The AGPR/DAO will issue a certificate of post audit by the end of month to the DDO concerned.

Further, according to attachment 2 of Letter of Agreement signed between United Nations Development Project (UNDP) and Planning and Development Department (PD&D) Government of Khyber Pakhtunkhwa for the project ‘Scaling up of glacial lake outburst flood risk reduction in northern Pakistan’ (GLOF-II), the partners of PD&D KP receiving funds to implement GLOF-II will be responsible for making available supporting documents for the expenses incurred i.e. vouchers, transaction listing, running bills etc.

District Disaster Management Units (DDMUs) in Khyber Pakhtunkhwa made payments amounting to Rs. 213.222 million to various departments/offices for different works as detailed at **(Annexure-XI-a).** Similarly, PDMA Khyber Pakhtunkhwa released an amount of Rs. 45.333 million from GLOF-II project to various departments during the financial year 2022-23. (**Annexure-XI-b)**

During audit of PDMA Khyber Pakhtunkhwa and DDMUs Dassu, Kolai Palas, Dir Lower, Dera Ismail Khan and Nowshera for the financial year 2022-23, it was observed that detailed vouched accounts and supporting documents in respects of disbursements made amounting to Rs. 258.555 million by PDMA/DDMUs were not obtained from the concerned departments/ offices till date of audit i.e. October, 2023.

Audit held that non-obtaining of vouched accounts was not justified and violation of rules. In absence of vouched accounts and non-reconciliation of the expenditure, the expenditure incurred by the department concerned could not be verified.

The matter was reported to the PDMA & DDMUs during August-October 2023. The management of PDMA admitted the stance of audit and replied that original record was in the custody of concerned executing departments and will be handed over to PDMA after conducting their annual audit. Once all the original record is received, the same will be available for audit verification. However, no reply was received from DDMUs till finalization of report.

The Departmental Accounts Committee (DAC) meeting was held on 20&21.12.2023. The DAC directed that vouched accounts should be obtained from the executing agencies to the satisfaction of audit authorities. Further, a proper reconciliation mechanism should also be devised to ensure utilization of already released funds prior to making any further payments

Audit recommends that detailed record of entire amount released to various departments / entities may be obtained and scrutinized, besides reconciliation and necessary adjustment.

(Para No. 3, 01, 01, 05, 08 and 13 of AIR 2022-23 DDMU Dassu, Kolai Palas, Dir Lower, D.I. Khan, Nowhsehra and PDMA, KP)

Financial Management

1.4.20 Non-deposit of profit into Government treasury – Rs. 268.661 million

According to Para-3(ix) of Government of Khyber Pakhtunkhwa Finance Department letter No.2/3(F/L)/FD/2019-20/ Vol-XIII dated 03.02.2020, in case of current account, the same be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury.

District Disaster Management Units (DDMUs) Kohistan Upper (Dassu), Kohistan Lower (Kolai Palas), Dera Ismail Khan, Nowshera and Dir Upper maintained PLS accounts in different banks for the funds received from Provincial Disaster Management Authority (PDMA) Khyber Pakhtunkhwa.

During the audit of DDMU Kohistan Upper (Dassu), Kohistan Lower (Kolai Palas), Dera Ismail Khan, Nowshera and Dir Upper for the financial year 2022-23, it was observed that an amount of Rs. 268.661 million was earned as profit on the amounts retained in these accounts. However, the amount of profit was not deposited into Government treasury till conclusion of audit i.e. October 2023. Details are as under:

(Rs. in million)

Sr. No.	Name of DDMU	Bank	A/C No.	Amount
1.	Kohistan Upper at Dassu	NBP	3098249138	221.951
2.	Dera Ismail Khan	BoK	3000870381	24.558
3.	Kohistan Lower at Kolai Palas	NBP	3150270817	18.082
4.	Nowshera	BoK	3001216472	2.059
5.	Dir Upper	BoK	012600228010	2.011
Total				**268.661**

Audit held that non-deposit of profit into government treasury was violation of rules.

The observation was issued to the respective DDMUs during August-October 2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that amount of profit may be deposited into Government treasury.

(AIRs 2022-23, Paras No. 02 DDMU Dassu, 02 DDMU Kolia Palas, 02 DDMU Dir Upper, 02 DDMU D.I. Khan, 13 DDMU Nowshera)

1.4.21 Overpayment of monthly allowances to TDPs – Rs. 106.760 million (approximately)

According to Rule 23 of General Financial Rules (GFR) Vol-I, every Government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

Provincial Disaster Management Authority (PDMA) Khyber Pakhtunkhwa (Complex Emergency Wing) incurred an expenditure amounting to Rs. 4,050.360 million on payment of Monthly Subsistence Allowance (MSA) and Monthly Ration Allowance (MRA) at the rate of Rs.

12,000 and Rs. 8,000 respectively to the Temporary Displaced Persons (TDPs) though Mobilink Microfinance Bank Ltd during the financial year 2022-23. The management provided data (soft form) of payment made to TDPs as MSA and MRA for the period July 2022 to June 2023, which was analyzed by the audit team.

During audit of PDMA Khyber Pakhtunkhwa for the financial year 2022-23, it was observed as under:

i. CNIC 2150161984748 received extra payments of MSA and MRA three (03) in July and two (02) in August 2022. Resultantly, six (06) additional installments of MSA and MRA (3 for each) to the same recipient / IDP was paid. Further, two different alternate recipients were receiving the payments of MSA and MRA for the same ID in August-2022. **(Annexure-XII-a)**

ii. During the month of July 2022, a total of 2,022 TDPs received triple payments of MSA and MRA each. While in August 2022, 1,291 TDPs received double payments of MSA and MRA each. This resulted into overpayment. Further, names of these recipients differed in records from July-2022 to September 2022 and October 2022 to June 2023 which indicates non-verification of record of TDPs by NADRA. (**Annexure –XII-b**)

iii. 1,103 TDPs received one installment of MRA, whereas several TDPs received 2, 6, 8, 9, 10, or 12 installments of MRA throughout the year 2022-23. Detailed information was not available about these recipients, whether they were new TDPs or they had returned to their homes. (**Annexure-XII-c**)

Audit held that due to multiple payments to an individual, chances of overpayment could not be ruled out.

Initial audit observation was issued on 09.08.2023. The management replied that CEW utilizes an automated system (MIS) to ensure data integrity through duplicate filtering, CNIC verification, and linkage with the NADRA biometric system. Regarding multiple payments highlighted by the audit, these were arrears for the months of March, April, and May 2022, disbursed in the months of July and August 2022 to TDPs.

The reply was not acceptable because multiple payments were made to a large number of recipients during July and August 2022. Further, discrepancies were noted in the names of recipients/TDPs associated with the same CNIC number between records for the periods July to September 2022 and October 2022 to June 2023. Moreover, no detailed information about the new TDPs and TDPs returned to their homes was available with CEW-PDMA.

The Departmental Accounts Committee (DAC) meeting was held on 20&21.12.2023. The DAC directed the management of PDMA to constitute a committee headed by Director CEW to scrutinize all the instances of payments pointed out by audit and furnish a comprehensive report within two week.

Audit recommends implementation of DAC decision.

(Para No.7 of AIR 2022-23 PDMA, Khyber Pakhtunkhwa)

1.4.22 Loss to Government due to investment at lower interest rates – Rs. 27.255 million (approx.)

According to Para-3(ix) of Government of Khyber Pakhtunkhwa Finance Department letter No.2/3(F/L)/FD/2019-20/ Vol-XIII dated 03.02.2020, in case of current account, the same be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately.

District Disaster Management Units (DDMU) Dera Ismail Khan, Nowshera and Dir Upper maintained accounts with Bank of Khyber for the funds received from Provincial Disaster Management Authority (PDMA) Khyber Pakhtunkhwa.

During the audit of DDMU Dera Ismail Khan, Nowshera and Dir Upper for the financial year 2022-23, it was observed that interest rate paid by Bank of Khyber was much lower than the policy rate notified by the State Bank of Pakistan (SBP) from time to time. Moreover, Bank of Khyber had not increased the interest rates in consonance with increase in policy rates.

Audit held that low interest rates paid by Bank of Khyber resulted in loss to the government amounting to Rs. 27.255 million. (**Annexure-XIII)**

The observation was issued to the respective DDMUs during August-October 2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that the management may take up the matter with Bank of Khyber for enhancement of interest rates.

(Para No. 03, 21 and 03 of AIR 2022-23 D.I Khan, Nowshera and Dir Upper)

1.4.23 Overpayment to the supplier – Rs. 25.350 million

According to Request For Quotations (RFQ) dated 22.08.2022, Provincial Disaster Management Authority (PDMA) Khyber Pakhtunkhwa requested the suppliers to quote the rates for supply of 5000 family size tents inclusive of all government applicable taxes.

Further, according to quotation of M/s Ali Trading Corporation for the supply of 5000 family size tents (4x4 meter), the rate was quoted as Rs. 34,895 inclusive of all the applicable taxes.

Provincial Disaster Management Authority (PDMA) Khyber Pakhtunkhwa made payment amounting to Rs. 174.475 million to M/s Ali Trading Corporation for supply of 5000 family size tents (4x4 meter) vide cheque No. 064363 dated 05.10.2022. The supplier had quoted rates of inclusive of all applicable Government taxes and the agreement was signed. Meanwhile, FBR vide notification dated 30.08.2022 exempted GST on relief items.

During audit of PDMA Khyber Pakhtunkhwa for the financial year 2022-23, it was observed that payment was made without deduction of GST amounting to Rs. 25.350 million in violation of instructions of FBR.

Audit held that payment without deduction of GST resulted in over payment of Rs. 25.350 million to the contractor and loss to the government exchequer.

Initial audit observation was issued on 09.08.2023. The management replied that purchases were made on emergency basis under provision of Section 32 of PDMA Act (amended) 2012 and Section 3(2) of PPR 2014. Furthermore, a show cause notice was issued by the tax authorities to PDMA directing to submit the less deducted taxes into Government treasury. In the said list, the above firm was not included, which shows that tax authorities have no objection on exemption claimed by the firm.

The reply was not acceptable because the contractor had provided rates inclusive of all applicable taxes. Following the exemption of GST by the Federal Government, PDMA was required to pay the contractor after deducting GST from the quoted rate. However, PDMA made the payment to the contractor at the quoted rates, including GST, resulting in an overpayment.

The Departmental Accounts Committee (DAC) meeting was held on 20&21.12.2023. The DAC directed to recover the overpaid amount from vendor within 30-days and the record of recovery be produced to audit authorities for verification.

Audit recommends implementation of DAC decision.

(Para No.21 of AIR 2022-23 PDMA, Khyber Pakhtunkhwa)

1.4.24 Loss due to non-deduction of government taxes from the suppliers – Rs. 19.980 million

According to Section 3 of Khyber Pakhtunkhwa Sales Tax on Services Act, 2022, a taxable service is a provision of service listed in the Second Schedule, by a registered person from his registered office or place of business in the Province in the course of an economic activity. Further, according to Sr. No. 1 of Second Schedule (Taxable Services), food provisioning / food servicing or food supply facilities/ services was chargeable @ 15%.

Furthermore, according to the Sales Tax Special Procedure (Withholding) Rules, 2017, a withholding agent, shall deduct an amount equal to one fifth of the total value of sales tax shown in the sales tax invoice issued by a registered person and make payment of balance amount to him. Furthermore, according to Section 153(1) of Income Tax Ordinance 2001, rate of income tax on other services provided by non-companies was 10%.

District Disaster Management Units (DDMUs) Dera Ismail Khan, Tank and Nowshera made payments amounting to Rs. 129.204 million to different vendors for the services rendered during the financial year 2022-23.

During the audit of DDMU Dera Ismail Khan, Tank and Nowshera for the financial year 2022-23, it was observed that applicable taxes amounting to Rs. 19.980 million were not deducted from the payments made to the vendors. Details are as under:

(Rs. in million)

Sr. No.	DDMU	Total Amount	Sales Tax on Service not deducted @ 15%	Income tax	GST	Total Taxes not deducted	Remarks
1.	D.I Khan	49.77	7.465	-	-	**7.465**	
2.	Tank	28.24	4.237	-	-	**4.237**	
3.	Tank	15.96	-	0.574	2.521	**3.095**	**Annexure-XIV**
4.	Nowshera	11.50	1.725	1.322	-	**3.047**	
5.	Tank	23.734	-	2.136	-	**2.136**	**Annexure-XIV**
Total		**129.204**	**13.427**	**4.032**	**2.521**	**19.980**	

Audit held that non-deduction of applicable taxes resulted in loss to the government exchequer amounting to Rs. 19.980 million.

The observation was issued to the respective DDMUs during August-October 2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that amount of applicable taxes may be recovered from the vendors and deposited into government treasury.

(Para No. 4, (8, 12&10) and 19 of AIR 2022-23 DDMU D.I. Khan, Tank and Nowshera)

1.4.25 Less deduction of applicable taxes and non-deposit of withheld tax into government treasury - Rs. 15.955 million

According to Section 161(1) of Income Tax Ordinance, 2001, where a person (a) fails to collect tax or deduct tax from a payment or (b) having collected tax or deducted tax, fails to pay the tax to the Commissioner as required under section 160, the person shall be personally liable to pay the amount of tax to the Commissioner.

District Disaster Management Unit (DDMU) Nowshera incurred an expenditure amounting to Rs. 150.285 million for purchase of relief items (food items & non-food items) during the financial year 2022-23. Details are as under:

(Rs. in million)

Sr. No.	Description	Expenditure
1.	Provision of non-cooked food	118.934
2.	Provision of non-food items	23.151
3.	Provision of cooked food	8.200

Total	150.285

During the audit of DDMU Nowshera for the financial year 2022-23, it was observed as under:

i. DDMU withheld an amount of Rs. 13.836 million on account of applicable taxes and duties from the payments made to the suppliers / contractors/consultants. However, the amount of taxes was not deposited into the government treasury till date of audit i.e. October, 2023. **(Annexure-XV)**

ii. Payment amounting to Rs. 10.00 million was made to M/s A.Q Builders for provision of uncooked food items. The management deducted 8% Sales Tax on Services instead of deduction of GST @ 17%. Moreover, Income Tax was not deducted from the payment.

iii. M/s Sarbiland Khan was paid for Rs. 3.428 million (cheque No. 48112622) and Rs. 1.411 million (cheque No. 48112621) for provision of cooked food. However, 10% Sales Tax on Services was charged instead of applicable rate of 15%. Furthermore, Income Tax at @ 10% was not deducted.

iv. M/s Sarbiland Khan was paid Rs. 1.670 million for provision of transport services (cheque No. 48112621, 48112657, 48112667, 48112673 and 48112674) with an incorrect deduction of 10% Sales Tax on Services instead of 15%. Furthermore, Income Tax at 3% was not deducted.

v. An amount of Rs. 815,674 (Cheque No. 48112655, 48112666) was paid for provision of labour. Neither Sales Tax on Services at the rate of 15% nor Income Tax was deducted.

Audit held that incorrect application / non-deduction of income tax and non-deposit of withheld amount resulted in loss to government.

The observation was issued during August-October 2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that taxes may be deducted as per applicable rates and withheld amount of taxes may be deposited into government treasury.

(Para No. 17 and 9 of AIR 2022-23 PDMA KP and DDMU Nowshera)

1.4.26 Overpayment to contractor and loss to government due to non-deduction of applicable taxes – Rs. 15.380 million

According to the Sales Tax Special Procedure (Withholding) Rules, 2017, a withholding agent, shall deduct an amount equal to one fifth of the total value of sales tax shown in the sales tax invoice issued by a registered person and make payment of balance amount to him.

Provincial Disaster Management Authority (PDMA) Khyber Pakhtunkhwa awarded a contract for supply of 5750 tents to M/s Azmat Khan & Brothers on 31.05.2016. The contractor supplied ordered quantity and submitted the bill amounting to Rs. 80.420 million. Meanwhile a dispute arised between the PDMA and contractor. The contractor filed a writ petition before Peshawar High Court Peshawar.

During the audit of PDMA Khyber Pakhtunkhwa for the financial year 2022-23, it was observed that PDMA paid Rs. 82.195 million to contractor without deduction of applicable taxes from the contractor amounting to Rs. 15.380 million. Details are as under:

(Rs. in million)

Contract cost including GST (17%)	80,419,500
Contract Cost excluding GST 17% (80,419,500 /1.17)	68,658,547
a. Amount of GST @ 17%	**11,760,953**
b. Income Tax (Rs. 80,419,500 x 4.5%)	**3,618,878**
Total	**15,379,831**

Audit held that non-deduction of applicable taxes resulted in excess payment to the contractor and loss to the government amounting to Rs. 15.380 million.

Initial audit observation was issued on 09.08.2023. The management replied that the Court of Civil Judge-I Peshawar attached the PDMF account maintained with NBP and directed the Manager NBP to pay the amount to petitioner / contractor out of said account. As such, payment to the contractor was not made by PDMA due to which the deduction of taxes was not made.

The reply was not acceptable because it was the department's responsibility to communicate to the honorable court that the petitioner's claimed amount included government taxes. Despite the prolonged duration of the court case i.e. almost six-year, the PDMA had neglected to explicitly state the facts in the court records, thereby failing to meet its obligation.

The Departmental Accounts Committee (DAC) meeting was held on 20&21.12.2023. The DAC directed the PDMA to conduct a fact-finding inquiry and report be shared with the administrative department and audit authorities.

Audit recommends implementation of DAC decision.

(Para No.5 of AIR 2022-23 PDMA, Khyber Pakhtunkhwa)

1.4.27 Overpayment to vendors due to incorrect calculation of taxes – Rs. 12.631 million

According to Rule 23 of General Financial Rules (GFR) Vol-I, every Government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Gov ornament officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

District Disaster Management Unit (DDMU) Tank made payments amounting to Rs. 65.633 million to different vendors during the financial year 2022-23 for provision of cooked food, hiring of labor and transportation.

During the audit of DDMU Tank for the financial year 2022-23, it was observed that the suppliers had submitted invoices with the gross amounts for payments. However, instead of subtracting the taxes from these gross amounts, the management added tax amounting to Rs. 12.631 million to the invoice prices and made payments. **(Annexure-XVI)**

Audit held that due to incorrect calculation of tax amounts, overpayments were made to the suppliers on one hand and on the other, government sustained a loss of Rs. 12.631 million.

The observation was issued to the management on 31.08.2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that overpayments may be recovered from the suppliers / vendors and deposited into Government treasury, beside responsibility may be fixed on the persons at fault.

(Para No. 5 of AIR 2022-23 DDMU Tank)

1.4.28 Irregular cash payments to field revenue staff for provision of cooked food to affectees– Rs. 11.500 million

According to Finance Department Government of Khyber Pakhtunkhwa vide letter No BO(W&M)/6-5/2019-20 dated 19.02.2020, in order to streamline the management in public account and to observe fiscal discipline, all payments through open cheques or cash were stopped hence forthwith.

Further, according to Para 2.3.2.8 of Accounting Policies & Procedures Manual, to minimize the risk of fraud and corruption, payments shall be made through direct bank transfer and cheques.

District Disaster Management Unit (DDMU) Nowshera paid an amount of Rs. 11.500 million to various field revenue staff for provision of cooked food to the flood affectees 2022. Details are at (**Annexure-XVII-a**)

During the audit of DDMU Nowshera for the financial year 2022-23, it was observed as under:

i. The amounts were released to field revenue staff through bearer/open cheques. The field revenue staff submitted vouchers/bills on behalf of the vendors. However, these vouchers did not contained essential details to justify the expenditure incurred i.e. detail/ number of beneficiary, distribution locations and acknowledgment etc.

ii. A cheque No. 48112612 amounting to Rs. 921,600 was en-cashed by an unknown person. The said cheque was issued to Halqa Patwari, Badrashi who handed over the cheque to unknown individual to receive the amount on his behalf. The drawl of public money by unknown person was unjustified. Details are at (**Annexure-XVII-b)**.

iii. Vouchers / bills indicated that bulk quantities of cooked food was handed over to nazims / individuals for distribution, without proper authorization from the district administration. Furthermore, subsequent record of distribution of the cooked food was not available. **(Annexure-XVII-c, Annexure-XVII-d)**

iv. Some payments lacked necessary details such as name of recipient/payee and date e.g. Rs. 518,000 was paid for 56 degs on a simple paper however, no other record such as name of recipient and date etc. was available. **(Annexure-XVII-e).**

Audit held that payments made to the field revenue staff instead of actual vendors and absence of distribution record of food to the affectees was serious lapse on the part of management of DDMU. Resultantly the expenditure incurred cannot be authenticated.

The observation was issued to the management on 18.08.2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that payment to the field revenue staff instead of suppliers may be inquired to fix responsibility on the persons at fault.

(Para No. 11 of AIR 2022-23 DDMU Nowshera)

1.4.29 Non-conversion of current account into PLS account resulting in loss to Government – Rs. 40.736 million

According to Para-3(ix) of Government of Khyber Pakhtunkhwa Finance Department letter No.2/3(F/L)/FD/2019-20/ Vol-XIII dated 03.02.2020, in case of current account, the same be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately.

Provincial Disaster Management Authority (PDMA) Khyber Pakhtunkhwa released funds to District Disaster Management Units (DDMUs) in Khyber Pakhtunkhwa. These funds were required to be kept in PLS accounts and profit earned to be deposited into Government treasury.

During the audit of DDMU Tank, Charsadda, Swabi, Shangla, Pattan and Swat for the financial year 2022-23, it was observed that DDMUs kept funds in current accounts instead of PLS account and sustained a loss of Rs. 40.736 million. Details are as under:

(Rs. in million)

Sr. No.	Name of DDMU	Loss (Appx.)
1.	DDMU Tank	23.465
2.	DDMU Charsadda	10.086
3.	DDMU Swabi	4.150
4.	DDMU Shangla	3.035
Total		**40.736**

Audit held that non-conversion of current account into PLS account was violation of the instructions which resulted in loss to government in shape of profits earned.

The matter was reported to the management of respective DDMUs during August-October 2023, however no reply was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that current accounts may be converted into PLS accounts at the earliest.

(Para No. 03, 01, 01, 02, 07 and 03 of AIR 2022-23 Tank, Charsadda, Swabi, Shangla, Pattan and Swat)

1.4.30 Non-deduction of taxes resulting in overpayment to the supplier – Rs. 1.210 million

According to the Sales Tax Special Procedure (Withholding) Rules, 2017, a withholding agent, shall deduct an amount equal to one fifth of the total value of sales tax shown in the sales tax invoice issued by a registered person and make payment of balance amount to him.

District Disaster Management Unit (DDMU) Nowshera made payment amounting to Rs. 4.840 million to M/s Sarbiland Khan & Co for provision of cooked food to the flood affectees 2022 during the financial year 2022-23.

During the audit DDMU Nowshera for the financial year 2022-23, it was observed as under:

i. The payment was made to the contractor without deduction of Income Tax and Sales Tax on Services amounting to Rs. 0.605 million (Rs. 217,799 + Rs. 387,203).

ii. Instead of deducting the applicable taxes from the invoice amount, the management added the taxes in the invoice amount and made payments to supplier. Hence, the tax amounting to Rs. 0.605 million (Rs. 217,799 + Rs. 387,203) was paid from the government exchequer. Details are as under:

Gross amount of bill as submitted by contractor (Rs.)	Amount of taxes added by department (Rs.)		Payment made (Rs.)
	Income Tax 4.5%	KPPRA 8%	
3,000,000	154,285	274,287	3,428,572
1,235,000	63,514	112,916	1,411,430
4,235,000	**217,799**	**387,203**	**4,840,002**

Audit held that overpayment to the contractor was unjustified resulting in loss to the government amounting to Rs. 1.210 million.

The observation was issued to the management on 18.08.2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends recovery of the amount from contractor.

(Para No. 15 of AIR 2022-23 DDMU Nowshera)

1.4.31 Non-reconciliation of funds released by Finance Division for TDPs

According to Minutes of Standing Committee on States and Frontier Regions held on 08.05.2023, vide agenda No. 12, the committee was informed that Finance Division allocated / released funds to the tune of Rs. 112 billion against approved cost of Rs. 95 billion through federal budget outside PSDP under 'Relief and Rehabilitation of TDPs Program".

Provincial Disaster Management Authority (PDMA) Khyber Pakhtunkhwa showed receipt and utilization of federal funds under the grant 'Relief and Rehabilitation of TDPs Program' as under:

(Rs. in million)

Sr. No.	Description	Funds received from Federal Govt.	Utilization
1.	Return Grant	11,849.00	8,700.00
2.	Immediate Rehabilitation	20,353.00	20,353.00
3.	Housing Subsidy	32,976.00	32,151.00
4.	Permanent Reconstruction	30,164.00	30,164.00
5.	Over & above (Rs. 95.356 billion)	17,000.00	12,314.00
Total		**112,342.00**	**103,682.00**

During the audit of PDMA Khyber Pakhtunkhwa for the financial year 2022-23, it was observed that Finance Division allocated funds amounting to Rs. 112,342.00 million for the relief and rehabilitation of TDPs. However, as per record produced by Rehabilitation & Reconstruction Unit (RRU)/PDMA, an amount of Rs. 103,682.00 million was shown utilized, whereas the status/whereabouts of balance amount of Rs. 8,660.00 million was not made known.

Audit held that non-availability of status/whereabouts of the balance amount was not justified leading to financial indiscipline.

Initial audit observation was issued on 09.08.2023. In response, the management of RRU/PDMA had not addressed the audit observation properly and provided one pager statement showing the detail of amounts received from Finance Division and further disbursed by RRU.

The reply of the management was not acceptable because the provided statement did not serve the purpose of reconciliation.

The Departmental Accounts Committee (DAC) meeting was held on 20&21.12.2023. The DAC directed the management of RRU to ensure the provision of proper reconciliation duly verified by the Finance Division. Additionally, a revised response, clearly stating the position of funds received and utilized by the concerned district administrations/executing agencies until the present date, should be submitted to the audit authorities within 15 days.

Audit recommends implementation of DAC decision.

(Para No.25 of AIR 2022-23 PDMA, Khyber Pakhtunkhwa)

1.4.32 Non-reconciliation and internal audit of payments related to Citizen Losses Compensation Program

According to para 2.1.4 of Guideline for DDOs, the function and responsibility of DDO is to carry out reconciliation with the accounts office well in time and to promptly identify and settle discrepancies. Further, according to note sheet No. 64(e), the Section Officer (Establishment) endorsed the approval of budget of Rehabilitation & Reconstruction Unit for the financial year 2020-21 subject to proper reconciliation of all the accounts of previous expenditure from all the concerned districts.

Rehabilitation & Reconstruction Unit (RRU) of Provincial Disaster Management Authority (PDMA) Khyber Pakhtunkhwa released an amount of Rs. 32,151.05 million to various districts for Citizen Losses Compensation Program (CLCP) during the years 2015-16 to 2022-23. Details are as under:

(Rs. in million)

Sr. No.	Name of the District	Expenditure
1.	Khyber	4,118.88
2.	Kurram	1,869.20
3.	North Waziristan	4,056.80
4.	Orakzai	4,961.31
5.	South Waziristan	17,144.86
Total		**32,151.05**

During the audit of PDMA Khyber Pakhtunkhwa for the financial year 2022-23, it was observed that neither there was any mechanism for reconciliation of the CLCP payments nor internal audit of the respective districts was carried out to identify any gaps and shortcomings for timely redressal.

Audit held that non-reconciliation of the amounts disbursed for CLCP and non-conducting of internal audit was unjustified resulting in weak oversight of management on the CLCP payments.

Initial audit observation was issued on 09.08.2023. The management replied that PDMA releases funds to the concerned district administrations for further payment/ disbursement to the beneficiaries. However, reconciliation with the concerned district administration has not been carried out till date. The management further informed that internal audit of the funds released could not be carried out till date.

The Departmental Accounts Committee (DAC) meeting was held on 20&21.12.2023. The DAC directed that DDO of RRU shall ensure that in future, no funds shall be released to the district administration without prior reconciliation of the funds already released. Moreover, internal audit of the funds released be carried out and internal audit report be shared with audit authorities.

Audit recommends implementation of DAC decision.

(Para No.27 of AIR 2022-23 PDMA, Khyber Pakhtunkhwa)

1.4.33 Unverifiable debit transactions in the Bank Statement resulting in doubtful expenditure – Rs. 118.706 million

According to Para 14.5.1.1 of Accounting Policies and Procedures Manual, cash transactions relating to the Public Account shall be reconciled as part of the routine monthly bank reconciliation process.

District Disaster Management Unit (DDMU) Kohistan Lower at Pattan maintained current account No. 4097874132 with National Bank of Pakistan (NBP) for the funds received from PDMA Khyber Pakhtunkhwa.

During the audit of DDMU Kohistan Lower at Pattan for the financial year 2022-23, it was observed that various debit transactions amounting to Rs. 118.706 million were appearing in bank statement for the period 2017-18 to 2022-23. However, neither these debit transactions were reflected in the cash book of PDMA Funds nor relevant record to verify the expenditure was available. Details are as under:

Sr. No.	Cheque No.	Date	Amount (Rs.)
1.	8519876	01.03.2022	38,787,500
2.	867390	08.02.2021	6,000,000
3.	867389	01.02.2021	30,872,000
4.	867362	30.03.2020	3,000,000
5.	867345	10.04.2018	1,143,600
6.	867346	10.04.2018	6,297,600
7.	867344	16.06.2017	12,524,000
8.	867343	19.04.2017	3,994,900
9.	867337	18.04.2017	1,440,000
10.	867328	18.04.2017	3,013,700
11.	867332	18.04.2017	882,600
12.	867338	18.04.2017	989,600
13.	867334	18.04.2017	2,421,950
14.	867335	18.04.2017	2,421,950
15.	867333	17.04.2017	2,046,600
16.	867326	17.04.2017	2,872,300
Total			**118,708,300**

Audit held that in absence of entries in cash book and supporting record, the authenticity of the transaction could not be verified. Further, misuse / misappropriation of funds could not be ruled out.

The observation was issued to the management on 04.10.2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that absence of entries in cash book and supporting record of the expenditure may be investigated at appropriate level and outcome may be shared with audit authorities.

(Para No. 2 of AIR 2022-23 DDMU Kohistan Lower at Pattan)

Public Service Delivery / Performance

1.4.34 Loss to Government exchequer due to negligence of PDMA – Rs. 133.262 million

According to Para 23 of General Financial Rules (GFR) Vol-I, every Government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

Provincial Disaster Management Authority (PDMA) Khyber Pakhtunkhwa awarded a contract for supply of 5750 tents to M/s Azmat Khan & Brothers on 31.05.2016. The contractor delivered the ordered quantity on 25.07.2016 and submitted the bill amounting to Rs. 80.420 million. However, PDMA asserted that tents were found substandard and consequently, PDMA decided to withhold the payment and requested the contractor to replace the defective tents. The contractor contested the decision of PDMA by filing writ petition before the Peshawar High Court Peshawar.

During the audit of PDMA Khyber Pakhtunkhwa for the financial year 2022-23, it was observed as under:

i. PDMA failed to establish its stance of defective tents before the honorable Court, leading to the Court's decision in favor of the contractor.

ii. PDMA did not file an appeal against the Court's decree. The contractor filed execution petition against which PDMA filed objection petition. However, the Court dismissed the objection petition, stating that since PDMA had not filed an appeal against the decree, the decree had attained finality.

iii. The honorable Court ordered payment of Rs.133.262 million including interest amount of Rs. 51.242 million to contractor. Accordingly, an amount of Rs. 82.195 million was paid to the contractor vide pay order No. 07470563 dated 22.03.2022. The status of payment of interest amount was not made known to audit.

Audit held that mismanagement, negligence and apparent connivance on part of the management resulted in loss of Rs. 133.261 million to the government exchequer.

Initial audit observation was issued on 09.08.2023. The management replied that Civil Judge-I Peshawar announced decree in favor of contractor, which was challenged through an objection petition by PDMA. However, the objection petition was dismissed and subsequent First Appeal was also dismissed. The lower court then attached the PDMF account and directed the Manager NBP to pay the decreed amount to the contractor. The order is currently challenged in the Apex court.

The reply was not acceptable because PDMA did not file appeal against the order of Civil Judge-I Peshawar on 02.11.2021. Instead, PDMA submitted an objection petition against the execution petition of the petitioner/contractor. The court dismissed the objection petition, citing that since PDMA had not appealed against the order 02.11.2021, the petitioner's decree had attained finality.

The Departmental Accounts Committee (DAC) meeting was held on 20&21.12.2023. The DAC directed PDMA to conduct a fact-finding inquiry and its outcome be shared with the administrative department and audit authorities.

Audit recommends implementation of DAC decision.

(Para No. 3 of AIR 2022-23 PDMA, Khyber Pakhtunkhwa)

1.4.35 Irregular use of relief funds for non-specified purposes in contravention to Relief Policy 2019 – Rs. 15.723 million

According to letter No. PDMA/Accts/4-2/2022-23 dated 18.07.2022 of Provincial Disaster Management Authority (PDMA) Peshawar, the expenditure may be incurred from the released funds as per Relief Policy 2019 in vogue such as payment for compensation to disaster / flood affectees, provision of cooked food (in case of emergency declaration) and provision of food packages after fulfillment of codal formalities.

District Disaster Management Unit (DDMU) Tank paid an amount of Rs. 15.723 million to M/s Eminent Technologies on account of miscellaneous civil works i.e. desilting of blocked water ways/channels, rehabilitation of damaged roads, rehabilitation of protection walls / bands etc. during the financial year 2022-23.

During the audit of DDMU Tank for the financial year 2022-23, it was observed that the funds were utilized in contravention of the relief policy 2019 as expenditure incurred on civil works was not covered under the policy and PDMA instructions.

Audit held that utilization of funds for non-specified purposes was irregular.

The observation was issued to the management on 31.08.2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends to inquire the matter and fix responsibility against the persons at fault.

(Para No. 2 of AIR 2022-23 DDMU Tank)

1.4.36 Non-retrieval of 29 vehicles by PDMA resulting in recurring cost on hiring of rented vehicles – Rs. 7.668 million

According to Para 10(i) of General Financial Rules (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. Further, according to Para 11, each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

Provincial Disaster Management Authority (PDMA) Khyber Pakhtunkhwa incurred an expenditure amounting to Rs. 7.668 million on rent of nine (09) vehicles during the financial year 2022-23. The details of rented vehicles and their usage is at **(Annexure-XVIII-a)**

During Audit of PDMA Khyber Pakhtunkhwa for the financial year 2022-23, it was observed as under:

i. PDMA had allotted 29 vehicles from its pool of 65 vehicles to other departments and these vehicles were not retrieved till conclusion of audit i.e. August 2023.

ii. PDMA had hired nine (09) vehicles and was incurring recurring expenditure on account of rental charges. **(Annexure-XVIII-b)**

Audit held that this practice revealed a clear case of inefficiency where on one hand, PDMA allotted its vehicles to other departments and on other hand, had incurred unnecessary cost for renting the hired vehicles. Had PDMA retrieved the 29 vehicles, a substantial amount spent on a rental charges could have been avoided.

Initial audit observation was issued on 09.08.2023. The management replied that some vehicles have been retrieved and letters have been issued for the retrieval of the remaining vehicles. The DAC was further apprised that PDMA is overseeing Camp Management at Baka Khel and addressing the needs of remaining TDPs in Bannu and surrounding districts. Moreover, given the ongoing activities such as CLCP, immediate rehabilitation and relief efforts during natural and manmade disasters, frequent travel of PDMA staff is necessary. However, the available vehicles with PDMA are not roadworthy. Therefore, PDMA has hired a few vehicles to ensure the smooth operation of its activities.

The reply was not acceptable because PDMA had allotted 29 vehicles to other departments, while huge recurring expenditure was being incurred on account of hiring of rented vehicles.

The Departmental Accounts Committee (DAC) meeting was held on 20&21.12.2023. The forum expressed a serious concern and disagreement with the management's response and directed PDMA to immediately retrieve all vehicles and to gradually discontinue the use of rental vehicles accordingly.

Audit recommends implementation of DAC decision.

(Para No. 29 and 30 of AIR 2022-23 PDMA, Khyber Pakhtunkhwa)

1.4.37 Non-preparation of Provincial Disaster Management Plan by PDMA Khyber Pakhtunkhwa

According to Section 17 of National Disaster Management Act 2010, there shall be a plan for disaster management for every province to be called the provincial disaster management plan. The provincial plan shall be prepared by the provincial authority having regard to the guidelines laid down by the national authority after consultation with the district government.

Provincial Disaster Management Authority (PDMA) Khyber Pakhtunkhwa was required to prepare Provincial Disaster Management Plan (PDMP) as per guidelines by the national authority after consultation with the stakeholders.

During audit of PDMA Khyber Pakhtunkhwa for the financial year 2022-23, it was observed that the Authority had not prepared the Provincial Disaster Management Plan.

Audit held that non-preparation of the PDMP was a serious lapse on part of the management resulting into unplanned execution of disaster management activities.

Initial audit observation was issued on 09.08.2023. The management replied that PDMA initiated the process of preparing the PDMP. For this purpose, a specialized consultant firm, the NCEG has been hired. The consultant has submitted the Inception Report with a completion timeframe of PDMP as November 2023.

The Departmental Accounts Committee (DAC) meeting was held on 20&21.12.2023. The forum emphasized the significance of the Provincial Disaster Management Plan and directed the PDMA management to present the PDMP in the upcoming DAC meeting.

Audit recommends implementation of DAC decision.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide Para No. 1.4.33. Recurrence of same irregularity is a matter of serious concern.

(Para No.39 of AIR 2022-23 PDMA, Khyber Pakhtunkhwa)

1.4.38 Non-adherence to decisions of Khyber Pakhtunkhwa Rescue Emergency Council

According to decisions of 15th and 17th meeting of Khyber Pakhtunkhwa (KP) Rescue Emergency Council held on 08.11.2021 and 27.04.2022 respectively, the council approved a committee to frame the Terms of Reference (ToRs) for ambulatory service and directed that these TORs should be presented before approval in the next meeting.

Further, according to decision of 14th meeting of KP Rescue Emergency Council held on 22.10.2019, the council constituted a sub-committee and directed to submit recommendations for framing of regulations regarding emergency procurement. The council in its 15th meeting held on 08.11.2021 decided that emergency procurement rules should be vetted from the Finance Department KPK and afterwards the same would be submitted to the council for approval.

Rescue 1122, Khyber Pakhtunkhwa was required to implement the decisions of the Council taken in the meetings held on 22.10.2019, 08.11.2021 and 27.04.2022.

During audit of Rescue 1122 Khyber Pakhtunkhwa for the financial year 2022-23, it was observed as under:

i. Rescue 1122 had not formulated TORs for ambulatory services and submitted to the Council for approval.

ii. Recommendations for framing of regulations regarding emergency procurement were not submitted to the Council.

iii. Emergency procurement rules were not got vetted from the finance department KPK and submitted to the Council for approval.

Audit held that non-compliance of the decisions of Rescue Emergency Council was a negligence on the part of management resulting in undermining the strategic role of the body and non-implementation of decisions taken for improvement of the Service in the Province.

Initial audit observation was issued on 25.08.2023. The management replied that SOP's/TOR for Ambulatory Service and regulations for emergency procurement have been prepared and submitted to RR&S Department for approval and for consideration of the Rescue Council.

The Departmental Accounts Committee (DAC) meeting was held on 08.12.2023. The DAC directed the Rescue-1122 to place the subject matter in the upcoming meeting of Rescue Council and share the minutes of the same with audit Authorities.

Audit recommends implementation of DAC decision.

(Para No.10 of AIR 2022-23 Rescue-1122, Khyber Pakhtunkhwa)

1.4.39 Unjustified taking over of off-road vehicles from health Department

According to 47th meeting of Provincial Cabinet of Khyber Pakhtunkhwa, held on 27.11.2020, it was decided that all road-worthy ambulances of Health Department shall be handed over to Rescue 1122.

Further, according to Relief Rehabilitation & Settlement Department Notification No. SO (Admn) RR&SD/2-7/2020 dated 10.12.2020, (in pursuance of 47th meeting of Provincial Cabinet of Khyber Pakhtunkhwa, held on 27.11.2020) the Director General Rescue 1122 KP was authorized to take over all the road worthy ambulances of Health Department with immediate effect.

Rescue 1122 Khyber Pakhtunkhwa received total 469 ambulances from health department out of which 355 ambulances were on-road, while 114 ambulances were off road.

During audit of Rescue 1122 Khyber Pakhtunkhwa for the financial year 2022-23, it was observed that the management of Rescue 1122 KPK had taken over 114 off road/condemned ambulances from the Health Department in violation of the decision of Provincial Cabinet. Moreover, despite lapse of a considerable time the ambulances were not auctioned posing the risk of further deterioration and potential financial loss.

Audit held that acceptance of condemned ambulances was violation of cabinet decision and may led to potential loss to public exchequer.

Initial audit observation was issued on 25.08.2023. The management replied that the matter has been taken up with health department for reverting the condemn Ambulances for Auction.

The Departmental Accounts Committee (DAC) meeting was held on 08.12.2023. The DAC directed the management to expedite the matter regarding reverting the condemned ambulances back to Health Department for auction and share the progress in next DAC meeting.

Audit recommends implementation of DAC decision.

(Para No.07 of AIR 2022-23 Rescue-1122, Khyber Pakhtunkhwa)

1.4.40 Non-distribution of relief items by DDMUs among the flood affectees 2022 resulting in wastage of resources

According to Para 23 of General Financial Rules (GFR) Vol-I, every Government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence

National Disaster Management Authority (NDMA) and Provincial Disaster Management Authority (PDMA) Khyber Pakhtunkhwa provided various relief items to District Disaster Management Units (DDMUs) for onward distribution among the flood affectees. Beside, donations from the friendly states were also received through NDMA.

During the audit of DDMUs Swat, Pattan, Swabi, Dir Lower and Shangla for the financial year 2022-23, it was observed that a huge quantity of food items, medicine and other relief items i.e. Dettol and cement bags etc. remained undistributed in the warehouses of respective DDMUs. These items were found to be either expired or were near to expiry. **(Annexure-XIX)**

Audit held that non-distribution of relief items not only deprived the affectees from essential support but also led to wastage of valuable resources.

The matter was reported to the management of the respective DDMUs during August-October 2023, however no reply was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that management may look into the matter for corrective measures, besides non-distribution of relief items may be probed into to fix responsibility against the person(s) at fault.

(Para No. 7&8, 11, 7, 6&9 and 7 of AIR 2022-23 DDMU Swat, Pattan, Swabi, Dir Lower, and Shangla)

1.4.41 Lack of proper warehouse facilities at DDMUs level

According to Para 151 of General Financial Rules (GFR) Vol-I, 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. Suitable accommodation should be provided more particularly for valuable and combustible stores.

District Disaster Management Units (DDMUs) in Khyber Pakhtunkhwa held a huge quantity of relief items (food and non-food items) i.e. tents, blankets, kitchen sets and sweaters as balance quantity as on 30.06.2023.

During the audit of DDMU Dassu, Pattan, Palas, Shangla, Dir upper, Dir lower, Swat, D.I. Khan, Swabi, Charsadda and Nowshera for the financial year 2022-23, it was observed that the DDMUs lacked proper warehouse facilities. The existing relief items stock was found stored in government offices / education buildings and rented rooms. Critical deficiencies were consistently observed during the visit of these storage locations including disorganized stacking, insufficient pallet utilization, inadequate air circulation, structural instability, roof leakage, and rat infestations. Further details regarding the deficiencies identified in each DDMU are at (**Annexure-XX**).

Audit held that in absence of proper warehouse facilities and adequate stacking mechanisms, there was a significant risk of deterioration of the stored relief items resulting in substantial losses to government exchequer.

The matter was reported to the management of respective DDMU during August-October 2023, however no reply was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that management may take necessary effective measures to enhance storage conditions and overall inventory management system for efficient relief supply chain.

(Para No. 13, 10, 5, 6, 6, 10, 6, 15, 5, 3 and 1 of AIR 2022-23 DDMU Dassu, Pattan, Palas, Shangla, Dir upper, Dir lower, Swat, D.I. Khan, Swabi , Charsadda and Nowshera)

1.4.42 Non-preparation of Annual Financial Statements by PDMA Khyber Pakhtunkhwa

According to Clause 11.4 of the Accounting Procedure for operation / utilization of the Provincial Disaster Management Fund of PDMA, the Annual Financial Statements will be prepared for the financial year by 31st August of each calendar year and submitted to the Director General Audit for the purpose of external audit.

Provincial Disaster Management Authority (PDMA) Khyber Pakhtunkhwa was required to prepare annual financial statements in order to disclose information about the financial position, performance and changes in financial position of the entity useful to a wide range of users and stakeholders.

During audit of PDMA Khyber Pakhtunkhwa for the financial year 2022-23, it was observed that PDMA had not prepared Annual Financial Statements since inception of the organization.

Audit held that non-preparation of Annual Financial Statements was violation of Accounting Procedure of PDMA resulting into non-presentation of financial position and performance to the stakeholders.

Initial audit observation was issued on 09.08.2023. The management replied that PDMA is funded through the provincial consolidated fund. The responsibility for preparing financial statements and appropriation accounts, including receipts and payments, as well as assets and liabilities, falls under the mandate of the Accountant General Khyber Pakhtunkhwa. The Accountant General Khyber Pakhtunkhwa regularly submits these statements to the Controller General of Accounts and the Auditor General of Pakistan.

The reply was not acceptable as according to Accounting Procedure for PDMA's Provincial Disaster Management Fund, annual financial statements must be prepared by August 31st each. Further, in light of Finance Department Government of Khyber Pakhtunkhwa, Accounting Procedure for Special Deposit Funds 2022, PDMA shall prepare financial statements as prescribed in IPSAS and shall be certified by a Chartered Accountant. The audited financial statements shall be submitted to the Controller General Accounts before 30th September each year.

The Departmental Accounts Committee (DAC) meeting was held on 20&21.12.2023. The DAC directed the management of PDMA to prepare annual financial statements for the upcoming financial year in accordance with specified timelines and accounting standards.

Audit recommends implementation of DAC decision.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide Para No. 1.4.24. Recurrence of same irregularity is a matter of serious concern.

(Para No. 1 of AIR 2022-23 PDMA, Khyber Pakhtunkhwa)

Procurement

1.4.43 Unverifiable expenditure incurred on provision of food items to flood affectees 2022 – Rs. 79.935 million

According to Para 4.5.1.3 of Accounting Policies and Procedural Manual, while processing expenditure, a sequentially numbered purchase order shall be raised by each DDO for all expenditures to be incurred. All claim vouchers (bills) shall be approved by a delegated officer. Further, according to Para. 4.5.3, each claim should be accompanied by all necessary supporting documentation.

District Disaster Management Units (DDMUs) in Khyber Pakhtunkhwa incurred expenditure amounting to Rs. 79.935 million for provision of cooked food and food items to the affectees of flood 2022. The detail is as under:

(Rs. in million)

Sr. No.	Name of DDMU	Amount	Particulars
1.	Dera Ismail Khan	49.770	Cooked food
2.	Nowhsera	20.150	Provision of cooked food

3.	Kohistan Lower at Pattan	7.297	-do-
4.	Kohistan Upper at Dassu	2.718	Purchase of food items
Total		**79.935**	

During the audit of DDMU D.I. Khan, Nowshera, Pattan and Dassu for the financial year 2022-23, it was observed as under:

i. There were no formal work orders issued to vendors / suppliers specifying the quantity, rate and place of delivery.

i. There was no detail of relief camps, number of affectees accommodated in relief camp, name of designated person responsible to distribute the cooked food etc. Similarly, there was no record / information of beneficiary, distribution locations etc. for the cooked food provided.

ii. Inspection / goods receipt note certifying the quality and quantity of items received was also not available on record.

iii. There was no proper and arranged record / vouchers in respect of expenditure incurred. This has led to difficulty in verifying the expenditure.

Audit held that in absence of proper work orders for provision of cooked food /food items and record of other details, audit was unable to verify the expenditure incurred.

The observation was issued to the respective DDMUs during August-October 2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that payments for claims without issuing of formal work order and non-maintenance of proper record may be inquired to fix reasonability.

(Para No. 20, 09, 06 and 08 of AIR 2022-23 DDMU Nowshera, D.I. Khan, Pattan and Dassu)

1.4.44 Unverifiable execution of claimed rehabilitation works due to non-fulfilling of codal formalities and absence of supporting record – Rs. 15.723 million

According to Rule 6(1) of Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules, 2014, the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs. 100,000 (rupees one hundred thousand). Further, according to Para 54 of the rules ibid, any breach of these rules shall account to mis-procurement and the person responsible for such breach shall be liable to be proceeded under the relevant law.

Moreover, according to Para 200 of General Financial Rules (GFR) Vol-I, for every work there should be a duly sanctioned detailed estimate. It is also desirable that CPWA Form 24 or 27 should be used for payment made to the contractors.

District Disaster Management Unit (DDMU) Tank incurred an expenditure amounting to Rs. 15.723 million on miscellaneous civil works such as desilting of blocked water ways/channels, rehabilitation of damaged roads and rehabilitation of protection walls / bands. The works were carried out through M/s Eminent Technologies during the financial year 2022-23. **(Annexure-XXI)**

During the audit of DDMU Tank for the financial year 2022-23, it was observed as under:

i. The work was carried out through quotation method without invoking emergency. Moreover, the quotations were solely obtained from three pre-selected vendors leading to selection of M/s Eminent Technologies for the civil works.

ii. The expenditure was incurred through splitting of works and thereby avoiding competitive bidding process.

iii. M/s Eminent Technologies was registered with FBR as computer software services provider. Hence, the civil work was executed through non-technical / irrelevant vendor.

iv. Proper estimates showing the detailed description of works such as measurement, identification of the road/scheme with RDs, nature of work, drawing/designs, cross sections along with technical sanction and administrative approval were not prepared. The quotations were requested on per hour/per day basis instead of detailed estimates.

v. No record showing the actual work done i.e. invoice / bill showing the quantities and measurement for the actual work done at site was available. Moreover, Measurement Book (MB) was also not available to authenticate the actual execution of works at site.

vi. Neither any technical person was available with DDMU nor the services of technical staff of C&W department, irrigation department, TMA was engaged for verifying the executed work.

vii. There were no pre and post pictorial evidences along with GPS coordinates to ascertain the work done.

Audit held that award of contract without open competitive bidding process and non-fulfillment of codal formalities was in violation of rules resulting into irregular expenditure.

The observation was issued to the management on 31.08.2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that claim of expenditure without fulfillment of codal formalities and in absence relevant record may be inquired by the administrative department to fix responsibility on the persons at fault and recover the loss.

(Para No. 4 & 6 of AIR 2022-23 DDMA Tank)

1.4.45 Purchase of land without proper documentation and expenditure in excess of PC-I provision – Rs. 8.040 million

According to Rule 21 of Khyber Pakhtunkhwa Land Acquisition Rules, 2020, the Collector shall, through Qaumi Commission and revenue officer concerned, determine the ownership of land and assess the cost and compensation amount within 30 days of the notification under Section 4 of the Land Acquisition Act 1984. Further, according to Rule 20(1), the Collector shall, after approval by the committee under rule 10, notify a Qaumi Commission of elders comprising of members up to 20 in number, from amongst the notables of the area where the land is proposed.

Moreover, according to Umbrella PC–I of the projects "Extension of Emergency Rescue Services (Rescue 1122) in Sub Divisions (Frontier Regions) of Khyber Pakhtunkhwa", the amount allocated for purchase of land in Frontier Regions Kohat was Rs. 5.000 million.

Rescue 1122 Khyber Pakhtunkhwa incurred an expenditure amounting to Rs. 8.040 million on acquiring land for the project "Extension of Emergency Rescue Service (Rescue-1122) in Frontier Regions of Khyber Pakhtunkhwa" during the financial year 2022-23.

During audit of Rescue 1122 Khyber Pakhtunkhwa for the financial year 2022-23, it was observed as under:

i. The documents regarding assessment of rates by Qaumi Commission and revenue officer concerned as well as acquisition roll showing the disbursement of amount to the land owners were not available. Moreover, documentary evidence regarding demarcation, taking possession of acquired land and transfer of title of land (mutation deed) on the name of Rescue 1122 KP was not available.
ii. The funds amounting to Rs. 5.000 million were allocated for purchase of land whereas department incurred expenditure amounting to Rs. 8.040 million. Hence expenditure amounting to Rs. 3.040 million (60% of allocated cost) were incurred in excess of allocation without revision of PC-I.

Audit held that in absence of documents related to assessment of rates and transfer to tittle of acquired land on the name of Rescue-1122, the payment made for purchase of land could not be authenticated. Moreover, incurrence of expenditure in excess of PC-I provision resulted into irregular expenditure.

Initial audit observation was issued on 25.08.2023. The management replied that the possession and demarcation of the land will be made after award of land from the District Administration. Moreover, the matter has been taken up for revision of PC-I.

The Departmental Accounts Committee (DAC) meeting was held on 08.12.2023. The DAC directed that para stands till provision of documentary evidence regarding award of land to Rescue 1122 and possession of land by the Rescue service. Moreover, Rescue-1122 to furnish the revised PC-I upon approval from the competent forum. DAC decided that the para will be discussed in subsequent DAC in the light of compliance made by department.

Audit recommends implementation of DAC decision.

(Para No.01 & 05 of AIR 2022-23 Rescue-1122, Khyber Pakhtunkhwa)

1.4.46 Unverifiable procurement of transportation services – Rs. 3.052 million

According to Para 4.5.1.3 of Accounting Policies and Procedural Manual, while processing expenditure, a sequentially numbered purchase order shall be raised by each DDO for all expenditures to be incurred. All claim vouchers (bills) shall be approved by a delegated officer. Further, according to Para. 4.5.3, each claim should be accompanied by all necessary supporting documentation. Change criteria with KPPRA.

District Disaster Management Unit (DDMU) Charsadda paid an amount of Rs.3.052 million for hiring transportation services during flood relief 2022. **(Annexure-XXII)**

During audit of DDMU Charsada for the financial year 2022-23, it was observed as under:

i. There were no formal work orders issued to vendors specifying the date, time, number of floods affectees to be evacuated, number of trips involved and location of evacuation and destination.

ii. The payment was made to various vendors on account of transportation facility provided to evacuate flood affectees. However, necessary record such as list / detail of beneficiaries, trip record, pictorial evidences of relief operations or any other official documentation confirming engagement of transportation services was not available.

iii. The voucher / bill of the vendor lacked confirmation / verification of the concerned revenue officer.

Audit held that in the absence of proper record in support of payment the expenditure incurred could not be verified.

The observation was issued to the management on 18.08.2023, however no response was received.

The PAO was requested to convene DAC meeting vide letters dated 14.09.2023, 06.10.2023 and 17.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that irregular expenditure without supporting record may be inquired to fix the responsibility on the person (s) at fault.

(Para No. 7 of AIR 2022-23 DDMU Charsadda)

Chapter – 2

Environmental Protection Agency under Forest, Environment & Wildlife Department, Government of Khyber Pakhtunkhwa

2.1 Introduction

A. Environment Protection Agency (EPA) Khyber Pakhtunkhwa was established in 1989 with headquarters at Peshawar. After 18th Amendment in the Constitution of Islamic Republic of Pakistan, the subject of environment was devolved to the provinces. Consequently, Khyber Pakhtunkhwa province enacted the Khyber Pakhtunkhwa Environmental Protection Act, 2014.

EPA Khyber Pakhtunkhwa is mandated to check and monitor compliance with applicable environmental laws, rules and regulations. The major functions of EPA include protection, conservation, rehabilitation and improvement of environment; prevention and control of pollution; and promotion of sustainable development in the Province. EPA Khyber Pakhtunkhwa has established its Sub-offices in 04 regions i.e. Peshawar, D.I Khan, Abbottabad & Swat.

B. Comments on Budget & Accounts of audited formation (Variance Analysis)

(Rs. in million)

Sr. No.	Financial Years	Name of Formation	Budget	Expenditure	Savings
1.	2022-23	Environmental Protection Agency (HQ) (including Central Directorate, Peshawar)	120.362	85.937	34.425

Source: budget and expenditure statements

C. Sectoral Analysis

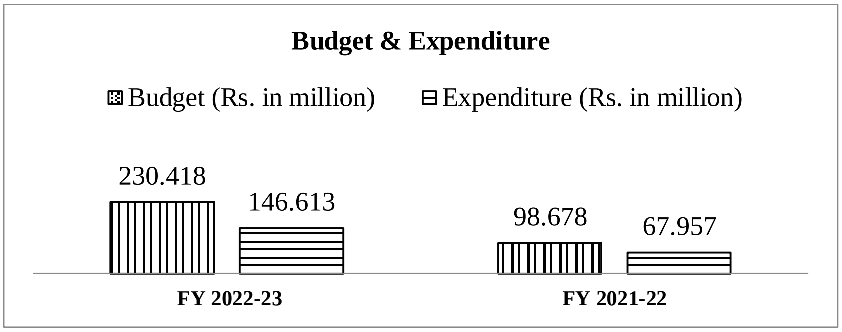
Environmental Protection Agency (EPA) works under the administrative control of Forestry, Environment & Wildlife Department, Khyber Pakhtunkhwa.

The detail of budget and expenditure of EPA Khyber Pakhtunkhwa for the financial years 2022-23 and 2021-22 is as under:

(Rs. in million)

Sr. No.	Financial Year	Budget	Expenditure	Savings
1.	2022-23	230.418	146.613	83.805
2.	2021-22	98.678	67.957	30.721

Graphical representation of the budget and expenditure for the last two financial years is as under:



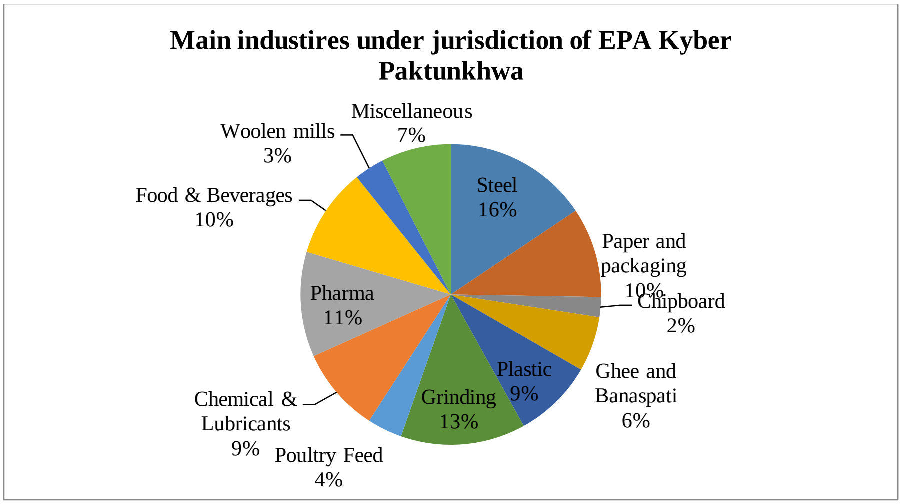
The major portion of expenditure of EPA, Khyber Pakhtunkhwa relates to Employees Related Expenses.

The role of Environmental Protection Agency, Khyber Pakhtunkhwa is pivotal for environmental protection in the province. Main industries under the jurisdiction of EPA, Khyber Pakhtunkhwa are detailed as under:

Sr. No.	Description of industrial units	Number of units
1.	Steel	29
2.	Paper and packaging	18
3.	Chipboard	04
4.	Ghee and Banaspati	11
5.	Plastic	16
6.	Grinding	25
7.	Poultry Feed	07
8.	Chemical & Lubricants	17
9.	Pharma	21
10.	Food & Beverages	18
11.	Woolen mills	06
12.	Miscellaneous	14
	Total	**186**

Source: Industrial survey by EPA, Khyber Pakhtunkhwa

Major industries in the jurisdiction of EPA, Khyber Pakhtunkhwa in term of percentage (%) are graphically illustrated as under:



An analysis of the audit findings contained in audit reports of the Auditor General of Pakistan indicate that the EPA has not been able to fully achieve its objectives as were conceived since inception and effective environmental protection in the Province remains a challenge.

Only one Environmental lab is available in Peshawar and that too is understaffed. This has led to non-gathering of data regarding various sectors of environment in Khyber Pakhtunkhwa. EPA is also handicapped due to staff shortage and want of logistic support which has further weakened its monitoring capacity. Environment Protection Agency (EPA) Khyber Pakhtunkhwa has not been able to promote a culture of research and development in the province to contribute towards the prevention of pollution and sustainable economic development. Similarly, EPA Khyber Pakhtunkhwa also lacked in recommending environmental courses, topics, literature and books for incorporation in the curricula and syllabus of educational institutions as required under Environmental Protection Act.

In the provincial ADP, there were only two (2) ongoing projects of EPA. One was related to Zigzag technology for Brick Kilns and other was for establishment of labs in the regional offices. Similarly, the Federal PSDP has also not catered for any environmental scheme for Khyber Pakhtunkhwa. In order to address the environment related issues in the province, there is a strong need to enhance the share of Environmental Protection Agency (EPA) in the provincial ADP as well as launching of schemes under Federal PSDP.

EPA Khyber Pakhtunkhwa has recently taken some positive steps to strengthen the process of environmental approvals and monitoring. The Khyber Pakhtunkhwa Environmental Assessment Rules, 2021 were issued on 02.09.2021. These rules replaced the Pakistan Environmental Protection Agency (Review of Initial Environmental Examination and Environmental Impact Assessment Regulations), 2000 which were previously used for issuance of environmental approvals to the proponents.

It was noticed that since inception EPA Khyber Pakhtunkhwa could not operationalize and utilize KP Environmental Improvement Fund for providing financial assistance to the projects in public and private sectors and activities/operations of the agency designed for the protection, conservation, rehabilitation and improvement of the environment, prevention and control of pollution.

EPA Khyber Pakhtunkhwa has neither notified the environmentally sensitive area in the geographic region of KP nor constituted the Environmental Monitoring Committee (EMC) to take suitable mitigation measures in solving environmental problems and creating awareness on environmental issues.

Table I: **Audit profile of** *Forest, Environment & Wildlife Department, Government of Khyber Pakhtunkhwa (Environment only).*

(Rs. in million)

Sr. No.	Description	Total Nos.	Audited	Expenditure audited FY 2022-23	Revenue/Receipts audited FY 2022-23
1.	Formations	7	2 (EPA HQs including Central Directorate)	85.937	Nil
2.	• Assignment Account • SDAs • Etc. (excluding FAP)	Nil Nil Nil	- - -	Nil	Nil
3.	Authorities /Autonomous bodies etc. under the PAO	Nil	-	Nil	Nil
4.	Foreign Aided project (FAP)	Nil	-	Nil	Nil

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 23.642 million have been raised pertaining to Environmental Protection Agency, Khyber Pakhtunkhwa. Recovery of Rs.20.142 million has been pointed out in the audit observations. Summary of the audit observations classified by nature is as under:

Table II: Overview of Audit Observations

(Rs. in million)

Sr. No	Classification	Amount
1.	**Irregularities**	**3.500**
A	**HR / Internal Control Weaknesses**	**3.500**
B	**Procurement**	**0.000**
2.	**Financial Management**	**20.142**
3.	**Public Service Delivery / Performance**	**0.000**

2.3 Brief Comments on the Status of Compliance with PAC Decision

The Directorate General Audit (CC&E) started auditing and reporting EPA Khyber Pakhtunkhwa since financial year 2019-20. No Audit Report has been discussed in PAC meeting so far.

2.4 AUDIT PARAS

Public Service Delivery / Performance

2.4.1 Non-operationalization of Khyber Pakhtunkhwa Environmental Improvement Fund resulting in non-achievement of objectives of EPA

According to Section 8(4)(i),(ii)&(v) of the Khyber Pakhtunkhwa Environmental Protection Act 2014, the Khyber Pakhtunkhwa Environmental Improvement Fund shall be utilized for providing financial assistance to the projects in public and private sectors and activities/operations of the agency designed for the protection, conservation, rehabilitation and improvement of the environment, prevention and control of pollution. Further, according to Section 10 (1)(ii), the Board shall have the power to invest the fund in such profit-bearing government bonds, saving schemes and securities as it may deem suitable.

Environmental Protection Agency (EPA), Khyber Pakhtunkhwa maintained a PLS account at Bank of Khyber titled 'Khyber Pakhtunkhwa Environmental Improvement Fund' since 16.08.2016. An amount of Rs. 141.115 million was available in the bank account as on 30.06.2023.

During audit of EPA Khyber Pakhtunkhwa for the financial year 2022-23, it was observed as under:

i. The Environmental Improvement Fund was not operationalized and was not being utilized for the purposes specified in the Act.

ii. Funds were not invested in profit-bearing schemes and securities as required under the Act and were placed idle in the Bank of Khyber.

iii. Interest rate offered by Bank of Khyber (BoK) was lower than the policy rates notified by the State Bank of Pakistan from time to time which resulted in loss of interest amounting to Rs. 9.446 million. Detail is as under:

(Rs. in million)

Sr. No	Date	Principal Amount	Interest rate offered by BoK per annum (%)	Interest amount paid by BoK	SBP policy rate as per Monetary Policy Statement (%)	Difference in interest rate applied by BoK and Policy rate (%)	Loss due to low interest rate paid by BoK
(1)	(2)	(3)	(4)	(5)	(6)	6-4 = (7)	3x7= (8)
1.	01.07.2022	60.069	6.79%	2.039	13.75%	6.96%	2.081
2.	03.01.2023	94.980	10.95%	5.198	16.00%	5.05%	2.398
3.	04.07.2023	141.115	14.96%	10.555	22.00%	7.04%	4.967
Total							**9.446**

Audit held that non-operationalization of the Fund resulted in non-achievement of the objectives of the Agency.

Initial audit observation was issued on 11.08.2023. The management replied that the Fund shall be managed by the Board which was constituted in 2018 and its first meeting was held in July 2023 to discuss the EIF-Investment Plan. Further, Bank of Khyber was approached for investment of EIF funds who had agreed upon the investment of funds at the rate of 21.5%. However, the same was in process. Moreover, the case of lower interest rate has been taken up with the Bank of Khyber to increase the rate of interest as per policy of the SBP.

The PAO was requested to convene DAC meeting vide letters dated 12.09.2023, 26.10.2023, 17.11.2023 and 30.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that Khyber Pakhtunkhwa Environmental Improvement Fund may be operationalized and utilized for the specified objectives as conceived in the Khyber Pakhtunkhwa Environmental Protection Act 2014.

(Para No. 01, 03 & 04 of AIR 2022-23 KP-EPA)

2.4.2 Non-declaration of 'environmentally sensitive areas' in the province by EPA Khyber Pakhtunkhwa

According to Rule 24(1) of Khyber Pakhtunkhwa Environmental Assessment Rules, 2021, the Agency may, after approval of the Government designate an area to be environmental sensitive area. Further, according to Rule 24(3), the Agency may from time to time, issue guidelines to assist proponents and other persons involved in the environmental assessment process to plan and prepare projects located in environmentally sensitive areas.

Environmental Protection Agency (EPA), Khyber Pakhtunkhwa was required to notify the environmentally sensitive areas in the province in pursuance of Environmental Assessment Rules, 2021.

During audit of EPA Khyber Pakhtunkhwa for the financial year 2022-23, it was observed that the Agency neither notified environmentally sensitive areas nor issued any guidelines to assist toward planning and preparation of projects located in environmentally sensitive areas.

Audit held that non-declaration of environmentally sensitive areas in the province by the EPA was violation of the rules resulting in lack of required planning and due diligence required in initiating projects in such areas.

Initial audit observation was issued on 11.08.2023. The management replied that the data and identification of potentially sensitive areas have already been asked from EPA KP Regional Offices which shall be placed on the Agenda of the upcoming meeting of the Environmental Assessment Advisory Committee. Further, Forest & Wildlife protected areas and Archaeological sites have already been considered as sensitive areas.

The PAO was requested to convene DAC meeting vide letters dated 12.09.2023, 26.10.2023, 17.11.2023 and 30.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that the environmentally sensitive areas may be notified by the Agency and guidelines may also be issued accordingly to regulate the projects in such areas.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide Para No. 2.4.11 and Performance Audit Report on approvals & clearances of IEE/EIA and post clearness monitoring during last three years by EPA, Khyber Pakhtunkhwa for the Audit Year 2021-22 vide Para No. 5.3. Recurrence of same irregularity is a matter of serious concern.

(Para No. 13 of AIR 2022-23 KP-EPA)

Financial Management

2.4.3 Non-deposit of profit into Government treasury and unauthorized deduction of Income Tax – Rs. 17.792 million

According to Para-3(ix) of Government of Khyber Pakhtunkhwa Finance Department letterNo.2/3(F/L)/FD/2019-20/ Vol-XIII dated 03.02.2020, current account should be converted into PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately except where Departments/ Offices/ Autonomous & Semi-autonomous Bodies/ Organizations/ Corporations have been specifically permitted under some Statute /Act.

Moreover, according to Section 49 (2) of Income Tax Ordinance 2001, the income of a Provincial Government or a Local Government in Pakistan shall be exempt from tax under this Ordinance.

Environmental Protection Agency (EPA), Khyber Pakhtunkhwa maintained a PLS saving account at Bank of Khyber for the purpose of Khyber Pakhtunkhwa Environmental Improvement Fund. Profit / interest earned on the account amounting to Rs. 17.792 million was transferred into the Fund account during the financial year 2022-23.

Bank of Khyber deducted Income Tax amounting to Rs. 4.253 million from profit / interest earned. Details are as under:

(Rs. in million)

Sr. No.	Name of Bank and Branch Name	Date	Interest paid by bank	Advance Income tax deducted by Bank
1.	The Bank of Khyber, Civil Secretariat Branch, Peshawar	01.07.2022	2.039	0.306
2.		03.01.2023	5.198	0.780
3.		04.07.2023	10.555	3.167
Total			**17.792**	**4.253**

During audit of EPA Khyber Pakhtunkhwa for the financial year 2022-23, it was observed as under:

i. Profit earned on the account was not deposited into government treasury and was retained in the Fund account.

ii. The Bank of Khyber deducted Income Tax amounting to Rs. 4.253 million despite the fact that the entity was exempt from tax.

Audit held that non-deposit of profit into government treasury and retaining the same in EPAs designated account was violation of rules. Besides, unauthorized deduction of Income Tax resulted in loss of Rs. 4.253 million to the Agency.

Initial audit observation was issued on 11.08.2023. The management replied that according to Section-8 of the Khyber Pakhtunkhwa Environmental Protection Act the board may invest the Fund in such profit bearing government bonds, saving schemes and securities as it may deem suitable and may take such measures and exercise such powers as may be necessary for utilization of the Fund for the purposes specified in sub-sec 3 of section 8**.** The management further replied that the case of un-authorized deduction of advance Income Tax has been taken up with the Inland Review Department as par policy of government of Pakistan.

The reply of the management was not satisfactory as EPA was not authorized to retain the profit earned on the Fund.

The PAO was requested to convene DAC meeting vide letters dated 12.09.2023, 26.10.2023, 17.11.2023 and 30.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that the profit may be deposited into government treasury, besides recovery of Income Tax from the Bank of Khyber.

(Para No. 06 and 14 of AIR 2022-23 KP-EPA)

2.4.4 Non-recovery of Initial Environmental Examination (IEE) review fee– Rs. 2.350 million

According to Rule 7 of Khyber Pakhtunkhwa Environmental Assessment Rules, 2021, the proponent shall pay, at the time of submission of an Environmental Impact Assessment (EIA) or Initial Environmental Examination (IEE) or General Environmental Approval (GEA), a non-refundable review fee to the specified account of the Agency, as per rates given in Schedule-V. Whereas, Schedule-V to Khyber Pakhtunkhwa Environmental Assessment Rules, 2021 states that the project requiring IEE shall deposit Review Fee amounting to Rs. 250,000.

Environmental Protection Agency (EPA), Khyber Pakhtunkhwa issued show cause notices to various proponents for deposit of IEE fee in accordance with Schedule-V to Khyber Pakhtunkhwa Environmental Assessment Rules, 2021.

During audit of EPA Khyber Pakhtunkhwa for the financial year 2022-23, it was observed that despite issuance of show cause notices, various proponents had not deposited the outstanding amounts of review fee amounting to Rs. 2.350 million. Details are as under:

(Rs. in million)

Sr. No.	Show Cause notice Date	Name of proponent	Nature of Business	Fee Deposited	Fee as per rules	Fee to be recovered
1.	03.02.2023	Syed Naqash Haider	Crush Plant	0.045	0.750	0.705
2.	03.02.2023	Syed Fakhar Abbass	Crush Plant	0.015	0.250	0.235
3.	03.02.2023	Mr. Abdul Rehman	Crush Plant	0.015	0.250	0.235
4.	03.02.2023	Mr. Imtiaz Ahmed	Crush Plant	0.015	0.250	0.235
5.	03.02.2023	Mr. Husnain Tariq	Crush Plant	0.015	0.250	0.235
6.	03.02.2023	Mr. Muhammad Arshad	Crush Plant	0.015	0.250	0.235
7.	03.02.2023	Mr. Babar Khan	LPG Plant	0.015	0.250	0.235
8.	03.02.2023	Mr. Israr Arshad	Crush Plant	0.015	0.250	0.235
					Total	**2.350**

Audit held that non-recovery of outstanding review fee resulted in loss amounting to Rs. 2.350 million to the government exchequer.

Initial audit observation was issued on 11.08.2023. The management replied that the office of the Director (North), EPA Regional Office Abbottabad has issued show cause notices to the proponents.

The PAO was requested to convene DAC meeting vide letters dated 12.09.2023, 26.10.2023, 17.11.2023 and 30.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that outstanding amount of review fee may be recovered from the proponents within one month period.

(Para No. 15 of AIR 2022-23 KP-EPA)

HR / Internal Control Weaknesses

2.4.5 Development of housing scheme without environmental approval by EPA

According to Section 18(1) of Khyber Pakhtunkhwa Environmental Protection Act 2014, whoever contravenes or fails to comply with the provisions of Sections 11, 12, 13, 14 and 17 or any order passed issued thereunder, shall be punishable with a minimum fine of fifty thousand rupees which may extend to five million rupees, and in the case of a continuing contravention of failure, with a compulsory additional fine which may extend to one hundred thousand rupees for every day during which such contravention or failure continues.

Environmental Protection Agency (EPA), Khyber Pakhtunkhwa conducted a field visit on 08.09.2022 to Mardan and had pointed out that development work of Multi Villas Housing Scheme Mardan had started without prior approval of the Agency.

During audit of EPA Khyber Pakhtunkhwa for the financial year 2022-23, it was observed that the Agency failed to take necessary punitive action against the housing society. Moreover, no penalty was imposed by the EPA despite clear violation of Section 13 of EPA Act 2014. The penalty was required to be imposed at the following rates:

(Rs. in million)

Date of monitoring	Closing date of FY 2022-23	Particulars	Specified penalty	Per day fine due to continuing default	Further default for 249 days	Total Amount of penalty to be imposed
24.10.2022	30.06.2023	Penalty against continuous violation of EPA Act 2014 as per section 18 of KP EPA Act	0.050	0.100	24.900	24.950

Audit held that inaction by EPA led to operation of the housing scheme without environmental approval resulting in implications for environment..Moreover, non-imposition of penalty on proponent resulted in loss to the Government.

Initial audit observation was issued on 11.08.2023. The management replied that the proponent submitted IEE report followed by presentation on 11.11.2022, however, the review process was under process in EPA, the imposition of administrative penalty was not possible at this stage.

The reply of the department was not satisfactory as neither the environmental approval was accorded by EPA, nor penalty was imposed despite lapse of one year of submission of IEE report by the proponent.

The PAO was requested to convene DAC meeting vide letters dated 12.09.2023, 26.10.2023, 17.11.2023 and 30.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that management may enforce the provision of the Act for illegal operationalization of the scheme without environmental approval. Besides imposition of penalty as required under the EPA Act.

(Para No. 19 of AIR 2022-23 KP-EPA)

2.4.6 Operation of marble factories in violation of EPA Act and non-imposition of penalties

According to Section 18(1) of Khyber Pakhtunkhwa Environmental Protection Act 2014, whoever contravenes or fails to comply with the provisions of Sections 11, 12, 13, 14 and 17 or any order passed issued thereunder, shall be punishable with a minimum fine of fifty thousand rupees which may extend to five million rupees, and in the case of a continuing contravention of failure, with a compulsory additional fine which may extend to one hundred thousand rupees for every day during which such contravention or failure continues.

Environmental Protection Agency (EPA), Khyber Pakhtunkhwa issued ad-interim orders to the proponents of twenty (20) marble factories located at Warsak road Peshawar as per Section 17(4) of Khyber Pakhtunkhwa Environmental Protection (KP-EPA) Act 2014.

During audit of EPA Khyber Pakhtunkhwa for the financial years 2021-23, it was observed that management had not imposed penalties on the proponents of the marble factories, despite issuance of ad-interim orders. (**Annexure –XXIII)**

Audit held that non-imposition of penalties was unjustified resulting in loss to public exchequer and further degradation of environment due to continued operation of the marble factories.

Initial audit observation was issued on 11.08.2023. The management replied that EPA utilized both the option of conducting sealing operation, with the assistance of District Administration, and referring the cases of violators to the Environmental Protection Tribunal. Further, whenever, the Government of Khyber Pakhtunkhwa deliver its judgment/directions/orders regarding shifting of marble units to Mohmand Economic Zone, the EPA being a regulatory authority will implement such directions in letter & spirit.

The PAO was requested to convene DAC meeting vide letters dated 12.09.2023, 26.10.2023, 17.11.2023 and 30.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that EPA may take necessary legal action against the pollutors, besides imposition of penalty as required under the EPA Act.

/(Para No. 23 of AIR 2022-23 KP-EPA)

2.4.7 Non-obtaining of undertakings from proponents before commencement of the projects

According to Rule 14(2) of Khyber Pakhtunkhwa Environmental Assessment Rules, 2021, where the Agency accords its approval subject to certain conditions, the proponent shall, before commencing construction of the project, acknowledge acceptance of the stipulated conditions by executing an undertaking in the form specified in schedule-x on stamp paper.

Environmental Protection Agency (EPA), Khyber Pakhtunkhwa granted conditional environmental approvals to different proponents during the financial year 2022-23. **(Annexure-XXIV)**

During audit of EPA Khyber Pakhtunkhwa for the financial year 2022-23, it was observed that EPA had issued approvals for commencement of projects with certain conditions and requirement to be met by the proponents, however,undertakings as specified in schedule-x were not obtained from the proponents for compliance of the essential conditions of the approvals.

Audit held that non-obtaining of undertakings in prescribed form from the proponents was not justified resulting in non-enforcement and non-monitoring of the essential conditions and requirements set forth in the respective environmental approvals.

Initial audit observation was issued on 11.08.2023. The management replied that letter has been issued to the proponent to submit schedule x within a week.

The PAO was requested to convene DAC meeting vide letters dated 12.09.2023, 26.10.2023, 17.11.2023 and 30.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that EPA may ensure to obtain undertakings from the proponents so as to ensure that the stipulated conditions set forth at the time of granting environmental approvals are monitored and fully met.

The issue was also reported earlier in the Performance Audit Report on approvals & clearances of IEE/EIA and post clearness monitoring during last three years by EPA, Khyber Pakhtunkhwa for the Audit Year 2021-22 vide Para No. 5.3**.** Recurrence of same issue / irregularity is a matter of serious concern.

(Para No. 17 of AIR 2022-23 KP-EPA)

2.4.8 Lack of effective monitoring mechanism for checking the implementation of conditional approvals and activities committed at the stage of IEE/EIA submission

According to Rule 20(3) of Khyber Pakhtunkhwa Environmental Assessment Rules, 2021, to enable the Agency to effectively monitor compliance with the conditions of approval, the proponent shall furnish such additional information as the Agency may require.

Environmental Protection Agency (EPA), Khyber Pakhtunkhwa was established as a regulatory body for the protection, conservation, rehabilitation and improvement of the environment and promotion of sustainable development.

During audit of EPA Khyber Pakhtunkhwa for the financial years 2022-2023, it was observed that the Agency had issued various environmental approvals with certain conditions, however, no post monitoring was carried out to check and ascertain the compliance of the conditions of approvals and commitments made at the time of submission of IEE/EIA by the proponents. Details are as under:

NameofProponent/Project	Nature of Approval	Date of Approval	Terms & conditions
Remodeling of Thandiani Road, District Abbotabad	EIA	30.05.2023	The NOC recommended that replanting of suitable species of plants in lieu of each fell tree shall be ensured as per procedure in vogue
Mardan LPG Private Ltd on GPS Coordinates near Ambar Interchange Tehsil Lahore District Swabi	IEE	02.06.2021	The proponent was issued show cause notice for non-compliance of conditions/mitigation measures in constructional phase of environmental approval

Audit held that without any effective monitoring system in place, the whole process of submission of IEE and EIA and grant of approvals was ineffective resulting in non-implementation of the conditions laid down at the time of the grant of environmental approvals.

Initial audit observation was issued on 11.08.2023. The management replied that the construction environmental approval for the project "Mardan LPG Private Ltd on GPS Coordinates near Ambar Interchange Tehsil Lahore District Swabi" was issued and the site was monitored for checking of the conditions of approval. Further, on the basis of field visit report, the operational approval was issued to the proponent.

The reply of the management was not satisfactory as documentary evidence in support of reply was not provided. Further, no reply was provided about the Project "Remodeling of Thandiani Road, District Abbotabad".

The PAO was requested to convene DAC meeting vide letters dated 12.09.2023, 26.10.2023, 17.11.2023 and 30.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that a proper mechanism may be developed to monitor that proponents are complying with the conditions of environmental approvals.

Moreover, regular sites visits and monitoring activities may be carried out to ensure compliance of environmental laws and condition contained in the respective environmental approvals.

(Para No. 22 of AIR 2022-23 KP-EPA)

2.4.9 Non-obtaining of vouched accounts and non-adjustment of advances paid to C&W department – Rs 3.500 million

According to Para 668 of Federal Treasury Rules Vol-I, advances granted under special orders of competent authority to government officers for departmental or allied purposes may be drawn on the responsibility and receipt of the officers for whom they are sanctioned, subject to adjustment by submission of detailed accounts supported by vouchers or by refund, as may be necessary.

Environmental Protection Agency (EPA), Khyber Pakhtunkhwa transferred an amount of Rs. 3.500 million to C&W Department KP for civil works during financial year 2022-23.

During audit of EPA Khyber Pakhtunkhwa for the financial year 2022-23, it was observed that vouched account containing the payment vouchers, bills, copies of sanctions and other supporting documents were not obtained from the concerned department. Besides, the amount was not adjusted in the books of accounts of EPA.

Audit held that non-obtaining of vouched accounts was not justified and violation of rules. In absence of vouched accounts and non-reconciliation of expenditure, the expenditure incurred by the department could not be verified by the EPA.

Initial audit observation was issued on 11.08.2023. In reply the management provided utilization certificate received from Communication & Works Department.

The reply of the management was not satisfactory as neither the vouched accounts were obtained from C&W department nor the same were verified by the EPA for adjustment and retrieval of unspent balance.

The PAO was requested to convene DAC meeting vide letters dated 12.09.2023, 26.10.2023, 17.11.2023 and 30.11.2023. However, the meeting was not convened by the PAO till finalization of this report.

Audit recommends that vouched accounts may be obtained from the concerned Department for necessary scrutiny by the department and adjustment in the books of accounts.

(Para No. 07 of AIR 2022-23 KP-EPA)

AUDIT REPORT
ON
THE ACCOUNTS OF
GOVERNMENT OF
KHYBER PAKHTUNKHWA
AUDIT YEAR 2023-24

AUDITOR-GENERAL OF PAKISTAN

GOVERNMENT OF KHYBER PAKHTUNKHWA

1.3 Audit Paras

1.3.1 Expenditure in excess of original grant - Rs. 281,260 million

According to Para 4.2.8.2 and 4.2.3 of the APPM, the authorising officer must not authorise a claim unless it has been duly certified and sufficient funds are available in the concerned budget head to make the payment. The budget availability review function involves assessing whether the expenditure or commitment entered into is provided in the Schedule of Authorized Expenditure and is provided for in a Supplementary Grant. A budget availability review clearance form (form 4AA) will be prepared following this function and approved by an officer who has the authority to incur the expenditure.

During certification audit of Appropriation Accounts of the Government of Khyber Pakhtunkhwa for the Financial Year 2022-23, it was noticed that total expenditure amounting to Rs. 1,166,439 million was incurred against the Original Grant of Rs. 1,122,215 million. However, detailed grant-wise analysis revealed that in certain grants, an expenditure of Rs. 281,260 million was incurred in excess of the Original Grant **(Annexure-I)**.

The lapse occurred due to violation of APPM, which resulted into excess expenditure over the original grant.

In the DAC meeting held on 01.11.2023, it was discussed that the matter will be taken up with the Finance Department for regularization of supplementary grant. The Committee decided that the para will hold till valid authorization of the grants.

Audit recommends to obtain approval of the excess expenditure from the provincial assembly.

1.3.2 Unauthorized supplementary grant - Rs. 350,949 million

According to Article 126 of the Constitution of Islamic Republic of Pakistan 1973, notwithstanding anything contained in the foregoing provisions relating to financial matters, at any time when the Provincial Assembly stands dissolved, the Provincial Government may authorize expenditure from the Provincial Consolidated Fund in respect of the estimated expenditure for a period not exceeding four months in any financial year, pending completion of the procedure prescribed in Article 122 for the voting of grants and the authentication of the schedule of authorized expenditure, in accordance with the provisions of Article 123 in relation to the expenditure.

During certification audit of Appropriation accounts of the Government of Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that supplementary grant amounting to Rs. 350,949 million was incorporated in the appropriation accounts but the same was neither approved from the competent forum nor signed by the Chief Minister Khyber Pakhtunkhwa. Audit held that without authorization of the

Supplementary Grant / Budget by the Chief Minister, the Finance Department and Accountant General KPK were not authorized to incorporate the Supplementary Grant in the appropriation accounts.

The matter is brought to the notice for early authorization of the Supplementary Grant from the competent forum as mentioned in the Constitution before incorporation into appropriation accounts.

The lapse occurred due to violation of Article 126 of the Constitution of Islamaic Republic of Pakistan 1973 which resulted in unauthorized expenditure.

In the DAC meeting held on 01.11.2023, it was decided that the matter will be taken up with the Finance Department for regularization of the supplimentry grant. The para will hold till corrective measures.

Audit recommends to obtain authentication of the supplementary grant from the provincial assembly.

1.3.3 Unjustified block allocation without expenditure in the relevant cost centres - Rs. 15,786 million

According to Rule 65 of the GFR, the material on which the Budget and Demands for Grants are based is obtained by Finance Division in the form of detailed estimates submitted by heads of departments, administrations etc., who in their turn depend for the material on heads of offices and other offices who collect the revenues or incur expenditure. The Accountant General is responsible for rendering such assistance in the preparation, check and the consolidation of Budget Estimates and Demands for Grants as may he required by Finance Division in consultation with the Auditor-General.

According to Rule 73 (xi) of GFR, lump sum provision in the budget should not be made or proposed except in most exceptional circumstances, which should be invariably recorded. As far as possible, provision for contingent charges under the primary unit “Other Charges” should be proposed according to the prescribed detailed heads of expenditure so that the number of references to the Financial Advisers / Finance Division is reduced to the minimum.

During certification audit of Appropriation accounts of the Government of Khyber Pakhtunkhwa for the financial year 2022-23, it was observed that a sum of Rs. 15,786 million was unnecessarily allocated under various grants in different cost centers (DDOs) without spending a single penny from these cost centers. The allocated amounts were either re-appropriated or shown surrendered later on **(Annexure-II)**.

The lapse occurred due to weak budgetary planning and violation of general financial rules which resulted in idle funds parked in the cost centres.

In the DAC meeting held on 01.11.2023, it was discussed that the matter will be taken up with the Finance Department. It was decided that the para will stand till corrective measures.

Audit recommends to investigate the matter for fixing of responsibility against the person(s) at fault besides allocation of budget as per relevant rules / procedures.

1.3.4 Unauthorized reappropriation of funds without token money - Rs. 172.862 million

According to Para 97 of the GFR Vol-I, no re-appropriation shall be made without original / supplementary grant. While S No. 7 (7) of the Delegation of Powers & Rules 2001 provides that re-appropriation will not be made to meet the expenditure on purposes not contemplated in the Schedule of authorized expenditure pertains to a particular year. If funds to meet such expenditure are not available under the relevant grant, 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.

During certification audit of Appropriation accounts of the Government of Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that expenditure amounting to Rs.172.862 million incurred under the various object heads in which no token money was granted in original grants or supplementary grant while payments were made against the nil budget provision which was irregular and violation of above rules. The details given below.

Grant No.	Page No.	Cost Centre	Head of A/c	Description	Amount
2	11	PR5544	A04	Employee retirement benefits	381,000
2	12	-do-	A06	Transfer	161,370,000
4	28	PR-4654	A05	Grant & Subsidies	1,500,000
8	47	PR-4646	A05	Grant & Subsidies	600,000
10	61		A05	Grant & Subsidies	2,400,000
10	77	More than one DDOs	A05	Grant & Subsidies	1,800,000
10	77	-do-	A09	Physical Assets	300,000
11	86	More than one DDOs	A09	Physical Assets	4,511,200
Total					**172,862,200**

The lapse occurred due to weak financial controls and non-adherence to rules which resulted into unauthorized reappropriation of funds.

In the DAC meeting held on 01.11.2023, it was decided that the para is recommded to be settled subject to verification of revised draft manuscript of Appropriation Accounts. The revised draft was not provided till date.

Audit recommends to justify the matter and take corrective measures.

1.3.5 Misclassification of developmental expenditure - Rs. 83,315 million

According to Para 3.2.1.2 and 3.2.4.2 of the APPM, a number of other Government entities provide support during the budget process. These include various committees responsible for the review and approval of budget proposals (as nominated from time to time by the Ministry of Finance), including: The Planning Commission, The Economic Affairs Division and the Accountant General. The budget will be compiled to be consistent with the Chart of Accounts specifications.

According to Para 2.6 of the APPM, capital expenditure is defined as the expenditure incurred for the purpose of acquiring, constructing or enhancing physical assets or on schemes of capital outlay, as given by the object code in the Chart of Accounts.

According to Para 4.2.7.3 of the APPM, the verification of expenditure function involves the certifying officer verifying the validity of the claim voucher, in accordance with procedures set out in section 4.5.5, and ensure it correctly identifies the account head to which payment will be charged.

During certification audit of Financial Statements of Khyber Pakhtunkhwa for the Financial Year 2022-23, it was noticed that expenditure amounting to Rs. 90,618 million was booked under the head A03970 – Others, out which an amount of Rs. 83,315 million was expended under the developmental funds (NC12 and NC 22) **(Annexure-III)**. However, the total expenditure including incurred from developmental funds was treated as operating cost. Audit held that this expenditure pertains to developmental funds and should have been capitalized and classified as developmental expenditure.

The lapse occurred due to violation of chart of accounts which resulted in mis-classification, under-statement of developmental expenditure and over-statement of operating cost.

In the DAC meeting held on 17th October 2023, it was discussed that the budget was allocated in the A03-operating expenses, the matter will be taken up with the Finance Department for corrective measures. It was decided that the para will stand till correction of the amount observed.

Audit recommends to take corrective measures.

1.3.6 Misclassification and misstatement of expenditure of developmental budget as pay and allowances - Rs. 1,257 million

According to Para 2.6 of the APPM, capital expenditure is defined as the expenditure incurred for the purpose of acquiring, constructing or enhancing physical assets or on schemes of capital outlay, as given by the object code in the Chart of Accounts.

According to Para 4.2.7.3 of the APPM, the verification of expenditure function involves the certifying officer verifying the validity of the claim voucher, in accordance with procedures set out in section 4.5.5, and ensure it correctly identifies the account head to which payment will be charged.

During certification audit of the Financial Statements of the Government of Khyber Pakhtunkhwa for the Financial Year 2022-23, it was noticed in the data extracted from SAP that employees of the projects were paid through SAP under direct credit system from the head A01 (pay and allowances). Wheras the funds of the projects were released under the Head A03970, A12470 and A12270 etc (Others). The AG KPK paid the salaries to project employees from A01 Head amounting to Rs. 1,256.934 million booked under the A01 head but the amount was not transferred to its relevant head **(Annexure-IV)**.

The lapse occurred due to weak internal controls, non implementation of project accounting and lack of relevant configuration in SAP, which resulted in booking of expenditure under the wrong head leading to mis-classification, under-statement of project expenditure and over-statement of pay and allowances by Rs. 1,256,934,743.

In the DAC meeting held on 17th October 2023, it was discussed that the matter will be taken up with the departments for correction of the mis-classification pointed out. It was decided that the para will stand till correction of the amount observed.

Audit recommends to adopt proper procedures for payment of salaries through SAP under project module and timely reconciliation and correction of mis-classified expenditure.

1.3.7 Non reconciliation of the difference in bank and book balance – Rs. 14,644 million

According to Para 6.3.5.2 of the APPM, the Accountant General (AG and AGPR) will prepare a consolidated monthly reconciliation in the prescribed format for each of the government's bank account with the SBP under their jurisdiction.

During certification audit of Financial Statements of Government of Khyber Pakhtunkhwa for the Financial Year 2022-23, it was noticed that an amount of Rs. 47,188 million was shown as the closing balance in the consolidated fund account whereas the cash balance was Rs. 16,501 million, which resulted into a difference of Rs. 30,687 million. Later on, during reconciliation, an amount of Rs. 16,043 million was reconciled and the remaining balance of Rs. 14,644 million was still not reconciled.

Audit held that without proper reconciliation, the figures cannot be authenticated.

The lapse occurred due to violation of APPM and non-maintenance of monthly reconciliation record which resulted in difference in bank and book balance of cash.

In the DAC meeting held on 17th October 2023, it was decided that the para stands till correction of the amount observed.

Audit recommends to reconcile the closing balances with the state bank of Pakistan.

1.3.8 Non-disclosure of receipts and payment by third parties in the financial statements

According to Para 11.4.1.1 and 11.4.2.3 of APPM, all loan monies received must be recorded as a capital receipt in the Federal or Provincial Consolidated Fund. This includes any direct loans from donors to beneficiaries within the Government. The detail of all liabilities recognised shall be held in a Liabilities Register by the AGPR and AG offices, and periodically updated as advised from the appropriate entities. This Register shall hold a formal detailed and aggregated record of all recognised liabilities for the respective Federal or Provincial Governments.

According to Para 2.2.8.1 and 2.2.8.2 of the Financial Reporting Manual, the AG/AGPR will provide information on actual revenue collections by Minor Object heads against forecasts for the period (forecasts may need to be prorated, where meaningful), identifying the collecting Division / Department and on a year-to-date basis. This information will be generated from AG's / AGPR's own accounts as set out in chapter 5 of APPM.

During certification audit of Financial Statements of the Government of Khyber Pakhtunkhwa for the financial year 2022-23, it was observed that in the statement of cash flows, statement of receipts and payments and statement of comparison of budget and actual expenditure; the receipts and payments from the third parties payments were left blank. The said figures were also not recorded in the Finance Accounts of the Government of Khyber Pakhtunkhwa due to which the above-mentioned statements did not present a true and fair position. The same nature para has also been reported in the previous financial year's certification audit report.

The lapse occurred due to violation of prescribed accounting policies and procedures, which resulted in non-completion of financial statements, understatement of receipts, expenditure and debt.

In the DAC meeting held on 17th October 2023, it was decided that the para will stand till correction of the amount observed.

Audit recommends to complete the financial statements by incorporating the figures of the third party.

1.3.9 Non reconciliation of foreign debt - Rs. 48,708 million
Understatement of receipts of Foreign Aided Projects - Rs. 21,715 million

According to Para 11.4 of APPM, all loan monies received must be recorded as a capital receipt in the Federal or Provincial Consolidated Fund. This includes any direct loans from donors to beneficiaries within the Government. Cash transactions arising from liabilities (eg. loan receipts, repayments of interest and principal) shall be recorded in the Sub Ledger and General Ledger of the respective DAO/AG/AGPR offices. The related non-cash transactions arising from liabilities (eg. loan liability, loss or gain on exchange), shall also be recorded for incorporation into the Annual Accounts. Further according to para 11.5.1.2 of the said manual the AG/AGPR will reconcile the loan receipts and payments with EAD / MoF.

According to Para 11.3.2.3 and 11.3.2.4 of the APPM, external debt should be distinguished from grants received from overseas donors. Such foreign assisted grants are not liabilities. Where external loans are provided in the form of commodities, such as supplies, equipment and food, the liability shall be recorded at the cash (Rupee) equivalent.

During certification audit of Financial Statements of Government of Khyber Pakhtunkhwa for the Financial Year 2022-23, it was noticed that an amount of Rs. 48,708 million was shown as foreign debt. On detail scrutiny, it was observed that no further details of receipts and payment of individual loans was available. The total amount received during the year was written as lump sum in the "statement of detail of foreign loans" (page 77 of finance accounts). Moreover, no bifurcation was made between the debt and grants received from foreign donors and the whole amount received was treated as foreign debt. Audit also observed the following;

- Statement of domestic debt is updated upto 2017-18 and no further entries have been made (Page No. 74 of the Finance Accounts)
- Loans from federal government is not updated since 2013-14 (Page No. 75 of the Finance Accounts)
- An amount of Rs. 26,909 million was shown as opening and closing balance of debt from Bank of Khyber, which was not traceable.

Further scrutiny and comparison of record produced by the Debt Management Unit of the Finance Department KP with the figures reported in the Financial Statements revealed that the actual disbursement from the foreign debt during the FY 2022-23 was Rs. 70,423 million. It showed that Rs. 21,715 million of foreign debt was additionally raised by the Finance Department but was not taken into account.

The lapse occurred due to violation of APPM which resulted in reporting of unauthentic figures.

In the DAC meeting held on 17th October 2023, it was decided that the para will stand till correction of the amount observed.

Audit recommends to reconcile the debt figures to present true and fair picture.

Chapter - 2

ESTABLISHMENT & ADMINISTRATION DEPARTMENT

2.1A) Introduction

The Establishment and Administration Department is the core administrative organ of the province entrusted with General Administration and Establishment matters such as Posting Transfers within secretariat and throughout the province. Its functions also include providing Protocol to Chief Minister, President, and Prime Minister, State Guests and Official Delegation and arrangement of Cabinet meetings.

Estate Office of the Administration Department is responsible for maintaining official rest houses in Islamabad, Abbottabad and Peshawar and allotment of government residential accommodations and maintenance of these properties. Major beneficiaries of the department are the Provincial Government, District Government and Provincial and District Employees.

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

- It shall be the responsibility of the Chief Secretary to coordinate the work of all departments of Government.
- The Chief Secretary may call for any case or information from any Department or Attached Department.
- The Establishment and Administration Department shall be responsible for:
    - the determination of the principles of control of Government servants, including recruitment, conditions of service and discipline;

    - the coordination of the policy of all Departments with respect to services under their control so as to secure consistency of treatment;
    - securing to all government servants the rights and privileges conferred on them by or under any law for the time being in force; and
    - determining the strength and the terms and conditions of services of the personal staff of Ministers.
- Cabinet Work, including Cabinet of Minister (Appointment, Salaries and Privileges of Ministers); and all secretarial work of the Cabinet of Ministers including convening of meetings.
- Chief Minister Secretariat Work
- Honours, Awards & Sanads for Public Services and Ceremonials like Warrant of precedence and table of precedence; Pakistan Flag Rules; Civil uniforms; Court mournings; and Liveries & Clothing Rules.
- Declaring Holidays and Office Hours.
- Office management including management of Civil Secretariat and Government Offices generally; and Secretariat Standing Orders.
- All matters related to services like service rules and their interpretation, services associations, All Pakistan Unified Group (APUG) Officers, and the matters relating to recruitment, training, pay allowances, promotion, leave, postings etc. of the P.C.S (Executive Group), P.C.S (Secretariat Group) Services, the Khyber Pakhtunkhwa Provincial Management Service; and the Ministerial Establishment of the Provincial Secretariat.
- Preparation of Civil List and Official Gazette.
- Organization and Methods including periodic review of the organization staff, function and procedures of the Departments, Attached Departments and Subordinate Offices, and suggestions for improvement thereof; Improvement of general efficiency and economic execution of the Government Business; Advice regarding proper utilization of stationery and printing resources of the Government; and Training in Organization and Methods.
- Looking after the affairs of the Anti-Corruption; Public Service Commission; Estate Office; Khyber Pakhtunkhwa. Services Tribunal; Benevolent Fund; staff cars pool; and Framing and alteration of Rules of Business of Provincial Government and allocation of business among Ministers and Departments; distribution of provincial quota of motor cars; and identity Cards for civil officers/officials.
- Conduct of departmental examinations (Section Officers, Senior Scale Stenographers and Assistants); and conduct of Departmental Examination of DMG (BS-17), PCS (EG), PMS officers and Civil Tehsildars etc.
- Welfare and Group Insurance of Provincial Government employees, Formation of cadres and classification of posts, Instructions for the preparations and submission of Annual Confidential Reports, Declaration of Assets, Secretaries Committee Meetings; and Constitution of Selection Board; Adhoc Committee; and Service Rules Committee.
- Relaxation of age limits rules; tendering advice to the referring department on service matters; and principles regulating promotions from one post for a class to another.

- Policies of departmental enquiries; advance copies of representations; change in the date of birth; change of name; postings and transfers; marriage with foreign nationals; re-employment of retired officers and extension in service to superannuated officers; relaxation of T.A. rules provincial services; language examination rules; maintenance of cards by low paid officers; departmental examinations rules processing; radio talk by government servants; guest / rest houses; and concessions to candidates from Tribal and Backward Area.
- Government Servants Conduct Rules and their interpretation; Ordinance / Acts and Rules relating to Service matters of Civil Servants; and Framing, Processing, Notifications and interpretation of recruitment / service rules and amendment thereof; Writ petition filed by person retired under Martial Law Regulation; Inter-Provincial transfers; General circulars, etc. and other matters pertaining to Complaint Cell.
- Condonation of interpretation/breakage in service; Casual Leave Rules; State Guests; and Protocol.
- Matters relating to Federal Cabinet Meetings.

Audit Profile of Administration Department:

(Rs. in million)

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23	Revenue/Receipts Audited FY 2022-23
1	Formations	13	02	3,806	80
2	• Assignment Account • SDA (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc. under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

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

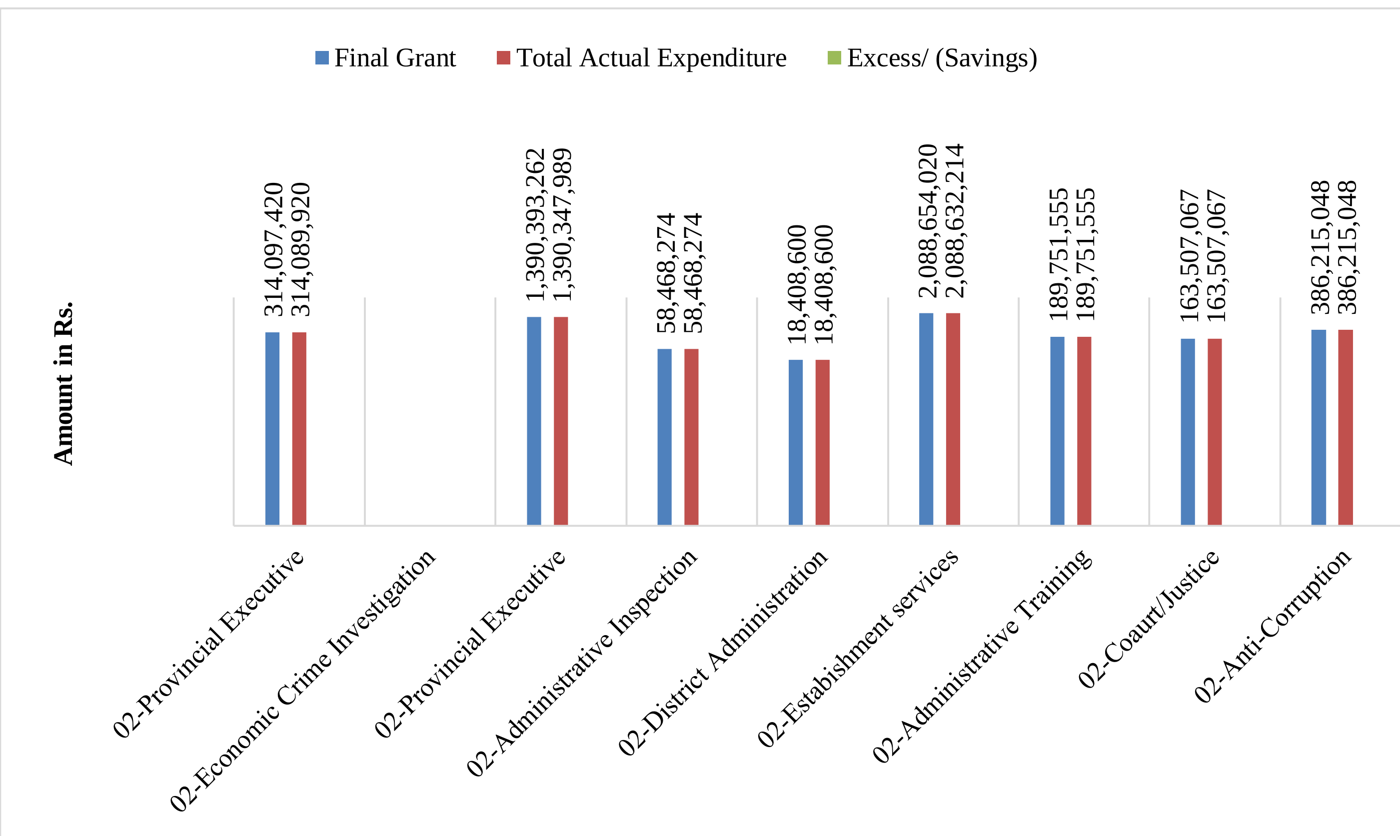
Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2022-23 against the total of grants/appropriation was as follows;

Non-Development:

(Amount in Rs.)

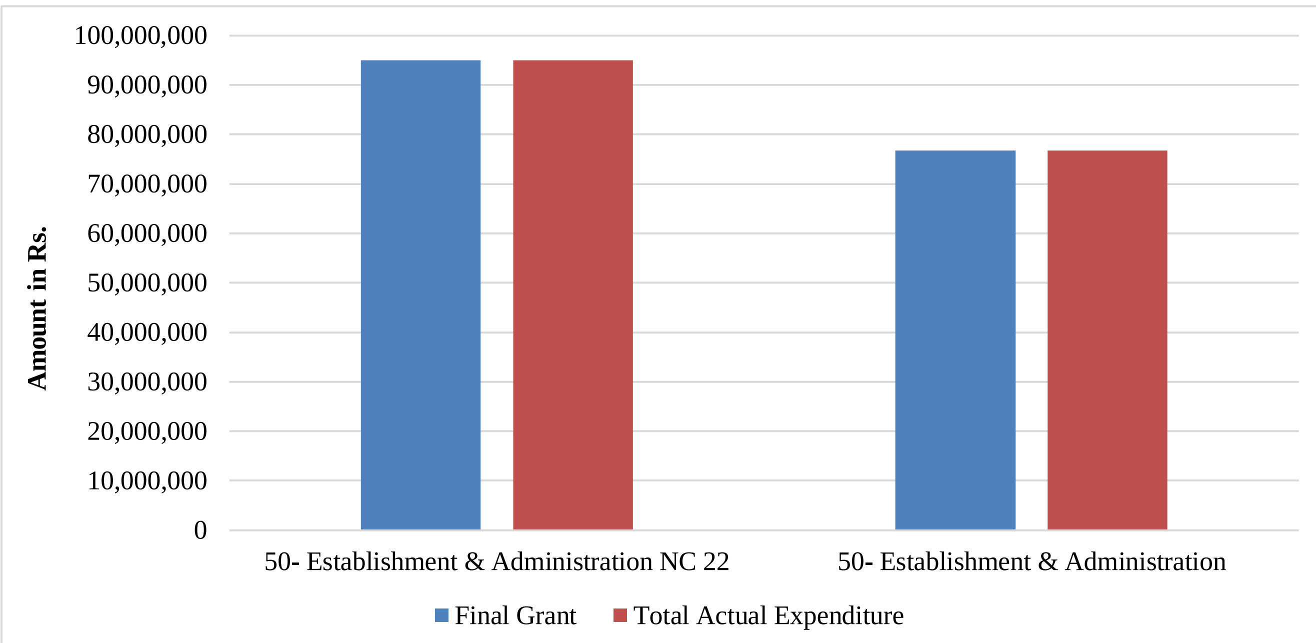
Grant # and Name of Department	Grant Type	Original Grant	Supp. Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
02-Provincial Executive	NC24	365,777,000	0	0	51,679,580	314,097,420	314,089,920	-7,500
02-Econominc Crime Investigation	NC24	0	0	0	0	0	0	0
02-Provincial Executive	NC21	1,407,284,000	0	138,750,042	155,640,780	1,390,393,262	1,390,347,989	-45,273
02-Administrative Inspection	NC21	56,493,000	0	19,811,515	17,836,241	58,468,274	58,468,274	0
02-District Administration	NC21	13,055,000	0	10,662,600	5,309,000	18,408,600	18,408,600	0
02-Estabishment services	NC21	2,698,194,000	0	-198,144,411	411,395,569	2,088,654,020	2,088,632,214	-21,806
02-Administrative Training	NC21	270,600,000	0	-39,952,128	40,896,317	189,751,555	189,751,555	0
02-Court/Justice	NC21	175,578,000	0	20,816,703	32,887,636	163,507,067	163,507,067	0
02-Anti-Corruption	NC21	369,165,000	0	48,055,679	31,005,631	386,215,048	386,215,048	0
Total		**5,356,146,000**	**0**	**0**	**746,650,754**	**4,609,495,246**	**4,609,420,667**	**-74,579**



Development:

(Amount in Rs.)

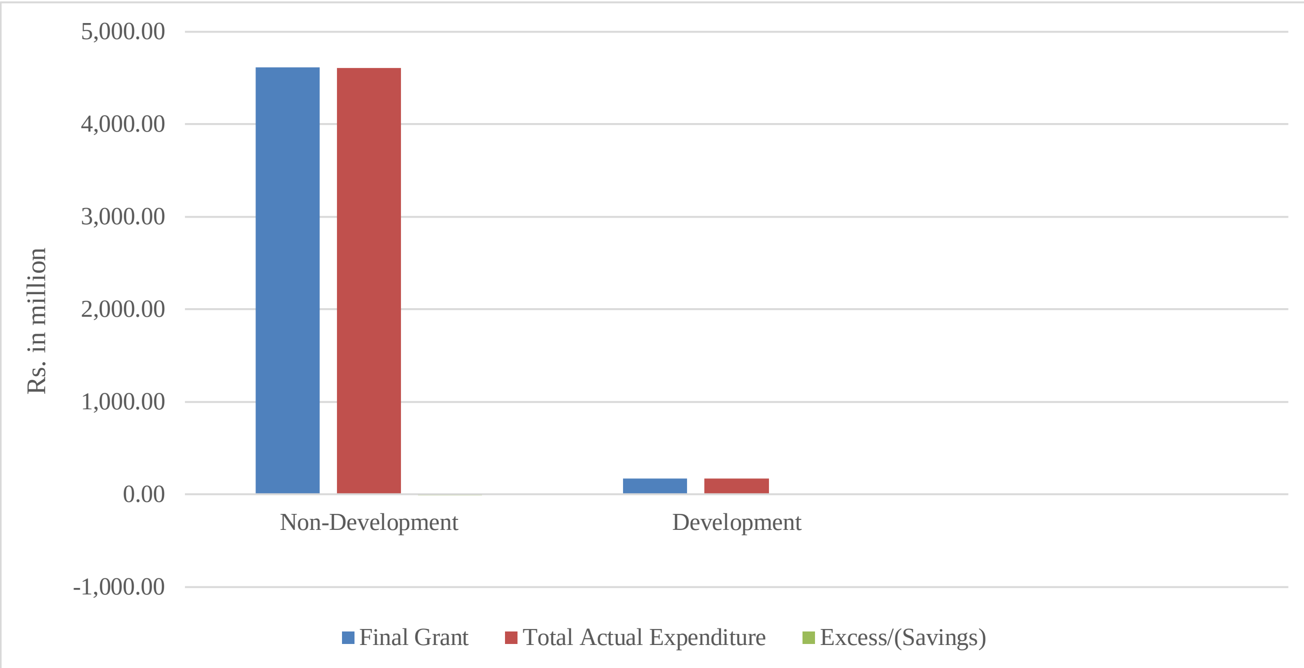
Grant # and Name of Department	Grant Type	Original Grant	Suppl Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50-Establishment & Administration	NC22	159,441,000	0	15,000,000	79,441,000	95,000,000	95,000,000	0
	NC12	291,650,000	0	35,000,000	249,855,289	76,794,711	76,794,711	0
Total		451,091,000	0	50,000,000	329,296,289	171,794,711	171,794,711	0



Overview of expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	4,609.50	4,609.42	-0.074579	-0.24%
Development	171.79	171.79	0	0.00%
Total	**4,781.29**	4,781.22	-0.074579	-0.24%



2.1(c) Issues in Establishment & Administration Department

The Government of Khyber Pakhtunkhwa Rules of Business 1985 established the Establishment and Administration Department with set of functions to be performed by each wing headed by two secretaries. However, under the Khyber Pakhtunkhwa Delegation of Financial Powers Rules 2018, the financial powers were delegated to the Chief Secretary to the Government of Khyber Pakhtunkhwa and the Secretary Administration being the administrative secretary of the department which resulted in two Principal Accounting Officers for one department. The provincial Public Accounts Committee requires the PAO to be responsible for the expenditure and receipts of the department concerned. In the instant case responsibilities have not been defined for the incurrence of expenditure and collection of receipts by the department and as such are in violation of the PAC directives being duality in the controls function. There were no details of the head-wise figures of the departmental own receipts collected by the department. The department did not furnish initial replies at the time of exit meeting and is also not convening DAC meeting within time. During the current year wastage of fund on project, non-recovery of accommodation charges, unauthorized payment for POL of helicopter and issues related to pay and allowances were identified.

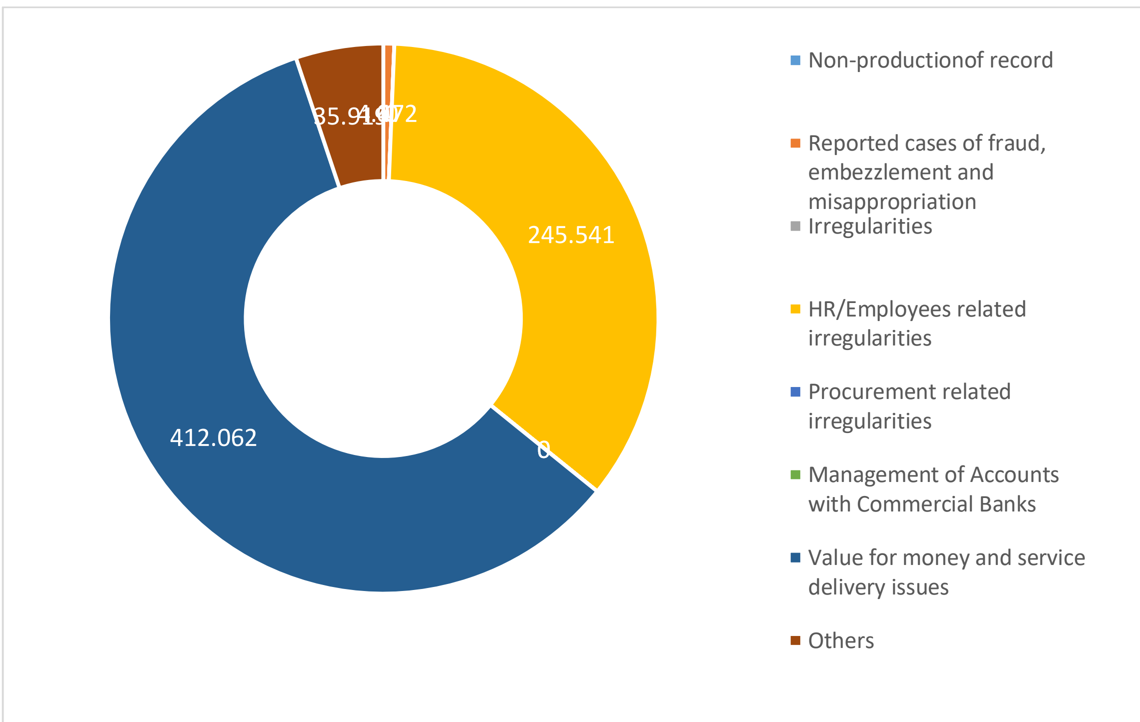
2.2 Classified summary of Audit Observations

Audit observations amounting to Rs. 697.994 million were raised in this report during the current audit of the Administration Department. This amount also includes recoveries of Rs. 31.970 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

S No.	Classification	Amount

		(Rs. in million)
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	4.472
3	Irregularities	-
A	HR/Employees related irregularities	245.541
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	412.062
5	Others	35.919



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

SNo.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1	2001-02	Establishment & Administration	14	14	-	-
2	2002-03	-do-	12	11	-	01
3	2003-04	-do-	06	06	-	-
4	2004-05	-do-	03	01	-	02
5	2005-06	-do-	04	03	-	01
6	2008-09	-do-	14	05	-	09
7	2009-10	-do-	32	09	-	23
8	2010-11	-do-	25	08	-	17
9	2011-12	-do-	20	08	-	12
10	2012-13	-do-	08	07	-	01
11	2013-14	-do-	12	06	-	06
12	2014-15	-do-	-	-	-	-
13	2015-16	-do-	-	-	-	-
14	2016-17	-do-	09	3	4	2
15	2017-18	-do-	-	-	-	-
16	2018-19	-do-	3	-	-	3

2.4 Audit Paras

2.4.1 Wasteful expenditure on account of project activities – Rs. 348.272 million

According to Para 05 of the approved PC-I of the project Performance Management and Reforms Unit (PMRU), the major objectives of the project are to ensure effective service delivery to the citizens; coordinate and oversee implementation of sectoral reforms in government departments, their attached departments and allied institutions; undertake performance management through Key Performance Indicators (KPIs) of all tiers of provincial government; promote e-governance and use of latest Information Communication Technology (ICT) in government; draft Policies, SOPs for various sectors; serve as a focal point for all offices and institutions of the government of KP; prepare regular briefs for the consumption of Chief Secretary KP; and effectively monitor service delivery and gauge performance of various tiers of the government.

According to Para 4 of the minutes of the meeting of representative of all district government held on 12-10-2015, the chair informed the participants that a comprehensive Vehicle Management Database has been adopted in Administrative Department on pilot basis, which will be extended to other department and district government.

During audit of the accounts of Secretary Establishment & Administration Department Khyber Pakhtunkhwa – PMRU Project for the Financial Year 2022-23, it was observed that the PMRU project incurred a substantial amount of Rs. 348,272,000/- since its inception in 2016, with 85% of the total expenditure directed toward human resources in the form of pay and allowances. However, this expenditure allocation was not accompanied by proper monitoring or progress reporting to assess the achievement of project objectives.

Audit further observed that;

- The authorities failed to establish an Advisory Council or Board under the Chairmanship of the Chief Secretary Khyber Pakhtunkhwa, consisting of experienced civil servants, as mandated by Clause 6 of the approved PC-I. This Council was intended to critically evaluate reform initiatives for long-term sustainability and effective implementation.
- The project management did not leverage the expertise of the Advisory Council to realign existing reform initiatives and enhance public service delivery.
- The project management showed limited progress on various sub-objectives, including the KP Good Governance Strategy, Citizen Portal, District Performance Monitoring Framework (DPMF), and others. The lack of progress was evident from the non-functional status of 296 schemes / projects across seven departments, which remained unaddressed despite directives.
- The project management withdrew funds from the government treasury without adhering to the prescribed procedure of maintaining an assignment account, as per the guidelines issued by the Finance Department KP.
- The project management could not provide record regarding collaboration with the line departments and district administration to develop solutions for improved service delivery.
- The District Performance Monitoring Framework (DPMF) of the Project clashed with another project by the P&D Department i.e. M&E, resulting in the potential wastage of government resources.
- The Transport Section received and handed over vehicles without adopting the previously decided Vehicle Management Database System, indicating inefficiencies in asset management. Its record-keeping was incomplete, with only two registers maintained – "vehicles received" and "vehicles handed-over" – lacking signatures and stamps from the responsible officers. Furthermore, the stock register failed to provide essential vehicle information.
- Despite decisions taken in Secretaries Committee meetings, the department neither provided a posting / transfer policy nor established monitoring mechanisms, as required by agendas set during meetings.
- The number of pending cases / inquiries increased instead of decreasing, reflecting a poor performance in the case disposal and inquiries management e.g. pending cases/inquiries increased from 176 to 276, as reported on Secretary Committee meeting held on 29.03.2022.
- Administrative departments delayed framing rules despite approvals of Acts, such as the PDA Act was passed in 2017, which still lacked approved rules & regulations, indicating poor performance in the Local Government sector.
- Despite directives issued in Secretary Committee meetings, the PMRU project did not provide necessary information on closed projects' vehicles indicating a lack of follow-through on key tasks.

Audit held that the project management failed to provide any documentary evidence / report regarding achievement of any of the objectives of the project which means that the public funds were utilized by the authorities without any public service delivery on ground.

The lapse occurred due to non-achievement of project objectives which resulted in wasteful expenditure.

When pointed out in August 2023, no reply was given.

The department was requested vide letter dated 26.09.2023 followed by a reminder letter dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter and fix responsibility on the person(s) at fault.

PDP No. 6 (2022-23)

2.4.2 Wasteful expenditure on account of pay and allowances of OSD officers – Rs. 27.538 million

According to Para 10 (i) of the General Financial Rules volume-I, every government officer shall exercise the same vigilance in respect of expenditure incurred from public moneys, as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of the accounts of Secretary Establishment & Administration Department Khyber Pakhtunkhwa – Main Office for the Financial Year 2022-23, it was observed that a sum of Rs. 27,538,866/- was paid to 35 number of officers on account of their pay and allowances who were posted as Officers on Special Duty. However, further scrutiny of record revealed that these OSD officers were assigned this special designation without suitable justification despite of the fact that sufficient vacant posts in the same cadre were available.

It is worth mentioning here that these officers were availing privileges such as use of vehicles and POL etc. along with pay and allowances. However, the management failed to provide record regarding performance of special tasks / duties by these officers.

Audit held that making the officers as OSDs without performing any special tasks and keeping other available posts as vacant was wastage of the scarce government resources with no utility at all.

The lapse occurred due to weak internal controls which resulted in wasteful expenditure on pay and allowances.

When pointed out in August 2023, no reply was given.

The department was requested vide letter dated 26.09.2023 followed by a reminder letter dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to discourage making officers as OSDs to avoid wasteful expenditure.

PDP No. 8 (2022-23)

2.4.3 Loss to the government due to unauthorized utilization of helicopters – Rs. 17.119 million

According to Clause 3 read with Clause 7B (1) of the Khyber Pakhtunkhwa Ministers (Salaries, Allowances and Privileges) (Second Amendment) Act 2022, the Chief Minister may use or allow a Minister, Advisor or Special Assistant to Chief Minister, Public Servant or Government Servant to use an aircraft or helicopter of the Government, at government expenses, for his official use or for any journey relating to his duties as such.

During audit of the accounts of Secretary Establishment & Administration Department Khyber Pakhtunkhwa - DG Aviation KP for the Financial Year 2022-23, it was observed that an expenditure of Rs. 17,119,763/- was shown incurred on account of fuel charges of two helicopters of the provincial government. Further scrutiny of record revealed that the total flight duration of both helicopters from July 2022 to June 2023 was 171 hours. However, the management neither obtained the necessary approval of the Chief Minister in cases where the helicopter was used by other VIPs nor purpose of the visits was provided.

Moreover, the management also failed to record the official purpose of any visit undertaken by the Chief Minister KP, which was against the rules and regulations referred to above and misutilization of the public assets cannot be ruled out.

Furthermore, the management also incurred an expenditure of Rs. 771,000 on account of refreshment charges on VIP's during these visits.

The lapse occurred due to weak internal controls and non-observance of rules which resulted into loss to the government.

When pointed out in August 2023, no reply was given.

The department was requested vide letter dated 26.09.2023 followed by a reminder letter dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

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

PDP No. 1 (2022-23)

2.4.4 Wasteful expenditure due to incomplete construction of hanger for helicopter – Rs. 63.79 million

According to Paras 56, 58 and 95 of CPWD Code, proposals in the estimates must be structurally sound and estimates are accurately calculated and based on adequate data. Work should not be commenced until administrative approval and a properly detailed design have been sanctioned. A public officer is strictly prohibited to deviate from sanctioned design in the course of execution of work.

During audit of the accounts of Secretary Establishment & Administration Department Khyber Pakhtunkhwa - DG Aviation KP for the Financial Year 2022-23, it was observed that an ADP scheme costing Rs. 74.990 million was approved in the PDWP meeting held on 14-04-2015 for “Construction of Hanger of MI-17 at Peshawar Airport’’. The purpose of the scheme was to provide proper hanger for KP Helicopter which was damaged due to rains and hailstorms. However, the management failed to complete the scheme within the stipulated period of 18 months and revised the original PC-I in the PDWP meeting held on 02-11-2017 by increasing the project cost to Rs. 351.183 million resulting into a cost-over-run of Rs. 276.19 million.

Further scrutiny of record revealed that the management could only manage to expend an amount of Rs. 63.795 million up to March 2023 with no developmental work on ground, as pointed out in the monitoring report of P& D Department dated 27.03.2023. The report further states that the executive engineer admitted that the DG Aviation KP has changed the drawings and design of the project due to which the scheme could not be completed in time.

Audit held that all the stakeholders including Chief Secretary Office, Secretary Establishment and Administration Department and DG Aviation Office failed to plan, execute and monitor the project in the best public interest and as per justification provided in the approved PC-I.

The lapse occurred due to weak internal controls and lack of proper coordination which resulted in wasteful expenditure.

When pointed out in August 2023, no reply was given.

The department was requested vide letter dated 26.09.2023 followed by a reminder letter dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

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

PDP No. 2 (2022-23)

2.4.5 Loss to the government due to non-recovery of rent on account of residential accommodation – Rs. 18.800 million

According to Rule 18 (1) of the Khyber Pakhtunkhwa Residential Accommodation at Peshawar (Procedure for Allotment) Rules 2018, an allottee, who is transferred out of Peshawar in any department, organization, board, authority and commission etc. may retain the residential accommodation on the following terms;

A one year on payment of normal rent; and

B subsequent one year on payment of market rent;

Provided that such retention shall only be allowed if the allottee did not avail residential accommodation in his new place of posting.

Provided further that no further extension shall be allowed beyond the permissible period of two years mentioned above.

According to Para 6.10 of the By Laws of the Civil Officers Mess, Bills shall be promptly cleared on receipt. Any bills not been cleared in two months after the expiry of the month shall make a member liable to termination of membership and recovery of dues in a manner decided upon by the Management Committee in its discretion may also declare such member ineligible for fresh membership for the period determined at its discretion.

During audit of the accounts of Secretary Establishment & Administration Department Khyber Pakhtunkhwa – Estate Office for the Financial Year 2022-23, it was observed that the office provided residential accommodation to different categories of officers during their service at District Peshawar. However later on, the officers were posted out from District Peshawar or retired, but the management neither vacated the allotted residential accommodations nor made the necessary recovery of the rent from the officers concerned, which resulted into loss of Rs. 17,729,996/- to the provincial exchequer **(Annexure-V)**.

It was further observed that membership fee of the civil officers mess amounting to Rs. 1,070,600/- was outstanding against the members, however, the same was neither recovered from them nor their membership suspended by the management, as required under the rules aforementioned.

The lapse occurred due to weak internal controls which resulted into loss of Rs. 18,800,596/- to the government.

When pointed out in August 2023, no reply was given.

The department was requested vide letter dated 26.09.2023 followed by a reminder letter dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

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

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide DP Number 2.4.5 having financial impact of Rs. 27.130 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 3 (2022-23)

2.4.6 Unauthorized payment on account of pay and allowances – Rs. 202.699 million

According to Rule 10 (V) of the General Financial Rules Volume-I, the amount of allowances granted to meet expenditure of a particular type should be so regulated that the allowances are not on the whole a source of profit to the recipients.

According to Clause 2 (III) of the Project Policy 2008, revised from time to time, fixed pay package for project posts shall be sanctioned at the time of approval of PC-I with reference to the responsibilities attached with the posts. Approximate fixed package in reference to various pay scales shall be paid.

During audit of the accounts of Secretary Establishment & Administration Department Khyber Pakhtunkhwa – Performance Management & Reforms Unit (PMRU) Project for the Financial Year 2022-23, it was observed that a payment of Rs. 202,699,040/- was made to the regular staff posted as employees of PMRU on account of Special PMRU Allowance, Medical Allowance and Monetization Allowance for last five years. However, further scrutiny of record revealed that neither there was any provision in the Project Policy 2008 nor was the staff entitled to draw these allowances, as detailed below;

Year	Special PMRU Allowance	Medical Allowance	Monetization Allowance	Total Amount
2022-23	32,747,893	3,299,980	4,491,935	40,539,808
Amount paid for the last 4 years from 2017-22 (Rs. 40,539,808 X 4 years)				162,159,232
Grand total				**202,699,040**

Moreover, upon initiation of the Project Implementation Policy 2022, the Special PMRU Allowance was discontinued and two running basic pays were allowed to the employees of the project in lieu of the said allowance.

It is worth mentioning here that the approval of these allowances was granted by the Chief Minister Khyber Pakhtunkhwa through a summary in complete violation of the approved Project Policy 2008.

Audit held that making payment of the allowances to the employees of the project in violation of the project policy was a serious lapse.

Audit further held that the department converted and declared 05 different project posts (BPS-17 and 18) as scheduled posts and allowed the admissibility of the scheduled post / executive allowance in addition to the monetization and medical allowance as allowed to the other project posts.

The lapse occurred due to weak internal controls and non-observance of government policy which resulted in unauthorized payment.

When pointed out in August 2023, no reply was given.

The department was requested vide letter dated 26.09.2023 followed by a reminder letter dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

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

PDP No. 5 (2022-23)

2.4.7 Overpayment on account of PMRU Special Allowance and monetization – Rs. 13.170 million

According to the Summary to the Chief Minister KP for Establishment of Performance Management and Reforms Unit as a ADP scheme, approved by the Chief Minister Khyber Pakhtunkhwa on 13.01.2016, the Special PMRU Allowance of the officers / officials shall be as follow;

BPS-19	Rs. 150,000

BPS-18	Rs. 100,000
BPS-17	Rs. 85,000
BPS-16	Rs. 20,000

During audit of the accounts of Secretary Establishment & Administration Department Khyber Pakhtunkhwa – PMRU Project for the Financial Year 2022-23, it was observed that an amount of Rs. 12,120,000/- was drawn on account of Special PMRU Allowance in excess of the rate approved by the Chief Minister KP, as detailed below;

Designation	Rate	Allowance Drawn P.M	Diff.	Months	Posts	Overpayment
Deputy Director (BPS-18)	100,000	150,000	50,000	24	5	6,000,000
Assistant Director (BPS-17)	85,000	100,000	15,000	24	1	360,000
Web Developer (BPS-17)	85,000	100,000	15,000	24	1	360,000
Account Officer (BPS-17)	85,000	100,000	15,000	24	1	360,000
Application Developer (BPS-17)	85,000	100,000	15,000	24	1	360,000
Communication & Advocacy Officer (BPS-17)	85,000	100,000	15,000	24	1	360,000
Manager MIS (BPS-17)	85,000	100,000	15,000	24	1	360,000
OS Developer (BPS-17)	85,000	100,000	15,000	24	1	360,000
GIS Specialist (BPS-17)	85,000	100,000	15,000	24	1	360,000
BPS-16 Officer	20,000	35,000	15,000	24	9	3,240,000
Total						**12,120,000**

Similarly, scrutiny of record revealed that two officers of the Project Management and Reform Unit are drawing monetization allowance in addition to vehicle allotted to them.

Name of officer	Designation	Rate	Months	Total	Remarks
Sana Hafeez	Deputy Director	55,000	14	770,000	Allotted vehicle # A-5882
Muhammad Taufiq	Deputy Director	55,000	05	275,000	LPC showed no conveyance allowance
Total				**1,045,000**	

Hence, payment of monetization allowance in addition to the allotted vehicle is unauthorized.

The lapse occurred due to violation of the instruction which resulted in overpayment of Rs. 13,165,000/- to the employees.

When pointed out in August 2023, no reply was given.

The department was requested vide letter dated 26.09.2023 followed by a reminder letter dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the excess amount.

PDP No. 7 (2022-23)

2.4.8 Unauthorized payment of Executive Allowance – Rs. 2.134 million

According to Finance Department Khyber Pakhtunkhwa Notification No. FD/SOSR-II)2-5/2021-22 (Executive Allowance) dated 07.07.2021, Executive Allowance is not admissible in any kind of leave as well as posting against OSD and leave reserve posts.

During audit of the accounts of Secretary Establishment & Administration Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that a sum of Rs. 2,134,350/- was paid on account of executive allowance to the following officers during OSD period;

Name	BS	OSD From	TO	Mon.	E.A Drawn	Rate	Amount
M. Hassan Ahsan	17	23.09.22	30.11.23	9	7	59,355	415,485
Arshad Khan Afridi	20	29.09.22	31.12.22	3	1	150,990	150,990
Mohammad Qasim	18	01.07.22	31.12.22	6	2	109,185	218,370
M. Arshad Qayyum	18	01.07.22	30.09.22	3	2	100,575	201,150
Adeel Shah	20	01.04.23	30.06.23	3	2	150,990	301,980
M. Idrees Khan	20	01.04.23	30.06.23	3	2	178,050	356,100
Amer Latif	20	01.04.23	30.06.23	3	2	191,580	383,160
M. Qaisar Khan	19	27.02.23	31.05.23	3	1	107,115	107,115
Total							**2,134,350**

The lapse occurred due to weak internal controls which resulted in unauthorized payment.

When pointed out in August 2023, no reply was given.

The department was requested vide letter dated 26.09.2023 followed by a reminder letter dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

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

PDP No. 10 (2022-23)

2.4.9 Suspected misappropriation on account of POL and Repair & Maintenance - Rs. 4.472 million

Para 23 of the General Financial Rules Volume I requires 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 his subordinate staff.

During audit of the accounts of Secretary Establishment & Administration Department Khyber Pakhtunkhwa for the Financial Year 2021-22, it was observed that an amount of Rs. 2,430,096/- was incurred on account of POL on the vehicles. However, comparison of the relevant POL vouchers with the monthly vehicles list provided by the local office, revealed that the vehicles were not at the strength of the local office. It is apprehended that the invoices were fake.

Similarly, expenditure to the tune of Rs. 2,042,736/- was incurred on repair and maintenance of vehicles which were neither on the strength of the department nor were allotted to other departments, meaning thereby that the amount was drawn on fake invoices.

The lapse occurred due to weak internal controls which resulted in suspected misappropriation of Rs. 4,472,832/-.

When pointed out in January 2023, no reply was furnished.

The department was requested vide letter dated 17.04.2023 followed by a reminder dated 19.12.2023 for holding DAC meeting, however it was not convened till finalization of this report.

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

PDP No. 557 & 565 (2021-22)

Chapter-3

AGRICULTURE DEPARTMENT

3.1 A) Introduction

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

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

Audit Profile of Agriculture Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23 (Rs in million)	Revenue/Receipts Audited FY 2022-23 (Rs in Million)
1	Formations	37	20	10,851	174

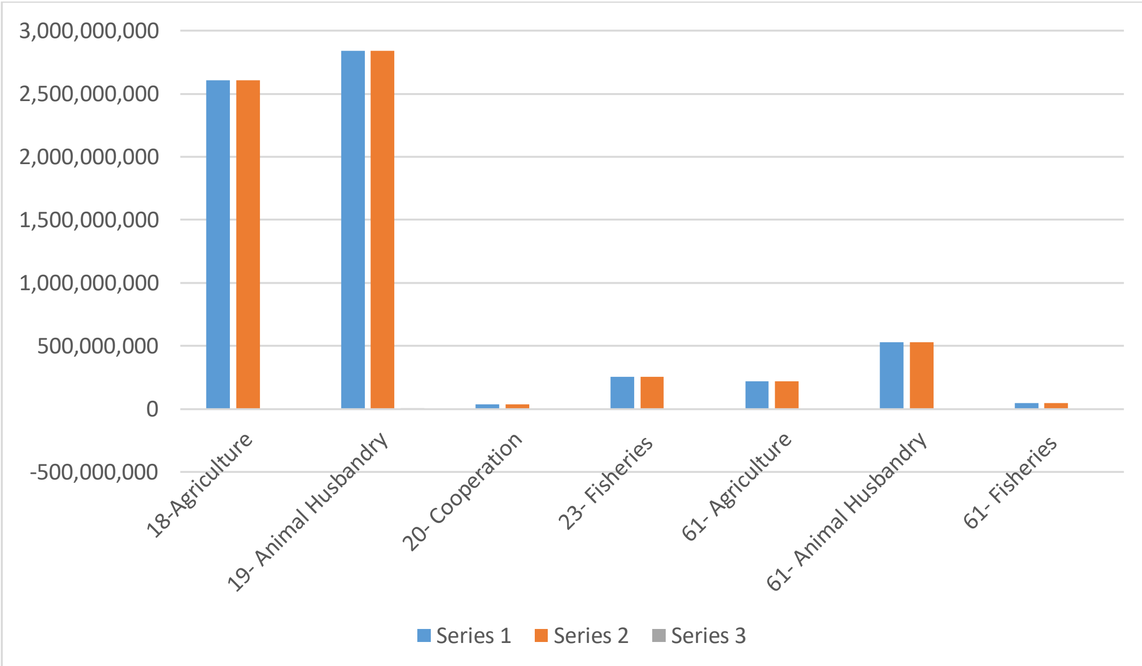
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	Nil	Nil
3	Authorities/Autonomous bodies etc under PAO	01	01	1937.69	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

3.1 B) Comments on budget and accounts (variance analysis)
Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2022-23 is given below:

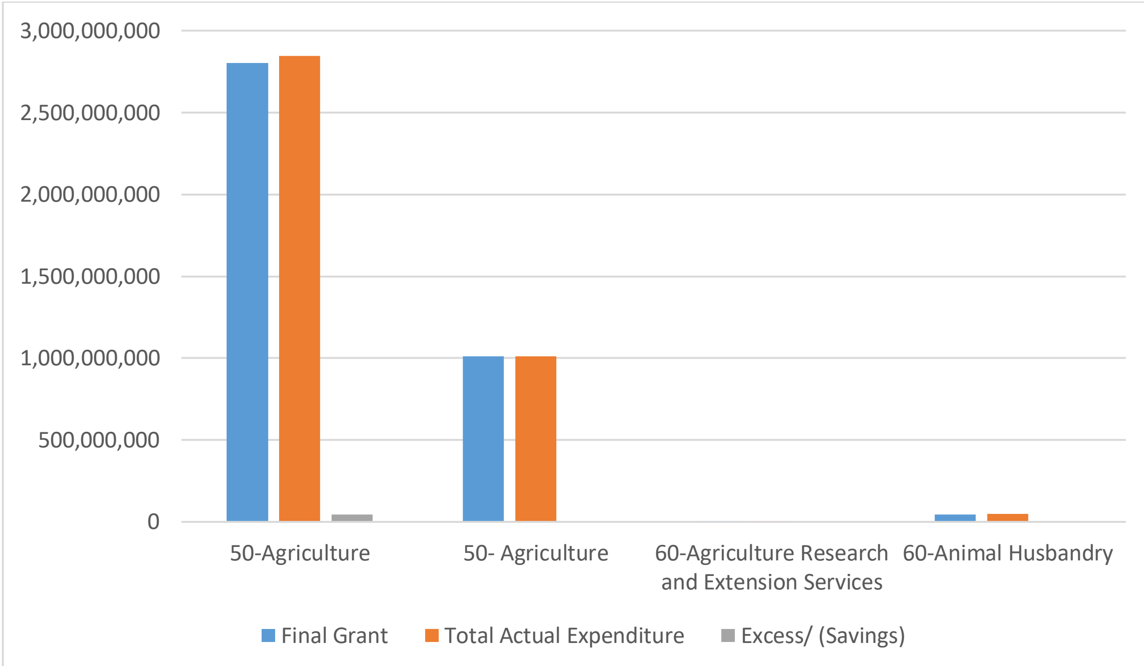
Non-Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
18-Agriculture	NC21	5,026,039,000	210	0	2,416,546,098	2,609,492,112	2,609,460,869	- 31,243
19- Animal Husbandry	NC21	2,550,001,000	739,094,000	0	449,154,242	2,839,940,758	2,839,952,261	11,863
20-Cooperation	NC21	44,619,000	858,000	0	8,250,241	37,226,759	37,226,759	-
23-Fisheries	NC21	306,718,000	100	0	50,495,534	256,222,566	256,150,550	- 72,016
61-Agriculture	NC21	349,687,000	0	7,290,515	135,631,759	221,345,756	221,342,606	- 3,150
61- Animal Husbandry	NC21	368,315,000	0	172,652,061	9,954,695	531,012,367	530,917,078	- 95,289
61-Fisheries	NC21	47,474,000	0	6,909,824	8,490,796	45,893,028	45,757,004	- 136,024
Total		**8,692,853,000**	**739,952,310**	**186,852,400**	**3,078,523,365**	**6,541,133,346**	**6,540,807,127**	**- 325,859**



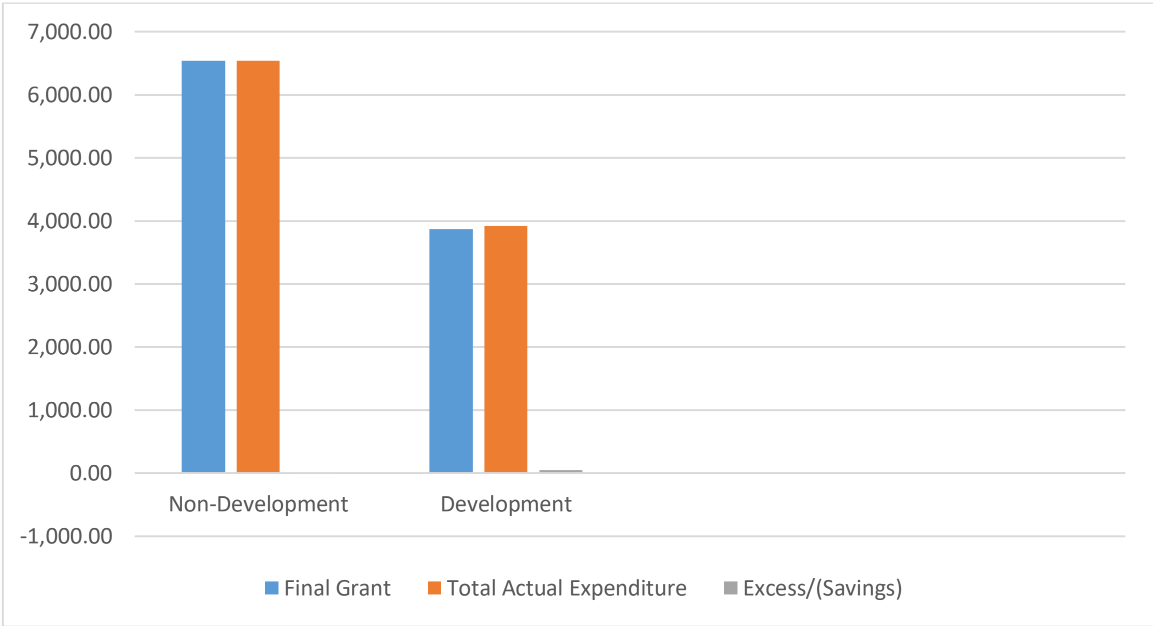
Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Apprioriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50-Agriculture	NC22	5,734,440,000	0	74,317,290	3,004,543,508	2,804,213,782	2,848,052,519	43,838,737
50-Agriculture	NC12	2,420,245,000	0	-360,792,290	1,047,245,589	1,012,207,121	1,012,207,121	-
60-Agriculture Research and Extension Services	NC22	33,882,000	0	0	28,229,101	5,652,899	5,652,899	-
60-Animal Husbandry	NC22	189,517,000	0	0	145,961,303	43,555,697	48,536,704	4,981,007
Total		**8,378,084,000**	**0**	**-286,475,000**	**4,225,979,501**	**3,865,629,499**	**3,914,449,243**	**48,819,744**



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

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	6,541.13	6,540.81	- 0.33	0.00%
Development	3,865.63	3,914.45	48.82	1.26%
Total	**10,406.76**	**10,455.26**	**48.49**	0.47%


7,000.00
6,000.00
5,000.00
4,000.00
3,000.00
2,000.00
1,000.00
0.00
-1,000.00
Non-Development
Development
Final Grant
Total Actual Expenditure
Excess/(Savings)

3.1(c) Issues in Agriculture Department

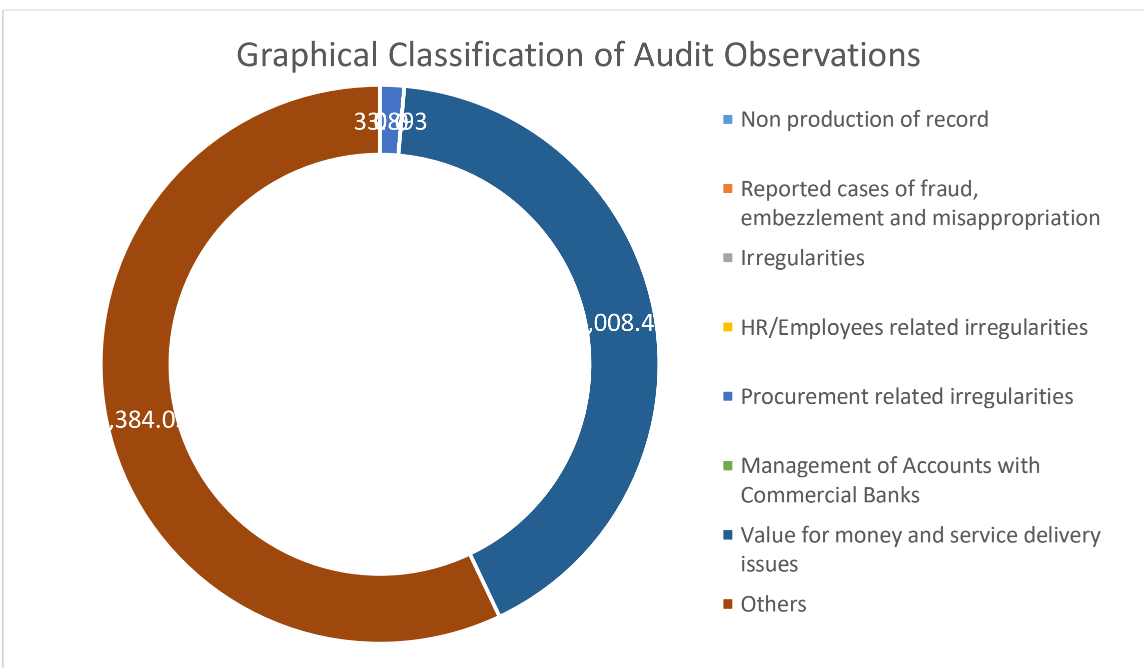
The department has not implemented Agriculture Policy 2015-25 and Food Security Policy 2021 in true spirit, procurements are not economical evident from purchase of wheat, ureaand transportation charges at higher rates, irregular expenditure on machinery, ineligible distribution of wheat seed and deviated from approved work plan.Furthermore, thedepartment neither furnished initial reply at the time of exit meeting nor convened DAC meeting within time.

3.2 Classified summary of Audit Observations

Audit observations amounting to Rs. 2,426.329 million were raised in this report during the current audit of the Agriculture Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

S No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	33.893
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	1,008.407
5	Others	1,384.029



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	Agriculture Department	14	14	-	-
2	2002-03	-do-	12	11	-	01
3	2003-04	-do-	06	06	-	-
4	2004-05	-do-	03	01	-	02
5	2005-06	-do-	04	03	-	01
6	2008-09	-do-	14	05	-	09
7	2009-10	-do-	32	09	-	23
8	2010-11	-do-	25	08	-	17
9	2011-12	-do-	20	08	-	12
10	2012-13	-do-	08	07	-	01
11	2013-14	-do-	12	06	-	06
12	2014-15	-do-	-	-	-	-
13	2015-16	-do-	-	-	-	-
14	2016-17	-do-	09	3	4	2
15	2017-18	-do-	-	-	-	-
16	2018-19	-do-	3	-	-	3

3.4 Audit Paras

3.4.1 Non-implementation of Agriculture Policy 2015-25 and Food Security Policy 2021

According to the Khyber Pakhtunkhwa Agriculture Policy 2015-2025; following activities/policy actions will be performed for successful achievement of the policy objectives;

1. Enhancing and strengthening the commodity chain for key commodities.
2. Strengthening systems for technology generation, assessment, and dissemination.
3. Creating accredited laboratory and inspection system for product certification.
4. Agriculture zoning for development.
5. Capacity development and registration of NGO/CSO service providers.
6. Specific actions for promoting private sector investment.
7. Targeted support to selected poor areas.
8. Rangeland development.
9. Disaster risk preparedness.
10. Strengthening Farm Services Centers.
11. Restructuring of the Department.
12. Review of Seed Act, Market Acts, Consumer Rights Act, and Plant Breeder’s Rights.

According to KP Food Security Policy 2021:

1. Government may prioritize & ensure financial investment in development budget which may have allocation of 8-10% of the total ADP under Agriculture Sector.
2. Government may invest in reclamation and development of culturable waste through Agriculture Department. The Livestock & Agriculture Extension Departments should launch awareness campaigns for promotion of farming activities on the newly reclaimed land to maximize productivity.
3. Extension of credit facilities for land and infrastructure development through short, medium and long-term projects.
4. Agriculture commodities business should be regulated under legal framework with the help of all stake holders in order to minimize trader's exploitation and to enforce fair pricing mechanism for both producers and consumers.
5. Private investments be ensured in harvesting, gardening & packaging, processing and marketing of the Agriculture commodities.
6. Introduction of mechanized farming through Farm Services Centers.
7. Introduction of Cluster/Specialized Farming facilities so that small land holders convert their productive units into big chunks.
8. Research on climate resilient varieties and Agricultural practices.
9. Research on development and diversification of rain fed crops.
10. Research on upland / mountain agriculture.
11. Institutional strengthening & reforms for specialized and better services delivery.
12. Adoption to modern technologies especially Information Communication Technologies (ICT) is indispensable.
13. Data authenticity is one of the major constraints in sustainable planning and informed decision making. Adoption to modern technologies like satellite imageries should be the focus area while devising any strategy for the development of Agriculture in the province.
14. Special incentives and encouragement for enhanced Gender participation in the overall Agricultural improvement programs.
15. Promotion of Public Private Partnership and contractual farming.
16. Introduction of Kissan Card / e-Voucher Scheme for farmer to get inputs on credit (in kind) with soft terms & conditions.
17. Development of Agriculture zones across the province.
18. Creation of dedicated Secretariat for Livestock sector.
19. Efficient use of allocated share of Irrigation water under Water Apportionment Accord 1991.

During audit of the accounts of Secretary Agriculture Research, Animal Husbandry, Co Operation Department Khyber Pakhtunkhwa Peshawar for the Financial Year 2022-23, it was observed that Agriculture and Food Security Policies were initiated by the Department in 2015 and 2021 respectively.

The verification of record revealed that the Department did not devise any mechanism for monitoring of the implementation of policyhence relevant data of implementation was not available with the department.

Audit obtained the data of wheat crop from the Food Department Khyber Pakhtunkhwa which is tabulated below showing the impact of policies of Agriculture Department;

(Figures in Metric Ton)

Year	Local Growers	Purchased from Punjab	Purchased from PASSCO	Imported	Total
2017-18	93,266	-	-	-	93,266
2018-19	52,063	100,000	-	-	152,063
2019-20	19,888	-	550,000	-	569,888
2020-21	419	-	600,000	447,209	1,047,628
2021-22	-	100,000	500,000	519,000	1,119,000
2022-23	-	-	1,400,000	-	1,400,000
Total	**165,636**	**200,000**	**2,650,000**	**1,166,209**	**4,381,845**

The above table clearly shows that after the introduction of Agriculture Policy 2015 and Food Security Policy 2021, the production of local wheat decreased to a level when there was nothing left with the growers to sell, compelling the government to import the wheat.

The lapse occurred due to weak administrative controls which resulted into non-implementation of the policies and non-achievement of objectives and targets.

When pointed out in September 2023, it was stated that policy is implemented through attached directorates. The relevant data could be available with the directorates. No consolidated data or details regarding the requisite fields/components of the policy are available at this office.

The department was requested vide letter dated 11.11.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to prioritize the policy objectives and subsequent planning according to the available resources.

PDP No. 2 (2022-23)

3.4.2 Loss to the government due to purchase of wheat seed at higher rate - Rs. 257.135 million

According to Clause VII and VIII of the SOP of Agriculture Development Fund, the Program Steering Committee is the competent forum to accord approval of budget for different activities to be carried out during the year like purchase of seed, purchase of bags, repair of machinery, transportation, operational cost etc.

During audit of the accounts of Directorate General Agriculture (Extension) Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that expenditure amounting to Rs. 257.135 million was incurred on the purchase of wheat seed over and above the prescribed rate by Program Steering Committee. According to the PSC meeting convened on 14-03-2023 and approved minutes of the said meeting on 3/5/2023, the rate for the purchase of wheat seed was fixed at Rs. 62 per kg. However, a meeting of departmental level committee held its meeting one day prior to the steering committee meeting i.e. 2/5/2023 fixed Rs.135/Per kg. The scrutiny of record revealed PSC approved rate was fixed at Rs.3100/- per bag of 50 kg, while the same were purchased at higher rate than approved as per detail given below.

(Amount in Rs.)

Kind of seed	Bags Procured	Actual Market rate	Enhanced rate	Diff.	Loss
Basic	960	3100	6750	3650	3,504,000
Certified	22178	3100	6200	3100	68,751,800
Certified	43248	3100	6500	3400	147,043,200
Certified	13047	3100	6000	2900	37,836,300
Total					**257,135,300**

Audit is of the view that the departmental committee was a lower forum and the department was required to follow the approved rates of PSC which was an apex body which shall decide policy matters pertaining to seed production / procurement and marketing arrangement.

The lapse occurred due to weak internal controls which resulted into loss of Rs. 257.135 million to the government.

When pointed out in November 2023, no reply was furnished.

The department was requested vide letter dated 19.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the losses from the concerned besides high level enquiry against the concerned for such losses under intimation to audit.

PDP No. 29 (2022-23)

3.4.3 Irregular expenditure on account of advertisement charges - Rs. 2.930 million

According to Para 12 of GFR Vol-I, 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 audit of the accounts of Directorate General Soil & Water Conservation Khyber Pakhtunkhwa for the Financial Year 2021-22, it was observed that a sum of Rs. 2,930,100/- was incurred by the local office on account of advertisement charges, as detailed below;

Date	Billing Date	Amount
5/22	15/1/2022	199,500
5/22	16/4/2022	129,600
5/22	18/4/2022	199,500
5/22	17/4/2022	199,500
3/22	17/7/2021	259,200
3/22	2/8/2021	1459600
6/22	24/5/2022	199500

6/22	25/5/2022	199500
6/22	22/5/2022	84200
Total		**2,930,100/-**

In this connection the following points needs clarification;

1. The whole amount was paid to "Daily Jan Nisar Pakistan" Karak. As the schemes relates to all merged area districts therefore, payment made to local Newspaper needs justification.
2. As per Government orders all the advertisement must be made through Director Information KP whereas this process had been violated by local office.
3. The payment was not been made through cross cheque from Accounts office. First the local office drewcheque through DDO and deposited the said amount in designated bank accounts. After that payment was made to the Newspaper without acknowledgment.
4. No original cutting of Newspaper was found attached with the bill which also creates doubt.

The lapse occurred due to weak internal controls which resulted into irregular expenditure.

In the DAC meeting held on 25.10.2023, the Para was marked for detailed verification of record. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to recover the amount paid besides fixing responsibility on the persons at fault.

PDP No. 1057 (2021-22)

3.4.4 Irregular expenditure on account of purchase of Wheat Cleaner and Grader - Rs. 15.675 million

According to clause 8 (3) of the KPPRA, Pre-qualification of bidders shall be based entirely upon the capability, competence and resources of the bidders relevant to performance in the particular assignment, taking into account the following;
a) Legal status along with proof of registration with one of the Federal or Provincial Registration.
b) Proof of being a taxpayer. (c) Organizational profile, relevant experience, past performance, list of clients and references. (d) Relevant experience and past performance.
e) Existing capabilities with respect to human resource, personnel, computing and engineering equipment, machinery and plant, as may be the case. (f) Financial position for the last three years including bank statements and audited reports by an external auditor. (g) Proof of possessing appropriate managerial capability; and (h) any other factor that a procuring entity may deem relevant, depending on the nature and complexity of the contract but not inconsistent with these rules.

During audit of the accounts of Directorate of Cereal Crops Research Institute Pirsabak Nowshera for the Financial Year 2020-21, it was observed in the PSDP project "Wheat Productivity Enhancement Project Khyber Pakhtunkhwa" that an amount of Rs. 15,675,000/- was incurred on the purchase of Seed Cleaner and Grader Capacity 2.5 ton/hour along with 50KV Generator and paid the amount to M/S Marwat & Yousafzai vide Cheque No. 2110440 dated 11-06-2021. The tendering process for the purchase of the project machinery & equipment was carried out by the office of Director General Agriculture Research Peshawar.

However, Audit observed the following shortcomings;

- The procuring entity adopted single stage, two envelops procedure, where bids were to be evaluated on technical and financial grounds and price was taken into account after technical evaluation. However, records of the office showed that total three firms participated in the tendering process in which two firms were disqualified. Both the firms were disqualified on the grounds that the firms were not capable to prepare and install big seed cleaner and not a single number was given, which led to the only one qualified firm, Marwat and Yousafzai.
- The management failed to prepare the detail specification of the proposed machinery which resulted in doubtful selection of the contractor.
- The technical committee made the technical evaluation without assigning the requisite technical marks to the unqualified firms which is against the KPPRA rules.
- The selected firm had also not provided the complete specification of items, but that was ignored and granted undue favor by the technical committee.
- The selected company had no experience in the installation of subject machinery and equipment as evident from the profile of the firm.
- The selected firm was not an authorized distributor of the machinery and equipment supplied which was the Condition No. 2 of the standard bid document of the procuring entity.
- As per bid evaluation criteria no iii, the firm submitting the proposal without any specific make/ model/brand will be rejected. However, the selected firm submitted the proposal without the same requirement but was not rejected.

Audit held that the procuring entity neither fulfilled the basic requirement of KPPRA rules nor followed their own standard bidding conditions which led to the irregular, less competitive and doubtful contracting.

The lapse occurred due to weak internal controls which resulted into irregular expenditure.

When pointed out in November 2021, no reply was furnished.

In the DAC meeting held on 26 & 27.12.2022, it was decided that the department may provide the relevant record to Audit for verification. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to inquire the matter and fix responsibility on the persons at fault.

PDP No. 87 (2020-21)

3.4.5 Doubtful supply of machinery and equipment - Rs. 5.543 million

According to the technical and financial proposals submitted by M/S S.U enterprises for the following items, the contractor was bound to provide the items of that particular origin and country along with proper shipment documents as agreed to authenticate the supply of item;

Supplier name	Name of items	Unit	Rate	Amount
M/S SU Enterprises	Analytical Electrical Balance Model PR224/E Ohaus-USA	2	149,000	298,000
-do-	Conductivity Meter Model Starter 3100C Ohaus USA	1	81,900	81,900
-do-	Grinder Model MFC Micro Hammer Mill Kinematica AG-Switzerland	1	550,000	550,000
-do-	Spectrophotometer Model UV1100 Robus-UK	1	550,000	550,000
-do-	Kjeldahl digestion, Distillation,	1	2,212,000	2,212,000

-do-	Titrator and accessories Model S2 Cat # 80 48 49002 Behr-Labor-Germany	1	453,600	453,600
Total				**4,145,500**
Grand Total (4145500+1398150)				**5,543,650**

During audit of the accounts of Directorate of Cereal Crops Research Institute Pirsabak Nowshera for the Financial Year 2020-21, it was observed in the PSDP project "Wheat Productivity Enhancement Project Khyber Pakhtunkhwa" that an amount of Rs. 4,145,500/- was paid to M/s S.U Enterprises vide cheque No. 2110439 dated 11-06-2021 on account of supply of above items. However, scrutiny of the bill of entry revealed that the same equipment items were shipped and imported from AJMAN FREE ZONE UAE which make the supply doubtful and needs to be justified.

Similarly, an amount of Rs. 1,398,150/- was also paid to Rays Technologies vide cheque No. 2110441 dated 11-06-2021 on account of supply of Flame Photometer, Model 360 Sherwood Made in England, however, shipment documents of the same machine were not found on record which make the supply doubtful and needs to be authenticated.

Audit held that the high value items which were supposed to be imported from the country of origin i.e. Germany, USA, UK, and Switzerland were imported from UAE which make the supply of the items as doubtful due to the difference of country of origin.

The lapse occurred due to violation of rules and regulations which resulted into doubtful supply of items.

When pointed in November 2021, it was replied that the procurement process has been done at the DG Office. The matter would be discussed and detailed reply shared with Audit.

In the DAC meeting held on 26 & 27.12.2022, it was decided that the department may conduct detailed investigation in the matter. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to investigate the matter and take appropriate action.

PDP No. 88 (2020-21)

3.4.6 Loss to the government due to non-forfeiture of performance security of the defaulter contractors - Rs. 14.675 million

According to Clause 4.4 of the general conditions of contract and 4.4 of the contract data of the contract agreement executed with M/S Hizbullah Khan Gandapur in August 2017, the contractor shall furnish to the procuring entity within 14 days after receipt of the letter of acceptance, a performance security in the form of bank draft or bank guarantee @4% valid for a period of one year or till the defect liability period is over and also satisfactory completion certificate is issued by the Engineer.

During special audit of the Gomal Zam Dam – Command Area Development Project DI Khan, it was observed that the Project Management executed contract agreements for construction of different packages of watercourses and roads with different contractors. However, further scrutiny of record revealed that the contractors failed to complete the works within the stipulated (and even in the multiple extended) period of time. Accordingly, the balance works of 02 packages of watercourses and roads each were awarded to the On-Farm Water Management Tank in August 2020 under MOU-6. However, the project management failed to forfeit the performance security of the defaulter contractors which resulted in loss of Rs. 14,675,105/- to the government, as detailed below;

Pkg. No.	Contractor Name	Works	Original Contract Price	Performance Security
10	Hizbullah Khan & Sons	23 No WCs	46,267,755	4,626,775
12	Hizbullah Khan & Sons	13 No WCs	48,483,298	4,848,330
16	Nasrullah & Brothers	Roads	26,233,671	2,900,000
17	M. Zed Khan	Roads	21,175,210	2,300,000
Total				**14,675,105**

The lapse occurred due to weak internal controls which resulted in loss to the government.

When pointed out in April 2023, the management stated that the report has been discussed with the Audit Party and that a detailed reply will be furnished after consulting the relevant record.

In the DAC meeting held on 10.01.2024, it was decided that the department may recover the amount from the contractors. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to inquire the matter and fix responsibility against the person(s) at fault besides forfeiting the performance securities at the earliest.

PDP No. 1162 (2021-22)

3.4.7 Unauthorized issuance of agriculture machinery to Model Farm Services Center DI Khan – Rs. 55.663 million

According to Paragraph 01 of the Note for Secretary Agriculture and Livestock and Cooperatives Department, it was submitted that the donor agency has agreed in March 2020 to the proposal of providing support to the farming community of the project area in the form of distribution of various agriculture machinery.

According to Clause F at Page No. 10 of the MoU for COVID-19 Early Recovery Strategy (Short & Medium Term) signed with Agriculture Extension Department in May 2020, the large agriculture machinery like motorized wheat hand reaper, wheat thresher, kharif double drill, maize planter, maize sheller, cotton planter, and post hole digger will be distributed amongst the farmed / registered water user associations on the basis of cluster approach, and the associations will provide receipt of the received machinery for verification purposes. For safety of the machinery, the formed committee will ensure proper space and shelter in the agreed venue / hujra as per decision of the cluster board / members.

According to Clause 2.1 (3) (i) of the Addendum-II of the Consultancy Contract executed with M/S Taleem Foundation in June 2020, the consultant shall establish Farmers Facilitation Centers (FFCs) for collective use of the agriculture machinery through resolutions from the concerned water user associations.

During special audit of the Gomal Zam Dam – Command Area Development Project DI Khan, it was observed that an amount of Rs. 55,663,796/- was paid to M/S Aziz Enterprises on account of purchase of different agriculture machinery, as detailed below;

Invoice No.	Cheque No.	Date	Particulars	Amount
8	93321194	12.02.21	500 Agriculture Machinery and Tools in DI Khan	17,756,102
9	93321195	12.02.21	402 Agriculture Machinery and Tools in Tank	13,061,060
11	93321223	15.06.21	Other Agriculture Machinery	8,334,360
12	93321224	15.06.21	Other Agriculture Machinery	9,994,530
16	34304838	03.12.21	04 Kharif Double Drill and 03 Maize Planters	3,530,530
17	34304839	03.12.21	05 Kharif Double Drill and 04 Maize Planters	2,987,214
Total				**55,663,796**

However, further scrutiny of record revealed that the agriculture machinery purchased was handed over to the Model Farm Services Center DI Khan vide Handing / Taking Over Certificate No. 2175 dated 24.03.2022 instead of distributing the same amongst the water user associations in the command area as per the approved policy and criteria or utilizing the machinery through Farmers Facilitation Centers established by M/S Taleem Foundation for collective use of agriculture machinery through resolutions from the concerned water user associations.

Moreover, the USAID A&E Consultant i.e. M/S HPK vide their verification certificate dated 09.02.2021 verified the supplied agriculture machinery in Model Farm Services Center DI Khan and observed their non-distribution amongst the water user associations. The project director provided a distribution timeframe and assured that the same will be distributed by the end of February 2021 together with demonstrations on its operation. However, the project director instead of distributing the machinery amongst the water user associations handed over the same to the Model Farm Services Center in March 2022.

From the Focal Person / Agriculture Specialist Crops GZD-CADP letter dated 26.10.2020 addressed to M/S Taleem Foundation wherein the latter was requested to provide a complete list of clusters as per 259 water user associations formed till date and 4087 beneficiaries list at the earliest to avoid any inconvenience in distribution of the subject machinery amongst them, also establishes the unauthorized handing over to MFSC.

The lapse occurred due to violation of the agreed guidelines and the signed MOU which resulted in unauthorized issuance of the agriculture machinery.

When pointed out in April 2023, the management stated that the report has been discussed with the Audit Party and that a detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10.01.2024, it was decided that the department may provide the relevant record to Audit for verification. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to inquire the matter for fixing of responsibility against the person(s) at fault.

PDP No. 1173 (2021-22)

3.4.8 Unauthorized expenditure due to deviation from approved Work Plan - Rs. 1,237.873 million

According to Section I E2 of Schedule II of the Project Execution, “the recipient shall cause the Project Implementation Entity, not later than two months after furnishing each annual work plan and budget referred to in the preceding paragraph to the association to finalize and adopt, and thereafter ensure that the project is carried out in accordance with such plan and budget as agreed in writing with the Association.”

During audit of the accounts of Khyber Pakhtunkhwa Irrigated Agriculture Improvement Project Peshawar for the Financial Year 2022-23, it was observed that Rs. 3,716.280 million were incurred on various components in the following districts as per details given below;

(Rs. In million)

District Name	Approved work allocation	Expenditure on unapproved work	Difference
Bannu	166.717	337.548	170.831
Buner	113.651	115.518	1.867
Charsadda	113.651	154.948	41.297
D.I Khan	1208.046	1323.683	115.637
Karak	91.171	353.225	262.054
Kohat	89.623	122.338	32.715
LakkiMarwat	239.713	749.984	510.271
Swat	287.831	325.167	37.336
Tank	52.879	97.484	44.605
South Waziristan	76.367	91.058	14.691
Mohmand	38.758	45.327	6.569
Total	**2478.407**	**3716.28**	**1237.873**

The verification of record revealed that the expenditure incurred in the above districts was higher than the budget allocation of approved annual work plan. Audit therefore, held that the higher amount of expenditure than the approved budget allocations is unauthorized.

The lapse occurred due to violation of approved annual work plan which resulted in excess expenditure.

When pointed out in October 2023, no reply was furnished.

The department was requested vide letter dated 01.12.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and fixing responsibility on person (s) at fault.

PDP No. 20 (2022-23)

3.4.9 Loss to the government due to overpayment on account of transportation charges - Rs. 11.605 million

According to para section 5.01 of Article V of Financial agreement, the recipient and the project implementation Entity shall carry out their respective parts of the project;

- With due diligence and efficiency;
- In conformity with appropriate administrative, technical, financial, economic environmental and social standards and practices; and
- In accordance with the provision of the legal agreement.

During audit of the accounts of Khyber Pakhtunkhwa Irrigated Agriculture Improvement Project Peshawar for the Financial Year 2022-23, it was observed that Rs. 37,875,603/- was paid to M/S Bilal & CO on account of transportation charges of wheat seed. Further verification of record revealed that the project management awarded the contract for transportation of wheat seed to M/S Bilal & Co on the plea that M/S Bilal & CO is the registered transport contractor of Food Department KP. However, the project management did not consider the approved rates of the Food Department KP for economy, due to which government sustained a loss of Rs. 11,605,591/- by payment of higher rates than the rates paid by the Food Department in the same period from and to the same stations. Detail comparison is elaborated below;

S. No.	Dispatch Point	Delivered at	Tons	Distance	Rate per KM Per Tone	Approved Rate	Difference	Amount
1	Khanewal	DIK	91.5	394	15.13	6.93	8.2	295,618
2	Pipplan	DIK	102.5	110	20.85	6.93	13.92	156,948
3	Khanewal	DIK	97.6	340	15.13	6.93	8.2	272,109
4	Pipplan	DIK	135	151	20.85	6.93	13.92	283,759
5	Pipplan	DIK	68	121	20.85	6.93	13.92	114,534
6	Pipplan	DIK	284	167	18.98	6.93	12.05	571,507
7	Jhang	DIK	238.5	233	18.16	6.93	11.23	624,057
8	Jhang	DIK	261.5	232	18.16	6.93	11.23	681,302
9	Pipplan	DIK	134.25	131	20.85	6.93	13.92	244,808
10	Pipplan	DIK	21.85	200	18.98	6.93	12.05	52,659
11	Pipplan	DIK	9.65	197	18.98	6.93	12.05	22,908
12	Khanewal	Tank	35	398	15.13	6.93	8.2	114,226
13	Khanewal	DIK	34.15	273	15.13	6.93	8.2	76,448
14	Khanewal	Malakand	165.1	650	15.13	5.59	9.54	1,023,785
15	Khanewal	Malakand	35	650	15.13	5.59	9.54	217,035
16	Khanewal	Charsadda	70	707	15.13	6.81	8.32	411,757
17	Khanewal	Nowshera	315	621	15.13	6.87	8.26	1,615,780
18	Sahiwal	Swabi	30	514	15.13	5.09	10.04	154,817
19	Khanewal	Swabi	67.5	577	15.13	5.09	10.04	391,033
20	Sahiwal	Swat	155	557	15.13	5.59	9.54	823,636
21	Sahiwal	Swat	137.5	559	15.13	5.59	9.54	733,268
22	Sahiwal	Swat	151.2	560	15.13	5.59	9.54	807,771
23	Sahiwal	Swat	25	542	15.13	5.59	9.54	129,267
24	Khanewal	Mardan	283.3	625	15.13	5.04	10.09	1,786,561
Total								**11,605,591**

The lapse occurred due to weak internal controls which resulted into loss to the government.

When pointed out in October 2023, it was stated that the procurement made as per rule, reply will be submitted later.

The department was requested vide letter dated 01.12.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and fixing responsibility on person (s) at fault.

PDP No. 23 (2022-23)

3.4.10 Ineligible distribution of wheat seeds - Rs. 72.888 million

According to Email from World Bank dated 10th November 2022:

- Non-availability of land ownership / use documents / record verified by the Revenue Department cannot be accepted. And affidavit can be used in addition, to cases identified as above.
- Unfortunately, there cannot be exceptions to proof of land ownership/use records.

During audit of the accounts of Khyber Pakhtunkhwa Irrigated Agriculture Improvement Project Peshawar for the Financial Year 2022-23, it was observed that wheat seeds amounting to Rs. 338,410,800/- were purchased from M/S Punjab Seed Corporation and distributed among the farmers in flood affected areas of KP.

Further verification of record revealed that wheat seeds amounting to Rs. 72,888,400/- were distributed in the following district where no revenue record was available and violated basic/approved criteria for distribution of wheat seeds. Audit therefore held that the distribution of seed is ineligible in the absence of revenue record / fard or affidavit.

S. No.	District Name	Quantity	Rate	Amount
1	Kohistan	700	5200	3,640,000
2	Dir Upper	2100	5200	10,920,000
3	Dir Lower	2249	5200	11,694,800
4	Chitral Lower	2466	5200	12,823,200
5	Chitral Upper	2500	5200	13,000,000
6	Malakand	4002	5200	20,810,400
Total		**14017**		**72,888,400**

The lapse occurred due to non-observance of distribution criteria which resulted in ineligible and unauthentic distribution of wheat seeds.

When pointed out in October 2023, it was stated that the districts where relevant revenue record was not available, the beneficiary list was verified from the Deputy Commissioner / Assistant Commissioner as per project documents.

The reply was not convincing as the donor agency had clarified that there cannot be exceptions to proof of land ownership / use records.

The department was requested vide letter dated 01.12.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

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

PDP No. 27 (2022-23)

Chapter-4

AUQAF, HAJJ, RELIGIOUS AND MINORITY AFFAIRS DEPARTMENT

4.1 A) Introduction

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

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

Audit Profile of Auqaf, Hajj and Minority Affairs Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23 (Rs in Million)	Revenue/Receipts Audited FY 2022-23 (Rs in Million)
1	Formations	02	01	791	0
2	• Assignment Account • SDA • Etc (Excluding FAP)	03	Nil	Nil	N/A

3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

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

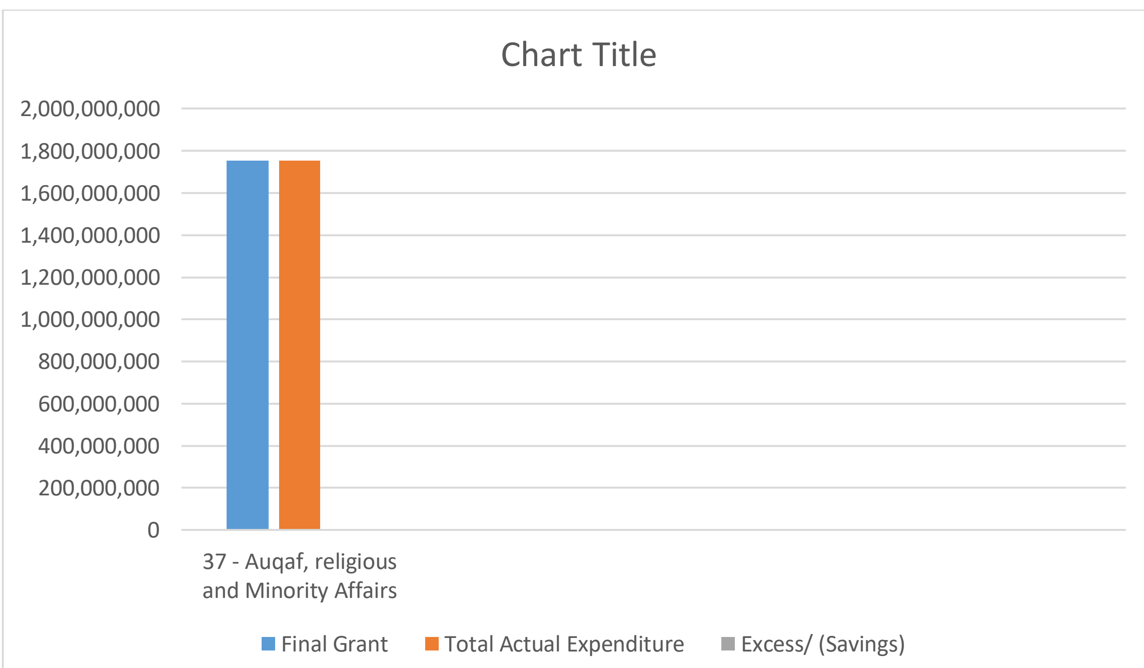
Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2022-23 against the total of grants/appropriation was as follows:

Non-Development;

(Amount in Rs.)

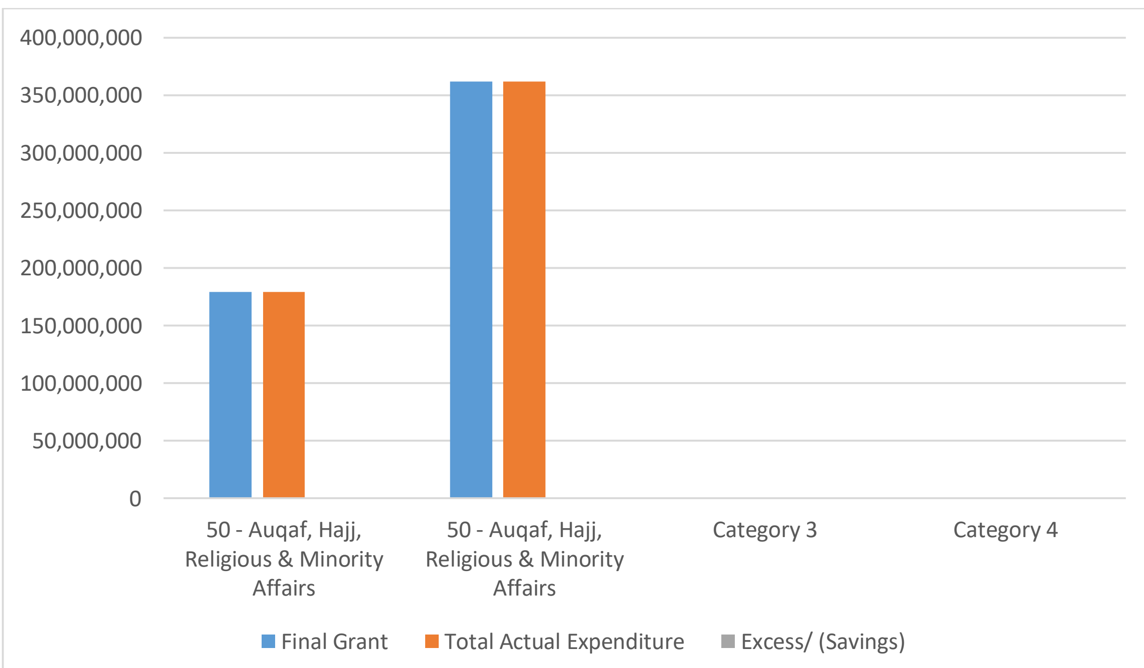
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appriopriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
37 - Auqaf, religious and Minority Affairs	NC21	3,057,439,000	30	0	1,305,010,414	1,752,428,616	1,752,447,274	**18,658**
Total		**3,057,439,000**	**30**	**0**	**1,305,010,414**	**1,752,428,616**	**1,752,447,274**	**18,658**



Development;

(Amount in Rs.)

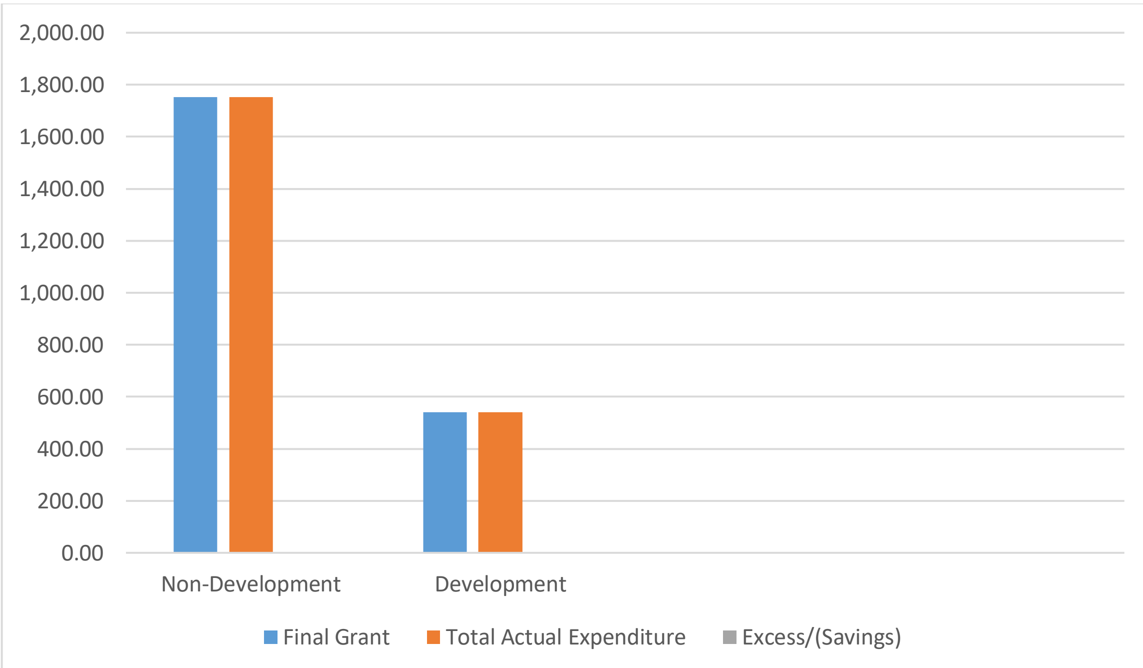
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appriopriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50 - Auqaf, Hajj, Religious & Minority Affairs	NC22	582,490,000	0	4,420,500	415,961,793	179,284,707	179,416,707	132,000
50 - Auqaf, Hajj, Religious & Minority Affairs	NC12	289,560,000	0	239,114,000	166,656,032	362,017,968	362,017,968	-
Total		**872,050,000**	**0**	**243,534,500**	**582,617,825**	**541,302,675**	**541,434,675**	**132,000**



Overview of expenditure against the final grant;

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	1,752.43	1,752.45	0.02	0.00%
Development	541.30	541.43	0.13	0.02%
Total	**2,293.73**	**2,293.88**	**0.15**	0.01%



4.1(c) Issues in Auqaf Department

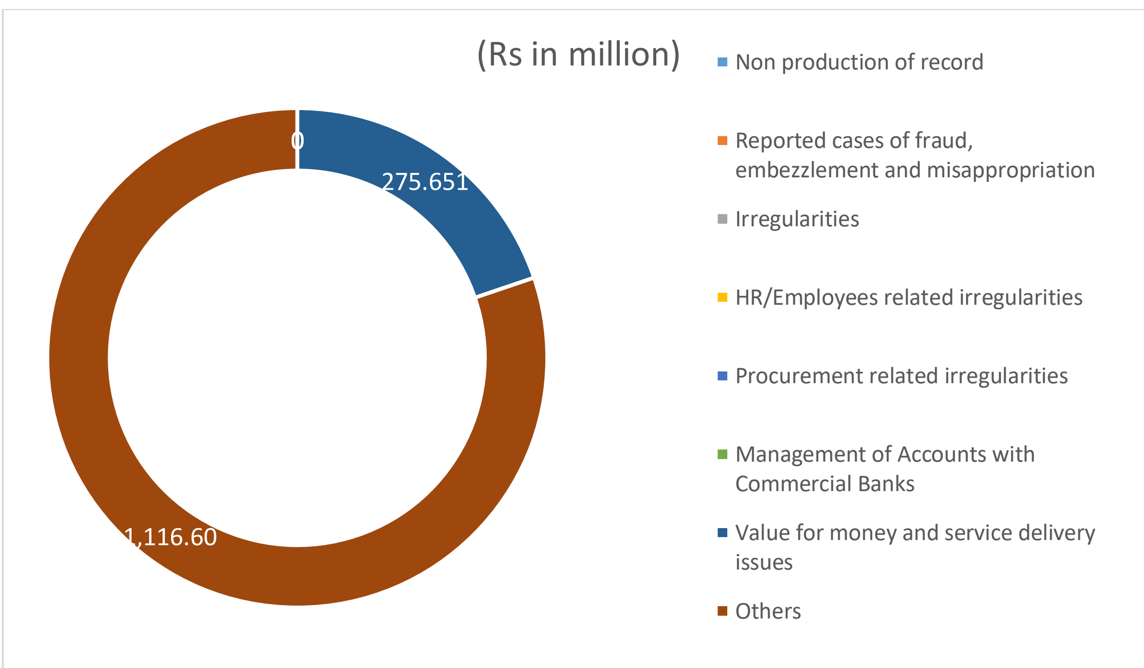
The major issues in the department were non-production of record by the Secretary / Chief Administrator Auqaf regarding the properties, land and other assets and accounts maintained by the entity. The departments do not hold DAC meetings to discuss serious irregularities pointed out by Audit. There were issues in the awarding of contracts for supply of different services.

4.2 Classified summary of Audit Observations

Audit observations amounting to Rs. 1,392.250 million were raised in this report during the current audit of the Auqaf Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

S No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	275.651
5	Others	1,116.599



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

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1	2001-02	Establishment & Administration	14	14	-	-
2	2002-03	-do-	12	11	-	01
3	2003-04	-do-	06	06	-	-
4	2004-05	-do-	03	01	-	02
5	2005-06	-do-	04	03	-	01
6	2008-09	-do-	14	05	-	09
7	2009-10	-do-	32	09	-	23
8	2010-11	-do-	25	08	-	17
9	2011-12	-do-	20	08	-	12
10	2012-13	-do-	08	07	-	01
11	2013-14	-do-	12	06	-	06
12	2014-15	-do-	-	-	-	-
13	2015-16	-do-	-	-	-	-
14	2016-17	-do-	09	3	4	2
15	2017-18	-do-	-	-	-	-
16	2018-19	-do-	3	-	-	3

4.4 Audit Paras

4.4.1 Non-production of auditable record by the Chief Administrator Auqaf

According to Section 8 (a & b) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001. The Auditor-General shall;

a) audit all expenditure from the Consolidated Fund of the Federation and of each Province and to ascertain whether the moneys shown in the accounts as having been disbursed were legally available for, and applicable to, the service or purpose to which they have been applied or charged and whether the expenditure conforms to the authority which governs it;
b) audit all transactions of the Federation and of the Provinces relating to Public Accounts;
c) audit all trading, manufacturing, profit and loss accounts and balance sheets and other subsidiary accounts kept by Order of the President or of the Governor of a Province in any Federal or Provincial department; and
d) audit, subject to the provisions of this Ordinance, the accounts of any authority or body established by the Federation or a Province, and in each case to report on the expenditure, transactions nr accounts so audited by him.

During audit of the accounts of Secretary Auqaf Hajj Religious and Minority Affairs Department Khyber Pakhtunkhwa / Chief Administrator Auqaf for the Financial Year 2022-23, it was observed that the auditable record of the office of Administrator Auqaf was demanded time and again vide several requisitions. In response the Administrator Auqaf vide letter dated 13.09.2023 intimated that the accounts of the Auqaf Department / property are audited by the Local Fund Audit Khyber Pakhtunkhwa and that the Auditor-General of Pakistan has the mandate to audit only the accounts relating to the grants provided by the provincial government out of the consolidated fund for a specific purpose.

Audit observed that the Secretary of the Department was the Chief Administrator Auqaf who failed to provide the auditable record to Audit, as the provincial cabinet appointed the Secretary of the Department as Chief Administrator Auqaf in its 78^{th} meeting held on 02.08.2022 and Section 3 of KP Waqf Properties Ordinance 1979.

The lapse occurred due to violation of Articles 169 & 170 of the Constitution of Islamic Republic of Pakistan and Section 8 of the Auditor-General Ordinance 2001 which resulted into non production of record.

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter dated 25.10.2023 followed by a reminder letter dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends production of complete auditable record of the office of the (Chief) Administrator Auqaf besides taking disciplinary action against the person(s) at fault for hindering the auditorial function.

PDP No. 46 (2022-23)

4.4.2 Loss to the government due to retendering at higher rates - Rs. 275.651 million

According to Section 3 of the KPPRA Act 2012, all public procurements shall be conducted in such a manner as provided in this Act, rules and regulations made under this Act and shall promote the principles of transparency, economy, value for money, accountability and swift grievance handling

According to Rule 23 of GFR Vol-I, every government officer will be personally responsible for any loss or fraud on his part or on the part of his subordinate.

During audit of the accounts of Secretary Auqaf Hajj Religious and Minority Affairs Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that an agreement was signed with M/S Liaison Corporation (Consultant) on 06.06.2022 under ADP No. 143/210372 – (Celebration of Religious Festivals of Minorities, Interfaith Harmony Conference) worth Rs. 299.000 million which was to be executed during 2021-22 and 2022-23 with 5 major components/activities.

Further scrutiny of record revealed that the Department floated tender for hiring consultancy services in the Financial Year 2021-22. The total value of tender comprising 4 components was Rs. 23.349 million on Least Cost Selection basis. The tender was not awarded to the bidder on Least Cost Selection basis; rather the department opted for re-tendering on Quality & Cost Base Selection. The contract was awarded at the cost of Rs. 299.000 million for five components. It, prima facie, caused loss of Rs. 275.651 million (Rs. 299.000 million – 23.349 million) to the government.

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

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter dated 25.10.2023 followed by a reminder letter dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the loss sustained from the responsible person(s).

PDP No. 34 (2022-23)

4.4.3 Irregular and unfair distribution of grant-in-aid to the deserving minority community - Rs. 7.500 million

According to rule 10 of GFR Vol-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as 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.

According to notification No.SO(HR&MA)/AHR&MAD/1-31/2019/5071-76 dated 25.07.2019, that the competent authority i.e Secretary Auqaf, Hajj, Religious & Minority Affairs has constituted a scrutiny committee with the TORs to devise criteria for distribution of Grant-in-Aid amount amongst the deserving Minorities Communities and to scrutinize the applications received under regular side scheme "Grant in-aid" for the distribution amongst deserving communities comprising of the following :-

1. Deputy Secretary Chairman
2. Section Officer (Admn) Member
3. Section Officer (HR & MA) Member
4. Section Officer (Auqaf) Member
5. Assistant (HR & MA Section) Member

During audit of the accounts of Secretary Auqaf Hajj Religious and Minority Affairs Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that a sum of Rs.7.500 million was released by the Finance Department which were distributed in the minorities. Audit raised the following observation:

1. Criteria for scrutiny of applications (deserving candidates) was not devised. A Scrutiny Committee was constituted by the higher ups quoted ibid. The payments were made to 332 applicants against 6561 applications received for Rs. 5.000 million without any examination and due process.
2. The payments were made through excel sheet balloting (draw) evident from the minutes of the meeting without any merit and right as all the candidates applied may not be eligible and were included in the draw.

3. In case of district Peshawar against the 1891 Nos of applicants, 47 applicants were paid Rs. 15,000 each. Whereas, in case of D.I. Khan 477 applications were received and payment made to 116 of applicants which clearly showed favoritism in the payment of grant in aid and violation of merit.
4. Only 1 applicant was paid from District Mardan and minority population of the 16 districts were totally ignored in the excel balloting as not a single payment was made in these districts.
5. The names of 29 candidates amounting to (29 x 15000) Rs. 435,000/- were not declared and the amount was illegally retained by the management.

The lapse occurred due to weak internal controls and non-formulation of criteria which resulted into irregular and unfair distribution of grant-in-aid.

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter dated 25.10.2023 followed by a reminder letter dated 01.01.2024 for holding DAC meeting. However, the 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.

PDP No. 39 (2022-23)

4.4.4 Unauthentic expenditure due to non-submission of adjustment accounts – Rs. 959.422 million
Illegal retention of public money drawn from treasury – Rs. 392.567 million

According to para 28 (2) of the Federal treasury rule vol-I, a government officer supplied with funds for expenditure shall be responsible for such funds until an account of them has been rendered. He shall also be responsible for seeing that the payment are made to person entitled to receive.

According to fund flow mechanism for financial assistance to Aiama of Jamia Masjids of KPK Clause G (13) provides that Assistant commissioner /Deputy Commissioners shall carry out monthly reconciliation of the expenditure with District Accounts Officer and provide a copy of the reconciled expenditure with DAO and provide a copy of the reconciled expenditure to the secretary Auqaf Department which shall carry out the PAO level expenditure reconciliation with Accountant General Office.

During audit of the accounts of Secretary Auqaf Hajj Religious and Minority Affairs Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that the expenditure of Rs. 1,351.990 million was drawn by Assistant Commissioner/ Deputy Commissioner on account of Financial Assistance of Aima of Jamia Masjids of KPK. The amount was directly punched by the Finance Department through the respective PRs of the Deputy Commissioner. Out of the drawn amount, a sum of Rs. 959.422 million was shown disbursed by different Deputy Commissioner to Aimas leaving an undisbursed balance of Rs. 392.567 million (Rs. 1351.422 million - 959.422 million). The amount was illegally retained by the concerned DCs. The details of APRs / Cross cheques issued in the name of Aima for Rs. 959.422 million were not provided whether the amount disbursed were actually received by the entitled Aima or otherwise.

It was further noticed that neither expenditure was reconciled at DC's office nor at the PAO level with Accountant General Office. The expenditure so incurred was, therefore, remained unverified.

The lapse occurred due to weak internal controls which resulted into unauthentic expenditure.

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter dated 25.10.2023 followed by a reminder letter dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault besides reconciliation of the expenditure.

PDP No. 41 (2022-23)

4.4.5 Unauthorized transfer of government funds from government treasury to Designated Bank Account and incurrence of expenditure therefrom - Rs. 149.677 million Non-transfer of undisbursed amount of financial assistance to Provincial Account–I - Rs. 1030.008 million

Para 1 & 2 of the Finance Department letter No. 2/3(F/L)/FD/2019-20/Vol-XIII dated 03.02.2020 provides that no funds should be kept in any bank account by any DDO unless authorized by finance Department. Such balances lying should be drawn and credited to Government treasury immediately. Moreover, balance in the bank accounts if any, remaining on June 30th of respective financial year shall not be available for use without its prior revival by Finance Department. It was further stated that quarterly and annual reconciliation of the designated Bank accounts shall be carried out with Finance Department. Read with the Finance Department letter No. 2/3-(F/L)/Capital-FD/2007-8/Vol-IX dated 10.02.2014 and even letter No. 02.06.2015, the interest/profit amount accrued/earned on the funds placed in bank (PLS mode) may be deposited in the government treasury.

According to fund flow mechanism for financial assistance to Aiama of Jamia Masjids of KP at Clause (F) 12, any amount remained undisbursed, in the current financial year shall be returned and deposited in provincial account 1, by reducing the expenditure to the extent of receipt.

During audit of the accounts of Secretary Auqaf Hajj Religious and Minority Affairs Department Khyber Pakhtunkhwa for the Financial Year 2021-22, it was observed that the local office kept a bank balance of Rs. 147,458,047/- in its Designated Bank Account No. 001507133007 (the Bank of Khyber) as on 01.07.2021. The amount was brought forward without any lawful authority (out of developmental funds allocations) and were shown spent during the Financial Year 2021-22, without fulfillment of codal formalities. Audit also observed the following;

- Details of the schemes against which the funds were withdrawn from the government treasury and other auditable record such as PC-I, agreement with the contractors, details of activities planned, and paid vouchers were not produced to Audit.

- Necessary entries of the expenditure amounting to Rs. 138.898 million were also not recorded in the cash book or in any other subsidiary book of account.
- Profit earned on the PLS account during the Financial Year 2021-22 amounting to Rs. 5.472 million was not deposited into the government treasury.
- Unspent balance on the closing of the Financial Year 2021-22 amounting to Rs. 19.693 million was not surrendered to the provincial government.
- Quarterly and annual reconciliation was not carried out with Finance Department KP.

Similarly, it was noticed that the department was allocated fund amounting to Rs. 1802.040 million for the financial assistance to Aima of Jamia Masjids of KP. The funds were released to the Assistant / Deputy Commissioners in various districts through different cost centers who transferred the funds to their designated banks accounts. Out of the total allocation, a sum of Rs. 771.196 million was reported as utilized, while an amount of Rs. 1030.008 million remained as unspent balance. The unspent balance was required to have been credited into the Provincial Account-I instead of retaining the same in the designated bank account.

The lapse occurred due to weak internal controls which resulted in unauthorized transfer of funds.

When pointed out in January 2023, no reply was furnished.

The department was requested vide letter dated 31.03.2023 followed by subsequent reminders dated 28.08.2023, 26.12.2023 and 01.01.2024, respectively, for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends to inquire the matter and fix responsibility against the person(s) at fault besides depositing the unspent balances into the government treasury.

PDP No. 337 & 344 (2021-22)

Chapter – 5

COMMUNICATION & WORKS DEPARTMENT

5.1 A)Introduction

The Communication and Works Department is responsible for the development of infrastructure by construction of road, bridges and buildings and maintenance within the province. This department was established in 1903 as Public Works Department. In 1955 it was bifurcated as Building & Roads (B&R) Department and Irrigation Department. The department is a Provincial Government entity which receives budget from the Provincial Government through Finance Department. Its accounts form part of the financial statements of the Provincial Government. Secretary office is an Administrative Department of the Communication & Works in the province. The department has its subordinate offices at all the districts. The sub-ordinate offices have their own DDOs and receive their budget from the provincial government.

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

- Construction, equipment, maintenance, repairs, internal electrification and fixation of rent of all Government buildings, residential and non-residential, including tents, dak bungalow and circuit houses except those entrusted to Establishment & Administration Department.
- Accommodation for Federal and Provincial Government servants in the province except that entrusted to Establishment & Administration Department.
- Construction, maintenance and repairs of roads, bridges, ferries, tunnels, rope-ways, causeways and tram-ways lines.
- Road Funds.
- Tolls (excluding those levies by Local Government).

- Engineering training other than:
    - Engineering University;
    - Engineering Colleges; and
    - Engineering Schools.
- Evaluation/Fixation of Rent/Control/Management. Leases and disposal sales of Government buildings.
- Water supply of sanitary works pertaining to Government buildings and Government estates.
- Laying standards and specifications for various types of roads and bridges for the province.
- Planning and designing roads and connected works for the department financed from Provincial and / or Federal Funds.
- Road research and material testing.
- Execution of works on behalf of other agencies/departments as Deposit Works.
- Preparation of architectural plans/drawing of buildings of Provincial Government.
- Provincial Building Maintenance Cell (PBMC).

Audit Profile of Communication & Works Department: **(Rs. in million)**

Description	**Total Nos**	**Audited**	**Exp. audited FY 2022-23**	**Revenue / Receipts audited FY 2022-23**
Formations	136	31	26,596	0
• Assignment Account • SDA (Excluding FAP)	**N/A**	**N/A**	**N/A**	**N/A**
Authorities/Autonomous bodies etc under PAO	N/A	N/A	N/A	N/A
Foreign Aided Projects (FAP)	02	02	2475	N/A

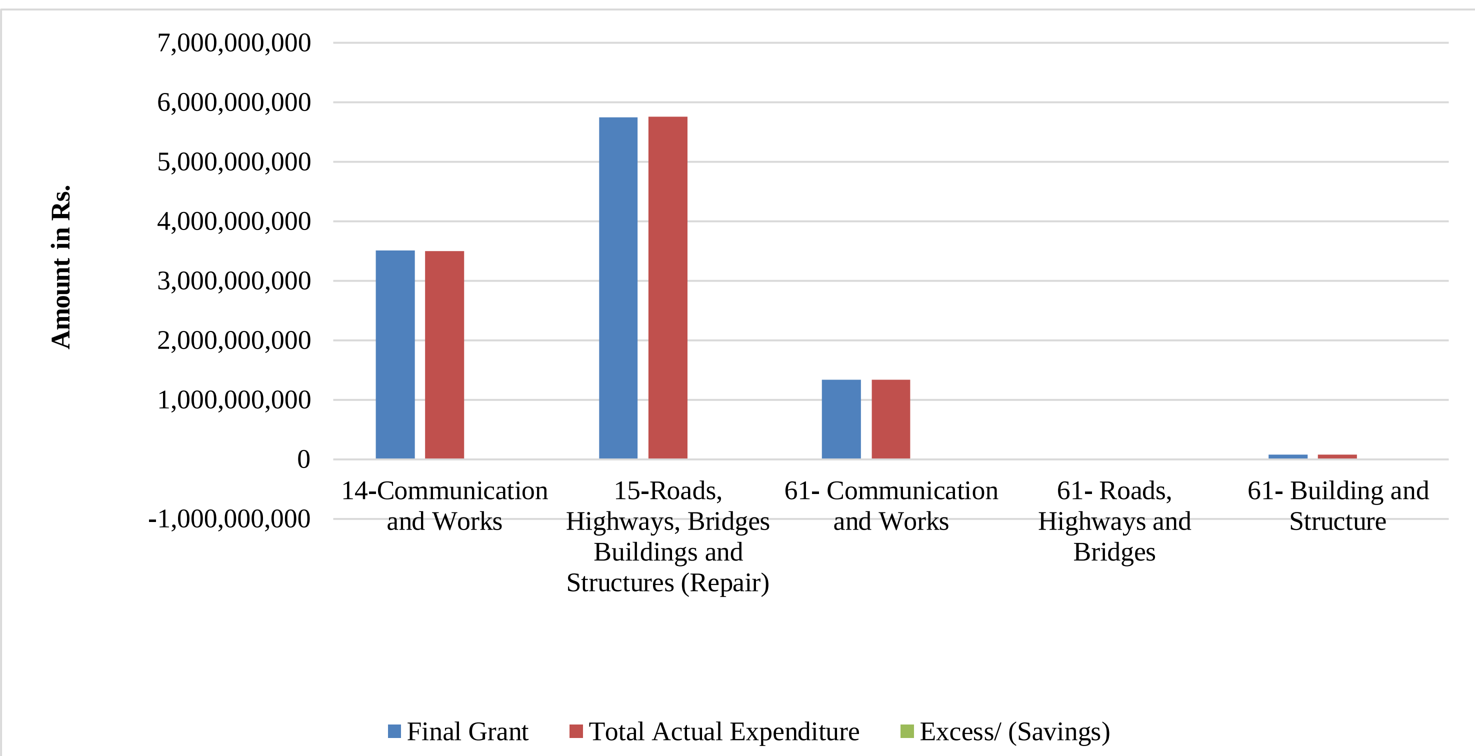
5.1 B) Comments on budget & accounts (variance analysis)
Summary of the Appropriation Accounts:

A summary of grants allocated to the Communication and Works Department and expenditure by the department in financial year 2022-23 is given below:

Non-Development:

(Amount in Rs.)

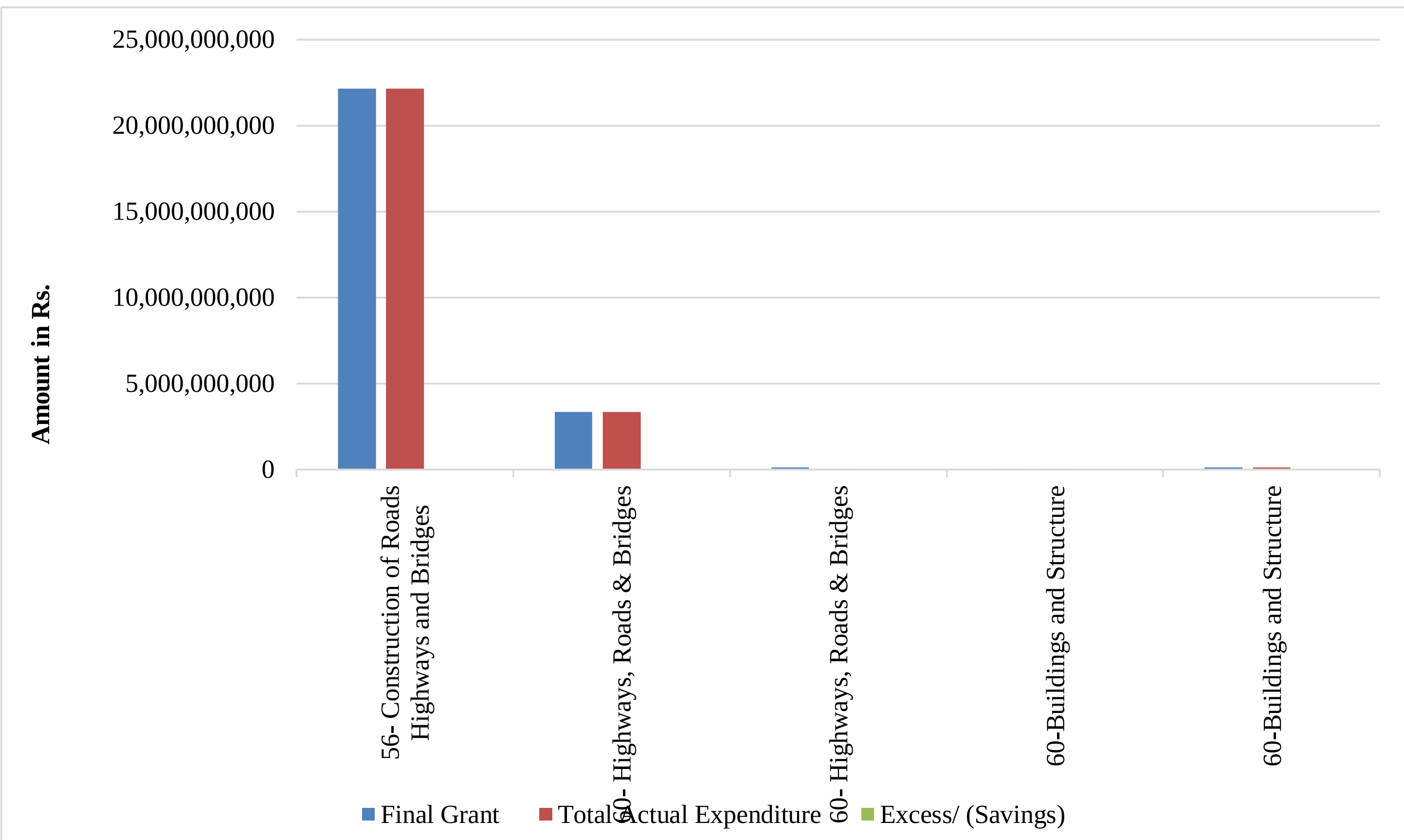
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
14-Communication and Works	NC21	3,870,602,000	100	-	366,438,114	3,504,163,986	3,496,628,158	-7,535,828
15-Roads, Highways, Bridges Buildings and Structures (Repair)	NC21 &24	4,756,100,000	3,057,660,000	-	2,070,054,042	5,743,705,958	5,753,705,958	-
61-Communication and Works	NC21	1,930,968,000	-	65,747,119	659,095,802	1,337,619,317	1,337,609,714	-9,603
61- Roads, Highways and Bridges	NC21	181,920,000	-	-59,529,007	122,390,993	0	0	0
61- Building and Structure	NC21	130,623,000	-	45,658,000	101,172,124	75,108,876	75,108,876	0
Total		**10,870,213,000**	**3,057,660,100**	**51,876,112**	**3,319,151,075**	**10,660,598,137**	**10,663,052,706**	**-7,545,431**



Development:

(Amount in Rs.)

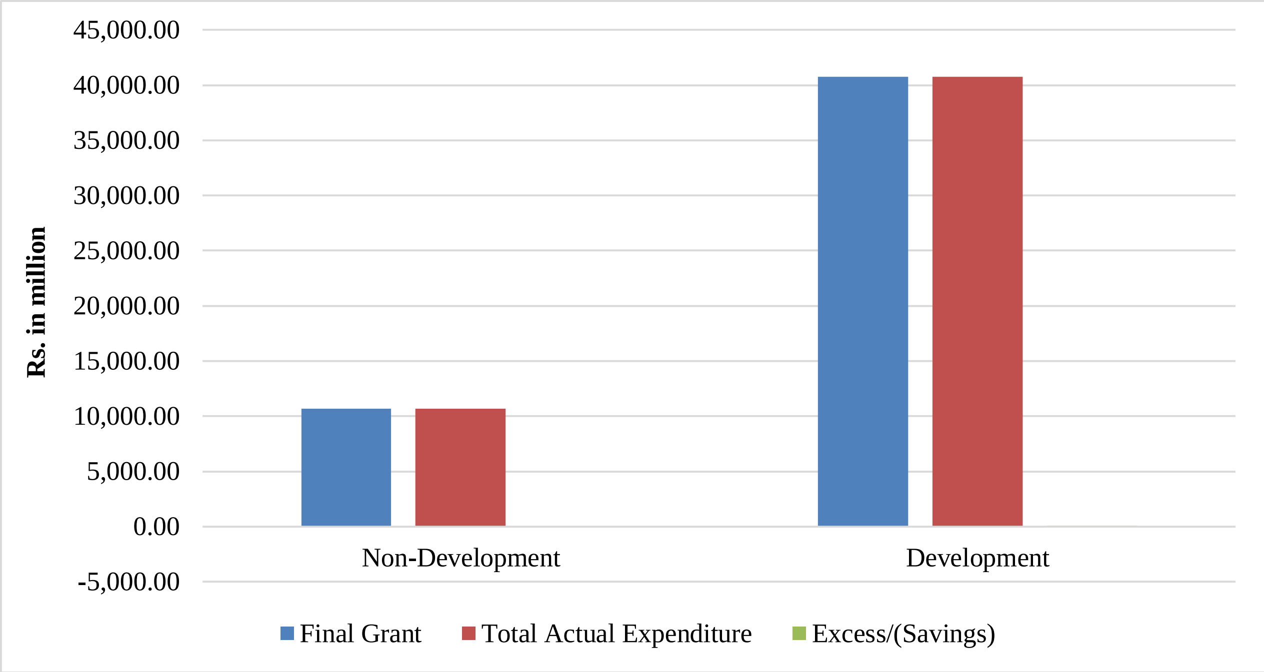
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
56-Construction of Roads Highways and Bridges	NC12 & 22	34,450,529,000	0	-	12,327,551,223	22,122,977,777	22,137,738,237	0
60-Highways, Roads & Bridges	NC12	4,988,571,000	0	116,000,000	1,775,688,751	3,328,882,249	3,328,882,249	0
60-Highways, Roads & Bridges	NC22	141,068,000	0	-12,500,000	16,068,000	112,500,000	11,250,000	0
60-Buildings and Structure	NC12	158,417,000	0	0	143,277,606	15,139,395	15,139,395	0
60-Buildings and Structure	NC22	141,068,000	0	-12500000	16,068,000	112,500,000	112,500,000	0
	Total	**29,561,609,000**	**15,463,313,010**			**40,751,509,101**	**40,768,728,414**	**17,219,313**



Overview of expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	10,660.60	10,663.05	-7.545431	-0.07%
Development	40,751.51	40,768.73	17.219313	0.04%
Total	**51,485.64**	**51,495.32**	**9.68**	**0.02%**



5.1 (c) Issues in Communication & Works Department

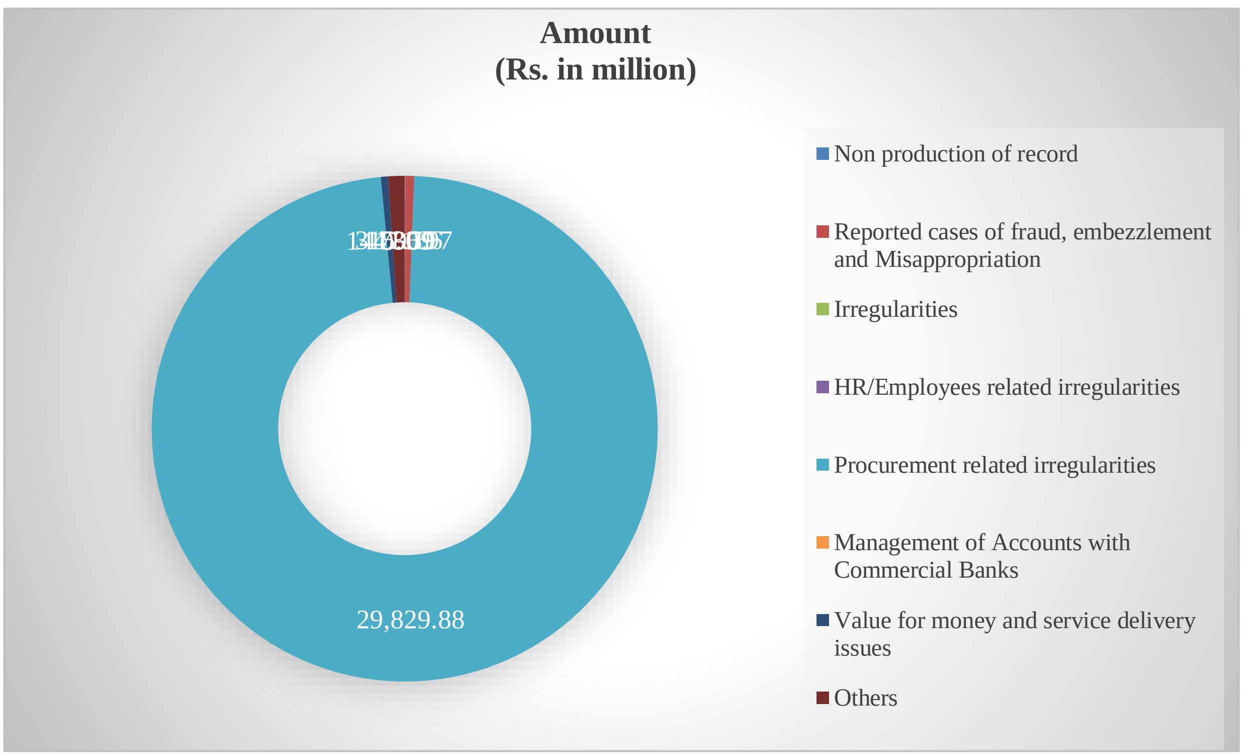
The major issue in the Communication & Works Department is deviation from the approved scope of work/ design which caused overpayments. Mostly, estimates of the developmental schemes executed in the tax exempted area were not reduced to defray the amount added in the MRS for taxes provisions. Many instances were noticed where contract agreement provisions were not applied to ensure completion of the projects within time nor penalties were imposed for delay. Furthermore, cases were noticed where neither MRS specifications were observed nor material tests were conducted to ascertain the quality and suitability/ unsuitability of the materials. There were no details of the head-wise figures of the departmental own receipts collected by the department.

5.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 30.463.2 million were raised in this report during the current audit of Communication & Works Department. This amount also includes recoveries of Rs. 212.109 million pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

S. No.	Classification	Amount (Rs. in million)
1	Non production of record	11.390
2	Reported cases of fraud, embezzlement and Misappropriation	173.197
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	29,829.878
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	144.959
5	Others	315.166



5.3 Brief comments on the status of compliance with PAC directives

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

5.4 Audit Paras

5.4.1 Misappropriation of government funds – Rs. 173.197 million

According to the Establishment Department letter No.SO(Policy)E&D/2-6/2019 dated 15.11.2019, the inquiry should be finalized in 15 days read with 56 of CPWD.

During audit of accounts of Chief Engineer South-I C&W Khyber Pakhtunkhwa for the Financial Year 2021-22, it was noticed that inquiry dated September 2021 was conducted by Engr Bakht Rawan, Principal Design Engineer (Buildings) on the project titled: Construction of shingled road from Angori to Sarak (7Kms) in central Kurram". As per inquiry report the scheme was awarded to Mr. Sajid Rehman. The work order was issued on 17.05.2010 with completion time of 36 months but till date of inquiry the scheme was not completed.

The enquiry committee confirmed an over payment of Rs.4.68 million for the structure work which was not carried out at site by the contractor and proposed to recover the said from the contractor. The fact-finding Committee also held that all the payment of Rs.173.197 million irregular and illegal due to non-availability of contract agreement, Technical Sanction and time extension.

The inquiry report was submitted by SO (Estb) to Chief engineer South-1 vide letter dt 27.09.2021 for appropriate action but till date of audit. April, 2023, no action was taken which needs to be justified. Moreover, field staff was exonerated from the whole lapses which is strange.

The lapse occurred due to non-approval of technical sanction and time extension which resulted into misappropriation of funds.

In the DAC meeting held on 06.09.2023, it was decided that the department may provide the relevant record to Audit for verification. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to recover the amount in light of the findings of the inquiries besides blacklisting the contractor and conducting a fact-finding inquiry against the person(s) at fault for non-finalization of the inquiry.

PDP No. 787 (2021-22)

5.4.2 Loss to the government due to non-recovery of taxes from contractors - Rs. 85.142 million

Para 23 of GFR Vol I provides that every public officer is personally responsible for any loss sustained by government through fraud or negligence on his own part or on the part of subordinate disbursing officers.

During the audit of accounts of Chief Engineer South-I C&W Khyber Pakhtunkhwa for the Financial Year 2021-22, it was observed that Executive Engineer Highway Division Kohat paid an amount of Rs 877.846 million to the contractors on account of execution of road works during the year. On detail scrutiny of the relevant record, it was revealed that no deduction of requisite taxes was made from the contractors by the local office and put government into loss of Rs. 85.142 million as detailed below;

Financial Year	Expenditure	KPRRA @ 2%	DPR @ .2 %	IT @ 7.5%	Total
2021-22	877.846	17.549	1.755	65.838	85.142

Audit held that payment to the contractors was required to be made after deduction of taxes and duties.

The lapse occurred due to weak internal controls & financial mismanagement which resulted into loss to the government.

In the DAC meeting held on 06.09.2023, it was decided that the department may provide the relevant record to Audit for verification. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to recover the outstanding government dues from the contractors.

PDP No. 793 (2021-22)

5.4.3 Overpayment due to non-adjustment of available material at site – Rs. 42.208 million

According to rate analysis of MRS 2019, Item No. (08-01-d-03) Random Rubber Masonry (1:6) in foundation and plinth includes 30% to 40% cost of stone. Read with Item No. (08-01-a) Random Rubber dry masonry includes 30% to 40% cost of stone.

According to Section 3.2.1.1, 3.2.4 & 3.9.5.2 of the Technical Specifications 2019 for workmanship, issued by Communication & Works DepartmentKhyber Pakhtunkhwa, materials of any kind such as shingle or hard good quality stone, obtained from excavation shall remain the property of the government. The Engineer shall decide regarding the unsuitability of the material by conducting appropriate laboratory tests. The materials obtained from the excavations may be disposed-off. Suitable excavation material may be used in raising dams, embankments, ramps, rail and road formations or refilling the voids of foundations after the erection of the structure.

During audit of the accounts of Executive Engineer C&W Division Swat-I for the Financial Year 2022-23, it was observed that contracts of different developmental schemes were awarded to various contractors.

Further comparison of bills, MBs and TSs revealed that the local office overpaid Rs. 42.208 million by allowing full rate of Random Rubber Masonry for a quantity of 7850.55 m^3 while ignoring the available stone of 81,936 m^3 at site from excavation in hard rock material. The cost of stone available was not deducted from the payments of different types of RRM, resulting in overpayment to contractors.

In addition, cutting in hard rock and excavation was paid without rock classification and grading on the basis of geological survey reports and verified cross-section of the road supported with level book and recovery schedule.

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter dated 03.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends to inquire the matter in detail and recover the overpaid amount of Rs. 42.208 million besides fixing of responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide DP Number 3.4.7 having financial impact of Rs. 4.503 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 46 (2022-23)

5.4.4 Loss to the government due to execution of excessive quantities of asphalt - Rs. 6.940 million

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

During audit of the accounts of Executive Engineer C&W Division Swat-I for the Financial Year 2022-23, it was observed that local office awarded the contract of different developmental schemes to different contractors. On scrutiny of the relevant record, it was noticed that excessive quantity of 342.59 m^3 Asphalt amounting to Rs.6.940 million was paid over and above the payment required as per cross section quantities entered in bidding documents calculated on standard 2-inch thickness of Asphalt.

The irregularity occurred due to weak internal control and violation of rules which resulted into loss to the government.

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter dated 03.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends to inquire the matter in detail and recover the overpaid amount of Rs. 6.940 million besides fixing of responsibility on the person(s) at fault.

PDP No. 47 (2022-23)

5.4.5 Overpayment to contractor due to allowing excessive quantity of granular sub base – Rs. 1.691 million

According to approved Technical Sanction of the scheme, quantity allowed for item of work granular sub base using pit run gravel is 0 m^3.

During audit of the accounts of Executive Engineer C&W Division Swat-I for the Financial Year 2022-23, it was observed that contract of the developmental scheme "Construction of Archalai Road was awarded to M/S Naikpekhel with a bid cost of Rs. 66.381 million (0.10%% against the total estimated cost of Rs. 72.947 million. An up-to-date payment of Rs. 22,168 million was made to contractor vide voucher No. 15-H-II dated 26.10.22.

Further scrutiny of record Pc-1/TS and paid voucher No. 15-H-II revealed that local office overpaid Rs 1.691million to contractor due to allowing excessive quantity of granular sub base course using pit run gravel against the provision approved in TS which resulted in overpayment and loss to public exchequer.

The lapse occurred due to weak financial controls and deviations from technical sanction which resulted into loss to the government.

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter dated 03.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends to inquire the matter in detail and recover the overpaid amount of Rs. 1.691 million besides fixing of responsibility on the person(s) at fault.

PDP No. 48 (2022-23)

5.4.6 Overpayment to contractor on account of transportation of material – Rs. 14.529 million

According to the technical specification of C&W Department KP for the Year 2020, Clause 3.9.4, carriage of material for the construction of embankment which is considered to be included in the rate of roadway excavation or borrow excavation is 900 m (3000ft).

During audit of the account of Executive Engineer C&W Division Swat-I for the Financial Year 2022-23, it was observed that contract of the developmental scheme Construction of Babe-Eudya with allied works at Shamozai & beautification works near babe-Udyana was awarded to M/S Asad builders & construction with a bid cost of Rs. 99.000 million. An up-to-date payment of Rs. 22.168 million was made to the contractor vide Voucher No. 2-S dated 08.06.2023.

Further scrutiny of record like PC-1/TS and paid Voucher No.2-S dated 08.06.2023 revealed that local office overpaid Rs. 14.529million to contractor due to allowing separate rate for transportation of roadway excavation in surplus/unsuitable common material. As per specification, rate of roadway excavation includes transportation of the excavated materialup to 900meter, as detailed below;

Item of work	Qty paid (m3)	rate (Rs)	Total (Rs)	Cost factor @ 8%	Below@ 0.10% (Rs)
Extra for every 15m extra lead or part thereof for earth work soft, ordinary, hard & very hard	47433,130	81	3,842,083	4,149,449	4,145,299
Transportation of earth all types beyond 25om up to 50m	47433,130	202.91	9,624,656	10,394,628	1,0384,233
Total					14,529,532

The lapse occurred due to weak financial controls and deviation from specifications which resulted into overpayment to contractor.

When pointed out in December 2023, no reply was furnished.

The department was requested vide letter dated 03.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends to inquire the matter in detail and recover the overpaid amount of Rs. 14.529 million besides fixing of responsibility on the person(s) at fault.

PDP No. 57 (2022-23)

5.4.7 Overpayment due to non-utilization of available material at site of PCC 1:3:6 mass concrete – Rs. 5.932 million

According to Section 3.2.1.1, 3.2.4 & 3.9.5.2 of the Technical Specifications 2017 for workmanship, issued by Communication & Works Department Khyber Pakhtunkhwa, materials of any kind such as shingle or hard good quality stone, obtained from excavation shall remain the property of the government. The Engineer shall decide regarding the unsuitability of the material by conducting appropriate laboratory tests. The materials obtained from the excavations may be disposed off. Suitable excavation material may be used in raising dams, embankments, ramps, rail and road formations or refilling the voids of foundations after the erection of the structure read with rate analysis of MRS 2017, item No. (6-36-a) PCC 1:3:6 using 50 % boulders includes 25 % cost of stone.

During audit of the accounts of Executive Engineer C&W Division Swat-I for the Financial Year 2022-23, it was observed that contract for Construction of 2-km by-pass road in Barikot was awarded to M/S Malaum Jabba Construction Company at the bid cost of Rs.39.111 million. The award of contract was made at the rebate rate of 30.30% below on the estimated cost of Rs. 44.852 million without rate analysis based on MRS-2017. A payment of Rs.65.199 million was made to the contractor till 6thRunning Bill vide Voucher No. 04-HI dated 6.09.2022.

Further comparison of record with PC-1, MB and paid vouchers revealed that local office overpaid Rs. 5.932 million to the contractor in the item of work PCC 1:3:6 using 50% boulders as a huge quantityof 5362.500 m^3 was available from excavation in hard rock which was neither transported nor utilized. In addition, no test report was available on record.

The lapse occurred due to improper preparation of estimates and payment made thereon which resulted into overpayment to contractor.

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter dated 03.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends to inquire the matter in detail and recover the overpaid amount of Rs. 5.932 million besides fixing responsibility on the person(s) at fault.

PDP No. 58 (2022-23)

5.4.8 Overpayment due to non-adjustment of available material at site - Rs. 49.729 million

According to Rate analysis of MRS 2020, item No. (08-01-d-03), Random Rubber Masonry (1:6) in foundation and plinth includes 30% to 40% cost of stone read with item No. (08-01-d-03), Random Rubber Masonry (1:6) in foundation and plinth includes 30% to 40% cost of stone.

According to Section 3.2.1.1, 3.2.4 & 3.9.5.2 of the Technical Specifications 2020 for workmanship, issued by Communication & Works Department, Government of Khyber Pakhtunkhwa, materials of any kind such as shingle or hard good quality stone, obtained from excavation shall remain the property of the government. The Engineer shall decide regarding the unsuitability of the material by conducting appropriate laboratory tests. The materials obtained from the excavations may be disposed-off. Suitable excavation material may be used in raising dams, embankments, ramps, rail and road formations or refilling the voids of foundations after the erection of the structure.

During audit of the accounts of Executive Engineer C&W Division Swat-II for the Financial Year 2022-23, it was observed that contracts of different developmental schemes were awarded to different contractors.

Further comparison of bills, MBs and TSs revealed that the local office overpaid Rs. 49.729 million to different contractors by allowing full rate of Random Rubber Masonry of 22672.01 m^3 while ignoring the available stone of 31843 m^3 at site from roadway excavation in surplus/unsuitable hard material requiring blasting. The cost of stone available was not deducted from the payments of RRM, resulting into overpayment to contractors.

In addition, cutting in hard rock and excavation was paid without rock classification and grading on the basis of geological survey reports and verified cross-section of the road supported with level book and recovery schedule. TS was not produced.

The lapse occurred due to weak financial control which resulted in overpayment to contractor.

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter dated 03.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends to inquire the matter in detail and recover the overpaid amount of Rs. 49.729 million besides fixing responsibility on the person(s) at fault.

PDP No. 65 (2022-23)

5.4.9 Overpayment to contractor due to allowing excessive quantity than Technical Sanction – Rs. 1.996 million

According to approved Technical Sanction of the scheme, quantity allowed for item of work erecting and removal of from work to concrete in any shape position (horizontal/vertical) is 0 m3.

During audit of account of Executive Engineer C&W Division Swat-II for the Financial Year 2022-23, it was observed that contract of the developmental scheme Construction of GHSS Madyan District Swat was awarded to M/S Zain ul Abideen with a bid cost of Rs. 77.575 million (17.77% below against the total estimated cost of Rs. 89.424 million). An up-to-date payment of Rs. 67.171 million was made to the contractor vide Voucher No. 13-BK dated 22.08.2022.

Further scrutiny of record like PC-I /TS and paid voucher revealed that the local office overpaid Rs. 1.996 million to contractor due to allowing excessive quantity of erecting and removing of formwork (horizontal and vertical) against the provision approved in TS which resulted into overpayment and loss to the public exchequer**.**

The lapse occurred due to weak financial control which resulted into overpayment to contractor.

When pointed out in December 2023, no reply was furnished.

The department was requested vide letter dated 03.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends to inquire the matter in detail and recover the overpaid amount of Rs. 1.996 million besides fixing of responsibility on the person(s) at fault.

PDP No. 67 (2022-23)

5.4.10 Overpayment to contractor due to non-deduction of voids – Rs. 4.106 million

According to Clause-20 of the contract agreement, the conversion of loose measurement into solid was provided as 0.67% to 0.89%.

During audit of the accounts of Executive Engineer C&W Division Swat-II for the Financial Year 2022-23, it was observed from the review of 1st R/Bill of the contractor M/S Bashir Ahmad for the work Construction of Civil work of public parks at tehsil Matta, approach road of public parks at tehsil matta vide Voucher No.34-BM dated 12-01-2023.Scrutiny of record revealed that local office overpaid Rs 4.106 million to contractor due to non-deduction of voids from the item of work common back fill with 8 KM lead**.**

The lapse occurred due to weak financial controls which resulted into overpayment to contractor.

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter dated 03.01.2024for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends to inquire the matter in detail and recover the overpaid amount of Rs. 4.106 million besides fixing of responsibility on the person(s) at fault.

PDP No. 69 (2022-23)

5.4.11 Overpayment to contractor on account of structure back filling using granular material - Rs. 2.776 million

According to Para 220 and 221 of CPWD 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 quantities and rates are correctly entered and that all the calculations have been checked arithmetically.

During audit of the accounts of Executive Engineer C&W Division Swat-II for the Financial Year 2022-23, it was observed from the review of 7th R/Bill for the work Construction of AC Office Matta (Block-A) vide Voucher No.31-BM dated 13.12.2023 revealed that the local office overpaid Rs. 1.603 million on account of structure back filling brought from outside. The huge quantity of 3905 m3 was available from excavation in foundation which was not transported and utilized in structure back filling. However, undue favor was extended to contractor and fictitious payment for quantity of 1385.602 m3 was paid on account granular back filling brought from outside resulted in overpayment to contractor**.**

In addition, no provision was available for granular material in the PC-I /BOQ.

Similarly, it was observed from the review of Voucher No. 14-BK dated 25.11.2022 BHU Fatehpur to RHC level that local office paid 1.173 million to contractor on account of granular material brought from outside for quantity of 1101 m3 @ 1065.99 /m3. Granular material required to be executed in water logged/ slush area. However, audit observed that no soil test report was available on record to justify the soil is waterlogged. The soil was ordinary soil as item of work excavation in foundation and building was claimed for amounting to Rs 528,048 for quantity of 2087m3 @ 252.95/m3 which confirms the audit of point of view that fictitious payment made for granular material just to compensate contractor.

The lapse occurred due to weak financial control which resulted into overpayment to contractor.

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter dated 03.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends to inquire the matter in detail and recover the overpaid amount of Rs. 2.776 million besides fixing of responsibility on the person at fault.

PDP No. 71 (2022-23)

5.4.12 Overpayment to contractor due to non-utilization of excavated materials – Rs. 1.210 million

According to Section 3.2.1.1, 3.2.4 & 3.9.5.2 of the Technical Specifications 2020 for workmanship, issued by Communication & Works Department, Government of Khyber Pakhtunkhwa, materials of any kind such as shingle or hard good quality stone, obtained from excavation shall remain the property of the government. The Engineer shall decide regarding the unsuitability of the material by conducting appropriate laboratory tests. The materials obtained from the excavations may be disposed off. Suitable excavation material may be used in raising dams, embankments, ramps, rail and road formations or refilling the voids of foundations after the erection of the structure.

During audit of account Executive Engineer C&W Division Swat-II for the Financial Year 2022-23, it was observed from the review of 1st R/Bill of the contractor M/S Bashir Ahmad for the work Construction of Civil work of public parks at tehsil matta, approach road of public parks at tehsil matta vide voucher No.34-BM dated 12-01-2023, scrutiny of record revealed that local office overpaid Rs 4.210 million to contractor in the item of work common back fill including having lead up to 8 Km by ignoring the 1066.62 m^3 quantity of excavation which was neither transported nor utilized in common back fill, In addition TS was not provided to audit**.**

The lapse occurred due to weak financial controls which resulted into overpayment to contractor.

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter dated 03.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends to inquire the matter in detail and recover the overpaid amount of Rs. 1.210 million besides fixing of responsibility on the person at fault.

PDP No. 85 (2022-23)

5.4.13 Loss to the government due to non-imposition of penalty on the contractors for delay in execution of works - Rs. 16.200 million

According to clause 2 of contract agreement executed with the contractor, liquidated damages for delay equal to 1 % of the contract price per day subject to maximum of 10% of the contract price stated in the letter of acceptance would be recoverable.

During the audit of accounts of Executive Engineer Building Division Swat-I for the Financial Year 2020-21, it was observed that the following schemes were executed and awarded to the below cited Govt. contractor, which should have been completed within their stipulated time frame as clearly mentioned in the work order. Detail given below:

Project	Contractor	Bid Cost	Commenc. Date	Completion Date	Penalty @10% (M)
Playground at Kot Charbagh	M/s Swat Const:	65.616	23-01-2017	22-01-2018	6.561
Playground at Khwaza Khela	-do-	41.430	30-11-2016	29-11-2017	4.143
Playground at Tehsil Matta	M/s Al-Habib	12.892	10-05-2018	09-05-2019	1.289
SDC at Matta	M/s Bakht Zada	21.275	15-12-2016	14-06-2018	2.127
SDC Barikot	M/s Bashir ahmad	20.808	26-12-2016	25-06-2018	2.080
Total					**16.200**

The lapse occurred due to weak internal control and violation of rules which resulted into loss to the government.

In the DAC meeting held on 02.05.2023, it was decided that the department may make complete recovery of the amount. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to recover the amount of Rs. 16.200 million and fix responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide DP Number 3.4.2 having financial impact of Rs. 194.464 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 538 (2020-21)

5.4.14 Loss to the government due to less deposit of Income Tax – Rs. 42.992 million

According to Income tax Department letter No-WHU-47/RTO-PR/2017-18 dated 11/7/2017, income tax at the rate of 7% & 7.5% shall be deducted from the payments of a filer contractor/ company.

During audit of the accounts of Khyber Pakhtunkhwa Provincial Roads Improvement Project for the Financial Year 2020-21, it was noticed that the Project Management paid total sum of Rs. 2,704,962,341/- to MS Umer Jan (JV) for dualization of Mardan Swabi road (0 – 42.04 KM) since commencement of works i.e. July, 2019 till 30th June, 2021.

Scrutiny of record revealed that income tax of Rs. 42,992,359/- was less deposited as summarized below.

DUALIZATION OF MARDAN – SWABI ROAD PROJECT							
S.#	**Description**	**IPC Payment**	**ADP Share**	**GOP Share**	**I.Tax Due**	**IT Paid**	**Less deposit**
1	LOT-1 (IPC-1 to IPC-11)	1,514,231,836	1,377,819,102	47,098,239	113,567,388	89,541,430	24,025,958
2	LOT-2 (IPC-1 to IPC-13	1,190,730,506	1,083,564,760	32,657,933	89,304,788	70,338,387	18,966,401
Grand Total		**2,704,962,341**	**2,461,383,862**	**79,756,172**	**202,872,176**	**159,879,816**	**42,992,359**

The lapse occurred due to violation of provisions of rules which resulted into loss to the government.

When pointed out in August 2021, however, no reply was furnished.

In the DAC meeting held on 08.05.2023, the department reported partial recovery and the DAC forum directed to ensure complete recovery. However, no progress was intimated till finalization of this report.

Audit recommends to recover the income tax and deposit the same into the government treasury.

PDP No. 18 (2020-21)

5.4.15 Loss to the government due to non-deduction of income tax – Rs. 8.613 million

According to Income tax Department letter No-WHU-47/RTO-PR/2017-18 dated 11/7/2017, income tax at the rate of 7.5 %shall be deducted from the payments of a filer contractor/Company. As per contract agreement executed b/w the project Management & the consultant (JV) that income tax @ 8% (ACC) & 10% (CEC) will be applicable while making payment.

During audit of the accounts of Khyber Pakhtunkhwa Provincial Roads Improvement Project for the Financial Year 2020-21, it was noticed that the consultancy contract agreement was signed with MS Associated Consultant Center (ACC) in association with MS Creative Engineering Consultant (CEC) Joint venture, for Design, Construction & Supervision of dualization of Mardan Swabi road (0 to 42.05 KM). Accordingly, payment of Rs. 93,109,125/- was made to the Consultants (JV) since commencement of work i.e. July, 2019 till 30th June, 2021.

Audit observed that income tax amounting to Rs.49,588,649/- was required to be deducted by the PIU being withholding agent while making payments to the consultant. However, neither the PIU deducted income tax nor any evidence was produced in case the same has been deducted/ deposited by the consultant, as per detail summarized below:

Firm Name	Remuneration	Reimbursable	Total Paid	Income Tax	Remarks
MS Associate Consultant Center (ACC)	34,848,470	-	34,848,470	2,787,878	Deduction of IT @ 8% from ACC & @ 10% from CEC was required in light of Contract. Agreement & rules.
Creative Engineering Consultant (CEC)	57,526,125	734,530	58,260,655	5,826,066	
Grand Total	**92,374,595**	**734,530**	**93,109,125**	**8,613,943**	

The lapse occurred due to weak financial management which resulted into loss to the government.

When pointed out in August 2021, however, no reply was furnished.

In the DAC meeting held on 08.05.2023, the department reported partial recovery and the DAC forum directed to ensure complete recovery. However, no progress was intimated till finalization of this report.

Audit recommends to recover the income tax and deposit the same into the government treasury.

PDP No. 19 (2020-21)

5.4.16 Overpayment to contractor in Escalation due to incorrect insertion of base rate of bitumen – Rs. 14.726 million

According to the clause 13.8 (Adjustment for changes in cost) of the contract agreement executed by Provincial Roads Improvement Project C&W Department Peshawar with MS Khattak Allied Construction Co. for the rehabilitation & improvement of Risalpur Pirsabaq & Jahangira road section 37 KM, the amount payable to the contractor shall be adjusted for rises or falls in the cost of labour, goods and other inputs to the works, by the addition or deduction of the amounts determined by the given formula. The weightings (coefficients) for each factors of cost stated in the tables of adjustment data shall only be adjusted if they have been rendered unreasonable, unbalanced or inapplicable.

$Pn = a + b(Ln/Lo) + c(En/Eo) + d(Mn/Mo)$”

During audit of the accounts of Khyber Pakhtunkhwa Provincial Roads Improvement Project for the Financial Year 2020-21, it was observed that escalation payment of Rs.215,134,452/- was made to MS Khattak Allied under the scheme rehabilitation & improvement of Risalpur Pirshabaq & Jahangira road section 36 KM till IPC 16.

Scrutiny of the Escalation bill and its comparison with monthly bulletins for base rates revealed that incorrect base rate of bitumen was taken for escalation as the correct base rate of bitumen in 12/2017 was Rs.57,277/ton while the same was taken as Rs.53,312/ton. Scaling down the base rate of bitumen, scaled up the difference between base and current rates and resulted in financial favor to the contractor and loss to the government worth Rs.14,726,064/- as summarized below and detail in the enclosed statement.

Particulars	**Amount**
Escalation due as per contract weightings and by excluding non-utilization of bitumen	200,408,388
Escalation paid	215,134,452
Overpayment	**14,726,064**

The base date is the date 28 days prior to last submission of bids, the last date of bid submission was 22-12-2017, hence the base date was 24-11-2017 and by that date, the rate of bitumen was Rs.57,277/ ton

Audit held that the overpayment occurred due to unauthorized changes in fixed and variable coefficients and allowing bitumen without actual utilization to extend financial favor to the contractor.

When pointed out in August 2021, however, no reply was furnished.

In the DAC meeting held on 08.05.2023, the department reported recovery of Rs. 7.0337 million while the DAC forum directed to ensure complete recovery. However, no progress was intimated till finalization of this report.

Audit recommends to recover the overpaid amount from the contractor.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide DP Number 3.4.1 and 3.4.5 having financial impact of Rs. 8.648 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 22 (2020-21)

5.4.17 Non-recovery of lease / rent from petrol pumps & CNG stations - Rs. 49.300 million

According to the Government of KPK C&W department notification No SOG/W&S/11-137/Misc dated 16.8.2003, annual rent of lease land of pertrol pumps has been fixed Rs. 20,000 within municipal; corporation limit and Rs. 12,000 outside municipal corporation w.e.f 1st july 2003

During audit of the accounts of Executive Engineer C&W Division Haripur for the Financial Year 2020-21, it was noticed that local office did not realize annual rent from the owners of the petrol pump and

CNG stations situated at the approach roads under the jurisdiction of C&W Division Haripur w.e.f 2003 to 2021.

The lapse occurred due to non-recovery of rent and weak internal controls & financial mismanagement which resulted into non-recovery of lease / rent.

When pointed out, no reply was furnished.

In the DAC meeting held on 05.05.2023, it was decided that the department may make complete recovery of the amount. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to recover the amount of annual rent from the owner of petrol pump and CNG station.

PDP No. 515 (2020-21)

5.4.18 Loss to the government due to awarding of contract at higher rates - Rs. 2929.067 million

According to Para 35 of Section-I of the Standard Bidding Documents, the Employer shall use the criteria and methodologies listed in Section III. If specified in the BDS, the Employer's evaluation will be carried out by applying rated criteria that take into account technical factors, in addition to cost factors: An Evaluated Bid Score will be calculated for each responsive bid using the formula, specified in Section III, Evaluation and Qualification Criteria. The scores to be given to technical factors and sub factors are specified in the BDS.

According to Para 5.50 of Section 05 of the World Bank Procurement Regulations, Evaluation criteria and methodology shall be specified in detail in the request for bids / request for proposals document. The evaluation criteria and methodology shall be appropriate to the type, nature, market conditions, and complexity of what is being procured. For international competitive procurement, the Bank's requirements for the submission of Bid / Proposal prices (format, structure and details), and method of comparison and evaluation of Bid / Proposal prices (including treatment of taxes levied in the Borrower's country for procurement of Goods, Works, Non-consulting services, and Consulting Services), are detailed in the appropriate Bank's Standard Procurement Documents.

During audit of the accounts of Khyber Pakhtunkhwa Integrated Tourism Development Project (KITE) – C&W Component for the Financial Year 2022-23, it was observed that M/S Aitmad Builders and Developers initially submitted quotations of Rs. 1,403,758,949/- and 1,296,576,590/- for Lot # 01 and 02, respectively. However, it was observed that a substantial alteration in the quoted original price occurred, resulting in an inexplicable increase of the contract cost from Rs. 2,700,335,539/- to an astonishing Rs. 5,755,216,136/-. This represented a net increase of Rs. 3,054,880,597/-, effectively doubling the contract price. Such an alteration, attributed to an alleged arithmetic error by the contractor, raises significant concerns regarding the transparency and integrity of the contracting process, suggesting potential connivance between the management and the contractor.

Lot #01: Mankyal-Bada-Serai Road (KM 00 to 09+290)

Name of Firm	Quoted Price	Ranking of Bid	Arithmetic correction	Revised price of bid
M/S Aitmad Builders and Developers	1,403,758,949	1st	1,571,949,628	2,975,708,577
M/S SGEC-AMC-JV	1,490,399,436	2nd	-	-
Lot #02: Bada-Jabai Road (KM 00 to 12+760)				
Name of Firm	**Quoted Price**	**Ranking of Bid**	**Arithmetic correction**	**Revised price of bid**
M/S Aitmad Builders and Developers	1,296,576,590	1st	1,482,930,969	2,779,507,559
M/S SGEC-AMC-JV	1,394,828,173	2nd		-
Total of Aitmad Builders	**2,700,335,539**		**3,054,880,597**	**5,755,216,136**

Audit further observed the following irregularities;

- The contract was awarded at a staggering 28.75% above the original engineer estimates for both lots, far exceeding the acceptable deviation from the engineer estimates. Generally, when a contract cost increases by 15% or more from the engineer estimates, it necessitates a revision of the project's PC-I, yet this essential step had not been taken till date of audit.
- M/S Aitemad Builders and Developers were recommended as the best evaluated bid for an amount of Rs. 2,826,148,533 for the same road in the previous bidding process carried out in May 2021 which was then cancelled without any justified reason. Now the same contractor has been selected by the management for construction of the same work at the cost of Rs. 5,755,216,136/- which resulted in a loss of Rs 2,929,067,603/- to the government.
- Pre-bid meeting was attended by the 10 no. of well-known contractors. However, neither of them applied for the contract and the above two firms not attended that meeting but they were shortlisted for technical and financial proposals evaluation. It is worth mentioning here that project management failed to maintain any tender register. Therefore, Audit could not authenticate the exact number of contractors who applied for the bid.
- M/S SGEC-AMC-JV was held non-responsive by the bid evaluation committee, yet their financial proposal was opened and considered, hence, their bid was required to be returned unopened.
- The technical evaluation process was marred by a lack of detailed marking for each criteria item instead the committee followed by indicated only “passed” word description against each criteria.
- As per Para 27 and 31 of the Standard Bidding Documents, the contractor was allowed to change the bid price for correction of arithmetic error only. Audit held that these errors should be upto 2-3 percent of the contract. However, in the instant case the error doubled the contract cost of the civil works. There was little disparity in the rate quotes between the two contractors, with M/S SGEC-AMC-JV offering to undertake both lots at a cost of Rs. 2,885.227 million, which stood at roughly half of the revised contract price proposed by M/S Aitmad Builders and Developers.
- It is worth mentioning that the selected contractor was disqualified in the bidding process during March 2021 due to mis-presentation of facts in the upgradation of Abbottabad Tandiani Road 24.37 KM and Upgradation of Mankial Beda Serai Road (22 KM) Swat.
- Finally, a significant cost disparity was identified when comparing the per kilometer cost of the road in question with the National Highway Authority's (NHA) average cost. While the NHA reported a per kilometer cost of 110.991 million in 2021 for a similar two-lane road, the project's

per kilometer cost stood at a staggering 261.60 million, which is more than double the NHA's average cost. This substantial cost deviation, when considering geographic and demographic factors, raises concerns about the cost-effectiveness and justifiability of the project.

The lapse occurred due to weak internal controls and defective bidding process which resulted in loss to government due to award of contract at higher rates.

The department was requested vide letter dated 13.11.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

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

PDP No. 18 (2022-23)

5.4.19 Loss to the government due to awarding of contract at higher rates - Rs. 31.385 million

According to para 35 of Section-I of the Standard Bidding Documents, the Employer shall use the criteria and methodologies listed in Section III. If specified in the BDS, the Employer's evaluation will be carried out by applying rated criteria that take into account technical factors, in addition to cost factors: An Evaluated Bid Score will be calculated for each responsive Bid using the formula, specified in Section III, Evaluation and Qualification Criteria. The scores to be given to technical factors and sub factors are specified in the BDS.

According to para 5.50 of the section 05 of the World Bank Procurement Regulation, Evaluation criteria and methodology shall be specified in detail in the request for bids/request for proposals document. The evaluation criteria and methodology shall be appropriate to the type, nature, market conditions, and complexity of what is being procured. For international competitive procurement, the Bank's requirements for the submission of Bid/Proposal prices (format, structure and details), and method of comparison and evaluation of Bid/Proposal prices (including treatment of taxes levied in the Borrower's country for procurement of Goods, Works, Non-consulting services, and Consulting Services), are detailed in the appropriate Bank's Standard Procurement Documents.

During audit of the accounts of Khyber Pakhtunkhwa Integrated Tourism Development Project (KITE) – C&W Component for the Financial Year 2022-23, it was observed that M/S Aitmad Builders and Developers initially submitted the bid price of Rs. 969,373,039/- for Rehabilitation and Remodeling of Thandiani Road Lot # 01 (KM 00+000 to KM 13+000) and Rs. 941,617,090/- for Rehabilitation and Remodeling of Thandiani Road Lot # 02 (KM 13+000 to 24+377). However, it was observed that a substantial change in the quoted original price occurred, resulting into an increase of the contract cost from Rs. 1,910,990,129/- to Rs. 2,994,119,567/- increasing the contract cost by Rs. 1,083,129,438/-. Such a huge change, attributed to an alleged arithmetic error by the contractor, raises concerns regarding the transparency of the procurement process.

Audit has the following further observations;

- M/S Transtech Engineering Corporation applied among other 04 competing bidders and was shortlisted as the lowest bidder with a corrected bid quoted price of Rs. 1,490,172,341/. However, the same bidder was declared disqualified as per Section-III of the Evaluation Criteria given in the bidding document and the contract was then awarded to the 2nd lowest bidder i.e. M/S Aitmad Builders and Developers at the revised contract price of Rs. 1,521,557,775. Audit held that the former contractor was disqualified on the ground that it had submitted experience of its subsidiary company. However, no documentary evidence was provided to Audit for the same. Therefore, the disqualification of the former contractor was unjustified. This resulted into a loss of Rs. 31,385,434 (Rs. 1,521,557,775 - 1,490,172,341) to the public exchequer.
- It is worth mentioning here that the disqualified contractor has been executing civil work since 1989 as evident from their website. As per Section III (D) 4.1 (a) of the Standard Bidding Document, the contractor should have 05 years General Construction experience staring from 01st January 2017. However, the selected contractor failed to possess such experience as required under Section III (D) 4.1 (a) of SBD. The contractor was registered with FBR on 01st February 2019, as per FBR record. Therefore, Audit held that the experience showed by the contractor before February 2019 was fake.
- Single stage one envelope procedure was used for procurement of civil works, wherein price is the only determining factor. Keeping in view the complexity of the civil works, Audit is of the view that a single stage two envelope procedure for procurement should have been used.
- As per Rule 45 of KPPRA Rules 2014, the project management was required to have announced the final results of the bid evaluation giving justification for acceptance or rejection of the bids on KPPRA website. However, neither bid evaluation report was posted on KPPRA website nor was any justification provided for the rejection of the 04 unsuccessful bidder as evident from Notification of intention to award which make the bidding process doubtful.
- It is worth mentioning that the selected contractor was disqualified in the bidding process during March 2021 due to mis-presentation of facts in the upgradation of Abbottabad Tandiani Road 24.37 KM and Upgradation of Mankial Beda Serai Road (22 KM) Swat.

The lapse occurred due to weak internal controls and defective bidding process which resulted in loss to government due to award of contract at higher rates.

The department was requested vide letter dated 13.11.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

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

PDP No. 19 (2022-23)

5.4.20 Illegal and unauthorized payment of mobilization advance against submission of counterfeited performance security bonds - Rs. 734.878 million

According to Clause 32 of the International Bidding Documents, the successful bidder shall furnish to the employer a performance security within 28 days after the receipt of letter of acceptance and in case of failure shall constitute sufficient grounds for annulment of award and forfeiture of the bid security.

During audit of the accounts of Pakhtunkhwa Highways Authority (PKHA) Peshawar for the Financial Year 2021-22, it was observed that M/S Khattak Allied Construction was paid Rs.734.878 million as mobilization advance on the submission of performance bonds of United Insurance Company for the execution of various schemes as detailed below:

Endorsement	Date of issue	Guarantee NO	Sum Insured Rs.
UIC/024/PB/0169//10/020E1	23-09-22	UIC/024/BP/0169/10/020	90,375,924
UIC/024/PB//0170/10/020E1	23-09-22	UIC/024/BP/0170/10/020	84,662,310
UIC/024/PB//0171/10/020E1	23-09-22	UIC/024/BP/0171/10/020	6,516,6905
UIC/024/PB//0172/10/020E1	23-09-22	UIC/024/BP/0172/10/020	62,118,935
UIC/024/PB//0173/10/020E1	23-09-22	UIC/024/BP/0173/10/020	44,047,920
UIC/024/PB//0174/10/020E1	23-09-22	UIC/024/BP/0174/10/020	20,434,787
UIC/024/PB//0175/10/020E1	23-09-22	UIC/024/BP/0175/10/020	60,278,514
UIC/024/PB/0176//10/020E1	23-09-22	UIC/024/BP/0176/10/020	59,827,700
UIC/024/PB//0177/10/020E1	23-09-22	UIC/024/BP/0177/10/020	75,417,270
UIC/024/PB//0178/10/020E1	23-09-22	UIC/024/BP/0178/10/020	47,796,605
UIC/024/PB0/179//10/020E1	23-09-22	UIC/024/BP/0179/10/020	46,551,292
UIC/024/PB/0180/10/020E1	23-09-22	UIC/024/BP/0180/10/020	50,000,000
UIC/024/PB/0181/10/020E1	14-10-22	UIC/024/BP/0181/10/020	28,200,000
Total			**734,878,162**

The Audit, for authentication of the performance guaratnees furnished by the contractor, wrote letter to M/S United Insurance Company on 27.04.2023 (copy enclosed). In response to Audit's letter, the Insurance Company denied issuance of above noted performance guarantees in favor of M/S Allied Khattak Construction Company.

Audit held that the contractor continued to defraud the Government for 05 years by furnishing fake performance guarantees to obtain mobilization advance.

The lapse occurred due to violation of rules and regulations which resulted in illegal and unauthorized payment to contractor.

When pointed out in April 2023, no reply was furnished.

The department was requested for holding DAC meeting. However, it was not convened till finalization of this report.

Audit recommends to;

- Terminate the existing contracts
- Blacklist the contractor
- Initiate departmental inquiry against the responsible officers / officials for fixing responsibility.
- Reassess all the works carried out by the contractor for ascertaining the quality and quantity as per specifications.

PDP No. 628 (2021-22)

5.4.21 Unverifiable expenditure of various AIP schemes – Rs. 4,333.430 million

According to Clause 11 (I) of Auditor-General Power & Function Ordinance 2001, Where any grant or loan is given for any specific purpose from the Consolidated Fund of Federal Government or of any Province or of any district to any authority or body, not being a foreign State or international organization, the Auditor-General may scrutinize the accounts by which the sanctioning authority satisfies itself as to the fulfillment of the conditions subject to which such grants or loans were given and for this purpose have the right of access, after giving reasonable previous notice, to the books and accounts of that authority or body : Provided that the President, the Governor of a Province or the authority of a district, as the case may be, is of the opinion that it is not necessary to do so in the best public interest.

During audit of the accounts of Pakhtunkhwa Highways Authority (PKHA) Peshawar for the Financial Year 2021-22, it was observed that advance payments were made to Pakistan Army Temporarily Displaced Persons (TDP) Secretariat for the below mentioned schemes of Permanent Reconstruction in FATA under the AIP totaling to Rs. 4,333.430 million. However, no details like bills/measurements/IPCs etc. in support of the expenditure were available on record.

S. No.	Scheme Name	Amount (Rs. in million)
1	Thal Mir Ali Road	1,600.000
2	Bajaur Khar to Timergara Road	1,383.430
3	Bajaur Khar to Mohmand Road	1,350.000
Total		**4,333.430**

The lapse occurred due to violation of rules which resulted in unverifiable expenditure.

When pointed out in April 2023, no reply was furnished.

The department was requested for holding DAC meeting. However, it was not convened till finalization of this report.

Audit recommends that detailed account of the expenditure incurred or savings (if any) may be produced for verification.

PDP No. 629 (2021-22)

5.4.22 Irregular awarding of contract due to fictitious technical evaluation – Rs. 557.000 million

According to Clause 29 of International Bidding Documents, the Procuring Entity, at any stage of the bid evaluation, having credible reasons for or *prima facie* evidence of any defect in supplier's or contractor's capacities, may require the suppliers or contractors to provide information concerning their professional, technical, financial, legal or managerial competence whether already pre-qualified or not.

During audit of the accounts of Pakhtunkhwa Highways Authority (PKHA) Peshawar for the Financial Year 2021-22, it was observed that the contracts for the construction of the Haripur Bypass Road Package-V (KM 20+650 to 24+480) and Package-VI were awarded to M/S Haji Raees Khan & Sons at the cost of Rs. 337.00 million and Rs. 220.000 million respectively in the bid evaluation meeting held in August 2015. However, in the same evaluation process, the same firm was declared unsuccessful for the Dualization of Sherkot-Hangu Section of Provincial Highway Package-IV for not having a valid PEC license. Hence, the Haripur Bypass Road Package-V and VI were awarded to a firm having invalid PEC License.

Audit held the technical evaluations for Haripur Package-V & VI & Sherkot-Hangu Package-IV as irregular.

The lapse occurred due to extending undue favor to the concerned contractors which resulted into irregular awarding of contract.

When pointed out in April 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends independent fact finding inquiry in the matter.

PDP No. 632 (2021-22)

5.4.23 Overpayment to contractor due to allowing inadmissible item of work in BOQ – Rs. 13.048 million

According to Section 3.7.1.1 of the Technical Specifications for Workmanship MRS-2019 & MRS-2020 issued by Communication & Works Department, Khyber Pakhtunkhwa, the excavation and removal of trees, roots and stumps including backfilling and compacting of holes and restoring the natural ground to the acceptable condition shall be responsibility of the contractor for which no extra payment other than notified under clearing and grubbing. Furthermore, as per 3.7.3, the unit rate for clearing and grubbing shall be full compensation for all the work specified in this section and shall include all cost of furnishing and compaction of material required for back filling of holes left by stumps and cost of restoration of area to its original form and other obstructions removed.

According to Para 16.6.5.4 of the Technical Specifications for Workmanship MRS-2020 issued by Communication & Works Department, Khyber Pakhtunkhwa, for all concrete structures, pre-stressed concrete structures or portions thereof, no separate measurement or payment shall be made of false-work supporting such structures. All false-work cost shall be considered as included in the contract prices paid for various items of concrete work and no additional compensation would be allowed thereof.

During audit of the accounts of Pakhtunkhwa Highways Authority (PKHA) Peshawar for the Financial Year 2021-22, it was observed that the contractors in the below mentioned works executed operation of clearing and grubbing, however, they were allowed separate payment against the item compaction of natural ground resulting in overpayment of Rs. 5,523,273/-;

Contractor	Work	Work Done in	Clearing & Grubbing		Compaction of Natural Ground	
		Rs. in million	Qty m^2	Rs.	Qty m^2	Rs.
M/S Zhongmei Engineering Al-Mehreen Enterprises (JV)	Road connecting Sub-Division Wazir to Bannu P-I (AIP)	220	133242.86	2,149,193	133242.86	2,654,197
M/S Khattak Allied Construction Company	Imp/Wid of Nizampur-Kohat Road P-V	273	35878.620	358,786	35878.620	1,793,931
-do-	Upgradation & Rehabilitation of Lawrencepur-Tarbela Road (PSDP)	570	47737.806	610,566	46,725.117	1,075,145
Overpayment						**5,523,273**

Audit held that as clearing & grubbing and compaction of natural ground were done on the same RDs, hence restoration of the area to its original surface level was the responsibility of the contractor without any extra payment as its cost was included in the clearing & grubbing item.

Similarly, the contract for construction of the AIP scheme, Road connecting Sub-Division Wazir to Bannu Package-I was awarded to M/S Zhongmei Engineering Al-Mehreen Enterprises (JV) at the cost of Rs. 447.952 million on MRS 2020. The contractor's work done till IPC 8 was Rs. 311 million which included payment of Rs. 7,524,747/- for 7212.310 m^2 of the item "erection & removal of formwork with plywood sheet finishing for RCC or Plain Cement Concrete" (06-47-d). However, as per MRS 2020 Technical Specifications, payment against the said item was not admissible.

The lapse occurred due to extending undue favor to the contractor which resulted in overpayment of **Rs. 13,048,020/-** to contractor.

When pointed out in April 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery of the overpaid amount.

PDP No. 634 & 635 (2021-22)

5.4.24 Irregular awarding of contract due to fictitious technical evaluation – Rs. 1,041.00 million

According to instruction no. IB.29 Award of Contract of the KPPPRA standard form of bidding documents for procurement of works (civil works) (for large contracts) over Rs.45 million, the Procuring Entity, at any stage of the bid evaluation, having credible reasons for or *prima facie* evidence of any defect in supplier's or contractor's capacities, may require the suppliers or contractors to provide information concerning their professional, technical, financial, legal or managerial competence whether already pre-qualified or not.

During audit of the accounts of Pakhtunkhwa Highways Authority (PKHA) Peshawar for the Financial Year 2021-22, it was observed that the contracts for the construction of the Circular Bypass Road Bannu Package-I (KM 0+000 to 10+000) and Package-II (KM 10+000 to 20+000) were awarded to M/S Khyber Grace (Pvt) Ltd at the cost of Rs. 555.868 million and Rs. 540.919 million respectively in the bid evaluation held in Sept, 2018.

Later on in 2021, it was awarded contract for Package-II of Road Connecting Sub-Division Wazir with Bannu Circular Road at cost of Rs. 311 million by awarding 27/32 marks in experience. However, in 2022 it was declared unsuccessful in technical evaluation for 13 Km Circular Bypass Road Package-VI when it was awarded only 5/35 marks for experience. Hence, awarding experience marks in 2021 and not awarding the same in 2022 also made the technical evaluation and tendering process of Circular Bypass Road Package-VI as doubtful which was awarded to M/S Al-Mehreen Enterprises at the cost of Rs. 1,041.00 million.

The lapse occurred due to extending undue favor to the concerned contractors which resulted in irregular awarding of contract.

When pointed out in April, 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends to conduct a fact-finding inquiry in the matter and fix responsibility against the person(s) at fault.

PDP No. 637 (2021-22)

5.4.25 Excess payment to contractor due to incorrect application of location factor on item rate contract – Rs. 10.848 million

With the introduction of MRS, the location factor was allowed with an aim to cover the cost faced by the contractors due to the level of difficulty in material, equipment, and labour availability in the specific district from its regional market. Hence, the location factor was not admissible on contracts awarded on item rate basis.

During audit of the accounts of Pakhtunkhwa Highways Authority (PKHA) Peshawar for the Financial Year 2021-22, it was observed that the contract for the improvement / widening of Nizampur Kohat road (P-VI) was awarded to MS Amanullah Khan at cost of Rs. 361,622,092/- on item rate basis vide work order dated 18.1.2016.

However, examination of Final IPC/Running bill revealed that Rs.10,848,662/- was paid to the contractor on account of location factor @ 3% which was overpayment as being not admissible for contracts awarded on item rate basis.

The lapse occurred due to violation of rules which resulted in excess payment to contractor.

When pointed out in April, 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery of the amount.

PDP No. 638 (2021-22)

5.4.26 Overpayment to contractor in price escalation due to incorrect current rates – Rs. 4.431 million

According to Clause 70.1 (d) of the Bidding Documents Volume-I, for price adjustment the current indices or prices shall be those prevailing 28 days prior to the last day of the period to which a particular monthly statement is related.

During audit of the accounts of Pakhtunkhwa Highways Authority (PKHA) Peshawar for the Financial Year 2021-22, it was observed that the following contractors were overpaid escalation of Rs. 4,431,693/- due to application of incorrect rates of bitumen, steel and diesel and allowing escalation for unexecuted items (**Annexure-VI)**;

S. No.	Scheme	Contractor	Escalation	IPC	Reason for overpayment
1	M/S Khyber Grace	Circular Bypass Road Bannu Package-II	1,426,704	14-16	Incorrect current rate of Bitumen
2	M/S Al-Mehreen Enterprises	Circular Bypass Road Bannu Package-VII	1,106,595	6-10 & 15	Incorrect current rates of Steel, Diesel
3	M/S Elum Construction Co	Wid/Imp & black toping of Swari-Dewana Baba Road Package	1,898,394	9 & 11	Steel was not utilized in IPC 9 & 11 but factor was over calculated
Total			**4,431,693**		

In case of Serial # 3, it was pertinent to mention that in escalation calculation for IPC # 11, the steel factor for IPC # 9 was taken as 0.15 based on non-utilization but was later on changed to 0.228 in IPC # 14 which proved that the steel was not utilized in the first place.

Audit held that the use of incorrect current rates resulted in overpayment of Rs. 4,431,693/-.

The lapse occurred due to weak contract management which resulted in overpayment to contractor.

When pointed out in April, 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery of the amount.

PDP No. 642, 643 & 644 (2021-22)

5.4.27 Loss to the government due to less deduction of income tax – Rs. 3.800 million

According to Section 153 (1) (c) of the Income tax Ordinance 2001, 7% income tax is recoverable from the firm/person (in the case of person other than companies) rendering or providing services. While as per section 80(2)(a) the "association of persons" includes a firm but does not include a company.

During audit of the accounts of Pakhtunkhwa Highways Authority (PKHA) Peshawar for the Financial Year 2021-22, it was observed that income tax @ 6.5% was deducted from M/S Khattak Allied Construction although it is Association of Persons (firm) and not a company. This has resulted in Rs. 3,803,073/- less deduction of income tax.

Audit held the above non-deduction of Rs. 3,803,073/- as loss to the government.

The lapse occurred due to weak financial controls which resulted in loss to the government.

When pointed out in April, 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery from the concerned contractors/consultants.

PDP No. 668 (2021-22)

5.4.28 Loss to the government due to non-deduction of stone from Random Rubble Masonry (RRM) 1:6 in foundation – Rs. 1.731 million

According to MRS item No. 08-02-d-03, RRM includes 30% to 40% cost of stone. This read with Para 220 and 221 of CPWA Code, the Sub Divisional Officer, before making payments to the contractor is required to compare the quantities in the bills and see that all the rates are correctly entered and that all the calculations have been checked arithmetically.

During special audit of AIP/ADP Fund - Executive Engineer Highway Division North Waziristan for the Financial Year 2021-22, it was observed that an amount of Rs. 1,731,376/- was overpaid to M/S K.N Construction vide Voucher No. 06/RZK 5th RB dated 27.05.2021 in the work "Construction of Black Toped Road Mattam Madi Khel Tehsil Garyum (05 KM)" for the item of work Dry Stone Masonry in (1:6) as in foundation by allowing full rate and ignoring the available stone at site from excavation in rock material requiring blasting. However, the cost of stone available and used was not deducted. Furthermore, the soil test results regarding rock classification were also not provided for justification of unsuitability of rocks as detailed below:

V # & date	Qty available from excavation in M^3	RRM (1:6) Qty executed in M^3	Paid Rate (Rs)	Required rate (Rs)	Diff (Rs)	Overpayment (Rs)
06/ RZK 5th RB dated 27.05.2021	996.370	2371.370	5746.81	4022.417	1723.893	1,717,635
Add Cost Factor @ 12%						**206,116**
Less10 % below on MRS						**-192,375**
Net Overpayment						**1,731,376**

The lapse occurred due to weak internal controls which resulted in loss to the government.

When pointed out in May 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery and action against the person(s) at fault.

PDP No. 1542 (2021-22)

5.4.29 Overpayment to contractors due to non-reduction of PC-I/TS/BOQ cost to the extent of 7% - Rs. 277.175 million

In the wake of the 25th Constitutional Amendment in the Constitution of Pakistan 1973, FATA has been merged in Khyber Pakhtunkhwa as notified by Government of Khyber Pakhtunkhwa Establishment Department vide No.SO(E-I)/E&AD/9-126/2019 dated 08.01.2019.

Finance Department letter No. SO (Dev-II)/FD/12-6/14-5, dated 21.4.2015, provides that all Works Department, while preparing cost estimate of Developmental projects falls within the exempted area, shall frame the same on MRS but with 7% less cost to defray the amount added in the rates analysis of all works, construction/supply items to meet WHT.

During special audit of AIP/ADP Fund - Executive Engineer Highway Division North Waziristan for the Financial Year 2021-22, it was observed that expenditure amounting to Rs. 2,857,286,771/- was incurred against various schemes executed under ADP/AIP projects. The schemes were awarded to contractors on MRS which includes taxes. Audit observed that neither the PC-I, TS and BOQ was reduced to the extent of 07% as required, nor deduction was made from the payment to the contractors which resulted into overpayment of Rs 200,010,073 as below;

S. No.	FY	AIP/ADP Exp	Tax @7%
01	2019-20	1,255,024,508	87,851,715
02	2020-21	774,509,859	54,215,690
03	2021-22	827,752,404	57,942,668
Total		**2,857,286,771**	**200,010,073**

Similarly, Executive Engineer Building Division North Waziristan during the years 2019-20 to 2021-22, also incurred expenditure worth Rs. 1,102,357,220/-against various schemes executed under ADP/AIP projects. The schemes were awarded to contractors on MRS which also includes taxes. Audit observed that neither the PC-I, TS and BOQ was reduced to the extent of 07% as required, nor deduction was made from the payment to the contractors which resulted into overpayment of Rs. 77,165,006/- as detailed below;

S. No.	FY	Expenditure	Tax @7%
1	2019-20	371,968,773	26,037,814
2	2020-21	333,125,866	23,318,811
3	2021-22	397,262,581	27,808,381
Total		**1,102,357,220**	**77,165,006**

The lapse occurred due to weak internal controls which resulted into overpayment to contractors.

When pointed out in May 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility, and effect recovery from the quarter concerned.

5.4.30 Loss to the government due to non-deduction of DPR Charges – Rs. 8.800 million

According to the Directorate of Social Welfare, Special Education Women Empowerment Peshawar letters No. DPR/Pub/PCRDP/559-63 dated 18.05.2012, No.DAB/DPR/DSW/1694 dated 04-03-2014, the Section 11 of the Disabled Person (Employment and Rehabilitation) Ordinance 1981 and the rules made there under, it is the legal responsibility of the principal officers of all the establishments/ organizations to deduct DPR Charges at the rate of Rs. 2,000 each per million from the bills/payments and deposit the same in the Head No.G-12218- Fund for Rehabilitation of Disabled Persons.

During special audit of AIP/ADP Fund - Executive Engineer Highway Division North Waziristan for the Financial Year 2021-22, it was observed that expenditure amounting to Rs. 3,054,922,048/- was incurred in various AIP/ADP schemes as well as Deposit-III schemes to the contractors but DPR charges amounting to Rs. 6,109,844/- was not deducted from the payment made to the contractors which resulted into loss to government of Rs.6,109,844/- (Rs. 3,054,922,048 x 0.2%) as detailed below;

S. No.	FY	AIP/ADP Exp	Deposit-III Exp	Year Total	DPR Charges Not Deducted
01	2019-20	1,255,024,508	39,560,100	1,294,584,608	2,589,169
02	2020-21	774,509,859	57,545,146	832,055,005	1,664,110
03	2021-22	827,752,404	100,530,031	928,282,435	1,856,565
Total		**2,857,286,771**	**197,635,277**	**3,054,922,048**	**6,109,844**

Similarly, the Executive Engineer Building Division North Waziristan, during the years 2019-20 to 2021-22, also incurred expenditure worth Rs. 1,345,174,696/- in various AIP/ADP schemes as well as from Deposit-III schemes to the contractors but DPR charges amounting to Rs. 2,690,349/- was not deducted from the payment made to the contractors which resulted into loss to government of Rs. 2,690,349/- (Rs. 1,345,174,349 X 0.2%) as detailed below;

S. No.	FY	AIP/ADP Exp	Deposit-III Exp	Year Total	DPR Charges
01	2019-20	371,968,773	41,859,954	413,828,954	827,658
02	2020-21	333,125,866	58,594,717	391,720,583	783,441
03	2021-22	397,262,581	142,362,578	539,625,159	1079,250
Total		**1,102,357,220**	**242,817,249**	**1,345,174,696**	**2,690,349**

Audit observed that DPR Charges at the rate of Rs. 2,000 per million, total amounting to Rs.8,800,193/- were not deducted from the contractors.

The lapse occurred due to non-adherence to rules and weak internal controls which resulted into loss to the government.

When pointed out in May 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery of the DPR Charges besides inquiry and action the person(s) at fault.

PDP No. 1545 & 1564 (2021-22)

5.4.31 Overpayment to contractor due to non-deduction of available earth from borrow material - Rs. 1.100 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.

During special audit of AIP/ADP Fund - Executive Engineer Highway Division North Waziristan for the Financial Year 2021-22, it was observed that the work "Construction of BT Road Hakim Khel to Bromi Khel Tehsil Mirali (03 Kms)" was awarded to the contractor at a bid cost of Rs. 52.763 million vide work order dated 10.2.2021. The contractor was paid Rs.30.903 million vide voucher No.17/MRL dated 09.6.2022 up to 10th Running Bill.

On further comparison of the bill quantities with the PC-I / detail cost estimate, BOQ, MB, it was noticed that the contractor was allowed the execution of an items of work i.e. "Embankment formation from borrow excavation in common material including compaction by power roller" for a quantity 7819.87 M3 @ Rs.724.45 PM3, but the excavated available earth for a quantity of 1607.41 M3 was not deducted from borrow material resulted into an overpayment of Rs.1,100,441/- (1607.41 x @ Rs.724.45 PM3 + 5% cost factor (-)10% rebate) to the contractor concerned.

The lapse occurred due to weak internal controls which resulted in overpayment to contractor.

When pointed out in May 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends the matter to be enquired for fixing responsibility, effect recovery from the concerned.

PDP No. 1546 (2021-22)

5.4.32 Overpayment to contractor on allowing PCC 1:3:6 instead of PCC 1:3:6 using 40% boulders - Rs. 1.375 million

According to Para-56 CPWD Code, T.S is guarantee that the proposal are structurally sound and that the estimates are accurately calculated and based on adequate data.

During special audit of AIP/ADP Fund - Executive Engineer Highway Division North Waziristan for the Financial Year 2021-22, it was observed that the work "Construction of black top road from village Saidgai to Dewager Saidgai Teh: Ghulam Khan (12.5 KMs)" was awarded to the contractor at a bid cost of

Rs.282.996 million vide work order No.1158/2-C/Miranshah, dated 5.3.2020 to be completed within 02 years i.e. up to 4.3.2022. The above contractor was paid Rs.290.073 million vide voucher No.22/MRL dated 22.6.2022 up to 33th running bill.

On further comparison of the bill quantities with the BOQ, TS and relevant MRS-2017, it was noticed that an item of work i.e. PCC 1:3:6 using 50% boulders was provided in the PC-I/detail cost estimate, BOQ, which was changed in the TS and incorporated as PCC 1:3:6 using 40% boulders, but on verification with the bill, it was disclosed that the contractor was paid for PCC 1:3:6 i/c placing, compacting, finishing &curing complete, for a quantity of 713.851M3 @ Rs.6302.26 instead of PCC 1:3:6 using 40% boulders as approved in the TS (3490.25 PM3) to be used in abutment/ Span-culverts wings, high retaining walls, breast walls and causeway etc; of different sizes @ Rs.4488.55 per M3 (MRS-2017), resulted into an overpayment of Rs. 1,375,035/- (6302.26 (-) 4488.55 = 1813.71 PM3 x 713.851 M3 + 7% cost factor (-) 0.75% contractor rebate) to the contractor concerned.

The lapse occurred due to weak internal controls which resulted into overpayment to contractor.

When pointed out in May 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends the matter to be enquired for fixing responsibility, effect recovery from the contractor concerned.

PDP No. 1550 (2021-22)

5.4.33 Non-recovery of liquidated damages on non-completion of work within stipulated time period – Rs. 40.899 million

According to clause-47.1 of the contract agreement, that if the contractor fails to complete the works within the time for completion, the contractor only liability to the procuring entity for such failure shall be to pay the amount in the contract data for each day up to a maximum of 10% of bid cost.

During special audit of AIP/ADP Fund - Executive Engineer Highway Division North Waziristan for the Financial Year 2021-22, it was observed that the work "Construction of black top road from village Saidgai to Dewager SaidgaiTeh: Ghulam Khan (12.5 KMs)" was awarded to the contractor at a bid cost of Rs.282.996 million vide work order No.1158/2-C/Miranshah, dated 5.3.2020 to be completed within 02 years i.e. up to 4.3.2022. The above contractor was paid Rs.290.073 million vide voucher No.22/MRL dated 22.6.2022 up to 33th running bill. On further verification of the bill quantities with MB, it was noticed that the contractor was failed to complete the work within stipulated time period of 02 years i.e. up to 4.3.2022 and was still in progress, but no recovery of liquidated damages in term of clauses of the contract agreement could be imposed and recovered for Rs.28.299 M (282.99 M x 10%) from the contractor concerned.

Similarly, the XEN Highway Division North Waziristan also awarded a work "Construction of BTR Dossali Garyam to Village Dossali" the contractor vide work order No.1185/2-C, dated 03.09.2020 at a cost of Rs.126.0186 million to be completed within 02 years i.e. up to 02.09.2022. The contractor was paid Rs.85.160 million vide voucher No.04/MRL dated 09.02.2022, up to 9th running bill. On further verification of the bill of quantities with MB, it was noticed that the contractor failed to complete the work within stipulated time period of 02 years i.e. up to 2.9.2022 and was still in progress. Only 67% work was completed but no recovery of liquidated damages in term of clauses of the contract agreement could be imposed and recovered for Rs.12.60 M (126.0186 M x 10%) from the contractor concerned.

The lapse occurred due to weak internal controls and violation of contract agreement which resulted into non-recovery of liquidated damages.

When pointed out in May 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends the matter to be enquired for fixing responsibility, effect recovery from the quarter concerned.

PDP No. 1551 & 1556 (2021-22)

5.4.34 Wasteful expenditure on account of provision of missing facilities and construction of additional class rooms - Rs. 39.000 million

Para 96 of the GFR Vol.-I requires that money should not be spent hastily or in ill-considered manner just because it is available or that the lapse of a grant could be avoided.

During special audit of AIP/ADP Fund - Executive Engineer Building Division North Waziristan for the Financial Year 2021-22, it was observed that various sub-works under Education Sector for “Provision of missing / basic facilities, raising of boundary wall and solarization in existing Educational Institutions”, “Construction of Additional Class rooms in high enrolment Schools” and “Provision of basic and other missing facilities in existing Schools” were administratively approved at a cost of Rs.158.444 million dated 23.8.2019 as was evident from the Progress Report for the month of 6/2020, against which a progressive expenditure of Rs.39.00 million was made as per following break-up.

S. No.	ADP Code	Description	AA cost	Released amount	Progressive Exp
1	285/180421	Provision of missing / basic facilities, raising of boundary wall and solarization in existing Educational Institutions	52.577 M 23.8.2019	11.00 M	11.00 M
2	297/180228	Construction of Additional Class rooms in high enrolment Schools	61.267 M 23.8.2019	12.50 M	12.50 M
3	334/170160	Provision of basic and other missing facilities in existing Schools	44.60 M 23.8.2019	15.50 M	15.50 M
Total			**158.444 M**	**39.00 M**	**39.00 M**

On further comparison of the monthly accounts for the month of 6/2020, with Form-64 of each ADP, it was disclosed that the Schemes were awarded to different contractors in packages containing numbers of Sub-works under the relevant description and incurred an expenditure of Rs.39.00 million (25% of the approved cost).The contractors left the work incomplete on the grounds that no allocation of funds under each ADP could be made in the succeeding months/years and the Schemes were dropped. This state of affairs clearly indicates that not only the Government funds were wasted on incomplete schemes, but on the other hand the pupils of the area were deprived from available facilities.

The lapse occurred due to mis-management by the Administrative Department which resulted into wasteful expenditure.

When pointed out in May 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends the matter to be enquired for fixing responsibility, ascertaining the status of work already executed.

PDP No. 1561 (2021-22)

5.4.35 Overpayment to contractor on allowing higher rate for PCC 1:4:8 in PC drain -Rs. 1.398 million

Para-209(d) of CPWA Code provides that as all payments for work or supplies are based on the quantities recorded in the MB, it is incumbent upon the person taking the measurement to record the quantities clearly and accurately. He will also work out and enter in the MB the figures for the contents or area column. If the measurements are taken in connection with running contract account on which work has been previously measured, is responsible to the last set of measurement?

According to Para-221 of CPWA code, that before signing the bill, the officer should compare the quantities in the bill with those recorded in the measurement book and see that all the rates are correctly entered and that all calculations have been checked arithmetically.

During special audit of AIP/ADP Fund - Executive Engineer Building Division North Waziristan for the Financial Year 2021-22, it was observed that the work "Up-gradation and Rehabilitation of Younas Khan Sports Complex was awarded to the contractor at a cost of Rs.226.8992 million vide work order No.938/2-C, dated 17.5.2022 to be completed up to 30.6.2023. The contractor was paid Rs.24.963 million vide voucher No.12/M, dated 17.6.2022 (1st Running bill).

On further comparison of bill quantities with MB, it was noticed that the contractor was allowed for the execution of an item of work i.e. PCC 1:2:4 for a qty of 641.28 M3 @ Rs.8587.41 PM3, but on verification of the record entry at page-2 of MB No.1305/M, the PCC work was executed in PCC 1:4:8 as per actual work done at site, the rate of which was provided @ Rs.6498.08 in MRS-2021. Thus the contractor was overpaid a sum of Rs.1, 398,397/- (8587.41 (-) 6498.08 = 2089.33 x 641.28= 1,339,846/- x 1.05 x 0.6% rebate).

The lapse occurred due to weak internal controls of the management over the affairs of engineering staff as well as accounts branch.

When pointed out in May 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends the matter to be enquired for fixing responsibility, effect recovery from the quarter concerned along-with overhauling the record of other items of work for taking similar action.

PDP No. 1566 (2021-22)

5.4.36 Overpayment to contractor due to non-reduction of rate for available rock/stone - Rs. 1.618 million

According to Para-221 of CPWA code, that before signing the bill, the officer should compare the quantities in the bill with those recorded in the measurement book and see that all the rates are correctly entered and that all calculations have been checked arithmetically.

During audit of the accounts of Executive Engineer C&W Division Battagram for the Financial Year 2021-22, it was observed that the work "Improvement/Rehabilitation of Oghi Battagram Road (1-3 KM) was awarded to the contractor at an estimated cost of Rs.43.899 million (contract price of Rs.36.876 million with rebate of @ 16%) vide work order No.404/1-M, dated 24.2.2017 to be completed within 09 months i.e. up to 23.11.2017. The contractor was paid Rs.51.98 million vide voucher No.51/A dated 08.06.2022 up to 13th running bill.

On further comparison of the bill quantities with the relevant PC-I (2nd revised detail cost estimate), it was noticed that the contractor was allowed the execution of an item of work i.e. RR stone masonry 30% available at site acquired through earth cutting at a reduced rate of Rs.3758.80 PM3 (5369.72 x 30%(-) = Rs.3758.80PM3) for a quantity of 474.645 M3 whereas the rate of the remaining quantity of 1107.51M3 was not reduced and was paid @ Rs.5369.72 PM3 instead of Rs.3758.80PM3 resulted into an overpayment of Rs.1,618,545/- (3758.80 (-) 5369.72 = 1610.92 x 1107.51M3 x 8% x 16% rebate) to the contractor concerned.

Audit observed that the lapse occurred due weak internal controls of the management for non-reduction of rate of one and the same item of work paid on two different rates, resulted extension of undue benefit to the contractor concerned.

When pointed out in June 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends enquiry for fixing responsibility for allowing higher rate instead of reduced rate and effect recovery from the quarter concerned.

PDP No. 855 (2021-22)

5.4.37 Overpayment due to allowing inadmissible rate – Rs. 1.314 million

Para-4.5 of B&R provides that every officer making or ordering payment on behalf of Government should satisfy himself that the work has been actually done in accordance with the bill submitted for payment. He should inspect personally all the most important works before authorizing final payment, and should check the measurements made by his subordinates.

During audit of the accounts of Executive Engineer C&W Division Battagram for the Financial Year 2021-22, it was observed that an amount of Rs. 937,112/- was overpaid vide V.No.22-EX dated 15.09.2021, in the work "Establishment of Government Girls Primary School Tariq Abad" for an item of work "Structure backfilling using common material available at site (03-60-c). Due to misapplication of rates government sustained loss and overpayment made to contractor.

Similarly, the Division overpaid an amount of Rs. 376,944vide V.No.37/A dated 05.04.2022, in the work "Construction of RCC Bridge at Biari Bridge" for an item of work "RRM in ground Floor in CSM 1:6 (08-01-d-03). Due to misapplication of rates government sustained loss and overpayment made to contractor as detailed below;

Name Item of work	Rate as per Schedule 2016	Rate Paid	Difference	Qty Paid M3	Amount (Rs.)	Value with Cost Factor
Structure backfilling using common material available at site (03-60-c)	435.23	1949.27	1514.04	573.10	867,696	937,112
RRM in ground Floor in CSM 1:6 (08-01-d-03)	5369.72	5598.16	228.44	1527.85	349,022	376,944
Total						**1,314,056**

Audit observed that overpayment made due to allowing inadmissible rate for items of work causing loss to government.

The overpayment occurred due to weak financial control which resulted into overpayment and loss to government.

When pointed out in June 2023 the management stated that detail reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit suggests recovery besides action against the person (s) at fault.

PDP No. 868 (2021-22)

5.4.38 Overpayment due to allowing excess quantity of asphalt and prime coat than admissible – Rs. 4.260 million

According to Para 56 of CPWD Code, if subsequent to the grant of technical sanction, material structural alterations are contemplated, orders of the original sanctioning authority should be obtained, even though no additional expenditure may be involved by the alterations.

During audit of the accounts of Executive Engineer C&W Division Battagram for the Financial Year 2021-22, it was observed that an amount of Rs. 3,565,698/- was overpaid vide voucher # 55/A dated 25-05-2022 in the work "Annual AOM&R of District Roads in District Battagram during the year 2021-22 SH: Tehsil Battagram Roads to the contractor M/s Deshan Construction Company by allowing excess quantity of Asphaltic Wearing Course (Asphalt Batch Plant Hot Mixed) against Bituminous Prime Coat as detailed below;

Item Name	Qty Paid in M2	Paid Qty equal in M3	Asphaltic Wearing Course Qty Paid	Diff	Rate paid	Overpayment	Value with Cost Factor
Bituminous Prime Coat	5080	5080 x0 .05 = 254	425.011 m3	171.011	19,306.20	3,301,572	3,565,698

Similarly, the Division overpaid excess quantity of prime coat to the contractors in the in the following road works as compared to the asphalt wearing course quantity resulted into overpayment of Rs 695,147 as detailed below.

Bill No & Date	Asphalt Qty Paid in m3	Prime coat qty to be paid m2	Prime Coat Qty paid	Diff	Rate paid	O/Payment	Value with Cost Factor
11/A dated 16.05.2022	418.060 m3	418.06 /0 .05 = 8361.2	9672.50	1311.30	195.29	256,084	276,571
68/A dated 20.05.2022	1003.110	1003.110 /0.05 = 20062.20	21323.41	1261.21	189.12	238,520 (C.F + 2% above)	262,372
18/A dated 08.02.2022	426.530	426.530/0.05 = 8530.60	8758.00	227.40	189.12	43,006	46,446
10/A dated 07.10.2021	100.83	100.83/0.05 = 2016.60	2470.00	453.40	118.99	53,950	58,266
Grand Total							**643,655**
Add Cost Factor @8%							**695,147**

Audit observed that overpayment occurred due to weak financial control, which resulted in loss of **Rs. 4,260,845/-** to the Government and favour to contractor.

When pointed out in June 2023 the management stated that detail reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery besides depositing into treasury and action against the person(s) at fault.

PDP No. 870 & 869 (2021-22)

5.4.39 Overpayment due to allowing Cost Factor on Non Schedule items - Rs. 1.212 million

According to MRS 2017, 2019 & 2021 vide Notification dated 27.09.2021. Cost Factor is allowed only on MRS Items and Factor cost is not allowed on Non-Schedule Item.

Para-4.5 of B&R provides that every officer making or ordering payment on behalf of Government should satisfy himself that the work has been actually done in accordance with the bill submitted for payment. He should inspect personally all the most important works before authorizing final payment, and should check the measurements made by his subordinates.

During audit of the accounts of Executive Engineer C&W Division Battagram for the Financial Year 2021-22, it was observed that an amount of Rs. 1,211,994/- was overpaid on account of cost factor against the non-scheduled items which is not allowed/paid resulted into overpayment and loss to government as detailed below;

S#	Bill No & date	Item Name	Paid Rate	Item Value
1	08/A dated 10.05.2022 Establishment of Model School Battagram	First class American Wood wrought joinery complete 1.5” thick (30% reduced Deodar wood)	9022.82	2,266,623
2	25/EX dated 20.09.2021 M&R Offic	P/F Fiber Glass sheet	2970.00	34,778
3	-do	S/F of UPS Battery 210 All	29,700.00	59,400
4	-do	Installation of Solar Panel with frame	17,820.00	53,460
5	-do	S/F of UPS Battery 210 All	29,700	89,100
6	-do	S/F Curtain Best quality	800.00	69,520
7	63/B dated 25.05.2022 GPS Shangai	Electrification Items	219,455	219,455
8	15/Ex dated 23.08.2021 Shari Khwar bridge	Supply & insert grade-60 deformed reinforcement anchor rods set in non shrunk grout using fosroc contexra HF or approved equivalent use of aluminum powder is expressly prohibited in trimmed rock surface at founding levels	1,994,040	4,179,507
9	28/A dated 05.04.2022 Qanjbori Bridge	De-Watering from centre pair	1,800	324,000
10	-do	Supply & insert grade-60 deformed reinforcement anchor rods set in non shrunk grout using fosroc contexra HF or approved equivalent use of aluminum powder is expressly prohibited in trimmed rock surface at founding levels	1,994,040	4,143,315
11	37/A dated 05.04.2022 Biari Bridge	Installation of Expansion joint as per drawing specification	145,000	2,073,500
12	53/A dated 11.04.2022 DC Office	P/R Partition i/c frame work sheet on both side of frame plywood chip wood ¼ thick	2,500	415,325

13	-do-	70 mm sq 4 Core PVC	5,200	405,600
14	-do-	25 mm Sq 4 Core PVC	1,790	121,720
15	-do-	P /Making of manhole 24x24 inside	8,000	200,000
16	-do-	Dadex/Beta polythene Pipe	250	125,000
17	-do-	Computer Networking System	-	185,800
18	-do-	Telephone System	-	183,818
Total				**15,149,921**
Cost Factor Paid @ 8%				**1,211,994**

Audit holds that overpayment occurred due to weak financial control, which resulted in loss to the government.

When pointed out in June 2023 the management stated that detail reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends the matter to be inquired for fixing responsibility, affect recovery from the concerned along with overhauling the record of other schemes for taking similar action.

PDP No. 873 (2021-22)

5.4.40 Loss due to non-deduction of available stone from Random Rubble Masonry (RRM) 1:6 in foundation – Rs. 8.375 million

According to MRS item No. 08-02-d-03, RRM includes 30% to 40% cost of stone. This read with Para1.58 of B&R Code, the divisional officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality.

During audit of the accounts of Executive Engineer C&W Division Battagram for the Financial Year 2021-22, it was observed that an amount of Rs. 4,575,010/- was overpaid to various contractors in the various work against the item of work RRM in foundation and plinth (1:6) by allowing full rate and ignoring the available stone at site from excavation in hard rock requiring blasting. However, the cost of stone available and used was not deducted. Furthermore, the soil test results regarding rock classification were also not provided for justification of unsuitability of rocks as detailed below:

S#	V # & date	Qty available from excavation in M^3	RRM (1:6) Qty executed in M^3	Paid Rate (Rs)	Require Rate (Rs)	Diff (Rs)	Overpayment (Rs)
1	52/A dt: 25.05.2022	777.10	1409.43	5384.76	3769.332	1615.428	1,255,349
2	66/A dt: 26.05.2022	5862.45	301.67	6683.45	4678.415	2005.035	604,859
3	44/A dt: 24.05.2022	20,587.68	449.48	6683.45	4678.415	2005.035	901,223
4	19/EX dt: 23.08.2021	640.875	386.430	5369.72	3758.80	1610.92	622,506
5	23/EX dt: 23.08.2021	4220.00	431.45	5369.72	3758.80	1610.92	695,030

6	86/A dt: 14.04.2022	460.720	1034.30	6683.45	4678.415	2005.035	923,760
7	88/A dt: 14.04.2022	512.330	1063.010	5384.76	3769.332	1615.428	827,632
8	100/A dt:27.04.2022	1342.28	1222.75	6683.45	4678.415	2005.035	2,451,657
Sub Total							8,282,016
Add Cost Factor @ 8%							8,944,577
Less 21.51below on MRs against S.No.8							-569,539
	Total						**8,375,037**

Audit observed that the lapse occurred due to weak internal financial controls which resulted in loss to government.

When pointed out in June 2023 the management stated that detail reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery and action against the person(s) at fault.

PDP No. 872, 874 & 877 (2021-22)

5.4.41 Overpayment on account of non-deduction of RR Stone Masonry by not multiplying the required factor – Rs. 1.393 million

According to clause 7.2.10 & 7.4.12 of the technical specification of MRS, that stone shall be measured in bulk: the unit of measurement shall be one hundred cubic feet. Actual stone contents shall be obtained by multiplying the stack measurement with a factor of 0.75.

During audit of the accounts of Executive Engineer C&W Division Battagram for the Financial Year 2021-22, it was observed that the work "Upgradation of 50 Middle Schools to High Level (B&G) SH: GGHS Bilandkot was awarded to the contractor on 23% below with Bid Cost of 33.593 million vide work order No. 16213/ dated 23.09.2021. The contractor M/s Muhammad Qayyum & Co was paid Rs 16,382,498 vide Voucher No.76/A dated 14.04.2022 6th RB.

On further verification of bill quantities it was noticed that the contractor was allowed RR Stone Masonry in 1:6 in boundary wall for a quantities of 506.62 m3 @ 11,000 per m3 but the stack measurement at the prescribed factor was not taken resulted into overpayment of Rs 1,393,205 (506.62 x 0.75 = 379.97 (-) 506.62 = 126.66 x 11,000 = 1,393,205 to the contractor.

Audit observed that technical specification for multiplication with relevant factor for RR stone was not made by extending undue favour to the contractor which resulted in to loss to government.

The lapse occurred due to weak internal controls which resulted into overpayment.

When pointed out in June 2023 the management stated that detail reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends inquiry for fixing responsibility and affecting recovery.

PDP No. 876 (2021-22)

5.4.42 Non-deduction of defray charges from the contractors - Rs. 22.089 million

According to Finance department KP notification No.SO (Dev-II)/FD/12-6/2014-15 dated21.04.2015, all provincial works department while preparing cost estimates of development projects which fall in the tax exempted areas such as PTA, shall frame the same on market rate but with 7.5% less cost to defray the amount added in the rate analysis of all works /constructions/supply items to meet withholding tax.

During audit of the accounts of Executive Engineer C&W Division Lower Kohistan for the Financial Year 2021-22, it was observed that the local office paid a sum of Rs. 247,500,922/- to various contractors for different works but neither the estimates were reduced by 7.5% nor deduction of income tax @7.5% amounting to Rs 18,562,569 was made from contractors, which is against the spirit of Finance Department notification as stated above and the same needs to be recovered.

Similarly, Executive Engineer C&W Division, Upper Kohistan during the Financial Year 2021-22 paid a sum of Rs 47,023,891 to various contractors for different works but neither the estimates were reduced by 7.5% nor deduction of income tax @7.5% amounting to Rs. 3,526,792 was made from contractors, which is against the spirit of Finance Department notification as stated above and the same needs to be recovered.

The lapse occurred due to non-observing the Government rules & regulations, which resulted in loss of Rs. 22,089,361/- to the government.

When pointed out in June 2023, management stated that detail reply will be furnished after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery and action against the person(s) at fault.

PDP No. 822 & 831 (2021-22)

5.4.43 Loss to the government due to execution of excessive quantities of asphalt - Rs. 37.723 million

According to para 220 & 221 of CPWA code, the divisional officers before making payment to the contractor is required to compare the quantities in the bill and see that are the rates are correctly entered and that all the calculations have been checked arithmetically.

It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality read with approved design of 0.05 m thickness.

During audit of the accounts of Executive Engineer C&W Highway Division Khyber for the Financial Year 2021-22, it was observed that local office awarded the contracts of 06 Nos developmental schemes amounting Rs. 1466.674 million to different contractors **(Annexure-VII)**.

On scrutiny of the relevant record, it was observed that prime coat quantity of 155060 m2 was carried out at site. According to the thickness of Asphalt, Asphalt quantity of 8626.71 m3 was required whereas contractor was paid for 11298.31 resulted into excess quantity of 2671.595 m3 of Asphalt amounting to Rs. 37.723 million. The payment is over and above the payment required as per cross section quantities entered in BOQ on standard 2" thickness of Asphalt.

The lapse occurred due to weak internal control and violation of rules which resulted into loss to the government.

When pointed out in April 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends details inquiry and recovery of overpayment besides fixing of responsibility on the person at fault.

PDP No. 679 (2021-22)

5.4.44 Non-transparent awarding of contract in violation of KPPRA – Rs. 2,479.980 million

According to KPPRA rules 2014, Chapter-V, rule-34, the procuring entity may decide the response time for receipts of bids or proposal for prequalification from the date of publication of an advertisement or notices, keeping in view the contract the contract complexity , and urgency, however, under no circumstance the response time shall be fifteen days for national competitive bidding and thirty days for international competitive bidding from the date of publication of advertisement.

During audit of the accounts of Executive Engineer C&W Highway Division Khyber for the Financial Year 2021-22, it was observed that developmental schemes worth Rs. 2,479 million were advertised through e-tendering system. However, scrutiny of record revealed that the response time of 15 days allowed to contractor to offer their rates was not observed purposely. Bill of quantity was not uploaded in specified time of 15 days before closing time. As per KPPRA rules 2014, the minimum response time should be fifteen days, whereas local office awarded tenders for Rs 2,479 million by uploading BOQ one to four days before expiry date of tenders resulting in violation of KPPRA rules. No evidence of technical evaluation criteria or process adopted was provided. The tender were not opened and finalized on the same day and the contracts were awarded 10-15 days after the tender closing dates.

The lapse occurred due to non-adherence to rules & regulations which resulted into non-transparent awarding of contract.

When pointed out in April 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends details inquiry and fixing responsibility on person at fault.

PDP No. 675 (2021-22)

5.4.45 Overpayment due to allowing high rates - Rs. 1.914 million

According to MRS 2019 rate allowed for, item No. (03-03-f), Excavation surplus hard rock material, is Rs 341.01/m3 read with para 220 & 221 of CPWA code, the divisional officers before making payment to the contractor is required to compare the quantities in the bill and see that are the rates are correctly entered and that all the calculations have been checked arithmetically.

During audit of the accounts of Executive Engineer C&W Highway Division Khyber for the Financial Year 2021-22, it was observed that local office overpaid Rs 1.914 million to contractor in the work construction of road from Inzari kandow road to Spina Sooka top estimated cost of Rs 15.120 million vide voucher No.05-K dated 22-06-2022 by allowing high rate for item of work excavation in surplus hard rock material, as detailed below;

S. No.	Item of work	Qty executed in M^3	Paid Rate (Rs)	Required rate (Rs)	Diff (Rs)	Overpayment (Rs)	Add 5% (Rs)
1	excavation in surplus hard rock material	7,180	595	341.01	253.99	1,823,648	1,914,830
Total							**1,914,830**

The rate allowed was on excessive side as not provided in MRS nor was allowed in other works.

The lapse occurred due to weak internal controls which resulted in loss to government.

When pointed out in April 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends details inquiry and recovery of overpayment besides fixing of responsibility on the person at fault.

PDP No. 773 (2021-22)

5.4.46 Overpayment on account of higher rates than TS – Rs. 16.702 million

According to approved Technical Sanction of the scheme, (section earth work), rate allowed for item of work (3-70-C) Formation of embankment from borrow excavation in common material including compaction is Rs 397.72/ M3. Read with Para 220 & 221 of CPWA code, the divisional officers before making payment to the contractor is required to compare the quantities in the bill and see that are the rates are correctly entered and that all the calculations have been checked arithmetically.

During audit of the accounts of Executive Engineer C&W Highway Division Khyber for the Financial Year 2021-22, it was observed that local office awarded contract of the scheme construction of black top road from Dhora Nehar to Monomonnryee via Shegy Sar 8 KM with estimated cost of Rs 203.40 million and bid cost of 171.24 million to MS AQ builders Government contractor. Payment of Rs 136.552 million was made vide voucher No. 17-B dated 30.03.2022.

Further scrutiny of record revealed that local office overpaid Rs 9.466 million to contractor due to allowing higher rate of item work “formation of embankment from borrow excavation in common material” approved in technical sanction which resulted in overpayment and loss to public exchequer **(Annexure-VIII)**.

Similarly, local office overpaid Rs 7.236 million to contractor due to allowing excessive quantity of item of work than approved Technical Sanction. The excessive quantities than technical sanction is undue favor to contractor at the cost of public exchequer and loss to government.

The lapse occurred due to weak financial controls which resulted into overpayment.

When pointed out in April 2023, no reply was furnished.

The Department was requested for holding of the DAC meeting in June,2023. However, no DAC meeting was convened till finalization of this report.

Audit recommends inquiry and affecting recovery.

PDP No. 684 & 686 (2021-22)

5.4.47 Fictitious payment against fake entries in measurement book - Rs 13.604 million

Para-209(d) of CPWA Code provides that as all payments for work or supplies are based on the quantities recorded in the MB, it is incumbent upon the person taking the measurements to record the quantities clearly and accurately. He will also work out and enter in the MB the figures for the contents or area column read with Para-4.5 of B&R which also state that every officer making or ordering payment on behalf of Government should satisfy himself that the work has been actually done in accordance with the bill submitted for payment. He should inspect personally all the most important works before authorizing final payment, and should check the measurements made by his subordinates.

During audit of the accounts of Executive Engineer C&W Highway Division Khyber for the Financial Year 2021-22, it was observed that payment of Rs. 13,604,233 was made under road work in 6th running for construction of BTR from Marble chowk to nava Kalli Mullagor 4.10 Km. The payment was made against fake entries in the measurement book as during physical verification along with sub engineer concerned to the site, no road work was carried out in KM-1 which makes the whole process doubtful. In addition, payment was made for 19-20 feet wide road whereas actual width of the road is 14-16 feet approx.

The lapse occurred due to weak internal controls which resulted into fictitious payment.

When pointed out in April 2023, no reply was furnished.

The Department was requested for holding of the DAC meeting in June,2023. However, no DAC meeting was convened till finalization of this report.

Audit recommends to inquire the matter and fix responsibility on the person(s) at fault.

PDP No. 695 (2021-22)

5.4.48 Overpayment due to application of higher rates in variation order then original contract rates – Rs. 2.631 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.

During audit of the accounts of Executive Engineer C&W Highway Division Khyber for the Financial Year 2021-22, it was observed that local office awarded the contract of the scheme Rehabilitation of Main Jamrud By pass road kharki abad (1.590 KM) to M/S Pir Muhammad with a estimated cost of Rs. 70.59 million and bid cost of Rs. 57.030 million respectively. An up-to-date payment of Rs. 62.005 million was made vide voucher No. 04-J dated 10.06.2022.

Further scrutiny of record revealed that local office overpaid Rs 2.631million to contractor due to allowing high rate of item of work formation of embankment from borrow excavation in common material approved in PC-1 and later on enhanced in variation order which is un due favor to contractor at the cost of public exchequer. Detail as per following:-

Item of work	Qty paid (m3)	Paid rate (Rs) as per variation order	Admissible rate as per PC-1 (Rs)	Difference (Rs)	Total (Rs)	Add cost factor 2 % (Rs.)	Deduct below rate @ 19.25 %

Formation of embankment from borrow excavation in common material	14,342.67	628. 40	405.62	222.78	3,195,260	3,259,165	2,631,775
Total (Rs)							**2,631,775**

Overpayment occurred due to weak financial control, which resulted into overpayment.

When pointed out in April 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends to inquire the matter and recover the overpaid amount.

PDP No. 697 (2021-22)

5.4.49 Overpayment due to allowing excessive quantities than cross section quantities entered in PC-I – Rs. 3.553 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.

During audit of the accounts of Executive Engineer C&W Highway Division Khyber for the Financial Year 2021-22, it was observed that local office awarded the contract of the scheme Rehabilitation of marble industry road from main warsak road to Sher bridge Mullagori area was awarded to M/S Sarhad Engineering electric company government contractor. An up to date payment of Rs 73.526 million was made vide voucher No.12-J dated 15.06.2022.

Further scrutiny of record revealed that local office overpaid Rs. 3.553 million to contractor due to allowing excessive quantities of item work than approved cross section quantities which resulted in overpayment and loss to public exchequer. Detail as per following:

Description	Item of work	Qty approved in cross section	Paid quantity	Difference	Rate	Overpayment	Add cost factor 2 %(Rs)	Deduct below rate @ 13.57% %
Road work	Formation of embankment from borrow area	0	5130	5130*	785.64	4030333	4,110,940	3,553,085

Overpayment occurred due to weak financial controls which resulted into overpayment.

When pointed out in April 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends to inquire the matter and recover the overpaid amount.

PDP No. 711 (2021-22)

5.4.50 Non-adjustment of Income Tax - Rs. 1.897 million

According to Finance department KP notification No.SO(Dev-II)/FD/12-6/2014-15 dated21.04.2015, all provincial works department while preparing cost estimates of development projects which fall in the tax exempted areas such as PTA, shall frame the same on market rate but with 7% less cost to defray the amount added in the rate analysis of all works /constructions/supply items to meet withholding tax.

According to the Finance Department KP letter No. SO (Dev) FD/12-6/12-13 dated Peshawar the 20th June,2013, Cost estimates of those developmental schemes which falls in the Tax exempted area like PATA are also framed on the same CSR without adjustment of the non- deductible income tax in those areas. The payment to contractors on CSR basis with built provision of income tax without adjustment in their invoices is overpayment by the amount equal to deductible income tax.

During audit of the accounts of Executive Engineer C&W Highway Division Khyber for the Financial Year 2021-22, it was observed that local office, incurred expenditure of Rs. 27.10 million in work Rehabilitation of road from Zakiria Masjid to Haideri Kandow Landi kotal. But in built income tax MRS @ 7% of Rs 1.897 million was not deducted from payments made to contractors nor adjustment was made in detail cost estimates of the schemes, which resulted in loss to the Government and undue favor to contractor as same was deducted from other contractors.

The lapse occurred due to weak internal controls and mismanagement which resulted into non-adjustment of income tax.

When pointed out in April 2023, no reply was furnished.

The Department was requested for holding of the DAC meeting in June, 2023. However, no DAC meeting was convened till finalization of this report.

Audit recommends to recover the amount of income tax from the contractor concerned and deposited into government treasury under proper head of account.

PDP No. 698 (2021-22)

5.4.51 Unauthorized payment out of lapsed deposits – Rs. 14.286 million

Para 395 of the CPWA Code provides that without special orders of the competent authority, no security deposit should be repaid or retransferred to the depositor, or otherwise disposed of, except in accordance with the terms of his agreement or bond.

Balances unclaimed for more than the three complete accounting years shall be credit to government as lapsed deposits according to Para 399(iii) of CPWA Code.

During audit of the accounts of Executive Engineer C&W Highway Division Khyber for the Financial Year 2021-22, it was observed local office paid Rs 3,214,020 as refund of securities to various contractors during 2021-22 **(Annexure-IX)**. These unclaimed securities were required to be credited as lapsed deposit into government revenue in the above-mentioned months instead the same were paid to the contractors without sufficient justification and sanction of the competent authority. In addition, month wise reconciliation with AG office as well District Account Office was not carried out. In addition payment status of the deposit was also not clear as actual payee receipts and payment through cross cheque was not verified.

The lapse occurred due to weak financial controls which resulted into unauthorized payment.

When pointed out in April, 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends year wise reconciliation of the payment made from deposit II and details inquiry for fixing of responsibility on the person at fault.

PDP No. 715 (2021-22)

5.4.52 Overpayment due to non-deduction of available material from stone RRM (1:6) in foundation and plinth – Rs. 14.951 million

According to MRS 2019, item No. 08-01-d-03-a, RRM as in foundation and Plinth includes 30% to 40% cost of stone. This read with Para1.58 of B&R Code, the divisional officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality.

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

During audit of the accounts of Executive Engineer C&W Highway Division Haripur for the Financial Year 2021-22, it was observed that local office awarded 06 developmental schemes costing Rs. 451.740 million were awarded to contractors, The contractors were overpaid Rs. 14.951 million by allowing full rate of RRM and ignoring the available stone at site from excavation in hard rock material. The cost of stone available was not deducted **(Annexure-X)**.

In addition cutting in hard rock was paid without rock classification and grading on the basis of geological survey reports and verified cross-section of the road supported with level book and recovery schedule.

The lapse occurred due to weak internal controls which resulted into overpayment.

When pointed out in June 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends to recover the overpaid amount.

PDP No. 835 (2021-22)

5.4.53 Overpayment on account of roadway excavation – Rs. 2.882 million

According to the MRS 2019, Technical specifications for workmanship, the quantity for formation of embankment from roadway excavation shall be the same as the quantity calculated for roadway excavation. Furthermore, for payment purpose the formation of embankment from excavated material shall include the cost of excavation.

During audit of the accounts of Executive Engineer C&W Highway Division Haripur for the Financial Year 2021-22, it was observed that contract for the "Construction/of Kharan to Kani Kot road" was put to tender and awarded to M/S Tayyab Hussain Shah and allowed up to date payment of Rs. 85.161 million vide Vr. 28-H dated 06.06.2022.

Further scrutiny of record revealed that local office paid Rs. 40.103 million for 107322 m^3 excavation including roadway excavation etc. However, out of this excavated material, 7069 m^3 was used in formation of embankment from roadway excavation, therefore, separate payment against 7069.24 m^3 quantity of excavation was not admissible resulting in overpayment of Rs. 2,626,364/-

Similarly, that contract for the "Construction of road /street at malhat to satti" was put to tender and awarded to M/S Zahid Iqbal with estimated cost of Rs 10.000 million and allowed up to date payment of Rs. 8.039 million vide Vr. 1-KH dated 6.6.2022.

Further scrutiny of record revealed that local office paid Rs. 19.55 million for 4019.94 m^3 excavation including roadway excavation etc. However, out of this excavated material, 827.81 m^3 was used in formation of embankment from roadway excavation, therefore, separate payment against 827.81 m^3 quantity of excavation was not admissible resulting in overpayment of Rs. 256,530.

The lapse occurred due to extending undue favor to the contractor which resulted into overpayment.

When pointed out in June 2023, no reply was furnished.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends to recover the overpaid amount.

PDP No. 836 (2021-2022)

5.4.54 Non-collection of 10% performance security – Rs. 22.470 million Non-forfeiture of bid security - Rs. 6.000 million

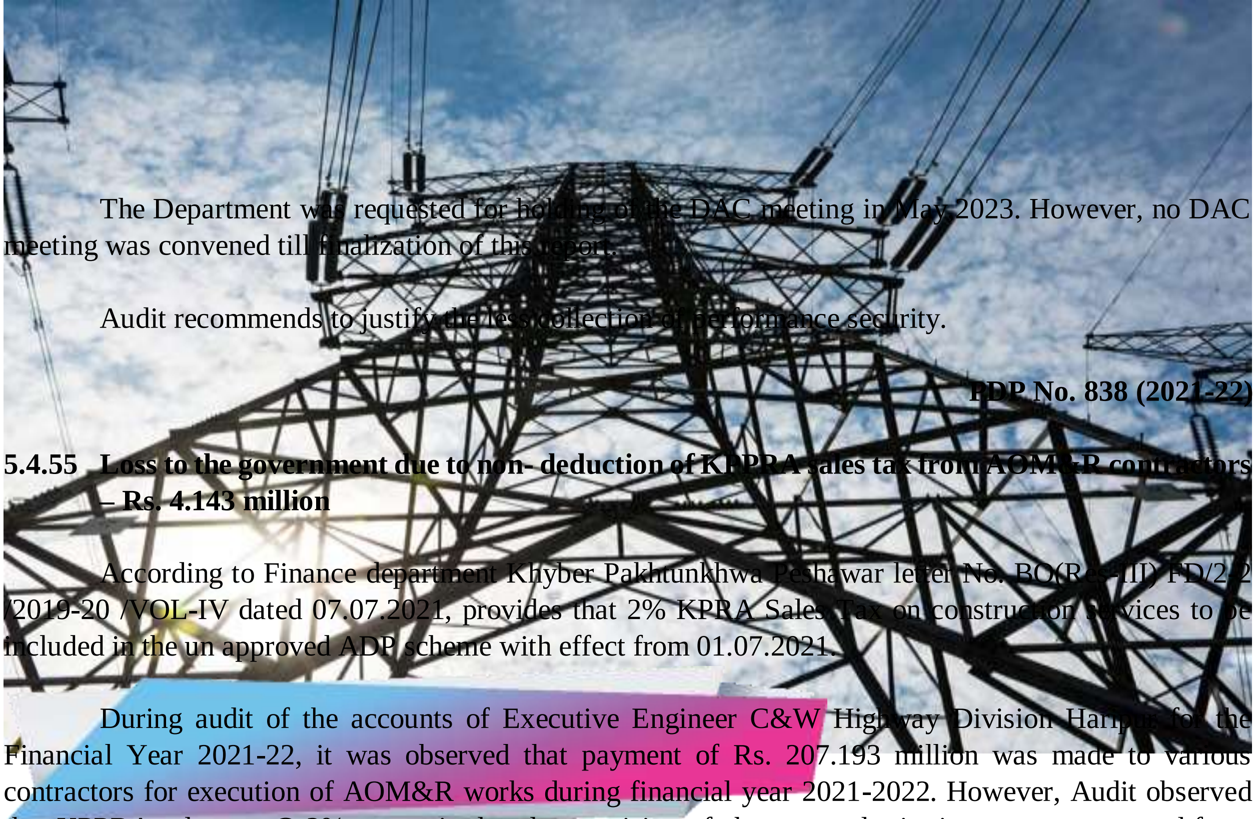
According to Standard Form of Bidding documents for procurement of works notified by KPPRA vide KPPRA/M&E/SBDs/1-1/2015 dated 03.05.2016, special stipulation S.No 2 provides collection of 10 % performance security of the contract price.

According to clause 13.5 (C) read with IB 21 & 44 of the standard form of bidding documents for procurement of works notified vide KPPRA /M&E/SBD/1-1/2015 dated 3.5.2016, the bid security may be forfeited in case of the successful bidder fails to furnish to the performance security in the form and the amount stipulated in the conditions of the contracts within 14 days after receipts of letter of acceptance.

During audit of the accounts of Executive Engineer C&W Highway Division Haripur for the Financial Year 2021-22, it was observed that contract for the “Construction of road Chungi No. 11 to village Ali khan (By pass road) (7 Km)” was put to tender and awarded to M/S Trand Construction with estimated cost of Rs. 224.755 million and allowed up to date payment of Rs. 36.548 million vide Vr.3-H dated 06.06.2022. The work was awarded vide work order No.11432/3-M dated 20.06.2020 to be completed within 24 months. As per contract agreement 10 % performance security amounting to Rs 22.475 million (10 x 224.755 million) was required to be collected from contractor but local office failed to collect the performance security to protect the interest of Government and un due favour extended to contractor. In addition 2 % bid security amounting to Rs 6 million (300.275x2%) required to be forfeited as contractor failed to submit 10 % performance security

The lapse occurred due to weak contract management which resulted into non-collection of performance security and non-forfeiture of bid security.

When pointed out in June 2023, no reply was furnished.



The Department was requested for holding of the DAC meeting in May, 2023. However, no DAC meeting was convened till finalization of this report.

Audit recommends to justify the less collection of performance security.

PDP No. 838 (2021-22)

5.4.55 Loss to the government due to non- deduction of KPPRA sales tax from AOM&R contractors – Rs. 4.143 million

According to Finance department Khyber Pakhtunkhwa Peshawar letter No. BO(Res-III) FD/2-2 /2019-20 /VOL-IV dated 07.07.2021, provides that 2% KPRA Sales Tax on construction services to be included in the un approved ADP scheme with effect from 01.07.2021.

During audit of the accounts of Executive Engineer C&W Highway Division Haripur for the Financial Year 2021-22, it was observed that payment of Rs. 207.193 million was made to various contractors for execution of AOM&R works during financial year 2021-2022. However, Audit observed that KPPRA sales tax @ 2% as required under provision of above stated criteria was not recovered from the contractors which resulted into loss of Rs. 4.143 million.

The lapse occurred due to weak internal control which resulted into loss to the government.

When pointed out in June 2023, no reply was furnished.

The Department was requested for holding of the DAC meeting in May, 2023. However, no DAC meeting was convened till finalization of this report.

Audit recommends to recover the government dues and deposit the same into the government treasury.

PDP No. 842 (2021-2022)

Chapter – 6

ENERGY & POWER DEPARTMENT

6.1A) Introduction

The provincial government has planned to start work on gigantic energy projects to overcome shortfall of energy besides providing inexpensive electricity to consumers, industries, and agriculture sectors. Its mission is harnessing indigenous energy resources for sustainable economic growth in KP through Hydropower Generation, Oil & Gas Sector & Renewable Energy. Its objective is to look after two abundantly available natural resources in Khyber Pakhtunkhwa Hydropower and Oil & Gas (Hydrocarbons)

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

- All relevant matters under Articles 154, 157, 158 & 161 of the Constitution and framing policies for the Province in their respect.
- Grant and revocation of licenses to the private electric undertaking, certificates of competency to electrical supervisors and licenses to electric contractors under the Electricity Act, 1910.
- Levy and collection of electricity duty under West Pakistan Finance Act, 1964.
- Monitoring of tariff of PESCO vis-a-vis other DISCOs for regulation of tariff.
- Administration of Sarhad Hydel Development Organization Act, 1983.
- All matters pertaining and auxiliary to Hydel power stations of WAPDA or any other publication / private sector agency located in Khyber Pakhtunkhwa.
- Advising the Provincial Government on thermal, solar, wind, coal, nuclear, solar and any other kind of energy and power generation.
- Close coordination with the Federal Govt. in respect of grant of licenses for oil and gas exploration inKhyber Pakhtunkhwa and cooperation with such companies and organizations undertaking such ventures in Khyber Pakhtunkhwa.
- Matters relating to extension of gas by SNGPL in Khyber Pakhtunkhwa.
- Matters relating to tariff on gas/CNG/petroleum products, royalty on gas and oil, gas development surcharge.
- Planning, designing and erection of Power generation units and supply of electricity load to the province as per its requirement.
- Representation of the Province on the boards of Directors of PESCO and other DISCOs in view of hydro-electricity as major contributor to, and source of, energy.
- Formulate, regulate and review Provincial Power Policy.

- Investigation into fatal and non-fatal accidents due to electrocution.

Audit Profile of Energy & Power Department: **(Rs. in million)**

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23	Revenue/Receipts Audited FY 2022-23
1	Formations	06	0	290	0
2	• Assignment Account • SDA (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	01	0	Nil	N/A
4	Foreign Aided Projects (FAP)	01	0	Nil	N/A

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

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in financial year 2022-23 is given below:

Non-Development:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
44-Energy and Power	NC21	65,279,000	0	0	6,634,083	58,644,917	58,644,968	51
Total		**65,279,000**	**0**	**0**	**6,634,083**	**58,644,917**	**58,644,968**	**51**

Development:

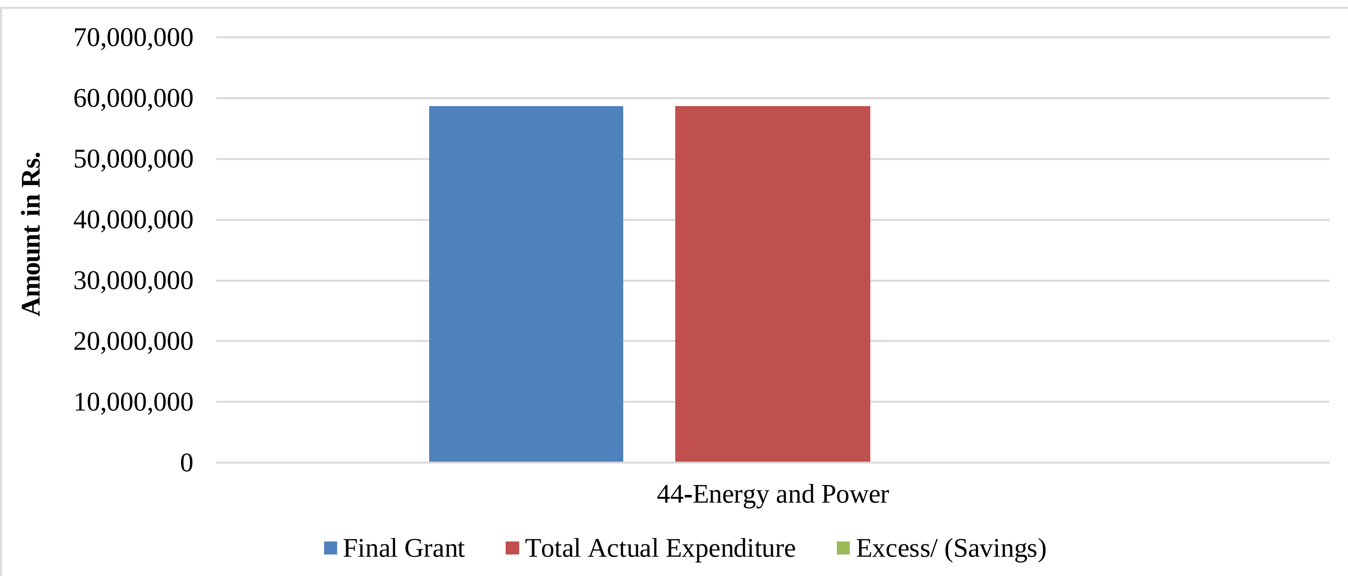
(Amount in Rs.)

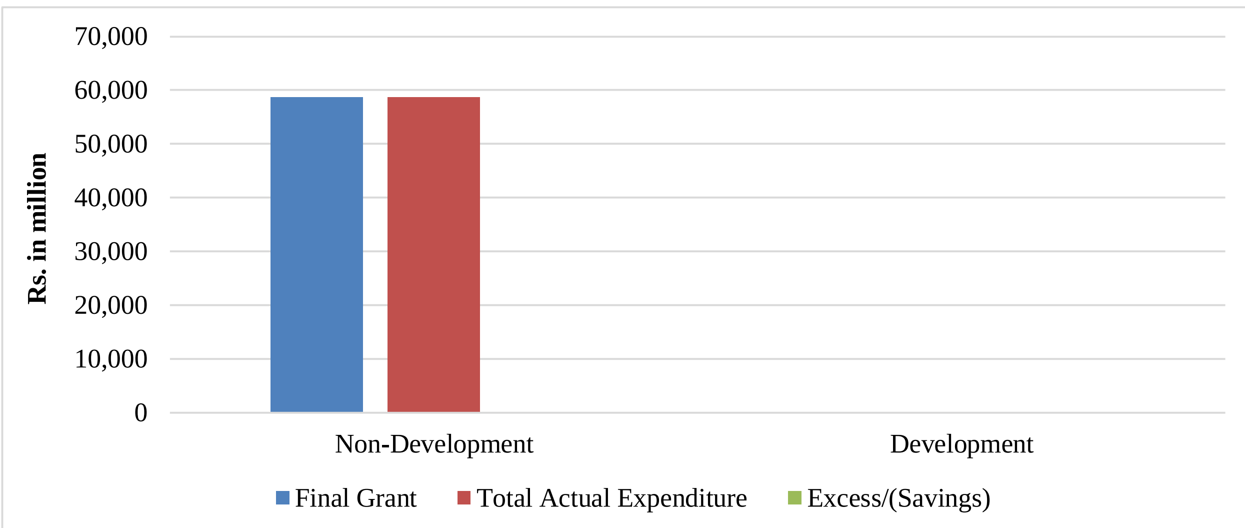
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
Nil	NC12/22	0	0	0	0	0	0	0
Total		**0**	**0**	**0**	**0**	**0**	**0**	**0**

Overview of expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	58,644	58,644	0	0
Development	0	0	0	0
Total	**166,978**	**166,978**	**0**	**0**




70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
Rs. in million
Non-Development
Development
Final Grant
Total Actual Expenditure
Excess/(Savings)

6.1 (c) Issues in Energy and Power Department

Loss to the Government due to delay in completion of the project, irregular award of contracts, consultancy and procurement related issues are reported in the Gorkin Matiltan Hydro Power Project executed by PEDO. Non-recovery of taxes and DPR charges from contractors are also highlighted in the observations. Irregular Mobilization advance was also given to the contractors. Non-recovery of electricity charges from National Electric Power Regularity Authority is also a major issue resulting in delay in collection of Government receipts. There were no details of the head-wise figures of the departmental own receipts collected by the department.

6.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 7,010.792 million were raised in this report during the current audit of Energy & Power Department. Recoveries amounting to Rs. 1,377.093 million were pointed out by audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

S. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	2,929.067
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	7,010.792
5	Others	

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

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2009-10	Energy & Power	05	04	-	01
2.	2010-11	-do-	02	-	-	02
3.	2011-12	-do-	09	06	-	03
4.	2012-13	-do-	01	01	-	-
5.	2013-14	-do-	01	01	-	-
6.	2014-15	-do-	13	05	-	08
7.	2015-16	-do-	Nil	-	-	-
8.	2016-17	-do-	20	6	5	9

6.4 Audit Paras

6.4.1 Loss to the government due to non-receipt of net hydel profit – Rs. 2,639.782 million

According to Article-161 (2) of the Constitution of Islamic Republic of Pakistan, the net profits earned by the Federal Government, or any undertaking established or administered by the Federal Government from the bulk generation of power at a hydro-electric station shall be paid to the province in which the hydro-electric station is situated.

During audit of the accounts of Secretary Energy & Power Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that an amount of Rs. 0.218 million was received from the Federal Government against the budgeted Net Hydel Profit (NHP) amount of Rs. 2,640.000 million (July 2022 to May 2023 i.e. 11 months), resulting into less / non-receipt of Rs. 2,639.782 million as net hydel profit, as evident from the Finance Department's letter No.BO(Rev-I)FD/5-5/2022-23/Vol-III dated 16.06.2023 & FPC meeting held on 08.12.2022.

The Energy & Power Department & PEDO did not have any data or information available as to how NHP mechanism is worked out and calculation made regarding budgeted vs actual NHP.

The lapse occurred due to violation of rules and non-availability of data regarding calculation of net hydel profit which resulted into loss to the government.

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter dated 06.11.2023 and reminder dated 26.12.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to implement the provisions of the Constitution in letter & spirit and recover the amount of Rs. 2,639.782 million from the Federal Government.

PDP No. 48 (2022-23)

6.4.2 Less realization on account of own source receipts – Rs. 531.321 million

Para 8 and 26 of the General Financial Rules Volume I require each administrative department to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury.

During audit of the accounts of Secretary Energy & Power Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that the local office realized revenue of Rs. 1,964.709 million against the target of Rs. 2,496.00 million set by the Finance Department for own source receipts, resulting into less realization of revenue amounting to Rs. 531.321 million, as detailed below;

(Rs. in million)

S. No.	Head of Account with Classification	Budget Estimates for 2022-23	Receipts During the period	Shortfall in receipts

1	B03031-Fee Payable for Inspection of Electrical Projects	91.600	68.467	23.133
2	B03033- Fee payable for the for the grant of Certificate of Competency to Supervisor & License to Electricity Contractor	2.000	2.030	00
3	B03034- Electricity Duty Payable by WAPDA	2339.900	1857.267	482.633
4	B03035- Electricity Duty Payable for In House Self Generation	62.500	36.945	25.555
Total		**2496.00**	**1964.709**	**531.321**

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter dated 06.11.2023 followed by a reminder letter dated 26.12.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the amount.

PDP No. 58 (2022-23)

6.4.3 Loss to the government due to payment on lesser rate for Pre-COD units - Rs. 2462.596 million

According to Para 26 of the General Financial Rules Volume-I, it is the duty of the Departmental Controlling Officer to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the Public Account.

During audit of the accounts of Pakhtunkhwa Energy Development Organization - Daral Khwar HPP District Swat, it was observed that NEPRA had determined the levelized tariff rate of Rs. 8.437 for Daral Khwar HPP Project vide No. NEPRA/TRF-399/PEDO(DKHP)-2017/346-348 dated 09.01.2018 and Commercial Operation Date (COD) was notified by the Central Power Purchase Agency Guarantee limited (CPPA) with effect from 26.5.2021 vide No. CTO/CPPA-G/DGM (renewable) Daral Khwar HPP/19402-13 dated July 27, 2021. Proper generation of electricity was started in April 2019 and exported 306,022,150 units however it was noticed that electricity generated units would be paid at the pre-COD rate of Rs. 1/- instead of rate notified by NEPRA Rs. 8.437 due to which provincial government would sustain a loss of Rs. 2275.886 million (8.437-1= 7.437 x 306,022,150).

Similarly, audit of the accounts of Ranolia HPS Chitral revealed that NEPRA has determine the levelized tariff rate of Rs. 4.12 for Ranolia Hydropower project vide No. NEPRA/TRF-231/PHYDO-2013/4264-4266 dated 29.4.2014 and Commercial Operation Date (COD) was notified by the Central Power Purchase Agency Guarantee limited (CPPA) with effect from 12.9.2021 vide No. CTO/CPPA-G/DGM (renewable) Ranolia HPP/25546-58 dated October 2021. Proper generation of electricity was started in November 2019 and exported 59.846 units however it was noticed that electricity generated units would be paid at the pre-COD rate of Rs. 1/- instead of rate notified by NEPRA Rs. 4.12/- due to which provincial government will sustain a loss of Rs. 186.71 million (4.12-1= 3.12 x 59.846).

Audit held the Pre-COD rate should have been at par with the rate determined by the NEPRA.

The lapse occurred due to weak internal controls which resulted in loss of Rs. 2,462.596 million to the government.

When pointed out in February 2022, the Management replied that the pre-COD sale tariff is not yet finalized by NEPRA. However, petition has been moved by PEDO for determination of pre-COD sale tariff. The case regarding modification has been submitted to NEPRA in which the pre-COD tariff will be also be determined by the Authority.

In the DAC meeting held on 15.12.2022, it was decided that the matter may be referred to PAC for deliberation.

Audit recommends to refer the loss to the PAC for deliberation.

PDP No. 278 & 281 (2020-21)

6.4.4 Loss to the government due to non-recovery of electricity charges - Rs. 1,377.093 million

According to the clause 9.6 of the contract agreement between the National Transmission and Dispatch Company and PEDO, the power purchaser shall pay the power seller, the amount shown on an invoice delivered in accordance with section 9.5 (a) less deduction for any disputed amounts shown in the invoice, on or before the 30th day following the day the invoice is received by the power purchaser.

During audit of the accounts of Pakhtunkhwa Energy Development Organization - Malakand-III Hydro Power Complex, it was observed that total verified claim of Rs. 3854.36 million was forwarded to the National Transmission and Dispatch Company for payment against the electricity units exported. However, the purchasing company paid an amount of Rs. 2503.18 only, against the total amount leaving a balance of Rs. 1351.180 as outstanding on 30-06-2021. The Provincial exchequer suffered loss of revenue due to non-receipt of outstanding amount against the company.

Similarly, audit of the accounts of Shishi HPS Chitral revealed that an amount of Rs. 25.913 million was outstanding against PESCO from October 2017 to January 2022. However, the local office failed to recover the amount till date of audit i.e. February 2022.

The management of PEDO and the administrative department was required to take up the issue at the appropriate forum.

The lapse occurred due non-implementation of approved rates of tariff and lack of coordination which resulted in loss of **Rs. 1377.093 million** to the government.

When pointed out in February 2022, the Management replied that CPPA-G release the outstanding amount from time to time, subject to recoveries from DISCOs. Updated position for the concern financial year will be shared later on.

In the DAC meeting held on 15.12.2022, it was decided that the department may verify the recovery made. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to take up the matter with appropriate authority for recovery of the outstanding amount along with interest.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide DP Number 5.4.2 having financial impact of Rs. 4,275.546 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 286 & 302 (2020-21)

Chapter – 7

ELEMENTARY & SECONDARY EDUCATION DEPARTMENT

7.1 A)Introduction

The Department of Education has been reorganized into two separate Departments w.e.f. July 2001, i.e. Elementary & Secondary Education and Higher Education, Archives and Libraries. The Elementary and Secondary Education Department is the biggest of all departments of Khyber Pakhtunkhwa. It has more than 1,87,733 employees. About 4.381 million students are learning in more than 27,514 Government institutions having more than 1,42,623 teachers.

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

1. General Education:
   (a) Primary Education
   (b) Secondary Education, at the level of high/Higher Secondary Schools
2. Regulation, Registration and Supervision of Private Schools/Training Institutions.
3. BISEs, Text Book Board, Public Schools & Colleges/Cadet Colleges and Elementary Education Foundation.
4. Grants of scholarships/stipends to students.
5. Administration of Compulsory Primary Education Act-1996.
6. Boys Scouts and Girls Guide Associations in Khyber Pakhtunkhwa

7. Service matters except those entrusted to Establishment and Administration Department and District government.
8. Curriculum.
9. Syllabus.
10. Planning.
11. Policy.

Audit Profile of Education Department: **(Rs. in million)**

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23	Revenue/ Receipts Audited FY 2022-23
1	Formations	12	8	24,205	1,542
2	• Assignment Account • SDA (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	40	8	8,211	N/A
4	Foreign Aided Projects (FAP)	N/A	N/A	N/A	N/A

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

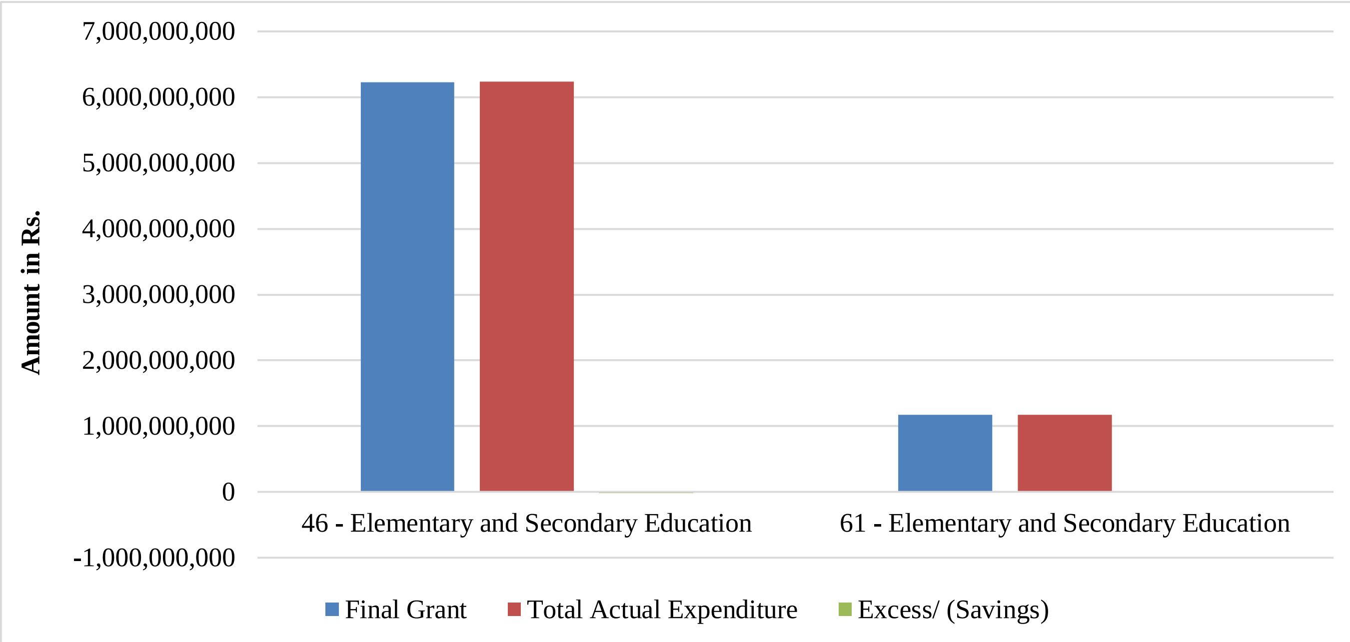
Summary of the Appropriation Accounts:

A summary of grants/appropriation of Education Department and expenditure by the department in financial year 2022-23 is given below:

Non-Development:

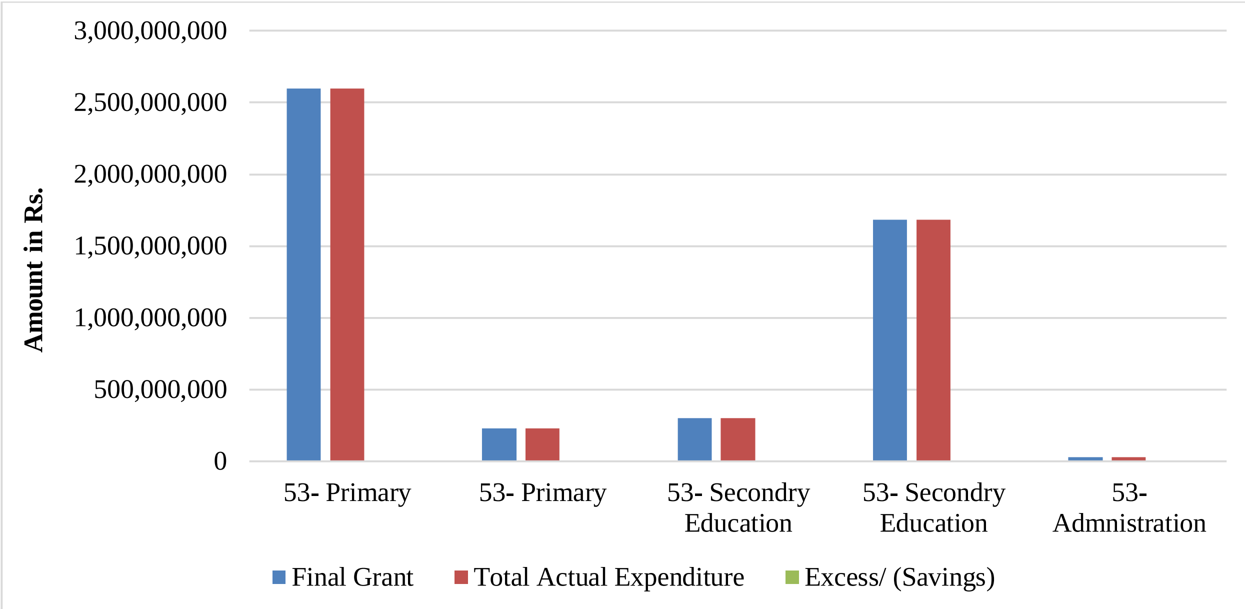
(Amount in Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
46 - Elementary and Secondary Education	NC21	9,052,094,000	2,061,369,000	-	4,889,681,669	6,223,781,331	6,233,488,763	-292,568
61 - Elementary and Secondary Education	NC21	943,466,000	0	245,026,700	14,302,814	1,174,189,886	1,174,189,886	0
Total		**9,995,560,000**	**2,061,369,000**	**245,026,700**	**4,903,984,483**	**7,397,971,217**	**7,407,678,649**	**-292,568**



(Amount in Rs.)

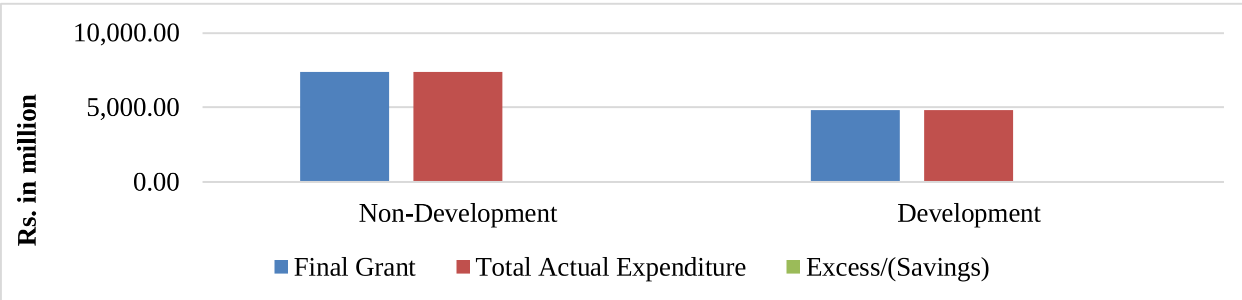
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
53- Primary	NC 12	4,946,167,945	0	298425000	2,646,230,718	2,598,362,227	2,598,362,227	0
53- Primary	NC 22	323,000,000		145000000	240,361,149	227,638,851	227,638,851	
53- Secondary Education	NC 12	340,001,000			40,214,519	299,786,481	299,786,481	
53- Secondary Education	NC 22	4,435,242,055	-	-459,122,000	2,292,084,813	1,684,035,242	1,684,035,242	-
53- Administration	NC12	36,350,000	-	0	8,936,716	27,413,284	27,413,284	0
Total		**10,080,761,000**	**0**	**-15,697,000**	**5,227,827,915**	**4,837,236,085**	**4,837,236,085**	**0**


3,000,000,000
2,500,000,000
2,000,000,000
1,500,000,000
1,000,000,000
500,000,000
0
Amount in Rs.
53- Primary
53- Primary
53- Secondry Education
53- Secondry Education
53- Admnistration
Final Grant
Total Actual Expenditure
Excess/ (Savings)

Overview of expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	7,397.97	7,407.68	3.23	0.04%
Development	4,837.24	4,837.24	4.77	0.10%
Total	**12,235.21**	**12,244.91**	**8**	0.07%



7.1(c) Issues in the Elementary & Secondary Education Department

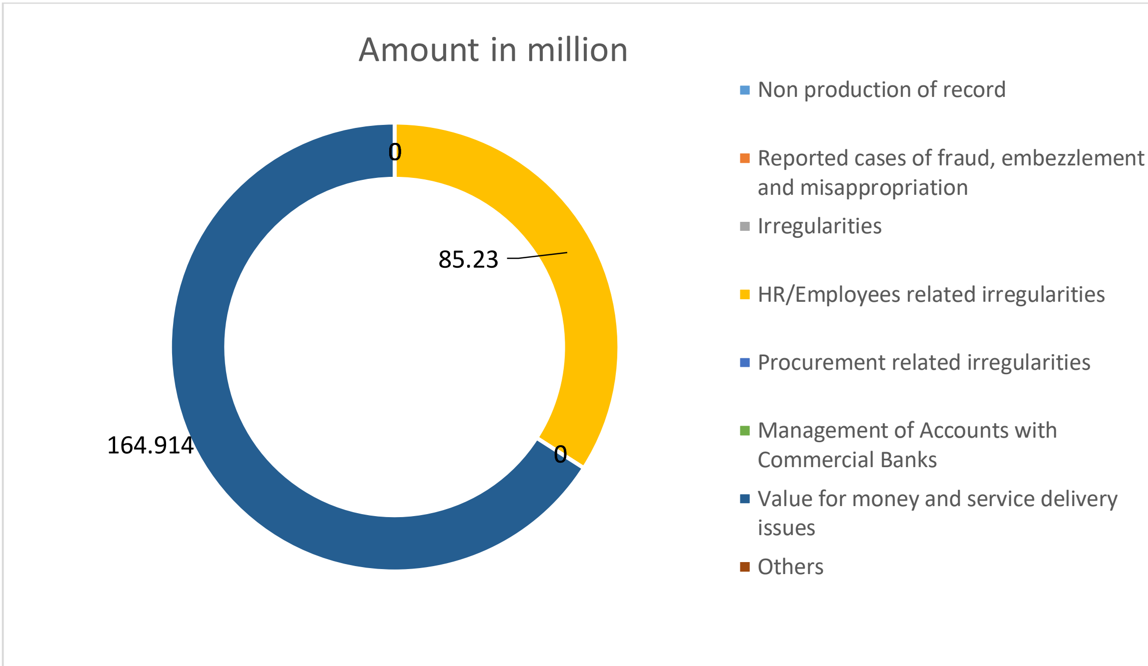
The major issue in the education department is lack and further compliance of administrative and financial rules. In many instances, irregular appointment, irregular payment of allowances such as accommodation, conveyance, orderly and other inadmissible allowances etc. were observed. Non-recovery of electricity charges, student dues, affiliated dues. Non-imposition of liquidated damages and un-authorized procurement of fixed assets is also reported. The head-wise figures of the departmental own receipts is also sketchy. Many public sector universities under the Department of Higher Education are facing financial crunch due to financial mismanagement.

7.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 250.144 million were raised in this report during the current audit of Education Department. This amount also includes recoveries of Rs. 15.075 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	85.230
B	Procurement related irregularities	
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	164.914
5	Others	-



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

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2007-08	Education	10	06	-	04
2.	2008-09	-do-	06	02	-	04
3.	2009-10	-do-	11	02	-	09
4.	2010-11	-do-	33	15	-	18
5.	2011-12	-do-	13	09	-	04
6.	2012-13	-do-	10	04	-	06
7.	2013-14	-do-	19	09	-	10
8.	2014-15	-do-	31	07	-	24
9.	2015-16	-do-	32	06	-	26
10.	2016-17	-do-	66	25	-	41
11.	2017-18	-do-	-	-	-	-
12.	2018-19	-do-	6	1	-	5
13.	2019-20	-do-	7	-	-	7

7.4 Audit Paras

7.4.1 Loss to the government due to non-recovery of allowances – Rs. 2.562 million

All government accommodations shall be allotted subject to the deduction of house rent allowance and 5% of the basic pay according to Rule-8 of Government of NWFP, S&GAD (Estate Office) Notification No.EO/S&GAD/34-M dated 30/01/1980. The DDO shall be personally responsible for deduction of rent from the pay bills of the Civil Servants in accordance with Para 8(2) of NWFP Residential Accommodation at Peshawar (Procedure for allotment) Rules 1980. According to Para-17 of Notification No. SO (Transport)/NP/ S&GAD/97 dated 13th March 1997 of the Government of Khyber Pakhtunkhwa S&GAD Department, the Officers in use of government vehicles are not entitled to draw conveyance allowance. According to Finance department notification n. FD(SOSR-II)/2-5/2021-22 (executive allowance) 20% of the difference between the running basic pay and the initial basic pay will be deducted as part of "pay as you go" pension contribution and shall be deposited under object head CO224`-Contribution of Pension & Gratuities in Provincial Account-I (Non-Food).

During audit of the accounts of Secretary Elementary & Secondary Education Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that a sum of Rs. 2.562 million was recoverable from various staff of Elementary and Secondary Education **(Annexure-XI)**. As evident from the pay slips of the employees the above mentioned are recoverable from above mentioned staff despite the fact that the staff was allowed government vehicles, Government House, however recovery of 5% maintenance charges, conveyance allowance and pension contribution on executive allowance was not made. Moreover Mr. Muhammad Khalid Mateen from education department and posted as Superintendent Elementary & Secondary Education, executive allowance was allowed to the Superintend which was not allowed.

The lapse occurred due to non-implementation of the government orders which resulted into loss to the government.

When pointed out in August 2023, the management replied that the cases will be re-examined and recovery will be made if any and the record will be furnished to Audit. However, no progress was intimated to Audit till finalization of this report.

The department was requested vide letter dated 22.09.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the amount besides fixing responsibility on the persons at fault.

PDP No. 3 (2022-23)

7.4.2 Unjustified release of Grants to various institutions - Rs. 115.655 million

According to para 54 of GFR, when proposals for a new grant-in-aid are placed before the Standing Finance Committee, details should be furnished showing the purpose of the grant and the exact nature of the conditions on which it is proposed to be made. To enable the Accountant General to compare such purposes and conditions with those enumerated by the sanctioning authority in its subsequent orders of sanction, the accountant-General should be supplied, when the sanction is conveyed to him under para. 51, with relevant extracts from the Proceedings of that Committee read with 6 (i, vii & ix) and 9 of Grant-in-Aid rule (Procedure for award of Grant in aid) that the grant sanctioned in the previous year has been utilized for the object for which it was given. The sanction order shall clearly indicate the purpose of the grant and the general and special conditions, if any attached to the grant, the grantee public entity shall be required to submit performance report soon after the end of the financial year to the Government and any public entity seeking Grant in aid from Government will be required to submit an application which includes all relevant information such as articles of association, bylaws, audited statement of accounts, sources and pattern of income and expenditure etc. enabling the approving authority to assess the suitability of the institution or organization seeking grant.

During audit of the accounts of Directorate of Elementary & Secondary Education Peshawar for the Financial Year 2022-23, it was noticed that a sum of Rs. 115.655 million was released to different institutions in the shape of Grant Domestic, "Provision of Free & Quality Education to Poor Talented Students". Audit observed that the release of grant was unjustified because no codal formalities as required under para 54 of GFR and procedure for award and the exact nature of the conditions on which it was proposed to be made. No detail of grant sanctioned in the previous year was given, along with designated account bank statement. The grantee public entities were required to submit performance report soon after the end of the financial year to the Government along with relevant information such as Articles of association, bylaws, audited statement of accounts, sources and pattern of income and expenditure etc. enabling the approving authority to assess the suitability of the institution or Organization seeking grant.

The lapse occurred due to non-observance of rules which resulted in unjustified grants.

When pointed in November 2023, no reply was furnished.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to observe the rules and fix responsibility on the persons at fault.

PDP No. 77 (2022-23)

7.4.3 Loss to government due to non-forfeiture of 2% bid securities from the black listed firms – Rs. 49.259 million

According to Rule 43 and 44 (2) (iv) of KPPRA Rules 2014, fraudulent practice means any act or omission, including a misrepresentation, that knowing or recklessly misleads, or attempt to mislead, a party to obtain a financial or other benefit or to avoid an obligation. Debarment of the firm/suppliers from the current procurement process of financial year 2021-22 only or debarment of the firms/suppliers from the current procurement process of financial year 2021-22 with forfeiture of CDR (Earnest money)

During audit of the accounts of Directorate of Elementary & Secondary Education Peshawar for the Financial Year 2021-22, it was noticed that tender was floated for procurement of furniture for government schools of Khyber Pakhtunkhwa under various clusters.

Scrutiny of record revealed that 18 bidders participated in the tender process for various clusters / packages out of which 4 bidders / firms submitted fake and bogus documents, as detailed below;

S. No.	Name of firm	Cluster cost (m)	CDR 2% (m)
1	Pakistan traders	656.667	13.133
2	Chand engineering works	875.068	17.503
3	Raza traders	687.906	13.758
4	Malakand & Haseeb engineering	243.267	4.865
Total		**2462.908**	**49.259**

It is further added that a committee was constituted by the directorate to scrutinize the tender documents and if any firm found involved in submission of fake documents than the case be forwarded for black listing. After thorough examination of tender documents the committee came up with the decision/recommendation that (a) debarment of the above mentioned 4 bidders from the procurement of financial year 2021-22 or (B) debarment of the above mentioned 4 bidders from the current procurement process of financial year with forfeiture of CDR.

Audit holds that undue favor were extended to the bidders by non-forfeiture of bid securities from the defaulter firms which put government into loss of Rs. 49.259 million.

The lapse occurred due to weak internal control & financial Mismanagement which resulted in loss to the government.

When pointed in November 2023, no reply was furnished.

In the DAC meeting held on 23.10.2023, it was decided that the department may conduct a fact-finding inquiry in the matter with members from Audit and Finance Department within one month. However, no progress was intimated to Audit till finalization of this report.

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

PDP No. 590 (2021-22)

Chapter – 8

ENVIRONMENT, FORESTRY & WILDLIFE DEPARTMENT

8.1 A)Introduction

Climate Change Forestry, Environment & Wildlife Department is striving to improve the Forest, Environment, and Wildlife through development & application of innovative technologies in Forest, Environment and Wildlife and efficient management of natural resources through institutional arrangements in the province.

Environment department is involved in provision of a better and improved environment to the citizens of the province, through protection, conservation, and rehabilitation measures as well as prevention and control of population and promotion of sustainable development. Its beneficiaries are general public and the ecological system of the province.

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

- Environment:
  - Environmental Protection
  - Energy Conservation
- Forests:
  - Forest settlement.
  - Re-afforestations.

- Range management.
  - Erosion.
  - Denudation.
  - Cooperatives in Guzara Forests.
  - Ecology and Environmental factors.
  - Watershed Management.
  - Applied Research in forestry.
  - Forest Training.
- Wildlife.
  - Protection, preservation, conservation and management of wildlife including all matters falling within the purview of the 1Khyber Pakhtunkhwa Wildlife (Protection, Preservation, Conservation and Management) Act, 1954, [Khyber Pakhtunkhwa] Act V of 1975).
  - Habitat improvement.
  - Conservation education and training.
  - Applied research on wildlife and its habitat.
- Sericulture.
  - Establishment of mulberry nurseries.
  - Distribution of mulberry saplings, its plantation and cultivation.
  - Import of phybried silk worm eggs and its isolation, etc.
  - Production, hyberdization, distribution, etc. of silk worm eggs.
  - Training of farmers and members of staff in the art of sericulture.
  - Control of silk worm diseases.
  - Control of mulberry diseases and insect pests.
  - Production of silk yarn.
  - Purchase of cocoons from ferrnuers.
  - Development and expansion of sericulture.
  - Improvement of socio-economic condition of farmers.
  - Service matters, except those entrusted to the Establishment & Administration Department.

Audit Profile of Environment Department: **(Rs. in million)**

S. No.	Description	Total Nos	Audited	Exp audited FY 2022-23	Receipts audited FY 2022-23
1	Formations	102	35	5,268	0
2	• Assignment Account • SDA (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

8.1B) Comments on budget and accounts (variance analysis)

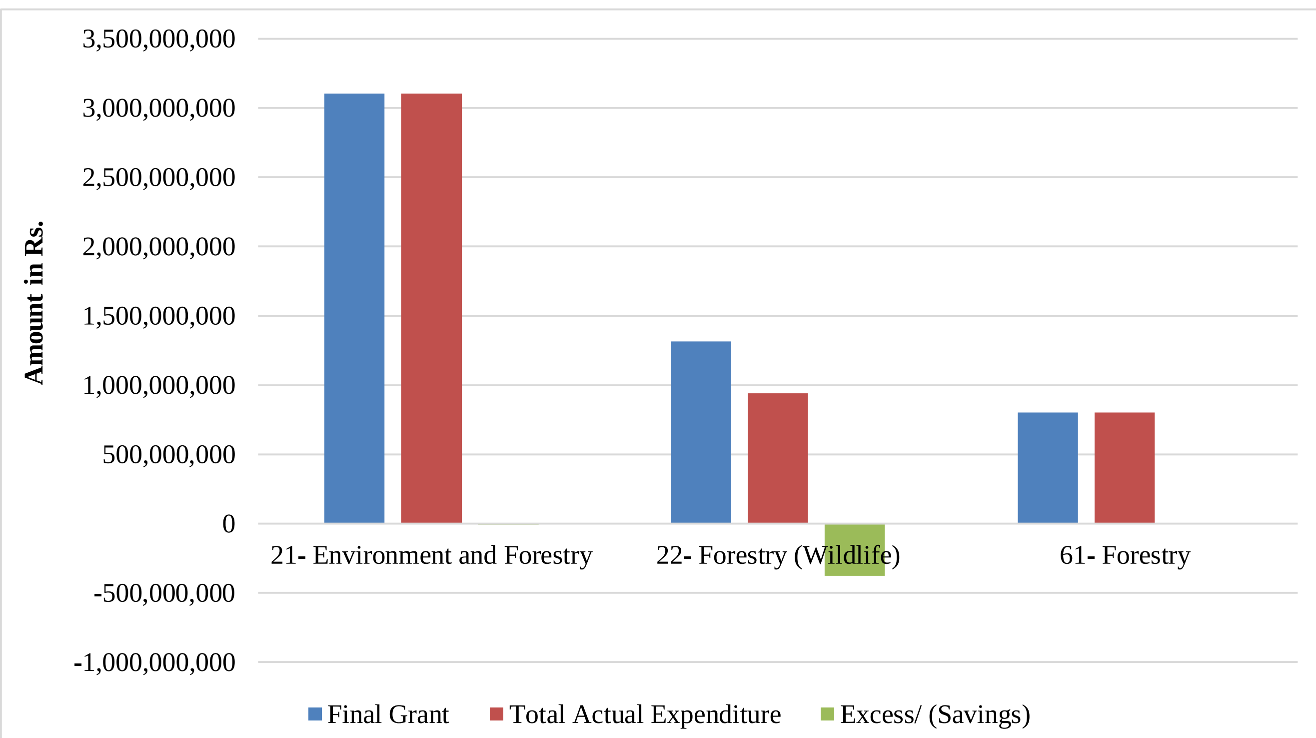
Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2022-23 against the total of grants/appropriation was as follows:

Non-Development:

(Amount in Rs.)

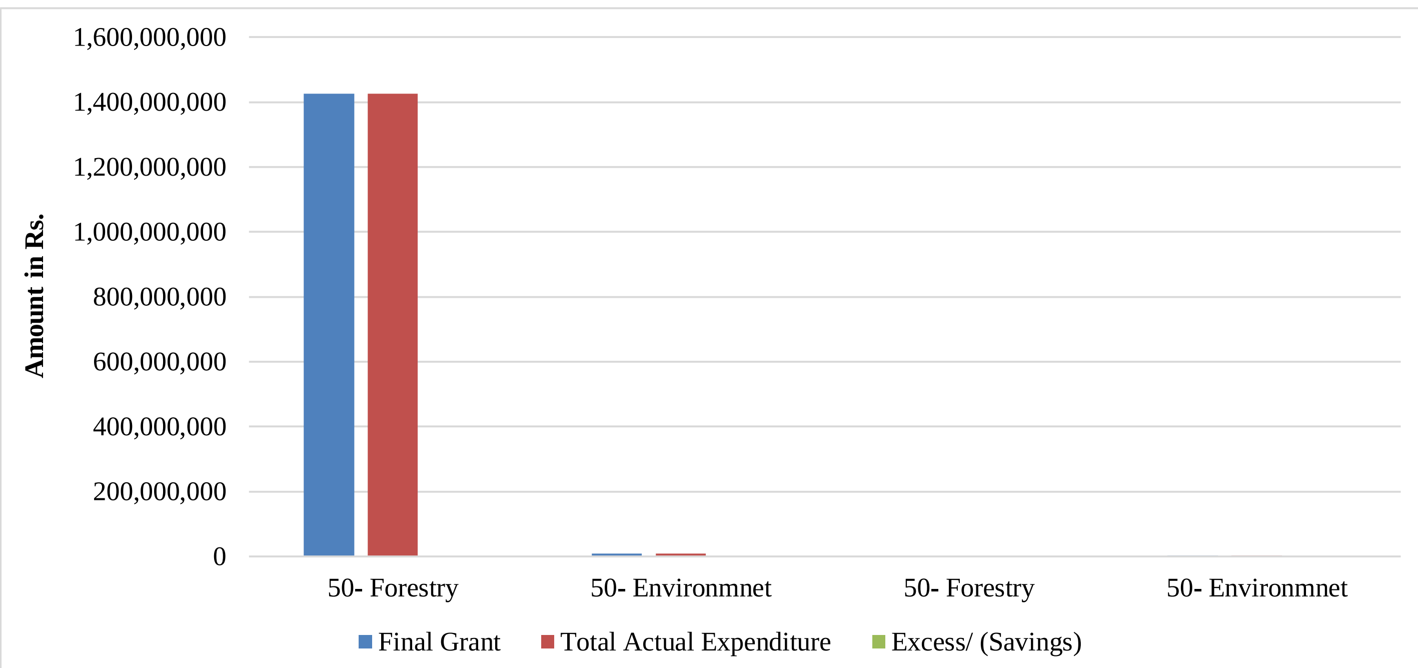
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
21- Environment and Forestry	NC21	4,225,804,000	1,010	0	1,120,147,783	3,105,657,227	3,105,633,862	-23,365
22- Forestry (Wildlife)	NC21	1,315,549,000	0	0	0	1,315,549,000	939,704,591	-375844409
61- Forestry	NC21	1,161,181,000	0	-89550710	271,436,379	800,193,911	800,193,911	0
Total		**6,702,534,000**	**1,010**	**-89,550,710**	**1,391,584,162**	**5,221,400,138**	**4,845,532,364**	**-375,867,774**



Development:

(Amount in Rs.)

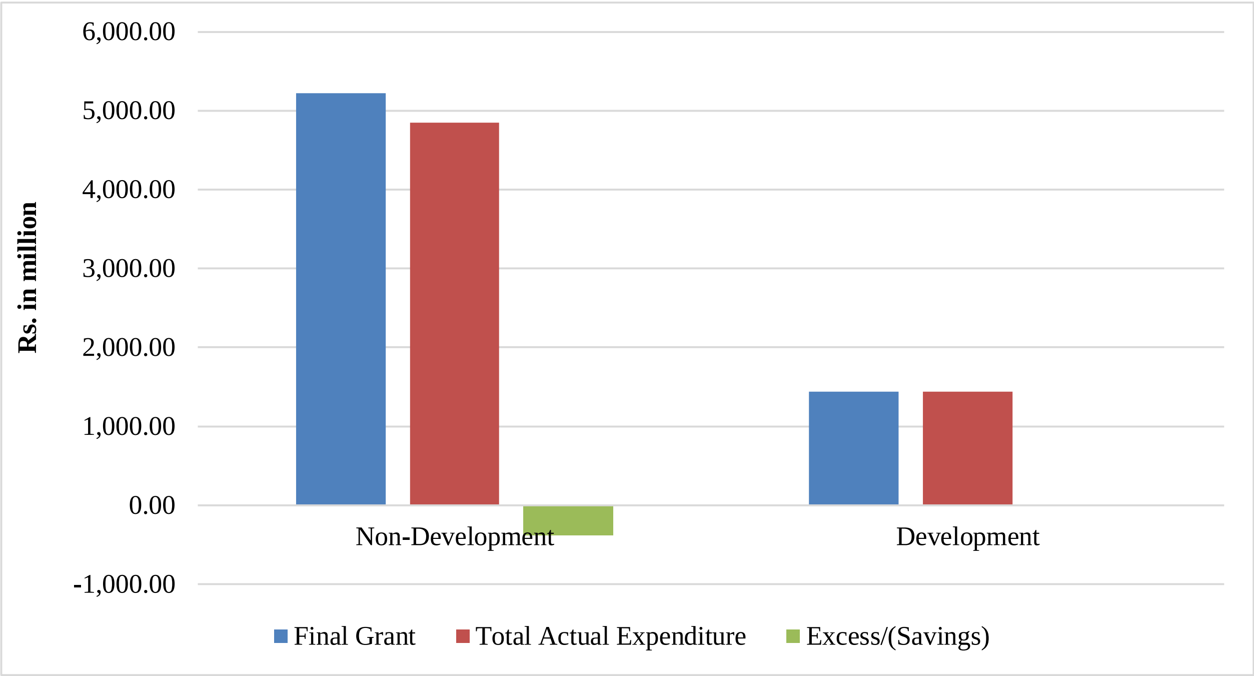
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50- Forestry	NC22	3,360,564,000	-	0	1,934,554,153	1,426,009,847	1,426,009,847	-
50- Environmnet	NC22	29,815,000	-	0	21,305,914	8,509,086	8,509,086	0
50- Forestry	NC12	18,961,000	-	0	18961000	0	0	-
50- Environmnet	NC12	7000000	-	0	3,500,002	3,499,998	3,499,998	-
Total		**3,416,340,000**	**0**	**0**	**1,978,321,069**	**1,438,018,931**	**1,438,018,931**	**0**



(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	5,221.40	4,845.53	-375.867774	-7.20%
Development	1,438.02	1,438.02	0	0.00%

Total	**6,659.42**	**6,283.55**	**-375.867774**	-5.64%



8.1(c) Issues in Environment Department

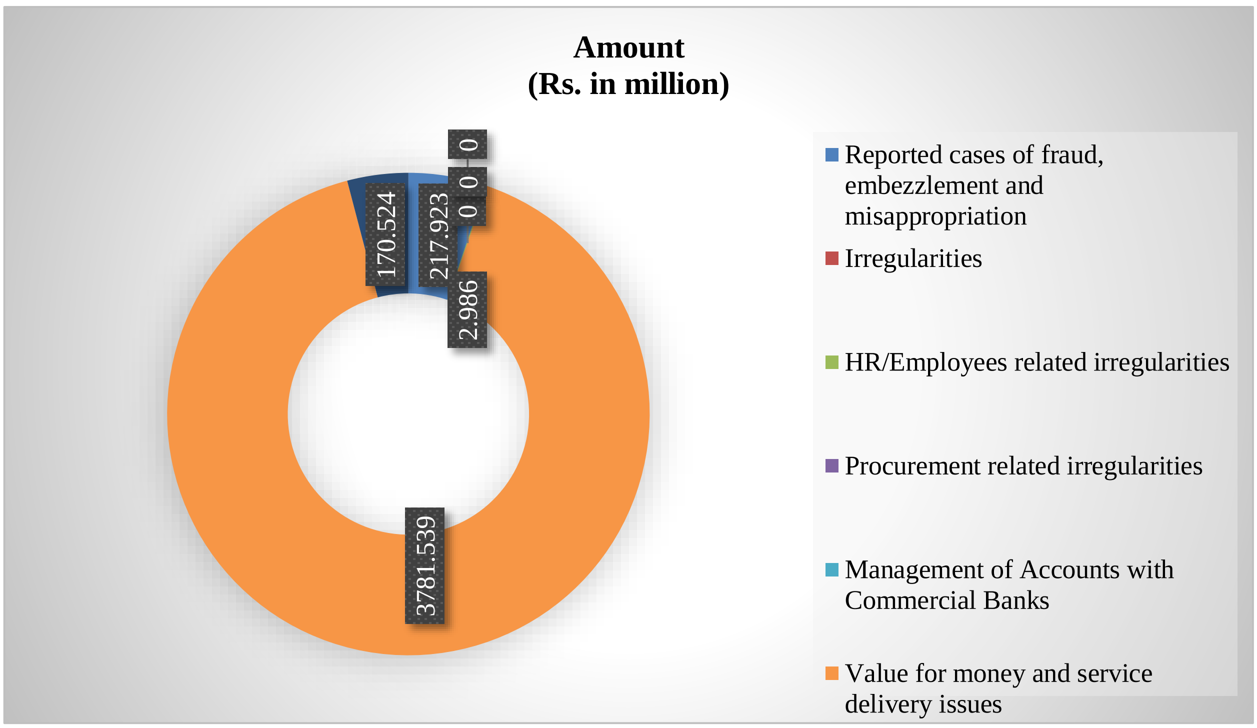
Environment, Wildlife and Forestry Department is a natural assets-based department. As such it is the custodian of the three most important natural assets i.e. environment, wildlife and forestry. It has a departmentalized accounting set up. The administrative and financial functions of the department are governed by the West Pakistan Forest Manual 1962 sanctioned under the Forest Act 1927. However, the departmental systems and procedures could not evolve with the latest requirements of public financial management, project and financial accounting. It was noticed that in several Forest Divisions, the revenue realized from the imposition of penalty has not been deposited in the Government Treasury on time. In addition, it was noticed that illicit cutting of timber is still going on. But as the pursuance of court cases is slow, the precious timber confiscated from the offenders is going to waste. Encroachment of the forest land has also been observed. Assets and liabilities related to these natural and other physical assets cannot be provided for. Non effective use of Forest Development Fund and its investment is also observed. There were no details of the head-wise figures of the departmental own receipts collected by the department.

8.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 4,172.972 million were raised in this report during the current audit of Environment Department. This amount also includes recoveries of Rs. 238 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations

S No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	217.923
3	Irregularities	-
A	HR/Employees related irregularities	2.986
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	3781.539
5	Others	170.524



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

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2003-04	Environment	12	07	-	05
2.	2004-05	-do-	29	13	-	16
3.	2005-06	-do-	18	07	-	11
4.	2007-08	-do-	07	01	-	06

5.	2008-09	-do-	09	03	-	06
6.	2009-10	-do-	10	06	-	04
7.	2010-11	-do-	22	13	-	09
8.	2011-12	-do-	03	01	-	01
9.	2012-13	-do-	05	01	-	04
10.	2013-14	-do-	14	02	-	12
11.	2014-15	-do-	11	04	-	07
12.	2015-16	-do-	22	09	-	13
13.	2016-17	-do-	28	8	6	14

8.4 Audit Paras

8.4.1 Loss to the government due to non-recovery of additional profit earned on investment of TDR - Rs. 4.931 million

According to Agreement executed with JS Bank by the Director B&A of CCFE&W Department for investment of Rs. 1000.000 million in TDR, the JS Bank Ltd shall be responsible to refund principal amount of TDR along with interest on the next day of its maturity.

During audit of the accounts of Secretary CCFE&W Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that consequent upon an agreement with JS Bank an amount of Rs. 1000.000 million was deposited with JS Bank in TDR for one year @ 14.50% per annum. The amount was transferred to the JS Bank from the FDF account maintained with ABL on 3rd June 2022. According to the agreement the JS Bank was bound to return the same amount along with interest on the next day of its maturity which according the agreement was 3rd June 2023. But the JS Bank return the principal amount along with interest amounting to Rs. 1,145.795 million on 12th July 2023 i.e after lapse of nine (9) days of maturity.

Audit observed that due to delay in repayment of nine (9) days, the FDF Fund was deprived of an estimated income of Rs. 4.931 million till the end of September 2023 because the existing FDF account is a Daily Product Account where the bank offers compound interest on the available balance on daily basis. The Government was put into loss of Rs. 4.931 million (detail given below). The interest rate applied in the analysis sheet was the same which the ABL offered during June 2022 to September 2023.

Date	O/Balance	Transfer to FDF	IR – ABL P.A	interest rate per day	Interest amount	Remaining Balance	Remarks
03/06/2023	1,145,000,000		19.5%	0.00053425	5,505,411	1,150,505,410	Profit for 9 days
12/06/2023	1,150,505,411	1,145,794,520	19.5%	0.00053425	2,517	4,713,407	Profit for 1 day on remaining Balance
01/07/2023	4,713,408		20.5%	0.00056164	52,945	4,766,352	Profit for 20 days
01/08/2023	4,766,353		20.5%	0.00056164	82,987	4,849,339	Profit for 31 days
01/09/2023	4,849,340		20.5%	0.00056164	81,708	4,931,047	Profit for 30 days

The lapse occurred due to weak financial controls which resulted in loss to the government.

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter dated 31.10.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the additional profit, inquire the matter and take action against the person(s) at fault.

PDP No. 1 (2022-23)

8.4.2 Loss to the government due to non-recovery of lease rent and illegal mining compensation - Rs. 3,776.608 million

According to Section 105 "Power to lease out forests of the Forest Ordinance 2002 notified dated 10-06-2002, (1) The Forest Department may lease out the whole or any portion of a reserved forest, protected forest, wasteland, or other forest placed under the management of a Forest Officer, for the following purposes- (a) to plant trees, and increase production of forest produce; (b) to implement agro-forestry and social forestry schemes for the benefit of the local communities; (c) to operate farms for breeding of wildlife and conservation of biodiversity and nature reserves subject to any law for the time being in force: Provided that no activities shall be allowed which are inconsistent with the principles of forest conservancy and sustainable management or prejudicial to the rights and concession of the local communities. The Department may cancel or modify such leases if it is of opinion that such cancellation or modification is in the interest of forest conservancy.

During audit of the accounts of Secretary CCFE&W Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that contrary to Section 105 of the Forest Ordinance 2002, various land belonging to the forest department was leased out by issuing 21 NOCs for mining operations in reserved and protected forests w.e.f 2002 to 2013. The leases were cancelled in 2015 and ban was imposed on all kind of leases in reserved and protected forests. Feeling aggrieved from the decision of the forest department, writ petitions were filed, and in 2019 the Honorable Peshawar High Court referred the matter to the Chief Secretary Khyber Pakhtunkhwa for giving opportunity of being heard to the parties. However, the Peshawar High Court Bannu Bench also granted stay order on 25.05.2020 regarding Arbitration Proceedings.

Audit raised the following observations:

1. Neither any enquiry was conducted nor responsibility fixed for leasing out the reserved and protected land illegally.
2. Despite elapse of several years, the department failed to vacate the status quo which indicates the inefficiency on the part of the Forest Department.
3. The firms are carrying out the mining activities, but neither the amount of surface rent was received since 2015 nor compensation for illegal mining due to breach of lease agreements has been recovered by the Department resulting into non-recovery of Rs. 3,776.608 million, as detailed below;

S. No.	Firm	Material	Lease area	Lease expired on	Compensation for 04 years	Compensation for 8 years

						till 2023
1.	M/S Lucky Cement	Laterite	274 Acre	15.6.2030	1,751,568,000	3,503,136,000
2.	M/S Mehmood Construction Company	Laterite	324 Acre 488.113	Till 2036 Expired in 2019	7,624,800	15,249,600
3.	Sahibzada Aziz Ahmad Jan	Laterite	104.5 Acres	Till 2030	92,066,400	184,132,800
4.	Rab Nawaz	Bauxite	154.55 Acres	Expired in 2015	17,520,000	35,040,000
5.	Baseer Ahmed Khattak	Laterite	200 Acres	Expired in 2015. Breach of contract by the lessee.	19,524,850	39,049,700
Total						**3,776,608,100**

Similarly, a piece of land measuring 12 Acres, 6 Kanals & 15 Marlas in the protected forest of Malam Jaba has illegally been occupied by a Private company M/s Samsons Group of Companies Lahore since 2015 but neither the department could be able to evacuate the illegal occupation nor collecting any revenue/receipt from the company concerned.

The lapse occurred due to weak internal controls which resulted in loss to government.

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter dated 31.10.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the 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 effecting recovery.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide DP Number 6.4.7 having financial impact of Rs. 847.241 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 2 (2022-23)

8.4.3 Loss to the government due to irregular investment of FDF funds - Rs. 41.515 million

According to Finance Division Notification No.F.4(1)/2002-BR/I dated 2nd July, 2003 circulated by the Government of KP vie letter No No.2/3-(F/L)/FD/201 9-20/VoI-Xl II Dated Peshawar the 22nd October 2020, before making any investment under this policy, it would be necessary for public sector entities set out in-house professional treasury management functions. Specifically, they would need to have an Investment Committee (IC) with defined investment approval authority Transactions above the approval authority of the IC will be subject to approval of the Board of Directors or an equivalent forum. The IC should be assisted by an Investment Management Unit employing qualified staff with at least 3-5 years of experience of managing investment in debt/equity instruments. However, it will be necessary for public secretor enterprises to use the services of professional fund managers approved by SECP.

During audit of the accounts of Secretary CCFE&W Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that an investment of fund was made worth Rs. 4000 million during the financial year 2022-23 with two different banks i.e ABL and JS banks amounting to Rs. 3000 million and Rs. 1000 million in TDRs at a fixed rate of 14.75% and 14.50% per annum respectively. The accumulative profit allowed by the bank was Rs. 588.294 million. From detail analysis, it was observed that;

i. The investment was made without having any Investment Management Unit (within the department) employing qualified staff with at least 3-5 years of experience of managing investment in debt/equity instruments
ii. The amount of Rs. 4,000.000 million would have earned a profit worth Rs. 629.809 million if it was retained in the existing FDF account because the existing account is a Daily Product Account where the bank offers compound interest on the available balance on daily basis. The Fund was put to a loss of Rs. 41,515,435/- (629,809,435 – 588,294,000). The interest rate applied in the analysis sheet was the same which the ABL offered during June 2022 to June 2023 **(Annexure-XII)**.
iii. In term of FDF Rules 2006, initially the FDF amount was being deposited in the Government Treasury. In a review meeting on issues of Environment Department held on 03-05-2012, the Provincial Cabinet decided to transfer a certain amount out of the FDF to a profit bearing account in a bank with an aim to gain profit on balance retain therein. Therefore, maintenance of the fund account in ABL is itself an investment. Further investment without careful analysis was irregular and irrational which resulted into huge loss to Government.
iv. Although the funds were invested upon the approval of the FDF management committee having member from the Provincial Finance Department but according to above mentioned criteria, the Department was required to obtain prior approval of special investment management unit of the Finance Department which has not been done.

The irregularity was occurred due weak Administrative and Financial control which resulted in loss to Government.

When pointed out in September 2023, the management replied that detail reply will be furnished after consulting original record.

The department was requested vide letter dated 31.10.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the 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.

PDP No. 7 (2022-23)

8.4.4 Overpayment on account of pay & allowances – Rs. 2.986 million

According to Government of Khyber Pakhtunkhwa Finance department (Regulation Wing) letter No. FD (SOSR-II)8-7/2016-17 dated 02.02.2018, (1) The government of KPK has been pleased to sanction executive allowance to the tune of 1.5 initial basic pay per month as per pay scale -2017. (2) PAS, PCS, and PMS officers posted against scheduled post are allowed executive allowance equal to 1.5 of the basic pay and are in receipts of such allowances other than regular allowances shall be entitled to one of the allowances, whichever is more beneficial.

During audit of the accounts of Secretary CCFE&W Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that in contrary to the above notification, the following officer are in receipt of executive allowance and Performance secretariat allowance simultaneously. Thus, resulting into overpayment of Rs 2,986,965/- as per details below.

Statement showing over payment on A/C of Secretariat Performance Allowance

S.#	Name	Designation:	BS	P. No.	Special Allowances		Months	Overpayment (7*8)
					E.A	S.A		
1	2	3	4	5	6	7	8	9
2	M. ABID MAJEED	SECRETARY	21	44699	220,080	65,301	12	260,748
3	AQEEL JAVED	SECTION OFFICER	17	45266	73,155	21,729	12	430,380
4	KHUDA BAKHSH	SPL SECRETARY	19	286226	120,840	35,865	12	199,188
5	M. NAZAKAT	SECTION OFFICER	17	499360	55,905	16,599	12	211,500
6	RASHID ALI	SECTION OFFICER	17	685121	59,355	17,625	12	327,456
7	HALEEMA	DY. SECRETARY	18	686190	83,355	27,288	12	266,112
8	ADNAN JAMIL	DY. SECRETARY	18	756421	74,745	22,176	12	174,564
9	SANOVIA KAKAR	SECTION OFFICER	17	951562	49,005	14,547	12	268,056
10	MINHAS UDDIN	ADDL. SECRETARY	19	50097787	111,690	22,338	12	260,748
11	M. ADNAN	PLAN: OFFICER	17	704371	45,550	21,729	12	327,456
12	SAMI UD DIN	DEPUTY DIRECTOR	18	458301	57,525	27,288	12	260,748
Total								**2,986,965**

The lapse occurred due to weak internal controls and financial mis-management which resulted into overpayment.

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter dated 31.10.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the excess amount.

PDP No. 8 (2022-23)

8.4.5 Less distribution of community and government share out of trophy hunting permits of Markhor & Ibex - Rs. 30.532 million

Unauthorized retention of community share - Rs. 35.375 million

According to the Policy for Trophy Hunting in Khyber Pakhtunkhwa modified vide Forestry, Fisheries & Wildlife Department notification No. SO(Tech)/FFWD/VIII-22/2002 dated 12.01.2002, 80% of the revenue realized from issuing trophy hunting permits will go to the local communities for community program. 20% of the proceed from trophy hunting will go to the Government token of proprietorship and management charges.

During audit of the accounts of Chief Conservator Wildlife Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that a sum of Rs. 94,234,050/- was realized from issuing permits for trophy hunting of Markhor and Ibex for the hunting season. As per the trophy hunting policy, the revenue realized was required to have been distributed according to the share distribution formula of 80% and 20% for community and government share respectively. However, less receipt was distributed as community and government share amounting to Rs. 30,532,750/- as per details below.

	Receipts realized	80% Community Share	20% Govt. Share	Total
Required distribution	94,234,050	75,387,240	18,846,810	
Distribution made		49,866,300	13,835,000	
Difference		25,520,940	5,011,810	30,532,750

Furthermore, the bank statement for BoK account No. 2000704507, earmarked for this purpose, illustrates a cumulative balance of Rs. 65.907 million as of November 2023. Upon subtracting the above less distributed amount for the year 2022-23, it was evident that Rs. 35.375 million allocated to the community share has been retained without proper justification, in clear violation of the Trophy Hunting policy.

The lapse occurred due to weak internal controls which resulted into less distribution of community and government share out of trophy hunting permits.

When pointed out in November-2023, no reply was furnished.

The department was requested vide letter dated 21.12.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter for fixing responsibility against the person(s) at fault besides implementing the trophy hunting policy in letter & spirit.

PDP No. 22 (2022-23)

8.4.6 Unauthentic payment to VCCs due to non-preparation of management plan and non-devising of audit mechanism - Rs. 49.866 million

According to serial No. (xiii) of the approved guidelines for community-based trophy hunting programme circulated by the Government of Pakistan, Ministry of Climate Change vide No. LG&RD Complex G-5/2 dated 27.10.2019. local communities shall get 80% of the revenue generated which shall be used on community-based conservation activities strictly in accordance with the conservation and management plans. An annual audit mechanism shall be put in place for ensuring transparency in utilization of trophy amount as laid down in relevant rules and management plans.

During audit of the accounts of Chief Conservator Wildlife Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that a sum of Rs. 49.866 million was shown distributed to various Village Conservation Committees (VCC's) out of the trophy fund in light of trophy hunting policy, through a share distribution formula of 80% and 20% for community and government share respectively. However, neither any conservation & management plan was prepared nor audit mechanism devised to ensure transparency in utilization of trophy amount as required under the approved guidelines mentioned above. Without a management plan and audit mechanism the payment to communities is irregular and unauthentic.

The lapse occurred due to weak internal controls which resulted into unauthentic payment to VCCs.

When pointed out in November-2023, no reply was furnished.

The department was requested vide letter dated 21.12.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and take appropriate action.

PDP No. 23 (2022-23)

8.4.7 Loss to the government due to non-installation of separate meters in residential colony - Rs. 31.382 million

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

During audit of the accounts of Pakistan Forest Institute Peshawar for the Financial Year 2022-23, it was observed that the institute has been receiving power through bulk meters, while power distribution within its residential colony has been carried out using outdated check meters, installed in 1959.

Detailed examination of the monthly electricity bills for the financial year revealed that due to the defective state of numerous check meters, a huge shortfall occurs between units consumed by the bulk meters and units recovers from the residential colony and thus the government sustained recurring losses each year. A comprehensive analysis of the financial losses being incurred due to the difference between the payments made by institute and the amount recovered from the residential colony on account of electricity was ascertain as Rs. 31.382 million only in one financial year i.e. 2022-23. Detail given below.

S. No.	Month	Total Bill	Total Recovery	Loss sustained
1	July, 2022	4,928,960	2,407,088	2,521,872
2	August, 2022	4,671,751	2,019,043	2,652,708
3	September, 2022	6,111,882	1,931,164	4,180,718
4	October, 2022	4,235,952	1,772,334	2,463,618
5	November, 2022	2,803,470	760,416	2,043,054
6	December, 2022	1,878,238	615,410	1,262,828
7	January, 2023	2,518,796	664,061	1,854,735
8	February, 2023	1,537,100	783,307	753,793
9	March, 2023	1,490,730	568,023	922,707
10	April, 2023	3,286,412	718,595	2,567,817
11	May, 2023	8,913,534	1,309,429	7,604,105
12	June, 2023	4,640,118	2,076,605	2,563,513
13	July, 2023	3,503,050	3,512,148	- -9,098
Total		**50,519,993**	**19,137,623**	**31,382,370**

It was also observed that the Institute used to collect the dues of the electricity in cash from the users and then deposits WAPDA bills without maintaining any proper record. Therefore, suspect of misappropriation cannot be ruled out.

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

When pointed out in November 2023, management replied that detail reply will be furnished after consulting original record.

The department was requested vide letter dated 28.12.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends installation of digital electric meters with direct supply from WAPDA besides recovery of losses sustained by the Government, and action against the person(s) at fault.

PDP No. 29 (2022-23)

8.4.8 Illegal allotment of government accommodation to non-entitled persons and recurring loss due to non-recovery of standard rent - Rs. 17.229 million

According to serial No. 3 and13 of Pakistan Forest Institute allocation rules, 1983, all employees of the Institute shall be eligible for accommodation. If a house is occupied or retained unauthorized, action may be taken against the defaulter under the Government Servant Conduct Rules and panel rent as determined by the Director General shall be charged and recovered from the occupant for period of unauthorized occupation.

During audit of the accounts of Pakistan Forest Institute Peshawar for the Financial Year 2022-23, it was observed that residential accommodation have been allotted to non-entitled person(s)residing illegally for the past so many years. Standard rent was required to have been recovered from the person(s) as per the approved rates notified by Executive Engineer Building Division II C&W Department Peshawar. However, neither any action has been taken against the illegal occupants nor standard rent has been recovered which has resulted into recurring loss of Rs. 17.229 million (calculated for only 05 years) as detailed below;

S. No.	Name	Remarks	Qtr No.	Covered Area SFT	Rent P.M	Total
1.	Muhammad Ali	Wildlife Dept.	D-11	2,105	60,030	720,360
2.	Mr. Daud Afridi	Forest Dept.	Cat-iii	1,500	22,810	273,720
3.	Mr. Khalid Iqbal	DC Abbottabad	Cat-iii	1,500	22,810	273,720
4.	Adnan Jamil	D.S CCFE	Cat-iii	1,500	22,810	273,720
5.	Mr. Shafi Ullah	Local Government Dept:	Cat-ii	2,500	49,570	594,840
6.	Faqir Said	Pak-PWD	F-8	900	8,250	99,000
7.	Zia Khan	Forest Dept:	F-10	900	8,250	99,000
8.	Samina Aamir	Teacher in FMS	G-23	550	5,430	65,160
9.	Noor ul Amin	Pak-PWD	G-33	550	5,430	65,160
10.	Shabir Ahmed	Pak-PWD	H-6	335	3,550	42,600
11.	Pervez Masih	DPL in Forest Education	H-11	335	3,550	42,600
12.	Molana Asghar	Shopkeeper	H-1	335	3,550	42,600
13.	Iftikhar Hussain	Social welfare dept:	H-35	335	3,550	42,600
14.	Azam Khan	Pak-PWD	H-37	335	3,550	42,600
15.	M. Zahid	-do-	H-42	335	3,550	42,600
16.	Bashir	-do-	H-43	335	3,550	42,600
17.	Naveed Mali	Dismissed	H-45	335	3,550	42,600
18.	Wife of Imtiaz	DPL in Forest	H-60	335	3,550	42,600
19.	Nursery School	Private	Cat-ii 1	2,500	49,570	597,840
Total						**3,445,920**
Total for 5 years						**17,229,600**

The lapse was occurred due to weak internal controls which resulted in non-observance of rules and regulations.

When pointed out in November 2023, management replied that detail reply will be furnished after consulting original record.

The department was requested vide letter dated 28.12.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the amount along with action against illegal occupants.

PDP No. 33 (2022-23)

Chapter – 9

Excise and Taxation Department

9.1 (A) Introduction

As per Rules of Business 1985, the department has been assigned the business of:

- ❖ Control of tobacco, opium, hemp, narcotics, liquor and intoxicating preparation, Import license and contracts relating thereto and excise taxes thereon.
- ❖ Tobacco Bend Fees
- ❖ Assessment and collection of taxes on:
    - Luxuries, amusements, bettings;
    - Professions, trades, calling, employments;
    - Urban immovable properties;
    - Motor Vehicles;
    - Capital gains
    - Real Estate Agents and Motor Vehicle Dealers; and
    - Historical Mosques
- ❖ Utilization of Tobacco Development Cess.

Audit Profile of Excise Department: **(Rs. in million)**

S. No.	Description	Total Nos	Audited	Exp audited FY 2022-23	Receipts audited FY 2022-23
1	Formations	Nil	35	252	5,492
2	• Assignment Account • SDA (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

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

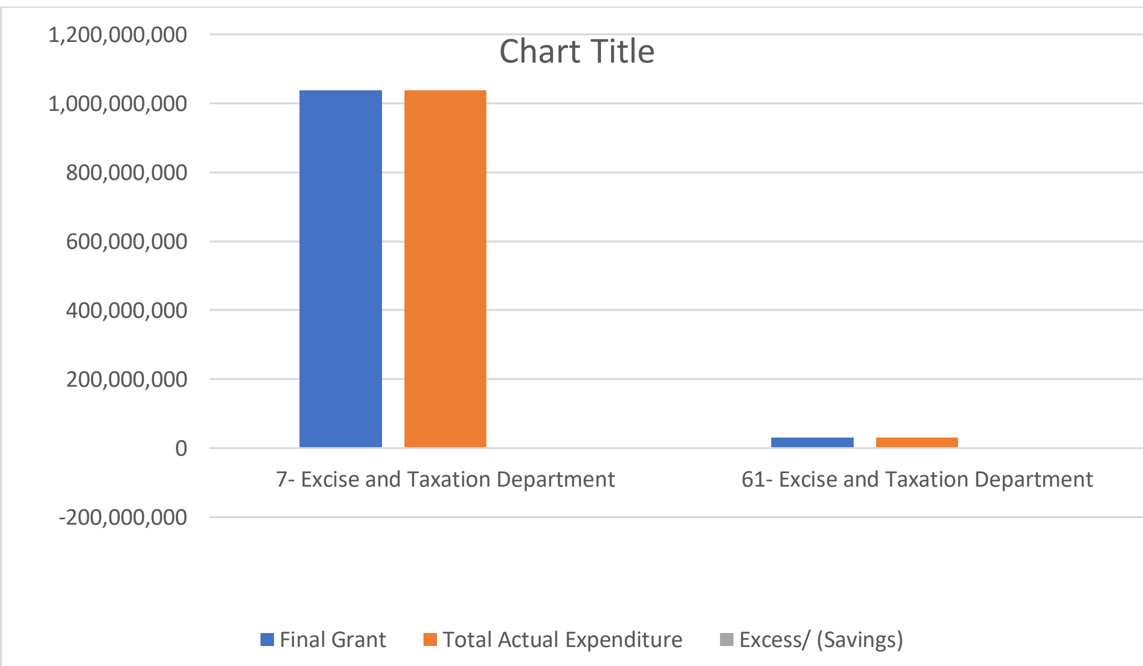
Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2017-18 against the total of grants/appropriation was as follows:

Non-Development

(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
7- Excise and Taxation Department	NC21	1,352,092,000	1,560	0	313,699,379	1,038,394,181	1,038,221,687	-172,494
61- Excise and Taxation Department	NC21	51,149,000	0	-3,999	20,137,715	31,007,286	31,007,286	-
Total		**1,403,241,000**	**1,560**	**-3,999**	**333,837,094**	**1,069,401,467**	**1,069,228,973**	**-172,494**



Development

(Rs.)

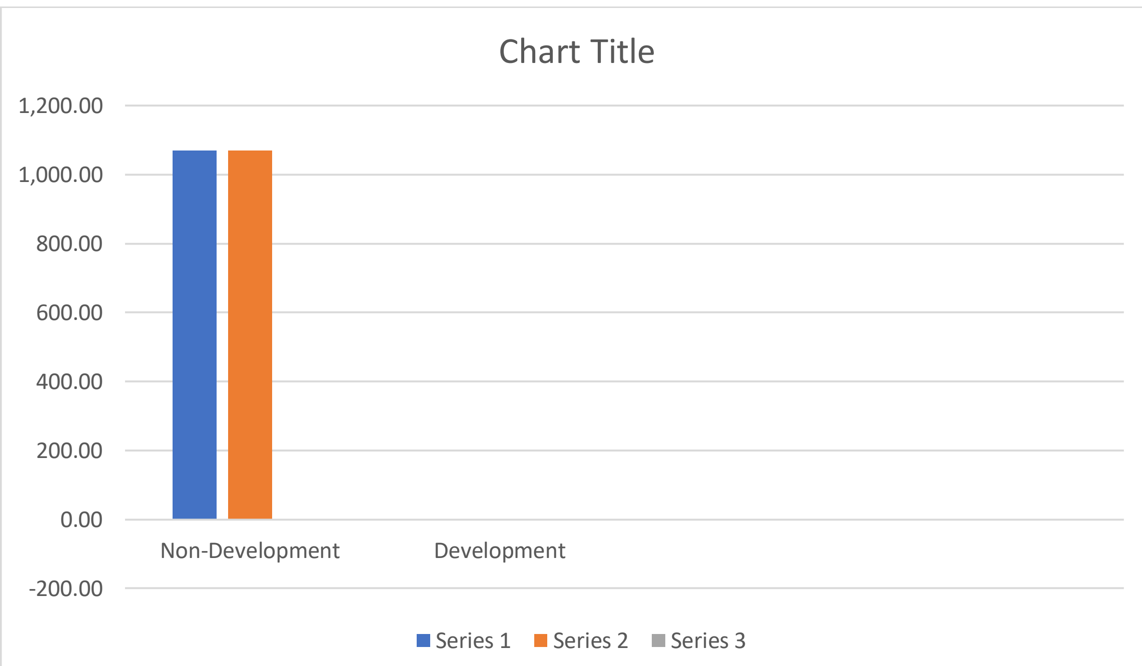
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)

50- Excise and taxation Department	NC22/12	0	0	0	0	0	0	-
Total		**0**	**0**	**0**	**0**	**0**	**0**	**0**

Overview of expenditure against the final grant

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	1,069.40	1,069.23	- 0.17	-0.02%
Development	-	-	-	0.00%
Total	**1,069.40**	**1,069.23**	- **0.17**	-0.02%



9.1(c) Issues in Excise & Taxation department

The Excise & Taxation Department is a major revenue generation and enforcement department. The departmental systems and procedures could not evolve with the latest requirements of public financial management, revenue and financial accounting. It was noticed that the department failed to achieve its targets of the revenue. In addition, it was noticed that departmental assets are going to waste. Assets and liabilities related to these physical assets could not be provided to Audit for verification. The department is noncompliant to audit and evaded accountability by not producing record. It also does not conduct DAC meetings to settle observations on accounts.

9.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 18.835 million were raised in this report during the current audit of Environment Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations

S No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	18.835
5	Others	-

9.3 Brief comments on the status of compliance with PACdirectives:-

SNo.	Audit Year	Name of Department	Total No. of actionable points	Full Compliance	Partial compliance	Nil compliance
1.	2002-03	Excise & Taxation	08	07	-	01
2.	2012-13	-do-	01	01	-	-
3.	2013-14	-do-	03	-	-	03

9.4.1 Non-production of confiscation record by Director Narcotics Control Wing

According to Rule 17 of GFR Vol-I read with Section 14 of the Auditor-General's 2001, no such information nor any books or other documents, to which the Auditor-General has a statutory right of access, may be withheld from the Director General Audit.

During audit of the accounts of Directorate General Excise, Taxation & Narcotics Control Khyber Pakhtunkhwa Peshawar for the Financial Year 2022-23, a request for the production of auditable records was submitted to the Director General Excise through No. Audit/FAT/DG excise/2-22-23/01 dated 20-11-2023. However, despite the requisition, no records were provided by the Director Narcotics control wing. Subsequently, additional requests followed by reminders dated 29/11/2023 and 04/12/2023 were issued, seeking details regarding the vehicles and other assets confiscated by the Narcotics control wing. Regrettably, the requested records were not produced until the finalization of the audit report.

The lapse occurred due to violation of rules which resulted into non-production of record.

When pointed out in November 2023, no reply was furnished.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to take disciplinary action against the individual(s) for non-production of auditable record.

PDP No. 8 (2022-23)

9.4.2 Wasteful expenditure on account of office rent - Rs. 17.604 million

According to Rule 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 audit of the accounts of Directorate General Excise, Taxation & Narcotics Control Khyber Pakhtunkhwa Peshawar for the Financial Year 2022-23, it was noted that an amount of Rs. 17,604,798/- was paid to the Administrator Auqaf for office building rent pertaining to the DG excise office. Upon investigation, audit discovered that a new office for the Director General of Excise had been completed by June 30, 2021. Additionally, the transfer of the building's possession had been duly completed by the Excise and Taxation Department, including the Director General. However, despite taking possession of the new building, the office relocation was not completed. Moreover, due to non-occupation and no proper care, the newly constructed building is also facing deterioration.

The lapse occurred due to the violation of the principle of prudence which resulted into wasteful expenditure of Rs. 17.604 million.

When pointed out in November 2023, no reply was furnished.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter for fixing responsibility for the loss to the provincial exchequer.

PDP No. 9 (2022-23)

9.4.3 Missing / unauthorized retention / allotment of seized vehicles by Excise and Taxation Department

According to Rule 13 (3) of the Khyber Pakhtunkhwa (Road Checking, Seizure and (1) Disposal of Motor Vehicles) Rules, 2015, Vehicles with refitted or rewelded chasis sheet or plate, as the case may be, shall not be put to sale by way of auction. Such vehicles shall be retained in the Department or allotted to other Departments of Government for performance of official duties, by the Allotment Committee, in accordance with the entitlement, after fulfilling all the codal formalities.

During audit of the accounts of Directorate General Excise, Taxation & Narcotics Control Khyber Pakhtunkhwa Peshawar for the Financial Year 2022-23, it was observed that the local office had seized several new model cars, including V8, Honda Civic, Toyota Corolla, Prius, aqua and others, models from 2017 to 2022. However, upon visiting the warehouse, it was noted that these new model cars were not parked in their designated area. The whereabouts of these seized vehicles, a request for the files and current status of the vehicles was made on a test-check basis. Regrettably, the authorities didn’t produce the files of the vehicles. However, a list of vehicles was produced. On detail scrutiny of the list. audit observed the following;

- Out of the sample of 83, 55 number of vehicles were retained by the excise department without proper authorization **(Annexure-XIIIA)**
- Within the sample of 83 vehicles, 11 were allotted to other departments without the necessary approval from the allotment committee **(Annexure-XIIIB)**
- The disposal column for all seized vehicles in the Form B register remained blank, indicating an absence of disposal records. However, these vehicles were not stored in the warehouse, suggesting potential unauthorized retention or allocation without appropriate documentation
- Despite being initially seized in operational conditions on the road, a physical inspection of the warehouse portrayed it as a neglected site resembling a junkyard. This discrepancy implies potential unauthorized use of the seized vehicles by officials. Subsequently, these vehicles were left to deteriorate in the warehouse after becoming obsolete

The lapse occurred due to a violation of rules and misuse of authority by the administration, which resulted in the misuse/loss of government property.

When pointed out in November 2023, no reply was furnished.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and fix responsibility besides provision of complete record to Audit.

PDP No. 11 (2022-23)

9.4.4 Loss to the government due to lack of protective structure and delayed / non-auction of confiscated vehicles

According to rule 04 and 13 of the of the Khyber Pakhtunkhwa (Road Checking, Seizure and Disposal of Motor Vehicles) Rules, 2015, the confiscated vehicle shall be disposed of by way of sale in an open auction, through an Auction Committee constituted by the Administration Department. The total amount of the sale proceeds out of the auction of confiscated vehicles shall, after clearance of dues or taxes of the Government or of Federal Government, if any, in the form of custom duty, sales tax, etc., be paid into Government treasury in the relevant head of account. In case of confiscated non-custom or non-duty paid vehicles, the successful bidder shall be responsible for clearance of all Federal and Provincial taxes and duties leviable. The officer incharge of the warehouse after taking into possession of the seized vehicle, under sub-rule (2) of rule 4, shall send the vehicle to the Forensic Science Laboratory, Peshawar for chemical examination.

During audit of the accounts of Directorate General Excise, Taxation & Narcotics Control Khyber Pakhtunkhwa Peshawar for the Financial Year 2022-23, it was observed that that no auction of the confiscated vehicles was carried out in the period under report. During the visit of the warehouse of the vehicles, it was observed that there was no protective structure or shed installed, leaving all the vehicles parked in the open. The auction of vehicles is frequently delayed for many years, resulting in the vehicles being exposed to the elements, particularly the sun, for extended periods. As a result, the vehicles suffer from rust, paint damage, and rapid deterioration due to prolonged exposure to harsh weather conditions. This prolonged exposure to such conditions has led to a considerable loss in the value of the vehicles, which will ultimately result in much lower revenue for the government once they are auctioned.

Furthermore, the "Form B" register revealed that a total of 296 vehicles were seized during FY 2022-23. Further scrutiny uncovered that an amount of Rs. 53,000 was expended under the head A03953 - Investigation cost, specifically for the chemical examination cost of 53 vehicles. Upon a random inspection of vehicle files, it was noted that in numerous instances, the Forensic Science Laboratory report was missing and not attached along with Form A. Detailed information regarding these vehicles is provided in the attachment. Without chemical examination through Forensic Science Laboratory, further disposal of the vehicle, including releasing, cannot be done.

The lapse occurred due to non-observance of rules which resulted into a significant decline in the physical condition of the vehicles while stored in the warehouse. This deterioration is expected to result in reduced Government revenue upon eventual sale.

When pointed out in November 2023, it was replied by the department that vehicles are periodically auctioned subject to availability of funds. The matter will be taken up with the Administration Department for auction of the vehicles.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter for fixing responsibility on the person(s) at fault.

PDP No. 12 (2022-23)

Chapter - 10

FINANCE DEPARTMENT

10.1 A) Introduction

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

1. Management of Public Funds i.e.
   a. Supervision and control of Provincial Finances;
   b. Preparation of Provincial Budget;
   c. Preparation of supplementary estimates and demands for excess grants;
   d. Appropriations and Re-Appropriations; except those relating to development budget which will be sanctioned only with the prior concurrence of Planning and Development Department; and
   e. Ways and Means
2. Public Accounts and Public Accounts Committee.
3. The framing of financial rules for guidance of departments and supervision of maintenance of accounts.
4. To guide autonomous and semi-autonomous bodies, whether aided wholly or partly from provincial revenue in the framing of various financial regulations under the relevant Acts/Ordinances constituting the said body.
5. The framing of Civil Service Rules applicable to all Government servants and interpretation thereof.
6. Floatation and administration of Provincial loans.
7. Examination and advice on matters affecting directly or indirectly the finance of the province.
8. Administration of public revenue saves as otherwise provided.
9. Assets and Liabilities Committee.
10. Communication of financial sanction.
11. Examination of all proposals for the increase or reduction of taxation.
12. Creation of new posts and examination of schemes of new expenditure.
13. Audit of receipts and expenditure.

14. Public Debts.
15. The Local Fund Audit Department.
16. Treasuries and Sub-Treasuries.
17. Electronic Data processing.

Audit Profile of Finance Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23 (Rs in Millions)	Revenue/Receipts Audited FY 2022-23 (Rs in Millions)
1	Formations	39	02	7,518	35,000
2	• Assignment Account • SDA • Etc (Excluding FAP)	01	01	42.759	N/A
3	Authorities/Autonomous bodies etc under PAO	02	Nil	N/A	N/A
4	Foreign Aided Projects (FAP)	01	01	115.000	N/A

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

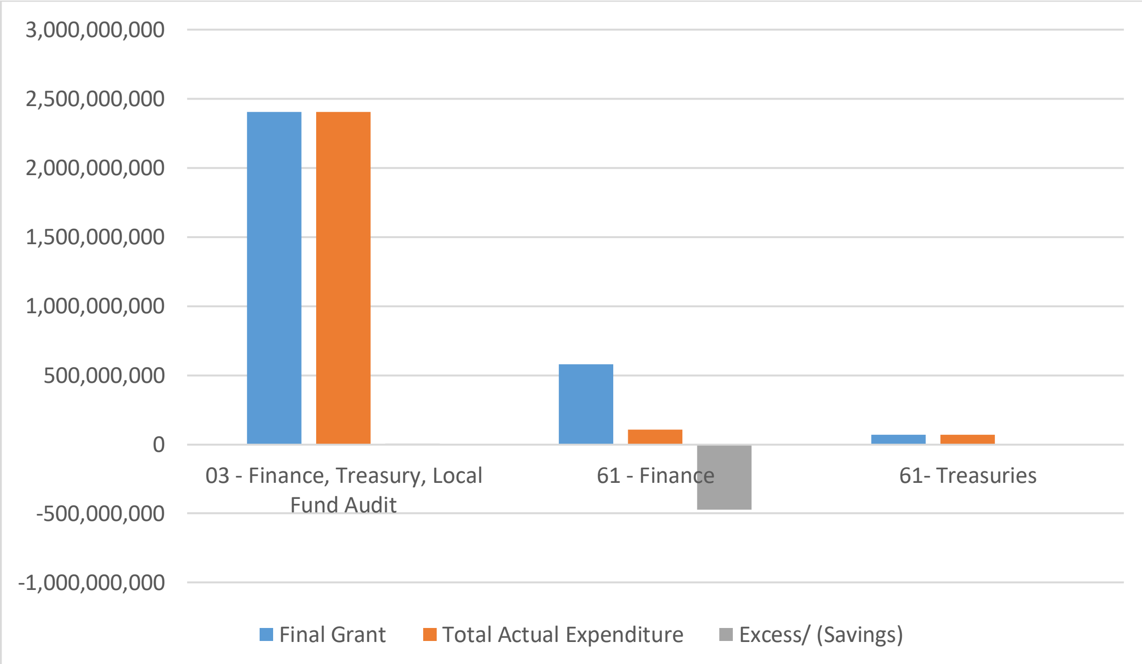
Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2022-23 is given below:

Non-Development;

(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Apprioriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
03 - Finance, Treasury, Local Fund Audit	NC21	4,192,572,000	70	0	1,787,894,962	2,404,677,108	2,405,504,441	**827,333**
61 - Finance	NC21	9,411,016,000	0	-6,110,248,494	2,721,940,891	578,826,615	107,654,043	**-471,172,572**
61- Treasuries	NC21	112,930,000	0	-29,960,497	14,003,982	68,965,521	68,958,410	**-7,111**
Total		**13,716,518,000**	**70**	**-6,140,208,991**	**4,523,839,835**	**3,052,469,244**	**2,582,116,894**	**-470,352,350**



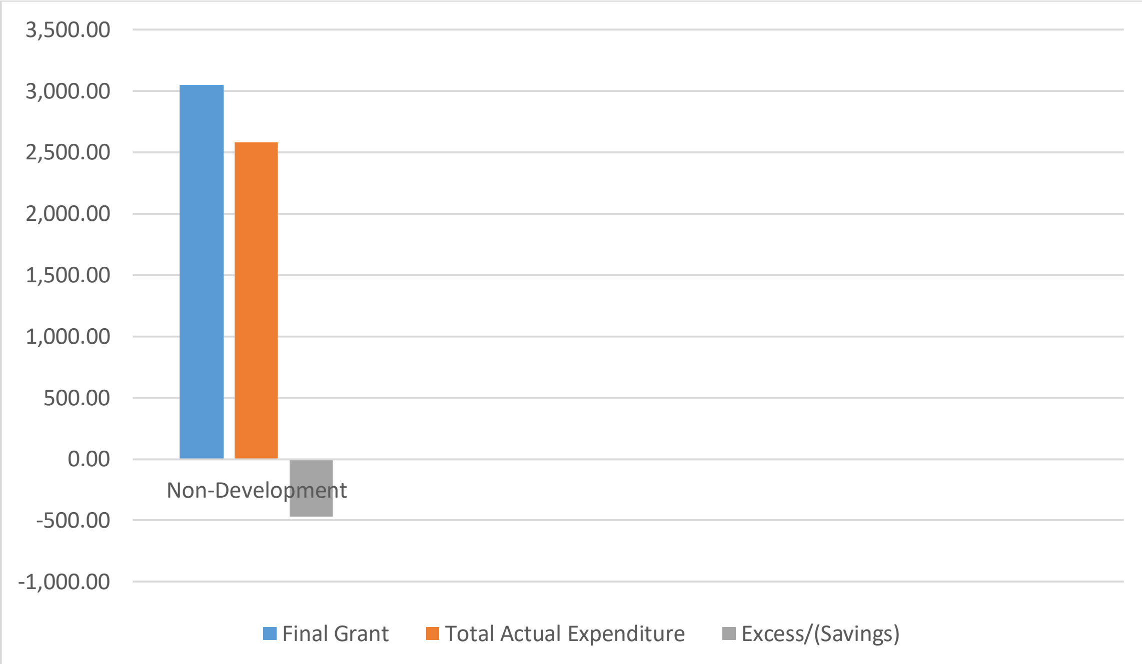
Development;

(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50-Finance	NC22	0	0	0	0	0	0	-
Total		**0**	**0**	**0**	**0**	**0**	**0**	-

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

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	3,052.47	2,582.12	- 470.35	-15.41%
Development	-	-	-	
Total	**3,052.47**	**2,582.12**	**- 470.35**	-15.41%



10.1(c) Issues in Finance Department

The Finance Department is responsible for Public Financial Management in the province. However, the departmental systems and procedures could not evolve with the latest requirements of public financial management, revenue and financial accounting. It was noticed that the department failed to achieve its targets of the revenue resulting in excess expenditure over the final grants. In addition, it was noticed that financial assets are invested without proper evaluation and planning. Assets and liabilities could not be provided to Audit for verification. The department is noncompliant to audit and evaded accountability by not conducting DAC meetings to settle observations on its accounts.

10.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 8,460.163 million were raised in this report during the current audit of Finance Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S.No	Classification	(Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	3.220
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	4,811.945
5	Others	3,644.998

10.3 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.	2004-05	Finance	02	01	-	01
2.	2008-09	-do-	03	01	-	02
3.	2010-11	-do-	02	02	-	-
4.	2013-14	-do-	08	07	-	1
5.	2014-15	-do-	02	01	-	01

10.4 Audit Paras

10.4.1 Loss to the government due to investment in long-term securities and their subsequent premature encashment - Rs. 1,165.661 million

According to Rule 4 of the General Provident fund investment and Pension fund investment rules 1999, the Board may, in consultation with Government, invest any portion of the Fund which is not immediately required for disbursement: (i) in Government securities; (ii) in Government guaranteed securities/National Saving Schemes; (iii) in Profit-bearing deposits in Banks as per Government approved list/policy; and (iv) in such other investments as the Board may think fit / beneficial.

During audit of the accounts of Secretary Finance Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was noticed in the record of investment cell of pension and GPI that in the 145th and 146th meeting of the investment committee funds amounting to Rs. 63,315 million were invested in TDRs having maturity of one year. On further scrutiny it was revealed that in 147th investment committee meeting these TDRs were prematurely enchased on the plea that the interest rates are higher now and are expected to increase further. The funds may earn more profit even after sacrificing Rs. 1,165,661,598 in shape of penalties and cuts on agreed profits **(Annexure-XIV)**.

The lapse occurred due to weak fund management and investment for longer period of time instead of shorter period which resulted in less realization of revenue amounting to Rs. 1,165,661,598/-.

When pointed out in October 2023, no reply was furnished.

The department was requested vide letter dated 03.11.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter for fixing responsibility on the person(s) at fault besides formulation of proper investment plan and strengthening of the investment cell.

PDP No. 10 (2022-23)

10.4.2 Loss to the government due to delay in investment of general provident and pension funds - Rs. 63.625 million

According to rule 4 of the General Provident fund investment and Pension fund investment rules 1999, the Board may, in consultation with Government, invest any portion of the Fund which is not immediately required for disbursement: (i) In Government securities; (ii) In Government guaranteed securities/National Saving Schemes; (iii) In Profit-bearing deposits in Banks as per Government approved list/policy; and (iv) In such other investments as the Board may think fit/beneficial.

During audit of the accounts of Secretary Finance Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed in the record of investment cell of pension and GPI on test check basis that in some cases funds after maturity of the TDRs were kept in the daily product accounts instead of investing the same immediately. The rates of daily product being lower than the TDRs the fund sustained a loss of Rs. 53,433,797/- **(Annexure-XV)**. Furthermore, an amount of Rs. 10,000 million was kept in the daily product account for 31 days for onward depositing it in the Government treasury instead of investing the same in alternative investment opportunities. A loss of Rs. 10,191,780 was sustained for not investing this amount.

The lapse occurred due to weak internal controls which resulted into loss to the government.

The lapse occurred due to non-existence of proper investment plan, inefficient fund management and delay in investment which resulted into loss of **Rs. 63,625,577/-** to the government.

When pointed out in October 2023, no reply was furnished.

The department was requested vide letter dated 03.11.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter for fixing responsibility against the person(s) at fault besides formulation of proper investment plan and strengthening of the investment cell for more efficient utilization of funds.

PDP No. 11 (2022-23)

10.4.3 Loss to the government due to non-realization of interest of broken period – Rs. 35.566 million

According to rule 4 of the General Provident fund investment and Pension fund investment rules 1999, the Board may, in consultation with Government, invest any portion of the Fund which is not immediately required for disbursement: (i) In Government securities; (ii) In Government guaranteed securities/National Saving Schemes; (iii) In Profit-bearing deposits in Banks as per Government approved list/policy; and (iv) In such other investments as the Board may think fit/beneficial.

During audit of the accounts of Secretary Finance Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was noticed in the record of investment cell of pension and GPI that investments of Rs. 17,309.220 million were made with Habib Bank Ltd for a period of three months with the maturity date of 30.06.2022, however, these funds were kept withheld by the bank for additional 5 days. Interest of Rs. 35.566 million was accrued for these additional 5 days. Further scrutiny of record revealed that the transfer of funds was delayed for these additional five days due to non-availability of separate bank account. This interest was claimed by the fund management cell but was not paid by the bank as the delay in fund transfer was not on part of the bank.

Audit held that investment and encashment of TDRs is a routine activity of the investment cell. The pre-requisites of encashment of TDRs should have been made in advance to avoid the loss of return for intervening period.

The lapse occurred due to in-efficient fund management which resulted in loss to the government.

When pointed out in October 2023, no reply was furnished.

The department was requested vide letter dated 03.11.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to fix responsibility and formulate proper fund management plan to avoid such losses in future.

PDP No. 12 (2022-23)

10.4.4 Loss to the government due to unauthorized withdrawal from GPI fund - Rs. 1,461.923 million

According to rule (2) of the Government Provident fund rules 1999, the Fund shall be available and utilized for payment to the subscribers of General Provident Fund.

During audit of the accounts of Secretary Finance Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was noticed in the record of investment cell of pension and GPI, it was observed that an amount of Rs. 10,000 million was transferred from the fund to the provincial account-I. The 46th meeting of the board approved the transfer of the said funds for onward payment of annual GPF interest to the subscriber. Audit held that interest on GP fund is never paid to the subscriber in cash, rather it is added with the existing GP fund balance of the subscribers. Withdrawal from the GP fund balance in the shape of advances can be met from the receipts of annual subscription of the GP fund. The transfer of funds to account-I is neither justified nor authorized, as the amount was transferred to the account-I and was not paid to the subscribers of the General provident fund. Moreover, the GPI earned a profit of 7,591 million in the FY 2022-23, which is less than the profit earned in the FY 2021-22. The total interest credited to the subscribers of GP fund for the FY 2022-23 is 16,099 million, which shows that the funds are not strong enough to cover-up the actual requirement of the interest payable to the subscribers. Due to withdrawal from the GPI fund in September 2022, the fund was deprived from earning Rs. 1,461,923,073 of interest.

Month	**Opening Balance**	**RoI of SBP Monetary Policy)**	**Interest using monthly compounding**
Oct-22	10,000,000,000	16.000%	133,333,333
Nov-22	10,133,333,333	16.000%	135,111,111
Dec-22	10,268,444,444	16.000%	136,912,593
Jan-23	10,405,357,037	17.000%	147,409,225
Feb-23	10,552,766,262	17.000%	149,497,522
Mar-23	10,702,263,784	20.00%	178,371,063
Apr-23	10,880,634,847	21.00%	190,411,110
May-23	11,071,045,957	21.00%	193,743,304
Jun-23	11,264,789,261	21.00%	197,133,812
Total			**1,461,923,073**

Audit held that withdrawal from the GPI resulted in reduction of the value of investment and loss of future revenue which could have been earned from investing these funds.

The lapse occurred due to mismanagement of funds which resulted into loss to the government.

When pointed out in October 2023, no reply was furnished.

The department was requested vide letter dated 03.11.2023 for holding DAC meeting. However, the 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 for drawing funds from the GPI Fund.

PDP No. 14 (2022-23)

10.4.5 Loss to the government due to unauthorized withdrawal from pension fund – Rs. 1,177.161 million

According to Rule 4 (2) of the pension fund act, the Fund shall be under the control of and operated upon by the Board and shall be utilized for the payment of pension to the employees of Government. Further according to rule 6 of the same act (2) No amount from the Fund shall be withdrawn unless it is approved by the Board. Withdrawal of amount shall be permissible only under the joint signatures of the Chief Secretary and the Secretary Finance in their capacity as Chairman and member of the Board.

According to Clause 3 of the pension fund act 1999, as soon as may be after the commencement of this Act, Government shall establish a fund to be known as the Provincial Pension Fund. The Fund shall, subject to the availability of resources, be enhanced from year to year by depositing, such amount in the Fund as Government may, with particular reference to its overall liabilities towards payment of pension, determine in respect of each year. For doing so the Fund shall be charged upon the Provincial Consolidated Fund within the meaning of Article 121 (e) of the Constitution of the Islamic Republic of Pakistan.

During audit of the accounts of Secretary Finance Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was noticed in the record of investment cell of pension and GPI, it was observed that an amount of Rs. 10,000 million was transferred from pension fund to the provincial account-I. According to the actuarial study made by the finance department the pension fund deficit was Rs. 2,969,904 million on 30.06.2020. During the next three years the deficit increased further as no additional funds were brought in from the consolidated fund, rather funds amounting 36 billion were drawn out of it since the study was made. Moreover, out of the total funds transferred Rs 9,000 million was wrongly booked under the C01902 (Dividends on investment), audit held that this withdrawal from pension fund should be treated as liability rather dividend income.

Audit held that since creation of the fund in 1999, the pension fund was not properly managed by the finance department as per the pension liability requirement of the Province. Instead of increasing the volume of funds for bringing it at par of the pension liability, drawl from it is unjustified. Moreover, the funds were transferred to the consolidated fund instead of payment to the pensioners, which is irregular and un-authorized. Moreover, the drawl was made on the signature of Secretary Finance and Secretary Administration instead of Chief Secretary. Due to drawl from the Pension fund in September 2022, the fund was deprived from earning Rs. 1,177,160,961 of interest.

Month	Opening Balance	RoI(SBP Monetary Policy)	Loss
Nov-22	1,000,000,000	16.00%	13,333,333
Dec-22	10,013,333,333	16.00%	133,511,111
Jan-23	10,146,844,444	17.00%	143,746,963
Feb-23	10,290,591,407	17.00%	145,783,378
Mar-23	10,436,374,786	20.00%	173,939,580
Apr-23	10,610,314,365	21.00%	185,680,501
May-23	10,795,994,867	21.00%	188,929,910
Jun-23	10,984,924,777	21.00%	192,236,184
Total			**1,177,160,961**

Audit held that withdrawal from pension fund resulted reduction in the value of investment and loss of future revenue which could have been earned from investing these funds.

The lapse occurred due to in-appropriate and weak fund management which resulted into loss to the government.

When pointed out in October 2023, no reply was furnished.

The department was requested vide letter dated 03.11.2023 for holding DAC meeting. However, the 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 for drawing funds from the Pension Fund.

PDP No. 15 (2022-23)

10.4.6 Loss due to investment of RBDC funds in long term securities and their subsequent premature encashment - Rs. 290.986 million

According to Rule 10 (i) of the General Financial Rules Volume-I, every government officer shall exercise the same vigilance in respect of expenditure incurred from public moneys, as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of the accounts of Secretary Finance Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was noticed in the record of RBDC funds that in the 36th meeting of the investment committee of RBDC funds held on 28th December, 2022, funds amounting to Rs. 13,000 million were invested in TDR having maturity of one year. On further scrutiny it revealed that in 37th investment committee meeting this TDR was prematurely enchased on the plea that the interest rates are higher now and are expected to increase further. The funds may earn more profit even after sacrificing Rs. 301,706,849 in shape of penalties and cuts on agreed profits.

Audit held that the interest rates were rising throughout the year and investment of funds for longer period was not profitable at any point of time during the year. The funds should have invested on monthly or 3 monthly period or should have invested with the condition of pre-mature encashment without penalty. On detail analysis and comparison of the 3 months profit rates with the actual reduced rate at which the TDR were prematurely enchased, it was revealed that the fund suffered a loss of Rs. 290,986,301 if invested for 3 months.

The lapse occurred due to irrational investment, weak fund management and investment for longer period of time instead of shorter period which resulted into loss of Rs. 290,986,301/- to the government.

When pointed out in October 2023, no reply was furnished.

The department was requested vide letter dated 03.11.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter for fixing responsibility on the person(s) at fault besides formulation of the proper investment plan.

PDP No. 16 (2022-23)

10.4.7 Unjustified retention of funds of foreign aided projects – Rs. 2,940.998 million

According to Section 2.03 (d) of the general conditions of IDA financing investment Dated July 14, 2017, each such application and accompanying documents and other evidence shall be sufficient in form and substance to satisfy the Association that the Recipient is entitled to withdraw from the Financing Account the amount applied for and that the amount to be withdrawn from the Financing Account shall be used only for the purposes specified in the Financing Agreement. According to para 1 of the schedule-II of the financing agreement with the IDA, for the Khyber Pakhtunkhwa Human Capital Investment Project, to facilitate the carrying out of the project, the recipient shall make the proceeds of the financing available to the project implementation entity under the same terms and condition as shall have been received from the association and in accordance with the provision of this agreement.

During audit of the accounts of Secretary Finance Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was noticed that funds amounting to Rs. 1420.78 million and 1520.218 million were transferred by the SBP to the revolving fund accounts of the projects Human Capital Investment, Education and Health components (ADP No 200166 and 200159) on 28.09.2022 and 31.10.2022 respectively. The funds upon requested of the department were released by the finance department with additional note that the release does not involve any release/credit to the project mentioned above. On detail scrutiny of the record it was observed that However, despite the release letter of the Finance Department and actual transfer of funds by the SBP/Donor, the budget was not punched in the SAP or were punched but kept freezed, restricting the budget to be utilized for incurrence of expenditure. Despite of several requests by the department for the punching/unfreezing of already released funds, the funds were kept freezed till the end of May 2023. Due to delay in the punching/unfreezing of budget the project expenditure were restricted to 1,014 million (26% of the total funds received from SBP 3773.175 million)

The lapse occurred due to violation of rules and weak financial management which resulted into non-releasing of funds to the Foreign Aided Projects which further resulted in violation of agreement made with the IDA and non-achievement of project objectives.

When pointed out in October 2023, no reply was furnished.

The department was requested vide letter dated 03.11.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter and fix responsibility besides formulation of guidelines for the release of funds for the Foreign Aided Projects.

PDP No. 23 (2022-23)

10.4.8 Irregular release of funds under the Public Interest Fund - Rs. 704.000 million

According to the guidelines issued by GoKP Local Government through notification No. PO(LG)2-45/District ADP/2016-17 dated 08-06-2017 for implementation of developmental schemes under the 3% public interest fund (PIF) share out of the Provincial Finance Commission; for such schemes Administrative

Approvals will be issued after approval of the PC-I in the District Development Committee and the basis of approved schemes, the Finance Department will release funds directly to Account-IV of the concerned district. Furthermore, section 53 (2) & 53 (3) of Local Govt Act 2013 require that while making recommendations, the Finance Commission shall take into account the principles of fiscal need, fiscal capacity, fiscal effort and fiscal performance of local governments and, the Finance Commission shall also take into consideration poverty, population, lag in infrastructure and revenue base of local governments as factors while formulating its recommendations.

During audit of the accounts of Secretary Finance Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that Rs. 740 million was recommended as 2% PIF share of the Chief Minister (CM) under the 12th PFC Award 2022-23. The said funds were allocated by the CM to different schemes proposed by the District Administration of District Swat for which formalities of PC-I, Administrative Approval and DDC approval etc.were not fulfilled, however, Finance Department released the funds for these schemes to Account-IV. Even the district administration didn't specifically mention each scheme with sub-schemes cost estimates etc. in the summary moved for CM approval.

It is also important to mention that schemes in the same sectors and functions as demanded in this PIF allocation were already included in Annual ADP 2022-23 (as per attached list) for District Swat with budget estimates of Rs. 3,482 for which total release was Rs. 5,305 million. This led to the conclusion that the release of Rs. 740 million was not made for specific sub-schemes with approved PC-I but the summary was only moved to facilitate transfer of these funds from Account-I to Account-IV for district Swat.

Audit held that the allocation of PIF of Rs. 740 million was unjustified due to existing ADP schemes in the same sectors and the release by Finance as irregular without approved PC-I and AAs.

The lapse occurred due to non-compliance of the spirit of the PFC and non-adherence to the rules prescribed by the Local Government Department which resulted in irregular releases.

When pointed out in October 2023, no reply was furnished.

The department was requested vide letter dated 03.11.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter for fixing responsibility for the lapse.

PDP No. 29 (2022-23)

10.4.9 Loss due to less deduction of Executive Allowance pension contribution – Rs. 3.220 million

According to Finance Department (Regulation Wing) Khyber Pakhtunkhwa notification No. FD(SOSR-II)2-5/2021-22 (Executive Allow) dated 07-07-2021; 20% of the difference between running basic pay and the initial basic pay will be deducted as part of "pay as you go" pension contribution from all officers drawing executive allowance.

During audit of the accounts of Secretary Finance Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that the officers in BPS-17 and above who were entitled for the executive allowance were paid the same, however, pension contribution was deducted on the basic salaries of 30-06-2022 instead of the running basic pay which resulted in less deduction of Rs. 3,221,500/-.

Audit held less deduction of the pension contribution as loss to the government.

The lapse occurred due to misinterpretation of the rules which resulted in loss to the government.

When pointed out in October 2023, no reply was furnished.

The department was requested vide letter dated 03.11.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the amount from the concerned officers.

PDP No. 33 (2022-23)

10.4.10 Non-recovery of Pre-Audit Fee from the local government / autonomous bodies - Rs. 652.589 million

According to Rule-26 of G.F.R Vol 1, 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 audit of the accounts of Directorate of Local Fund Audit Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that various officers / officials were posted in different autonomous bodies and other local government bodies working in the province for the purpose of conducting Pre-Audit of receipts and payments.

However, scrutiny of record revealed that the directorate not only failed to recover the balance Pre-Audit fee for the current year amounting to Rs. 164.835 million but an amount of Rs. 478.753 million for the previous years as well.

The lapse occurred due to weak internal controls which resulted in non-recovery of Rs. 652.589 million.

When pointed out in October2023, it was replied that Directorate of local fund audit is committed to recover audit fee and follow/adopt a rigorous mechanism for its recovery. However, the audit fee arrears are increasing due to extremely weak financial conditions of the TMA's. However, it is assured that this office will make strenuous efforts for the full recovery of audit fee. However, no progress was intimated to Audit.

The department was requested vide letter dated 05.01.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to conduct enquiry for fixing responsibility along with recovery of the arrears from the quarters concerned.

PDP No. 114 (2022-23)

Chapter – 11

FOOD DEPARTMENT

11.1 A) Introduction

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

- Food procurement, rationing and distribution.
- Storage of food grain.
- Controls over the price and distribution of sugarcane
- 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 matter, except those entrusted to the Establishment and Administration department.

Audit Profile of Food Department:

(Rs. in million)

S. No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23	Revenue/Receipts Audited FY 2022-23
1	Formations	245	18	11,580	44,737
2	• Assignment Account • SDA (Excluding FAP)	05	01	99.954	N/A

3	Authorities/Autonomous bodies etc under PAO	01	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

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

Summary of the Appropriation Accounts:

The Summarized position of actual expenditure 2022-23 against the total of grants/appropriation was as follows:

Non-Development:

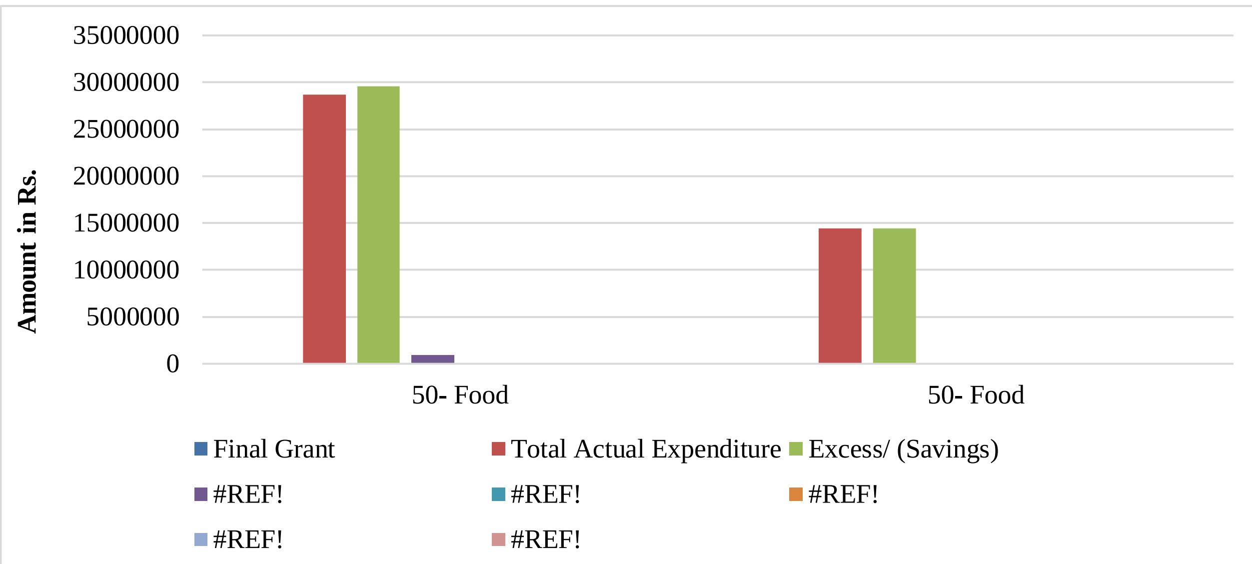
(Amount in Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-AppriorIation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
49- State Trading in food grains & Sugar	NC11	96,579,000,000	16,440,750,000	0	46,016,420,560	67,003,329,440	66,013,324,933	-990,004,507
49- State Trading in food grains & Sugar	NC14	1,100,000,000	0	0	1,100,000,000	0	0	-
Total		**97,679,000,000**	**16,440,750,000**	**0**	**47,116,420,560**	**67,003,329,440**	**66,013,324,933**	**-990,004,507**

Development:

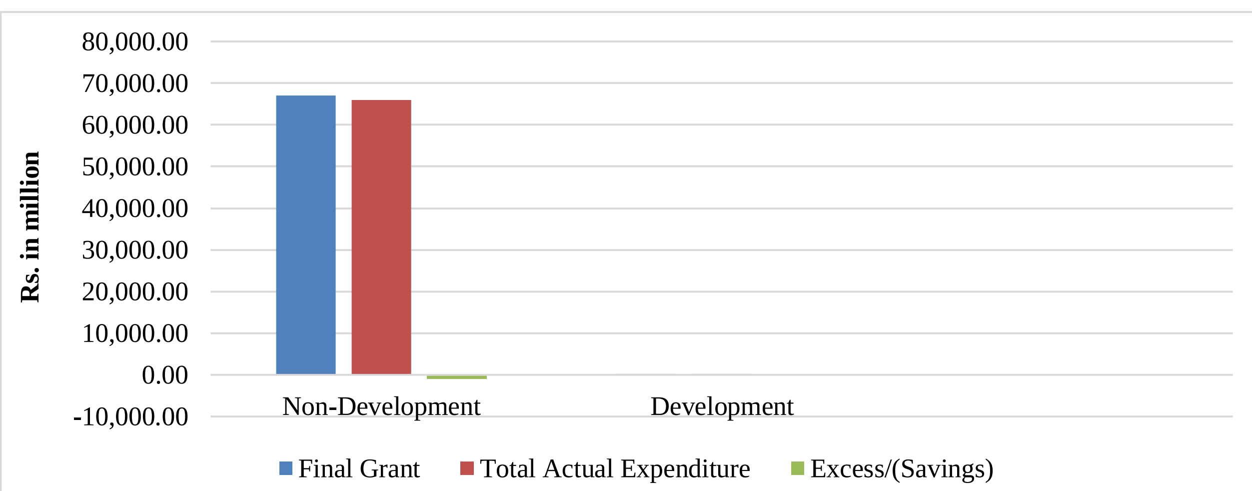
(Amount in Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Apprioriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50- Food	**NC22**	**70,256,000**	**-**	**-**	**41,594,908**	**28,661,092**	**29,547,886**	**886,794**
50- Food	**NC12**	252,604,000	-	-	238,151,914	14,452,086	14,452,086	-
Total		**252,604,000**	-	-	**238,151,914**	**14,452,086**	**14,452,086**	-



(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	67,003.33	66,013.32	- 990.00	-1.48%
Development	14.45	14.45	-	0.00%
Total	**67,017.78**	**66,027.78**	**- 990.00**	-1.48%



11.1(c) Issues in Food Department

The Food Department is a major revenue generation and service delivery department. The departmental systems and procedures could not evolve with the latest requirements of public financial management, revenue and financial accounting. It was noticed that the department failed to safeguard government assets against waste and fraud. In addition, it was noticed that records related to revenue from the trading activities and sales could not be provided to Audit for verification. The department is noncompliant to audit and evaded accountability by not producing record. It also does not implement DAC meetings decisions to settle observations on accounts.

11.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 437.445 million were raised in this report during the current audit of Food Department. This amount also includes recoveries of Rs. 201 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S.No	Classification	(Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	2.321
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	12.574
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	372.577
5	Others	19.020

11.3 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.	2010-11	Food	40	-	13	27
2.	2011-12	-do-	12	-	09	03
3.	2012-13	-do-	06	06	-	-
4.	2015-16	-do-	12	08	04	-

11.4 Audit Paras

11.4.1 Wasteful expenditure due to unnecessary purchase of vehicles - Rs. 24.292 million

According to the minutes of the meeting of the transport committee held on 24.8.2021 for purchase of vehicles under the project "Strengthening of food department Khyber Pakhtunkhwa" duly circulated by Finance Department letter No.BO-1/FD/5-14/2021-22/Transport Committee dated 28.10.2021, read with FD letter No. No.BO-1/FD/5-14/2021-22/Transport Committee dated 23.08.2021, the forum recommended to allow purchase of five vehicles for official use subject to fulfillment of all codal formalities including (i) clearance by the FD, (ii) handing over the unserviceable/condemned vehicles to Administration Department for Auction (iii) provision of quotations from the authorized dealers.

According to Rule 290 of CTR, no money should be drawn from treasury unless required for immediate disbursement. It is not permissible to draw money from treasury in anticipation of demand or to prevent lapse of budget grant.

During audit of the accounts of Secretary Food Department Khyber Pakhtunkhwa for the Financial Year 2021-22, it was observed that a sum of Rs. 24.292 million was shown incurred on the purchase of vehicles under the project "Strengthening of food department Khyber Pakhtunkhwa ADP No. 573/210632". The clearance for vehicles was made by the FD on the condition that purchased vehicles will be used for official duty by authorized officers and those vehicles which were unserviceable / condemned against which new vehicles have been purchased will be handed over to the Administration Department for auction.

However, scrutiny of record revealed that the new vehicles were used by the officers having their own official vehicles in running condition. Moreover, one luxurious vehicle Toyota Fortuner was purchased for Minister Food in clear violation of the objectives of the project which was revamping the food department to improve the workability and performance.

Audit held that the vehicles were purchased without actual demand just to utilize the project funds.

S. No.	Cheque No. & date	Supplier	Item	Amount	Qty	Total
1.	2124938, 15.11.21	Indus Motor Company	Toyota Fortuner	9892000	1	9,892,000
2.	2124939, 15.11.21	Ghandara Industries	Isuzu D-Max	7200000	02	14,400,000
Total						**24,292,000**

S. No.	Designation	Vehicles	Quantity
1	Secretary Food	AB-1867; AA-2658; and Isuzu D-Max (applied for)	3
2	Additional Secretary Food	AB-8620; AA-3420; and Isuzu D-Max (applied for)	3
3	Minister Food	Toyota Fortuner	1

The lapse occurred due to weak internal controls which resulted in wasteful expenditure.

When pointed out in January 2023, reply was furnished.

In the DAC meeting held on 15.06.2023, it was decided that the department may conduct a fact-finding inquiry / investigation of the matter and fix responsibility against the persons at fault. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to investigate the matter and take appropriate action under the rules.

PDP No. 51 (2021-22)

11.4.2 Loss to Government due to irregular awarding of contract - Rs. 6.661 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 audit of the accounts of Directorate of Food Khyber Pakhtunkhwa for the Financial Year 2021-22, it was observed that the contract of transportation of imported sugar from Karachi to different districts of the Khyber Pakhtunkhwa to National Logistic Cell (NLC). On scrutiny of record it was observed that the said contract was awarded to the NLC without floating any tender. On comparison of the rates offered by NLC with the rates offered by the different transporters for the transportation of wheat from Karachi to different districts, it was observed that the rates offered by the transporters of wheat were substantially low. On comparison of both the rates it was observed that a sum of Rs. 6,661,682 was paid in excess to the NLC.

Irregular award of contract resulted a Loss of Rs 6,661,682/- to the Government, as detailed below;

S. No.	District	Rate of NLC	Rate of Wheat Transporters	Diff.	Total Qty.	Loss
1	Peshawar	7366	6389	977	1499	1,464,523
2	Nowshehra	7245	6990	255	428	109,140
3	Charsada	7245	6540	705	585	412,425
4	Mardan	7487	6540	947	873	826,731
5	Swabi	7607	6540	1067	458	488,686
6	Buner	8211	8484	-273	253	(69,069)
7	Shangla	9298	9668	-370	435	(160,950)
8	Swat	7970	7279	691	652	450,532
9	Lower Dir	7970	7269	701	836	586,036
10	Upper Dir	9419	9845	-426	267	(113,742)
11	Haripur	7245	6665	580	283	164,140
12	Mansehra	7607	6791	816	487	397,392
13	Batagaram	8453	8699	-246	134	(32,964)
14	Kohat	6762	6189	573	313	179,349
15	Karak	6883	6500	383	199	76,217
16	Hangu	7245	6946	299	388	116,012
17	Bannu	6279	4971	1308	747	977,076
18	DI khan	5675	4671	1004	787	790,148

Total		10,000	6,661,682

When pointed out in March 2023, it was replied that the department was abruptly assigned the task of transporting sugar and the department had no time to conduct tender as per financial rules for conducting tenders. Therefore, the contract was assigned to NLC. The contractors hired for the transportation of wheat were also engaged in transportation of wheat and they were not ready to allow their vehicles or transportation of sugar.

Reply of the department was not satisfactory as the direct awarding of contract to NLC in excess of prevailing rates resulted in loss to the exchequer.

The lapse occurred due to non-observance of rules which resulted in loss to the government

The department was requested vide letter dated 05.06.2023 followed by a reminder letter dated 29.12.2023 for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends to inquire the matter and fix responsibility against the person(s) at fault besides recovery of the loss sustained.

PDP No. 65 (2021-22)

11.4.3 Wasteful expenditure due to non-implementation of Board's decision regarding conversion of existing vehicles into mobile labs – Rs. 55.397 million

According to minutes (Agenda-4) of the 8th meeting of Khyber Pakhtunkhwa Food Safety & Halal Food Authority held on 09th April 2019 under the chairmanship of Additional Chief Secretary, the forum supported the idea of transforming existing Suzuki Bolans into mobile testing vans for on spot testing of milk and other food items to ensure the safe food to the public at their doorsteps.

During audit of the accounts of Khyber Pakhtunkhwa Food Safety and Halal Food Authority Peshawar for the Financial Year 2021-22, it was observed that expenditure of Rs.55,396,572/- was incurred on the purchase of 07 Numbers Toyota HIACE vehicles through M/S Toyota Frontier Motors vide Cheque No. 43502611 dated 05.09.2021. The vehicles were fabricated / converted into Mobile Testing Lab through M/S Razmak Industries at the cost of Rs. 10,360,000/-

Further scrutiny of record revealed that the Authority Board in its 8th meeting held on 09th April 2019 supported and approved the transforming of existing Suzuki Bolans into Mobile Testing Vans for on-the-spot testing of food items as a cost effectiveness initiative. However, the management set aside the Board's approval and purchased new 07 number of Toyota HIACE vehicles for conversion into mobile testing labs which resulted into wasteful expenditure of Rs. 55,396,572/- besides non-utilization of existing Suzuki Bolan Vans.

Furthermore, sufficient number of vehicles including Suzuki Bolan Vans were available on the strength of the Authority in addition to the newly procured 07 No. Toyota HIACE vehicles as summarized below:

S. No	Type of Vehicles	No. of vehicles

1	Honda BRV	34
2	Honda City	05
3	Suzuki Cultus	11
4	Suzuki Bolan	12
5	Toyota HIACE	07
Total		**69**

The lapse occurred due to non-implementation of Board's decision which resulted into loss to the government.

When pointed out in February 2023, no reply was furnished.

In the DAC meeting held on 27.09.2023, it was decided that the department may provide the relevant agenda item regarding superseding of the previous board decision to Audit for verification. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to inquire the matter for fixing of responsibility.

PDP No. 596 (2021-22)

11.4.4 Non-realization of revenue due to non-renewal of expired licenses of food establishments – Rs. 179.74 million

According to sections 1 (2), 15 of the Khyber Pakhtunkhwa, Food Safety and Halal Food Authority Act 2014, it shall extend to the whole of the province of Khyber Pakhtunkhwa. License means a license granted under this Act. Any person desirous of obtaining a license for using any place for food business or commencing any food business, shall apply to the Authority on payment of prescribed fees. The license granted shall remain in force for a period of two years from the date of issue and may thereafter be renewed on payment of such fee as may be prescribed.

During audit of the accounts of Khyber Pakhtunkhwa Food Safety and Halal Food Authority Peshawar for the Financial Year 2021-22, it was observed that licenses were granted to the food establishments in the province. These licenses were issued for a period of 02 years and were required to be renewed on payment of prescribed annual fee. Record revealed that 18717 food establishment licenses were expired in the province which were not renewed by the concerned establishments nor the Authority made effort for renewal of licenses and realization of revenue from these licenses. The analysis of the soft data maintained by the Authority revealed that the number of expired licenses was increased from time to time instead of reduction in expired case which resulted in loss of Rs.179,740,000/- due to non-realization of licenses' renewal fee as tabulated below:

S. No.	Date	No. of expired licenses	License fee/ renewal fee outstanding (Rs.)
1	20.09.2022	16916	
2	14.10.2022	17406	

3	24.10.2022	18157	17974 expired licenses x Rs.10000 per license as an average rate = Rs.179,740,000/-
4	22.11.2022	17883	
5	30.11.2022	17974	

Audit held that a well-equipped Authority with all the work force and logistics is mandated to enforce the provisions of the Act and ensure its operations through licensing and product registration in the province was established with the aim to provide halal, hygienic food of prescribed standards and also ensure revenue. However, the management failed to renew the expired licenses and realize renewal fee from the expired licenses.

The lapse occurred due to lack of progress review meetings for expediting the progress and enforcement of provisions of the Act which resulted in loss to the Authority.

When pointed out in February 2023, no reply was furnished.

In the DAC meeting held on 27.09.2023, it was decided that the department may provide the current updated status of renewed licenses to Audit for verification. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to take steps for recovery of outstanding dues besides fixing of responsibility.

PDP No. 597 (2021-22)

11.4.5 Loss to the government due to non-registration of Geo Tagged business - Rs. 137.440 million

According to section 8(k) of the Khyber Pakhtunkhwa food safety and Halal Food Authority Act-2014, the authority may levy fee for registration, licensing and other services.

During audit of the accounts of Khyber Pakhtunkhwa Food Safety and Halal Food Authority Peshawar for the Financial Year 2021-22, it was observed that a survey was conducted by the authority in June 2020 for Geo Tagging of business throughout KP. Resultantly a total of 85,826 numbers of various categories including small, medium and large un-registered businesses were identified and Geo Tagged to be registered with the authority. However, despite elapse of almost three years, only 58,338 businesses were registered leaving 27,488 businesses remained un-registered. This resulted into recurring loss of Rs. 137.440 million (calculated with average fee of Rs. 5000) by depriving the authority from license registration fees and renewal fees.

The lapse occurred due to weak internal controls which resulted in loss to the government.

When pointed out in February 2023, no reply was furnished.

In the DAC meeting held on 27.09.2023, it was decided that the department may provide the breakup of geo-tagged business to Audit for verification. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to expedite the registration process.

PDP No. 605 (2021-22)

11.4.6 Loss to the government due to less imposition of fine - Rs. 12.440 million

According to section 23 of the Khyber Pakhtunkhwa food safety and Halal Food Authority Act-2014, A person, who sells or offers for sale any adulterated food or food which is not in compliance with the provisions of this Act, the rules or the regulations; and/ or who manufactures or processes or keeps any food under unhygienic or unsanitary conditions; and/ or who manufactures for sale, stores, sells, distributes, imports or exports any food which is not of standard or misbranded, shall be liable to fine which shall **not be less than Twenty five thousand rupees** and not more than one million rupees or in default of fine for simple imprisonment for a term of three months. Read with section 28, If a person, who commits an offence, prescribed under the rules, for which no penalty has been provided in the Act, shall be liable to fine which shall not be **less than fifty thousand rupees** or more than three hundred thousand rupees.

During audit of the accounts of Khyber Pakhtunkhwa Food Safety and Halal Food Authority Peshawar for the Financial Year 2021-22, it was observed that a total of 2373 numbers of manufacturers, stores, distributers and sellers of food items were fined by the Food Inspection Teams in various divisions of Khyber Pakhtunkhwa, ranging from Rs. 4,000/- to Rs. 22,000/-, instead of Rs. 25,000/- at least, as required under Section 23 of Khyber Pakhtunkhwa Food Safety and Halal Food Authority Act 2014, which requires imposition of fine of at least

Rs. 25,000/- in cases where the food items are found adulterated or not in compliance with the provision of the Act, which resulted into a loss of Rs. 12,440,694/- **(Annexure-VI)**.

The lapse occurred due to weak internal controls which resulted in loss to the government.

When pointed out in February 2023, no reply was furnished.

In the DAC meeting held on 27.09.2023, it was decided that the department may provide the relevant record showing the fine imposed in accordance with the actual provision. However, no progress was intimated to Audit till finalization of this report.

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

PDP No. 609 (2021-22)

11.4.7 Irregular and non-transparent awarding of contract - Rs. 7.705 million Loss to the government due to non-obtaining / non-forfeiture of bid security - Rs. 0.770 million

According to Section 30 Chapter-V of KPPRA Rules 2014, each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders in accordance with Section 22 of the Act.

During audit of the accounts of Khyber Pakhtunkhwa Food Safety and Halal Food Authority Peshawar for the Financial Year 2021-22, it was observed that purchase order No. KP-FS&HFA/Pro/PO-FTEML/4103-A dated 08-12-2021 was issued to M/S Sindh Medical Stores (SMS) Karachi for the supply of various equipment's for establishment of Mobile Food Testing Laboratories. Valuing Rs. 7,705,740/-. However, it was observed that:

i. The supplier M/S SMS offered an item in his bid "Rapid Moister Analyzer" manufactured by BOECO which was technically qualified however, later on it was informed that the item was not available in the market as the manufacturer had stopped its manufacturing as was evident from the minutes of the procurement committee meeting held on 22nd March-2022. Resultantly the firm offered to supply alternative item model No. MOC63U, manufactured by M/S Shimadzu Japan. In response the Director Technical confirmed that the equipment was better than the originally offered item. However, the same model No. MOC63U offered by M/S Rays Technologies was rejected during the technical evaluation process. It clearly shows that the whole evaluation process was compromised and the technical evaluation committee neither assessed the original approved item nor the alternate item.
ii. Out of the total contract two items i.e. Turbidity meter and pH meter valuing Rs. 1,932,840/- which the supplier failed to deliver were actually not required at the time of technical evaluation process and while placing the order as the same were available with various divisions from the purchases made in 2019 as was evident from the minutes of the procurement committee meeting held on 29th March 2022.

iii. As per the supply order, 10% performance security amounting to Rs. 770,574/- was required to have been submitted by the supplier within five days. But neither the security was submitted nor any action had been taken against the firm at that stage. Later the firm failed to fulfill its contractual obligations and the contract was terminated in April-2022. However, loss of Rs. 770,574/- has been occurred due to non-forfeiture of performance security. It is also worth mentioning that the technical proposal of the same firm was rejected due to corrupt and fraudulent practices (conditions of contract ITB 34) during purchase of “strip readers”.

iv. Items worth Rs. 4,545,450 million were not delivered by the supplier, it was decided by the purchase committee that the same will be re-tendered. Keeping in view the hike in inflation and abnormal increase in the dollar rate, cost of the imported items will be enhanced substantially putting financial burden on the public exchequer due to failure of supplier.

v. Neither the firm was black listed nor any legal action had been taken against the firm.

Audit held the whole tendering and technical evaluation process as compromised resulting into irregular and non-transparent award of contract valuing Rs. 7.705 million on one hand, and on the other hand loss has been occurred due to non-forfeiture of performance security.

The lapse occurred due to mis-procurement which resulted into irregular awarding of contract and loss to the government.

When pointed out in February 2023, no reply was furnished.

In the DAC meeting held on 27.09.2023, it was decided that the department may provide the relevant record like retendering documents and evidence of the forfeited amount etc. to Audit for verification. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to inquire the matter for fixing of responsibility against the person(s) at fault.

PDP No. 610 (2021-22)

11.4.8 Loss to the government due to awarding of contract at higher rate - Rs. 4.869 million

According to Para 10(i) of GFR Vol-I, every public officer incurring expenditure from pubic 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 audit of the accounts of District Food Controller Shangla at Bisham for the Financial Year 2021-22, it was noticed that Food Department awarded two contracts for transportation of wheat and sugar from Port Qasim Karachi to PRC Shangla @ Rs.9688 per M.Ton and Rs.9386 per M.Ton respectively. Contract for transportation of sugar was awarded to M/s NLC @ 9386 and contract for transportation of wheat awarded to M/s Allied Haulage & Co @ Rs.9688 per M.Ton for same destination i.e. Port Qasim Karachi to PRC Shangla. Period for awarding contract for transportation are same i.e. Dec 2021 onward. There is difference of rate i.e. Rs.302/-(9688 – 9386) as following:

Qty transported 16,122.836 M.Ton
Rate paid Rs. 9688
Rate required to be paid Rs.9386
Difference Rs. 302/- per M.Ton
Total Amount overpaid Rs. 302 x 16,122.836 = 4,869,096/-

The lapse occurred due to violation of rules and regulations which resulted in loss to the government.

In the DAC meeting held on 15.06.2023, it was decided that the department may provide the relevant record i.e. cabinet decision for sugar and wheat increase / decrease for price fluctuation. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to investigate the matter for fixing of responsibility against the person(s) at fault besides recovery of the overpaid amount.

PDP No. 1 (2021-22)

11.4.9 Suspected misappropriation - Rs. 2.321 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 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.

During audit of the accounts of District Food Controller Shangla at Bisham for the Financial Year 2021-22, it has been noticed that a sum of Rs. 2,578,756/- was shown deposited by Dubair Flour Mill Bisham for 1038 bags of wheat @ 2484.35 per 100 kg. As per Challan No. 294, a sum of Rs. 257,856/- had been deposited in the National Bank Alpuri Br. Shangla on 17-12-2021. Whereas local office issued 1038 Nos of PP bags of wheat @ 2484.35. The local office did not provide the bank statement to verify the transaction. It is therefore, apprehended that a sum of Rs. 2,320,900 (Rs.2,578,756 – Rs.257,856) was less deposited which may be recovered and verified, as there is a difference in receipts of Department and AG office.

In the DAC meeting held on 15.06.2023, it was decided that the department may provide the relevant record like original bills / documents and bank statement etc. to Audit for verification. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to investigate the matter for fixing of responsibility besides recovery of the amount less deposited.

PDP No. 8 (2021-22)

Chapter – 12

HEALTH DEPARTMENT

12.1 A) Introduction

Health Department KP is a public entity; guiding health policies, governing healthcare institutions and leading healthcare interventions in Khyber Pakhtunkhwa. Towards decentralization and digitalization, it aims to provide healthcare at your doorstep. Devolved into healthcare education and service provision, the department; ensure and realizes supply and demand equilibrium, channelizing healthcare knowledge attitudes and practices on modern scientific patterns, however, synchronizing learned techniques with beliefs, local values and norms.

Statistically prioritized interventions; concentrating epidemics, outbreaks, mutations, and precautions; being learnt, advised, intervened, supervised, and data-banked for future referrals. Striving towards access, affordability, and appraisal; synergic initiatives being initiated; complementing all the stakeholders, uplifting healthcare infrastructure, promoting public welfare.

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

- Leadership and evidence-based direction setting for health sector.
    - Heath policy and reforms.
    - Health Planning, financing and budget.
- Health Support and Development.
    - Health promotion
        - Health education; and
        - Community involvement and advocacy.

        - Disease prevention and control;
            - Communicable Diseases; and
            - Non-communicable diseases.
        - Occupational Health.
        - Environmental Health.
        - Curative and rehabilitative care.
            - Primary, secondary and tertiary level curative services including mental health; and
            - Rehabilitative care.
        - Health related preparedness and response to disasters.
- Health Regulation and Enforcement.
    - Health personnel, facilities and services.
    - Levying of fees and charges by medical professionals and facilities.
    - Quality assurance and control.
    - Facilities and services.
    - Drugs control.
    - Alternative systems of medicine.
    - Food and sanitation;
        - Prevention and control of adulteration in food; and
        - Monitoring & reporting upon safe drinking water supply and sanitation services.
    - Devices and technology.
- Management Support Services.
    - Health human resources planning.
    - Health human resource development;
        - Provision of quality medical and allied education;
        - Pre-service training of support medical and health profession; and
        - In-service training of health human resource.
    - Health human resources management.
    - Logistics and procurement
    - Internal audit and accounting in the Health Department.
    - Legal services:
        - Propose medico-legal advice and litigation;
        - Propose law review, amendment, formulation relating to Health Department; and
        - Facilitate Law Department in litigation related to Health Department.
- Monitoring and evaluation.
    - Generation of evidence:
        - Performance assessment;
        - Information and communication systems; and
        - Health, Medical and allied research.
    - Knowledge management for evidence based decision making.
- Co-ordination on health related matters.
    - Ministries, Departments, Local and International Partners and donors.

Audit Profile of Health Department:

(Rs. in million)

S. No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23	Revenue/Receipts Audited FY 2022-23
1	Formations	139	18	63,461	99
2	• Assignment Account • SDA (Excluding FAP)	09	03	349.514	N/A
3	Authorities/Autonomous bodies etc under PAO	14	02	5,279	N/A
4	Foreign Aided Projects (FAP)	02	02	795	N/A

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

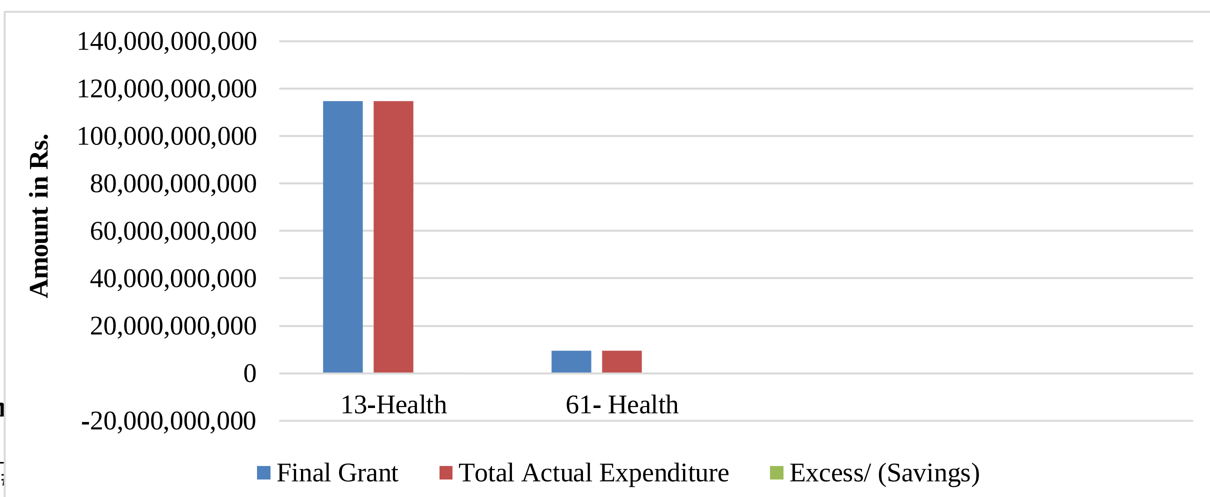
Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2022-23 against the total of grants/appropriation was as follows:

Non-Development:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
13-Health	NC21	160,938,335,000	7610	0	46177048576	114,761,294,034	114,829,309,265	68,015,231
61- Healt	NC21	17,267,972,000	0	652,559,679	8,403,845,104	9,518,686,575	9,518,519,493	-167,082
Total		**178,206,307,000**	**7,610**	**652,559,679**	**54,580,893,680**	**124,279,980,609**	**124,347,828,758**	**67,848,149**



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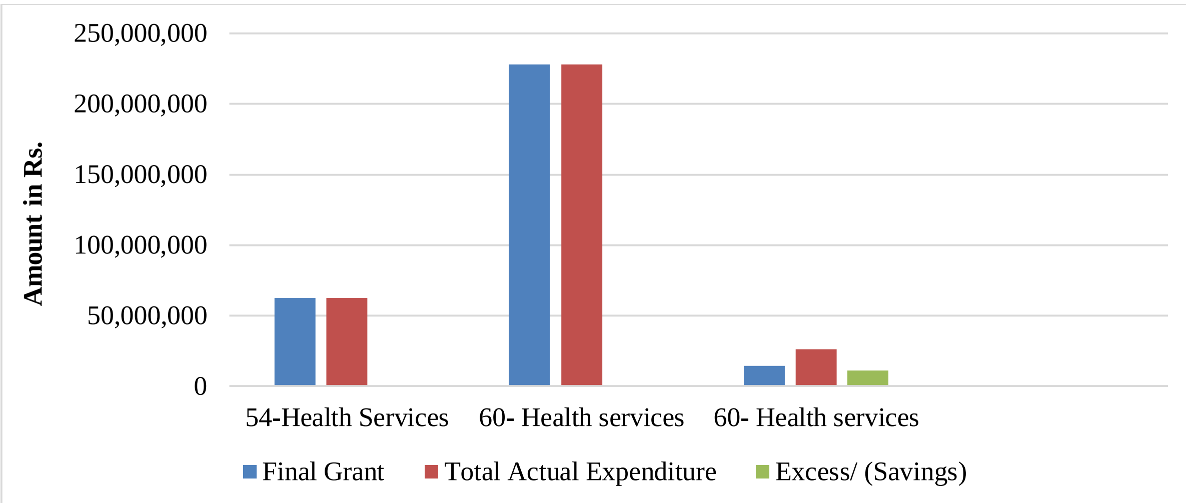
ount in Rs.)

Grant and Name of Department	Type	Grant	Grant	Appropriation	Surrender	Final Grant	Expenditure	Excess/ (Savings)

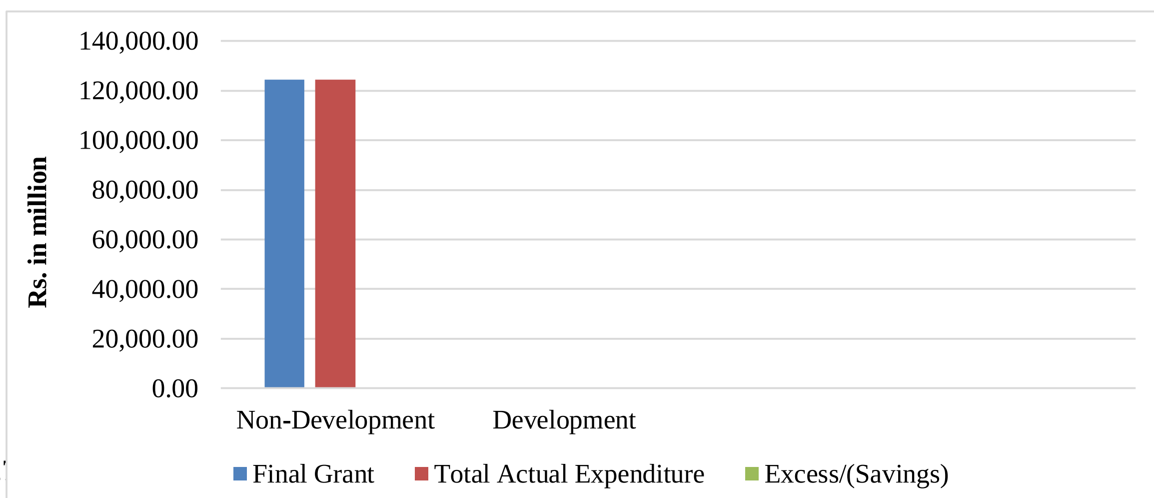
54-Health Services	NC-22/ NC12	18,625,908,000	0	-263000000	611,348,715	62,369,285	62,369,285	0
60- Health services	N12	936,718,000	-	-195,640,056	3,406,996	228,098,948	228,098,948	-
60- Health services	NC22	29,403,000	-	0	14,719,118	14,683,882	26,211,283	11,527,401
Total		**19,592,029,000**	**0**	**-458,640,056**	**629,474,829**	**305,152,115**	**316,679,516**	**11,527,401**



Overview of expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	124,279.98	124,347.83	67.848149	0%
Development	305.15	316.68	11.527401	4%
Total	**124,585.13**	**124,664.51**	**79.37555**	0%



2' ... to Rs. ... funds

in the best public interest and hence many of the planned activities could not have been achieved. On the other hand, expenditure exceeded over the final budget.

12.1(C) Issues in Health Department

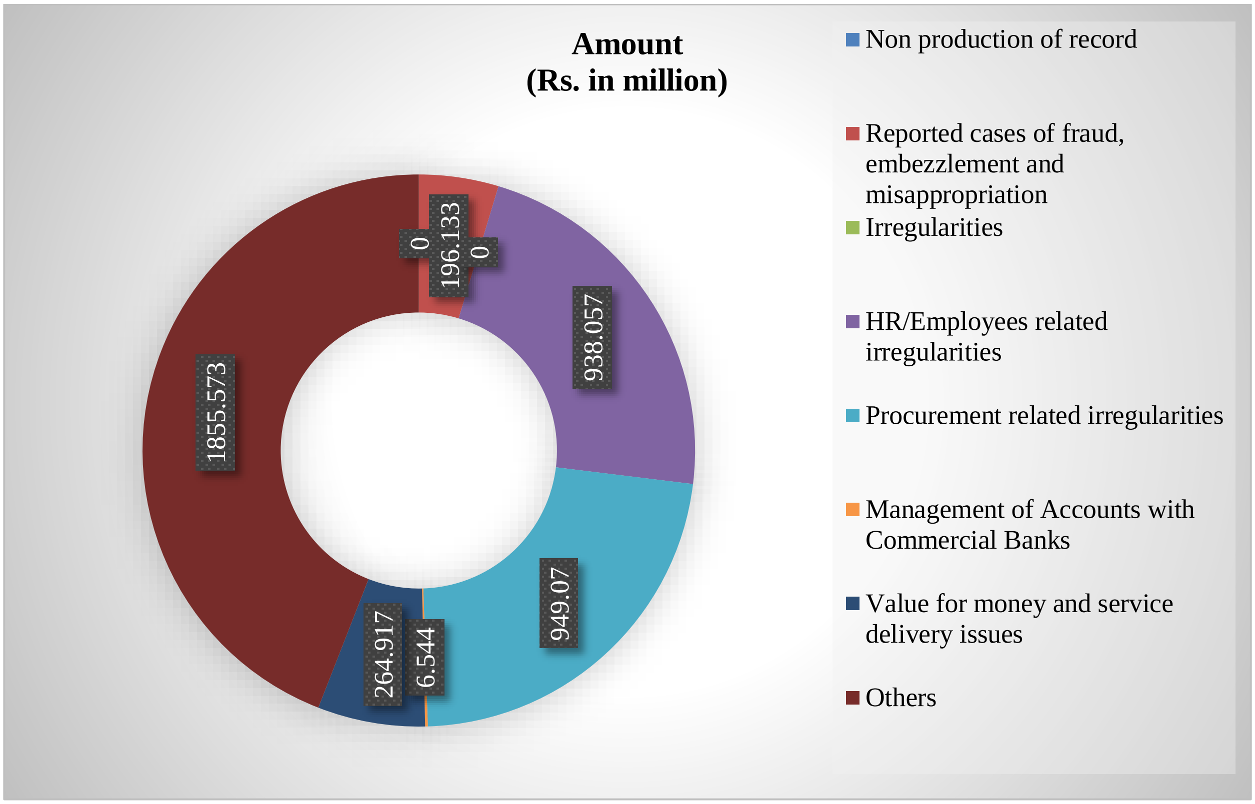
During audit of the Health Department, it was observed that projects were being initiated without fulfilling basic objectives and spending funds on procurement of medicine, equipment and salaries without proper need assessments. It was further revealed in many cases that hospital receipts were not deposited in Government treasury. In some cases, these receipts were irregularly disbursed to Medical Superintendent and other staff. Cases of irregular, doubtful, and wasteful procurement of machinery and other fixed assets were observed in many cases. Cases of irregular and fraudulent award of contracts are also reported. It was observed that taxes at prescribed rates were either not deducted from suppliers or were not deposited in the Government treasury.

12.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 4,210.293 million were raised in this report during the current audit of Health Department. This amount also includes recoveries of Rs. 1,405.077 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	196.133
3	Irregularities	
A	HR/Employees related irregularities	938.057
B	Procurement related irregularities	949.07
C	Management of Accounts with Commercial Banks	6.544
4	Value for money and service delivery issues	264.917
5	Others	1,855.573



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

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full Compliance	Partial compliance	Nil compliance
4.	2001-02	Health	31	21	-	10
5.	2002-03	-do-	18	14	-	04
6.	2003-04	-do-	11	06	-	05
7.	2004-05	-do-	42	11	-	31
8.	2005-06	-do-	12	06	-	06
9.	2007-08	-do-	18	05	-	13
10.	2008-09	-do-	16	07	-	09
11.	2009-10	-do-	23	12	-	11
12.	2010-11	-do-	19	07	-	12
13.	2011-12	-do-	33	18	-	15
14.	2012-13	-do-	14	09	-	05
15.	2013-14	-do-	46	23	-	23
16.	2014-15	-do	27	14	-	13
17.	2015-16	-do-	39	12	-	27
18.	2016-17	-do-	52	13	-	39

12.4 Audit Paras

12.4.1 Wasteful expenditure due to irrational HR management – Rs. 9.152 million

According to section 6.9.1.1 and 6.5.1.1 "Provision of human resource for Emergency and BEmONC services" of the respective revised PC-Is of the projects "Strengthening of All BHUs across KP and conversion of 200 BHUs into 24/7 SBA facilities" and "Rehabilitation of all RHCs across KP and conversion of 50 RHCs into 24/7 facilities"; three LHVs and two female ward attendants (Aya) are proposed to be provided to each BHU and RHC selected for conversion to 24/7 maternal and service delivery center. While in addition to three LHVs and two Aya, two Medical Technicians (MT) will be provided to each RHC selected for conversion into 24/7 service delivery center.

During audit of the accounts of Directorate General Health Services (DGHS) Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that the PMU of Primary Revamp Project paid Rs.192 million in salaries under project policy to LHVs, Medical Technicians and Female Ward Attendant for 24/7 BHUs and RHCs. However, as per appointment and placement record available with the PMU, a number of deficiencies were noticed in HR management as listed below which resulted in wasteful expenditure of Rs. 9,152,000/- (**Annexure-XVII**).

1. Complete appointment was made only on 49 BHUs out of 179 BHUs
2. At 47 BHUs, only LHVs were hired and Female Ward Attendant (Aya) was not hired, hence full 24/7 functionality was not guaranteed. Furthermore, at 10 of these BHUs, only one LHV was hired
3. Not even a single LHV was hired for 78 out of 179 facilities, hence, 24/7 functionality of these BHUs was not possible
4. At three facilities 4 Ayas were hired in Oct, 2022 without hiring LHV who are essential staff for functionality of 24/7 facility resulting in wasteful expenditure on salaries of these Aya from Nov, 2022 to Jun, 2023
5. Similarly, at 17 RHCs intended for 24/7 conversion, no LHV was hired but three Ayas in Oct, 2022 and 33 MTs in Dec, 2022 were hired at these facilities which again resulted in wasteful expenditure on salaries of these Ayas and MTs
6. Ayas were not appointed at 20 out of 47 RHCs which compromised full 24/7 functionality
7. Only one LHV was hired at 3 RHCs, however, 2 MTs were hired at each of these facilities indicating unnecessary deployment of 3 MTs at these facilities.

The lapse occurred due to irrational HR management which resulted in wasteful expenditure.

When pointed out in December 2023, no reply was furnished.

The department was requested vide letter dated 22.01.2023 for holding DAC meeting. However, the 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.

PDP No. 124 (2022-23)

12.4.2 Wasteful expenditure due to supply of medicine to unstaffed 24/7 facilities – Rs. 56.580 million

According to Para 10(i) and 10 (ii) of the Financial Propriety standards defined in the GFR Volume 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 and that the expenditure should not be *prima facie* more than the occasion demands.

During audit of the accounts of Directorate General Health Services (DGHS) Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that the PMU of Primary Revamp Project paid Rs. 44,025,383/- to various medicine suppliers against supplies of medicines made to DHOs for further distribution to BHUs and RHCs and supplies made through TCS under the project during 2021-22. From scrutiny of the Medicines delivery plan and LHVs, Aya and MT deployment record, it was noticed that the medicines were supplied to the districts irrespective of the fact that staffing at most of the 24/7 BHUs and RHCs facilities was not done and these facilities were not functional for 24/7 operations.

On test check basis scrutiny of the stock registers of DHOs submitted to the PMU in July and Aug, 2023 that most of the medicine supplied in early 2022 was still available on stock with the concerned DHOs. The stock registers further revealed that supply to the facilities was also not done properly as some functional facilities were not provided the required stock and other without staff were supplied with the medicine thereby indicating that the medicine purchase and its distribution to the districts was done irrespective of the status of the 24/7 functionality of the BHUs and RHCs. This unnecessary purchase and supply of medicines resulted in wasteful expenditure of Rs. 56,585,651/- **(Annexure-XVIII)**.

It is pertinent to mention that these medicines also included ones with expiry dates starting from Jan, 2024. Moreover, the medicine and equipment liabilities of Rs. 413 million were outstanding against the project.

The lapse occurred due to improper procurement management which resulted in unnecessary expenditure and accumulation of outstanding liabilities.

When pointed out in December 2023, no reply was furnished.

The department was requested vide letter dated 22.01.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter to fix responsibility against the persons at fault and to make an assessment for informed decision making.

PDP No. 127 (2022-23)

12.4.3 Wasteful expenditure due to unnecessary supply of equipment – Rs. 9.824 million

According to Para 10(i) and 10 (ii) of the Financial Propriety standards defined in the GFR Volume 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 and that the expenditure should not be *prima facie* more than the occasion demands.

During audit of the accounts of Directorate General Health Services (DGHS) Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that different equipment for establishment of labor rooms in 24/7 BHUs and RHCs under the Primary Revamp Project was purchased and supplied during 2021-22. On test check basis, the stock registers of some DHOs were scrutinized which were submitted to PMU by these DHOs in July and Aug, 2023. From scrutiny of these stock registers, it was revealed that stock of most of the equipment supplied in 2022 remained undistributed. This indicated that likewise medicine, the equipment and disposables were also supplied irrespective of the 24/7 functionality status of the BHUs and RHCs (in case of Kohat and Hangu). However, in case of Abbottabad, the equipment was not fully distributed despite the fact that the quantity supplied was approximately in accordance with the 24/7 functional facilities. The irrational supply of equipment and unjustified retention of the stock by the DHOs concerned resulted in wasteful expenditure of Rs. 9,824,053/- **(Annexure-XIX)**.

The lapse occurred due to improper procurement management which resulted in unnecessary expenditure and accumulation of outstanding liabilities.

When pointed out in December 2023, no reply was furnished.

The department was requested vide letter dated 22.01.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter for fixing responsibilities against the person(s) at fault and that the current position of the stock from all DHOs may also be inquired.

PDP No. 128 (2022-23)

12.4.4 Excessive supply of syringes due to improper stock management – Rs. 31.435 million

According to Section 4.9.1 and 4.9.3 of the National Immunization Policy 2022, each dose of immunization is administered through auto disable syringe which should not be re-used.

During audit of the accounts of Directorate General Health Services (DGHS) Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that the immunization across the province was carried out under National Immunization Policy by the EPI cell. As per the National Policy all EPI vaccines were procured at federal level on behalf of provinces as pool procurement system and further distributed to the provincial levels according to share of the provinces. Procurement of vaccines was carried out on annual basis through a forecasting process in consultation with provinces based on target population for each vaccine, available balances, estimate coverage target, number of doses administered per target and wastage multiplying factor. The federal government at source deducted Rs. 2.68 billion as cost of this procurement from financial share of the province (NFC/FFC award) as intimated by Federal Directorate of

Immunization, Ministry of National Health Services vide letter F.No. 1-19/2018-19/OP/EPI dated 26-12-2023.

The supplies were made from federal government warehouse to the provincial governments' warehouses according to applicable stock retention policy. The provincial health administration then made district level supplies for onward distribution to facility levels. However, from the vaccine and syringes issuance data provided by the EPI cell and stock registers, it was noticed that 2.6 million syringes of 0.5 ml and 5 ml were issued in excess of vaccination requirements, valuing Rs. 31,435,551/- **(Annexure-XX)** according to MCC rates as the exact cost at which these were charged to Khyber Pakhtunkhwa by the Federal Government were not provided.

Audit held that despite excess District level supplies, the EPI cell kept issuing these syringes from opening stock and stock received from the federal government at the start of the current financial year 2023-24 which meant that at District and facilities level, excess stock of Rs. 31.43 million was accumulated during 2022-23 which increased the risk of theft and unauthorized sale of these syringes in the market.

The lapse occurred due to improper stock management by the provincial EPI cell which resulted into excess supply of items.

When pointed out in December 2023, no reply was furnished.

The department was requested vide letter dated 22.01.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter for ascertaining factual position.

PDP No. 113 (2022-23)

12.4.5 Loss to the government due to supply of syringes at higher rates – Rs. 18.480 million

According to Clause 23 of the 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 and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

During audit of the accounts of Directorate General Health Services (DGHS) Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that the immunization across the province was carried out under National Immunization Policy by the EPI cell. As per the National Policy all EPI vaccines were procured at federal level on behalf of provinces as pool procurement system and further distributed to the provincial levels according to share of the provinces. Procurement of vaccines was carried out on annual basis through a forecasting process in consultation with provinces based on target population for each vaccine, available balances, estimate coverage target, number of doses administered per target and wastage multiplying factor.

The federal government at source deducted Rs. 2.68 billion as cost of this procurement from financial share of the province NFC/FFC award as intimated by Federal Directorate of Immunization, Ministry of National Health Services vide letter F.No. 1-19/2018-19/OP/EPI dated 26-12-2023. However, it was observed that the rates charged for different gauge auto disable syringes were higher than the rates of the same items offered by MCC suppliers in Khyber Pakhtunkhwa. Hence, the syringes were purchased at higher rates resulting in loss of Rs. 18,480,904/- to the provincial exchequer as detailed below;

S.#	Type of Syringe	Rate charged by Federal Ministry	KPK MCC 2021-22 Rate	Difference in Rate	Quantities Supplied	Loss
1	0.5 ml	13	12	1	17,067,500	17,067,500
2	2 ml	14	9.9	4.1	139,800	573,180
3	5 ml	13	9.92	3.08	272,800	840,224
Total						**18,480,904**

It is understood that immunization vaccines are imported and could not be sourced locally or nationally, however, the Auto Disable Syringes are available from local and national MCC suppliers at beneficial rates and it required that the same should be purchased locally at cheaper rate as approved in MCC list.

The lapse occurred due to weak financial and internal controls which resulted into loss to the government.

When pointed out in December 2023, no reply was furnished.

The department was requested vide letter dated 22.01.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends that the provincial EPI may take-up the case with Finance Department for onward discussion with the Federal Finance Division that Provincial EPI may purchase syringes from local suppliers and that Finance Department may ensure funding for the same.

PDP No. 114 (2022-23)

12.4.6 Loss due to non-adjustment of existing surplus medical staff within the same district – Rs. 30.080 million

According to Para 10(i) and 10 (ii) of the Financial Propriety standards defined in the GFR Volume 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 and that the expenditure should not be *prima facie* more than the occasion demands.

During audit of the accounts of Directorate of Health Services Merged Areas Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that recruitment of 486 nurses, paramedics and LHVs was done in FY 2021-22 under the AIP scheme “Provision of Nurses, LHVs Paramedics and Medical

Technologists" for filling the gap of quality medical professionals in Merged Districts. These professionals were hired at Rs. 120,000/month fixed pay for Nurses and Rs. 80,000/month for the Paramedics and LHVs and were paid salaries of Rs. 357.58 million in FY 2022-23.

From the Gap Analysis provided in the PC-, it was noticed that the a few of the health facilities in the Merged Districts of Khyber, Bajaur, Kurram and North Waziristan were overstaffed, however, instead of adjusting the existing surplus medical staff of these health facilities within the same District, recruitment under the project was done for these districts as proposed in the gap analysis involving salaries of Rs. 30.08 million paid to the fixed pay hired staff **(Annexure-XXI)**.

Audit held that with proper HR management and adjustment of existing staff, the need for fixed pay hiring could have been reduced which have resulted in savings to the Government.

The lapse occurred due to improper HR management which resulted in loss of Rs. 30.080 million to the Government.

When pointed out in December 2023, no reply was furnished.

The department was requested vide letter dated 22.01.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter for fixing of responsibility against the person(s) at fault.

PDP No. 169 (2022-23)

12.4.7 Overpayment on account of user charges of diagnostic services - Rs. 25.624 million

According to Finance Department Notification No. BOVI/FD/1-1/2011-12 dated 29-04-2013, at least 50% of the amount recovered from the Diagnostic Services rendered to the patients will be kept in a separate account w.e.f 1st May 2013 to be maintained especially for the maintenance and repair of equipment of diagnostic services.

During audit of the accounts of Saidu Group of Teaching Hospital Swat for the Financial Year 2021-22, it was observed that a sum of Rs. 142.326 million was realized from the patients on account of diagnostic services (including laboratory services, X-Ray, E.C.G, CT Scan and Ultra Sound etc.). However, instead of depositing 50% of the receipts in a separate bank account particularly operated for maintenance and repair of equipment, the local office distributed doctors' shares on full amount of receipts and thus overpaid Rs. 25,624,037/- to the staff.

The lapse occurred due to violation of Finance Department's notification *ibid* which resulted into overpayment to the hospital staff.

When pointed out in August 2022, no reply was furnished.

The department was requested vide letter dated 05.06.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the amount and conduct inquiry regarding violation of Finance Department's notification.

PDP No. 145 (2021-22)

12.4.8 Overpayment to house officers on account of monthly stipend - Rs. 11.083 million

According to Finance Department Notification No. FD (SOSR-II)2-5/2021/ House Officers Allowance: dated 12.07.2021, monthly stipend for house officers enhanced from Rs.53,632/- per month to Rs.64,358/- per month in Category-A hospitals, and from Rs.63,000/- per month to Rs. 75,600/- per month in Category-B hospitals w.e.f 01.07.2021.

According to Health Department Notification No.6-39/Notification/SPO/PC/H/VOL dated 28th April 2017, Saidu Group of Teaching Hospital Saidu Sharif falls under Category-A at S.No.13. The Health Department Khyber Pakhtunkhwa vide letter No. SOB-II/HD/1-7/SGTH/Swat/2020-21 dated 11.10.2021 further clarified the admissibility of stipend for house officers @ Rs. 64,358/- p.m.

During audit of the accounts of Saidu Group of Teaching Hospital Swat for the Financial Year 2021-22, it was observed that the house officers were being paid Rs. 75,600/- per month as stipend instead of Rs. 64,358/- per month thus violating the government's notifications and rules which resulted into overpayment of Rs. 11,083,446/-.

The lapse occurred due to violation of government notifications which resulted into overpayment to the house officers.

When pointed out in August 2022, no reply was furnished.

The department was requested vide letter dated 05.06.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the amount and conduct inquiry regarding violation of Finance and Health Departments' notifications under intimation to Audit.

PDP No. 146 (2021-22)

12.4.9 Unauthorized advance payment on account of supply of medicine - Rs. 20.000 million

According to Rule 213 (5) of the General Financial Rules Volume-I, advance made for public expenditure will be held under objection until a detailed account duly supported by vouchers is furnished in adjustment of them. Read with Treasury Rule 290, no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants.

During audit of the accounts of Saidu Group of Teaching Hospital Swat for the Financial Year 2021-22, it was observed that a sum of Rs. 20,000,000/- was paid to M/S Arshad Medical Store vide Cheque No. 37174387 dated 04.04.2022. The payment was made on the basis of an application wherein the contractor had claimed to have supplied medicine of more than Rs. 50.000 million, that his bills were pending for payments, and that for more supply of medicine, he needs a loan of Rs. 20.000 million. However, further scrutiny of record revealed that no such pending bills were lying in the local office and that the contractor was already paid for the previous year's liabilities.

Moreover, the advance payment was made by the hospital management without any sanction power being delegated to the Medical Superintendent in the approved Delegation of Powers 2018, nor was approval for advance payment obtained from the Finance Department.

The lapse occurred due to misuse of authority by the hospital management which resulted into unauthorized advance payment.

When pointed out in August 2022, no reply was furnished.

The department was requested vide letter dated 05.06.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recovery the amount along with market interest rate and fix responsibility against the person(s) at fault.

PDP No. 149 (2021-22)

12.4.10 Illegal payment on loan bases to the contractor - Rs. 0.800 million

According to Rule 213 (5) of the General Financial Rules Volume-I, advance made for public expenditure will be held under objection until a detailed account duly supported by vouchers is furnished in adjustment of them. Read with Treasury Rule 290, no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants.

During audit of the accounts of Saidu Group of Teaching Hospital Swat for the Financial Year 2021-22, it was observed that a loan of Rs.800,000/- was paid to M/S Zainul Abideen & Sons vide Cheque No.03688182 dated 09.05.2022. Further scrutiny of the attached application of the person revealed that he was the contractor of C&W Department and had no concern with the hospital funds.

Moreover, no work was assigned to the contractor by the hospital management.

The lapse occurred due to misuse of authority by the hospital management which resulted in illegal payment.

When pointed out in August 2022, no reply was furnished.

The department was requested vide letter dated 05.06.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the amount along with market interest rate and fix responsibility against the person(s) at fault.

PDP No. 150 (2021-22)

12.4.11 Overpayment to contractor due to payment of items on MRS-2021 & 2022 instead of MRS-2013 rates – Rs. 3.594 million

According to Para 89 (c) of the CPWD code and Para 19 (iv) of the General Financial Rules Volume-I, the agreement with the contractors must be in writing and should be precisely and definitely expressed; it should state the quantity and quality of the work to be done, the specifications to be complied with, the time within which the work is to be completed, the conditions to be observed, and the terms upon which the payments will be made and penalties exacted. The terms of a contract once entered into should not be materially varied without the previous consent of the authority competent to enter into the contract as so varied. No payments to contractors by way of compensation or otherwise outside the strict terms of the contract or in excess of the contract rates may be authorized without the previous approval ct the Ministry of Finance.

During audit of the accounts of Ayub Teaching Hospital (MTI) Abbottabad for the Financial Year 2022-23, it was noticed that contract for the “leftover work of Ayub College of Dentistry Abbottabad” was awarded to M/S Badiuz Zaman at the cost of Rs. 114.66 million (36% above on MRS-2013 & 34% above on NSI) vide contract agreement executed on 09-07-2021. A payment of Rs.76.474 million was made to the contractor till 8th running bill paid vide V. No. K042304-00161 dated 17-04-2023.

The scrutiny of 8th running bill revealed that certain items were paid as per MRS-2021 and 2022 rates despite the fact that NIT, bidding process, bid evaluation and contract award was made on MRS-2013 with 36% premium on SI and 34% above on NSI. It is worth mentioning that once the contract is awarded on the particular MRS with agreed premium, then the base of MRS cannot be changed, however, in the instant case certain items were paid on MRS-2021 & 2022 rates which resulted in overpayment of Rs.3.59 million to the contractor as summarized below:

(Amount in Rs.)

Item code	Item Nomenclature	Qty paid	Rate paid as per MRS-2021	Rate due as per MRS 2013 with 36% premium	Excess rate	Overpayment
03-45-a	Trench excavation upto 1.25m depth	908.88	647.27	435.5264	211.7436	192,450
03-45-b	Trench excavation 1.25m – 2.5m depth	908.87	846.97	569.7176	277.2524	251,986
03-45-c	Trench excavation exceeding 2.5m depth	4684.92	1100.07	925.6976	174.3724	816,921
10-46-a	P/F of Ceramic Tiles	23.95	1626.41	1597.0752	29.3348	703
16-64	Bailing out water by mech: means	10729	45.98	17.3944	28.5856	306,695
06-05-i	PCC 1:4:8	84.43	9237.44	6610.4432	2626.997	221,797

06-06-b-02	RCC in raft	96.82	16727.1	11650.3584	5076.742	491,530
06-07-b	S/F Steel G-60	9.48	267000	162481.131	104518.9	990,839
06-38-b	Formwork – Vertical	314.39	1159.44	582.284	577.156	181,452
06-38-a	Formwork – Horizontal	57.11	1004.07	512.448	491.622	28,077
03-45-b	Trench excavation 1.25m – 2.5m depth	329.83	910.72	569.7176	341.0024	112,473
Total						**3,594,923**

The lapse occurred due to non-fulfilment of the contractual obligations by the consultants and lack of due diligence on the part of the management which resulted in overpayment to the contractor.

When pointed out in December 2023, no reply was furnished.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the overpaid amount besides inquiring the matter for fixing of responsibility and disciplinary action against the person(s) at fault.

PDP No. 35 (2022-23)

12.4.12 Loss to the government due to non-imposition of liquidated damages – Rs. 11.660 million

According to Clause 9 and 11 of the contract agreement executed with M/S Badi Uz Zaman on 09.07.2021, the time for completion of the work is 06 months from the day of signing of the contract agreement. In case of failure of the contractor to complete the work within the stipulated time, liquidated damages @ 0.5% of the contract value for each week of delay shall be imposed but not exceeding 10% of the total project cost.

During audit of the accounts of Ayub Teaching Hospital (MTI) Abbottabad for the Financial Year 2022-23, it was observed that contract for the “Leftover Work of Ayub College of Dentistry Abbottabad” was awarded to M/S BadiuzZaman at the cost of Rs.114.660 million (36% above on MRS-2013 & 34% above on NSI) vide contract agreement executed on 09.07.2021. A payment of Rs.76.474 million was made to the contractor till 8thRunning Bill vide V. No. K042304-00161 dated 17.04.2023. However, further scrutiny of record revealed that the contractor failed to complete the project within the stipulated period of time i.e. 09.01.2022, but liquidated damages amounting to Rs.11.660 million (10%) were not imposed on the contractor.

Moreover, the consultant i.e. M/S NESPAK being design and construction supervision consultants, failed to fulfil their contractual obligations, as evident from the Dean / CEO AMC letter dated 20.12.2022 which stated that significant delay occurred in the project due to poor response of M/S NESPAK. However, the Works Directorate failed to initiate any proceedings against the consultant under Clause 3.1 of the consultancy contract which warranted that the consultants shall perform the services with all due diligence, efficiency and economy and in accordance with generally accepted professional techniques and practices, observe the sound management practices.

Furthermore, the hospital management failed to get revalidated the Performance Bank Guarantee submitted by the contractor as the same was expired on 29.06.2022.

The lapse occurred due to non-fulfilment of the contractual obligations by the contractor and consultants and non-enforcement of the contract clauses by the management which resulted in loss to the government.

When pointed out in December 2023, no reply was furnished.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter for fixing of responsibility besides imposing/ recovery of liquidated damages on the contractor and consultants as well.

PDP No. 37 (2022-23)

12.4.13 Double payment to contractors for the same executed work – Rs. 3.812 million

According to Rule 23 of the General Financial Rules Volume-I, every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part or on the part of his subordinate.

During audit of the accounts of Ayub Teaching Hospital (MTI) Abbottabad for the Financial Year 2022-23, it was observed that contract for the "Leftover Work of Ayub College of Dentistry Abbottabad" was awarded to M/S Badi uz Zaman at the cost of Rs. 114.66 million (36% above on MRS-2013 & 34% above on NSI) vide contract agreement executed on 09.07.2021. A payment of Rs.76.474 million was made to the contractor till 8th Running Bill vide V. No. K042304-00161 dated 17.04.2023, for the following items of work;

S. No.	Item	Qty.	Rate	Payment (Rs.)
1	Supply, installation, testing & commissioning of transformer	1	3,500,000	3,500,000
2	Transformer Earthing	2 jobs	156127.5	312,255
Total				**3,812,255**

However, M/S NESPAK the Design and Supervision consultants of the project, while submitting the revised BOQ vide letter dated 08.12.2021, stated that the Transformer may be deleted from the BOQ as the same has already been installed at back side of building. However, still payment was made for the already executed items which resulted into double payment of Rs. 3.812 million.

Audit held that payment of items of work to the contractor which were already executed by the original contractor despite clear instructions of the consultants was a serious lapse on the part of the Directorate of Works.

The lapse occurred due to violation of rules and regulations which resulted into double payment.

When pointed out in December 2023, no reply was furnished.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the amount from the contractor and fix responsibility on the person(s) at fault.

PDP No. 42 (2022-23)

12.4.14 Inadmissible payment to consultant for design work – Rs. 4.025 million

According to the New Works Policy containing instructions of the Provincial Government of KP dated 25.06.2013, the consultant firms shall be engaged for all new civil works with categorization in large and small categories costing Rs.250.00 million or more and costing less than Rs.250.000 million respectively. Normal life of project shall be 2-3 years.

During audit of the accounts of Ayub Teaching Hospital (MTI) Abbottabad for the Financial Year 2022-23, it was observed that the contract for the "Leftover Work of Ayub College of Dentistry Abbottabad" was awarded to M/S BadiuzZaman at the cost of Rs.114.66 million (36% above on MRS-2013 & 34% above on NSI) vide contract agreement executed on 09.07.2021. A payment of Rs.76.474 million was made to the contractor till 8th Running Bill vide Voucher No. K042304-00161 dated 17.04.2023.

Further scrutiny of record revealed that the project was initially awarded to M/S United Contractor Belogram Swat in 2011. The said contractor completed the building structure work. However, the project could not be completed due to non-availability of funds. The leftover work of the project was tendered and awarded to M/S Badi Uz Zaman on 09.07.2021. The consultancy contract for the said work was awarded to M/S NESPAK at the cost of Rs.10.642 million as per following breakup;

S. No.	Component	Contract Cost (Rs. in million)
1	Planning, Engineering Design, preparation of tender documents etc	4.025
2	Construction Supervision	6.617
Total		**10.642**

Audit held that the instant contract was awarded to M/S Badi Uz Zaman for the leftover work of the Ayub College of Dentistry as the structure was constructed in 2011 by M/S United Contractor. Hence, no design work was involved rather only supervision of work was required. As such, payment of Rs. 4.025 million for design work was not admissible.

The lapse occurred due to unnecessary hiring of consultants which resulted in inadmissible payment.

When pointed out in December 2023, no reply was furnished.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the design component payment from the consultant.

PDP No. 43 (2022-23)

12.4.15 Loss to the government due to non-imposition of penalty – Rs. 2.688 million

According to clause 8, 9 and 12 of the Contract Agreement executed on 26-01-2022 by the management of ATH with M/S Rehman Construction Co. for the construction of CT Scan Site at Accident and Emergency Department at ATH, Abbottabad, the contract was awarded at the cost of Rs.22.403 million to be completed in 04 months i.e. till 26-05-2022. If the contractor fails to complete the project within the stipulated time frame, penalty @ 0.5% of the total contract value for each week of delay shall be imposed not exceeding 10% of the total project cost. The contractor within 07 days will submit the Insurance Guarantee from schedule bank equivalent to 10% of the total contract. Failure to submit a Performance Guarantee within prescribed period shall result into forfeiture of bid security and cancellation of contract.

During audit of the accounts of Ayub Teaching Hospital (MTI) Abbottabad for the Financial Year 2022-23, it was observed that the contract for the construction of CT Scan Site at Accident and Emergency Department at ATH was awarded to M/S Rehman Construction Co. at the contract cost of Rs. 22.403 million vide work order No. 6095/DD-P/ATH dated 29.12.2021. A payment of Rs.8.650 million was made to the contractor till June 2023.

Further scrutiny of the relevant record revealed that the project was due for completion till 26.05.2022, however, after elapse of 13 months after the time due for completion, only 38.6% progress was made. However, the hospital management failed to impose penalty of Rs. 2.240 million (10%) in terms of Clause 9 of the contract. The hospital management further failed to forfeit 2% bid security of Rs. 448,000 upon non-submission of PG within the stipulated time.

The lapse occurred due to mismanagement and carrying out of the development work without feasibility study and site selection prior to commencement of work which resulted in loss of Rs.2.688 million to the government besides non-completion of the project.

When pointed out in December 2023, no reply was furnished.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to conduct a fact-finding inquiry by the Administrative Department for fixing of responsibility and disciplinary action against the person(s) at fault besides recovery of liquidated damages and forfeiture of bid security.

PDP No. 45 (2022-23)

12.4.16 Non-recovery of losses sustained by the government due to misuse of authority – Rs. 3.470 million

According to Rule 3 and 4 (1) (a) (iii) of the KP E&D Rules, the Authorized Officer or Authority, as the case may be, while considering to impose any major or minor penalty on the accused, shall also consider to impose a minor penalty of recovery of peculiar losses caused to Government by negligence or by breach of order of the accused civil servant. the competent authority, after inquiry, dismiss or remove such person from service, compulsorily retire him from service or reduce him to lower post or pay scale, or recover from pay, pension or any other amount payable to him, the whole or a part of any pecuniary loss caused to the organization in which he was employed or impose one or more minor penalties.

According to Para 28 of the General Financial Rules, no amount due to Government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable the orders of Competc8t authority for their adjustment must be sought.

During audit of the accounts of Ayub Teaching Hospital (MTI) Abbottabad for the Financial Year 2022-23, it was observed from the scrutiny of the Personal Files that an inquiry committee was constituted to probe the allegations of misuse of authority and loss to the government due to non-deposit of taxes in the civil work contracts. After detailed inquiry proceedings and personal hearings, a Show Cause Notice was served to Mr. Israr Jahangiri (Sub Engineer). Findings of the inquiry report and Show Cause Notice proved that the official committed misuse of official position by issuing supply order to M/S Shabbir Tiles without approval from the competent authority and having no record in the accounts branch, resultantly the government sustained a loss of 16% Sales Tax as the same was responsibility of the contractor of Gynae/ Paeds Block. All the 04 allegations levelled against the official were upheld as per findings of the Inquiry Committee and it was proved that 04 different statements were made by the officials.

Though the official was downgraded from Senior Scale Sub Engineer (B.16) to Sub Engineer (B.11) on the recommendations of the inquiry committee, however recovery of loss of Rs. 3.470 million was not made from the official.

The lapse occurred due to non-implementation of the recommendations of the Inquiry Committee which resulted into loss to the government.

When pointed out in December 2023, no reply was furnished.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the amount.

PDP No. 48 (2022-23)

12.4.17 Loss to the government due to purchase of medical equipment at higher rates – Rs. 71.590 million

According to DGHS KP letter No. 1432-1507/Proc:Cell dated 29-11-2022 addressed to all the Public Sector Health Institutions of KP, the process of Selection & Rate Contracting under framework agreement for the procurement of machinery, equipment, instruments & other hospital supplies for the year 2022-23 has been completed and approved. All the health institutions shall place supply orders of the required items directly to the firms.

During audit of the accounts of Ayub Teaching Hospital (MTI) Abbottabad for the Financial Year 2022-23, it was observed that payment of Rs. 73.750 million was made to M/S Trade Creditors on account of supply of 50 Dental Units with Chairs at the rate of Rs. 1.475 million per unit, instead of purchasing the same from the DGHS approved CRC list for 2022-23 at the rate of Rs. 850,000/- offered by M/S Ideal Business Products (S. No. 56) which resulted in loss of Rs. 30.000 million (Rs. 1,475,000 – 850,000 = Rs. 600,000 x 50 units).

Similarly, an amount of Rs. 50.260 million was paid to M/S MEDILAND Pakistan on account of supply of HD Endoscopy System with Scopes vide Cheque No. 134629 dated 18.10.2022, instead of purchasing the same from the DGHS approved CRC list for 2022-23 at the rate of Rs.8.670 million offered by M/S Friends Traders (S. No. 10) which resulted in loss of Rs. 41.590 million (Rs. 50.260 million – 8.670 million).

The lapse occurred due to mis-procurement which resulted into a loss of Rs. 71.590 million to the government.

When pointed out in December 2023, no reply was furnished.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the amount and inquire the matter for fixing of responsibility against the person(s) at fault.

PDP No. 49 & 50 (2022-23)

12.4.18 Loss to the government due to non-deduction of GST on supply of goods to the hospital – Rs. 16.43 million

According to FBR letter No. CIR-WHT/Federal/Provincial Hospitals/F-13/2022/457 dated 08-02-2022, since the exemption on supply of goods made or to be made to hospitals run by the Federal or Provincial Government has been withdrawn through the Finance (Supplementary) Act 2022, w.e.f. 15th January 2022, therefore according to the provision of section 3(7) of the Sales Tax Act 1990 read with Rule 150ZZI of the Sales Tax Rules 2006, it is the responsibility a Withholding Agent (all hospitals run by the Federal or Provincial Governments or teaching hospitals of statutory universities) to deduct amount of Sales Tax

During audit of the accounts of Ayub Teaching Hospital (MTI) Abbottabad for the Financial Year 2022-23, it was observed that payment of Rs.96.670 million was made to various vendors on account of supply of Machinery and Equipment items. However, general sales tax at the prescribed rate of 17% amounting to Rs.16.430 million was not deducted from the vendors despite the fact that exemption of GST was withdrawn by the Government through Finance (Supplementary) Act 2022, as summarized below;

S. No	Cheque & Date	Name of Contractors/firms	Head of Account	Gross Amount	Total Deduction I/T, SD	Net Amounts	GST Recoverable
1	134629/ 16/11/22	Mediland Pakistan PVT Ltd	Equipment for Various Department	50,260,635	2,613,031	47,647,604	8,544,308
2	103086/ 07/09/22	Allied Distributors	Anaesthesia	9,906,400	121,064	9,785,336	1,684,088
3	130647/ 15/03/23	Medical Equipment & System	Plant & Machinery	29,160,000	1,661,800	27,498,200	4,957,200
4	130494/ 27/03/23	Fuji Film Pakistan Ltd	X Ray Film	2,492,400	89,944	2,402,456	423,708
5	130856/ 03/04/23	Eastern Medical Technology Services	Plant & Machinery	4,850,000	274,750	4,575,250	824,500
Total				**96,669,435**	**4,760,589**	**91,908,846**	**16,433,804**

The lapse occurred due to non-implementation of the provisions of the Finance (Supplementary) Act 2022 which resulted in loss to the government.

When pointed out in December 2023, the management replied that the above items were exempted from GST on the basis of undertaking furnished by the supplier or paid GST at the import stage.

The reply was not convincing as the exemption from sales tax was withdrawn by the government w.e.f. 15.01.2022.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the sales tax amount.

PDP No. 51 (2022-23)

12.4.19 Unauthorized payment on account of IBP incentive – Rs. 98.290 million

According to Section 7(I) MTI Act 2015 compliance to Government policies and standards and in case of any deviation from the agreed standards or procedure shall obtained prior approval from the Government.

During audit of the accounts of MTI Khyber Teaching Hospital Peshawar for the Financial Year 2021-22, it was observed that an amount of Rs. 98.290 million was shown paid to the doctors as IBP incentive, without any provision in the MTI Act 2015. Moreover, the staff also collected an amount of Rs. 171.370 million as IBP share.

Audit held that allowing and making payment on account of IBP incentive by the BOG without prior approval from the Government and in violation of the MTI Act was a serious lapse.

The lapse occurred due to misuse of authority which resulted in unauthorized payment.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 15.08.2023 followed by reminders dated 04.10.2023 and 22.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to recover the amount besides conducting a detailed inquiry and fixing of responsibility on the person(s) at fault.

PDP No. 1427 (2021-22)

12.4.20 Unauthorized payment to contractor on account of non-BOQ items - Rs. 31.665 million

According to clause 18(c)(v)(c)(d) of Khyber Pakhtunkhwa Public Procurement of goods, works and services rules, 2014 "subject to the conditions of contract, a procuring entity may, issue a variation order to a contractor to include works which were outside the original scope of works to ensure interests of Government and for reasons of economy, compatibility and efficiency provided that **the value of variation order is not more than fifteen percent of the original contract** and there may be more than one variation orders as long as the total **value of all the variation orders remains within 15 percent of the original contract**".

During audit of the accounts of MTI Khyber Teaching Hospital Peshawar for the Financial Year 2021-22, it was observed that the work “Replacement of HVAC System by New Energy Efficient System” was awarded to M/S DWP Technology with bid cost of Rs. 484.000 million vide Acceptance Letter dated 01.03.2018 with the completion period of 12 months. A sum of Rs. 32.930 million was paid to the contractor up to 9th IPC vide Cheque No. 227333 dated 23.05.2022. Further verification of record revealed that the contractor was allowed non-BOQ items costing Rs. 104,265,777/-, instead of Rs. 72,600,000/- (Rs. 484,000,000 X 15%) as the Hospital Director was authorized to sanction non-BOQ items up to 15% of the contract cost, resulting into unauthorized payment of Rs. 31,665,777/-, as detailed below;

S.No.	Description	Unit price	Total quantity	Total NON BOQ
1	Supply of single core pvc power cable 630 mm2	20.428	3165	64,653,967
2	Supply of single core pvc power cable 240 mm2	9.133	448	4,091,716
3	Supply of single core pvc natural cable 300 mm2	10.584	991	10,488,441
4	Supply of single core pvc natural cable 240mm2	9.133	185	1,689,659
5	Supply of single core pvc earth cable 300 mm2	10.584	1062	11,239,883
6	Supply of single core pvc earth cable 95mm2	3.761	185	695,820
7	GI trunking for E/Cable 30 x 8”	12.101	211	2,553,229
8	GI trunking for E/Cable 18 x 8”	9.773	331	3,234,900
9	Main LT panel -01 (floor standing unit)	3318111	33181111	3,318,111
10	Main LT panel -02 (floor standing unit)	2300051	2300051	2,300,051
Total payment allowed for non-BOQ				**104,265,777**
Amount permissible to be sanctioned by HD				**72,600,000**
Unauthorized payment				**31,665,777**

The lapse occurred due to misuse of authority which resulted into unauthorized payment to the contractor.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 15.08.2023 followed by reminders dated 04.10.2023 and 22.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

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

PDP No. 1432 (2021-22)

12.4.21 Loss to the government due to frequent changes in the specification of Cath Lab - Rs. 25.740 million

According to Rule 23 of the General Financial Rules Volume-I, every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part or on the part of his subordinate.

During audit of the accounts of MTI Khyber Teaching Hospital Peshawar for the Financial Year 2021-22, it was observed that the contract for supply of Cath Lab was advertised on 20.01.2021 which was cancelled so that the same may re-advertised as per Rule 48 of KPPRA Rules 2014 with some changes in the specifications and terms & conditions of the supply. The contract was re-advertised the second time on 22.04.2021 and the contract awarded to M/S Friends Traders at the cost of USD 975,000/- in the month of November 2021. The award letter for opening of LC was issued on 25.11.2021 and the purchase order was placed on 09.12.2021 with time limit for supply of the item as of 90 days after opening of LC.

Accordingly, an amount of Rs. 194.178 million was paid to M/S Meezan Bank vide Cheque No. 225849 dated 21.03.2022, after four months of opening of LC. However, further scrutiny of record revealed that a sum of Rs. 25.740 million was further paid to M/S Meezan Bank vide Cheque No. 228021 dated 13.06.2022 due to increase in the dollar rates from 181 to 205, which put extra financial burden on the government kitty.

Audit held that due to delay in the purchase process, the government sustained a loss of Rs. 25.740 million in the form of extra financial burden.

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

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 15.08.2023 followed by reminders dated 04.10.2023 and 22.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to recover the loss sustained besides conducting detailed inquiry into the matter and fixing of responsibility on persons(s) at fault.

PDP No. 1437 (2021-22)

12.4.22 Loss to the government due to non-recovery of stipends from the resigned Trainee Medical Officers - Rs. 8.878 million

According to Clause 3, 11 & 12 of the training agreements made between the TMOs and PGMI, if the first party (TMO) leave the training incomplete due to termination, resignation, below 80% attendance or does not pass the exit examination, he/she shall be liable to refund all the stipend amount including all the financial benefits received from PGMI.

During audit of the accounts of MTI Khyber Teaching Hospital Peshawar for the Financial Year 2021-22, it was observed that the following Trainee Medical Officers (TMOs) submitted their resignations before completion of their trainings. However, the hospital management failed to make the necessary recovery of the stipend amount from them, which resulted into a loss of Rs. 8.878 million, as detailed below;

S. No.	Name	Designation	Date of Resignation	Period of payment	Amount
1	Dr. Hamad Ahmed	TMO	31.12.2021	1/2020 to 12/2021	1,713,050
2	Dr. Muhammad Hanif Khan	TMO	01.08.2021	07/2019 to 08/2021	3,298,864
3	Dr. Saimabibi	TMO	01.07.2021	1/2020 to 7/20221	1,577,016
4	Dr. ShujaurRehman	TMO	01.02.2022	01/2021 to 02/2022	1,252,328
5	Dr. Umair Ahmed	TMO	31.01.2022	01/2021 to 02/2022	1,037,149
Total					**8,878,407**

The lapse occurred due to non-adherence of rules which resulted into loss to the government.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 15.08.2023 followed by reminders dated 04.10.2023 and 22.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to recover the amount.

PDP No. 1438 (2021-22)

12.4.23 Loss due to Illegal/unauthorized and unjustified appointment of Nursing Director - Rs. 6.432 million

According to Section 4(d) read with Section 8(d) of MTI KTH Regulations, the selection committee will make its selection and recommendation based entirely on merit and in a fair and transparent manner.

During audit of the accounts of MTI Khyber Teaching Hospital Peshawar for the Financial Year 2021-22, it was observed that the Nursing Director KTH was appointed illegally, as his selection was declared illegal by a high-ranking inquiry committee constituted by the Chief Secretary KP on the directions of the Honourable Chief Justice Supreme Court of Pakistan regarding illegal appointment case in MTIs in Khyber Pakhtunkhwa. The committee further recommended affecting of recovery amounting to Rs. 6.432 million from the Nursing Director.

However, further scrutiny of record revealed that the hospital management failed to recover the amount from the Nursing Director till date, resulting into a loss of Rs. 6.432 million to the government.

The lapse occurred due to mismanagement and non-observing of rules and regulations which resulted in a loss to the government.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 15.08.2023 followed by reminders dated 04.10.2023 and 22.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to recover the amount pointed out by the inquiry committee at the earliest besides fixing of responsibility on the person(s) at fault.

PDP No. 1447 (2021-22)

12.4.24 Loss to the government due to non-recovery of rent – Rs. 2.016 million

According to Clause 13 of the terms and conditions of the work order for car parking, pharmacy and canteen, the contractual period will start from the date of inauguration / operationalization of the subject hospital. All the associated civil work in this regard will be liable on the contractor's side. Read with Rule 26 of the General Financial Rules Volume-I, it is the duty of the Departmental Controlling Officer to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the Public Account.

During audit of the accounts of Women and Children Hospital Rajjar Charsadda for the Financial Year 2021-22, it was observed that the contract for running the car parking, pharmacy and canteen was awarded to M/S Said Alam vide Work Order dated 22.05.2017. The hospital was inaugurated and properly operationalized with effect from July 2021. However, the hospital administration could not start recovery of the rent from the contractor on account of the aforementioned facilities, which resulted into a loss of **Rs. 2,016,993/-**, as detailed below;

S. No.	Facility	Rent	Months	Amount
1	Car parking	70,888	11	779,768
2	Pharmacy	91,375	11	1,005,125
3	Canteen	21,100	11	232,100
Total				**2,016,993**

The lapse occurred due to weak internal controls which resulted into loss to the government.

When pointed out in November 2022, no reply was furnished.

The department was requested vide letter dated 14.12.2022 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to recover the amount.

PDP No. 324 (2021-22)

12.4.25 Loss to the government due to non-recovery of outstanding dues - Rs. 7.096 million

According to Work Order No. 1060, 1061 and 1062 dated 23.03.2020, the contract for Canteen, Car Parking and PCO was awarded to the contractor on the condition that rent will be paid till the 5th of each month in advance.

During audit of the accounts of District Headquarter Teaching Hospital MTI Bannu for the Financial Year 2021-22, it was observed that a sum of Rs.7.096 million was outstanding against M/S Super Saddat Construction Contractor on account of rent of Car Parking, Canteen and PCO for the period 01.03.2020 to 30.11.2022, after allowing 90% discount for the period of 9 months by the Chairman BOG MTI w.e.f 01.5.2020 to 28.02.2021, as detailed below;

Description	Monthly Rent	Period (Months)	Gross amount	Discount (90%) (for 9 Months)	Outstanding Amount
1	**2**	**3**	**4 (2X3)**	**6 (2X90%X9)**	**7 (4-6)**
Car Park	130,000	33	4,290,000	1,053,000	3,237,000
Canteen	130,000	33	4,290,000	1,053,000	3,237,000
PCO	25,000	33	825,000	202,500	622,500
Total					**7,096,500**

However, the hospital management failed to recover the amount from the contractor which resulted into a loss of Rs. 7,096,500/- to the government.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 13.07.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

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

PDP No. 1096 (2021-22)

12.4.26 Unauthorized payment due to purchase of medical gas equipment's beyond the required scope - Rs. 7.060 million

According to the SBD's for the supply and installation for medical gas pipeline system, the required capacity of Medical Compressed Air Station, FAD at 10Bar was 1400 L/min. Read with the Director General Health Services Tentative Comparative Statement for Central Oxygen Supply system shared under the emergency clauses of KPPRA Act & Rules in compliance to Rule 45 of KPPRA Rules 2014 to ensure more transparency and equity in the bidding process. The following tentative rates were offered by M/S Total Technologies for the mentioned medical gas related equipment's;

Equipment / Machine	Model/Make	Amount
Medical Compressed Air Station	G11, Beaconmedaes	4,190,000

During audit of the accounts of Bacha Khan Medical Complex (MTI) Swabi for the Financial Year 2021-22, it was observed that the contract for supply and installation of Medical Gas pipeline system was awarded to M/S Total Technologies at the cost of Rs. 4,190,000/-. The specifications of the system were "Medical Compressed Air Station, FAD at 10 Bar was 1400 L/min. Accordingly, M/S Total Technologies offered Beaconmedaes Compressed Air Station Model G11 MED, with capacity of 1458 L/min at 10 Bar output flow".

However, further scrutiny of record revealed that the purchase order was placed for Model G22 MED having capacity of 3180 L/min at 10Bar output flow but with increased cost of Rs. 11,250,000/- which resulted in unauthorized payment of Rs. 7,060,000/- (Rs. 11,250,000 – 4,190,000).

Moreover, the original financial bid of the firm was not available on record as well.

Audit held that purchase of the system with enhanced scope was not only deviation from the approved specification/ABD's/Requirement but also needs technical assessment as to whether upgradation of one component in the whole system/package will affect the functioning of the whole compressed air station due to compatibility issues or otherwise.

The lapse occurred due to violation of the standard bidding documents which resulted in unauthorized payment.

When pointed out in May 2023, no reply was furnished.

The department was requested vide letter dated 19.06.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to conduct inquiry in the matter for fixing of responsibility against the person(s) at fault.

PDP No. 649 (2021-22)

12.4.27 Loss to the government due to non-recovery of outstanding dues from pharmacy contractor – Rs. 13.034 million

According to Para 20 & 28 of the General Financial Rules, 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. No amount due to Government should be left outstanding without sufficient reason.

During audit of the accounts of Bacha Khan Medical Complex (MTI) Swabi for the Financial Year2021-22, it was observed that the contract for establishment of pharmacy on public private partnership basis in the Complex was executed with M/S Super Decent Trading on 03.01.2018 for a period of 10 years.

However, further scrutiny of record revealed that an amount of Rs. 18.213 million was outstanding against the contractor on account of building rent, hospital share and utility charges, out of which Rs.5.179 million was recovered while the rest of the amount i.e. Rs.13.034 million remained outstanding till date.

The lapse occurred due to non-enforcement of the contract provisions which resulted in loss to the government.

When pointed out in May2023, no reply was furnished.

The department was requested vide letter dated 19.06.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to recover the amount of Rs. 13.034 million from the contractor.

PDP No. 651 (2021-22)

12.4.28 Unauthorized retention of residential accommodation after 10 years of retirement – Rs. 3.600 million

According to Section 17 & 27 of the Khyber Pakhtunkhwa Residential Accommodation Rules at Peshawar 2018, anallottee, upon his retirement, may retain the allotted residential accommodation for a grace period of maximum six months from the date of his retirement, on payment of normal rent. Within fortnight of the retirement, the allottee shall be responsible for reporting any such change to the Estate Office. Where an allottee fails to report such a matter to the Estate Office, within stipulated time, his allotment shall be cancelled, immediately, and a penalty, at the rate of rupees one hundred (100) per day and charging of market rent for such intervening period shall be charged.

During audit of the accounts of District Head Quarter Hospital Wana South Waziristan for the Financial Year 2021-22, it was observed that an Ex-SWMO retired from service about 10 years ago, as evident from the allotment list of residential bungalows within the hospital premises. The concerned doctor was entitled to retain the accommodation till 6 months of his retirement upon payment of normal rent. However, the occupant neither vacated the residential bungalow after lapse of 10 years nor deposited the rent at market rate amounting to Rs. 3.600 million approximately (Rs.30,000 X 12 months x 10 years).

Furthermore, the management was required to refer the matter to C&W Building Division, South Waziristan to assess the actual market rent for recovery along with utility charges but no such steps were taken by the management.

The lapse occurred due to weak administrative controls which resulted in unauthorized retention of government accommodation.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 19.06.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to recover the amount besides conducting inquiry into the matter for fixing of responsibility against the person(s) at fault.

PDP No. 634 (2021-22)

12.4.29 Overpayment due to non-deduction of conveyance allowance - Rs. 2.851 million

According to the judgment of Peshawar High Court circulated by Finance Department vide their letter No. FD(SOSR-II)/8-52/2013 dated 02-04-2013, Govt servant provided with Govt residential accommodation situated within their work premises are not entitled to conveyance allowance.

During audit of the accounts of District Head Quarter Hospital Wana South Waziristan for the Financial Year 2021-22, it was noticed that residential accommodations were allotted to the various doctors, nurses and technicians etc. within the hospital premises. However, conveyance allowance at the prescribed rate was not deducted from the pay bills of these employees, which resulted into overpayment of Rs. 2,851,632/- **(Annexure-XXII)**.

The lapse occurred due to weak financial controls which resulted in overpayment to the staff.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 19.06.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to recover the amount.

PDP No. 635 (2021-22)

12.4.30 Fraudulent withdrawal of medicine on fake patient's IDs from patients of SSP – Rs. 4.882 million

According to Rule 23 of GFR Vol-I, every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinate.

During audit of the accounts of Qazi Hussain Ahmad Medical Complex MTI Nowshera for the Financial Year 2021-22, it was observed that the contract of supply of medicine of the SSP patients was awarded to Muhammad Pharmacy. The claims of Muhammad pharmacy were made on the patients visit IDs. For verification the patient's visit IDs were cross matched with the real time data provided by the State Life Insurance Company (SLIC). Audit observed that in many cases the IDs were not traced in the patient's data of SLIC. For verification the list of untraceable IDs were provided to the hospital management for its verification from HMIS, but these could not be verified till finalization of this audit. However, on sample basis some of the cases were checked by the audit personally on HMIS but could not be traced. Moreover, in some cases duplicate claims were also made on single patients visit ID.

Audit held that there was no control/verification mechanism over the claims of provision of medicine by the Mohammad Pharmacy. Medicine were shown as issued to patients who never visited the hospital as their record was not available in the data of SLIC and HMIS of QHAMC.

The cases were pointed out physically on sample basis. Despite repeated requests the data was not provided in soft form for detail analysis. If the data were provided in soft form, more fake cases would have been identified.

The lapse occurred due to weak verification mechanism of the claims of and extending undue favour to the pharmacy which resulted in fraudulent withdrawal of funds.

When pointed out in May 2023, no reply was furnished.

The department was requested vide letter dated 11.07.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to investigate the claims made by M/S Mohammad Pharmacy, inquiring the matter and fixing of responsibility on the person (s) at fault.

PDP No. 1033 (2021-22)

12.4.31 Loss to the government due to non-recovery of hospital dues - Rs. 4.851 million

Para 26 of G.F.R 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 audit of the accounts of Qazi Hussain Ahmad Medical Complex MTI Nowshera for the Financial Year 2021-22, it was observed that a sum of Rs. 4,851,402/- was outstanding against the tenants till date of audit, as detailed below;

S#	Amount Due From	Description	Sub Total	Total
1.	Photostate Shop	Electricity bill	13,034	18,134
		Arrears	5,100	
2.	Cath Lab	Electricity bill	120,612	774,346
		Arrears	653,734	
3.	New Hostel	Electricity bill	366,608	366,608
4.	Pharmacy-I	Electricity bill	175,294	444,070
		Arrears	268,776	
5.	Canteen-I	Electricity bill	295,602	295,602
6.	Canteen-II	Electricity bill	90,402	90,402
7.	MRI-CT Scan	Electricity bill	374,490	2,862,240
		Arrears	2,487,750	
Total				**4,851,402**

However, the hospital management failed to recover these dues from the tenants. This amount represents a long outstanding due that requires immediate attention and recovery.

The lapse occurred due to weak internal controls which resulted into loss to the government.

When pointed out in May 2023, no reply was furnished.

The department was requested vide letter dated 11.07.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to recover the amount.

PDP No. 1067 (2021-22)

12.4.32 Loss to the government due to excess withdrawal of Health Professional Allowance – Rs. 22.848 million

According to Finance Department Notification No. FD(SOSR-11)8-18/2017 dated 23.02.2017, the Governor of Khyber Pakhtunkhwa has been pleased to extend the incentive package regarding enhancement of Health Professional Allowance for the following cadre of doctors working as institutional employees in Medical Teaching Institutions (MTIs) in Khyber Pakhtunkhwa excluding Civil servants as per the rates noted against each w.e.f. 01/01/2017:

- Professor, AP, Assistant Professor and SR Rs. 60,000/-
- Demonstrators & Lecturers Rs. 42,000/-
- District Specialists (Non attractive) Rs. 80,000/-
- District Specialists (Attractive) Rs. 60,000/-
- MO, Dental Surgeon, Assistant Anesthetist, JR Rs. 42,000/-

During audit of the accounts of Nowshera Medical College Nowshera for the Financial Year 2021-22, it was observed that a sum Rs. 84,055,832/- was paid on account of Health Professional Allowance. However, further scrutiny of record revealed that the rate of HPA for Medical Officers, Health Managers and District Specialist was increased by the Finance Department vide notification dated 12.07.2021, and on the analogy of this increase, the College also increased the HPA for its teaching staff in accordance with the scales of Medical Officers, Health Managers and District Specialist, as detailed below:

Designation	Enhanced Rate
Professor	88,000
Associate Professor	88,000
Assistant Professor	88,000
Demonstrator & Jr. Regis;trar	65,000

Audit held that as the notification for increase in the rate was only for the Medical Officers, Health Managers and District Specialists not for the teaching staff of the institute, and that the teaching cadre of the college was also entitled to Basic Science Teaching Allowance which was up to Rs. 57,000/- for professors, thus the withdrawal of Health Professional Allowance at the rates of Medical Officers, Health Managers and District Specialists was against the rules and as such an amount of Rs. 22,848,000/- was overpaid to the health professionals from BPS-17 to BPS-20 in the College.

The lapse occurred due to weak internal controls which resulted into a loss to the government.

When pointed out May 2023, no reply was furnished.

The department was requested vide letter dated 11.07.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to recover the overpaid amount.

PDP No. 1022 (2021-22)

12.4.33 Loss to the hospital funds due to non-imposition of penalty for late supply of machinery & equipment's - Rs. 3.920 million

According to the General Condition of contract agreement, penalty @ 1% per day up to maximum of 10% of the total cost will be imposed on the contract in case of delay on the part of contractor beyond the stipulated time period.

During audit of the accounts of District Headquarter Hospital (MTI) D.I. Khan for the Financial Year 2021-22, it was noticed that supply order for the purchase and supply of Neuro Endoscopy Surgery set was placed to MS Allmed Solutions Karachi vide No. 9233 dated 26.10.2021 at the cost of Rs. 32.900 million with the delivery period of 30 days. Further scrutiny of record revealed that the supplier/contractor failed to comply with the agreement and the equipment was supplied on 05.04.2022. However, neither penalty at the prescribed rate amounting to Rs. 3.290 million was recovered from the supplier/contractor nor the extension of period was approved by the BOG/MC which resulted into a loss of Rs. 3.290 million to the hospital.

The lapse occurred due to weak internal controls which resulted into loss to the hospital funds.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 03.08.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to recover the amount.

PDP No. 1263 (2021-22)

12.4.34 Loss to government due to non-recovery of car parking rent - Rs. 8.107 million

The para-8 of GFR Vol-I provides that it is the duty of the Revenue or Administrative Department concerned to see that the dues of Government are correctly & promptly assessed, collected & paid into the treasury.

During the audit of accounts of District Headquarter Hospital (MTI) D.I. Khan for the Financial Year 2021-22, it was noticed that the auction committee awarded the contract of car parking to M/S Multi vision @ Rs. 700000 per month (without tax) with the condition of advanced payment for two months. The contractor neither deposited the advance payment of two month nor the car parking rent for the subsequent nine months which resulted into a loss to the hospital for Rs. 7.700 million.

Audit held that non-recovery of outstanding rent for such a long period and huge amount was not possible without the involvement of the hospital administration.

Moreover, the car parking monthly rent of Rs. 407,786 against MS Asraf Khan for the month of June 2022, has not yet been deposited and remained outstanding.

The lapse occurred due to weak internal controls which resulted into loss of **Rs. 4,107,786/-** to the government.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 03.08.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to recover the amount.

PDP No. 1264 (2021-22)

12.4.35 Loss to the government due to non-recovery of room rent and utility charges - Rs. 7.920 million

According to Para 28 of GFR Vol-I, no amount due to Govt. should be left outstanding without sufficient reason and where any dues appear to be irrecoverable the orders of the competent authority for their adjustment must be sought.

During audit of the accounts of District Headquarter Hospital (MTI) D.I. Khan for the Financial Year 2021-22, it was noticed that a total of 36 Nos. of different TMOs / Doctors / MOs were residing in the hostels of the DHQ but neither room rent and utility charges recovered from the occupants nor any formal admission fee or allotment fee have been recovered since long despite the fact that each room has its own air condition which resulted into non recovery of Rs. 7.920 million (36*10,000*22). However, the management committee vide officer order No. 7184-93 dated 20.08.2021 ordered a flat rate of utility charges from the paramedical staffs @ Rs. 10,000 per month and TMOs/MOs/HOs of Rs. 15,000 per month which was implemented in the case of paramedical staff and deduction is being made from their monthly salaries while no recovery from the doctors/TMOs/MOs were made till the date of audit. Similarly, 127 Nos. of TMOs / Doctors / Mos / Hos were residing in 77 rooms of MMTH D.I. Khan hostels but neither the utility charges recovered from the occupants nor any formal admission fee or allotment fee have been recovered since long.

Moreover, neither the private rooms occupied by the doctors were vacated despite clear directives of the BOG nor the relevant record was provided to audit for verification.

The lapses occurred due to weak internal controls which resulted into loss to the government.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 03.08.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to recover the amount.

PDP No. 1266 (2021-22)

12.4.36 Wasteful expenditure on account of salaries of contract staff - Rs. 51.540 million

According to monthly payroll for the month of June 2022, a sum of Rs. 4,070,256/- was paid to contract staff.

During audit of the accounts of Health Foundation Khyber Pakhtunkhwa Peshawar for the Financial Year 2021-22, it was observed that 26 Nos. contract staff was appointed during November 2021 to March2022 on different positions. Further scrutiny of record and payroll revealed that these contract staff were appointed on competitive and high pay packages, as detailed below;

S. No.	Designation	No. of position	Monthly pay	Annual pay
1	Director Internal Controls	1	345,000	4,140,000
2	Director (Projects)	1	350,000	4,200,000
3	Director Procurements	1	345,000	4,140,000
4	Director Contract Management	1	350,000	4,200,000
5	Deputy Director M&E	1	230,000	2,760,000
6	Deputy Director Accounts	1	170,000	2,040,000
7	Financial Analyst	2	250,000	6,000,000
8	Deputy Director Program	1	250,000	3,000,000
9	Assistant Director Accounts	1	125,000	1,500,000
10	Assistant Director Internal Controls	2	125,000	3,000,000
11	IT Officer	1	100,000	1,200,000
12	Procurement Officer	2	100,000	2,400,000
13	M&E Officer	1	100,000	1,200,000
14	Project Officer	9	100,000	10,800,000
15	HR Assistant	1	80,000	960,000
Total		**26**	**4,295,000**	**51,540,000**

These contract staff are paid monthly pay package of R.s 4.295 million and Rs. 51,540,000 annually. But on the other hand, the foundation generated annual income of Rs. 16.040 million which includes profit on investment of Rs. 14.110 million, an effort free income, therefore, Health Foundation has its own net income of Rs. 1.931 million (Rs. 16,040,120 – 14,109,620).

Audit held that payment of Rs. 51.540 million during the financial year on account of pay and allowances to the contract staff at the time when the Foundation generated a net income of Rs. 1.931 million was nothing but extra financial burden on the foundation's resources.

The lapse occurred due to financial mismanagement which resulted into wasteful expenditure.

When pointed out in May2023, no reply was furnished.

The department was requested vide letter dated 04.08.2023 followed by a reminder dated 02.01.2024 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to work out and re-consider the actual need of contract staff and bring it to affordable level to minimize the recurring loss to the foundation's fund.

PDP No. 1342 (2021-22)

12.4.37 Wasteful expenditure on repair of imported MP Lifts - Rs. 3.955 million

According to Clause 1 (e) of Chapter 3 of MTI Bannu Regulations dated 23.03.2017, (Responsibilities of Hospital Director), that the Hospital Director is to act as the principal accounting officer who shall be responsible and accountable for maintaining the financial discipline and transparency in MTI Bannu. Read with responsibilities of the Finance Director, that he will advise the Hospital, Additional Hospital and Medical Directors and the Dean on all financial matters, ensuring transparency and fiscal probity.

During audit of the accounts of MTI Khalifa Gul Nawaz Teaching Hospital Bannu for the Financial Year 2021-22, it was noticed that an agreement was executed with M/S AXCETECH Engineering for repair of two numbers of MP Lifts in the hospital and awarded the work vide work order dated 21.10.2020 at a bid price of Rs. 5.650 million to be completed in six months. Further scrutiny of record revealed that the firm was allowed 70% payment amounting to Rs. 3.955 million on 23.02.2022 upon delivery of various BOQ items/lift parts. But till date of audit neither the repair work was completed nor the lifts were functionalized to facilitate the patients in the hospital.

Moreover, the warranty period of 3 years of the Lifts was almost expired before installation and operationalization of the same.

Furthermore, the hospital management failed to impose liquidated damages upon the contractor for late completion of the works as well.

The lapse occurred due to weak internal controls which resulted into wasteful expenditure.

When pointed out in June2023, no reply was furnished.

The department was requested vide letter dated 15.08.2023 followed by a reminder dated 22.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to inquire the matter at appropriate level for fixing responsibility and effect recovery from the quarters concerned.

PDP No. 1497 (2021-22)

12.4.38 Loss to the hospital funds due to investment of funds without inviting rates - Rs. 3.564 million

According to Finance Department letter No. 2/3(F/L)FD/2016/Vol-X dated 07.011.2017, the Government Departments should place/keep their funds with maximum of three banks having credit rating

‘A’ in future. All heads of Government / Offices / Autonomous / Semi-Autonomous Bodes / Corporation are hereby advised to ensure strict compliance with the above instructions of the Government in letter and spirit.

During audit of the accounts of Bannu Medical College Bannu for the Financial Year 2021-22, it was observed that a sum of Rs. 360.000 million was invested in BoK IBB Gowshala Branch at markup rate of 7.00% for a period of one year. Further scrutiny of record revealed that the BoG in its 33rd meeting held on 09.08.2021, accorded approval for investment of the reserve funds of the College at 7.00% for one year in Bank of Khyber without inviting markup rates from other commercial banks.

Audit held that the funds were invested on 01.09.2021 at markup rate of 7% per annum for one year whereas KIBOR markup rate for investment of funds on 30.06.2021 was 8.08% for one year, meaning thereby that the college sustained a loss of Rs. 3.890 million as detail below:

Markup earned on investment of funds @ 7% P.A =	Rs. 25.200 million
Expected Markup if investment made at KIBOR rate 7.99% P.A =	Rs. 28.764 million
Loss due to investment of funds at lesser rate =	**Rs. 3.564 million**

The lapse occurred due to financial mismanagement and non-adherence to the Finance Department’s instructions which resulted into loss to the hospital funds.

When pointed out in June2023, no reply was furnished.

The department was requested vide letter dated 15.08.2023 followed by a reminder dated 22.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to inquire the matter for fixing responsibility against the person(s) at fault.

PDP No. 1537 (2021-22)

12.4.39 Unauthorized payment on account of sub-standard medicines / disposables - Rs 1.185 million

According to Clause 6 of the Government’s MCC contract agreement, the purchasing agencies shall arrange to obtain sample from each batch of the supplied drugs/medicines through notified Drug Inspector concerned and send to the concerned Drug Testing Laboratory for Test/analysis as provided in the Drug Act 1976. The supplied drugs/ medicines declared in contravention to any provision of the Drug Act 1976 shall be re-supplied by the supplier within 07 days from the date of intimation to the supplier, free of cost.

During audit of the accounts of District Headquarter Hospital Dir Upper for the Financial Year 2021-22, it was observed that expenditure of Rs. 1,185,800/- was incurred on purchase of disposables and medicines, as detailed below:

S. No.	Item	Supplier	Rate	Qty	Amount
1	IV Cannula G24	M/S Hashier Surgical Services	48.90	12000	586,800

2	Disposable Syringe 5ML	M/S Silver Surgical Complex	5.99	100000	599,000
Total					**1,185,800**

Further verification of DTL reports revealed that the disposables were declared as substandard by the drug testing laboratory, whereas the local office paid the amount to the supplier instead of initiating action against him.

The lapse occurred due to violation of the contract agreement which resulted into unauthorized payment.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 04.08.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC was not convened till finalization of this report..

Audit recommends to investigate the matter and fixing responsibility on person (s) at fault.

PDP No. 1362 (2021-22)

12.4.40 Overpayment to the staff on account of user charges - Rs. 1.229 million

As per Finance Department Notification NO.BOVI/FD/1-1/2011-12 dated 29.04.2013, read with Health Department letter No.SOB-I/HD/1-25/2015-16/PAC/VOR dated 21-06-2021 "50% of the amount recovered from diagnostic services rendered to the patient will be kept into separate account to be maintained specifically for the maintenance and repair of equipment. This fund will only be utilized for the said purpose and no other.

As per Health department notification dated 13.04.2005, user charges after deduction of 05% cost of the material and 05% depreciation charges shall be distributed as under:

i. Govt Share 60%
ii. Doctors share 25%
iii. Paramedics share 10%
iv. Administrative share 02%
v. Repair expense 03%

During audit of the accounts of District Headquarter Hospital Dir Upper for the Financial Year 2021-22, it was observed that an amount of Rs. 2,766,003/-was paid to doctors and other staff on account of user charges (receipts from diagnosing services) as detail given below;

Share	Paid	Required	Difference
Doctor	1,868,921	1,038,289	830,632
Paramedics	747,568	415,316	332,253
Admn	149,514	83,063	66,451
Total	**2,766,003**	**1,536,668**	**1,229,335**

Audit observed that an amount of Rs. 1,536,668/- was required to be paid to the staff on account of user charges, whereas the hospital management paid Rs. 2,766,003/-which resulted into overpayment of Rs. 1,229,335/-

The lapse occurred due to weak internal and financial controls which resulted into overpayment to the staff.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 04.08.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC was not convened till finalization of this report..

Audit recommends to recover the excess paid amount.

PDP No. 1363 (2021-22)

12.4.41 Irregular awarding of contract for supply of incinerator - Rs. 20.600 million

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

According to para 12 (v) of contract agreement, in case of late delivery of goods beyond the periods specified in the schedule of requirements and subsequent purchases order, a penalty @ 0.067% per day of the cost of late delivered supply shall be imposed upon the supplier.

During audit of the accounts of King Abdullah Teaching Hospital Mansehra for the Financial Year 2021-22, it was observed that contract for supply and installation of incinerator was awarded to M/S IBPS Pharmaceuticals vide purchase order dated 10.07.2021 at the cost of Rs. 20,600,000/-. Further scrutiny of record revealed that the bids of the competing three firms were rejected on the ground that they failed to provide CE certificate, whereas the same were available in their proposals.

Moreover, the inspection committee in their report dated 30.12.2021 found that installation of the machine was not as per purchase order, which was also identified by the inquiry committee, as detailed below;

- 06 Nos of exhausts and 06 Nos of windows were replaced with AC.
- Wood doors were installed instead of iron doors.
- Drain house for washing and cleaning was not constructed.
- Water sewerage/drainage system including boring was not done.
- Ash duping pit with SS cover is missing.
- Trolly washing area with air compressor and washing facility was not available.
- Drive way and landscaping
- Bricks of the wall fallen after 4th process of burning after which the plant was closed

- Civil work was done without BOQ/MB

The lapse occurred due to weak internal controls which resulted into irregular awarding of contract.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 13.07.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC was not convened till finalization of this report..

Audit recommends to investigate the matter for fixing responsibility on person(s) at fault.

PDP No. 1121 (2021-22)

12.4.42 Fraudulent withdrawal of funds on account of purchase of medicine - Rs. 3.930 million

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

During audit of the accounts of District Head Quarter Hospital Batkhela for the Financial Year 2021-22, it was observed that expenditure the tune of Rs.3,930,800/- was incurred on purchase of medicines as per details given below;

S. No.	Supplier	Product Name	Amount
1	Astellas Pharmaceutical	Astelabect 2 GM (Inj)	1,955,400
2	Astellas Pharmaceutical	Astetaxm 250 MG (Inj)	297,700
3	Astellas Pharmaceutical	Astexone 500 MG (Inj)	357,700
4	Arsons Pharmaceutical	Adhesive (paper) tape	1,320,000
Total			**3,930,800**

Further verification of record revealed that medicines at S. 1, 2 & 3 was manufactured in the month of December 2021 as per invoice, whereas it was received in the hospital on 27-10-2021 in two months' advance before the manufacture. Similarly, item at S. No. 4 was purchased from Arsons Pharmaceutical by the local office whereas delivery challan attached with the bill is addressed to Hayatabad Medical Complex Peshawar. The delivery challan was signed along with date by the official of the local office. Audit therefore held that the same was misappropriated by the dealing hands.

The lapse occurred due to weak internal controls which resulted into fraudulent withdrawal of funds.

When pointed out in May 2023, no reply was furnished.

The department was requested vide letter dated 19.06.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to recover the amount besides investigating the matter and fixing responsibility on person (s) at fault.

PDP No. 673 (2021-22)

12.4.43 Overpayment to doctors on account of user charges - Rs. 3.469 million

As per Finance Department Notification NO.BOVI/FD/1-1/2011-12 dated 29.04.2013, read with Health Department letter No.SOB-I/HD/1-25/2015-16/PAC/VOR dated 21-06-2021 "50% of the amount recovered from diagnostic services rendered to the patient will be kept into separate account to be maintained specifically for the maintenance and repair of equipment. This fund will only be utilized for the said purpose and no other.

As per Health department notification dated 13.04.2005, user charges after deduction of 05% cost of the material and 05% depreciation charges shall be distributed as under:

i. Govt Share 60%
ii. Doctors share 25%
iii. Paramedics share 10%
iv. Administrative share 02%
v. Repair expense 03%

During audit of the accounts of District Head Quarter Hospital Batkhela for the Financial Year 2021-22, it was observed that an amount of Rs. 6,938,664/- was paid to doctors on account of user charges (receipts from diagnosing services) as detailed below:

Description	Remaining	Doctor Share required	Paid	Difference
Lab	4,669,295	1,167,324	2,334,647	1,167,324
Blood Bank	672,614	168,154	336,307	168,154
Ultrasound male	733,698	183,425	366,849	183,425
X-Ray	3,132,541	783,135	1,566,270	783,135
Ultrasound Female	4,362,255	1,090,564	2,181,128	1,090,564
Physio	63,586	15,897	31,793	15,897
ECHO	98,325	24,581	49,163	24,581
ECG	145,015	36,254	72,508	36,254
Total	13,877,328	3,469,332	6,938,664	3,469,332

Audit observed that an amount of Rs. 3,469,332/- was required to be paid to the doctors on account of user charges, whereas the hospital management paid Rs. 6,938,664/- which resulted into overpayment of Rs. 3,469,332/-.

The lapse occurred due to weak internal and financial controls which resulted into overpayment to doctors.

When pointed out in May 2023, no reply was furnished.

The department was requested vide letter dated 19.06.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to recover the amount and fix responsibility against the person (s) at fault.

PDP No. 676 (2021-22)

12.4.44 Overpayment to the paramedics on account of user charges - Rs. 1.387 million

As per Finance Department Notification NO.BOVI/FD/1-1/2011-12 dated 29.04.2013, read with Health Department letter No.SOB-I/HD/1-25/2015-16/PAC/VOR dated 21-06-2021 "50% of the amount recovered from diagnostic services rendered to the patient will be kept into separate account to be maintained specifically for the maintenance and repair of equipment. This fund will only be utilized for the said purpose and no other.

As per Health department notification dated 13.04.2005, user charges after deduction of 05% cost of the material and 05% depreciation charges shall be distributed as under:

i. Govt Share 60%
ii. Doctors share 25%
iii. Paramedics share 10%
iv. Administrative share 02%
v. Repair expense 03%

During audit of the accounts of District Head Quarter Hospital Batkhela for the Financial Year 2021-22, it was observed that an amount of Rs. 1,387,733/- was overpaid to the paramedics on account of user charges (receipts from diagnosing services) as detailed below:

Description	Receipts	Required Amount	Amount Paid	Difference
Lab	4,669,295	466,929	933,859	466,929
Blood Bank	672,614	67,261	134,523	67,261
Ultrasound male	733,698	73,370	146,739	73,369
X-Ray	3,132,541	313,254	626,509	313,254
Ultrasound Female	4,362,255	436,226	872,451	436,225
Physio	63,586	6,359	12,717	6,359
ECHO	98,325	9,833	19,665	9,833
ECG	145,015	14,502	29,003	14,502
Total				**1,387,733**

The lapse occurred due to weak internal and financial controls which resulted into overpayment to the paramedic staff.

When pointed out in May 2023, no reply was furnished.

The department was requested vide letter dated 19.06.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to recover the amount.

PDP No. 679 (2021-22)

12.4.45 Loss to the hospital funds due to less deposit of IBP receipts - Rs.13.955 million

According to Rule 38 of GFR Vol.-I states that the departmental authorities are primarily responsible to see that all revenues are correctly and promptly assessed, realized and credited to government treasury.

During the audit of the accounts of Leady Reading Hospital (MTI) Peshawar for the Financial Year 2021-22, it was observed that Rs. 255,890,651/- was realized from IBP receipts as per statement provided by the department. Further verification of bank statement revealed that the total amount credited into bank was Rs. 117,935,409/- resulting into a different of Rs.13,955,193/-.

The lapse occurred due to weak internal controls which resulted into loss to the hospital funds.

When pointed out in December 2022, no reply was furnished.

The department was requested vide letter dated 24.02.2023 followed by reminders dated 04.10.2023 and 22.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to recover the amount.

PDP No. 445 (2021-22)

12.4.46 Loss to the hospital funds due to non-recovery of outstanding rent - Rs. 4.955 million

According to Clause 8 of MTI Act 2015, all money received by an institution, as grant in aid by Governments, donation, user charges, rents, fees or on any other account shall constitute the fund of the institution concerned. All receipts shall be deposited in the bank in the name of the institution concerned.

Para 26 of G.F.R Vol-I requires that 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 audit of the accounts of Lady Reading Hospital (MTI) Peshawar for the Financial Year 2021-22,it was noticed that rent amounting to Rs.4,955,969/- was outstanding against the following contractors of various shops, canteens and car parking banks etc.

S. No.	Particulars	Dues
1	Public Toilets Cardiology	60,000
2	Public Toilets Gynae	40,000
3	Car and Cycle stand A&E, Gynae	110,110
4	FC Car Park	1,584,000
5	Khokha Photostate	856,229
6	Gynae Restaurant (Atifur Rehman)	662,106
7	Colony Shop (J.J Store)	42,000
8	MCB	120,000
9	Nursing Hostel Mess	474,804
10	H.O Hostel Mess	26,620
11	Old TMO Hostel Mess	476,740
12	New TMO Hostel Mess	503,360
Total		**4,955,969**

However, the hospital management failed to recover the outstanding amount from the contractors till date of audit i.e. December 2022.

The lapse occurred due to weak internal controls which resulted into loss to the hospital funds.

When pointed out in December 2022, no reply was furnished.

The department was requested vide letter dated 24.02.2023 followed by reminders dated 04.10.2023 and 22.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to recover the amount.

PDP No. 447 (2021-22)

12.4.47 Loss to the hospital funds due to non-recovery of embezzled amount - Rs. 1.787 million

According to Judgement under MTI Appeal No.57/2021, recommended recovery of amount of Rs. 950,000/- from Mr. Fajar Ali and Rs. 837,000/- from Mst. Nosheen Shahid.

During audit of the accounts of Leady Reading Hospital (MTI) Peshawar for the Financial Year 2021-22, it was observed that recommendation of recovery of Rs. 1,787,000/- was given by KP Medical Teaching Institutions Appellate Tribunal in its judgement dated 01-06-2022 from the following employees due to embezzlement in CathLab in Cardiology Department;

S. No.	Name	Amount
1	Mr. Fajar Ali	950,000
2	Mst. Nosheen Shahid	837,000
Total		**1,787,000**

However, no efforts were so far made by the hospital management regarding recovery of embezzled amount till date of audit i.e. December 2022.

The lapse occurred due to non-implementation of the Appellate Tribunal judgment which resulted into loss to the hospital funds.

When pointed out in December 2022, no reply was furnished.

The department was requested vide letter dated 24.02.2023 followed by reminders dated 04.10.2023 and 22.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to recover the emblazed amount and appropriate action against the person at fault.

PDP No. 450 (2021-22)

12.4.48 Overpayment due to non-deduction of 5% discount on supply of chemicals - Rs. 6.134 million

According to letter dated 05-10-2017 by the supplier M/S S. Ejazuddin & Co. it is to inform you that we have participated in tender of pathology items for the year 2017-18 and we are offering 05% discount on all quoted pathology products".

Para 23 of the General Financial Rules Volume-I requires 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 his subordinate staff.

During audit of the accounts of Leady Reading Hospital (MTI) Peshawar for the Financial year 2021-22, it was observed that pathology items to the tune of Rs. 122,685,673/- was purchased from M/S S. Ejazuddin & Co.

Further verification of record revealed that discount @ 5% was offered by the supplier on the purchase of pathology products which was not deducted from the bills of the concerned supplier, which resulted into overpayment of Rs. 6,134,284/- (calculation given below);

Total amount of purchase	= Rs. 122,685,673/-
Discount offered	= 5%
Amount of discount	= Rs. 122,685,673 X 5 / 100 = Rs. 6,134,284/-

Furthermore, discount offered by another supplier i.e. M/S Roche Pakistan was regularly deducted by the hospital. However, the same was not deducted from M/S S. Ejazuddin & Co and undue favour was given to the supplier.

The lapse occurred due to weak internal controls which resulted into overpayment to contractor.

The department was requested vide letter dated 24.02.2023 followed by reminders dated 04.10.2023 and 22.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to recover the overpaid amount Rs. 6.134 million from the contractor.

PDP No. 482 (2021-22)

12.4.49 Loss due to purchase of Atracurium Besylate injections at rate higher than approved rate – Rs. 2.790 million

According to paras 10 (i) & 145 of GFR vol-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money and purchases must be made in the most economical manner and in accordance with the definite requirement of the public service.

During audit of the accounts of Lady Reading Hospital (MTI) Peshawar for the Financial Year 2021-22, it was noticed that the hospital management purchased Atracurium Besylate Injections as detailed below:

S. No.	Particular	Purchase Price	MCC Price	Overpayment	Qty	Total	Invoice no & date	Remarks
1	Atracurium Besylate Inj 10mg/ml, 5ml	200	138	62	15000	930000	1885311 20.01.022	Available in MCC list with brand name Efacurium (surge Laboratories)
2	Atracurium Besylate Inj 10mg/ml, 5ml	200	138	62	30000	1860000	222604 03.10.021	
Total						**2,790,000**		

Audit observed the following irregularities:

1. The local office purchased Atracurium Besylate (10mg/ml, 5ml) injections @ Rs 200/ injection, the same were available with MCC approved supplier @ Rs 138/injection, resulted into overpayment of Rs 62/injection.
2. Due to negligence of hospital management loss of Rs 2,790,000 occurred.
3. MCC approved injections available at lower cost were ignored and the same were purchased from choice supplier at higher price.

The lapse occurred due to weak internal control and financial mismanagement which resulted into loss to the government.

The department was requested vide letter dated 24.02.2023 followed by reminders dated 04.10.2023 and 22.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

The matter is reported to the higher ups for detail investigation and fixing of responsibility against the person (s) at fault.

PDP No. 492 (2021-22)

12.4.50 Suspected misappropriation on cutting of floor for internal wiring - Rs. 7.776 million

Para 23 of the General Financial Rules Volume I requires 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 his subordinate staff.

During audit of the accounts of Lady Reading Hospital (MTI) Peshawar for the Financial Year 2021-22, it was noticed that a contract was awarded to MBE Services for floor cutting of internal wiring up to 6 inches depth with its repairing digging/back filling with material cost without manholes @Rs.22000 per meter. Total quantity of work 353 meters was shown done and paid total amounting to Rs. 7,766,000/-. The record revealed that the said work done by IT deptt, beside the fact that the local office have a complete Civil Works Deptt and no involvement of them was found. No measurement book was prepared, no quality quantity report of the same was found on record. No approved drawing designing, Bill of Quantity (BOQ) was prepared. The same was physically checked with Mr. Jalal in colony side and it was found that no such work was done on ground and in some area a one-inch-thick concrete was found, and most of the area was filled with earth. It was observed that no such activities was found on ground and just for drawl of funds the bills were prepared. the laps occurred due to collusion of contractor and quarter concerned.

When pointed out in December 2022, no reply was furnished.

The department was requested vide letter dated 24.02.2023 followed by reminders dated 04.10.2023 and 22.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to inquire the matter and take necessary action.

PDP No. 499 (2021-22)

12.4.51 Loss due to purchase of substandard stretcher trollies and wheel chairs on full price - Rs. 6.212 million

As per email dated 21.05.2021"as communicated earlier too that the quality of goods in not as per our requirement, mentioned in the SBD. However for good business relation we could only accept on 50% cost."

During audit of the accounts of Lady Reading Hospital (MTI) Peshawar for the Financial Year 2021-22, it was noticed that a contract was awarded to M/S Thankful Agencies for supply of 250 number of stretcher Trollies and 300 number of Wheel chairs and made payment Rs11225000/- vide cheque No.228728 dated 24.06.2022. the purchase order for supply of said items was issued on 16.04.2019 with the condition to supply the same in 30 days, but the attached record revealed that the same was accepted after 03 years of supply order. In this regard a lot of correspondence was done through emails and in one of the emails as mentioned in attached record forwarded by Manager Material Management (MMM) stated that "as communicated earlier too that the quality of goods is not as per our requirement, mentioned in the SBD. However for good business relation we could only accept on 50% cost." Audit of the view that if the supplier supplied substandard items than why the local office interested to purchase on 50% cost, it should be returned and required to take action against the supplier under the Rules. But the local office purchases the same for good business relation and put the public exchequer in loss. furthermore, the same was purchased on full payment instead of 50% as mentioned in email and made payment in excess Rs.6212500/- as the local office comparison of the bases of quality provided by him. It vital clear that the undue favour was extended to the contractor on cost of public exchequer. The laps occurred due to collusion of both parties.

When pointed out in December 2022, no reply was furnished.

The department was requested vide letter dated 24.02.2023 followed by reminders dated 04.10.2023 and 22.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

The matter is reported to the notice of higher ups for information and necessary action.

PDP No. 510 (2021-22)

12.4.52 Loss due to non-recovery of stipend from terminated TMO's – Rs. 9.185 million

As per training agreement between Trainee Medical Officer (TMO) and post graduate medical institution Clause-03 If the first party's attendance is below 80% in any month that will lead to termination of his/her training and he/she shall be liable to refund all stipends received by him/her.

Read with Clause 9 "the first party shall serve at least for a period of two years failing which he/she shall refund the stipend along with fine as mentioned in Clause-4, no experience certificate shall be issued to him/her.

Read with Clause 11 & 12 “if first party leave the training incomplete or completed but does not pass the exit exam, he / she shall be liable to refund all stipend (including all financial benefits) from PGMI received from the training”.

During audit of the accounts of MTI Hayatabad Medical Complex Peshawar for the Financial Year 2021-22, it was observed that Trainee Medical Officers (TMOs) were terminated/resigned before completion of their mandatory trainings as detailed below:

S. No.	Name	Father name	Designation	Amount
1	Dr. Urooj Najeeb	Najeeb Ullah	TMO	1,801,538
2	Dr. Sami UlHaq	Alam Khan	TMO	647,837
3	Dr. Hamad Ahmad	Ahmad Zeb	TMO	1,750,596
4	Dr. Asfandiar Shah Rukh Hijaz	Hijaz Ul Mulk	TMO	714,857
5	Dr. Aisha Javaid	-	TMO	1,878,413
6	Dr. Faquiha Muhammad	-	TMO	623,109
7	Dr. Alia Abid	-	TMO	1,243,421
8	Dr. Muhammad Asad	-	TMO	525,998
Total				**9,185,769**

The following irregularities were noticed by the Audit:

1. Explanations, show cause notices were issued to the above named TMOs due to their willful absence from duty without prior approval from the competent authority, later on they were terminated from their trainings.
2. In light of the contract agreement/PGMI rules if the attendance of any TMO is below 80% in any month that will lead to termination of his/her training and he/she shall be liable to refund all stipends received by him/her.
3. As per clause 11& 12 if any Trainee leave the training incomplete or completed but does not pass the exit exam, he/she shall be liable to refund all stipend (including all financial benefits) from PGMI received from the training.
4. No recovery was made from the terminated TMOs which is against the contract agreement and PGMI rules.

The lapse occurred due to non-observance of contract agreements & PGMI rules and extending undue favour to the TMOs which resulted into loss of Rs. 9,185,769/-.

When pointed out in April 2023, no reply was furnished.

The department was requested vide letter dated 25.08.2023 followed by reminders dated 04.10.2023 and 29.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

The matter is reported to the higher ups for recovery amounting to Rs. 9.185 million besides fixing of responsibility against the person (s) at fault.

PDP No. 740 (2021-22)

12.4.53 Unauthorized payment of Eid Allowance to House Officers – Rs. 1.500 million

According to Finance Deptt. Notification No. FD (SOSR-II)2-5/2021/ House Officers Allowance: dated 12.07.2021, monthly stipend for house officers from Rs.53632/- per month to Rs. 64,358/- per month in Category-A Hospitals and from Rs. 63,000/- PM to Rs. 75,600/- per month in Category-B Hospitals w.e.f 01.07.2021.

According to Clause 7 (L) of the Khyber Pakhtunkhwa Medical Teaching Institutions Reforms Act 2015, the Board shall be responsible for the compliance to government policies and standards and in case of any deviation from agreed standards or procedures shall obtain prior approval from Government.

During audit of the accounts of MTI Hayatabad Medical Complex Peshawar for the Financial Year 2021-22, it was noticed that an amount of Rs 1,500,000/- was paid on account of Eid allowance to the house officers vide Cheque No. 225340 dated 19.05.2022.

Audit held the following observations:

1. The house officers are only entitled for drawl of stipend @ rate as prescribed by the Finance Department (as quoted above).
2. Award of Eid allowance to house officers amounting to Rs 1,500,000 is unauthorized as there is no such provision in rules.
3. The payment of additional allowances to a specific group of employees is unjustified which creates disparity among the employees.
4. The criterion for the admissibility of the said allowance was not known.

The lapse occurred due to weak internal and financial controls which resulted into unauthorized payment.

When pointed out in April 2023, no reply was furnished.

The department was requested vide letter dated 25.08.2023 followed by reminders dated 04.10.2023 and 29.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

The matter is reported into the notice of higher ups for appropriate action.

PDP No. 743 (2021-22)

12.4.54 Loss due to purchase of defective operation microscope - Rs. 13.597 million

Para 23 of the General Financial Rules Volume I requires 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 his subordinate staff.

During audit of the accounts of MTI Hayatabad Medical Complex Peshawar for the Financial Year 2021-22, it was noticed that a contract was awarded to M/s Latif Brothers for supply of Operation Microscope Carl Zeiss, Germany for Otorhinolaryngology (ENT Deptt) on C&F basis. And made payment of €68399/- Pak Rupee.13.597 million. The said items was shown imported from Germany and delivered on 04.10.2021. but after laps of 18 months no Inspection was carried out by inspection committee and the same item was sent to the concerned department without inspection. The Chairman of the ENT Department vide letter dated 29.08.2022 informed that the current status of the microscope is **not satisfactory** for the department of ENT". Beside the facts and lapse of 18 months no action was taken by the local office and the said machine was laying idle and not in working condition. The same was also checked physically and snaps shots were taken and attached with para. In light of above facts it was observed that warranty period of the said machine near to expiry but no efforts were done by local office for replacement of the same. Furthermore, 100% payment was made to the contractor and 10% security was not retained by local office as provision in KPRA Rules.

The lapse occurred due to negligence of local office which resulted into loss to the government.

When pointed out in April 2023, no reply was furnished.

The department was requested vide letter dated 25.08.2023 followed by reminders dated 04.10.2023 and 29.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to inquire the matter and fix responsibility against the dealing hands and the Inspection Committee for not conducting inspection after lapse of 18 months.

PDP No. 756 (2021-22)

12.4.55 Fraudulent withdrawal on purchase of laboratory chemicals - Rs. 1.623 million

Para 23 of the General Financial Rules Volume I requires 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 his subordinate staff.

Para 149 of GFR Vol.-I states that when materials are issued for departmental use, manufacture, sale etc, the officer incharge of the store should see that an indent in prescribed form has been made by a properly authorized person who examined it carefully with reference to the orders or instructions for the issue of stores and sign it after making suitable alterations under his dated initials in the description and quality of material.

During audit of the accounts of MTI Hayatabad Medical Complex Peshawar for the Financial Year 2021-22, it was noticed that a contract was awarded to M/s Hoora Pharma for supply of Lab Chemicals and made payment of Rs. 1,623,462/- vide Cheque No. 215063 dated 03.09.2021. The Lab chemicals were supplied on 15.10.2020 as per delivery challan. The same was shown taken on stock register of main store but no date of entry was given in stock register, as per stock register all the items were shown laying in main store, on verification of the said items it was noticed that no such items were available on stock, the store keeper concerned verbally replied that the same was issued to pathology department, on further verification from the incharge of Pathology department no such items were supplied, which was clear from the scrutiny of Expense register of Pathology Deptt. In light of above it vital clear that no such Lab Chemicals were supplied and the payment was made on fake invoices.

The lapse occurred due to weak internal controls which resulted into fraudulent withdrawal of funds.

When pointed out in April 2023, no reply was furnished.

The department was requested vide letter dated 25.08.2023 followed by reminders dated 04.10.2023 and 29.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to inquire the matter and take appropriate action.

PDP No. 795 (2021-22)

12.4.56 Loss to the government due to allowing house subsidy at higher than approved rates - Rs. 21.104 million

According to Finance Department, Khyber Pakhtunkhwa letter No.SOSR-IN/FD1-27/ 2018 dated 25-10-2018, the Provincial Cabinet in its meeting held on 15.10-2018 approved 50% enhancement of the existing rates for self-hiring Residential accommodation (Housing Subsidy) as pet detail given below with effect from 01-07-2018:

Entitlement-BS	**Revised Rental Ceiling per month**	
-	Peshawar	Abbottabad
1-2	Rs.3,390	Rs.2.373/
3-6	Rs 4,965/	Rs.3,476/
7-10	Rs.7,553/	Rs.5,286/-
11-13	Rs.11,040/	Rs.7,728/
14-16	Rs.13,958/	Rs.9,770/
17-18	Rs 18,4654	Rs.12,926/
19	Rs.24,083/	Rs 16,857/
20	Rs.30,390	Rs.21,273/-
21	Rs.36,578/	Rs.25,804/
22	Rs.45,900/-	Rs.32,130/-

During audit of the accounts of Ayub Teaching Hospital (MTI) Abbottabad for the Financial Year 2021-22, it was noticed that payment of Rs. 72,360,864 /- (6030072 x12) was made on account of housing subsidy **(Annexure-XXIII)**.

The verification of record revealed that the payment for housing subsidy was made at the rate admissible for Peshawar which is higher than the rate admissible in Abbottabad.

The payment of higher rates of housing subsidy per month than the approved rates of the Provincial Government put the hospital exchequer into a loss of Rs. 21,104,196/- which needs immediate recovery.

The lapse occurred due to violation of standing orders of the Provincial government which resulted into loss to the government.

When pointed out in May 2023, no reply was furnished.

The department was requested vide letter dated 03.07.2023 followed by reminders dated 04.10.2023 and 29.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends recovery of enhanced amounts of housing subsidy from the concerned.

PDP No. 846 (2021-22)

12.4.57 Unauthorized payment of housing subsidy to employees residing in rented houses – Rs. 17.388 million

According to condition No. IV of the procedure /guideline for preparation / scrutinization of housing subsidy cases, duly circulated by Administration Department, government of Khyber Pakhtunkhwa vide letter No. EO(Admn) R-1/2014 dated 03-06-2014, the employee will be exclusive owner of the house and not be co-owned by any other.

During audit of the accounts of Ayub Teaching Hospital (MTI) Abbottabad for the Financial Year 2021-22, it was noticed that an amount of Rs. 17,388,708/-was paid on account of housing subsidy to various officers/officials **(Annexure-XXIV)**.

The verification of record revealed that the concerned employees were living in rented houses and were not the exclusive owners of the houses. Hence, the payment of housing subsidy is in violation of the government stated and defined policy, therefore the payment is held un-authorized and needs recovery.

The lapse occurred due to weak management controls which resulted into unauthorized payment.

When pointed out in May 2023, no reply was furnished.

The department was requested vide letter dated 03.07.2023 followed by reminders dated 04.10.2023 and 29.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends recovery of the housing subsidy amount from the concerned,.

12.4.58 Loss due to overpayment on account of cleaning of main holes of the hospital - Rs. 1.802 million

As per Khyber Pakhtunkhwa Market Rate System 2021, item code No (24-105-a) rate of cleaning main hole is Rs.606.94.

Para 23 of the General Financial Rules Volume I requires 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 his subordinate staff.

During audit of the accounts of Ayub Teaching Hospital (MTI) Abbottabad for the Financial Year 2021-22, it was noticed that a contract was awarded to M/S Malik Sirajul Haq & Sons Construction for cleaning of main holes of the hospital @ Rs.4950/- per main hole. For the said purpose a work order dated 07.05.2021 was issued for cleaning of 400 number of main holes, but as per attached bill 415 number main holes were cleaned and made payment up to date i-e 11.01.2022 Rs.2054250/- (4950*415). But it was pointed out that the said item of work was available at MRS 2021 as item code No (27-105-a) @ 606.94 each main hole. In presence of scheduled item awarding the same on open tender the public exchequer was put in loss and made overpayment of Rs. 1,802,370/- (Rs. 4950 - 606.94= 4343.06*415). It seemed that undue favour was extended to the contractor at the cost of public exchequer. The same needs a detail inquiry and to fix responsibility against the dealing hands.

The lapse occurred due to ignoring MRS 2021 rate and weak financial controls which resulted into loss to the government.

When pointed out in May 2023, no reply was furnished.

The department was requested vide letter dated 03.07.2023 followed by reminders dated 04.10.2023 and 29.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

The matter is reported higher ups for information and to ensure recovery of overpaid amount.

PDP No. 863 (2021-22)

12.4.59 Non deduction of penalty due to non-completion of left over work of college of dentistry & pre-fabricated building - Rs. 17.305 million

As per contract agreement clause 12: the completion period for the work under this contract is six (06) months from the day of signing of this contract agreement.

As per contract agreement clause 09(i): wherein if the contractor fails to complete project as per wok order and within the stipulated time frame specified in the schedule of requirement the penalty @0.5% of the total contract value for each week of delay shall imposed not exceeding 10% of the total cost.

During audit of the accounts of Ayub Teaching Hospital (MTI) Abbottabad for the Financial Year 2021-22, it was noticed that a contract was awarded to M/S Badiuz Zaman Co. for construction of leftover work at College of Dentistry and to M/S United Business System for construction of Pre-Fabricated IBP Clinics at Ayub Teaching Hospital Abbottabad costing. Both of works were not completed in awarded time as detail given below and no penalty was imposed on contractor.

Name of contractor	Name of work	Date of commencement	Date of completion	Delay	Contract value	Penalty @ 10%
M/s BadiuzZaman Co.	left over work at College of Dentistry	17.06.2021	16.12.2021	17 months (still not completed)	114,661,031	11,466,103
M/s United Business System	Pre-Fabricated IBP Clinics at Ayub Teaching Hospital Abbottabad	01.02.2022	01.06.2022	12 months (still not completed)	58,397,887	5,839,789
Total					**173,058,918**	**17,305,892**

It required that penalty @ 10 % amounting to Rs.17,305,892/- was imposed and to be recovered from the payments of contractor, which was not done. It seemed that undue favour was extended on the cost of public exchequer. The laps occurred due to weak internal control and mismanagement of resources.

When pointed out in May 2023, no reply was furnished.

The department was requested vide letter dated 03.07.2023 followed by reminders dated 04.10.2023 and 29.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to impose penalty for non-completion of work on time and recover the same from the contractor.

PDP No. 870 & 871 (2021-22)

12.4.60 Suspected misappropriation on account of installation of HVAC System - Rs. 4.910 million

Para 23 of the General Financial Rules Volume I requires 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 his subordinate staff.

During audit of the accounts of Ayub Teaching Hospital (MTI) Abbottabad for the financial year 2021-22, it was noticed that a contract was awarded to M/S JV Unimix & Concept Building Solution Lahore for upgradation & renovation (Civil, electrical & HVAC works) of casualty Operation Theatre & surgical block ATH on cost of Rs.135610866.12 (1.16%) below on estimated cost. In this regard the contractor executed work and installed/ upgraded different items and submitted their bills. The local office paid his claim as submitted for payment. After completion it was observed that following items were claimed, but not supplied and installed.

S. No	Item Name	Quantity	Rate	Amount
01	Humidifiers	4	1100000	4400000
02	De- Humidifier	4	24000	96000
03	Service Lite	4	6000	24000
04	Duct type heating coil	4	45000	180000
05	Plenum	1	35000	35000
06	Sight glass	4	2000	8000
07	Service Lock	4	5500	22000
08	Fan return	1	145000	145000
Total				**4910000**

In this regard an inquiry was also conducted wherein quarter concerned was proposed for disciplinary action. It was observed that no proper mechanism regarding check and balance was found in hospital and without confirmation and inspection a huge amount Rs.4910000/- was paid.

The lapse occurred due to weak internal controls which resulted in suspected misappropriation.

When pointed out in May 2023, no reply was furnished.

The department was requested for holding DAC meeting. However, the DAC was not convened till finalization of this report.

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

PDP No. 873 (2021-22)

12.4.61 Unauthorized payment of housing subsidy to employees residing in rented houses – Rs. 10.878 million

According to condition No. IV of the procedure /guideline for preparation / scrutinization of housing subsidy cases, duly circulated by Administration Department, government of Khyber Pakhtunkhwa vide letter No. EO(Admn) R-1/2014 dated 03-06-2014, the employee will be exclusive owner of the house and not be co-owned by any other.

During audit of the accounts of Ayub Medical College Abbottabad for the Financial Year 2021-22, it was noticed that an amount of Rs. 10,878,192/- was paid on account of housing subsidy to various officers / officials **(Annexure-XXV)**.

The verification of record revealed that the concerned employees were living in rented houses and were not the exclusive owners of the houses. Hence, the payment of housing subsidy is in violation of the government stated and defined policy, therefore the payment is held un-authorized and needs recovery.

The lapse occurred due to weak management controls which resulted into unauthorized payment.

The department was requested vide letter dated 03.07.2023 followed by reminders dated 04.10.2023 and 29.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends recovery of the housing subsidy amount from the concerned.

PDP No. 989 (2021-22)

12.4.62 Non-deduction of penalty due non completion of Pre-Fabricated building & Student Teacher Canteen building at AMC - Rs. 20.972 million

As per contract agreement clause 12: the completion period for the work under this contract is four months from the day of signing of this contract agreement.

As per contract agreement clause 09: wherein if the contractor fails to complete project as per wok order and within the stipulated time frame specified in the schedule of requirement the penalty @0.5% of the total contract value for each week of delay shall imposed not exceeding 10% of the total cost.

During audit of the accounts of Ayub Medical College Abbottabad for the Financial Year 2021-22, it was noticed that a contract was awarded to M/S Philanthrope Construction for construction of Pre-Fabricated building and to M/S National RCC Works for construction of Student Teacher Canteen at Ayub Medical College Abbottabad. Both of works were not completed in awarded time as detail given below and no penalty was imposed on contractor.

Name of contractor	Name of work	Date of commencement	Date of completion	Delay	Contract value	Penalty @ 10%
M/s Philanthrope Construction Pvt Ltd	construction of Pre-Fabricated building	03.02.2022	02.07.2022	11 months	169,123,500	16,912,350

M/s National RCC Works Pvt Ltd	construction of Student Teacher Canteen	30.03.2018	30.03.2019	04 years	40,599,145	4,059,915
Total					209,722,645	20,972,265

Non deduction of penalty amounting to Rs.20.972 million needs to be recovered and appropriate action should be taken against the person at fault.

When pointed out in May 2023, no reply was furnished.

The department was requested vide letter dated 03.07.2023 followed by reminders dated 04.10.2023 and 29.12.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends detailed investigation into the matter and taking appropriate action.

PDP No. 990 & 991 (2021-22)

12.4.63 Non-recovery of utilities charges from the occupants of hostels - Rs. 2.378 million

According to rule (viii) of the procedures, rules and regulations for hostel accommodation at Molvi Ameer Shah Memorial Hospital Peshawar, each room will be allotted to two/ three resident or more person according to the size of the room.

According to rule (x) of the procedures, rules and regulations for hostel accommodation, the allottee will be bound to pay room rent and all utilities charges fixed by the administration.

During audit of the accounts of Molvi Ameer Shah Memorial Hospital Peshawar for the Financial Year 2021-22, it was observed that hospital management allotted double rooms and in some cases three rooms to the residents of the nursing hostel and lady doctor, which is against the rules and regulations stated above. Furthermore, the necessary deduction of electricity, Sui gas and air condition charges were not made from the occupants on the basis of single room, which resulted into a loss of Rs. 2,378,000/-.

Moreover, on physical verification of both the hostel, it was found that all occupants were residing with their families availing all facilities of the hospital without any contribution by the residents. It is worth mentioned here that the residents are utilizing the hospital electricity which has been provided by the government through an express line where no load shading prevail.

Audit held that the hospital management was required to accommodate at least two persons in one room, but in the instant cases minimum two rooms to each person were allowed, hence the allotment was unauthorized and the provincial exchequer was put to loss in the form of utility charges.

When pointed out in July 2022, no reply was furnished.

The lapse occurred due non-observance of hostel rules and regulations and weak financial management which resulted into non-recovery of utility charges.

The department was requested vide letter dated 24.08.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends recovery of the loss sustained by the hospital along with investigation on the allotment of double rooms.

PDP No. 29 (2021-22)

12.4.64 Non-recovery of rent and utility charges from the hostels of outsiders - Rs. 1.812 million

According to rule I of the procedures, rules and regulations for hostel accommodation at Molvi Ameer Shah Memorial Hospital Peshawar, the applicant/ resident must be the employee of Molvi Ameer Shah Memorial Hospital Peshawar.

According to rule xvi of the procedures, rules and regulations for hostel accommodation at Molvi Ameer Shah Memorial Hospital Peshawar, all illegal occupants should vacate their rooms within one week period and provost will issue notice for vacation on daily basis and shall apprise him about the dire consequences.

During audit of the accounts of Molvi Ameer Shah Memorial Hospital Peshawar for the Financial Year 2021-22, it was observed that hospital management allotted 26 hostel rooms to the employees of other departments which was against the hospital own rules and regulations as stated above. Furthermore, the necessary deduction decided by the hostel committee in the form of room rent, electricity charges, Sui gas charges and air condition charges was also not made from the occupants, which resulted into a loss of Rs. 1,812,950/-.

Audit held that the hospital management not only allotted unauthorized hostel rooms to outsiders but necessary deduction was also not made from them, which become a huge burden on the provincial exchequer.

The lapse occurred due non-observance of hostel rules and regulations and weak financial management which resulted into non-recovery of rent and utility charges.

When pointed out in July 2022, no reply was furnished.

The department was requested vide letter dated 24.08.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends recovery of the loss sustain by the hospital along with investigation on the allotment of rooms to outsiders.

12.4.65 Loss due to construction of illegal general store and non-recovery of rent - Rs. 1.548 million

According to clause 5 of the contract agreement executed between the M/S MASMH and Sada Bahar Traders for hospital canteen, the contractor will start paying monthly rent and utilities charges and submit the total charges to the hospital on first of every month.

According to clause 4 of the contract agreement executed between the M/S MASMH and Sada Bahar Traders for hospital canteen, the internal committee shall specify per month charges for air condition if Sada Bahar Traders request for.

During audit of the accounts of Molvi Ameer Shah Memorial Hospital Peshawar for the Financial Year 2021-22, it was observed that hospital canteen was awarded to Sada Bahar Traders on the monthly rent of Rs. 17,500/- along with Rs. 3,000/- electricity charges and Rs. 4,000/- Sui Gas charges. However, the hospital management failed to collect the rent and other utilities charges from the contractor till the date of audit, which resulted into a loss to the provincial government of Rs. 588,000 (Rs. 17,500+Rs. 3000+Rs. 4000=Rs. 24500 X24 months).

Furthermore, during physically verification of site, it was found that the contractor have illegally constructed a full-fledged general store adjacent to the canteen for which the contractor under the existing agreement was not allowed to construct any additional facility. Hence, the construction of general store without paying any rent to the hospital is continuous loss to the hospital not only in terms of rent but also the availing the free facility of all utilities charges.

Moreover, the contractor also installed 2 tons air condition in the vicinity of the canteen but neither any monthly charges was fixed by the internal committee as was required under the contract agreement nor was any charges recovered.

Audit held that monthly rent of Rs. 30,000/- amounting to Rs. 720,000/-(30,000 X 24 months) for general store and Rs. 10,000/- per month for air condition amounting to Rs. 240,000/- must be recovered from the contractor.

The lapse to the government occurred due non-observance of contract agreement and weak financial management which resulted into loss to the government.

When pointed out in July 2022, no reply was furnished.

The department was requested vide letter dated 24.08.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to recover the amount of rent.

12.4.66 Irregular expenditure on account of civil work contract for Renovation and repair work - Rs. 36.021 million

According to Para 3(a)(b) of Health Department's guidelines and operational manual for Hospital Management Committee (HMC) circulated vide No. SOB-II/HD/1-39/GEN.CORR/2020 dated 02-07-2021. The HMC will identify the needs of the respective facility. Based on the needs identified the HMCs will develop annual plan, budget (as per form 5A and 5B) and carry out repair and maintenance work or any other task the committee may deem necessary for up-keep of the concerned health facility and for delivery of quality health care services.

During audit of the accounts of Naseer Ullah Baber Memorial Hospital Peshawar for the Financial Year 2021-22, it was observed that civil work (repair of office building) under the revamping program was awarded to M/S Friends Engineering Services & Enterprises vide work order dated 06.08.2021, against which the hospital management incurred an expenditure of Rs. 36,021,789/-, as detailed below;

S. No	Cheque No	Dated	Contractor Name	Amount
1	42412879	09-01-21	Friends Engineering	6,991,626
2	42412880	18/09/2021	Friends Engineering	3,651,659
3	42412884	28/10/2021	Friends Engineering	6,318,786
4	42412906	22-03-22	Friends Engineering	1,874,552
5	42412923	23-05-22	Friends Engineering	3,406,149
6	476113460	09-06-22	Friends Engineering	3,779,017
7	47613467	29-06-22	Friends Engineering	10,000,000
	Total			**36,021,789**

Further scrutiny of record revealed that;

- The technical staff of the hospital management makes a detail of lists of petty items on the basis of which the quotation was invited. However, no PC-1 and detail estimates were prepared after changing the nature of work from petty repair to major repair and renovation, which leads to doubtful tendering process.
- All the payment were made without making a single entry in the measurement book, in spite of the fact that 2 civil engineers are regularly working and permanent employee of the hospital.
- Only Three contractors participated in the tendering process and surprisingly all of them submitted the quotations on just one format, like submission of offer in English, same serial number of items mentioned in quotation, similar font of print and same pattern of forwarding letters etc.
- The PEC registration certificate of the selected contractor was found expired on 30 June 2021, which was not renewed till the date of audit.
- As per PEC registration certificate, the selected contractor was only authorized and specialized in the field of Irrigation work, Solar and General Electric work.
- Proper contract agreement on stamp paper was not executed with the contractor, rather only one pager agreement of the hospital pad was carried out.

- The BOQ was prepared without mentioning the path, means the actual site where the quantity of works should be executed making the whole BOQ doubtful.
- Proper need assessment, annual plan, budget etc were not carried out as was required under the HMC guidelines mentioned above.
- The incurring of huge repair and renovation expenditure of Rs. 36,021,789/- over the total hospital area of 80 Marla and covered area of almost 56 Marla seems unjustified as the cost of per marla comes to Rs. 643,246/-.(Rs. 36,021,789 /56 marla).
- The fund provided by the DGHS office was purposely allocated for the hospital building infrastructure, but on ground, a sufficient amount was incurred on the construction of newly building for which neither any approval from the competent authority was obtained nor proper building health assessment survey from University of Engineering was conducted.

Audit held that neither below-&-above MRS procedure was followed nor was proper rate analysis of the non-scheduled items carried out by the hospital administration, which was the primary responsibility of the concerned technical staff, which makes the whole tendering process as irregular and doubtful.

The lapse occurred due to violation of rules and regulations which resulted into irregular expenditure.

When pointed out in August 2022, no reply was furnished.

The department was requested vide letter dated 08.09.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends to investigate the matter and take appropriate action.

PDP No. 88 (2021-22)

12.4.67 Irregular conducting and awarding of auction - Rs. 2.136 million

According to Paras 154 and 159 of GFR Vol-I, an inventory of dead stock should be maintained in all government offices showing the number of items received, the number of items disposed off and the balance in hand for each kind of article. A physical verification of all stores should be made at least once in every year.

During audit of the accounts of Naseer Ullah Baber Memorial Hospital Peshawar for the Financial Year 2021-22, it was observed that the hospital management shown conducted a heavy auction of the hospital machinery and equipment including 02 X-ray plants from which an amount of Rs. 2,136,100/- was obtained and deposited into the government treasury. However, audit noticed the following shortcomings in the auction process;

- Wide publicity of the auction process was not carried out in any daily newspaper, due to which competitive bidding did not take place and resultantly the items were sold out on very lowest rate as compared to the items mentioned in the lists.
- There is no mentioned in any stage of the auction process that how much bidders have participated and how much rate was officered.

- No comparative statement of the auction process was prepared and signed by the committee constituted for the purpose.
- No proper register was maintained to show the number and names of the persons participated in the auction.
- The income tax amount on auction was shown deposited by the hospital instead of the person who wins the bid of auction, meaning thereby that no fair competition took place.
- The purchase dates and condemns dates of items were not recorded in the list.
- There was no stock register maintained from where it could be found that these high value items were properly struck off from the inventory stock of the hospital.
- The auction items were not condemned by the technical committee as required under the rules.

Audit held that the management conducted the auction without taking proper procedure and observing the rules and regulations for obtaining the highest bids on the items

The lapse occurred due to violation of rules and regulations which resulted into irregular conducting and awarding of auction.

When pointed out in August 2022, no reply was furnished.

The department was requested vide letter dated 08.09.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends investigating the matter and taking appropriate action.

PDP No. 13 (2021-22)

12.4.68 Overpayment on account of Science Teaching and Basic Science Allowances - Rs. 24.402 million

According to Government of KPK, Finance Department (Regulation Wing) Notification No FD(SOSR-II) 8-18/2018/27236 dated 01-01-2020 read with Government KPK Health Department Peshawar letter No. /SOB-I/HD/5-7/Allowance dated 15.01.2019, that the teaching faculty can avail only one allowance either Health Professional allowance or Basic Science and Teaching allowance which one is more beneficial to them but not the both at one and the same time.

During audit of the accounts of Khyber Girls Medical College Peshawar for the Financial Year 2021-22, it was observed that an amount of Rs. 35,164,000/- was paid on account of Health Professional Allowance @ Rs 60,000 per head & per month to various teaching cadre/non-clinical staff doctors besides allowing them Science Teaching and Basic Science Allowances as well. As per above mentioned criteria the teaching faculty can avail only one allowance which is more beneficial to them, therefore, drawing science teaching and basic science allowances along with HPA totalling to Rs. 24,402,499/- (Rs. 21,062,433 and Rs. 3,340,066) was unauthorized **(Annexure-XXVI)**.

Audit was of the view that two allowances at the same time were not admissible.

The lapse occurred due to non-observance of government rules which resulted into loss to the government.

When pointed out in May 2023, no reply was furnished.

The department was requested vide letter dated 19.06.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends recovery of overpayment from the concerned doctors and action against the person(s) at fault.

PDP No. 610 (2021-22)

12.4.69 Unjustified payment on account of renovation of various hostels – Rs. 127.600 million

According to Agenda Item No. 02 of the 48^{th} IMC meeting held on 17.01.2019, it was directed to prepare total estimation of repair and maintenance of the TMO Hostel with consultancy of Finance Section and submit in IMC meeting for discussion and approval.

According to the Agenda Item No. 04 of the minutes of 50^{th} IMC meeting held on 22.02.2019, approval was accorded to carryout renovation of New TMO Hostel for an amount of Rs. 36.000 million, HO Hostel for an amount of Rs. 28.000 million, and Nursing Hostel for an amount of Rs. 63.600 million; on the plea that the same were decided to be presented before the IMC in its 48^{th} meeting held on 17.01.2019.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed that in contrary to the above, the hospital administration executed renovation of New TMO Hostel for an amount of Rs. 36.000 million, HO Hostel for an amount of Rs. 28.000 million, and Nursing Hostel for an amount of Rs. 63.600 million, totalling to **Rs. 127.600 million**; on the plea that the same were decided to be presented before the IMC in its 48^{th} meeting held on 17.01.2019.

Furthermore, in the discussion on Agenda Item No. 02 on the Renovation of TMO Hostel in the 48^{th} meeting of IMC, it was told to the forum that the renovation of the TMOs Hostel was carried out a year ago, but due to ongoing construction of BRT, the hostel needs renovation on urgent basis.

Audit held that carrying out the renovation work of the hostels based on the initial discussion of renovation of TMOs hostel only in the 48^{th} IMC meeting was unjustified and irregular.

Audit further held that carrying out the renovation work in the Old TMO Hostel after one year, and that on the basis of BRT ongoing work, was completely irrational and non-comprehendible.

The lapse occurred due to non-observance of rules and regulations which resulted in unjustified payment.

When pointed out in April 2022, it was replied that the estimates of renovation of hostels are prepared as per direction of IMC in its 48^{th} meeting, and the project of hostel repair is approved in the 49^{th} IMC meeting.

The reply was not convincing as the audit observation was not addressed to properly by the works department.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may conduct inquiry in the matter. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 781 (2020-21)

12.4.70 Unauthorized payment against NSI in Beautification and Renovation of various buildings - Rs. 61.421 million

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

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed that an amount of Rs. 87,380,471/- was paid to M/S Abdul Rehman and Co on account of Beautification and Renovation of OPD Block including Radiology Department up to 33rd Running Bill, including an amount of Rs. 67,806,647/- as NSI items of work. However, the following non-scheduled items of work, amounting to Rs. 61,421,285/-, were not included in the approved PC-I of the project, and were executed by the hospital administration in contravention of the above quoted provision;

S. No.	Item	Rate	Quantity	Amount
1	Aluminum partition including lamination	10,550	270.07	2,849,239
2	P/F of acrylic sheet and stainless steel alphabets	2976.69	74	220,275
3	Removal existing supply and fixing of PVC false ceiling including fitting aluminum tees angle	5984.38	1492.38	8,930,969
4	P/L of 1/4th thick wall tiles 12”x18” size in cutting wastage	2855.39	4167.78	11,900,637
5	Granito floor tiles ¼” thick 24”x24”	3541.53	5745.86	20,349,136
6	Aluminum composite panel sheet	5359.92	940.65	5,041,809
7	Marble gola	1228.49	2690.67	3,305,461
8	**P/F 4 ton ACs**	**265000**	**4**	1,060,000
9	Stainless steel angle	2772.60	375	1,039,725
10	P/F of lead door including ¼” thick ply double lead sheet 3 mm thick	64351.97	17.56	1,130,021
11	**P/F of LED lights 24” of approved design with 36 watt LED light**	**8697**	**389**	3,383,133
12	**P/F of false ceiling fan 24” approved design**	**11515**	**192**	2,210,880
Total				**61,421,285**

Audit held that the hospital administration carried out items of work which were not included in the approved PC-I of the project, and left the items of work which were included in the approved PC-I, which resulted in unauthorized payment to the contractor.

The lapse occurred due to violation of rules and regulations which resulted in unauthorized payment.

When pointed out in April 2022, it was replied that the cost estimate and the BOQ include both the scheduled and non-scheduled items. The contract was awarded to the contractor with a rate below on engineering estimate. The scheduled items are quoted on above-below basis, with the non-scheduled items quoted separately. The increase in work is because of increase in scope of work. The initial assessment of preparing the cost estimate was done by the end users.

The reply was not convincing as the audit observation was not addressed to properly by the works department.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may conduct inquiry in the matter. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 797 (2020-21)

12.4.71 Unauthorized payment for Beautification and Renovation of OPD Block - Rs. 13.869 million

According to Note 2 of Para 71 of the CPWD Code, read with Para 5.19 of the B&R Code, no officer is entitled to pass any excess over a revised estimate sanctioned by a higher authority than himself.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed that the contract for Beautification and Renovation of OPD Block including Radiology Department was awarded to M/S Abdul Rehman and Co for a bid cost of Rs. 63,922,203/- vide work order dated 23.02.2018, against the original PC-I cost of Rs. 76,026,800/- duly approved by IMC in its 38th meeting held on 30.11.2017, vide Agenda Item No. 5 on 21.12.2018. However, the IMC in its 52nd meeting held on 10.04.2019 vide Agenda Item No. 04, accorded approval of revision of the original cost estimate by an amount of Rs. 11,400,000/-, totalling to a revised cost estimate of Rs. 87,400,000/-, as against granting the revision on the bid cost of Rs. 63,922,203/-, which becomes 36.72% as against 15% revision.

Furthermore, the IMC while according the approval for revision of the cost estimate, stated that the approval of 15% has been granted on the technical sanction, whereas, there was no technical sanction available on record regarding the same work.

Moreover, the hospital administration accorded budget approval to **balance work including 26 clinical rooms** under the work Beautification and Renovation of OPD Block including Radiology Department for an amount of Rs. 30,900,000/- on 09.04.2021, in addition to the previous revision up to Rs. 87,400,000/-, which also needs to be investigated.

Audit held that payment to the contractor in excess of the 15% of bid cost i.e. **Rs. 13,869,937/-** (Rs. 87,380,471 - Rs. 73,510,533 (Rs. 63,922,203 X 15%)) was unauthorized and irregular.

The lapse occurred due to weak internal controls which resulted in unauthorized payment.

When pointed out in April 2022, it was replied that the cost estimate and the BOQ include both the scheduled and non-scheduled items. The contract was awarded to the contractor with a rate below on engineering estimate. The scheduled items are quoted on above-below basis, with the non-scheduled items quoted separately. The increase in work is because of increase in scope of work. The initial assessment of preparing the cost estimate was done by the end users.

The reply was not convincing as the audit observation was not addressed to properly by the works department.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may conduct inquiry in the matter. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 798 (2020-21)

12.4.72 Unauthorized payment on account of Renovation of Nursing Hostel – Rs. 21.209 million

According to the LRH Work Order No. 18504 dated 23.07.2019, the rate offered by M/S O&G Construction for Renovation of Nursing Hostel, amounting to Rs. 40,888,122/- being the lowest i.e. 28.36% below of the total project cost of Rs. 57,080,000/- was approved by the hospital administration.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed that an amount of Rs. 62,097,251/- was paid to M/S O&G Construction on account of Renovation of Nursing Hostel up to 22nd Running Bill, as against the approved bid cost of Rs. 40,888,122/-, which resulted into an unauthorized payment of Rs. 21,209,129/- (Rs. 62,097,251 - 40,888,122).

The lapse occurred due to non-observance of the offered and approved rate/ cost of the project which resulted in unauthorized payment.

When pointed out in April 2022, it was replied that the cost estimate and the BOQ include both the scheduled and non-scheduled items. The contract was awarded to the contractor with a rate below on engineering estimate. The scheduled items are quoted on above-below basis, with the non-scheduled items quoted separately. The increase in work is because of increase in scope of work. The initial assessment of preparing the cost estimate was done by the end users.

The reply was not convincing as the audit observation was not addressed to properly by the works department.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may conduct inquiry in the matter. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 800 (2020-21)

12.4.73 Overpayment to contractor due to non-deduction of offered discount - Rs. 6.198 million

According to the minutes of purchase committee meeting held on 27.06.2019 and comparative statement, the bid of M/S O&G Construction was selected being the lowest rates offered on the BOQ for the work "Renovation of Nursing Hostel" with the quoted price of Rs. 40,888,122/- which was 28.36% below on the Engineering Estimates.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed that an amount of Rs. 62,097,251/- was paid to M/S O&G Construction on account of Renovation of Nursing Hostel up to 22nd Running Bill, including an amount of Rs. 21,858,019/- as NSI items of work. However, the rate of 28.36% below offered by the contractor in their bidding documents on the engineering estimates was not applied at the time of payment, which resulted into an overpayment of Rs. 6,198,934/- (Rs. 21,858,019 X 28.36% below).

The lapse occurred due to non-observance of the approved rates of BOQ which resulted in overpayment to the contractor.

When pointed out in April 2022, it was replied that the cost estimate and the BOQ include both the scheduled and non-scheduled items. The contract was awarded to the contractor with a rate below on engineering estimate. The scheduled items are quoted on above-below basis, with the non-scheduled items quoted separately. The increase in work is because of increase in scope of work. The initial assessment of preparing the cost estimate was done by the end users.

The reply was not convincing as the audit observation was not addressed to properly by the works department.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may conduct inquiry in the matter. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 802 (2020-21)

12.4.74 Irregular awarding of contract for Renovation of Nursing Hostel - Rs. 40.888 million

According to Clause 3 of the KPPRA Notification No.KPPRA/M&E/Estt:/1-5/2016 dated 24.05.2016, the **item rate system** is replaced by the **above-below system** on BOQ based on MRS applicable. All the tenders shall be processed according to the above-below system based on the Market Rate System.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed that the contract for Renovation of Nursing Hostel was awarded to M/S O&G Construction at the bid cost of Rs. 40,888,122/- including an amount of Rs. 5,200,250/- as NSI items of work. Further scrutiny of record revealed that;

- The rates were obtained from the contractors on the basis of item-rates instead of above-&-below on the MRS rates. The practice of quoting bids on item-rates basis was discontinued from the year 2016.
- The consultant and the works department of the hospital carried out (and approved) the rate analyses of the non-scheduled items at exaggerated rates i.e. Rs. 24,296,050/-, as compared to the

rates offered by the contractors against the said items of work i.e. Rs. 5,200,250/-, which becomes 78.59% higher.

- Certain items of work were included by the selected contractor in the rates offered for the non-scheduled items at much reduced rates than the ones approved in the PC-I, due to which the overall cost offered was reduced by large percentages, and contracts won accordingly. However, during execution of the project, the said items were ignored altogether, and other non-scheduled and non-BOQ items were carried out, without obtaining approval from the competent authority.
- For instance, an item of work "drainage system including dismantling of old drainage" was offered by the contractor at the rate of Rs. 600 per unit, as against the approved PC-I rate of Rs. 5,932, which was not executed by the hospital later on. Similarly, an item of work "providing, fabricating and fixing in position high stair hand ralling" was offered by the contractor at the rate of Rs. 500 per unit, as against the approved PC-I rate of Rs. 8,150, which was not executed by the hospital later on. Similarly, an item of work "providing and fixing of ¾ inch thick Hazara plan black granite" was offered by the contractor at the rate of Rs. 900 per unit, as against the approved PC-I rate of Rs. 9,038 per unit, which was not executed by the hospital later on.

Audit held that neither below-&-above MRS procedure was followed nor was proper rate analysis of the non-scheduled items carried out by the hospital administration, which was the primary responsibility of the consultant and the works department, which makes the whole tendering process as irregular and doubtful.

The lapse occurred due to violation of rules and regulations which resulted in irregular awarding of contract.

When pointed out in April 2022, it was replied that the cost estimate and the BOQ include both the scheduled and non-scheduled items. The contract was awarded to the contractor with a rate below on engineering estimate. The scheduled items are quoted on above-below basis, with the non-scheduled items quoted separately. The increase in work is because of increase in scope of work. The initial assessment of preparing the cost estimate was done by the end users.

The reply was not convincing as the audit observation was not addressed to properly by the works department.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may conduct inquiry in the matter. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 803 (2020-21)

12.4.75 Unauthorized expenditure on account of NSI - Rs. 19.812 million

According to Para 56 of the CPWD Code, the proposals in the estimates should be structurally sound and that the estimates are accurately calculated and based on adequate data.

According to the approved PC-1 prepared by the Wings Consultant for the “Renovation of Nursing Hostel” only six NSI items valuing Rs. 12,390,084/- were included in the estimates.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed that a payment of Rs. 19,812,894/- was made to the M/S O & G Construction Co Pvt LTD up to 22nd running bill under the project “Renovation of Nursing Hostel” for execution of 19 different NSI items related to civil work, as against the approved 06 number of civil work non-scheduled items. However, the items of work executed and paid to the contractor does not covered a single item against the original estimates prepared and approved by the consultant, which resulted into an unauthorized execution of work.

The lapse occurred due to non-observance of the approved items of BOQ which resulted in unauthorized expenditure.

When pointed out in April 2022, it was replied that the cost estimate and the BOQ include both the scheduled and non-scheduled items. The contract was awarded to the contractor with a rate below on engineering estimate. The scheduled items are quoted on above-below basis, with the non-scheduled items quoted separately. The increase in work is because of increase in scope of work. The initial assessment of preparing the cost estimate was done by the end users.

The reply was not convincing as the audit observation was not addressed to properly by the works department.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may conduct inquiry in the matter. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 805 (2020-21)

12.4.76 Loss to the government due to non-deduction of offered discount - Rs. 5.833 million

According to the minutes of purchase committee meeting held on 27.06.2019 and comparative statement, the bid of M/S O&G Construction was selected being the lowest rates offered on the BOQ for the work “Renovation of Old TMO Hostel” with the quoted price of Rs. 21,923,722/- which was 27.64% below on the Engineering Estimates.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed that an amount of Rs. 36,806,515/- was paid to M/S O&G Construction on account of Renovation of Old TMO Hostel up to 9th Running Bill, including an amount of Rs. 21,106,987/- as NSI items of work. However, the rate of 27.64% below offered by the contractor in their bidding documents on the engineering estimates was not applied at the time of payment, which resulted into an overpayment of Rs. 5,833,971/- (Rs. 21,106,987 X 27.64%).

The lapse occurred due to non-observance of the approved rates of BOQ which resulted in loss to the government.

When pointed out in April 2022, it was replied that the cost estimate and the BOQ include both the scheduled and non-scheduled items. The contract was awarded to the contractor with a rate below on engineering estimate. The scheduled items are quoted on above-below basis, with the non-scheduled items quoted separately. The increase in work is because of increase in scope of work. The initial assessment of preparing the cost estimate was done by the end users.

The reply was not convincing as the audit observation was not addressed to properly by the works department.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may conduct inquiry in the matter. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 808 (2020-21)

12.4.77 Irregular and doubtful awarding of contract for Renovation of Old TMO Hostel - Rs. 21.923 million

According to Clause 3 of the KPPRA Notification No. KPPRA/M&E/Estt:/1-5/2016 dated 24.05.2016, the **item rate system** is replaced by the **above-below system** on BOQ based on MRS applicable. All the tenders shall be processed according to the above-below system based on the Market Rate System.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed that the contract for Renovation of Old TMO Hostel was awarded to M/S O&G Construction at the bid cost of Rs. 21,923,722/- including an amount of Rs. 3,213,350/- as NSI items of work. Further scrutiny of record revealed that;

- The rates were obtained from the contractors on the basis of item-rates instead of above-&-below on the MRS rates. The practice of quoting bids on item-rates basis was discontinued from the year 2016.
- The consultant and the works department of the hospital carried out (and approved) the rate analyses of the non-scheduled items at exaggerated rates i.e. Rs. 12,516,318/-, as compared to the rates offered by the contractors against the said items of work i.e. Rs. 3,213,350/-, which becomes 75.49% higher.
- Certain items of work were included by the selected contractor in the rates offered for the non-scheduled items at much reduced rates than the ones approved in the PC-I, due to which the overall cost offered was reduced by large percentages, and contracts won accordingly. However, during execution of the project, the said items were ignored altogether.
- For instance, the following non-scheduled items of work were offered by the contractor at much reduced rates as against the ones approved in the PC-I of the project. However later on, none of the items was executed. Rather, a quantity of 3,822 $m^2$of another item of work "supply and fixing of PVC wall paneling" was executed at the rate of Rs. 2,500 per unit, as against the approved PC-I quantity of 240 m^2 and approved rate of Rs. 1,678 per unit.

Name of Item	PC-I Rate	Contractor Rate	Diff.
Providing and fixing of fiber glass shed of 3 ply fiber sheet	7,280	250	7,030
Drainage system including dismantling of old drainage line complete – up to 2 inch	3,536	900	2,636
Drainage system including dismantling of old drainage line complete – up to 2.5 inch	5,932	400	5,532
Providing and fixing of ¾ inch thick hazara plain black granite	9,038	650	8,388
Removal of existing and supplying and fixing of AluminumDumpa false ceiling with 5 mm thickness complete	3,680	350	3,330

Audit held that neither below-&-above MRS procedure was followed nor was proper rate analysis of the non-scheduled items carried out by the hospital administration, which was the primary responsibility of the consultant and the works department, which makes the whole tendering process as irregular and doubtful.

The lapse occurred due to violation of rules and regulations which resulted in irregular and doubtful awarding of contract.

When pointed out in April 2022, it was replied that the cost estimate and the BOQ include both the scheduled and non-scheduled items. The contract was awarded to the contractor with a rate below on engineering estimate. The scheduled items are quoted on above-below basis, with the non-scheduled items quoted separately. The increase in work is because of increase in scope of work. The initial assessment of preparing the cost estimate was done by the end users.

The reply was not convincing as the audit observation was not addressed to properly by the works department.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may conduct inquiry in the matter. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 809 (2020-21)

12.4.78 Loss to the government due to awarding of contract for Renovation of Old TMO Hostel at higher rates - Rs. 1.867 million

According to the bidding documents of M/S Younas Builders submitted for Renovation of Old TMO Hostel, a rate of 12.12% below on the scheduled and at par on the non-scheduled items was offered on MRS 2017.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed that the contract for Renovation of Old TMO Hostel was awarded to M/S O&G Construction with the offered rates of 6% above on scheduled items of civil works, 6% above on scheduled items of public health works, and 6% above on scheduled items of electrical works, by ignoring the lowest rates of 12.12% below on the scheduled and at par on non-scheduled items offered by M/S Younas Builders, which resulted into a loss of Rs. 1,867,263/-.

Further scrutiny of record revealed that the selected bidder offered the NSI rates of Rs. 3,213,350/- against the engineer estimate of Rs. 12,516,318/-, which is 75.49% lower than the engineer estimate, against which an amount of Rs. 21,106,987/- was paid up to 9th Running Bill.

Audit held that as the project was not restricted to the bid cost offered by the selected contractor, the selection of M/S Younas Builders who offered 12.12% below on MRS and at par on NSI items was the most feasible, which could have saved the loss aforementioned.

Audit further held that if the amount offered by the selected bidder as NSI items i.e. Rs. 3,213,350/- is replaced with the amount paid to the selected bidder i.e. Rs. 21,106,987/-, the bid of the selected contractor becomes higher than the rejected bidder, and the bid cost becomes Rs. 39,963,658/- (Rs. 18,856,671 MRS + 21,106,987 NSI), as against the rejected bid of Rs. 27,177,949/-.

The lapse occurred due to violation of rules and regulations which resulted in loss to the government.

When pointed out in April 2022, it was replied that the bid cost of the selected bidder was lower than the rejected bidder. The cost of the project was enhanced as per the demand of end user. The non-scheduled items executed at site because of demand of end user form time to time. The initial assessment of preparing the PC-I was at that time the end user, which were transferred from time to time.

The reply was not convincing as the audit observation was not addressed to properly by the works department.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may conduct inquiry in the matter. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 810 (2020-21)

12.4.79 Overpayment to contractor due to non-deduction of offered discount offered by HO Hostel contractor - Rs. 3.291 million

According to the minutes of purchase committee meeting held on 27.06.2019 and comparative statement, the bid of M/S O&G Construction was selected being the lowest rates offered on the BOQ for the work "Renovation of HO Hostel" with the quoted price of Rs. 17,926,434/- which was 28.77% below on the Engineering Estimates.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed that an amount of Rs. 19,809,318/- was paid to M/S O&G Construction on account of Renovation of HO Hostel up to 8th Running Bill, including an amount of Rs. 11,707,845/- as NSI items of work. However, the rate of 28.77% below offered by the contractor in their bidding documents on the engineering estimates was not applied at the time of payment, which resulted into an overpayment of Rs. 3,291,075/- (Rs. 11,707,845 X 28.11% below).

The lapse occurred due to non-observance of the approved rates of BOQ which resulted in overpayment to the contractor.

When pointed out in April 2022, it was replied that the cost estimate and the BOQ include both the scheduled and non-scheduled items. The contract was awarded to the contractor with a rate below on engineering estimate. The scheduled items are quoted on above-below basis, with the non-scheduled items quoted separately. The increase in work is because of increase in scope of work. The initial assessment of preparing the cost estimate was done by the end users.

The reply was not convincing as the audit observation was not addressed to properly by the works department.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may conduct inquiry in the matter. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 814 (2020-21)

12.4.80 Loss to the government due to awarding of contract for Renovation of HO Hostel at higher rates - Rs. 2.773 million

According to the bidding documents of M/S Dilawar Khan and Sons submitted for Renovation of HO Hostel, a rate of 14% below on both scheduled and non-scheduled items was offered.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed that the contract for Renovation of HO Hostel was awarded to M/S O&G Construction with the offered rates of 7% above on scheduled items of civil works, 6% above on scheduled items of electrical works, and 10% above on scheduled items of public health works, by ignoring the lowest rates of 14% below on all the scheduled and non-scheduled items offered by M/S Dilawar Khan and Sons, which resulted into a loss of Rs. 2,773,304/-.

Further scrutiny of record revealed that the selected bidder offered the NSI rates of Rs. 2,646,165/- against the engineer estimate of Rs. 10,946,405/-, which is 75.82% lower than the engineer estimate, against which an amount of Rs. 11,707,845/- was paid up to 8th Running Bill.

Audit held that as the project was not restricted to the bid cost offered by the selected contractor, the selection of M/S Dilawar Khan and Sons who offered 14% below on both MRS and NSI items was the most feasible, which could have saved the loss aforementioned.

Audit further held that if the amount offered by the selected bidder as NSI items i.e. Rs. 2,646,165/- is replaced with the amount paid to the selected bidder i.e. Rs. 11,707,845/-, the bid of the selected contractor becomes higher than the rejected bidder, and the bid cost becomes Rs. 26,988,113/- (Rs. 15,280,268 MRS + 11,707,845 NSI), as against the rejected bid of Rs. 21,646,199/-.

The loss occurred due to violation of rules and regulations which resulted in loss to the government.

When pointed out in April 2022, it was replied that the bid cost of the selected bidder was lower than the rejected bidder. The cost of the project was enhanced as per the demand of end user. The non-scheduled items executed at site because of demand of end user form time to time. The ini;tial assessment of preparing the PC-I was at that time the end user, which were transferred from time to time.

The reply was not convincing as the audit observation was not addressed to properly by the works department.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may conduct inquiry in the matter. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No 816 (2020-21)

12.4.81 Irregular awarding of contract for Renovation of New TMO Hostel - Rs. 19.274 million

According to Clause 3 of the KPPRA Notification No. KPPRA/M&E/Estt:/1-5/2016 dated 24.05.2016, the **item rate system** is replaced by the **above-below system** on BOQ based on MRS applicable. All the tenders shall be processed according to the above-below system based on the Market Rate System.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed that the contract for Renovation of New TMO Hostel was awarded to M/S O&G Construction at the bid cost of Rs. 19,274,912/- including an amount of Rs. 2,974,430/- as NSI items of work. Further scrutiny of record revealed that;

- The rates were obtained from the contractors on the basis of item-rates instead of above-&-below on the MRS rates. The practice of quoting bids on item-rates basis was discontinued from the year 2016.
- The consultant and the works department of the hospital carried out (and approved) the rate analyses of the non-scheduled items at exaggerated rates i.e. Rs. 11,125,071/-, as compared to the rates offered by the contractors against the said items of work i.e. Rs. 2,974,430/-, which becomes 73.26% higher.
- Certain items of work were included by the selected contractor in the rates offered for the non-scheduled items at much reduced rates than the ones approved in the PC-I, due to which the overall cost offered was reduced by large percentages, and contracts won accordingly. However, during execution of the project, the said items were ignored altogether.
- For instance, an item of work “providing and fixing of ¾ inch thick hazara plain black granite” was offered by the contractor at the rate of Rs. 600 per unit, as against the approved rate of Rs. 9,038

per unit. Similarly, an item of work "Drainage system including dismantling of old drainage line complete – up to 2.5 inch" was offered by the contractor at the rate of Rs. 350 per unit, as against the approved rate of Rs. 5,932 per unit. The said items of work were not executed altogether by the contractor altogether later on.

- The rates of 15.55% below on MRS and NSI quoted by M/S Danish Malik and Co was not accepted by the hospital administration. Rather the rates of 2% above on MRS and at par on NSI were selected.

Audit held that neither below-&-above MRS procedure was followed nor was proper rate analysis of the non-scheduled items carried out by the hospital administration, which was the primary responsibility of the consultant and the works department, which makes the whole tendering process as irregular and doubtful.

The lapse occurred due to violation of rules and regulations which resulted in irregular awarding of contract.

When pointed out in April 2022, it was replied that the engineering estimates/ PC-I are prepared on the basis of MRS and NSI. BOQs are offered to the contractors with above/ below on MRS and NSI as a blank for putting their rates. Comparative statements are prepared wherein above/ below on the PC-I are quoted.

The reply was not convincing as the audit observation was not addressed to properly by the works department.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may conduct inquiry in the matter. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 819 (2020-21)

12.4.82 Irregular payment on account of appointment of Pharmacists – Rs. 10.602 million

According to Clause 15 of the LRH Recruitment Policy for Non-Medical Employees, the existing selection criteria will be replaced by a new criteria w.e.f 01.10.2016, with 20 marks for qualification (03 additional marks for one step higher qualification, and 05 additional marks for two steps higher qualification), 20 marks for relevant experience, 10 optional marks for reputed health institution experience, 10 optional marks for additional relevant training certificate above required qualifications, 10 marks for references for managerial or higher posts, and 30 marks for interview.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed that an amount of Rs. 10,602,576/- (Rs. 49,086 X 18 pharmacists X 12 months) was paid to 18 numbers of pharmacists at the rate of Rs. 49,086/- per month on account of their salaries. However, scrutiny of the recruitment record revealed that the selection criteria aforementioned was completely violated, by ignoring and not awarding the marks under the component "experience", despite the fact that the same was mentioned as preferable in the advertisement published for the said posts, and as was required under the recruitment policy aforementioned.

Furthermore, 10% weightage was given to the written test, as against the same being used for screening of applicants, as was required under Clause 17 of the recruitment policy aforementioned.

Audit held that a completely modified selection criteria was adopted by the hospital administration against the approved recruitment policy, due to which transparent and fair recruitment for the said posts could not be carried out.

The lapse occurred due to weak internal controls which resulted in irregular payment.

When pointed out in April 2022, it was replied that the position was advertised with the required degree as Pharm-D with 1 year experience preferable and accredited hospital experience was not compulsory, hence no additional marks were awarded to the experience. However, they have been preferred in the interview. Furthermore, 10% weightage was given to the written test decided by the selection committee.

The department admitted the irregularity of violating the approved recruitment policy.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may obtain ex post facto sanction from the Board of Governors for non-compliance of the approved criteria. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 828 (2020-21)

12.4.83 Unauthorized payment on account of appointment of Locum Consultant Anaesthesia - Rs. 9.900 million

According to Clause 7-10 of the approved recruitment policy of the hospital, the requisition for the vacant or new post will be made by the concerned department head to the appointing authority, which will be forwarded to the HR Department. The new post or vacancy will be circulated in the newspapers for a minimum of fifteen days. The managerial or higher-level posts may be advertised twice at maximum, and in case of no response from suitable candidates, the post may be filled through head hunting with subsequent approval of the Chairman Board of Governors. The recruitment and selection committees will be composed of the hospital/ medical/ nursing director as its chairman, with the head of the department concerned, representative of the human resources department, and a co-opted member as its members.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed that Dr. Javed Mazhar was appointed as Locum Consultant Anaesthesia vide appointment order dated 05.09.2016, and an amount of Rs. 9,900,000/- (Rs. 150,000 X 66 months) was paid to her on account of her remuneration, at the rate of Rs. 150,000/- per month. Audit observed that;

- The consultant was appointed without conducting any competitive process and obtaining any approval from the competent forum.
- The contract of consultant was extended for a period of one year vide office order 20.10.2017, presumably on the written instructions given to Haji WarisSahb on a piece of paper.
- The HRMO vide his Note Sheet Para No. 6 regarding renewal of contract stated that there are 32 medical officers/ consultants and 09 faculty working in the Anesthesia Department. However, the contract of the consultant was even extended for a period of one year.
- The contract of the consultant was extended for a period of five years 05 times up to 08.09.2021.
- During the renewal of contract of the consultant for 2021-22, the Director HR sought the comments of the HOD regarding his extension or otherwise. However, the HOD did not commented and rather stated vide Note Sheet Para No. 07 about the attachment of the performance appraisal of the consultant.
- The Director HR vide Note Sheet Para No. 9 stated that his services may be regularized as Anesthetist due to scarce resources in the specialty concerned.
- The Medial Director accordingly retained the consultant as Anesthetist on regular MTI contract with effect from 09.09.2021 vide office order dated 07.09.2021, without advertising the post or constituting the recruitment and selection committees as required under the rules aforementioned.

Audit held that appointment and extension of contract of a consultant on the recommendations of the Director HR rather than the HOD, without considering the need for the hospital was irregular and the payments made to him as unauthorized.

The lapse occurred due to violation of rules and regulations which resulted in unauthorize payment.

When pointed out in April 2022, it was replied that Anaesthesia being rare and unattractive specialty and deficient consultant. To cope with the deficiency trained and qualified Anaesthesia are desired need at all time. So, the services of Dr. Masood Javed Mazhar - Anaesthetist, a qualified and having vast experience were hired w.e.f 09-09-2016 initially on one year contract extended from time to time and due to exigencies of the services he was retained as Anaesthesia on Regular MTI Contract w.e.f 09-09-2021

The reply was not convincing as there was no provision in the rules and regulations of the institution for the said appointment.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may conduct inquiry regarding availability of the same cadre posts during the period of extension of the consultant. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 831 (2020-21)

12.4.84 Irregular expenditure due to unauthorized execution of item of work - Rs. 6.024 million

According to the original BOQ, a quantity of 25,000 meter of an item of work “OM4, (24 Core) 2.6mm loose tube, steel wire strength member, steel tape armored, PE jacket (DIGITUS **Germany** or Equivalent) was approved by the Hospital Administration for the establishment of ICT infrastructure at Lady Reading Hospital at the rate of Rs. 950/- per meter, along with a quantity of 2,000 meter of an item of work “Optical Fiber Cable, SM Duct Buried, 24 Fiber, Single mode G652-D Compliant” at the rate of Rs. 121/- per meter.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed that a quantity of 27000 meter of an item of work “Optical Fiber Cable, SM Duct Buried, 24 Fiber, Single mode G652-D Compliant” was shown executed by the contractor M/S National Telecommunication Corporation (NTC) in their final bills at the rate of Rs. 223.14 per meter for an amount of Rs. 6,024,845/-, instead of the above approved quantities of items of work, which held the execution of work as irregular and unauthorized.

Audit held that in spite of the fact that NTC charged a 14% (2% estimation fee and 12% establishment charges) on the total project cost amounting to Rs. 12,719,372/-, it failed to ensure quality of work which is evident from the fact that 100% deviation from the original scope of work occurred.

The lapse occurred due to weak internal controls which resulted in irregular expenditure.

When pointed out in April 2022, no reply was furnished.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may conduct inquiry in the matter. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 843 (2020-21)

12.4.85 Unauthorized payment on account of Civil Works - Rs. 20.021 million

According to the Final Capital Cost Estimate Bill submitted by M/S NTC vide letter dated 31.01.2020, an amount of Rs. 1,5089,263/- was included as cost of Civil/ Electrical Work.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed that an amount of Rs. 92,152,529/-was paid to the National Telecommunication Corporation (NTC) for the establishment of ICT infrastructure at Lady Reading Hospital. The payment made to the contractor also included an amount of Rs. 20,021,588/- paid on account of Services under the component Laying of OFC Cable Network. However, on scrutiny of record, it was revealed that all the items included and paid under the services category were completely civil work items, as evident from the Handing/ Taking report of NTC dated 09.01.2020. Furthermore, audit also raised the following observation;

- A quantity of 10,000 meter of **PVC Pipe 4” Dia 3mm for Data Center Cables** was shown utilized at the rate of Rs. 289.48 per meter for an amount of Rs. 2,894,800/-. However, a quantity of only 200-meter excavation in Kacha trench and 4000 meter in Pacca trench for laying PVC duct was executed. Hence, utilization of 5,800 meter (10,000 m –4,200) of PVC pipe valuing Rs. 1,678,984/- (5,800 m X Rs. 289.48) was held doubtful.

- A quantity of 2,350 meter of **Road boring of depth 5' beneath road** was shown executed at the rate of Rs. 1,185.56 per meter for an amount of Rs. 2,786,088/-. However, necessary NOC from the concerned government department was not found obtained.
- A quantity of 14,369 meter of **Attachment of PVC Pipe in Duct with Pulling of Fiber** was shown executed at the rate of Rs. 503.861 per meter for an amount of Rs. 7,239,979/- Furthermore, a quantity of 2,400 meters of an item of work **Attachment of Runway/ Tray Duct** was also executed at the rate of Rs. 948.451 for an amount of Rs. 2,276,282/-, which makes the payment so made as doubtful, as no proper measurement book showing their path was found available on record.
- A quantity of 5,100 meter of **Repair of Pacca**was shown executed at the rate of Rs. 414.943 per meter for an amount of Rs. 2,116,209/-. However, only a quantity of 4,000 meter of an item of work Excavation in Pacca Trench was executed. Hence a quantity of 1,100 meter of an item of work Repair of Pacca amounting to Rs. 456,437/- (Rs. 1,100 X 414.93 m) was held doubtful.
- A quantity of 14,369 meter of **Attachment of PVC Pipe in Duct with Pulling of Fiber** was shown executed at the rate of Rs. 503.861 per meter for an amount of Rs. 7,239,979/- However, no proper measurement book showing their path was found available on record.

Audit held that the total amount of Rs. 20,021,588/- paid by the hospital management on account of services, in addition to the already included civil and electrical works of Rs. 1,508,262/- was completely unauthorized.

The lapse occurred due to non-observance of rules and regulations which resulted in unauthorized payment.

When pointed out in April 2022, no reply was furnished.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may conduct inquiry in the matter. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 846 (2020-21)

12.4.86 Loss to the government due to non-imposition of penalty and non-forfeiture of performance security - Rs. 9.600 million

According to Contract agreement executed for 3 years between M/S Security Solution Pvt Ltd Peshawar and LRH Peshawar on 1st may 2020, any failure to meet the requirement of the contract including failure to complete the satisfactorily, failure to deploy minimum manpower, failure provide/use material, shall result in deduction of proportionate amount from the bill.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21 it was observed that the management of MTI LRH awarded the security services contract to M/s Security

Solution Pvt Ltd Peshawar vide work order dated 27-04-2020 for providing 221 guards at the rate of Rs. 18,100 per month. However, the hospital administration after the lapse of one year issued a charge sheet type letter dated 31-05-2021 to the company describing the complete non-failure of the firm to abide the requirement of the approved agreement resulted losses of millions to the hospital. The company was also failed to provide and establish communication system with base and UHF/VHF radio sets in one-year period. In addition to this, the administration conveyed 10 other shortcomings on the part of company and lastly terminate the contract agreement vide letter dated 21-10-2021.

Furthermore, after the termination of contract agreement with the firm, the management hired the services of another company at the rate of Rs. 21,000/- per person.

Audit held that the management neither implement the necessary mandatory clauses of the agreement from the company nor was able to implement and imposed the penalty and forfeited the performance security which resulted a loss of Rs. 9,600,240/- (18,100 X 221 = 4,000,100 X 12 = 48,001,200 X 10%) (Security 48,001,200 X 10%).

The lapse occurred due to weak internal controls which resulted in loss to the government.

When pointed out in April 2022, no reply was furnished.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may conduct inquiry in the matter. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 867 (2020-21)

12.4.87 Unauthorized payment on account of Anaesthesia Allowance, Critical Care Allowance and Incentive Allowance – Rs. 404.718 million

According to the Finance Department KP notification No.FD(SOSR-II)8-18/2016 dated 07.01.2016, the provincial cabinet of Khyber Pakhtunkhwa approved the enhanced Health Professional Allowance w.e.f 01.01.2016 at the prescribed rates subject to the condition that the existing allowances for doctors (Anaesthesia Allowance and special packages in selected hospitals) shall be discontinued except the non-practicing allowance.

According to Rule 8 (e) of the Khyber Pakhtunkhwa Provincial Medical Teaching Institutions Rules 2015, the institutional management committee shall devise and maintain adequate system to ensure that firstly the MTI can identify, implement and monitor opportunities for cost improvements and income generations programs, and secondly to be informed of the financial consequences of changes in policy, pay awards, **and other events and trends** affecting budget.

During annual audit of the accounts record of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed that employees of the hospital were allowed Anaesthesia Allowance. However, analysis of the HR data revealed that some of the employees were getting the Anaesthesia Allowance along with Health Professional Allowance, total amounting to Rs. 4,680,000/-, which was against the spirit of the above-mentioned notification and thus resulted into unauthorized payment and loss to the hospital funds.

Moreover, some of the employees working in the ICU of the hospital were allowed Critical Care Allowance @ 10,000 per month total amounting to Rs. 11,280,000/-. However, neither the criterion for the admissibility of the said allowance was known nor was there any justification of payment of an additional allowance for working in a specific section / department. The payment of additional allowances to a specific group of employees creates disparity among the employees, encourages favouritism and discourages rotation of duties.

Furthermore, a number of employees were paid incentive allowance amounting to Rs. 388,758,924/- at different rates. However, neither the said allowance was consistent with the present structure of government pay and allowances nor was the criterion for admissibility of the incentive allowance known. The analysis of the HR data also revealed that the said allowance was not consistent, for instance, the allowance paid to the Assistant Professors was ranging from Rs. 89,319/- pern month to Rs. 389,414/-.

Audit held that payment of the said allowances total amounting to **Rs. 404,718,924/-** was neither covered in the MTI rules and regulations nor in the government policy and procedures for hospitals.

The lapse occurred due to non-adherence to rules which resulted in unauthorized payment.

When pointed out in April 2022, no reply was furnished.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may obtain opinion of the Finance Department regarding the admissibility of the said allowances in light of the MTI Act. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to recover the amount.

PDP No. 907 (2020-21)

12.4.88 Doubtful expenditure on account of repair and maintenance of transformers – Rs. 5.405 million

According to Rule 9 (e) of the Khyber Pakhtunkhwa Provincial Medical Teaching Institutions Rules 2015, the institutional management committee shall devise and maintain adequate system to ensure that firstly the MTI can identify, implement and monitor opportunities for cost improvements and income generations programs, and secondly to be informed of the financial consequences of changes in policy, pay awards, and other events and trends affecting budget.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed, while scrutinizing the expenditure statement, that an amount of Rs. 437,737/- was spent by the hospital administration on account of repair of transformers. However, an amount of Rs. 4,967,350/- has also been expended during the last three financial years by the hospital administration under the same head, as evident from the expenditure statements, tabulated below;

FY	Head of Expenditure	Amount
2017-18	Repair of transformers	2,259,446
2018-19	Repair of transformers	1,879,416
2019-20	Repair of transformers	828,488
Total		**4,967,350**

Audit held that huge expenditures totalling to **Rs. 5,405,087/-** have been incurred on the repair of transformers repeatedly, and chances of double drawl and doubtful expenditure cannot be ruled out.

Audit further held that the hospital administration expended the amount on repair of transformers without involving the PESCO authorities.

The lapse occurred due to weak internal controls which resulted in doubtful expenditure.

When pointed out in April 2022, no reply was furnished.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may recover the amount from the quarter concerned i.e. PESCO besides referring the matter to PAC for delay in action. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 913 (2020-21)

12.4.89 Doubtful expenditure on account of purchase of IT equipment – Rs. 200.071 million

According to Rule 9 (e) of the Khyber Pakhtunkhwa Provincial Medical Teaching Institutions Rules 2015, the institutional management committee shall devise and maintain adequate system to ensure that firstly the MTI can identify, implement and monitor opportunities for cost improvements and income generations programs, and secondly to be informed of the financial consequences of changes in policy, pay awards, and other events and trends affecting budget.

During annual audit of the accounts record of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed, while scrutinizing the expenditure statement, that an amount of Rs. 101,097,141/- (Rs. 11,744,276 + 8,307,625 + 81,045,240) was spent by the hospital administration on account of purchase of computer hardware and switches etc. However, an amount of Rs. 98,974,064/- has also been expended during the last three financial years by the hospital administration on the purchase of computer hardware and switches etc., as evident from the expenditure statements, tabulated below;

FY	Head of Expenditure	Amount
2017-18	purchase of computer hardware and switches	32,169,996
2018-19	purchase of computer hardware and switches	14,701,132
2019-20	purchase of computer hardware and switches	52,102,936
Total		**98,974,064**

It is worth mentioning here that Deputy Director IT has been given the additional charge of Secretary to BOG since last three years, and chances of conflict of interest and the officer being influencing the decisions of the forum related to purchase of IT related equipment cannot be ruled out.

Audit held that huge expenditures totalling to **Rs. 200,071,205/-** have been incurred on the purchase of IT related equipment/ items repeatedly, and chances of double drawl and doubtful expenditure cannot be ruled out.

The lapse occurred due to weak internal controls which resulted in doubtful expenditure.

When pointed out in April 2022, no reply was furnished.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may conduct a joint inquiry in the matter with members from the Health Department, KP Information Technology Board and Audit. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 914 (2020-21)

12.4.90 Wasteful expenditure on account to of purchase of medical equipment - Rs. 61.761 million

According to Para 145 of the General Financial Rules Volume-I, the purchases must be made in the most economical manner in accordance with the definite requirements of the public service. At the same time, care should be taken not to purchase stores much in advance of actual requirements.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed that an amount of Rs. 35,833,775/- equivalent to USD 203,200/- and Rs. 25,927,575/- equivalent to USD 147,000/-, totalling to Rs. 61,761,350/- was paid through LC account to M/S Mediland Pakistan vide Cheque No. 194866 dated 05.08.2019 on account of supply of Endoscopic Ultra Sound and Video Endoscopy respectively.

However, the equipment items were not installed and operationalized by the hospital administration till date of audit, after a lapse of 31 months, thereby raising serious questions on the need and demand of the items, resulting into a wasteful expenditure with no utility to the public at all.

The lapse occurred due to weak internal controls which resulted in wasteful expenditure.

When pointed out in April 2022, no reply was furnished.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may conduct an inquiry in the matter. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 927 (2020-21)

12.4.91 Loss to the hospital funds due to unnecessary blockage of hospital money - Rs. 2.980 million

According to Rule 8 (d) of the Khyber Pakhtunkhwa Provincial Medical Teaching Institutions Rules 2015, all receipts of an institution shall be deposited in the bank in the name of the institution concerned.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed that an account number BOK SDA 05155-00-2 was opened on 25.10.2005 in the Bank of Khyber for cost of material and depreciation, and an amount of Rs. 2,980,407/- was shown as a closing balance. However, the said account remained dormant since long, without carrying out any transaction.

Audit held that the account became dormant due to non-carrying out any transaction, and the balance amount of Rs. 2,980,407/- was not brought into the knowledge of the higher ups for making part of the regular budget for utilization.

The lapse occurred due to weak internal controls which resulted in loss to the hospital funds.

When pointed out in April 2022, no reply was furnished.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may show the utilization of the account and affecting recovery of the loss sustained. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 942 (2020-21)

12.4.92 Irregular expenditure on account of purchases due to non-transparent tendering process - Rs. 73.403 million

According to the bid evaluation criteria of the LRH MTI for purchase of IT equipment, qualifying marks were 49 out of 100 marks consisting of 70 marks for technical qualification and 30 marks for financial qualification with the condition that the lowest bidder will get full marks.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the Financial Year 2020-21, it was observed that a sum of Rs. 73,403,621/- was paid to M/S Computer Marketing Co. Pvt Ltd (CMC) vide cheque No. 214828 dated 3.6.2021, for purchase of IT equipment. However, it was observed that;

- Bid documents of the M/S CMC were not available on record.
- In the tender opening meeting held on 05-03-2019, M/S CMC did not participate.
- Technical evaluation sheet of M/S CMC was not available on record.

- Other firms M/S DWP Technologies and M/S Mega Plus which participated in the tendering process were declared technically disqualified in “all in one systems” in the final report. However, these firms were awarded 93 and 81 marks in the technical evaluation sheets of other computer equipments/laptops under the same tendering process.
- The Management Committee (MC) in its meeting held on 30.6.2020 also refused to give approval of the said payment due to non-fulfillment of codal formalities and incomplete bills.

Audit held that the whole tendering process was dubious just to provide undue benefit and favourto the selected firm M/S CMC by compromising transparency in the tendering process which is irregular and needs justification.

The lapse was occurred due to weak internal controls which resulted in irregular expenditure.

When pointed out in April 2022, no reply was furnished.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may conduct a joint inquiry in the matter. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 946 (2020-2021)

12.4.93 Loss due to unjustified awarding of contract for maintenance of networking system - Rs. 9.238 million

According to the mandate of the MIS Department LRH MTI, the computer department is responsible for:

- Providing day to day support with the routine running of the computer systems in hospitals
- Supports the hardware and software which is in use with the hospital

The IT department is responsible for:

- All Networks, computer and health information system and to ensure that the systems and equipment improves hospital efficiency, patient safety and information interoperability.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the financial year 2020-21,it was observed that contract for “Network maintenance, 2019-22” was awarded to M/S MBE Services vide letter No. 17026-10MMD/LRH/MTI dated 12.07.2019 at Rs. 384,948/ per month. A sum of Rs. 9,238,752/- (384948 x 24 months) was paid accordingly to the firm during the period w.e. f 07/2019 to 06/2021. However, audit held that the expenditure is a recurring loss and extra financial burden on the institute because a fully functional MIS department is working in the institute with the responsibility to run, provide day to day support, and maintain the networks, hardware and software, and computer systems etc. So, in presence of the MIS Department, awarding contract for the maintenance of network systems of the institute is irrational, un-justified and beyond understanding.

The lapse was occurred due to weak internal controls and extending undue favour to the firm which resulted in recurring loss to the hospital funds.

When pointed out in April 2022, no reply was furnished.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may conduct a fact-finding inquiry in the matter for making cost and benefit analysis of outsourcing or own hiring of the network maintenance services. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 960 (2020-21)

12.4.94 Doubtful expenditure on account of utilization of cardiac stents - Rs. 3.372 million

According to Rule 23 of the General Financial Rules Volume-I, every public 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 audit of the accounts of MTI Lady Reading Hospital Peshawar for the financial year 2020-21, it was observed that a sum of Rs. 66.637 million was transferred to Cardiology Department BOK Account No. 3438-00-9 in the month of March 2021 for the stents consumed in Cath Lab charged from the Sehat Sahulat Procedures during the Year 2018-19. However, sample scrutiny of record of the patients of Cardiology Department treated for the cardiac stents from the Sehat Sahulat Card revealed that stents / items shown consumed on the patients through Sehat Sahulat procedures were not matching with the items shown issued and utilized in the stock register.

1. In some cases, the quantity of DES Stents of various types shown consumed in the stock register were more than the quantity shown consumed in the Sehat Sahulat procedures meaning thereby that excess quantity was shown consumed in the stock register without actual utilization.
2. Similarly, in some instances, the quantity of DES stents shown consumed in the Sehat Sahulat Procedures was more than the actual quantity shown consumed in the stock register meaning thereby that excess quantity of DES stents was claimed in the Sehat Sahulat procedures.

Audit held that mismatch of the stents and other cardiac items was a serious lapse which resulted in doubtful expenditure on account of DES stents amounting to Rs. 3,372,000/- **(Annexure-XXVII)**.

The lapse was occurred due to weak internal controls over the concerned staff which resulted into doubtful expenditure.

When pointed out in April 2022, no reply was furnished.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may provide relevant record to Audit for verification. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 968 (2020-21)

12.4.95 Doubtful expenditure due to unverified utilization of cardiac items - Rs. 159.921 million

According to Para 13 of GFR Vol 1, every controlling officer must satisfy himself not only that adequate provision exists within the departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers but also that the prescribed checks are effectively applied. Each head of the department will get the accounts of his office and those of the subordinate disbursing officers inspected at least once in every financial year to see whether effective system of internal checks exists for securing regularity and propriety in the various transactions including receipts and issue of store etc.

During audit of the accounts of MTI Lady Reading Hospital Peshawar for the financial year 2020-21,it was observed that a separate fund account was maintained for the affairs of the cardiology department and a fund of Rs. 58.282 million was separately allocated and an expenditure of Rs. 159.921 million incurred from the said account on account of purchase of various cardiac items like Stents, Sprinter Balloon, Injections, PCI Kits, ECG Stickers, Redial Sheath etc. during the year.However, no major procedures like open heart surgeries etc. were conducted in the cardiology department despite availability of trained personnel.

Moreover, majority of the procedures involving utilization of stents and other cardiac items were funded from the Sehat Sahulat Program.

Furthermore, details of patients and patient registers etc. were demanded time and again for comparison with the items shown utilized in various sections of the cardiology department like Cath Lab, Echo, ETT, Holter and Nuclear etc., but the same were not provided to Audit.

It is worth mentioning here that CRC Center in Hayatabad Medical Complex and Peshawar Institute of Cardiology were established in District Peshawar.

Audit held that in presence of CRC Center and PIC and introduction of MTI / BOGs in the hospitals, the maintenance of separate account was a serious lapse on part of the hospital management.

Audit further held that incurring expenditure on the purchase of cardiac items despite the fact that the procedures were funded from Sehat Sahulat Program and subsequent non-production of patient record was a serious lapse on part of the hospital management and makes the expenditure incurred as doubtful.

The lapse was occurred due to weak internal controls which resulted in doubtful expenditure.

When pointed out in April 2022, no reply was furnished.

In the DAC meeting held on 20 to 23.12.2022, it was decided that the department may provide relevant record of utilization of funds of cardiology department to Audit for verification. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 970 (2020-21)

12.4.96 Loss to the government due to non-imposition of penalty upon HVAC System contractor – Rs. 48.400 million

According to the work order dated 20.03.2018 issued to M/S DWP Technologies for Replacement of HVAC System by New Latest Energy Efficient System, the time for completion of work is 12 months after execution of the contract agreement on 26.03.2018.

According to Clause No. 11.1 and 22 of the terms and conditions of the contract agreement, the supplier shall make delivery of the goods which is maximum 90 days from the date of issuance of this contract on 26.03.2018 or opening/ establishment of LC. In case of late delivery, penalty as specified in the SCC shall be imposed upon the supplier.

During audit of the accounts of MTI Khyber Teaching Hospital Peshawar for the Financial Year 2020-21, it was observed that the contract for Replacement of HVAC System by New Latest Energy Efficient System was awarded to M/S DWP Technologies for an amount of Rs. 484,000,000/- vide work order dated 20.03.2018. However, further scrutiny of record revealed that the contractor failed to complete the project within the due course of time.

Furthermore, the supply and installation of the system could not be completed till date i.e. June 2022.

Audit held that the hospital administration should have imposed penalty upon the contractor at the prescribed rates amounting to Rs. 48,400,000/- (Rs. 484,000,000 X 10%).

The lapse occurred due to weak internal controls which resulted in loss to the government.

When pointed out in June 2022, it was replied that the audit note has been discussed with the hospital administration, and detailed reply will be furnished after complete verification of record.

In the DAC meeting held on 02.02.2023, it was decided that the department may provide justification / reasons of extension in time period by the Board of Governors. However, no progress was intimated to Audit till finalization of this report.

Audit recommends imposition of penalty and affecting recovery at the earliest.

PDP No. 1244 (2020-21)

12.4.97 Irregular expenditure on account of operation and purchase of medicine for Retail Pharmacy - Rs. 43.579 million

According to Agenda Item No. 04 of the 22nd BOG meeting held on 04.03.2017, it was decided to establish the Retail Pharmacy for providing medicines to the patients within the premises of the hospital.

During audit of the accounts record of MTI Khyber Teaching Hospital Peshawar for the Financial Year 2020-21, it was observed that the Retail Pharmacy was established in the hospital for facilitating the patients by providing medicines in the hospital's vicinity in the Year 2020, after a lapse of almost 04 years of the approval of the establishment of the same by the Board of Governors in its 22nd meeting held on 04.03.2017. Accordingly, an amount of Rs. 43,579,311/- was expended on the purchase of medicines for the retail pharmacy. Further scrutiny of record revealed that;

- The Pharmacy Department vide letter dated 09.11.2019 intimated that the desired out-patient pharmacy can be established, which shall not only provide services but the same will be pilferage free, having auditable documented record keeping as well, which is essential besides the services delivery. However, the auditable record like the demand generation, supply order, delivery challans, inspection reports, payment vouchers, and the contract agreements etc. could not be maintained by the Retail Pharmacy staff.
- A separate bank account for the Retail Pharmacy was not opened by the hospital administration as was decided vide Agenda Item 14.5 of the minutes of the 81st BOG meeting held on 09.12.2020. It is worth mentioning here that the said bank account was said to have been opened, as evident from the meeting for newly established retail pharmacy held on 15.01.2021.
- The hospital administration and the board of governors vide Agenda Item No. 14 of the 81st BOG meeting held on 09.12.2020 decided to establish the pharmacy to provide quality medicines/ disposables/ medical devices to the patients on discounted rates and generate a profit margin for the institution as well, which was against the approval granted by the Health Department vide letter dated 24.12.2020, wherein it was intimated that the retail pharmacy should be run by the hospital administration on "no profit no loss" basis.
- The hospital administration failed to generate profit from the operations of the retail pharmacy despite the fact that a mark rate of 7.5% was decided to be fixed on the sales of the pharmacy medicines, as was decided in the meeting for newly established retail pharmacy held on 15.01.2021.
- The hospital administration and the board of governors vide Agenda Item No. 14 of the 81st BOG meeting held on 09.12.2020 decided to provide pharmacy services in two shifts, which was against the approval granted by the Health Department vide letter dated 24.12.2020, wherein it was intimated that the pharmacy shall be operational round the clock i.e. 24/7.
- The Retail Pharmacy purchased all the medicines and disposables from M/S Takhtbai Medicose directly, as against purchasing the same either from the MCC approved list of suppliers or by adopting internal tender system, as was decided in the SOPs formulated by the hospital and directions given by the Health Department vide letter dated 24.12.2020.
- The pharmacy staff could have adopted proper tendering system for the purchase of medicines for the Retail Pharmacy, as was observed by the Internal Audit Department of the hospital vide Para No. 9.15 of the Internal Audit Report for the period July 2018 to June 2019, regarding selection of M/S Takhtbai Medicose for supply of medicines to the IBP Pharmacy.
- The pharmacy staff purchased the medicines and disposables from M/S Takhtbai Medicose, including the local purchase items, as against purchasing the LP medicines from the LP supplier selected for the routine hospital pharmacy, as was required under the SOPs developed.
- The purchases and sales were made without obtaining approval from the Formulary Committee, the Medical Director and the Hospital Director, as was required under the SOPs developed.
- The retail pharmacy staff neither finalized the terms and conditions nor executed proper contract agreements with the selected suppliers, as was required under the SOPs developed.

- The pharmacy staff could not provide evidence regarding conducting the routine sales through the HMIS Software, instead of manual sales, as was required under the SOPs developed.
- The Finance Department of the hospital failed to prepare the monthly report including the Profit and Loss Statement, Balance Sheet and Cash Flow Statement, as was required under the SOPs developed.
- The Finance Department of the hospital failed to submit the monthly analysis regarding sales made, receivables generated, amount released and the actual pharmacy consumption; and in respect of the Sehat Sahulat Card Patients, as was required under the SOPs developed.
- The Internal Audit Department failed to conduct semi-annual and annual internal audit of the retail pharmacy and submit the report to the hospital administration and the Board of Governors, as was required under the SOPs developed.
- The Chief Internal Audit was directed by the Hospital Director vide letter dated 27.01.2021 to carry out audit of the retail pharmacy, specifically in light of the observations raised by the Associate Hospital Director vide his letter dated 11.11.2021. However, the Auditor failed to carry out the said audit till date of Audit.

Audit held that the whole affairs of the retail pharmacy were administered poorly, which resulted in non-achievement of the objectives of the establishment of the pharmacy and resulted into a loss in terms of revenue and profit forgone due to the poor operations as well.

The lapse occurred due to violation of rules and regulations which resulted in irregular expenditure.

When pointed out in June 2022, it was replied that the audit note has been discussed with the hospital administration, and detailed reply will be furnished after complete verification of record.

In the DAC meeting held on 02.02.2023, it was decided that the department may provide relevant record like market price verification and profit and loss of the retail pharmacy for verification. However, no progress was intimated to Audit till finalization of this report.

Audit recommends investigating the matter, fixing responsibility and taking appropriate against the person(s) at fault.

PDP No. 1314 (20220-21)

12.4.98 Unauthorized expenditure on account of purchase of medicines for retail pharmacy - Rs. 14.933 million

According to the SOPs formulated by the hospital for running the affairs of the retail pharmacy, the medicines for the retail pharmacy can be purchased from either the MCC approved list of suppliers or by adopting internal tender system. Similarly, the LP medicines for the retail pharmacy can be purchased from the LP supplier selected by the hospital for the routine hospital pharmacy.

According to the Health Department KP letter dated 24.12.2020, the retail pharmacy shall be run by the hospital administration according to rules and regulations.

During audit of the accounts record of MTI Khyber Teaching Hospital Peshawar for the Financial Year 2020-21, it was observed that an amount of Rs. 7,466,805/- was paid to M/S Takhtbai Medicose on account of supply of medicines to the retail pharmacy during the period w.e.f January to June 2021, as evident from the system generated list of procurements made, totalling to Rs. 14,933,610/- (Rs. 7,466,805 X 2 (for the whole period of 12 months)). However, the purchases were made without adopting the approved list of the MCC or internal tendering system, in violation of the rules afore mentioned.

It is worth mentioning here that the Internal Audit Department of the hospital had raised Para No. 9.15 of the Internal Audit Report for the period July 2018 to June 2019 while reviewing the accounts of the IBP Pharmacy, regarding selection of M/S Takhtbai Medicose for supply of medicines to the IBP Pharmacy, wherein it was recommended that market surveys should have been conducted and quotations called for the local purchase of medicines to ensure price efficiency and quality of the products.

Audit held that purchasing the medicines from M/S Takhtbai Medicose without adopting internal tendering system was completely unauthorized and extending undue favour towards the choice contractor by the hospital administration.

Audit further held that as per the analogy of the internal audit recommendations regarding selection of the firm for IBP Pharmacy, the contract for the supply of medicines to the retail pharmacy also should have been tendered to obtain economical rates and the best quality products.

The lapse occurred due to violation of rules and regulations which resulted in unauthorized expenditure.

When pointed out in June 2022, it was replied that the audit note has been discussed with the hospital administration, and detailed reply will be furnished after complete verification of record.

In the DAC meeting held on 02.02.2023, it was decided that the department may provide relevant record like market price verification and profit and loss of the retail pharmacy for verification. However, no progress was intimated to Audit till finalization of this report.

Audit recommends investigating the matter, fixing responsibility and taking appropriate against the persons at fault.

PDP No. 1317 (2020-21)

12.4.99 Loss to the government due to unauthorized payment on account of Institutional Performance Allowance – Rs. 30.240 million

According to Clause 7(1)(a) & (l) of the MTI Act 2015, the Board of Governor shall be responsible for ensuring that the objectives of the Medical Teaching Institution within the overall ambit of the government policy are achieved, and that the government policies and standards are complied with, and obtaining prior approval from government in case of any deviation.

During audit of the accounts of MTI Khyber Teaching Hospital Peshawar for the Financial Year 2020-21, it was observed that an amount of Rs. 30,240,000/- was allowed and paid to the employees of the hospital on account of Institutional Performance Allowance. However, there was no provision for the said allowance to be paid to the employees of the hospital.

Furthermore, neither the hospital administration nor the board of governors seek prior approval for deviation from the provincial government for deviation from their policies and standards in allowing the said allowance.

The lapse occurred due to non-adherence to rules which resulted in loss to the government.

When pointed out in June 2022, it was replied that the audit note has been discussed with the hospital administration, and detailed reply will be furnished after complete verification of record.

In the DAC meeting held on 02.02.2023, it was decided that the department may seek guidance from the Health Department regarding the admissibility of the said allowance. However, no progress was intimated to Audit till finalization of this report.

Audit recommends recovery besides looking into the matter for the previous years and calculating (and affecting recovery) the amount of the said allowances from the employees since its initiation.

PDP No. 1338 (2020-21)

12.4.100 Loss to the hospital fund due to purchase of medicines at higher rates - Rs. 6.560 million

According to Clause No. B & C of the DGHS Peshawar letter No. 2655-2754/DDC/DGHS/KP dated 16.10.2020, the purchasing entities shall place supply orders of the needed items directly to the suppliers. The purchasing entities shall keep in view and shall be responsible to vigilantly act upon the terms and conditions as agreed by the suppliers as per their contract agreements.

During audit of the accounts of MTI Khyber Teaching Hospital Peshawar for the Financial Year 2020-21, it was observed that the hospital management purchased 38 different medicines and disposables items from the open market at much higher rates than the one approved by the MCC management of the KP Government, which resulted into a loss of **Rs. 6,560,087/- (Annexure-XXVIII).**

Audit held that the hospital was bound to purchase all those medicines and disposables, which are available and approved by the MCC management keeping in view the financial propriety of the public fund.

The lapse occurred due to non-compliance of the recommendation of the inquiry report which resulted in loss to the hospital funds.

When pointed out in June 2022, it was replied that the audit note has been discussed with the hospital administration, and detailed reply will be furnished after complete verification of record.

In the DAC meeting held on 02.02.2023, it was decided that the department may conduct inquiry in the matter in consultation with Director General Drugs, Health Department. However, no progress was intimated to Audit till finalization of this report.

Audit recommends recovery of the loss sustained by the hospital due to purchase of medicines on higher rates.

PDP No. 1279 (2020-21)

12.4.101 Loss to the government due to less recovery of room rent and utility charges from hostel occupants – Rs. 250.769 million

According to Agenda Item No. 06 of the minutes of 29th MTI LRH Peshawar's Board of Governors meeting held on 20-08-2020, it was decided by the Board of Governors that no free electricity or gas facility would be provided to the residents of hostels or other residential places of the hospital. Proper meters should be installed and charges should be paid by the residents for their relevant premises. This should be done immediately. Furthermore, the Board also decided that the Electrical Engineer should review all the electrical installations within and outside the hospital and develop policy to reduce consumption and present the same to the Board. The same should be done for gas supply.

During audit of the accounts of MTI Khyber Teaching Hospital Peshawar for the Financial Year 2020-21, it was observed that payment to the tune of Rs. 241,073,258/- **(Annexure-XXIX-A)** was made on account of electricity charges and Rs. 12,390,970/- **(Annexure-XXIX-B)** on account of gas charges, totalling to Rs. 253,464,228/-, for different hostels of the hospital. However, the management deducted a very meagre amount of Rs. 2,694,431/- **(Annexure-XXIX-C)** from the occupants at the nominal rates of Rs. 300 as electricity charges, Rs. 300 as gas charges, and Rs. 2,000 as AC charges, resulting into less recovery of **Rs. 250,769,757/-**, which resulted into a loss to the provincial government.

Audit further observed the following;

- The rates at which the utility charges are deducted are the ones which were en vogue in the Year 2007-08, and the hospital administration and the board of governors badly failed to revise the same according to the prevailing prices of these utilities.
- There were no SOPs in line with the provincial government criteria regarding the entitlement of employees to the AC facility, due to which almost all the staff residing in the hostels, including paramedics, nurses and doctors etc. were allowed the said facility, due to which there was such a huge gap between payments made as utility charges and the recoveries affected thereon.
- There were no controls or internal check system to monitor the operations of the ACs and utilization of the utilities, due to which most of the occupants were using window/ general ACs instead of split ACs.
- The AC facility was allowed to the occupants for five months only and deductions made for these five months accordingly, whereas on ground, there was no mechanism in place to check as to whether the same are used during these five months only or otherwise.
- Neither separate check meters were installed in the hostels nor was there any plan available to do the same in the near future, on the analogy of the system adopted by the Board of Governors MTI LRH Peshawar.

- The hospital administration failed to develop a policy to reduce the consumption of the utility charges, as was decided and initiated by the Board of Governors MTI LRH Peshawar.
- The Finance Department KP releases one-line budget to the hospital every year, without monitoring and checking as to where and how the said budget is utilized by the hospital administration.
- As the hospital administration paid an amount of Rs. 253,464,228/- on account of utility charges of a total of 905 occupants, thereby costing Rs. 280,070/- per head to the hospital funds, which is greater than the utility charges of a house occupied by a full family, and thus completely unjustified.

The lapse occurred due to non-adherence to rules which resulted in loss to the government.

When pointed out in June 2022, it was replied that the audit note has been discussed with the hospital administration, and detailed reply will be furnished after complete verification of record.

In the DAC meeting held on 02.02.2023, it was decided that the department may provide record regarding recovery made against the expenditure to Audit for verification. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to recover the amount less recovered from the occupants of the hostels.

Audit further recommends the hospital administration to look into the matter for the previous years and calculate (and recover) the amount on the said accounts from the employees as well.

PDP No. 1281 (2020-21)

12.4.102 Overpayment on account of purchase of machinery - Rs. 10.942 million

According work order No.4556/HMC dated 23/03/2020, clause 08, the firm will provide 10% Bank Guarantee for a period of 05 years (starting from the date of installation) which will be released after successful completion of warranty/guarantee period or in case of non-provision 10% may be retained from the bill.

During audit of the accounts of MTI Hayatabad Medical Complex Peshawar for the Financial Year 2020-21, it was noticed that contract for the supply of 15 No ICU ventilators was awarded to M/S Friends Traders vide PO No.4556/HMC date 23/03/2020.

Audit observed the following:

- The items were available in the approved MCC list @ Rs. 2,495,000/- which was ignored and purchase was made @ Rs. 2,895,000/- resulting into overpayment of Rs. 6,000,000/- (400,000 * 15).
- Instead of security @ 10% in shape of bank guarantee or retention money amounting to Rs. 4,342,500/-, the firm gave an affidavit, which was treated as bank guarantee by the local office in violation of the rules ibid. Hence undue favour was extended to the contractor and interest of the government was compromised for vested interests of the dealing hands.
- Contract agreement was not signed within the stipulated period of time i-e 20 days. The PO was issued on 23/03/2020 while the contract was signed on 10/02/2021. Therefore, the 2% bid security

amounting to Rs. 868,500/- was required to have been forfeited and contract awarded to next lowest bidder, which was not done. Hence the merit and transparency was compromised.

Audit therefore held that the contract was awarded unfairly and undue favour was given to the supplier, resulting into an overpayment or Rs. 10,342,500/-

The lapse occurred due to weak internal controls and financial mismanagement which resulted in overpayment to the contractor.

When pointed out in June 2022, no reply was furnished.

In the DAC meeting held on 13.12.2022, it was decided that the department may provide the relevant record like justification of rate, bid security i.e. bank guarantee and original contract agreement etc. to Audit for verification. However, no progress was intimated to Audit till the finalization of this report.

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

PDP No. 1083 (2020-21)

12.4.103 Unjustified expenditure on account of hospital waste disposal - Rs. 4.849 million

According to work order No. 51394/HMC dated: 05-04-2016, Hospital purchased Incinerator from M/S Pak Glorious. Read with contract agreement executed with supplier, that Warranty/Guarantee will be 03 years with parts and services from the date of installation and 03 years free maintenance services without parts a total of 06 years and after sales service and parts availability for 10 years.

During audit of the accounts of MTI Hayatabad Medical Complex Peshawar for the Financial Year 2020-21, It was noticed that Rs. 4,849,714/- was shown incurred on account of Hospital waste disposal and paid to M/S ARAR Services as detailed below, due to non-functioning of the incinerator installed at hospital as detailed below:

Cheque	Date	Amount
210976	05-03-2021	1,605,897
211849	15-03-2021	1,394,219
212170	18-05-2021	1,430,911
213377	10-06-2021	418,687
Total		**4,849,714**

Audit held that parts provision and free maintenance was the responsibility of the supplier i.e. M/S Pak Glorious, but the local office did not enforce the contract clauses and went for outsourcing the services of M/S ARAR which is negligence on the part of the local office and waste of public money. Moreover, the services of M/S ARAR were engaged without any tender and fulfilling any codal formalities. Therefore, the expenditure so incurred is un-justified and irregular.

The lapse occurred due to weak internal control systems which resulted in unjustified expenditure.

When pointed out in June 2022, no reply was furnished.

In the DAC meeting held on 13.12.2022, it was decided that the department may provide the relevant record like advertisement and comparative statement etc. to Audit for verification. However, no progress was intimated to Audit till the finalization of this report.

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

PDP No. 1088 (2020-21)

12.4.104 Loss to the hospital funds due to non-recovery on account of electricity charges - Rs. 32.467 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 regularly and promptly assessed, realized and duly credited to the public account.

During audit of the accounts of MTI Hayatabad Medical Complex Peshawar for the Financial Year 2020-21, it was noticed that Rs. 30,840,277/- was shown incurred on account of electricity charges of residential buildings of MTI HMC.

Audit observed that no recovery was made from the residents/occupants of these accommodation and they were availing the facility free of cost which is totally unjustified and un-authorized. Further verification revealed that from 01-08-2021, check meters in few flats were installed who consumed electricity of Rs. 1,626,738/- as calculated by the Facility Management Department, but no payment was made by occupants till date of audit.

The lapse occurred due to weak internal control systems which resulted in loss to the hospital funds.

When pointed out in June 2022, no reply was furnished.

In the DAC meeting held on 13.12.2022, it was decided that the department may make complete to recover the amount. However, no progress was intimated to Audit till finalization of this report.

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

PDP No. 1093 (2020-21)

12.4.105 Non-recovery of liquidated damages from absconder scholar – Rs. 1.000 million

According to clause-v of the agreement signed between the scholar and Ayub Medical College, Abbottabad, in the event of breach of any of the aforesaid terms not arising from unavoidable circumstances the fellow/scholar binds himself firmly to pay on demand a sum of Rs.one million as liquidated damages to the Ayub Medical College Abbottabad. The agreement further stated that the sureties jointly and severally agreed to stand bound by the agreement and undertake to pay the amount without question and without reference to him.

During audit of the accounts of Ayub Medical College Abbottabad for the Financial Year 2020-21, it was observed that Muhammad Taimur Khan worked as lecturer in Dentistry Department of the college, was awarded fellow ship/scholarship for doing MPH Program at Nova Southeastern University, Florida, USA and was granted 703 days leave. The teacher was required to complete the course within two years and was due to report for his duties on 26-12-2019.

Audit observed that the concerned teacher did not return to join AMC and serve the college for five years in terms of clauses of the agreement but found absconder. The BoG in its 61th meeting held on 02-04-2021 removed him from service without recovery of liquidated damages from those sureties who signed the agreement along with Muhammad Taimur Khan.

The lapse occurred due to violation provisions of contracts agreements which resulted in loss to the government.

When pointed out in August, 2021, the Management of the college replied that the matter case was put in the BoG meeting dated 02-04-2021 and major penalty was imposed on the officer (Removal from Service). Since he is still abroad and matter will be dealt according to agreement/Bond.

The reply was not satisfactory. The absconder scholar breached the provisions of the signed agreement hence, in pursuance of agreement clauses referred ibid, liquidated damages from the sureties, who signed the agreement, was required to be recovered but was not done.

In the DAC meeting held on 27.12.2021, it was decided that recovery may be made from defaulter scholar.

During the verification of record dated 22.12.2023, the department failed to initiate recovery from the sureties of the ex-lecturer, hence the matter was referred to PAC.

Audit recommends immediate recovery of liquidated damages from the concerned who gave sureties on behalf of the absconder scholar, under intimation to Audit.

PDP No. 121 (2020-21)

12.4.106 Overpayment on account of ARA 2013 & ARA 2015 – Rs. 2.166 million

According to Finance Department Notification No. FD (PRC)1-1/2016 dated: 19.7.2016, 15% Adhoc Relief 2013 and 10% AR 2015 were merged into basic pay and were frozen on 30.6.2016.

During audit of the accounts of Khyber Girls Medical College Peshawar for the Financial Year 2020-21, it was noticed that various employees who were paid Adhoc Relief Allowances 2013 and 2015 amounting to Rs. 2,166,053/-, freezed after 01.07.2016 **(Annexure-XXX)**. These employees were not entitled to draw this allowance.

The lapse occurred due to non-observance of government rules which resulted into loss to the government.

When pointed out in March 2022, no reply was furnished.

In the DAC meeting held on 21.12.2022, it was decided that the department may get the recovered amount verified from Audit. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to recover the amount at the earliest and compliance to the DAC directives besides initiating inquiry against the delinquents.

PDP No. 750 (2020-21)

12.4.107 Loss to the government on account of unauthorized Institutional Performance Allowance in lieu of HPA – Rs. 6.876 million

According to section-7(l) of the MTI Act2015, the Board shall be responsible for compliance to Government and Board policies and base standards and any deviation from agreed standards or procedures shall obtain prior approval from the Government.

According to Finance Department Regulation Wing Khyber Pakhtunkhwa Notification No. FD(SOSR-II/8-18/2016) dated 07.01.2016 and even number dated 15.04.2016 and 23.02.2017, the Incentive Allowance in the shape of HPA was approved for the medical professionals (civil servants and institutional employees), paramedics and nursing staff.

During audit of the accounts of Khyber Medical College Peshawar for the Financial Year 2020-21, it was observed that the Board of Governors allowed Institutional Performance Allowance in lieu of Health Professional Allowance to all the non-medical staff of the College @ Rs. 3,000 per month to the staff from BPS-1 to 10 and Rs. 4,000 per month to the staff in BPS-11 and above.

Audit held that neither the provincial government had extended the incentive of HPA to the non-medical employees working in the Health Department (civil servants and institutional) nor any other allowance in lieu of HPA was granted. Only medical professionals, paramedics and nurses were allowed the said allowance as per notification quoted above. Hence, the withdrawal of Rs. 6,876,000/- as detailed below is thus held irregular and unauthorized;

No of Employees up to BPS-10	No of Employees above BPS-10
143 No @Rs 3,000 per month	36 No @Rs 4,000 per month
Overpayment Rs 3,000 x 143 x 12=Rs 5,148,000	Overpayment Rs 4,000 x 36 x 12=Rs 1,728,000
Total Overpayment= Rs 5,148,000+Rs 1,728,000	**Rs 6,876,000**

The lapse occurred due to weak internal controls and violation of government rules which resulted into loss to the government.

When pointed out in March 2022, no reply was furnished.

In the DAC meeting held on 21.12.2022, it was decided that the department may obtain clarification from the Finance Department. However, no progress was intimated to Audit till finalization of this report.

Audit recommends recovery and compliance to the DAC directives under intimation to Audit.

PDP No. 759 (2020-21)

12.4.108 Fraudulent withdrawal of funds due to non-receipt of ordered items - Rs. 6.236 million

According to Para 23 of GFR Vol I, every public officer is personally responsible for any loss sustained by government through fraud or negligence on his own part or on the part of subordinate disbursing officers.

During audit of the accounts of Mufti Mehmood Memorial Teaching Hospital MTI D.I. Khan for the Financial Year 2019-20, it was observed that an expenditure of Rs.9,509,147/- was incurred on account of purchase of Medicines, Chemicals & disposable items **(Annexure-XXXI)**. Out of the purchases of Rs. 9,509,147/-, medicines, chemicals and disposables amounting to Rs.6,236,544/- were neither taken on stock register nor received in the main store.

Upon verification of pages Nos. stock registers recorded on invoices, audit observed the following:

1. In some cases, the page No. of the stock register recorded on invoices was not found due to the fact that the mentioned page No. was not available in stock register due to less number of total pages in stock register.
2. In some instances, some other item was found on page record on invoice. (irrelevant/fake entry)
3. In some cases, page of the stock was found blank and the bill were passed.
4. In some cases, entries were not found on stock register

Audit held that neither these medicines, chemicals and disposables amounting to Rs. 6,236,544 were taken on register nor expenses through wards/units were made meaning thereby that these bills were passed on by recording fake entries on bills. Further verification of expense registers of each ward/unit, it was found that no item was found issued from main store to units/ wards thus mis-appropriated.

The lapse occurred due to weak internal and financial controls which resulted into fraudulent withdrawal of funds.

When pointed out in August2020, no reply was furnished.

In the DAC meeting held on 10.01.2024, it was decided that complete recovery may be made besides administrative action against the official. However, no progress was intimated to Audit till finalization of this report.

Audit recommends detail inquiry in the matter and fixing responsibility against the person(s) involved besides complete to recover the amount.

PDP No. 626 (2019-20)

12.4.109 Irregular execution of Financing Agreement in excess of actual fund requirement and PC-I estimation – Rs. 1358.370 million

According to Section 6.14 & 8.12 and certificate of the Manual for Development Projects Revised Edition 2019, Ministry of Planning, Development and Reform, Government of Pakistan, the financial phasing of a project is to be given for each fiscal year related to the physical work proposed to be undertaken, keeping in view the implementation of similar projects in the past. Funds utilization capacity of executing agency should be kept in view while determining financial phasing of the project. The PD&R Division has to ensure that the PC-I has been prepared correctly and according to the prescribed procedure. In case, the PC-I is found sketchy and deficient, it is returned to the sponsors by PD&R Division, if considered necessary, make a consolidated enquiry from the sponsors with respect to deficiencies in the proforma and seek clarification or additional information in the pre-CDWP meeting. Certified that the information/data provided in the PC-I is correct and authentic. The cost estimates have been correctly assessed and have neither been underestimated nor overestimated.

During financial attest audit of KP Human Capital Investment Project – Health Component (D680-PK/6714-PAK) for the Financial Year 2022-23, it was observed that Financing Agreement of the project was signed between Islamic Republic of Pakistan and International Development Association for the total financing of USD 200 million. Out of total financing, USD 85 million was allocated for health component and accordingly PC-I of Rs.13,260.00 million was framed on the basis of USD to PKR equivalency of Rs.156.

Scrutiny of the PC-I revealed that activity wise cost estimation was prepared/ approved wherein funds were allocated to each component of the project (P.13) which covered all the capital and revenue cost of the project that were associated with the project objectives. However, it was noticed that USD 5.031 million i.e. Rs.784.880 million were in excess of the actual cost and the same were classified as "Unallocated amount" against which no activity was planned/ required and the same was calculated on the basis of Rs.156 per USD, as such the same amount is now equivalent to Rs.1358.37 million (5.031 x Rs.270/USD).

Audit held that the Financing Agreement was executed without working the project actual fund requirements which created the probability of misuse of unallocated fund. The excess amount of Rs.1358.37 million escalated the project liability in terms of principal amount repayment along with 0.5% Commitment Charges, 0.75% Services Charges and 1.25% Interest Charges but neither the project management while preparing the PC-I, the PDWP/ CDWP/ ECNEC forum while approving the PC-I took notice of it.

The lapse occurred due to execution of Financing Agreement without proper estimation which created liability in addition to probable misuse of unallocated funds.

When pointed out in October 2023, no reply was furnished.

The department was requested vide letter dated 01.12.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter for fixing of responsibility and disciplinary action against the person(s) found at fault besides making corrective action.

PDP No. 28 (2022-23)

12.4.110 Loss to the government due to non-utilization of withdrawn credit amount – Rs. 32.740 million

According to Article II section 2.01 of the Project Agreement, the Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article V of General Conditions and the Schedule to this Agreement, and shall provide promptly as needed the funds, facilities, services and other resources required for the Project.

According to Article II sub-section 2.04 & 2.05 of the Financing Agreement (D680-PK/6714-PAK) executed for KP Human Capital Investment Project between World Bank and Government of Pakistan, the Service Charge is three-fourths of one percent (3/4 of 1%) pr annum on the withdrawn Credit Balance. The Interest Charge is one and a quarter percent (1.25%) per annum on the Withdrawn Credit Balance.

During financial attest audit of KP Human Capital Investment Project – Health Component (D680-PK/6714-PAK) for the Financial Year 2022-23, it was observed that total fund of Rs.2071.711 million was received from the World Bank against which expenditure of Rs. 434.579 million was made, leaving an unutilized balance of Rs.1637.13 million during the last 02 years.

The following irregularities were observed:

i. Apart from non-utilization of the withdrawn balance for the achievement of project objectives and non-carrying out civil work will not only result in delayed completion of works but also enhance the project cost in shape of escalation and price hike.

ii. Liability of Rs.32.74 million was created in shape of Service Charges and Interest on the withdrawn balance which could not be utilized by the management as worked out below:

(Rs. in million)

S. No.	FY	Funds received	Funds utilized	Unutilized Withdrawn balance	Service Charges (3/4 of 1%)	Interest (1.25%)	Total liability
1	2021-22	451.443	123.496	327.947	2.46	4.10	6.56
2	2022-23	1,620.268	311.083	1,309.185	9.82	16.36	26.18
Total		**2,071.711**	**434.579**	**1,637.132**	**12.28**	**20.46**	**32.74**

Audit held that the project management was required to assess its spending capabilities and withdrawal should have been restricted to its actual fund requirements instead of unnecessary withdrawals which could not be utilized but created liability of Rs.32.74 million.

The project management should have made comparative analysis of liability as commitment charges was 1/2 of 1% i.e. 0.5% on the Unwithdrawn Financing Balance only, on the other hand Service Charges and Interest Charges were 3/4 of 1% and 1.25% respectively i.e. 2% on the withdrawn fund.

The lapse occurred due to ill-planning and slow execution of the project activities which created liability on withdrawn balance which was not utilized.

When pointed out in October 2023, no reply was furnished.

The department was requested vide letter dated 01.12.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter for fixing of responsibility and recovery of liability amount from the person(s) at fault.

PDP No. 29 (2022-23)

Chapter – 13

HIGHER EDUCATION DEPARTMENT

13.1 A) Introduction

The Department of Education has been reorganized into two separate Departments w.e.f. July 2001, i.e. Elementary & Secondary Education and Higher Education, Archives and Libraries. Presently the following Directorates are under the administrative control of the Department:

- Directorate of Higher Education
- Directorate of Archives & Libraries
- Directorate of Commerce and Management

Higher Education, Archives and Libraries Department established to provide affordable quality education which emphasis on transferring skills and ensuring conducive learning environment with a view to develop knowledge-based economy. The Department constantly endeavors to promote higher education and to ensure increase intake by upgrading learning facilities and standards through introduction of market-oriented courses, expansion of facilities/infrastructure, provision of better trained teaching staff/faculty and managers. In achieving these goals, the department employees 7118 teaching staff at 310 colleges catering to 258,400 enrolled students (154,373 male and 104,027 female). In 2021-22, out of total number of degree colleges 130 are female colleges. Enrollment of female students stands at 41 percent in degree colleges. Functioning through Directorate of Higher Education and Directorate of Archives and Libraries, the department is also supported by seven autonomous/semi-autonomous bodies place under HED.

Functions

- College & University Education.
- Formulation of policies relating to Higher Education.
- Improvement of Quality/Standard of Higher Education.
- Regulation, Registration and Supervision of Private Higher Education Institutions / Universities in the Private Sector.
- Preparation of draft Acts/Ordinances as per need for the approval of Provincial Assembly / Chief Executive of the Province.
- Financial Management (Recurring/non-recurring Budget) and Auditing of the Provincial Level releases to Higher Education Department.
- Processing of Pension, GP Fund and Promotion Cases.
- Processing of Development Projects.
- Monitoring and review of Annual Developmental Plan
- Coordination with the Federal Government, other Provincial Departments and concerned Directorates.
- Inter Provincial admissions on reciprocal basis.
- Performance evaluation reports of Provincial level Officers of Higher Education Archives and Libraries Department.
- Processing disciplinary cases/inquiries.
- Posting/Transfers of Officers of Provincial Cadre (B-17 and above).
- Processing the cases of short and long-term foreign visits/training and award of Scholarships for approval of the competent forum.
- Attending to the Provincial/National Assemblies and Senate business.
- Dealing with the matters of autonomous bodies.
- Prime Minister, President, Chief Minister’s and Governor’s Directives.
- Section Officer (C-I, C-II, C-III) deal with official business and administrative affairs of Professors (BPS-20), Associate Professors (BPS-19), Assistant Professor (BPS-18) and Lecturer (BPS-17) of Government college Cadre of Higher Education Department.
- The department also deals with the matter of the public sector university.
- Processing appointment of Vice Chancellor of Public Sector University
- The Department serves as an administrative Department of Public sector University.
- Take initiative to Established new Universities and sub-campuses.
- Works on the complaints received against the private sector Universities.
- The Department also deal with the establishment cases of the autonomous bodies working under the department.
- Cases of various award including Civil Presidential awards.
- Principal of policy of Higher Education department
- Provincial Assembly Business.
- Notifications of Holidays and sharing the same with all the attached formation of Higher Education Department.
- Sharing pf information Government within and with attached formations of the department.
- Matters related with Accountant General Office.
- To works as Drawing and disbursing office of the department.
- Arrangement of Pre-PAC, PAC, DAC meetings.
- Appropriation Accounts and Finance Accounts.

- Financial grants to retired employees.
- Pension contribution of employee.
- Advance Paras of attached Departments & Public Sector Universities.
- All the matters related to:
  - Supreme Court
  - High Court
  - Lower Cour

Audit Profile of Education Department: **(Rs. in million)**

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23	Revenue/ Receipts Audited FY 2022-23
1	Formations	423	11	31,042	297
2	• Assignment Account • SDA (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	40	8	8,211	N/A
4	Foreign Aided Projects (FAP)	N/A	N/A	N/A	N/A

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

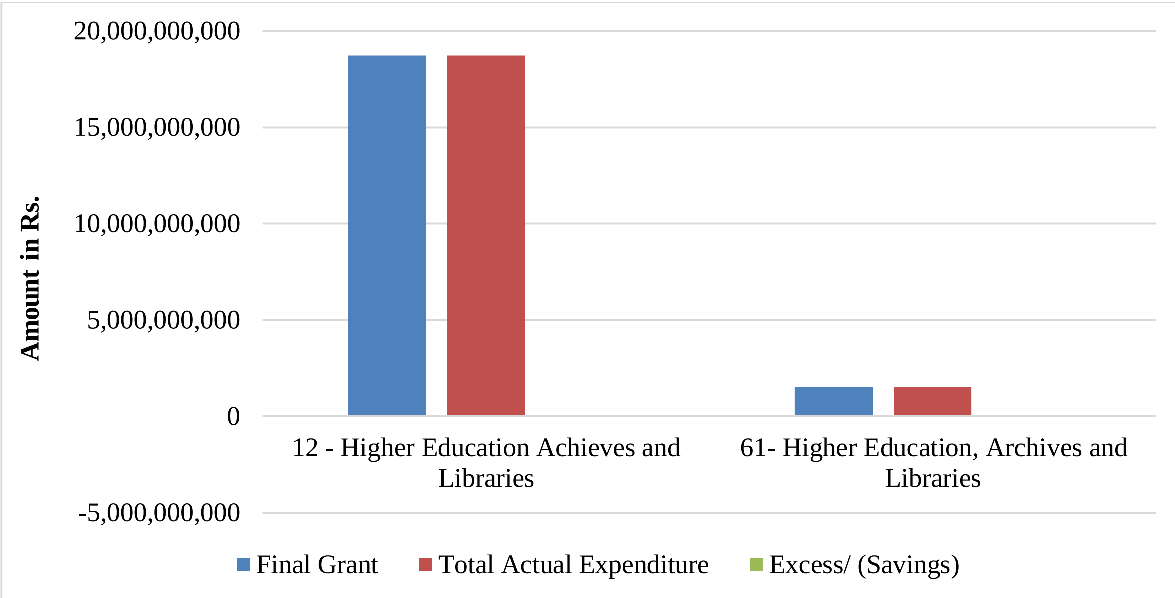
Summary of the Appropriation Accounts:

A summary of grants/appropriation of Higher Education Department and expenditure by the department in financial year 2022-23 is given below:

Non-Development:

(Amount in Rs.)

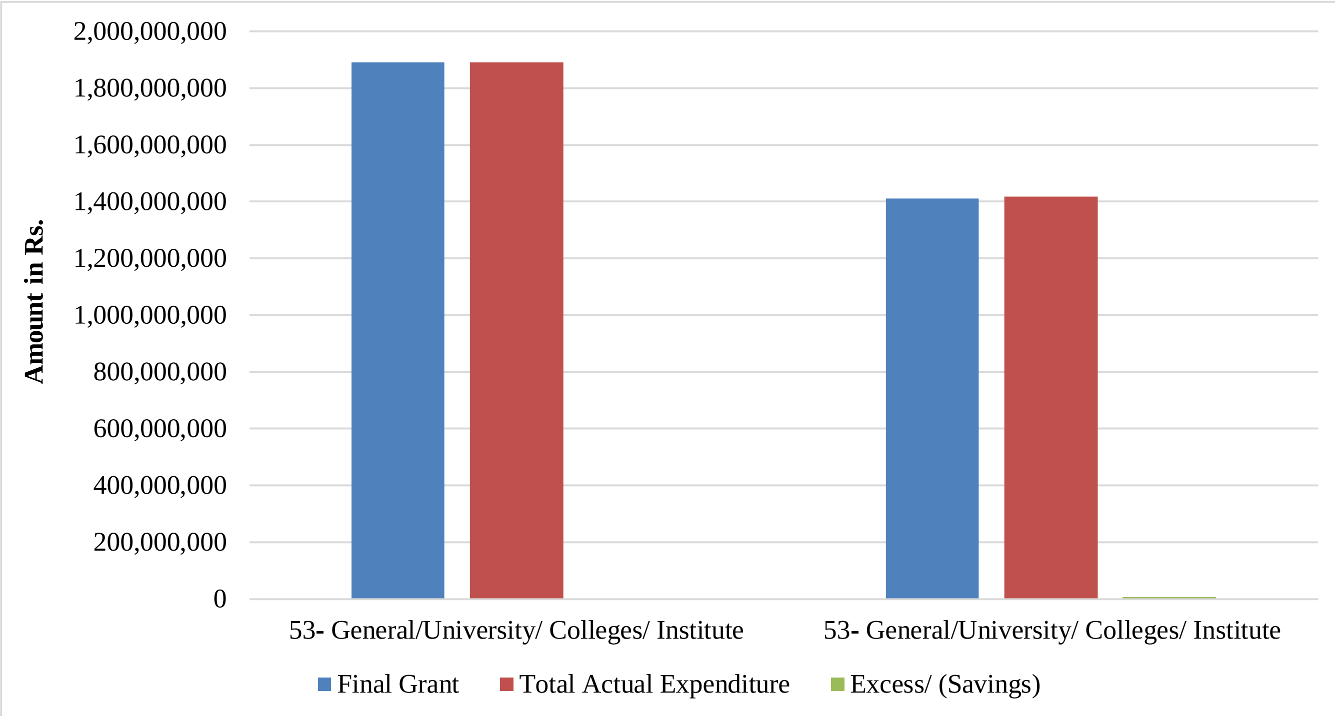
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
12 - Higher Education Achieves and Libraries	NC21	23,140,381,000	3010	0	4,411,671,557	18,728,712,453	18,730,805,659	2,093,206
61- Higher Education, Archives and Libraries	NC21	2,774,572,000	0	8,821,943	1,266,961,110	1,516,432,833	1,516,255,617	-177,216
Total		**25,914,953,000**	**3,010**	**8,821,943**	**5,678,632,667**	**20,245,145,286**	**20,247,061,276**	**1,915,990**



Development:

(Amount in Rs.)

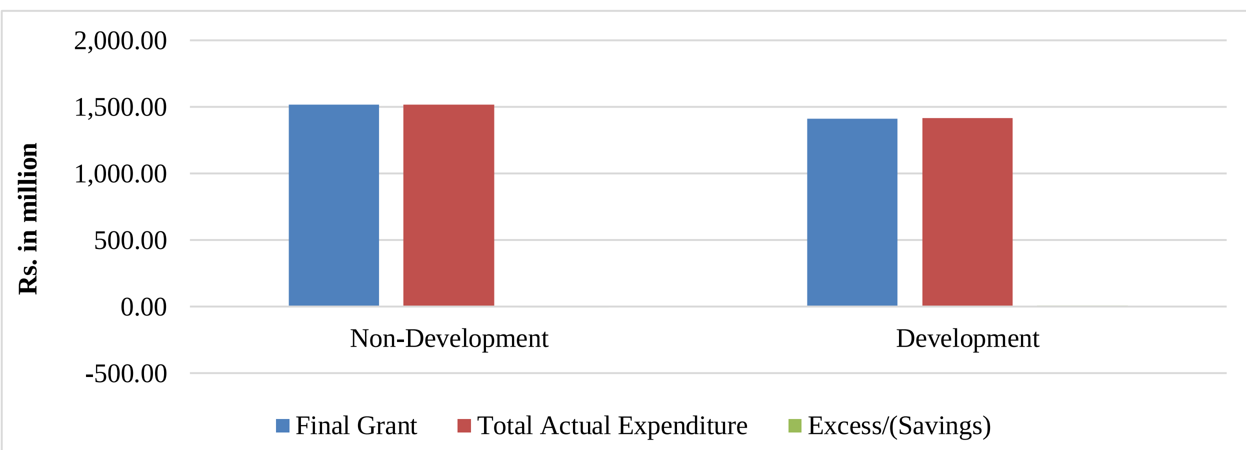
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
53-General/University/ Colleges/ Institute	NC 12	3204318000	0	54,030,416	1,366,656,996	1,891,691,420	1,891,691,420	0
53-General/University/ Colleges/ Institute	NC22	3,449,352,000	0	-38,333,416	1,999,285,645	1,411,732,939	1,418,818,273	7,085,334
Total		**3,449,352,000**	**0**	**-38,333,416**	**1,999,285,645**	**1,411,732,939**	**1,418,818,273**	**7,085,334**



Overview of expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	1,516.43	1,516.26	-0.177216	-0.01%
Development	1,411.73	1,418.82	7.085334	0.00%
Total	**2,928.17**	**2,935.07**	**6.908118**	0.24%



It can be seen from the above variance analysis that the expenditure were made in excess on some grants, while could not be utilized in others. This indicates inability of the

13.1(c) Issues in the Higher Education Department

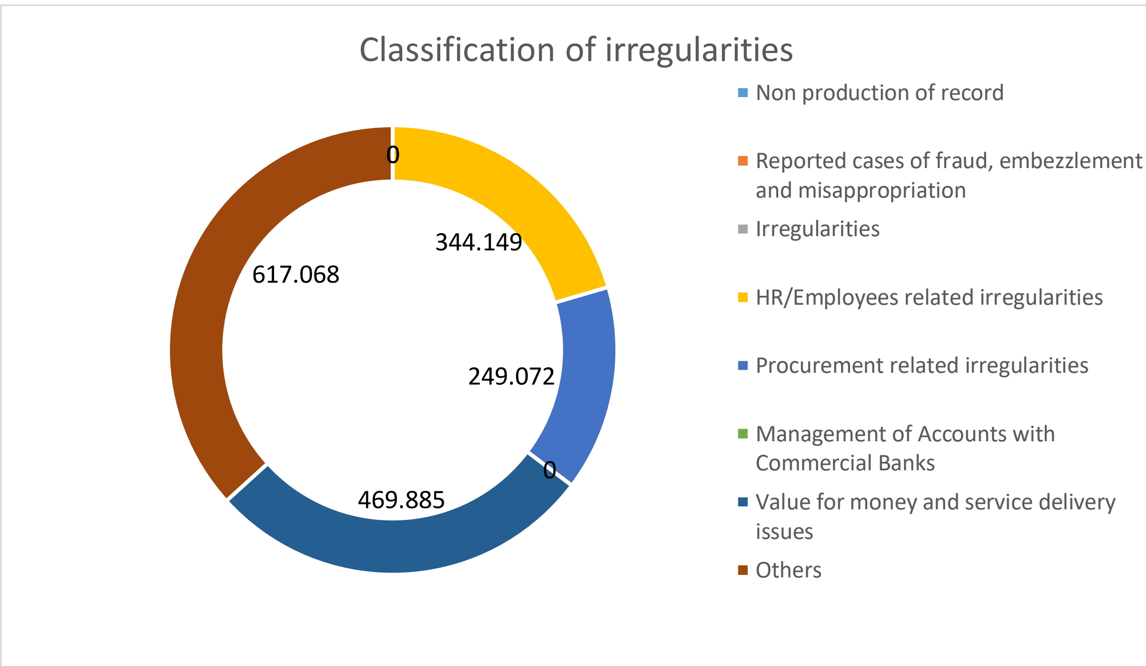
The major issue in the Higher Education Department is lack and further compliance of administrative and financial rules. In many instances, irregular appointment, irregular payment of allowances such as accommodation, conveyance, orderly and other inadmissible allowances etc. were observed. Non-recovery of electricity charges, student dues, affiliated dues. Non-imposition of liquidated damages and un-authorized procurement of fixed assets is also reported. The head-wise figures of the departmental own receipts is also sketchy. Many public sector universities under the Department of Higher Education are facing financial crunch due to financial mismanagement.

13.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 1,680.174 million were raised in this report during the current audit of Education Department. This amount also includes recoveries of Rs. 687.964 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	344.149
B	Procurement related irregularities	249.072
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	469.885
5	Others	617.068



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

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
14.	2007-08	Education	10	06	-	04
15.	2008-09	-do-	06	02	-	04
16.	2009-10	-do-	11	02	-	09
17.	2010-11	-do-	33	15	-	18
18.	2011-12	-do-	13	09	-	04
19.	2012-13	-do-	10	04	-	06

20.	2013-14	-do-	19	09	-	10
21.	2014-15	-do-	31	07	-	24
22.	2015-16	-do-	32	06	-	26
23.	2016-17	-do-	66	25	-	41
24.	2017-18	-do-	-	-	-	-
25.	2018-19	-do-	6	1	-	5
26.	2019-20	-do-	7	-	-	7

13.4 Audit Paras

13.4.1 Unjustified payment on account of pay and allowances of Director General QAP - Rs. 15.480 million

According to PC-I Page 12, terms of reference for Director General, the age of the Officer should not be more than 60 years. According to advertisement the age of the officer should be 50-60 years. In the light of judgement of the Honorable Peshawar High court decision dated 19.02.2020 in WP NO. 5673-P/20119, no officer beyond 60 years shall be re-employed.

During audit of the accounts of Secretary Higher Education Archives & Libraries Department Khyber Pakhtunkhwa (Quality Assurance Program) for the Financial Year 2022-23, it was observed that Director General (QAP) BPS-20 was appointed at the age of 62 years being a retired professor vide appointment letter no. CPO(HE)/SQ/QAP/M-40/2017-18/264-70 dated 04.2.2019 which is not only against the honorable Peshawar High Court decision but also against the PC-I requirement and NIT conditions. The officer took over the charge of the post on 6.2.2019 and drawn Rs. 15.480 million with effect from 6.2.2019 to 5.9.2023 @ Rs. 360000/- per month for 43 months.

The lapse occurred due to weak internal controls which resulted in unjustified appointment and payment thereof.

When pointed out in September 2023, the management replied that the appointment was made on the basis of revised project policy 2008 in which there is no limit of age. As the age limit was mentioned 50-60 years in PC-I which was covered by issuing corrigendum.

The reply was not satisfactory because amendment in PC-I could not be done by issuing corrigendum.

The department was requested vide letter dated 30.10.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to investigate all appointments made in the project and fix responsibility on the persons(s) at fault.

PDP No. 47 (2022-23)

13.4.2 Non deduction of income tax from the teaching staff – Rs. 99.664 million

According to Finance Act 2015, deduction of income tax from filer 10% &15% from non-filer is mandatory from the payments on a/c of services rendered/Payment of Honoraria/cash award.

During audit of the accounts of Directorate of Higher Education Khyber Pakhtunkhwa for the Financial Year 2021-22, it was noticed that a sum of Rs 996.647 million was paid to the teaching staff (regular & hired) on account of remunerations/ honorarium for BS program in various colleges, However, income tax on services at the prescribed rate i.e. @ 10% amounting to Rs. 99.664 million was not deducted from the quarter concerned.

Audit held that prescribed tax should have been recovered from the teaching staff before making the payment which was not done.

The lapse occurred due to lack of internal control & financial mismanagement.

When pointed out, no reply was furnished.

The department was requested vide letter dated 19.07.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the tax amount besides fixing responsibility on the persons at fault.

PDP No. 602 (2021-22)

13.4.3 Loss to the government due to defective work and over payment – Rs. 247.301 million

According to Clause 3.4 of the Contract for Consulting Services executed between the university and the consultant; the consultants are liable for the consequences of errors and omissions on their part or on the part of their employees in so far as the design of the project is concerned. If the client suffers any losses or damages as a result of proven faults, errors or omissions in design of the project, the consultants shall be liable to pay to the client the proportionate fee received.

According to Clause 3.1.1 of the said Contract, the consultants shall perform the services & carry out their obligations with due diligence, efficiency, & economy; shall observe sound management practices; and employ appropriate advanced technology & safe methods. The consultants shall at all times support and safeguard the client’s legitimate interests in any dealings with subordinates or third parties.

During audit of the accounts of Abdul Wali Khan University Mardan for the Financial Year 2019-20, it was noticed that the consultant M/S Associated Consulting Engineers (ACE) Limited carried out a complete analysis of the measurement and work done of various ongoing projects in the university and established an amount of Rs. 247,301,151/-, which includes an overpayment of Rs. 128,418,021/- and Rs. 118,883,130/- as defective work done, by various contractors.

Audit held that since the works were supervised by the same consultant for ensuring quality and quantity of work done therefore, penalty should have been imposed by the university administration upon the consultant for negligence which led to the said overpayment and defective works. However, the university administration did not impose the penalty for the overpayment and defective work.

The lapse occurred due to weak internal controls which resulted in loss to the government.

When pointed out in October 2020, it was replied that the matter will be taken up with the consultant for the perusal of relevant record and documented evidence shows that the consultants were disengaged during the period under discussion.

The documentary evidence of the disengagement of the consultant could not be shown to Audit. For the above-mentioned overpayment and defective work pointed out, either the consultant or the officers who disengaged the consultant, were responsible.

In the DAC meeting held on 09.03.2021, it was decided that the PAC may decide the fate of the Para.

Audit recommends to investigate the matter, fix responsibility and affect recovery from the consultant or the persons at fault at the earliest.

PDP No. 130 (2019-20)

13.4.4 Overpayment on account of pay and allowances of the Vice Chancellor - Rs. 5.904 million

According to the Higher Education Commission Letter No.1-11/HEC/A&C/2011/100 dated 19-12-2011, revised vide notification dated 15-10-2015, the basic salary of the vice chancellor appointed through search committee may be fixed at the level; he was drawing salary under BPS/ TTS/ MP Scale prior to the appointment as VC or at initial stage of TTS professor (whichever is higher). However, fresh appointment of the VCs previously working in the private sector may be made at the initial pay of the TTS (copies enclosed).

During audit of the accounts of Abdul Wali Khan University Mardan for the Financial Year 2019-20, it was noticed that Dr. Mohammad Khurshid Khan was appointed as a vice chancellor of the University for three years vide notification dated 13-07-2017. In light of the above notification, he was required to be paid a monthly salary of Rs. 292,500/- + vice chancellor allowance @ 20% amounting to Rs. 58,500/- in addition to special compensatory/ special diaspora allowance of Rs. 600,000/- per month as approved vide the Finance Department letter dated 26-02-2018. However, contrary to the prescribed limits, the Vice Chancellor was paid a salary of Rs. 31,174,400/- at different monthly rates from October 2017 to April 2020, followed by arrears payment of Rs. 3,260,000/- vide Cheque No. 13650904 dated 09-03-2018. Resultantly, a total amount of Rs. 34,434,400/- was paid against the permissible amount of Rs. 28,530,000/- (Rs. 951,000 X 30 months), which resulted into an overpayment of Rs. 5,904,400/-, which is a clear violation of the limit determined by the provincial government.

Audit held that the amount was paid in excess of the salary fixed by the government.

The lapse occurred due to violation of rules and regulations which resulted in overpayment.

When pointed out in October 2020, it was replied that the office of the honorable chancellor has taken cognizance on the matter concerned. However, the inquiry report pertaining to the same has not been shared with the University as yet. The same will be shared with Audit at the earliest, as and when received.

The department admitted that the chancellor has already taken action in the matter and initiated an inquiry, thereby establishing the fact that the ex-vice chancellor has been overpaid on account of his pay and allowances.

In the DAC meeting held on 09.03.2021, it was decided that the University may make complete recovery of the amount. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to recover the amount from the ex-vice chancellor.

PDP No. 118 (2019-20)

13.4.5 Overpayment to the consultant – Rs. 8.570 million

According to the consultancy agreement clause -6.3(special conditions of consultancy contract), the consultant remuneration for detail design and preparation of tender documents shall be at a lump sum rate of 2% of the cost of work stated in letter of award to the contractor. such remuneration shall tentatively amount to Rs 56.969 million if based on the estimated cost of works referred in sub class SC-6-2(b). However, this tentative amount of consultant /reason remuneration shall be finally computed and adjusted @2% of the contract amount stated in the client's letter of award for respective construction contract package.

During audit of the accounts of University of Engineering & Technology Peshawar for the Financial Year 2017-18, it was observed that M/S NESPAK was entitled for Rs. 56.874 million for remuneration of detailed design at the prescribed rate of 2 % of the total cost of civil works of Rs. 2843.707 million on the submission of detailed design for the work awarded till June 2018, whereas the consultant had already drawn Rs. 65.446 million and submitted Invoice Number 72 without ascertaining the cause / reason for delayed submission of detailed design and tender documents, which resulted into overpayment of Rs. 8.570 million to the consultant as detailed below;

Description	Work	Payment due up to June 2018	Amount Drawn	Overpayment
Detailed design 2%	2843.707 million	56.874 million	65.446 million	8.570 million

The lapse occurred due to violation of PC-I which resulted into overpayment to the consultant.

When pointed out in February 2019, no reply was furnished.

In the DAC meeting held on 19.10.2020, it was decided that the University may make complete recovery of the amount. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to recover the amount from the consultant at the earliest and fix responsibility on the persons at fault.

PDP No. 307 (2017-18)

13.4.6 Loss to the university funds due to less realization of bank profit on investment – Rs. 1.486 million

According to the letter no F.NO. UOS/TR/2019/3321 dated 30.4.2019, sum of Rs 294 million invested in term deposit in the UBL Swabi @ 7.8%.

During audit of the accounts of University of Swabi for the Financial Years 2017-19, it was noticed that an amount of Rs. 294.000 million was invested in M/S UBL with the interest rate of 7.8% w.e.f Oct 2018 to March 2019 for a period of 6 months. Further scrutiny of record revealed that the University withdrew the investment on 29.3.2019 two days before the maturity period. The bank statement does not reflect any profit of March 2019 due to which the University sustained a loss of Rs. 1.486 million.

The lapse occurred due to weak internal controls which resulted in loss to the university funds.

When pointed in September 2019, no reply was furnished.

In the DAC meeting held on 20 & 21.12.2021, it was decided that the University may make complete recovery of the amount. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to recover the amount besides fixing responsibility on the persons at fault.

PDP No. 106 (2017-19)

13.4.7 Loss to the government due to non-recovery of provincial sales tax on services - Rs. 2.417 million

According to Khyber Pakhtunkhwa Sales Tax on services special procedure withholding regulation 2015 section 4 (1), withholding agent is required to deduct an amount equal to one fifth of the total sales tax.

During audit of the accounts of University of Swabi for the Financial Years 2017-19, it was noticed that an amount of Rs. 16.116/ million was shown paid to M/S Allied Engineering on account of Planning and Designing of work “Construction of Academic Block 1,2,3,4, Multipurpose and Canteen etc.” However, the required taxes i.e. 1/3rd should be have been deducted at source and 2/3rd be paid by the firm in its respective tax returns. Further scrutiny of the relevant record revealed that neither the deduction was made at source nor tax returns of the firm shown to Audit for verification amounting to Rs. 2.417 million, as detailed below;

S. No.	Consultant	Scheme funded	Payment (M)	15% STS (M)
1	Allied Engineering	HEC funded	9.66	1.449
2	-do-	HED fund	6.456	0.968
Total			**16.116**	**2.417**

Audit held that payment to the consultant was required to have been allowed after deduction / verification of sales tax on services amounting to Rs. 2.417 million in accordance with the prevailing rules and regulation of the province.

The lapse occurred due to non-adherence to rules and financial mismanagement which resulted in loss to the government.

When pointed in September 2019, no reply was furnished.

In the DAC meeting held on 20 & 21.12.2021, it was decided that the University may make complete recovery of the amount. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to recover the amount from the consultant at the earliest.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide DP Number 4.4.9 having financial impact of Rs. 22.613 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 119 (2017-19)

13.4.8 Unauthorized payment on account of inadmissible item of work – Rs. 1.097 million

According to Para 26 of GFR Vol-I, it is the duty of the department concerned to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the public Account.

According to Item No. 03-05-a of MRS-2016, the rate of clearing and grubbing is included in the rate of an item "formation of embankment"

During audit of the accounts of University of Swabi for the Financial Years 2017-19, it was noticed that contract for the construction of External Development Package A & B was awarded to the M/S Zahir Shah with the bid cost of Rs. 210.267 million and allowed up to date payment of Rs. 210.264 million up to 7th IPC. The 7th Running Bill of both the packages included payment of clearing and grubbing which is included in the formation embankment for the following items;

Item of work	Qty	Rate	Amount	Unauthorized Payment
Package A				

Main building				
Formation of embankment	292260.14	9.518	2781732	
Clearing & Grubbing	167828.20	2.163	363012	363012
Car Parking				
Formation of embankment	399371	9.518	3801213	
Clearing & Grubbing	101446.20	2.163	219428	219428
Package B				
Formation of embankment	362276.36	9.518	3448146	
Clearing & Grubbing	238005	2.163	514805	514805
Total				**1,097,245**

The lapse occurred due to non-adherence to rules and financial mismanagement which resulted into unauthorized payment.

When pointed in September 2019, no reply was furnished.

In the DAC meeting held on 20 & 21.12.2021, it was decided that the University may make complete recovery of the amount. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to recover the amount besides fixing responsibility on the persons at fault.

PDP No. 120 (2017-19)

13.4.9 Loss to the university funds due to non-imposition of penalty on contractor for incomplete work – Rs. 26.100 million

According to Para 26 of GFR Vol-I, it is the duty of the department concerned to see that all sums due to Government are regularity and promptly assessed, realized and duly credited in the public Account.

According to the 1st time extension letter No. AEC/PM/UOS-17 dated 21.6.2017, addressed to the Director P&D, the consultant / Project Manager categorically wrote "we reached at the conclusion that there are delays from the contractor side due to insufficient staff". According to the 2nd time extension note sheet, the Civil Engineer at site wrote that there is some fault on part of the contractor that has caused delay in completion of the project.

During audit of the accounts of University of Swabi for the Financial Years 2017-19, it was noticed that contract for Construction of Academic Block 1, Auditorium / Multipurpose Hall & Guest House (Package 1) was awarded to M/S Sahil Builders at the bid cost of Rs. 261.111 million on item rates basis and allowed up to date payment of Rs. 261.100 million up to 15th IPC. Further scrutiny of record revealed that the work could not be completed in the due course of time and two times extensions were granted even though the delay was on the part of the contractor, without imposing any penalty upon the contractor. This resulted in non-completion of the scheme and non-recovery of penalty amounting to Rs. 26.111 million (10% of the estimated cost) as detailed below;

Commencement Date	Completion Date	Bid Cost (M)	Payment (M)	Penalty @10% (M)

24.12.2015	23.5.2017	261.111	230.100	26.111

The lapse occurred due to violation of rules which resulted into loss to the university funds. When pointed in September 2019, no reply was furnished.

In the DAC meeting held on 20 & 21.12.2021, it was decided that the University may make complete recovery of the amount. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to recover the amount from the contractor at the earliest.

PDP No. 123 (2017-19)

13.4.10 Overpayment due to non-deduction of voids from formation embankment – Rs. 1.023 million

According to the MRS 2017, 5% voids be deducted from the compaction of formation embankment.

During audit of the accounts of University of Swabi for the Financial Years 2017-19, it was noticed that the contract for Construction of External Development Package A& B was awarded to the M/S Zahir Shah at the bid cost of Rs. 210.267 million and allowed up to date payment of Rs. 210.264 million up to 7th IPC. Further scrutiny of the bill revealed that the contractor was paid for an item of work "formation of embankment from borrow excavation in common material including compaction by power roller (95% to 100%) and embankment of formation in ordinary soil & compacted mechanical means 95% to 100 % max mod AASHTO dry density".

However, deduction of voids @ 5% was not made which was required as the loose soil / earth needs to be compacted. This resulted in loss of Rs. 1,023,301/- as summarized below;

Package	IPC	Item no in bill	Particulars	Qty	5% voids deduction required	Rate	Loss
A (Road work)	7	2	formation of embankment from borrow excavation in common material including compaction by power roller	312496.64	15624.8	20.117	314,324
-do-	-do-	4	embankment formation ordinary soil	292260.14	14613	9.518	139,086
B(Road work)	-do-	2	formation of embankment from borrow excavation in common material including compaction by power roller	395172.42	19758.6	20.117	397,484
-do-	-do-	-do-	embankment formation ordinary soil	362276.36	18113.8	9.518	172,407
Total							**1,023,301**

The lapse occurred due to non-adherence to rules and weak internal controls which resulted into overpayment to the contractor.

When pointed in September 2019, no reply was furnished.

In the DAC meeting held on 20 & 21.12.2021, it was decided that the University may make complete recovery of the amount. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to recover the overpaid amount.

PDP No. 128 (2017-19)

13.4.11 Unjustified payment on account of NPA / Technical Allowance - Rs. 2.868 million

According to HEC letter No.F.P.2-157/HEC/2009/580 dated 04.08.2009 read with the Finance Department Government of Khyber Pakhtunkhwa letter No.SOSR.III/FD/1-27/2003 dated 23.04.2003 and Government of NWEP Higher Education Department letter No.SOA/FE/5-8/AA/AP/FA (1994-95) dated 18.09.2004, in order to maintain uniformity and standardization of allowances, facilities and perks etc in public sector universities, it is requested that the respective Vice Chancellors may please be directed that the payment of admissible allowances/facilities in excess of prescribed rates or extending additional allowances/incentives to faculty/staff other than admissible under the BPS scheme may not be allowed.

During the audit of the accounts of Abdul Wali Khan University Mardan for the Financial Year 2021-22, it was observed that a sum of Rs. 2,868,600/- paid on account of Non-Practicing Allowance and Technical Allowance to Doctors & Engineering staff respectively. In this connection it is pointed out that non-practicing allowancing is admissible to the medical staff of hospitals where the staff engaged in emergency duties and 24 hours OPD and entertaining thousands of patients. Whereas local office paid NPA to Doctors who are performing duty only for one shift in university premises. Therefore, there is no justification for paying NPA to University employee. On the other hand, Technical Allowance @ 150% of basic pay paid to Engineering staff. The Executive/Technical allowance has been paid by Provincial Government to staff having schedule post and to the engineers working in works department. As no executive allowance is admissible in autonomous bodies/universities therefore, there is no justification of technical allowance to university employees.

Due to allowing NPA and Technical allowance to 04 staff, the university did not maintain standardization and uniformity of the allowance which is in violation of above orders. It is therefore, suggested to stop the said allowance and recover a sum of Rs. 2,868,600/- from concerned officers.

The lapse occurred due to violation of rules and regulations which resulted in unjustified payment.

In the DAC meeting held on 23.12.2022, Para was referred to the decision of Finance Department. However, no decision was provided to Audit.

Audit recommends to recover the amount and fix responsibility against the person(s) at fault.

PDP No. 233 (2021-22)

13.4.12 Overpayment on account of pay & allowances - Rs. 3.375 million

According to Rule 28 of the General Financial Rules Volume-I, no amount due to Government should be left outstanding without sufficient reason.

According to the Higher Education Commission Islamabad letter Ref.Dir.QA/AWKU/HEC/TTS – 153/77/419 dated 05.08.2019, the appointments on tenure track system were endorsed, but with no advance increment allowed by the Commission.

During the audit of the accounts of Abdul Wali Khan University Mardan for the Financial Year 2021-22, it was observed that Mr. Muhammad Hamayun was appointed as TTS Associate Professor on 12-10-2011 with 02 number of advance increments. The officer concerned was then appointed as Professor on 13-10-2015 with zero advance increment. The pay was fixed at Rs.292,500/- on 13-10-2015 in next above stage of Associate Professor. But the said pay was fixed after giving` 02 advance increment which is not admissible. As HEC endorsed appointment as professor with zero advance increments. It is therefore, suggested that a sum of Rs. 1,607,320/- may please be got recovered.

Similarly, Dr. Muhammad Ajaz appointed at Assistant Professor (TTS) on 19-08-2014 with 04 advance increments. Later on, the officer was appointed at Associate Professor (TTS) on 01-10-2018. The pay was required to be fixed next above. Whereas the local office fix, the pay for Associate Professor and given him 04 advance increment. There is no such provision of advance increment. HEC endorsed appoint with zero advance increments. It is therefore, suggested that a sum of Rs. 1,767,664/- overpaid may please be got recovered.

The lapse occurred due to violation of rules and regulations which resulted in overpayment.

In the DAC meeting held on 23.12.2022, Para referred to the final decision of Higher Education Commission. No progress has been reported till finalization of this report.

Audit recommends to recover the amount besides fixing responsibility on the persons at fault.

PDP No. 228 (2021-22)

13.4.13 Irregular expenditure on account of Orderly Allowance - Rs. 5.208 million

According to Higher Education Commission Letter No.F.P.2-156/HEC/2021-22/600 dt.19-5-2021, Orderly Allowance is admissible only to administrative positions.

During the audit of the accounts of Abdul Wali Khan University Mardan for the Financial Year 2021-22, it was observed that an amount of Rs. 5,208,000/- was paid on account of Orderly Allowance @ Rs.14000/- per month to the teaching staff of BPS-20 and above. As per above order, orderly allowance is admissible to officers of BPS-20 and above on administrative position whereas the local office paid orderly allowance amounting to Rs.5,208,000/- to teaching cadre.

The lapse occurred due to violation of rules and regulations which resulted in irregular expenditure and loss to the government.

In the DAC meeting held on 23.12.2022, Para was referred to final decision of PAC.

Audit recommends to recover the amount besides fixing responsibility on persons at fault.

PDP No. 234 (2021-22)

13.4.14 Loss to the government due to non-recovery of long outstanding dues from defaulted faculty members - Rs. 124.367 million

According to Para 26 of GFR Vol-I, it is the duty of the department concerned to see that all sums due to Government are regularity and promptly assessed, realized and duly credited in the public Account.

During the audit of the accounts of Abdul Wali Khan University Mardan for the Financial Year 2021-22, it was observed that a sum of Rs. 29,129,656/- shown long outstanding dues from defaulter who did not complete MS / M. Phil / PhD Studies and joined the university & Rs. 95,238,276/- from the faculty member who completed their Ph.D but did not join university. University selected their teaching staff for PhD programs with a view to utilize these scholars in future but a number of scholars completed their program from best universities of world but did not join back, due to which students were deprived from quality education. Audit held that sums spent on these faculty members may be recovered in order to provide for other faculty members to avail the opportunity and enrich the students.

The lapse occurred due to violation of rules and regulations which resulted in loss to the government.

In the DAC meeting held on 23.12.2022, the department directed complete recovery.

Audit recommends to recover the amount and fix responsibility against the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide DP Number 4.4.2 having financial impact of Rs. 478.347 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 241 (2021-22)

13.4.15 Irregular expenditure from GP Fund/Pension Fund - Rs. 122.740 million

According to Gomal University Financial Rules, the Finance and planning committee will advise the Vice Chancellor on the matter related to the Finances of the University and review periodically the financial position of the university, to advise the Syndicate on all matter relating to planning, development finance investments and accounts of the University.

During audit of the accounts of Gomal University D.I. Khan for the Financial Year 2021-22, it was observed that recoveries/balance of GP Fund and Pension Contribution by local office was as under;

S. No.	Particulars	Amount deducted
1	GP Fund	53,392,566
2	Pension Contribution	170,533,597
Total deduction		223,926,163
Less: closing balance in both the accounts		1,185,452
Less: investment made		100,000,000
Net available for investment		**122,740,711**

As per rules the above deduction of GP Fund and Pension contribution amount required to be invested either for short or long term. Contrarily, the University made investment of Rs.100.000million from the aforementioned accounts. Due to non-investment of the above deduction/contribution, a huge liability is being created day by day.

The lapse occurred due to lack of financial management which resulted into irregular expenditure.

The department was requested vide letter dated 11.07.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and make appropriate investment of the funds.

PDP No. 520 (2021-22)

13.4.16 Non-recovery of long outstanding dues from defaulted faculty members - Rs. 2.018 million

According to Para 26 of GFR Vol-I, it is the duty of the department concerned to see that all sums due to Government are regularity and promptly assessed, realized and duly credited in the public Account.

During audit of the accounts of Abdul Wali Khan University Mardan for the Financial Year 2021-22, it was observed that a sum of Rs.2,018,206/- was shown as long outstanding dues from defaulters who proceeded to abroad on study leave for higher education but did not rejoin the University. The local office calculated outstanding due which are pending till date, as detailed below;

1. Ms. Shafaq Hussain, Lecturer Department of Economic Rs.1,022,108/-
2. Dr. Imran Khan, Asstt. Professor Rs. 996,098/-

Total Rs. 2,018,206/-

The lapse occurred due to lack of financial management which resulted in violation of government rules.

The department was requested vide letter dated 11.07.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the amount of the outstanding dues from the defaulter faculty members.

PDP No. 526 (2021-22)

13.4.17 Irregular expenditure on account of Orderly Allowance - Rs. 13.309 million

According to Para 11 and 12 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.

According to Higher Education Commission letter No.F.P.2-156/HEC/2021-22/600 dt.19-5-2021, Orderly Allowance is admissible only to administrative positions.

During audit of the accounts of Gomal University D.I Khan for the Financial Year 2021-22, it was observed that an amount of Rs. 1,848,000/- was paid on account of Orderly Allowance @ Rs.14000/- per month to the teaching staff of BPS-20 and above. As per above order, orderly allowance is admissible to officers holding administrative positions. Whereas the local office paid orderly allowance amounting to Rs.1,848,000/- to teaching cadre, as detailed below;

S. No.	Name of Teacher	Designation	BPS	Orderly Allowance	Period	Amount
1	Dr.TabassumNasir	Professor	21	14000	12 months	168000
2	Dr.A.Haleem Shah	Professor	21	14000	12 months	168000
3	Dr.AsmaSaeed	Asso: Prof	20	14000	12 months	168000
4	Dr.Saeed Ahmed	Professor	21	14000	12 months	168000

5	Dr.RubinaNaz	Asso: Prof	20	14000	12 months	168000
6	Dr.Ziaud Din	Asso: Prof	20	14000	12 months	168000
7	Dr.M.ZahidAwan	Professor	21	14000	12 months	168000
8	Dr.ShumailaHashim	Asso: Prof	20	14000	12 months	168000
9	Dr.M.SaleemJillani	Professor	21	14000	12 months	168000
10	Dr.M.NaimatUllah	Professor	21	14000	12 months	168000
11	Dr.M.Safdar Khan	Asso: Prof	20	14000	12 months	168000
Total						**1848000**

It was further added that orderly allowance amounting to Rs. 11,461,200/- paid to pensioners as evident from pension roll. In this connection it was stated that the said allowance is neither allowed to present teachers nor retired employee of Grad B-20 and above of teaching staff.

The lapse occurred due to lack of financial management which resulted in violation of government rules.

The department was requested vide letter dated 11.07.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the amount from the faculty members.

PDP No. 521 & 522 (2021-22)

13.4.18 Irregular payment of orderly allowance – Rs. 1.610 million

According to Higher Education Commission letter No.F.P.2-156/HEC/2021-22/600 dt.19-5-2021, Orderly Allowance is admissible only to administrative positions.

During audit of the accounts of Shaheed Benazir Bhutto University Sheringal for the Financial Year 2021-22, it was observed that a sum of Rs.1,610,000/- was drawn on account of Orderly allowance and shown paid to the below mentioned 5 faculty members and Treasurer of the university in BPS-20 & above for which they were not entitled as the allowance was sanctioned only for officers working in the civil secretariat.

S#	Name of employees	Designation	BPS	Total
1	Dr. Farhat Ali khan	Professor	21	14000
2	Mr. MidrarUllah	Associate Professor	20	14000
3	Dr. ShafiqurRahman	Associate Professor	20	14000
4	Dr. Abdul Khaliq Jan	Associate Professor	20	14000
5	Dr. Shujahat Ahmed	Associate Professor	20	14000
One month total unauthorized amount				**70000**
23 months July 2021 to May 2023 total amount 70,000 * 23=				**1,610,000**

Audit worked out Orderly Allowance for the period from July, 2021 to May ,2023 only, actual amount of the Orderly Allowance recoverable from the Employees may be calculated from the actual date of drawl.

Audit held the payment of Orderly Allowance of Rs.1,932,000/- as irregular.

The lapse occurred due to violation of rules and regulations which resulted in overpayment to the employees.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 11.07.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the amount from the faculty members.

PDP No. 489 (2021-22)

13.4.19 Loss to the government due to damaged work – 17.55 million

According to clause 49.1 of the special stipulations of the contract between Shaheed Benazir Bhutto University Sheringal and M/S Imran Construction Co for construction of Multipurpose Hall; the contractor shall rectify any defects found out within 365 days of the issuance of the taking over certificate.

During audit of the accounts of Shaheed Benazir Bhutto University Sheringal for the Financial Year 2021-22, it was observed that the contract for the Construction of Multipurpose Hall under the project "Development of University of Dir, Sheringal" was awarded to M/S Imran Construction Co at the cost of Rs. 70.69 million (8.5% above MRS-2017) dated 30-07-2019. The contractor was paid against work done of Rs. 73.33 million till IPC # 12 which included payment of Rs. 15,395,130/- (as detailed below) for steel trusses and steel sheets for execution in the Rafter work for snow protection and Sheesham wood flooring for sports gymnasium as detailed below;

S.#	Item	Quantity	Rate Rs.	Amount Rs.
1	Fabrication of heavy steel work with angle, tees, sheet iron etc for making trusses, girders etc + Erection and fitting in position iron trusses, staging of water tanks, etc	48233.35 kg	147.070 / kg	7,093,678
2	Small iron work, such as gusset plates, knees, bends, stirrups, straps, rings etc excluding erection	1242.38 kg	154.5 / kg	192,026
3	Supply & fix corrugated galvanized GI sheet with GI bolts, nuts, limpet etc. complete : 26 BWG	21260.90 sft	108.49 / sft	2,306,595
4	Supply & fix Plain galvanized GI sheet with GI bolts, nuts, limpet etc. complete : 26 BWG	1688.68 sft	151.35 / sft	255,592
5	Shisham wood block flooring 1" thick out to required size, fixed on a layer of bitumen base	4778.56 sft	638.53 / sft	3,051,254
Sub-Total				**12,899,145**
Add Factor 10%				**14,189,060**
Total after premium 8.5 %				**15,395,130**

The multipurpose hall roof collapsed in snowstorm dated 05-01-2022 and commitment was made by the Design and Supervision Consultant ACE limited vide their letter dated 21-02-2022 that they along with the Contractor will restore the collapsed roof and other structures in a couple of months. However, during site visit it was observed that the steel angle irons, sheets, sheesham etc. were dumped at the site and the work was still not restored till date of audit i.e. June 2023 as evident from the attached pictorial evidences. Furthermore, consultancy cost for Multipurpose Hall at 2.97% of the PC-I Cost was Rs. 2.160 million till June 2022.

Audit held the payment of Rs. 17.550 million as loss to the university because the required work was not restored and that the multipurpose hall was still dysfunctional which made the whole expenditure of Rs. 73.330 million as wasteful.

The lapse occurred due to weak internal controls which resulted into loss to the government.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 11.07.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and take appropriate action.

PDP No. 482 (2021-22)

13.4.20 Loss due to non-deduction of income tax at source from other districts employees - Rs. 2.282 million

Section 11 & 12 read with Section 149 of Income Tax Ordinance 2001 provides that salaries of all Government Servants whose salary exceed Rs.600,000/- per annum shall be liable to at source deduction of Income Tax at the prescribed rates. Furthermore, FBR has clarified vide S.RO.1213(I)2018 dated 5-10-2018 the deduction or collection of withholding tax on income tax shall not apply to individual domiciled in the tribal areas (FATA-PATA) only.

During audit of the accounts of Shaheed Benazir Bhutto University Sheringal for the Financial Year 2021-22, it was observed that employees belonging to non-tax-exempt districts were paid gross salaries of Rs. 58,882,879/-, however, income tax at source was not deducted from their salaries which resulted in loss of Rs. 2,281,608/- to the government **(Annexure-XXXII)**.

It is worth mentioning here that District Account Offices of tax-exempt regions i.e. PATA/FATA regularly deduct income tax at source from salaries of government servants serving in those tax-exempt districts.

The irregularity occurred due to weak internal controls and non-adherence to government rules.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 11.07.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the income tax amount.

13.4.21 Overpayment to contractor due to allowing inadmissible item of work in BOQ – Rs. 4.21 million

According to para 16.6.5.4 of the Technical Specifications for Workmanship issued by Communication & Works Department, Khyber Pakhtunkhwa, for all concrete structures, pre-stressed concrete structures or portions thereof, no separate measurement or payment shall be made of false-work supporting such structures. All false-work cost shall be considered as included in the contract prices paid for various items of concrete work and no additional compensation would be allowed thereof. Furthermore, according to MRS rate analysis the rates of RCC in roof slab, beam, column & other structural members, insitu or precast Type A, B & C are inclusive of the rate of Wood-Partal**.**

During audit of the accounts of Shaheed Benazir Bhutto University Sheringal for the Financial Year 2021-22, it was observed that the contractors for different schemes were allowed payment of Rs. 4,210,751/- against different items of formwork/falsework Erection and removal of steel Form work for RCC or Plain Concrete vertical (06-39-b) with execution of RCC and PCC works However, as per Technical Specifications of MRS, payment against the said item was not admissible.

S.#	Scheme/Work	Contractor	Work Done in million / Up to RB	Formwork (vertical) Qty Paid	Net Rate after factor and Rebate/Premium	O/P (Rs.)
1	Construction of Academic Block	M/S Insaf Construction Company	145.72 / 17th	8873.48	71.36	633,283
2	Construction of Boys Hostel	M/S AkhunzadaFazalJamil& Co	124.4 / 21st	6018.84	71	427,435
3	Construction of Multipurpose Hall	M/S Imran Construction Co	73.33 / 12th	1931.61	85.65	165,442
4	Construction of Central Library	M/S Insaf Construction Company	61.28 / 9th	2405	86.84	208,850
5	Construction of Community Center	M/S NajeebUllahMeraShangal Co	60.88 / 17th	4795	71	340,445
6	Administration Block Extension	M/S Tribal Global Construction	68.21 / 15th	3481	71	247,151
7	Civil work component for Micro Hydel Power Station	M/S Star Construction Company	40.13/3rd	33097	66.1	2,188,115
Total						**4,210,721**

Audit held the payment of Rs. 4,210,721/-- as unjustified and overpayment.

The lapse occurred due to extending undue favor to the contractors which resulted into overpayment to contractor.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 11.07.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the overpaid amount.

13.4.22 Overpayment of the tax defray amount – Rs. 17.19 million

According to Finance Department letter No. SO (Dev-II)/FD/12-6/14-5, dated 21.4.2015, provides that all Works Department, while preparing cost estimate of Developmental projects falls within the exempted Area, shall frame the same on MRS but with 7% less cost to defray the amount added in the rates analysis of all works, construction/supply items to meet WHT.

During audit of the accounts of Shaheed Benazir Bhutto University Sheringal for the Financial Year 2021-22, it was observed that various construction contracts under the project "Development of University of Dir, Sheringal" were awarded to Provincially Administered Tribal Areas (PATA) resident contractors who were exempt from income tax, therefore, the BOQs of these schemes were accordingly adjusted for 7% tax defray i.e. 7% of the tax amount included in MRS based BOQs was deducted. After award of contracts to these exempt entities, 7% deduction for the tax defray was done in the start but was later on stopped in the future IPCs which resulted in outstanding tax defray amount of Rs. 17,004,786/- from these contactors as given below;

Rs. million

S.#	Construction of	Contractor	BOQ Cost	Contract Cost	7% Tax defray required	7% tax defray recovered	Tax defray outstanding	Work Done / IPC
1	Community Center	M/S NajeebUllahMeraShangla& Co	72.7	60.88	5.09	1.29	3.80	60.88 / 17th
2	Girls Hostel	M/S Bashir Ahmad & Sons	126.35	109.28	8.84	2.47	6.37	108.64 / 17th
3	Administration Block (Extension)	M/S Tribal Global Construction	73.16	61.23	5.12	1.10	4.02	68 / 15th
4	Micro Hydel Power Station (Civil Works)	M/S Star Construction Company	43.7	39.30	2.81	0	2.81	40.13 / 6th
				Total	**21.86**	**4.86**	**17.00**	

It is pertinent to mention that deduction of defray amount is not deduction of income tax amount from the contactor but it is the deduction of amount allocated for withholding tax in the MRS rates of the items listed in the BOQ. Hence, if an entity is exempt from tax then it should be paid the net of tax rate for the MRS item and that is why deduction of this tax amount is provided for in the BOQ.

Audit held non-deduction of the full defray amount as loss to the university.

The lapse occurred due to weak contract management which resulted into of overpayment of tax defray amount.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 11.07.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the overpaid amount.

PDP No. 488, 492, 496 & 501 (2021-22)

13.4.23 Non-deduction of KPRA Sales Tax on Services - Rs. 3.135 million

According to Khyber Pakhtunkhwa Revenue Authority (KPRA) No.2 (13)/KPRA/MISC-ADMN-MATTERS/2016/129 dated 29.11.2019 provides that the KP Sales Tax on services may be deducted at full rate (19.50%) and pay to KP Government exchequer under head “B-02386”.

During audit of the accounts of Institute of Management Sciences Peshawar for the Financial Year 2021-22, it was observed that anamountof Rs. 3.135 was paid to M/S Pakistan Education and Research Network (PERN) on account of internet services. Further scrutiny of the paid vouchers revealed that the payment was made without deduction of sales tax on services @ 19.5% amounting to Rs. 3,135,135 as detailed below;

Voucher No & date	Period	Amount paid	KPRA tax @ 19.5% (Rs)
24752 dated 03.08.2021	July to Sept 2021	3,600,818	702,160
27475 dated 05.11.2021	Oct to Dec 2021	3,941,849	768,661
28499 dated 30.12.2021	January to March, 2022	4,199,489	818,900
32263 dated 08.06.2022	April to June, 2022	4,335,458	845,414
Total		**14,861,191**	**3,135,135**

The lapse occurred due to weak internal control which resulted in violation of government rules and loss of potential revenue to the Provincial exchequer.

When pointed out in May 2023, no reply was furnished.

The department was requested vide letter dated 11.07.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the sales tax amount.

PDP No. 432 (2021-22)

13.4.24 Loss to the institute funds due to non-recovery of outstanding dues from Afghan National Students - Rs. 154.813 million

According to Higher Education Commission vide their letter No. HEC/HRD/2016/6692 dated 22.12.2016 requested the Director IM Sciences Peshawar to start releasing monthly living /maintenance allowance to Afghan students from University’s funds who are studying under HEC’s scholarship program. HEC will make payment to the university as soon as funding is received from Government of Pakistan.

During audit of the accounts of Institute of Management Sciences Peshawar for the Financial Year 2021-22, it was noticed that the institution was imparting education to 243 Afghan national students on scholarship basis, sponsored under the HEC scholarship program. Audit observed that balance amount of

Rs. 154,813,139 was outstanding against the HEC up to 30.06.2022, since inception of the program. The institute bears the extra expenditure since long which causes increase in the fee structure each year for the local students.

The lapse occurred due to weak administrative and financial control which resulted into loss to the institution and the foreign national students are being facilitated at the cost of the local students.

When pointed out in May 2023, no reply was furnished.

The department was requested vide letter dated 11.07.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the amount.

PDP No. 438 (2021-22)

13.4.25 Irregular and non-transparent investment of funds - Rs. 30.000 million
Non-recovery of loan - Rs. 1.020 million

According to para 3 (e) of the Government of Pakistan Finance Division (Budget wing) letter No F.4(1)2002-BR-II dated 02.07.2003, regarding deposit of working balance and investment of surplus fund, the working balance limit of each organization should be determined with the approval of the Administrative Ministry in consultation with the Finance Division.

Finance Department letter No. 2/3-(F/L)/FD/2019-20/Vol-XIII, dated 22nd October, 2020, clearly directed that at least 20% of the total investment be made with BOK. Moreover, investment being a sensitive, technical & risky issue therefore all concerned be directed to get advice of the finance department (KP, Fund management).

According to private funds rules/policy where there is no provision for any item in these rules, the principal in-charge of the concerned colleges/institutes shall obtain prior approval of the administrative authorities.

During audit of the accounts of Government Degree Frontier College for Women Peshawar for the Financial Year 2021-22, it was noticed that a total sum of Rs. 30,000,000/- was invested by the college management in long term deposit i.e. in form of Term Deposit Receipt with National Bank of Pakistan on 24.05.2021.

The investment so made is held irregular & non transparent on the following grounds;

1. The limits of the working balances and investments were not got approved from the administrative department concerned (Education department) in consultation with the Finance Department as required under the aforementioned provision of rules. Moreover, services of approved professional fund managers (SECP) were also not used in the investment, rather than the investment task was simply entrusted to a committee having no expertise/idea in investment,
2. No approval/sanction of the Director Higher Education Department was obtained, nor was any member from directorate /finance included in the investment process committee.
3. No contract agreement was executed showing clear terms/conditions of investment nor was any certificate of the deposit amount shown to Audit.
4. In view of the instruction of the finance department 6,000,000 @ 20% of the total investment i.e. 30,000,000 was required to be invested with BOK which has not been done.

Furthermore, it was also noticed that a sum of Rs. 1,020,615 was drawn from the college Pupils' fund and paid to various degree colleges/DHE on loan basis which are still outstanding against them as detailed below;

Cheque/Vr. No.	Date	Amount (Rs)	Payee
6334674	05.10.2019	520,115	Director Higher Education KPK, Peshawar
6334672	05.10.2019	500,000	GDC Koh-e- Daman Peshawar
75967509	25.09.2018	500.000	GGDC Hayatabad.
Total		**1,020,615**	

The lapse occurred due to weak controls and financial mismanagement which resulted into irregular investment of funds and non-recovery of loan.

When pointed out in May 2023, no reply was furnished.

The department was requested vide letter dated 11.07.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

The matter is reported for investigation and appropriate necessary action.

PDP No. 425 & 426 (2021-22)

13.4.26 Loss due to non-accepting of the lowest rates – Rs. 4.550 million

According to section 30 of the Khyber Pakhtunkhwa Public Procurement Rules 2014, Each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders.

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Years 2020-22, it was observed that payment of Rs.32,665,500/- was made to M/S TEXITECH for supply of 255 laptops vide work order No. PAF-IAST/2020/31 dated November 16, 2020.

Scrutiny of record revealed the following lapses:

i. The 1st two lowest rates of Rs.110,300 per unit by M/S Wise Tech and Rs.113,027 per unit by M/S Telecard Limited was not accepted on the plea of non-compliance to manufacturer's authorization, power of attorney and weight of 1.625 kg instead of 1.5 kg. The contract was awarded to M/S TEXITECH @ Rs.128,145 per unit, resulting in loss of Rs.4,550,475/- (128145 – 110300 = 17845 x 255) due to ignoring the lowest rates.

ii. Required specification clearly indicated the screen size, weight and thickness, but the selected supplier showed his inability to supply the items of required specifications rather offered to supply the units with 15.6" screen instead of 14", 1.70 kg weight instead of 150 kg and 18.9 mm thickness instead of 18 mm. The supplied items did not confirm the ordered items and it was communicated that these specs are advanced than the ordered one which were accepted by the management without carrying out market-based analysis as heavy, more thickness and large screen units are having less price in the market than the smart units. Besides that, one of the reason for declaring the lowest bidders being non-responsive was also these specs which were supplied by M/S TEXITECH.

iii. The inability of the bidder to deliver the ordered items and then changing specification indicated that though the bidder was the authorized dealer but he offered rate for the items which were not available with him in stock. This state of affairs depicted that the supplier was already selected but tender process was conducted as a formality. The condition of authorized dealership was not a fruitful condition as those declared non-responsive on the ground of non-production of authorized dealership evidence even though offered lowest rate and the successful bidder with high rate had no difference in service delivery.

The lapse occurred due to mis-procurement which resulted into loss to the government.

In the DAC meeting held on 12 & 13.01.2023, the forum marked the Para for independent inquiry.

The department conducted internal inquiry and the report thereof was shared with Audit, however, Audit did not agree with the findings & recommendations of the internal inquiry report due to the reasons recorded and shared with the department vide Verification Report.

Audit recommends fixing of responsibility on the person(s) at fault and recovery of loss from the members of the procurement committee.

PDP No. 86 (2021-22)

13.4.27 Unjustified release of liquidated damages – Rs. 2.857 million

According to clause 1.3, 1.5, 1.7 of the contract agreement, the goods will be offered under this contract are to be of the quality and specification mentioned in Schedule-II. If the supply of the ordered items is not in accordance with the requirements as specified in the contract, the PAF-IAST shall have the full authority to cancel the orders and to take any such action that will be deemed fit in the circumstances. In case of delay by the contractor (due to its direct and/ or sole fault) as per contract on in the event of non-fulfillment of the delivery as per schedule, liquidated damages up to 10% will be levied.

According to clause 1.13, in case of any dispute, the matter will be referred to a sole Arbitrator to be appointed by the first party (PAF – IAST) in accordance with the Arbitration Act 1940. The arbitration shall be held in Haripur/ Islamabad and the language shall be English/ Urdu only.

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Years 2020-22, it was observed that payment of Rs.32,665,500/- was made to M/S Texitech for supply of 255 laptops vide work order No. PAF-IAST/2020/31 dated November 16, 2020.

Scrutiny of record revealed the following lapses:

i. The successful bidder M/S TEXITECH failed to complete the supply within the agreed timeline and submitted request for waiver off from liquidated damages on the plea of COVID-19 pandemic. This excuse was not justified as already communicated vide letter No. PAF-IAST/2021/32 dated 17-02-2021 with the remarks that tender process was initiated during pandemic and bidders agreed to the timelines of the contract agreement keeping in view the ground realities. Moreover, the supply and demand issue was not communicated to the institute. The liquidated damages were once imposed, deducted from the payment but later on released the deducted amount without any arbitration process rather an internal committee was constituted for justifying the delay. Hence, liquidated damages of Rs.2,856,630/- needs to be recovered back from the supplier.

ii. The bid of M/S TEXITECH was accepted and communicated on 16-11-2020 with the direction to submit performance guarantee and sign the contract agreement within 10 days. The contract was signed on 25-11-2020 but seemed that contract was replaced wherein the original date was mentioned as 25-11-2020 but was tempered as 15-02-2021 just to cover the delay time and safeguard the supplier from contract clause of liquidated damages.

iii. The liquidated damages for Rs.2,856,630/- once deducted from the bill on merit and as per terms & conditions of the contract but later on released on the request of the supplier being influential personality. The deduction of liquidated damages established that delay was on the part of the supplier but interestingly released.

iv. The abnormal delay in supply, changing specification once agreed and supply ordered placed, also questioned the after sale service of the brand “LENOVO”

v. The successful bidder submitted request for release of earnest money of Rs.780,000/- prior to ensuring supply, indicated that earnest money was released prematurely instead of its retention till successful completion of defects liability period.

vi. No justification was available on record for resolving the dispute through internal committee instead of arbitration as per provision of contract.

The lapse occurred due to mis-procurement which resulted into unjustified release of funds.

In the DAC meeting held on 12 & 13.01.2023, the forum marked the Para for independent inquiry.

The department conducted internal inquiry and the report thereof was shared with Audit, however, Audit did not agree with the findings & recommendations of the internal inquiry report due to the reasons recorded and shared with the department vide Verification Report.

Audit recommends fixing of responsibility and recovery of loss from the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide DP Number 4.4.4 having financial impact of Rs. 163.971 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 87 (2021-22)

13.4.28 Overpayment to faculty on account of stipend - Rs. 6.624 million

According to approved PC-I, faculty members proceeding for foreign training will be entitled for stipend @ 1200$ per month/person.

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Years 2020-22, it was observed that 23 faculty members were nominated for foreign training at Austria for the period of four (04) months w.e.f 01.04.2021 to 31.07.2021.

As per provision of the PC-I, each faculty member proceeding for foreign training was entitled for stipend @ 1200$ per month/person for the period of four (04) months of the training. Accordingly, payment of Rs.16,891,200/- (1200$ x 4 x 23 = 110400$ x 153 conversion rate) was made to the trainees in advance.

Scrutiny of record revealed that the training was concluded in three months and the faculty members joined back their respective posts. Audit holds the view that payment of stipend was made on the estimation of four (04) months training duration whereas the actual duration of the foreign training was three (03). Resultantly, the excess paid stipend of 1200$ was required to be recovered from the 23 faculty members but no such recovery was made from them. This resulted in overpayment of 27600$ (1200$ x 23) which needs immediate recovery/ adjustment in their monthly pay at the prevailing conversion rate i.e. Rs.6624,000/- (27600x240) from the concerned.

Audit contention was further strengthened as payment of Rs.1,635,000/- was paid to A.K International Travels & Tours on account of cancellation charges of already booked return tickets and reissuance charges as the subject training was concluded prematurely though TA was paid to the nominees for a tentative period of 04 months.

The lapse occurred due to weak internal & financial controls which resulted into overpayment.

In the DAC meeting held on 12 & 13.01.2023, the Para was marked for verification of record by Audit. However, no progress was intimated to Audit till finalization of this report.

Audit recommends recovery of the overpaid amount as provisions of PC-I regarding foreign training and stipend payment were quite clear.

PDP No. 89 (2021-22)

13.4.29 Unauthorized payment on account of salary to faculty during foreign training - Rs. 10.679 million

According to approved PC-I, faculty members proceeding for foreign training will be entitled for stipend @ 1200$ per month/person. The trainees will be entitled to Rs.130,000/- per month fixed pay.

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Years 2020-22, it was noticed that 24 faculty members were nominated for foreign training at Austria w.e.f 01.04.2021. The foreign training was projected for four months which was actually concluded in three months.

As per approved PC-1 (Non-ADP Scheme), each trainee was entitled for monthly fixed salary of Rs.130,000 in addition to stipend of USD 1200 per month/person. Contrarily, it was noticed that that trainees were paid full pay & allowances along with stipend @ USD 1200 per month. This was a clear violation of the PC-I and resulted in overpayment of Rs.10,679,343/- (approximately)to the trainees as tabulated below:

No. of trainees	Pay/ month	Pay for three months paid	Pay due @ Rs.130,000/pm for 3 months	Overpayment (Rs.)

24	6,679,781	20,039,343	9,360,000	10,679,343

The above amount is calculated on the basis of one month pay while the actual overpayment in the matter needs to be ascertained for recovery.

Audit holds the view that the overpayment on account of pay & allowance in deviation from approved PC-I was due to weak financial management.

In the DAC meeting held on 12 & 13.01.2023, the Para was marked for verification of record like PC-I of the ADP Scheme and salary package etc. by Audit. However, no progress was intimated to Audit till finalization of this report.

Audit recommends recovery of the overpaid amount as provisions of PC-I regarding foreign training and salary payment were quite clear.

PDP No. 91 (2021-22)

13.4.30 Unauthorized payment on account of Conveyance Allowance – Rs. 7.168 million

According to judgment of Peshawar High Court circulated by Finance Department vide their letter No. FD(SOSR-II)/8-52/2013 dated 02-04-2013, Govt servant provided with Govt residential accommodation situated within their work premises are not entitled to conveyance allowance.

According to section 6 (b) (ii) of the Statutes of PAF – IAST, Conveyance Allowance shall be admissible to all employees, except those provided official transport or living within the premises of the Institute, @ 10% of initial of the relevant basic pay scale maximum up to Rs.20,000/- per month however those employees who are provided only pick & drop service shall be charged conveyance rates to be assessed as per staff car rules of the Institute.

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Years 2020-22, it was noticed that Rs.7,165,727/- was paid to the officers/ officials of the university on account of conveyance allowance. However, residential accommodations were provided to them within the premises of the university. Hence, the conveyance allowance of Rs.7,165,727/- paid to the staff residing within the premises of the university, was not admissible to them **(Annexure-XXXIII)**.

Audit is of view that payment of conveyance allowance @ 10% of basic pay maximum upto Rs.20,000 per month paid to regular staff in salary was not admissible and further to state that conveyance allowance at rates of equivalent posts was required to be deducted from the salaries of those contract employees drawing fixed salary as their pay package is all inclusive but contrary to that neither payment of conveyance allowance was stopped nor deducted from the contract employees.

The lapse occurred due to weak management of the Estate Office matters and deviation from the statutes of the institute, Finance Department and judgment of the Hon. High Court which is leading towards financial loss to the government and contempt of court.

In the DAC meeting held on 12 & 13.01.2023, Audit did not agree with the justification of the management and stressed on recovery. However, no progress was intimated till finalization of this report.

Audit recommends recovery of the conveyance allowance.

PDP No. 94 (2021-22)

13.4.31 Unauthorized payment of House Rent Allowance to the officers provided with residential accommodation – Rs. 21.924 million

According to Section 6(1) of Chapter-10 of the Statutes of the Institute, House Rent Allowance @ 30% of initial basic pay shall be admissible to those employees who are not provided residential accommodation by the Institute. Further if the house of lower category is allotted to any employee then the payment of HRA will be assessed by the Housing Committee constituted by the Executive Council.

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Years 2020-22, it was noticed that 23 staff members appointed on special pay scale or fixed pay package were provided furnished residential accommodations in the Institute at very nominal rent which was not assessed by the Housing Committee to be constituted by the Executive Council. This resulted in loss of Rs.21,923,821/- despite the fact that full furnished accommodation along with electricity, generator facilities and other installation were provided in the accommodation.

The lapse occurred due to weak internal controls which resulted into unauthorized payment.

In the DAC meeting held on 12 & 13.01.2023, the forum marked the Para for verification of record in support of management's reply. However, no progress was intimated to Audit till finalization of this report.

Audit recommends proper assessment of the house rent to be assessed by the Housing Committee and recovery of less paid house rent in light of the assessment as per statutes.

PDP No. 95 (2021-22)

13.4.32 Irregular appointment of Advisor/ Faculty – Rs.39.456 million

According to chapter-2 – Faculty Service Rules of the Statutes of the PAF-IAST Haripur, Appointments on all the Faculty Positions (Tenure Track & Teaching Track) are to be handled by Search Committees constituted by the competent authority and shall be made on the basis of advertisements appearing in leading newspapers as well as on websites of the Institute, mandatory written test (for Lecturers only), presentation and interviews in the prescribed manner.

According to Higher Education Department, KP letter No. SO(U-V)/HE/6-3/SBBWUP/Misc2021 dated 05.11.2021, appointment/ rehiring of superannuated persons shall not be made in future without proper approval of competent authority in accordance with the relevant laws/ rules.

According to Statutes of the PAF-IAST Haripur, there is neither provision for the post of the Advisor nor any mechanism prescribed for the recruitment of the Advisor.

According to section 67 of the Statutes of the PAF-IAST Haripur, in all tenure track and teaching track cases (professorial ranks only) the Dean will forward the case along with his/her summary recommendation as well as the recommendation of the FAPTC to the Rector for further processing to Selection Board.

According to section 76 of the Statutes of the PAF-IAST Haripur, for all teaching track and special appointment positions (Except adjunct faculty), if either the Dean and/or the FAPTC delivers a recommendation in support of the candidate's appointment, the Dean will forward the candidate's dossier and any additional documents to the Rector for further submission to Selection Board. In the case of adjunct faculty, the final appointment will be made by the Rector.

According to section 85/4.4.1 read with section 88/5.4 of the Statutes of the PAF-IAST Haripur, for all cases of appointment with tenure or appointment to full Professor (with or without tenure), final approval of a candidate's appointment lies with the Executive Council. After the Rector considers the candidate for appointment, the Rector will deliver a formal recommendation to the Selection Board who will then vote to either recommend or reject the candidate's appointment. Decisions of the Selection Board will be forwarded to the Executive Council for approval. The appointment approval authority for the Professorial rank is the Executive Council.

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Years 2020-22, it was observed that management of the Institute appointed following officers in the Institute on contract basis ignoring the rules/ laws/ instructions as contained in the Statutes of the institute as well as government instructions issued from time to time for the rehiring of superannuated and other persons.

S. No.	Name of Contract Employee	Designation	Date of Joining	Age at time of appointment	Salary PM	Total Salary (Rs.)
1	Mr. Anwar Amjad	Advisor-IT	01.12.2019 (02 years)	49 years	450,000	10,800,000
2	Mr. Waseem Sohail Hashmi	Advisor-IL	03.02.2020 (01 years)	55 years	450,000	5,400,000
3	Dr. M. Ashraf Jahanian	Professor	01.06.2020 (1.5 years)	71 years	428,750	7,717,500
4	Mr. M. Ishfaq Khattak	Advisor RE	29.09.2020 (1.9 years)	70 years	450,000	9,450,000
5	Dr. Qamar Malik	Professor	27.04.2021 (1.2 years)	63 years	428,750	6,088,250
Total						**39,455,750**

Audit observed the following irregularities:

i. The appointments at S. No. 01 & 02 were made as Advisors though there is no provision for the recruitment of Advisors in the Statutes of the institute.

ii. Approval of the competent authority i.e. Chancellor was not obtained for appointments at S. No 3 to 5 in violation of Higher Education Department instructions endorsed vide letter quoted above, which warrants that the appointment/ re-hiring of superannuated persons shall not be made in future without proper approval of competent authority.

iii. Hiring was made by Rector through internal hiring committee in violation of the Statutes provisions which warrant that appointments will be made by the Executive Council on the recommendations of Selection Board.

iv. All above officers were hired equivalent to BPS 20 and 21 through Internal Hiring Committee of the Institute which is headed by Director Establishment who himself is Grade 20 officer. Hence, the Committee was not mandated to make hiring of officers in BPS. 20 and 21.
v. No experts from the market or provincial government were engaged in these appointments
vi. No appointment criteria for the appointment was approved from Board of Governors rather a committee comprising junior officers was constituted to appoint persons on senior positions.
vii. Such kind of positions filled on market-based salaries, should be advertised as mentioned in the Statutes but in these cases, appointments were made ignoring Statutes and Government instructions.
viii. The initial pay granted are not in conformity with the Project Policy of KP Government though funds were provided by the provincial government.
ix. Despite restrictions in the Statutes, these officer except S. No 2 were given extension which is worst example of favoritism and it seems that no efforts were made for fair competition rather handpicked persons were appointed.

Audit held that these appointments along with payment of Rs.39,455,750/- are irregular and unjustified.

The lapse occurred due to violating the government instructions, statutes of the institute and weak management of HR policy which resulted into irregular appointment.

In the DAC meeting held on 12 & 13.01.2023, the forum marked the Para for detailed inquiry in light of observations raised by Audit.

The department conducted internal inquiry and the report thereof was shared with Audit, however, Audit did not agree with the findings & recommendations of the internal inquiry report due to the reasons recorded and shared with the department vide Verification Report.

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

PDP No. 106 (2021-22)

13.4.33 Overpayment to PTCL on account of IT equipment due to allowing dollar conversion rate – Rs. 8.064 million

According to clause 18.1 of the contract agreement executed by Pak-Austria Fachhochschule Institute of Applied Sciences, Haripur with M/S PTCL for the supply, installation, deployment & commissioning of campus network etc. the prices of campus network (Wired and Wireless) Data Center, IP Surveillance and VDIs delivered under the contract will remain same throughout the project completion period in consideration of and as the full compensation for the contractor's performance of the works, completion of the works and fulfillment and discharge of other obligations under the contract, PAF – IAST shall pay the contractor the sum being the contract price as further set out in Schedule – III.

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Years 2020-22, it was observed that contract for supply, installation, deployment & commissioning of campus network etc. was awarded to M/S PTCL.

Scrutiny of record revealed that two bidders viz. M/S PTCL and Jaffar Business Systems were technically qualified and M/S PTCL was declared lowest in the financial evaluation and accordingly contract awarded.

Record showed that USD to PKR conversion rate was Rs.163.60 per USD at the time of tender/ bidding process which was based for declaring M/S PTCL the lowest offering rate. Contrarily, payments were allowed at the conversion rate of Rs.167.20 per USD which was inadmissible and led to overpayment as neither the bidding documents have provision for USD conversion nor the 2nd lowest firm submitted USD to PKR conversion rates. The project was concluded with total payment of Rs.337,892,594 which was based on USD to PKR conversion rate of Rs.167.60 as such overpayment of Rs.8,064,262/- was made due to conversion factor. (337892594/167.60 x 163.60 = 329828332 - 337892594)

The lapse occurred due to mis-procurement which resulted into overpayment to PTCL.

In the DAC meeting held on 12 & 13 January, 2023 the forum marked the Para for verification of payment vouchers along with all supporting document as well as confirmation of dollar conversion rates. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to recover the overpaid amount from M/S PTCL besides fixing of responsibility on the person(s) at fault.

PDP No. 114 (2021-22)

13.4.34 Unauthorized release of already deducted liquidated damages to M/S PTCL for delay in completion of task – Rs. 25.068 million

As per prevailing policy of the Pak-Austria Fachhochschule Institute of Applied Sciences, Haripur, all the penalties will be deposited in the Student Financial Aid account for the financial assistant of the students through scholarships.

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Years 2020-22, it was observed that contract for the supply, installation, deployment & commissioning of campus network etc. was awarded to M/S PTCL. The project was concluded with total payment of Rs.337,892,594/- to the PTCL.

Perusal of record revealed that M/S PTCL did not complete the task within the stipulated period, accordingly, penalty of Rs.25,068,266/- (10%) was imposed and deducted vide bill No. 3421/15-03-2021. The penalty amount was transferred to the Students Financial Aid account which is maintained for the students' scholarships.

The penalty amount deducted from the vendor, was indicated as receipts in the budget for the financial year 2021-22 and was approved by the F&PC, Executive Council and finally from the Board of Governors in its meeting held on 21-06-2021. But the deducted amount was released in the next financial year to the vendor without approval of the Board of Governors. This is a serious lapse as the amount of liquidated damages was booked as revenue on the approval of F&PC, EC and BOG but released by the management without obtaining approval of the BOG.

Audit held that liquidated damages once deducted, established sufficient and enough grounds that delay was on the part of the contractor. The penalty was imposed as per contract clause, as such release of already deducted liquidated damages to the vendor, was in violation of contract by the institute itself that too without approval of F&PC, EC and BOG.

The lapse occurred due to misuse of authority which resulted in loss to the government.

In the DAC meeting held on 12 & 13.01.2023, the forum directed that since the penalty was imposed after approval of Executive Council and Board of Governors, as such approval may be obtained from the same forum for release of deducted liquidated damages, otherwise, recovery be made. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of DAC decision of recovery to be made while fixing responsibility on the persons at fault.

PDP No. 115 (2020-21)

13.4.35 Inadmissible payment of stipend to a faculty for postdoctoral training – Rs. 3.905 million

According to section 8 (O) Study Leave of the Statutes of the Pak-Austria Fachhochschule Institute of Applied Sciences, Haripur, study leave can be granted for post-doctoral degree with the approval of Executive Council subject to availability of leave at his credit in addition to study leave.

According to section 4 (h), of the Statutes of the Pak-Austria Fachhochschule Institute of Applied Sciences, Haripur, those faculty proceeded on special training mandatory after appointment in the Institute shall be paid fixed salary as per policy of the Institute in addition to stipend if any for the training period.

According to Economic/ Austerity Measures for Financial Year 2021-22, approved by Provincial Cabinet in its meeting held on 19-06-2020 and circulated by Finance Department, KP vide BO.I/FD/5-8/2020-21/Austerity Measures dated 30-07-2020, there shall be a complete ban on:

i. Participation in workshops/seminars and training abroad involving provincial funds.
ii. Holding seminars and workshops in Five Star Hostels involving provincial funds.
iii. Treatment aboard on Provincial Government’s expenses.

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Years 2020-22, it was observed that Dr. Maqbool Khan (Assistant Professor) was invited for postdoctoral training at SCCH Austria w.e.f. 02 August 2021 to 01 August 2022 i.e. for one year.

The officer was paid stipend of Rs.3,904,704/- (@ 1200$ per month) for 18 months, as per following breakup:

S. No	Cheque No. & Date	Amount
1	235552290/28-07-2021	1,166,400
2	58953448/31-01-2022	1,269,504
3	4172544/30-06-2022	1,468,800
Total		**3,904,704**

Perusal of relevant record revealed the following irregularities:

i. There was no provision for payment of stipend to the faculty for postdoctoral degree, training & research program. The provision of stipend is only for special mandatory training after appointment in the institute. While the instant training/ research work was not a mandatory.

ii. Statutes provides that study leave can be granted for postdoctoral degree/ training etc. with the approval of the Executive Council. The faculty proceeded for postdoctoral training without obtaining study leave and that too without approval of the Executive Council or Board of Governors rather the case was approved by an internal committee.

iii. As the Statutes provides that study leave can be granted for postdoctoral and on the other hand no stipend/ honorarium is admissible during leave of any kind.

The lapse occurred due to weak administrative and financial controls which resulted into inadmissible payment.

In the DAC meeting held on 12 & 13 January, 2023 the forum marked the Para for inquiry.

The department conducted internal inquiry and the report thereof was shared with Audit, however, Audit did not agree with the findings & recommendations of the internal inquiry report due to the reasons recorded and shared with the department vide Verification Report.

Audit recommends recovery from the faculty besides fixing of responsibility on the person(s) at fault.

PDP No. 116 (2021-22)

13.4.36 Inadmissible payment of stipend to faculty members for postdoctoral training – Rs. 5.054 million

According to section 8 (O) Study Leave of the Statutes of the Pak-Austria Fachhochschule Institute of Applied Sciences, Haripur, study leave can be granted for Post-Doctoral degree with the approval of Executive Council subject to availability of leave at his credit in addition to study leave.

According to section 4 (h), of the Statutes of the Pak-Austria Fachhochschule Institute of Applied Sciences, Haripur, those faculty proceeded on special training mandatory after appointment in the Institute shall be paid fixed salary as per policy of the Institute in addition to stipend if any for the training period.

According to Economic/ Austerity Measures for Financial Year 2021-22, approved by Provincial Cabinet in its meeting held on 19-06-2020 and circulated by Finance Department, KP vide BO.I/FD/5-8/2020-21/Austerity Measures dated 30-07-2020, there shall be a complete ban on:

i. Participation in workshops/seminars and training abroad involving provincial funds.
ii. Holding seminars and workshops in Five Star Hostels involving provincial funds.
iii. Treatment aboard on Provincial Government's expenses.

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Years 2020-22, it was observed that Dr. Waqar Mehmood (Associate Professor) and Dr. Arshad Ahmed (Assistant Professor) were invited for postdoctoral training at SCCH Austria w.e.f. October 2021 for one year.

The officers were paid stipend of Rs.5,054,400/- (@ 1200$ per month) for one year, as per following breakup:

S. No	**Cheque No. & Date**	**Amount**
1	241803672/01-10-2021	2,433,600
2	70679238/14-04-2022	2,620,800
Total		**5,054,400**

Perusal of relevant record revealed the following irregularities:

i. There was no provision for payment of stipend to the faculty for postdoctoral degree, training & research program. The provision of stipend is only for special mandatory training after appointment in the institute. While the instant training/ research work was not a mandatory one.
ii. Statutes provides that study leave can be granted for postdoctoral degree/ training etc. with the approval of the Executive Council. The faculty proceeded for postdoctoral training without obtaining study leave and that too without approval of the Executive Council or Board of Governors rather the case was approved by an internal committee.
iii. As the Statutes provides that study leave can be granted for postdoctoral and on the other hand no stipend/ honorarium is admissible during leave of any kind.

The lapse occurred due to weak administrative and financial controls which resulted into inadmissible payment.

In the DAC meeting held on 12 & 13.01.2023, the forum marked the Para for inquiry.

The department conducted internal inquiry and the report thereof was shared with Audit, however, Audit did not agree with the findings & recommendations of the internal inquiry report due to the reasons recorded and shared with the department vide Verification Report.

Audit recommends recovery from the faculty besides fixing of responsibility on the person(s) at fault.

13.4.37 Inadmissible expenditure on behalf of faculty members proceeded on postdoctoral training – Rs. 1.565 million

According to section 8 (O) Study Leave of the Statutes of the Pak-Austria Fachhochschule Institute of Applied Sciences, Haripur, study leave can be granted for Post-Doctoral degree with the approval of Executive Council subject to availability of leave at his credit in addition to study leave.

According to section 4 (h), of the Statutes of the Pak-Austria Fachhochschule Institute of Applied Sciences, Haripur, those faculty proceeded on special training mandatory after appointment in the Institute shall be paid fixed salary as per policy of the Institute in addition to stipend if any for the training period.

According to Economic/ Austerity Measures for Financial Year 2021-22, approved by Provincial Cabinet in its meeting held on 19-06-2020 and circulated by Finance Department, KP vide BO.I/FD/5-8/2020-21/Austerity Measures dated 30-07-2020, there shall be a complete ban on:

i. Participation in workshops/seminars and training abroad involving provincial funds.
ii. Holding seminars and workshops in Five Star Hostels involving provincial funds.
iii. Treatment aboard on Provincial Government's expenses.

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Years 2020-22, it was observed that Dr. Maqbool Khan (Assistant Professor), Dr. Waqar Mehmood (Associate Professor) and Dr. Arshad Ahmed (Assistant Professors) were invited for postdoctoral training at SCCH Austria w.e.f. 02 August 2021 and October 2021 respectively, for a period of one year.

Perusal of record revealed that expenditure of Rs.1,564,924/- was incurred by the institute on account of postdoctoral of the above-mentioned faculty members as per breakup.

S. No	Object	Expenditure (Rs.)
1	Health insurance	783,633
2	Bills reimbursement	285,791
3	Air Tickets	495,500
Total		**1,564,924**

In this regard, the following irregularities were observed:

i. Statutes provides that study leave can be granted for postdoctoral degree/ training etc. with the approval of the Executive Council. The faculty proceeded for postdoctoral training without obtaining study leave and that too without approval of the Executive Council or Board of Governors.
ii. As the Statutes provides that study leave can be granted for postdoctoral and on the other hand, no payment/ expenditure is admissible except monthly pay during leave of any kind.
iii. There was no provision for payment of health insurance charges & other expenditure on account of faculty being on leave or proceeding for postdoctoral degree, training & research program. The provision for incurring expenditure on behalf of faculty is only for mandatory training after appointment in the institute. While the instant training/ research work was not a mandatory one.

The lapse occurred due to weak administrative and financial controls which resulted into inadmissible expenditure.

In the DAC meeting held on 12 & 13.01.2023, the forum marked the Para for inquiry.

The department conducted internal inquiry and the report thereof was shared with Audit, however, Audit did not agree with the findings & recommendations of the internal inquiry report due to the reasons recorded and shared with the department vide Verification Report.

Audit recommends recovery from the faculty besides fixing of responsibility on the person(s) at fault.

PDP No. 118 (2021-22)

13.4.38 Loss due to non-transparent procurement and avoiding the lowest financial bid – Rs. 5.415 million

According to Khyber Pakhtunkhwa Public Procurement Regulatory Authority (KPPRA) Procurement Rules 2014, circulated vide Finance Department (Regulation Wing) letter No. SO(FR)/FD/9-7/2013 dated: 03-02-2014, Chapter-II "Methods of Procurement of Goods " single stage, one envelope procedure should be used where cost is the only determining factor. Each bid shall comprise one single envelope containing financial proposal or offer and required information in accordance with the bid solicitation documents. This shall be the standard method of procurement of goods for simple and routine nature and where no technical innovation is involved;

Single stage, two envelops procedure shall be used where bids are to be evaluated on technical and financial grounds and price is taken into account after technical evaluation. Bid shall comprise a single package containing separate envelopes. Each envelope shall contain separately the financial proposal and technical proposal;

According to section 30 of the Khyber Pakhtunkhwa Public Procurement Rules 2014, Each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders.

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Years 2020-22, it was observed that payment of Rs.20,629,966/- was made to M/S Abid Rafique and Company for supply of equipment for heat treatment laboratory under lot # 6.

Perusal of bidding documents revealed that lowest bid of Rs.15,214,920/- offered by M/S Engineering and Technical Services was ignored and awarded the contract to M/S Abid Rafiq and Company at the bid cost of Rs.20,629,966/- This resulted in loss of Rs.5,415,046/- to the government due to non-award of tender to the lowest bidder.

i. Single stage single envelope method was used and as per KPPRA rules it should be used where cost is the only determining factor, as such the lowest bid was required to be accepted but ignored.
ii. The lowest offer bid of M/S Engineering and Technical Services was ignored though the firm qualified in the initial eligibility evaluation. Both the firms offered China made item but still the lowest bidder was shown disqualified in the Technical Evaluation.
iii. In case of technical nature and complicated items, two envelopes procedure was required to be adopted and financial bid of the technically disqualified bidder was required to be returned unopened but still financial bid was opened. This indicated that there were no solid reasons for rejection of lowest bidder but still contract awarded to the choice firm.
iv. Dr. Muhammad Zubair Khan, Assistant Professor (Convener Procurement Committee) submitted the financial evaluation to the procurement committee wherein lowest bid of M/S Engineering and Technical Services for Rs.15,214,920/- was clearly mentioned. Once the firm was technically disqualified then how his financial bid was written down in the financial evaluation.

The lapse occurred due to mis-procurement which resulted in loss to the government which resulted into loss to the government.

In the DAC meeting held on 12 & 13.01.2023, the forum marked the Para for inquiry in light of observations raised by Audit.

The department conducted internal inquiry and the report thereof was shared with Audit, however, Audit did not agree with the findings & recommendations of the internal inquiry report due to the reasons recorded and shared with the department vide Verification Report.

Audit recommends recovery of loss from the person(s) at fault.

PDP No. 131 (2021-22)

13.4.39 Non-transparent procurement due to awarding the contract to the choice firm – Rs. 12.965 million

According to section 30 of the Khyber Pakhtunkhwa Public Procurement Rules 2014, Each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders.

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Years 2020-22, it was observed that payment of Rs.12,965,000/- was made to M/S Technology Links (Pvt) Ltd. for supply of material testing lab equipment under lot # 1.

Perusal of bidding documents revealed that defective evaluation of bids submitted by various bidders was carried out wherein all the firms were declared disqualified/ non-responsive one way or the other and awarded the contract to M/S Technology Links being the choice firm. The tender process was adopted as a formality which was managed due to the following reasons:

i. 05 bidders participated in the bidding process, out of which only the above bidder was declared responsive and rest were declared non-responsive which was not correct. M/S Engineering and Technical Services was declared non-responsive in the instant procurement (Lot-1) for the reason that company is not in operation for last 05 years and the financial bid was shown returned unopened. Whereas, in the evaluation of Lot-6, the same firm was shown in operation. This contradiction shows that evaluation process was managed and defective.

ii. Another firm viz. Analytical Measuring Systems was shown technically disqualified and declared non-responsive in the comparative statement of lot-1, whereas, in the detail evaluation, the firm secured 70.428 marks against the passing criteria of 70 marks. This contradiction further strengthened audit contention that procurement process was managed for awarding the contract to the choice firm.

The actual loss could not be ascertained by audit as financial bids of 04 bidders were shown returned unopened and not available to evaluate the financial impact of defective tendering process.

The lapse occurred due to mis-procurement which resulted into non-transparent procurement.

In the DAC meeting held on 12 & 13.01.2023, the management was directed to produce the record of Lot-1 and 6 for comparison and verification. However, no progress was intimated to Audit till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides recovery of loss.

PDP No. 133 (2021-22)

13.4.40 Non-deduction of GST and Income Tax – Rs. 55.930 million

According to Income tax Department letter No-WHU-47/RTO-PR/2017-18 dated 11/7/2017, income tax at the rate of 4% shall be deducted from the payments of a filer contractor/ company.

According to terms & condition of the purchase order dated 02-06-2022, payment/ deduction will be made as per Income Tax ordinance in force at time.

During audit of the accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Years 2020-22, it was observed that total payment of Rs. 258,203,621/- was made to different suppliers for supply of different items. However, further scrutiny of record revealed that the university administration failed to deduct the general sales tax and income tax at the prescribed rates amounting to Rs. 55,930,365/- from the payments made to them, as detailed below;

S. No.	Contractor	Work	Amount Paid	GST	I.T	Total
1	M/S Technology Links	Supply of Stock & Stores	44,758,000	6,503,300	3,133,060	9,636,360
2	M/S Associated Instrument Distributed	Supply of Physics Lab Equipment	8,653,235	2,941,475	346,129	3,287,604
3	M/S Global Marketing Services	Stock & Stores/ Lab Equipment	103,861,540	17,656,461	4,154,462	21,810,923

4	M/S H.A Shah & Sons	Supply of Molecular Biology Equipment	100,930,846	17,158,244	4,037,234	21,195,478
Total			**258,203,621**			**55,930,365**

The lapse occurred due to mis-procurement and weak financial controls which resulted into non-deduction of taxes.

In the DAC meeting held on 12 & 13.01.2023, the management was directed to provide evidence of deduction of GST and Income Tax upon delivery of the items to the institute. However, no progress was intimated to Audit till finalization of this report.

Audit recommends recovery of taxes and subsequent deposit to government treasury.

PDP No. 134, 137, 138 & 139 (2021-22)

13.4.41 Non-transparent procurement due to awarding the contract to the choice firm – Rs. 20.473 million

According to section 30 of the Khyber Pakhtunkhwa Public Procurement Rules 2014, Each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders.

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Years 2020-22, it was observed that payment of Rs.20,473,000/- was made to M/S Technology Links (Pvt) Ltd. for supply of material testing lab equipment under lot # 2.

Perusal of bidding documents revealed that defective evaluation of bids submitted by various bidders was carried out wherein all the firms where declared disqualified/ non-responsive one way or the other and awarded the contract to M/S Technology Links being the choice firm. The criteria for evaluation was irrational and designed one. The tender process was adopted as a formality which was managed due to the following reasons:

i. 05 bidders participated in the bidding process, out of which only the above bidder was declared responsive and rest were declared non-responsive which was not correct. M/S Analytical Measuring System was disqualified and the financial bid was shown returned unopened. Whereas, in the evaluation, the firm secured 70.428 marks against the passing marks of 70. Even incorrect score was assigned as the actual score was 72.428 marks.
ii. M/S Technology Links (successful bidder) was given 5 marks for 5 operational offices while M/S Analytical System was given 3 marks for 4 operational offices.
iii. M/S Technology Links (successful bidder) was given 7 marks for 375.1 million financial strength while M/S Analytical System was given 0 marks for 151.35 million financial strength.
iv. The irrational requirement of relevant experience, experience in public sector and experience in education sector was repeated set in the technical evaluation for awarding maximum score to the choice firm viz. M/S Technology Links.

The actual loss could not be ascertained by audit as financial bids of 04 bidders were shown returned unopened and not available to evaluate the financial impact of defective tendering process.

The lapse occurred due to mis-procurement which resulted into non-transparent procurement.

In the DAC meeting held on 12 & 13.01.2023, the management was directed to produce the record of Lot-1 and 6 for comparison and verification. However, no progress was intimated to Audit till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides recovery of loss.

PDP No. 135 (2021-22)

13.4.42 Illegal appointments through Internal Hiring committee – Rs. 70.155 million

As per section 1(iii) of chapter 5 of the Statutes, Contract staff paid from contingencies or on work charged basis or persons employed occasionally for consultancy or on part-time basis or on fixed term contract whose appointments are governed by the letters of their appointment shall be hired through Internal Hiring Committee to be headed by the Director Establishment of the Institute. The appointments shall be maximum for one year which is not extendable. The Director Establishment with the approval of Rector shall initiate the process of appointment through advertisement or head-hunting basis.

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Years 2020-22, it was observed that the Institute made certain appointments on one year term through head hunting citing various reasons that abstain the Institute to advertise the position. Total payment of Rs. 70,154,580/-was made on account of monthly salary for one year term **(Annexure-XXXIV)**.

The following irregularities were observed by Audit:

i) The spirit of statutes is that “Fixed term Contract” means the appointment made against the budgeted post by the Rector on the recommendation of the Internal Hiring Committee under specific agreement for a fixed period not exceeding one year;

ii) The Internal Hiring Committee shall be responsible for processing of applications and conducting interviews or test or the both as may be decided by the competent authority for fixed term contract hiring of the staff.
The narrative of above clause is that persons with high experience in different fields will be hired as consultant with specific task for a limited period but contrary to that:

a. Budgeted positions were filled and no efforts were made to advertise these positions
b. All these positions have been filled through head hunting but ironically only one candidate was hunted for each position thus merit was discouraged
c. Filling of positions of Assistant Professor, Lecturers and Deputy Director through Internal Hiring Committee makes no sense as these positions can be easily filled through open merit but it seems that these people were accommodated as they cannot be appointed or compete on merit thus so called slogan of merit in the institute was exposed.

d. No agreement was signed with these appointees for assigning them special tasks and their periodical reports
e. The record reveals that these appointees are not eligible for these positions if compete on merit due to one or other reasons
f. Some of the appointees have been granted salary package even more the ceiling of PC-1 on the recommendation of the Internal Hiring Committee which was not mandated to do so as market base salaries are determined by the Executive Council in light of Section 20 of the Act of the institute.
g. Most of the officers have been rehired by the same Internal Hiring Committee after 2 days gap which is against the spirit of Statutes wherein it is stated that these appointments are not extendable beyond one year.
h. Most of the appointed officers are more than 60 years of age so their appointments need approval of Chancellor which was not sought.
i. No Job description or special tasks were assigned or completion reportswere available for record.
j. It was necessary to monitor the performance of these high paid officers on quarterly basis and should have been submitted to Executive Council for ratification but nothing done
k. Some of the officers have left the Institute but no record of their performance and achievement of targets was available.
l. Some staff positions have also been filled through Internal Hiring Committee and it is apprehended that those failed in merit were adjusted through this mean.

Audit held all these appointments as illegal and wastage of public money and accommodation of chosen one.

In the DAC meeting held on 12 & 13.01.2023, the forum marked the Para for detailed inquiry.

The department conducted internal inquiry and the report thereof was shared with Audit, however, Audit did not agree with the findings & recommendations of the internal inquiry report due to the reasons recorded and shared with the department vide Verification Report.

Audit recommends immediate termination of the contract of all mentioned employees and if necessary, these positions may be advertised in newspapers for appointment on merit. Moreover, salary paid over and above the limit of PC-1 may recovered.

PDP No. 144 (2021-22)

13.4.43 Overpayment to contractor due to allowing MRS-2019 rates instead of MRS-2016 rates – Rs. 7.390 million

According to Government of Khyber Pakhtunkhwa, Communication and Works Department, MRS Cell notification No. MRS Cell/C&W/6-1/D&S/2019-20 dated 01-06-2017 "The Market Rate System Document 2019, is approved with effect from 01-10-2019. All the departments generally and Nation Building Departments shall especially follow the MRS Document 2019 for preparation of PC-I and execution of works in the province by observing the following criteria:

i. The rates of newly updated MRS-2019 will be applicable on unapproved schemes only.

ii. Projects already approved by respective competent forum shall be immediately put to tender without its revision on MRS-2019.
iii. Projects already approved by respective competent forum shall be immediately put to tender without its revisal on MRS-2019

According to the terms & conditions No.6 of the NIT provides, the tenders shall be processed according to "Above/ Below System" based on the Market Rate System 2016.

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Year 2020-21, it was observed that contract for the construction of road & allied work (Package-2) was awarded to M/S Bakht Rawan. An up-to-date payment of Rs.40,896,153/- was paid till IPC-04.

Scrutiny of record revealed that:

i. The PC-I was prepared for carrying out civil work on the basis of MRS-2016 and accordingly approved by the competent forum.
ii. The Engineer's estimate as envisaged in the PC-I was prepared on MRS-2016.
iii. Comparison of paid bill with PC-I revealed that all the items were paid on the basis of MRS-2019 despite the fact that PC-I was approved on MRS-2016. The management was bound to carry out bidding process on MRS 2016 and make payments on MRS-2016. This resulted in overpayment of Rs. 7,390,474/-to the contractor **(Annexure-XXXV)**.

The lapse occurred due to weak management of the developmental works which resulted in overpayment to the contractor.

In the DAC meeting held on 12 & 13.01.2023, the forum directed to conduct detailed investigation/ inquiry into the matter.

The department conducted internal inquiry and the report thereof was shared with Audit, however, Audit did not agree with the findings & recommendations of the internal inquiry report due to the reasons recorded and shared with the department vide Verification Report.

Audit recommends recovery from the contractor besides fixing of responsibility on the person(s) at fault.

PDP No. 145 (2021-22)

13.4.44 Overpayment to contractors due to allowing MRS-2017 rates instead of MRS-2016 rates – Rs. 28.257 million

According to Government of Khyber Pakhtunkhwa, Finance Department, CSR Cell notification No. FD/CSR Cell/1-7/Rates/2017 dated 01-06-2017 "The Market Rate System Document 2017, is approved with effect from 01-06-2017. The rates of newly updated MRS-2017 will be applicable on unapproved schemes only. Projects already approved by respective competent forum shall be immediately put to tender without its revision on MRS-2017"

According to the terms & conditions No.6 of the NIT provides, the tenders shall be processed according to "Above/ Below System" based on the Market Rate System 2016.

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Year 2020-21, it was observed that contract for the construction of Academic Block C1 was awarded to M/S Bakht Rawan and paid Rs.254,311,013, till IPC 10.

Scrutiny of record revealed that:

1. The PC-I was prepared for carrying out civil work on the basis of MRS-2016 and accordingly approved by the competent forum.
2. The Engineer's estimate as envisaged in the PC-I was prepared on MRS-2016.
3. Comparison of paid bill with PC-I revealed that all the items were paid on the basis of MRS-2017 despite the fact that PC-I was approved on MRS-2016. The management was bound to carry out bidding process on MRS 2016 and make payments on MRS-2016. Contrarily, payments were allowed on MRS-2017 which is almost 10% higher than MRS-2016 rates. This resulted in overpayment of Rs.28,256,779/-to the contractor.

The lapse occurred due to weak management of the developmental works which resulted in overpayment to the contractor.

In the DAC meeting held on 12 & 13.01.2023, the forum directed to conduct detailed investigation/ inquiry into the matter.

The department conducted internal inquiry and the report thereof was shared with Audit, however, Audit did not agree with the findings & recommendations of the internal inquiry report due to the reasons recorded and shared with the department vide Verification Report.

Audit recommends recovery from the contractor besides fixing of responsibility on the person(s) at fault.

PDP No. 146 (2021-22)

13.4.45 Loss to government due to allowing MRS-2017 rates instead of MRS-2016 rates – Rs. 45.993 million

According to Government of Khyber Pakhtunkhwa, Communication and Works Department, MRS Cell notification No. FD/CSR/1-7/Rates/2017 dated 01-06-2017 "The Market Rate System Document 2017, is approved with effect from 01-06-2017. All the departments generally and Nation Building Departments shall especially follow the MRS Document 2017 for preparation of PC-I and execution of works in the province by observing the following criteria:

i. The rates of newly updated MRS-2017 will be applicable on unapproved schemes only.
ii. Projects already approved by respective competent forum shall be immediately put to tender without its revision on MRS-2017.

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Year 2020-21, it was observed that contract for the construction of high school was awarded to M/S Muhammad Ishaq & Sons. An up-to-date payment of Rs.92,118,916/- was paid till IPC-07.

Scrutiny of relevant file revealed that the PC-I of the project was approved as ADP vide S. No. 675/170030 for the year 2017-18, this indicated that estimates were prepared on MRS-2016 and accordingly tendered. After issuance of MRS-2017, the management issued corrigendum and asked the contractors to submit rates on MRS-2017 despite clear directions that new MRS-2017 is for unapproved schemes and already approved schemes shall be put to tender without its revision on new MRS.

PC-I revealed that estimated cost of the high school was Rs.50.00 million but due to its unauthorized revision on MRS-2017, the contract cost was enhanced to Rs.95,993,450/- This resulted in excess cost of the project to the tune of Rs.45,993,450/- (95.993 – 50) which was also above the PC-I provision based on MRS-2016 estimations.

The lapse occurred due to weak management of the developmental works which resulted in overpayment to the contractor.

In the DAC meeting held on 12 & 13.01.2023, the forum directed to conduct detailed investigation/ inquiry into the matter.

The department conducted internal inquiry and the report thereof was shared with Audit, however, Audit did not agree with the findings & recommendations of the internal inquiry report due to the reasons recorded and shared with the department vide Verification Report.

Audit recommends recovery from the contractor besides fixing of responsibility on the person(s) at fault.

PDP No. 149 (2021-22)

13.4.46 Overpayment to contractor due to allowing MRS-2019 rates instead of MRS-2016 rates – Rs. 5.123 million

According to Government of Khyber Pakhtunkhwa, Communication and Works Department, MRS Cell notification No. MRS Cell/C&W/6-1/D&S/2019-20 dated 01-06-2017 "The Market Rate System Document 2019, is approved with effect from 01-10-2019. All the departments generally and Nation

Building Departments shall especially follow the MRS Document 2019 for preparation of PC-I and execution of works in the province by observing the following criteria:

i. The rates of newly updated MRS-2019 will be applicable on unapproved schemes only.
ii. Projects already approved by respective competent forum shall be immediately put to tender without its revision on MRS-2019.
iii. Projects already approved by respective competent forum shall be immediately put to tender without its revisal on MRS-2019

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Year 2020-21, it was observed that contract for the construction of external development work was awarded to M/S Bakht Rawan. An up-to-date payment of Rs.25,615,155/- was paid till IPC-03.

Scrutiny of record revealed that:

1. The PC-I was prepared for carrying out civil work on the basis of MRS-2016 and accordingly approved by the competent forum.
2. The Engineer's estimate as envisaged in the PC-I was prepared on MRS-2016.
3. Comparison of paid bill with PC-I revealed that all the items were paid on the basis of MRS-2019 despite the fact that PC-I was approved on MRS-2016. The management was bound to carry out bidding process on MRS 2016 and make payments on MRS-2016. This resulted in overpayment of Rs.5,123,031/-(25615155 x 20%) to the contractor as MRS-2019 rates are 20% higher than MRS-2016.

The lapse occurred due to weak management of the developmental works which resulted in overpayment to the contractor.

In the DAC meeting held on 12 & 13.01.2023, the forum directed to conduct detailed investigation/ inquiry into the matter.

The department conducted internal inquiry and the report thereof was shared with Audit, however, Audit did not agree with the findings & recommendations of the internal inquiry report due to the reasons recorded and shared with the department vide Verification Report.

Audit recommends recovery from the contractor besides fixing of responsibility on the person(s) at fault.

PDP No. 150 (2021-22)

13.4.47 Overpayment to contractor due to non-deduction of rebate on NSI – Rs. 1.740 million

According to the contractors' bids, comparative statement and work order No. PAF-IAST/PD/2019-941 dated 29-05-2019, the lowest rate offered by M/S Bakht Rawan for the construction of Boys Hostel-2 was approved @ 10% below on schedule and non-schedule items.

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Year 2020-21, it was observed that contract for the construction of Boys Hostel - 2 was awarded to M/S Bakht Rawan @ 10% rebated rate offered by the contractor and duly accepted vide work order No. PAF-IAST/PD/2019-941 dated 29-05-2019.

It is worth mentioning here that the contractor's bid accepted being lowest was 10% below on schedule items and non-schedule items. Scrutiny of 12th/final bill revealed that the work was concluded at the cost of Rs.133,624,801/- The final bill included Rs.17,404,661/- on account of non-schedule item but 10% rebate was not deducted from the NSI payment. This resulted in overpayment of Rs.1,740,466/- (17404661 x 10%)

The lapse occurred due to weak internal controls which resulted into overpayment to contractor.

In the DAC meeting held on 12 & 13.01.2023, the forum directed to produce the record for verification of Audit. However, no progress was intimated to Audit till finalization of this report.

Audit recommends recovery.

PDP No. 151 (2021-22)

13.4.48 Overpayment to contractor due to unjustified change in the nature and quantity of already executed item – Rs. 5.903 million

Doubtful enhanced quantity execution of cladding on the top floor – Rs. 8.673 million

According to Para 56 of the CPWA code "BOQ/Estimates- as its name indicates, it amounts to no more than guarantee that the proposals are structurally sound and that the estimates are accurately calculated and based on adequate data"

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Year 2020-21, it was observed that contract for the construction of Academic Block C1 was Malik Bakht Rawan. The work was shown completed at the total cost of Rs.306,302,285/- as 12th& final IPC was paid vide bill No. 5197/22.06.2022.

Comparison of the 12th/Final IPC with 10th running bill revealed that nature and quantity of already executed items of work viz. aluminum cladding and curtain wall paid vide 10th running bill was changed/ enhanced in the final bill. Though mostly quantity are changed/enhanced in the final bill which is a routine practice but changing nature of the already executed items was beyond consideration. The unjustified change in nature and quantity of already executed items resulted in overpayment of Rs. as tabulated below:

IPC	**Aluminum cladding**		**Curtain wall**		**Total**	
	Qty	**Payment**	**Qty**	**Payment**	**Qty**	**Payment**
10th	4095.25	53647762	1124.16	12253344	5219.41	65901106
12th/final	4603.991	60312282	1054.316	11492044	5658.307	71804326
Overpayment						**5,903,220**

Furthermore, 10th running bill showed that the floor-wise quantity of aluminum cladding was irrational as quantity of cladding on top floor was much more than the quantity of ground to 5th floor though the height & covered area of the top floor was less than the other floors. This made the payment of Rs.8,672,894/- against the top floor doubtful as tabulated below:

Floor	**Qty**	**Payment (Rs.)**
Ground	494.14	6,473,234
1st	542.39	7,105,309
2nd	540.68	7,082,869
3rd	506.10	6,629,923
4th	479.47	6,281,070
5th	614.59	8,051,064
Top	662.05	8,672,894

The lapse occurred due to weak management of the developmental works which resulted in overpayment to the contractor.

In the DAC meeting held on 12 & 13.01.2023, the forum directed to produce the measurement books for verification of Audit. However, no progress was intimated to Audit till finalization of this report.

Audit recommends recovery of the overpaid amount due to changing nature of the executed item at a later stage.

PDP No. 153 (2021-22)

13.4.49 Overpayment to contractor due to non-deduction of rebate on NSI – Rs. 12.833 million

According to the contractors' bids, comparative statement and work order No. PAF-IAST/PD/2019-942 dated 29-05-2019, the lowest rate offered by M/S Bakht Rawan for the construction of Academic Block C1 was approved @ 10% below on schedule and non-schedule items.

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Year 2020-21, it was observed that contract for the construction of Academic Block C1 was awarded to M/S Bakht Rawan @ 10% rebated rate offered by the contractor and duly accepted vide work order No. PAF-IAST/PD/2019-942 dated 29-05-2019.

It is worth mentioning here that the contractor's bid accepted being lowest was 10% below on schedule items and non-schedule items. Scrutiny of 11th running bill revealed that Rs.128,332,244/- was paid on account of non-schedule items on which 10% rebate was not deducted from the payment. This resulted in overpayment of Rs.12,833,224/- (128332244 x 10%)

The lapse occurred due to weak internal controls which resulted into overpayment to contractor.

In the DAC meeting held on 12 & 13.01.2023, the forum directed to produce the record for verification by Audit. However, no progress was intimated to Audit till finalization of this report.

Audit recommends recovery.

PDP No. 154 (2021-22)

13.4.50 Loss to the government due to doubtful cost enhancement – Rs. 7.858 million

According to Para 56 of the CPWA code "BOQ/Estimates- as its name indicates, it amounts to no more than guarantee that the proposals are structurally sound and that the estimates are accurately calculated and based on adequate data"

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Year 2020-21, it was observed that contract for the construction of external water supply and sewerage work was awarded to M/S Cemcon (Pvt) Ltd. The following payment status was extracted from the record:

Particulars	**PC-I cost**	**BOQ**	**Technical Sanction**
External water supply (SI)	27,599,617	24,411,862	12,630,515
External water supply (NSI)	0	0	459,126
External Sewerage	9,443,178	8,352,491	27,532,781
Total	**37,042,795**	**32,764,353**	**40,622,422**

The cost enhancement of the project to the tune of Rs.7,858,069/- (40.622 – 32.764) was doubtful and not based on actual site realities on the following grounds:

i. The PC-I was based on site survey and feasibility report. M/S MAK Engineering Services was full time engaged as consultant for design and supervision phases, in addition to Deputy Manager (Works). The contractor's bid was 11.55% below the Engineer's estimate/PC-I. Hence, it was expected that saving of Rs.4,278,442/- (37.043 – 32.764) will be available on completion of project. But doubtful cost enhancement was made to draw the saving amount, despite the fact that distance from overhead tank to blocks/ buildings was known to the Engineer.
ii. The technical sanction for the enhanced cost of Rs.7,858,069/- was prepared by the contractor M/S Simcom (Pvt) Ltd despite the fact that Deputy Manager (Works) and consultant was engaged in the project. The TS prepared and submitted by the contractor's was on his own choice items and enhanced scope of work.

The lapse occurred due to weak internal controls which resulted into loss to the government.

In the DAC meeting held on 12 & 13.01.2023, the forum directed to produce the measurement book, technical sanction, PC-I and enhancement of scope of work for verification of Audit. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to conduct independent inquiry for fixing of responsibility and recovery of expenditure incurred beyond scope of work.

PDP No. 157 (2021-22)

13.4.51 Overpayment to contractor due to allowing illogical increase in quantities in final bill – Rs. 2.504 million

According to Para 56 of the CPWA code "BOQ/Estimates- as its name indicates, it amounts to no more than guarantee that the proposals are structurally sound and that the estimates are accurately calculated and based on adequate data"

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Year 2020-21, it was observed that contract for the construction of three bedded flats was awarded to M/S M.Y. Brothers. The project was concluded with final payment of Rs.60,003,447/- through 12th& final IPC.

Comparison of 11th& 12th/ final IPCs revealed that unnecessary/ illogical increased quantities of certain items were paid in final bill probably to draw the amount of savings under the project. Audit holds the view that quantities of the preliminary items of work related to earth work were enhanced in the final bill merely to draw the anticipated savings. Hence, payment of Rs.2,504,139/- as tabulated below was illogical as well as overpayment:

Floor	**Item**	**Qty in IPC 11**	**Qty in 12th& final IPC**	**Excess Qty**	**Rate**	**Overpayment (Rs.)**
Sub structure	Structural backfill borrow	1413.879	2619.738	1205.859	1127.8	1,359,968
	Form work	326.65	344.232	17.582	552.5	9,714
Ground floor	RCC 1:1:5:3	111.141	121.32	10.179	9538.28	97,090
	Steel	20.406	20.71	0.304	111598.88	33,926
	PCC 1:4:8	0	86.398	86.398	5481.08	473,554
	PCC 1:2:4	33.61	102.898	69.288	7257.86	502,883
	V DPC 0.5” thick	31.23	46.84	15.61	611.86	9,551
	Box type chowkat	494.111	509.144	15.033	1160.97	17,453
Total						**2,504,139**

The final bill mostly reflects the final stage work i.e. emulsion paint, polishing of marble and door, electric work etc. whereas in the instant case, structural backfill in sub-structure was allowed which indicated that no additional quantities were executed but paid.

The lapse occurred due to weak internal controls which resulted into overpayment to contractor.

In the DAC meeting held on 12 & 13.01.2023, the forum directed to produce the measurement book, technical sanction, PC-I and enhancement of scope of work for verification of Audit. However, no progress was intimated to Audit till finalization of this report.

Audit recommends recovery of the overpaid amount.

PDP No. 164 (2021-22)

13.4.52 Irregular expenditure on construction of Admin Block beyond PC-I scope of work – Rs. 92.618 million

According to the PC-I approved for the establishment of Pak – Austria Fachhochschule Institute of Applied Science & Technology for Rs.8601.919 million, there was provision for construction of ground floor, first floor, second floor and top floor.

During audit of accounts of Pak-Austria Fachhochschule Institute of Applied Sciences Haripur for the Financial Year 2020-21, it was observed that contract for the construction of Academic Block C1 was awarded to M/S Bakht Rawan and paid Rs.257,596,956 till IPC-10.

Scrutiny of 10th IPC and its comparison with PC-I revealed that expenditure of Rs. was incurred on the additional floors which were beyond the scope of the PC-I. The approved PC-I had provision for ground, first and second floor, whereas IPC 10 revealed expenditure on third, fourth and fifth floor which were beyond the scope of PC-I. Hence, expenditure of Rs.92,617,929/- stands irregular as summarized below:

S. No	Floor	Schedule items expenditure	Non-Schedule items expenditure	Total expenditure
1	Third Floor	17,158,119	12,438,740	29,596,859
2	Fourth Floor	17,579,313	12,048,658	29,627,971
3	Fifth Floor	19,423,273	13,969,826	33,393,099
Total		**54,160,705**	**38,457,224**	**92,617,929**

Furthermore, design and facilities in the floors of the Academic block were same, then variation/ excess expenditure of Rs.3,765,128/- on fifth floor was doubtful and needs proper justification.

Audit opines that PC-I was based on site survey and feasibility report, duly approved by the competent forum. The drastic variation from scope of work worth Rs.92,617,929/- was irregular as in case of non-approval of the additional scope of work in the revised PC-I by the respective competent forum, what will be the fate of the matter.

The lapse occurred due to non-observing the approved scope of work which resulted in irregular expenditure.

In the DAC meeting held on 12 & 13.01.2023, the department was directed to produce revised PC-I dealing the subject matter to Audit for verification. However, no progress was intimated till finalization of this report.

Audit recommends independent inquiry for fixing of responsibility on the person(s) at fault as no such revised PC-I was available/ produced.

PDP No. 169 (2021-22)

13.4.53 Non-deduction of sales tax on services - Rs. 3.926 million

Sales Tax on Services was devolved to provinces through 18th Constitutional Amendment. Khyber Pakhtunkhwa Revenue Authority (KPRA) was created through Khyber Pakhtunkhwa Finance Act 2013 in order to administer and collect Sales Tax on Services.

According to Sr. No. 4 of the Second Schedule to the Khyber Pakhtunkhwa Finance Act 20z13 as amended vide Finance Act 2019, rate of sales tax on Telecommunication and similar, allied and ancillary services is 19.50%.

During audit of the accounts of Kohat University of Science & Technology Kohat for the financial year 2021-22, it was noticed that an amount of Rs. 20,137,503 was paid to PERN internet for the provision of internet/broadband services. On scrutiny of the bills, it was observed that sales tax on services amounting to Rs. 3,926,813 was not deducted from the bills of the service provider. Detail is given below;

Date	Voucher Number	Amount	Sales Tax on Services
30/06/2021	3-2202-PV-21-08-0023	4,617,106	900,336
3/8/2021	3-1102-PV-21-10-0200	4,958,014	966,813
8/2/2022	3-1102-PV-22-02-0120	5,195,959	1,013,212
30/06/2022	JV-22-06-0015	5,366,424	1,046,453
Total		**20,137,503**	**3,926,813**

Audit held that after the 18^{th} amendment sales tax on services should have been deducted and withheld by the university.

The lapse occurred due to weak financial controls which resulted into non-deduction of sales tax on services which further resulted in loss to provincial government.

When pointed out in June 2023, it was stated that the university was not directly availing the service from the service provider therefore, withholding was not required. However, audit didn’t agree because KPRA has clarified that universities should withhold this tax.

The department was requested vide letter dated 31.08.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends recovery of the sales tax on services from the concerned service provider.

PDP No. 583 (2021-22)

13.4.54 Misappropriation of receipts realized from soil testing - Rs. 5.457 million

According to clause 6.2.1 of UET Financial Statutes, the money received in cash or financial instruments will be deposited in the University's bank account (s) and recorded in the Bank Book on daily basis. If due to unavoidable circumstances, collection cannot be deposited on the day they are received, the matter will be brought into the notice of the Additional Director Finance who shall arrange for safe custody of the same.

During audit of the accounts of University of Engineering & Technology Peshawar for the Financial Year 2021-22, it was observed that a sum of Rs. 5,457,325/- (Rs. 1,845,310+1,822,100+1,789,915) was realized on account of commercial testing in Soil Mechanics & Highway Engineering lab w.e.f 19-03-2021 to 14-09-2021.

Upon comparison of receipts generated from these tests with bank statement it was revealed that the cash collected was not deposited in the relevant bank and mis-appropriated by the dealing hands.

Furthermore, these amounts of income of Rs. 5,457,325/- (Rs. 1,845,310 + 1,822,100 + 1,789,915) were not deposited into relevant bank account but were drawn through three cheques and distributed through Directorate of Finance according to devised formula.

Audit held that there is no proof available with the Civil Engineering Department for deposit of receipts from soil tests into bank account. The Civil Engineering Department instead of verifying the deposits into relevant bank account, drew three cheques total amounting to Rs. 5,457,325/- and sent to Directorate of Finance for distribution which shows their concern for shares only.

The lapse occurred due to the worst internal controls and financial mis-management on the part of Civil Engineering Department which resulted into misappropriation of receipts.

When pointed in April 2023, no reply was furnished.

The department was requested vide letter dated 16.06.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends detail fact finding inquiry into the matter and fixing responsibility against the person (s) at fault under Rules beside recovery of loss.

PDP No. 392 (2021-22)

13.4.55 Non-deduction/Non-deposit of Sales Tax on Services on account of Testing Services - Rs. 6.924 million

According to Finance Act-2013 amended through the KP Finance Act, 2021, Second Schedule working Tariff-2021-22, Sales Tax on testing services shall be charged @ 5% without any input adjustment.

During audit of the accounts of University of Engineering & Technology Peshawar for the Financial Year 2021-22, it was observed that MoU was signed between PESCO and UET Peshawar on 1st February 2022 for outsourcing the process of written/skill as well as physical tests for recruitment of officers/officials of different categories in BPS-5 and above.

On further verification of record, it was noticed that the testing process for recruitments was finalized on 28.05.2022 and a sum of Rs. 145,410,780 was realized/accumulated through online admission bank account of UET as 50% direct charge from applicants being application fee for different categories of staff as detail below:

S.No.	Particulars/Description	Rate per candidate	50%	No. of online applications	Amount
1	BPS-16 & 17	Rs. 1360	680	16,146	10,979,280
2	BPS-6 to 15	Rs. 1105	553	192,078	106,219,134
3	BPS-5	Rs. 977.50	489	57,694	28,212,366
Total amount received from online applications					**145,410,780**

However, Sales Tax on Testing Services on the funds generated from online applications @ 5% amounting to Rs. 6,924,323 (Rs. 145,410,780 X 5/105) was neither deducted nor deposited into Govt Treasury.

The lapse occurred due to weak internal controls and financial mis-management which resulted into non-deduction and non-deposit of taxes.

When pointed in April-2023, no reply was furnished.

The department was requested vide letter dated 16.06.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends the matter to be inquired at appropriate level and deposit of Sales Tax.

PDP No. 394 (2021-22)

13.4.56 Loss to government due to unauthorized payment of Medical Allowance at higher rate – Rs. 103.978 million

According to the Federal Government Notification medical allowance @ Rs.1500/- is permissible to BPS-1 to 16. Similarly, Rs.1848, Rs.2421, 3690 4378 is permissible to BPS-17,18,19& 20 respectively.

According to Prime Minister Secretariat Higher Education Commission (HEC) Wing letter No.F.P-2.157/ III/HEC/ 2009/580, dated 4th August 2009, variations in payments of additional allowances in excess of prescribed rates and extending additional allowances/incentives to faculty/staff by public sector universities create recurring financial burden in form of pay and allowances and advised the Governors of the Provinces to direct Vice Chancellors that facilities in excess of prescribed rates or extending additional allowance/incentives to faculty/ staff other than admissible under the BPS scheme may not be allowed, in case any financial implication beyond the approval of the HEC and Government of Pakistan shall be responsibility of the concerned university.

During audit of the accounts of University of Engineering & Technology Peshawar for the Financial Year 2021-22, it was observed that a sum of Rs.103.978 million was drawn on account of Medical Allowance under head AO1217 and shown paid to employees of the University. The rate of medical allowance was required to have been paid at the rate prescribed by the Federal Government from time to time. But verification of record revealed that the medical allowance was paid in excess than the rates prescribed by the Federal Government, this resulted into recurring loss of Rs.103.978 million and the university also put into deficit of 1141.581 as evident from the Utilization Report.

Audit is of the view that the irrationalized allowances were required to have been at par with the allowances of Civil Servants of Federal and Provincial Government to avoid its financial collapse of the university in near future.

The loss occurred due to financial mismanagement and non-adherence to rules / regulations. which resulted into loss to the government.

When pointed in April 2023, no reply was furnished.

The department was requested vide letter dated 16.06.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the mater and fix responsibility along with recovery of the amount.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide DP Number 4.4.8 having financial impact of Rs. 39.216 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 395 (2021-22)

13.4.57 Loss due to non-recovery of dues from defaulter scholars - Rs. 92.852 million

According to Clause-15 of terms and conditions of Deed of Agreement executed between University of Engineering & Technology Peshawar and scholar, the employee 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 AWARDEE join 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 prescribed read with Clause18, that in case of breach of any of terms & conditions as well as the terms, rules and conditions governing the scholarship award and grant of study leave, and or his/her failure to return to the University within the specified period, and failure to serve the University for the specified Bond period, he/she binds himself/herself firmly to pay on demand (a) All amounts paid to him/her or his/her dependents, pertaining to, and during the course of the study abroad, in any currency, converted to equivalent Pakistani rupees in addition to liquidation damages of Rs. 1.00 million.

During audit of the accounts of University of Engineering & Technology Peshawar for the Financial Year 2021-22, it was observed that 53 Nos. faculty members were sent to various foreign countries for higher studies/PhDs and following amounts were paid to their concerned foreign universities on account of tuition fee and stipend & air tickets etc to Scholars as detail below:

Pak Rupees	**US Dollar**	**UK Pounds**	**AUD Dollar**	**Euro**	**Canadian Dollar**
96,852,464	3,738,710	294,987	47,109	75,778	68,778

Scrutiny of record revealed that these scholars did not return to Pakistan after completion of their PhDs for serving the University of Engineering & Technology Peshawar for 05 years as required under provisions of Deed of Agreement signed between University and Scholars.

Thus the University sustained a heavy financial loss on the one hand and brain drain on the other beside loss to students in shape of enriched teaching classes.

The lapse occurred due to non-adherence to Rules/Regulations and weak internal controls which resulted into loss to the government.

When pointed in April 2023, no reply was furnished.

The department was requested vide letter dated 16.06.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends recovery.

PDP No. 407 (2021-22)

13.4.58 Loss to the government due to non-utilization of withdrawn credit amount and creating liability of Service Charges & Interest – Rs. 22.573 million

According to Article II section 2.01 of the Project Agreement, the Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article V of General Conditions and the Schedule to this Agreement, and shall provide promptly as needed the funds, facilities, services and other resources required for the Project.

According to Article II sub-section 2.04 & 2.05 of the Financing Agreement (D680-PK/6714-PAK) executed for KP Human Capital Investment Project between World Bank and Government of Pakistan, the Service Charge is three-fourths of one percent (3/4 of 1%) pr annum on the withdrawn Credit Balance. The Interest Charge is one and a quarter percent (1.25%) per annum on the Withdrawn Credit Balance.

During audit of the accounts of KP Human Capital Investment Project - Education Component (D680-PK/6714-PAK) for the Financial Year 2022-23, it was observed that total fund of Rs.1879.831 million was received from the World Bank against which expenditure of Rs.751.202 million was made, leaving an unutilized balance of Rs.1128.629 million during the last 02 years.

The following irregularities were observed:

iii. Apart from non-utilization of the withdrawn balance for the achievement of project objectives and non-carrying out civil works, resulting into delayed completion of works, it will also enhance the project cost in shape of escalation and price hike.

iv. Liability of Rs.22.573 million was created in shape of Service Charges and Interest on the withdrawn balance which could not be utilized by the management as worked out below:

(Rs. in million)

S. No	FY	Funds received	Funds utilized	Unutilized withdrawn balance	Service Charges (3/4 of 1%)	Interest (1.25%)	Total liability
1	2021-22	459.051	54.815	404.235	3.032	5.053	8.085
2	2022-23	1420.781	696.387	724.394	5.433	9.055	14.488
Total		**1879.832**	**751.202**	**1128.629**	**8.465**	**14.108**	**22.573**

Audit held that the project management was required to assess its spending capabilities and withdrawal should have been restricted to its actual fund requirements instead of unnecessary withdrawals which could not be utilized but created additional liability of Rs.22.573 million.

The project management should have made comparative analysis of liability as commitment charges was 1/2 of 1% i.e. 0.5% on the Unwithdrawn Financing Balance only, on the other hand Service Charges and Interest Charges were 3/4 of 1% and 1.25% respectively i.e. 2% on the withdrawn fund.

The lapse occurred due to ill-planning and slow execution of the project activities which created liability of Service Charges and Interest on withdrawn balance which was not utilized.

When pointed out in October 2023, the management replied that the World Bank has already withdrawn the commitment and service charges for the financial year 2022-23.

Audit did not agree with the justification of the management as no documentary evidence was produced. Moreover, commitment charges are payable on un-withdrawn amount whereas services and interest charges are payable on withdrawn amount. The withdrawn amount was in much excess of the actual requirements and spending capability of the project, which could not be utilized.

The department was requested vide letter dated 01.12.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility and recovery of liability amount from the person(s) at fault.

PDP No. 58 (2022-23)

13.4.59 Irrational and contradictory Credit & Grant amount and percentage in terms of allocation and utilization as mentioned in the Financing Agreement and PC-I

According to Section III (A) of the Schedule-2 to the Financing Agreement (D680-PK/6714-PAK) executed for KP Human Capital Investment Project between World Bank and Government of Pakistan, the total approved Credit amount was 100,700,000 SDR and Grant of 45,800,000 SDR, as such the percentage of credit and grant was 68.737% and 31.262% respectively.

According to Project Appraisal Document (PAD), US$1 = SDR 0.73185

According to section 4 (a) of the Modified PC-I of the project, the total funding of the project was US$115 million i.e. Credit of US$87.77 million and Grant of US$27.23 million which comes to Rs.18,910.255 million as per USD to PKR conversion rate of Rs.164.437.

During audit of the accounts of KP Human Capital Investment Project - Education Component (D680-PK/6714-PAK) for the Financial Year 2022-23, it was observed that total fund of Rs.1879.831 million was received from the World Bank against which expenditure of Rs.751.202 million was made, leaving an unutilized balance of Rs.1128.629 million during the last 02 years.

Scrutiny of expenditures incurred by the project revealed that all the expenditures were made by utilizing 58% of Credit amount and 42% Grant amount as per provision of Section III (A) of column 3 & 4.

Audit held that allocation and release of funds as per Credit ratio of 68.737% and Grant ratio of 31.262% was approved in Section III (A) of column 1 & 2 but utilization ratio was 58% Credit and 42% Grant which indicated that irrational & contradictory strategy for funds utilization was given in the Financing Agreement. As such, in every 100 rupees, utilization of credit will be restricted to 58 rupees though funds will be available which will not only adversely effect the fund utilization capacity of the project but also enhance the loan liability in terms of service charges and interest charges which are paid only on the Credit amount as credit utilization period will be prolonged.

Similarly, the PC-I was approved for US$115 million which was inclusive of Credit of US$87.77 million and Grant of US$27.23 million, this indicated that ratio of Credit was 76.32% while Grant was 23.67% which again did not tally with the provisions of the Financing Agreement.

The lapse occurred due to contradictory provisions in the Financing Agreement and PC-I which resulted into irrational utilization.

When pointed out in October 2023, the management replied that the audit observation is noted and the same will be communicated to the World Bank to correct the figures in Financing Agreement.

The department was requested vide letter dated 01.12.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends expediting the matter for timely remedy.

PDP No. 59 (2022-23)

13.4.60 Unauthorized execution of C&WD Specialized activities, contracts award and expenditure by PMU on the basis of invalid approval obtained from Executive Committee instead of PSC – Rs. 95.000 million

According to the approved PC-I of the Khyber Pakhtunkhwa Human Capital Investment Project (D680-PK/6714-PAK), the Communication and Works Department will carry out the necessary procurement, contracting, quality assurance and supervision oversight of civil works for the project. In order to support C&W in this function, the following technical assistance will be provided by the project:

- Procurement Specialist
- Civil Engineer
- Environmental Safeguards Specialist

According to section 68 (Procurement capacity risk within the Department of Health and E&SED) of the Project Appraisal Document (PAD) of the World Bank, for works procurements and of works contract management will be mitigated by making use of C&W which is mandated to undertake civil works in KP. Based on the requisition issued by the E&SED and Health Department, C&W Department will initiate the procurement process and handover the completed facilities to the satisfaction of both the owner departments.

According to Para 1A of the Central Public Works Department Code, all original works and special repairs relating to Central Civil Buildings and Communications shall be executed through the Agency of the Public Works Department, Central or Provincial, as the case may be.

During audit of the accounts of KP Human Capital Investment Project - Education Component (D680-PK/6714-PAK) for the Financial Year 2022-23, it was observed that an expenditure of Rs. 95.00 million was incurred by PMU under the civil works component as per following breakup:

(Rs. in million)

S. No	Particulars	Cost	Expenditure
1	Contracts of 06 packages awarded under provision of Additional Classroom	1244.571	66.50
2	Contracts of 06 packages under upgradation of Primary to Middle school	1142.483	19.00
3	Contracts of 06 packages under upgradation of Middle to High school	1322.522	9.5
Total		**3709.576**	**95**

The following irregularities were observed in deviation from approved PC-I:

i. As per approved PC-I, the procurement, contracting, quality assurance and supervision oversight of civil work was the responsibility of the C&W Department with the technical support of Procurement Specialist, Civil Engineer and Environmental Safeguards Specialist. Contrarily, the civil work contracting was carried by PMU though the activities were specialist in nature and mandate of C&W Department as per approved PC-I.

ii. As per CPWD code, original civil work and repair work is the mandate of the Public Works Department, Central or Provincial as the case may be.

iii. The PAD also provides that C&W Department will initiate the procurement process and handover the completed facilities to the satisfaction of both the owner departments.

iv. The meeting of the PSC was held under the chairmanship of Secretary P&DD which was invalid as Secretary P&DD was the chairman of the Executive Committee which was not mandated to approve major changes in the project strategy rather the PSC under the chairmanship of ACS P&DD was mandated to approve such changes as per approved TORs of the committee given in the PC-I.

v. The deviation from PC-I and PAD was regularized by obtaining approval from the Project Steering Committee on the plea that the implementation of civil work which is to be done through a Project Management Team under the C&W but no further modality nor monetary benefits are identified. Instead of developing the modalities for execution of work through C&W as conceived in the PC-I and PAD, the specialized function was taken from the C&W and assigned to the PMU without devising strategy for undertaking such specialized activities by project staff.

The lapse occurred due to violating the provisions of PC-I, PAD and CPWD code which resulted in taking risk by assigning the specialized activities to the project staff.

When pointed out in October 2023, the management replied that as per TORs of the PSC mentioned in the PC-I with section – D, approval of any major changes in the project strategy in accordance with the defined objectives. Furthermore, as per World Bank regulations, the procurement will be processed by procurement entity, in the subject case, PMU is the procuring entity instead of C&W Department.

Audit did not agree with the reply of the management as the change in strategy was in contradiction to Project Appraisal Document and PC-I which clearly provides that for works procurements and works contract management will be mitigated by making use of C&W which is mandated to undertake civil works in KP.

The department was requested vide letter dated 01.12.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility on the person(s) at fault for gross deviation from approved provisions of PC-I & PAD and obtaining invalid approval from the Executive Committee instead of PSC.

PDP No. 60 (2022-23)

13.4.61 Non-transparent appointment of Education Specialist – Rs. 3.200 million

According to section 3 (vii) (xi) of the KP PIP 2022, Selection Committee (Para-7) shall interview the qualified and eligible candidates and shall devise a merit list on the basis of weightages assigned to each component of the scoring matrix: academic qualification, higher qualification, relevant experience, test score, professional skills as well as marks obtained in the interview. The appointing authority shall approve appointment, in order of merit, on the recommendations of the Selection Committee.

According to Section 7 of the KP PIP 2022, recruitment to the project posts shall be made on the recommendations of Selection Committees. Composition of Selection Committee for appointment to posts in different pay scales or equivalent posts will be as under:

For posts in BS-19 and above or equivalent posts:

- Additional Chief Secretary Khyber Pakhtunkhwa **(Chairman)**
- Secretary Establishment or his nominee not below the rank of AS **(Member)**
- Secretary Finance or his nominee not below the rank of AS **(Member)**
- An expert from the Technical Department or public Sector University **(Member)**
- Representative of P&D Department not below the rank of Additional Secretary **(Member)**
- Secretary of the concerned sponsoring Department **(Member/ Secretary)**

According to section 6 (iii) of the KP Project Implementation Policy 2022, Selection for all the project posts will be based on merit on such criteria which shall be determined by the selection committee. Without prejudice to the generality of the aforesaid, the selection criteria shall be based on academic qualification, higher qualification, relevant experience etc. in accordance with any of the criteria given in tabulated form from (a) to (d) options.

According to section 2 (iv) of the KP Project Implementation Policy 2022, Negotiable Pay Package: Special Pay Package as determined by the administrative department shall be included in the PC-I with full justification for such positions which are (a) either specialized in nature, (b) Unique in terms of qualification, experience and availability of such services in market are either scarce or monopolized and (c) highly paid. In the instant case, BPS system shall not apply. Furthermore, approval of such positions shall be granted by the committee headed by the Additional Chief Secretary, Planning & Development, Khyber Pakhtunkhwa.

During audit of the accounts of KP Human Capital Investment Project - Education Component (D680-PK/6714-PAK) for the Financial Year 2022-23, it was observed that Mr. Zakir Abbas was appointed as Education Specialist vide Officer of Appointment PMU/KP-HCIP/E&SE/19/Proc/Consultant/410 dated 20-01-2023 under the project and paid Rs. 3.20 million (Rs.400,000 x 8 months). Total of 20 candidates applied for the post out of which 07 candidates were shortlisted for interview as per below given marks awarded on the basis of qualification, experience and trainings:

S. No	Name	Total score prior to interview
1	Syed Husnain Haider Rizvi	80
2	Imran uddin	80
3	Fayyaz Ali Khan	75
4	Mujahid Azam	70
5	Zulfiqar	70
6	Zakir Abbas	65
7	Abdul Munif	63

Scrutiny of record revealed the following irregularities:

i. The recruitment was made through Executive Committee of the PC-I / committee required for recruitment to the post of B.17 & 18 as per Project Policy which was invalid justification as pay for the position of Specialist was Rs.400,000 per month as such the post falls within the scope of Negotiable Pay Package post and cannot be treated as equivalent to BPS.18. Approval of the positions and pay was obtained from the PSC to be headed by the ACS P&DD as such recruitment to the post of Specialist was required to be approved from the committee headed by the ACS P&DD as defined in section 7 of the KP PIP 2022. The Secretary E&ESD was not competent to accord the approval.
ii. Incorrect totaling/ average interview marks were derived i.e. 8.25 marks to candidate at S. No. 1 above instead of 8.66.
iii. The selection was made only on the basis of interview marks by setting aside the qualification, experience and training marks as given in the above table, in violation of the procedure defined as option (a) to (d) in section 7 of the KP PIP 2022 which was incorrect as order of merit was required to be maintained on aggregate basis as tabulated below:

S. No	**Name**	**Total score prior to interview**	**Interview marks**	**Total marks**	**Order of Merit**
1	Syed Husnain Haider Rizvi	80	8.25	88.25	1st
2	Imran uddin	80	7.42	87.42	2nd
3	Fayyaz Ali Khan	75	7	82	3rd
4	Mujahid Azam	70	A	A	A
5	Zulfiqar	70	A	A	A
6	Zakir Abbas	65	8	73	4th
7	Abdul Munif	63	6	69	5th

The candidate at S. No.1 regretted to join the post; subsequently the candidate at S. No. 2 and 3 were eligible for offer of appointment. Contrarily, the project management issued offer of appointment to candidate at S. No. 6 which was against the KP Project Policy.

Based on above findings, Audit held that the recruitment process was non-transparent and managed for selection of already decided candidate which made un-authorized the recruitment to the specialized post and expenditure of Rs.3.20 million as well.

Moreover, 08 positions of the Specialists including Procurement Specialist at the monthly remuneration of Rs.440,000 each were hired under the project with annual expenditure of Rs.41.520 million but such serious lapses indicated that the expenditure on hiring of Specialists was wasteful.

The lapse occurred due to deviation from rules/ regulations and violating the merit policy which resulted in unauthorized appointment as well as expenditure.

When pointed out in October 2023, the management replied that the observation needs a detailed proper reply and will be furnished after scrutiny of record.

The department was requested vide letter dated 01.12.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility and disciplinary action against the person(s) found at fault and termination of the contract of the Specialist.

PDP No. 63 (2022-23)

Chapter – 14

HOME & TRIBAL AFFAIRS DEPARTMENT

14.1 A) Introduction

The Home and Tribal Affairs Department occupies a central position regarding law and order issues of the Province. It is the supreme policy making body for peace building and rule of law. It is the parent body for Police, Prisons, Prosecution, Probation and Reclamation and Civil Administration at divisional and district level. Historically, Home and Tribal Affairs Department has played a strategically important role in maintaining law and order and giving policy directions to its implementing arms.

In the changed security paradigm, the Home Department has responded with unflinching commitment and has taken a strategic approach. In order to cope with these challenges, the Police Department has been transformed into a modern fighting force having its own specialized combat, intelligence and investigation departments in the shape of Counter Terrorism Department (CTD), Elite Force and Rapid Response Force. Similarly, new Prison Security Force introduced to deal with the heightened scale of threats. The Prosecution Department is also being remodeled and strengthened to effectively meet the challenges of the day. The Home Department maintains a close liaison with the Armed Forces and other paramilitary forces to combat the menace of terrorism, kidnapping for ransom, extortion, and suicide attacks. The coordination between the institutions of police, prosecution, judiciary, and correctional services has been functionalized.

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 Procedure.
- Evidence and Oaths.
- Arms, ammunition.
- Explosives.
- Public amusement control over places, performances and exhibition.
- Crime report.
- All matters connected with police establishment and administration report:
    - Police Rules.
    - Police works.
    - Grant of Gallantry Awards.
- Prisons, reformatories and similar institutions, classification and transfer of prisoners, state, political prisoners, Good Conduct Prisoners and Probational Release Act.
- Extradition and Deportation.
- Passport and Permits.
- Compensation for loss of property or life due to civil commotion or while on duty.
- Rent control and requisitioning of property.
- Smuggling.
- Clubs, excluding garrison clubs.]
- Collective fines
- Hoarding and black marketing.
- Civil Security Schemes.
- Commutation and remission of sentences, mercy petitions.
- Preventive detention and administration of Press Laws.
- Prosecutions in respect of newspapers and other publications.
- Border incidents at Chitral and Upper Dir.]
- Pilgrims and pilgrimages.
- Political pensions, mutiny allowances and Jagirs.
- Homeguards and territorial forces.
- Question of domicile and application for Nationality certificates.
- Registration of aliens.
- Recovering of missing persons.
- Enemy property and schedule of persons and firms specified as enemy.
- Enforcement of provisions of Motor Vehicles Act, 1939 and thereunder relating to control of traffic and inspection and checking of Motor Vehicles for the purposes of traffic control.

- Protection of key points and vital installation.
- Afghan Refugees and allowances.
- Represenations
    - Representation in criminal cases;
    - Appeals and application for enhancement of sentences and conviction; and
- Public Prosecutors, Appointment, Transfer and Leave etc.
- Defense of pauper accused in the courts and fees to pleader for such defence.
- All matters pertaining to administration of Provincially Administered Tribal Areas including preparations of annual budget (non-development and development) for those areas.
- Extension of Law to Provincially Administered Tribal Areas.]
- Reservation of seats in various services for Tribal people of Provincially Administered Tribal Areas and recruitment of tribes in the Army.
- Budget for levies and Khasadar is released by the SAFRON through Home Department.

Audit Profile of Home & Tribal Affairs Department:

(Rs. in million)

S. No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23	Revenue/Receipts Audited FY 2022-23
1	Formations	245	18	35,210	2,150
2	• Assignment Account • SDA (Excluding FAP)	05	01	99.954	N/A
3	Authorities/Autonomous bodies etc under PAO	01	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

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

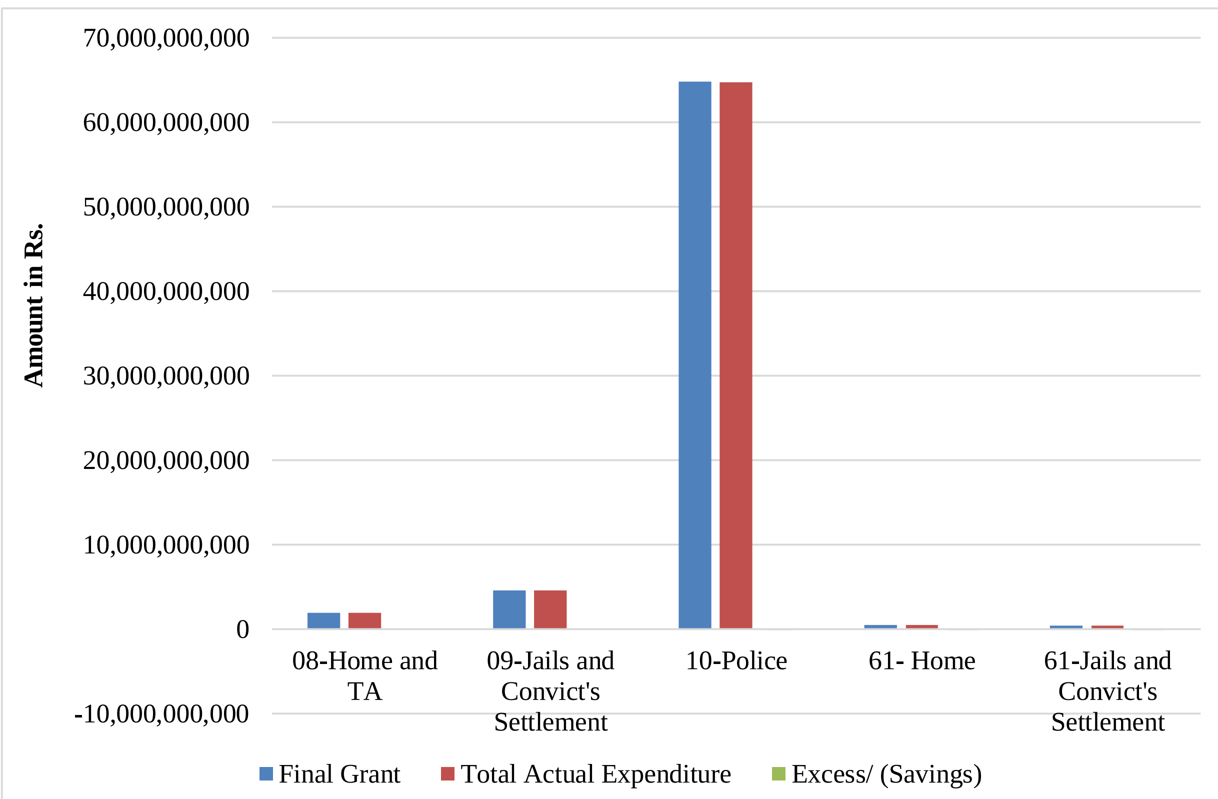
Summary of the Appropriation Accounts:

The Summarized position of actual expenditure 2022-23 against the total of grants/appropriation was as follows:

Non-Development:

(Amount in Rs.)

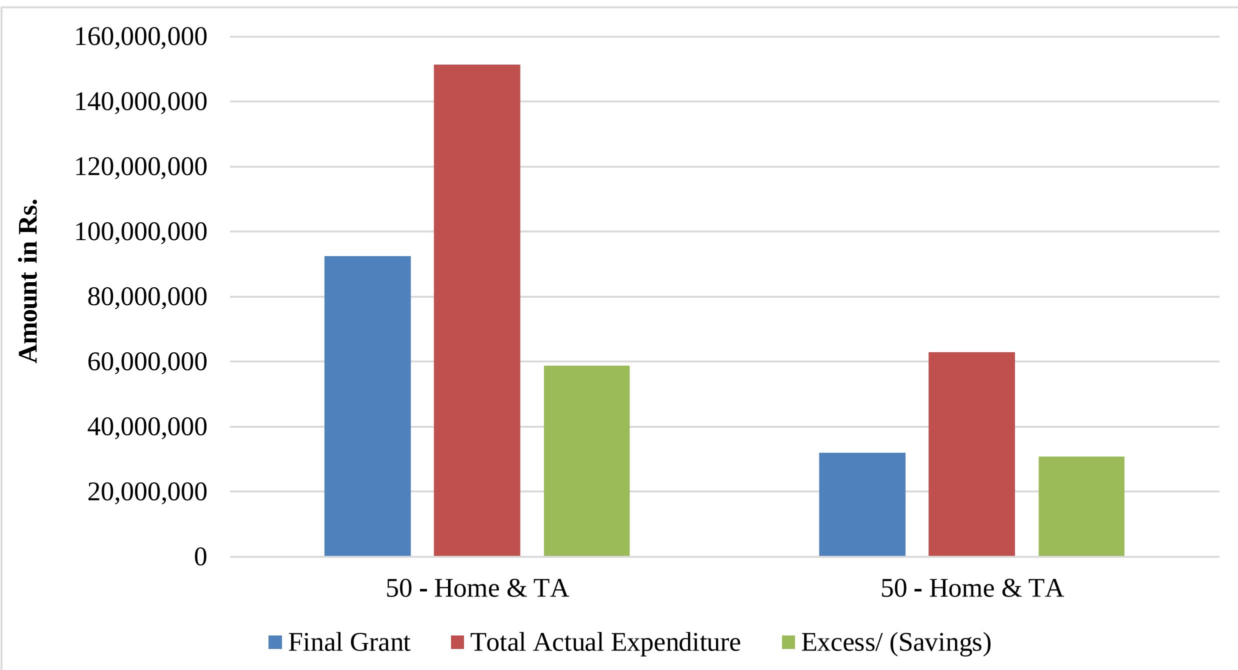
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
08-Home and TA	NC21	1,769,542,000	433307000	0	223,552,535	1,979,296,465	1,979,490,300	193,835
09-Jails and Convict's Settlement	NC21	3,795,911,000	1,416,379,000	0	594,220,656	4,618,069,344	4,622,735,106	4,665,762
10-Police	NC21	67,064,326,000	3,228,674,000	0	5,658,550,841	64,834,449,159	64,770,053,653	- 64,395,506
61- Home	NC21	735,188,000	0	-15,173,985	180,489,429	539,524,586	537,177,032	-2,347,554
61-Jails and Convict's Settlement	NC21	397,216,000	0	53,375,352	19,596,530	430,994,822	428,666,214	-2,328,608
Total		**73,762,183,000**	**5,078,360,000**	**38,201,367**	**6,676,409,991**	**72,402,334,376**	**72,338,122,305**	**- 64,212,071**



Development:

(Amount in Rs.)

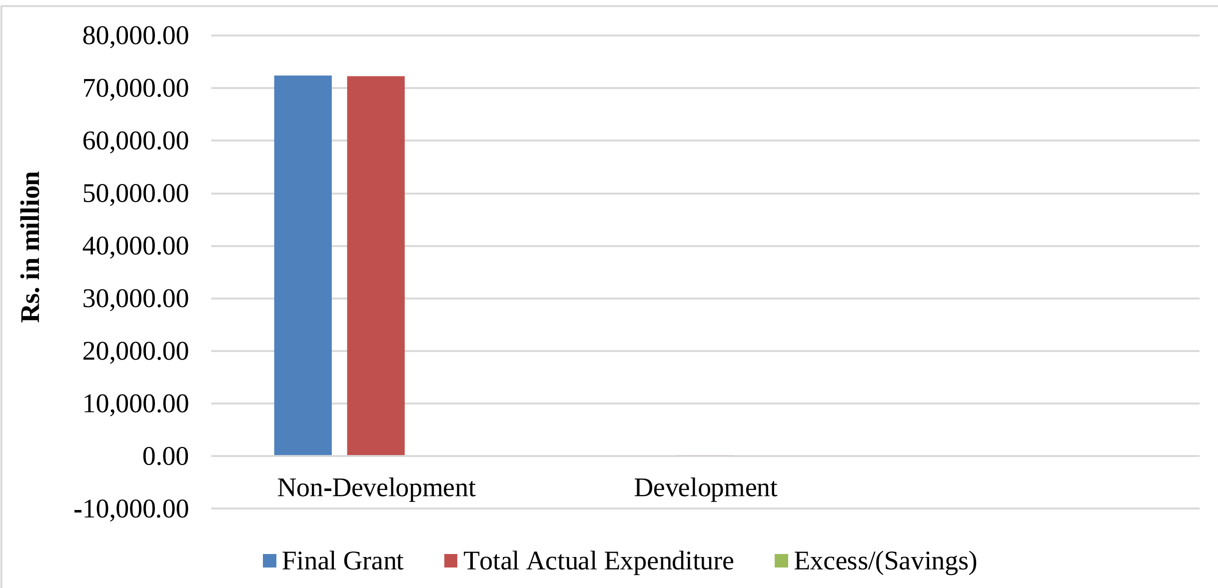
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50 - Home & TA	NC22	250,571,000	0	-5,000,000	153,061,804	92,509,196	151,303,780	58,794,584
50 - Home & TA	NC12	133,939,000	0	-4,343,878	97,595,483	31,999,639	62,819,412	30,819,773
Total		**384,510,000**	**0**	**-9,343,878**	**250,657,287**	**124,508,835**	**214,123,192**	**89,614,357**



Overview of expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	72,402.33	72,338.12	-64.212071	-0.09%
Development	124.51	214.12	89.614357	71.97%
Total	**72,526.84**	**72,552.25**	**25.402286**	0.04%



14.1(C) Issues in Home & Tribal Affairs Department

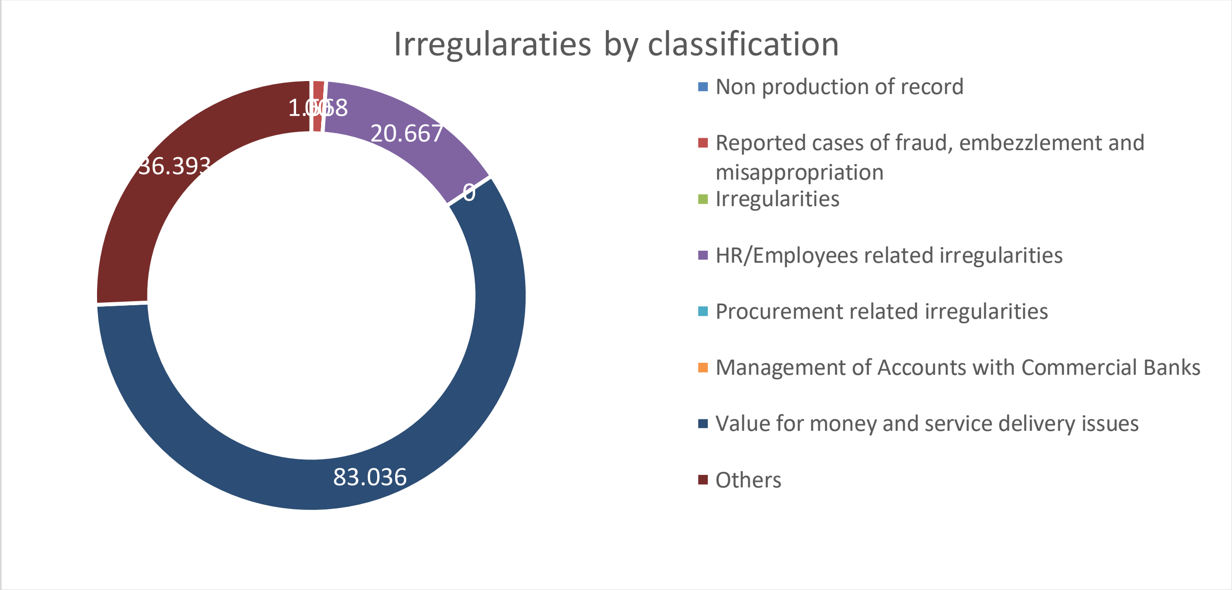
It was observed during the audit of various District Police Offices that the receipts realized from fines & fees are not timely deposited into the Government Treasury according to the Treasury Rules. Similarly, the funds are withdrawn and then withheld in designated accounts without being utilized for the purposes, they are earmarked for. It has also become a routine practice in various offices of Home Department to withdraw pay and allowances through DDOs instead of being directly credited to the bank accounts of the concerned officials. In the DPO Mohmand it was observed that un-authorized payments were made to the Malak and Khasadars. Procurement related issues and doubtful award of the contract of Petrol Pump is also reported. There were no details of the head-wise figures of the departmental own receipts collected by the department.

14.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 141.664 million were raised in this report during the current udit of Home & Tribal Affairs Department. This amount also includes recoveries of Rs. 89 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

S. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	1.568
3	Irregularities	
A	HR/Employees related irregularities	20.667
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	83.036
5	Others	36.393



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

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
01	2002-03	Home & TA	18	08	-	10
02	2003-04	-do-	12	09	-	03
03	2004-05	-do-	37	25	-	13
04	2005-06	-do-	04	03	-	01
05	2007-08	-do-	04	03	-	01
06	2008-09	-do-	12	05	-	07

07	2009-10	-do-	13	07	-	07
08	2010-11	-do-	39	10	-	29
09	2011-12	-do-	27	15	-	12
10	2012-13	-do-	12	06	-	06
11	2013-14	-do-	19	08	-	11
12	2014-15	-do-	18	09	-	09
13	2015-16	-do-	21	14	-	07
14	2016-17	-do	32	8	-	24

14.4 Audit Paras

14.4.1 Fraudulent withdrawal on account of pay and allowances - Rs. 2.020 million

According to para 23 of GFR vol I, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinate.

During audit of the accounts of District Police Officer Abbottabad for the Financial Year 2022-23, it was noticed that a sum of Rs. 2,019,749/- was disbursed as pay allowances to an individual named Ajab Noor, holding the designation of Constable, with CNIC # 2170850872491, purportedly in service at the local office since January 2017.

Scrutiny of record revealed that an individual with an identical name, Ajab Noor, had been employed in the Health Department as a Clinical Technician, possessing CNIC # 2170850872497, since February 2013. Intriguingly, both salaries were being credited to the same bank account, identified as #000231654751. Notably, it was identified that a singular digit of the CNIC had been altered to generate a seemingly unique personnel number for both CNICs.

Audit held the withdrawal of pay and allowances by Ajab Noor (Constable) from the local office as fraudulent.

The lapse occurred due to weak internal controls which resulted in fraudulent withdrawal on account of pay and allowances.

When pointed out in December 2023, no reply was given.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends to investigate the matter through a fact-finding inquiry and fix responsibility on the person(s) at fault besides recovery of the amount.

PDP No. 19 (2022-23)

14.4.2 Unauthorized distribution of rent / receipts from the government property - Rs. 31.776 million

According to Para-12 of GFR Vol-I, the controlling officer should see that all sums due to government are assessed, realized and duly deposited into public account.

During audit of the accounts of District Police Officer D.I. Khan for the Financial Years 2021-22 and 2022-23, it was noticed thatreceipts amounting to Rs. 31.776 million were realized from the below mentioned Govt. property was irregularly distributed among PPO, RPO and DPO @ 25%, 20% and 25% respectively instead of depositing the receipts into treasury, as detailed below;

Market Name	Advance Rent	Agreement date	1st Year rent	2nd Year	3rd Year	4th Year	New agreement	Advance Rent in Rs	Rent up to 12/2023	Total
YaqoobShaheed Market (Shop No. 1 to Shop No. 19	1,900,000	1.05.2019	126,000	121650	121950	135010	01.05.2023	1900,000	648500	4,953,110
Madadgar Market (Shop No. 1 to No. 10)	4,280,000	01.07.2019	1440000	1440000	1440000	1440000	01.07.2023	4800000	211000	15,051,000
Cabins (50 Nos.)	----	---	---	----	2474400	4368000	-----	----	4404400	11,246,800
Service Station	----	----	-----	----	180,000	180000	-----	----	165000	525,000
Total										**31,775,910**

The lapse occurred due to weak financial controls which resulted in loss to the government.

When pointed out in December 2023, the management did not furnish any reply.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends to recover the disbursed amount and deposit it in the government treasury and also stop further distribution.

PDP No. 7 (2022-23)

14.4.3 Irregular payment on account of allotment of official vehicles with divers and POL / repair to the non-entitled persons - Rs. 5.061 million

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

According to Government of Khyber Pakhtunkhwa Finance Department (Regulation Wing) Notification No. FD (SOSR-II)4-199/2013 dated 16-03-2015, there is no such provision of providing Official Vehicles to families of Shuhadas.

During audit of the accounts of DIG Telecommunication Khyber Pakhtunkhwa for the Financial Year 2021-22, it was noticed that 05 Nos of Official Car were shown allotted to the Shuhada's families. In this connection an expenditure of Rs. 5,061,277/- was incurred on account of POL/repair and salaries of drivers. Therefore, allotment of vehicles with drivers and expenditure on POL/repair stand irregular and needs clarification.

The lapse occurred due to weak internal controls which resulted into violation of rules and loss to the government of Rs. 5.061 million.

When pointed out, the management did not furnish any reply.

In the DAC meeting held on 21.11.2023, it was decided that the department may provide the relevant record to Audit for verification within a month. However, no progress was intimated till finalization of this report.

Audit recommends to recover the vehicles along with drivers besides recovery of the loss.

PDP No. 403 (2021-22)

14.4.4 Overpayment on account of Adhoc Relief Allowance - Rs. 1.736 million

According to Section 3 of the Khyber Pakhtunkhwa Employees (Regularization of services) Act, 2018 which commenced on 07-03-2018; employees appointed on adhoc basis against civil posts and holding such civil posts till commencement of this act, shall be deemed to have been validly appointed on regular basis from the date of commencement of this Act. This read with Part-11 (Allowances) of Finance Department Khyber Pakhtunkhwa Notification No. FD (PRC) 1-1/2016 dated 19-07-2016, the Adhoc Relief Allowances 2013,2014 and 2015 have been merged in the basic pay scales 2016 and the same shall cease to exist w.e.f 01-07-2016. (Fixation of pay and allowances) Compare with regularization notification.

During audit of the accounts of Coordination Unit Police Department Khyber Pakhtunkhwa for the Financial Year 2021-22, it was observed that the Provincial Government notified regularization of services of 54 employees working under the "Project Coordination Unit KP Police Department", meaning thereby that these employees were regularly appointed w.e.f 07-03-2018.

However, from scrutiny of monthly payrolls, it was revealed that the employees aforementioned were in receipt of the Adhoc Relief Allowances 2013 and 2015. Thus, an amount of Rs.1,736,400/-was overpaid to these employees.

The lapse occurred due to violation of rules and regulations which resulted in overpayment of Rs. 1.736 million to the employees.

When pointed out in March 2023, the management replied that recovery will be made after scrutiny of record.

In the DAC meeting held on 17.01.2024, the DAC agreed with the audit and directed to recover the amount from the employees.

Audit recommends to recover the overpaid amount besides fixing responsibility on the persons at fault.

PDP No. 424 (2021-22)

14.4.5 Non-deduction of KP Sales Tax on Services – Rs. 1.066 million

According to serial no.14 of the Second Schedule of Khyber Pakhtunkhwa Finance Act 2013 as amended through Finance Act, 2021; two (2%) percent services tax shall be levied on construction services rendered in respect of the construction of buildings and consultancy services for design and supervision of such projects funded under the ADP.

During audit of the accounts of Coordination Unit Police Department Khyber Pakhtunkhwa for the Financial Year 2021-22, it was observed that different construction works were awarded under the ADP scheme titled “F/S and Construction of Police Stations and Police Posts in Malakand Division”. The consultants and contractors were paid various bills during the year, however, KPRA sales tax on services was not deducted from their bills resulting in loss to the government as given below;

Sr.#	Firm Name	Work Name	Gross Work Paid Rs.	STS @ 2%
1	M/S NESPAK	F/S and Construction of Police Stations and Police Posts in Malakand Division	7,000,000	140,000
2	M/S Nazeer& Sons Construction Company	Construction of Police Post at Matta Swat	12,289,510	245,790
3	M/S Karwan Builders	Construction of Utror Police Station	13,436,043	268,720
4	M/S Karwan Builders	Construction of Kalam Police Station	4,000,000	80,000
5	M/S malikpaindakhel construction co	Construction of police line muraday upper swat package-1	8,120,443	162,408
6	M/S Hamayun builders	Construction of police post mandoor swat	3,348,931	66,978
9	M/S Hamayun builders	Construction of police post GabinJaba swat	5,089,936	101,798
		Total	**53,284,863**	**1,065,694**

The lapse occurred due to weak financial controls which resulted into non-deduction of Rs. 1,065,794/-.

When pointed out in March 2023, the management replied that recovery will be made after consulting the record.

In the DAC meeting held on 17.01.2024, the DAC directed that record may be verified from the audit however, no record was produced for verification till finalization of report.

Audit recommends to recover the sales tax amount.

<u>Note:</u> The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide DP Number 8.4.15 having financial impact of Rs. 2.599 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 425 (2021-22)

14.4.6 Less realization of shops rent - Rs. 5.151 million

According to para 26 of GFR Vol-I, it is the duty of the department concern to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the Public Account.

During audit of the accounts of District Police Officer Bannu for the Financial Year 2021-22, it was observed that property/shops were given on rent to various tenants on monthly rent basis in different periods, as detailed below;

S. No.	Detail of shops	Nos	Rate in Rs.	Period	Months	Amount
1	Welfare project shops	14	13000	1-8-21 to 30-06-22	11 months	2,002,000
2	Shopping plaza	14	18000	1-11-21to 30-6-22	8 months	2,016,000
	-do-	01	21000	-do-	8 months	168,000
	-do-	02	27000	-do-	8 months	432,000
3	Temporary chicken market	35	3300	1-2-22 to 30-6-22	5 months	577,500
4	Shop at market	01	3000	1-11-21 to 30-6-22	8 months	24,000
5	Shop adjacent DPO office	01	500	1-7021 to 30-6-22	12 months	6,000
Total						**5,225,500**

Bidding documents such as advertisement for auction, financial offers received, comparative statements, award letter and contracts, securities of shop holders/lessees and details of member of the auction committee along with minutes and other supporting documents were not provided to audit to verify the whole process.

On further verification of DAO reconciliation statement, only an amount of 73941/- was shown deposited out of 5,225,500/-. The non realization of building/shops rent amounting to Rs. 5,151,559/- needs justification.

The laps occurred due to weak financial controls which resulted in loss to the government of Rs. 5,151,559/.

When pointed out in May 2023, no reply was given by the management.

The department was requested vide letter dated 28.11.2023 for holding DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends to recover the amount and conduct inquiry for fixing responsibility against persons involved.

PDP No. 450 (2021-22)

14.4.7 Illegal retention of undisbursed salaries - Rs. 4.291 million

According to Para 283 (3) of the CTR, un-disbursed pay or allowance may not be kept under any circumstances and be deposited in treasury.

During audit of the accounts of District Police Officer Bannu for the financial year 2021-22, it was observed that a sum of Rs. 77,477,763/- was received from 1-07-2021 to 28-02-2022 as reflected in Register-20 on account of pay and allowances of khasadar. The Register-20 further revealed that out of the amount received Rs.77,477,763/- against which a sum of Rs.73,186,597/- was disbursed leaving a balance of Rs. 4,291,170/- as un disbursed as detailed below;

S. No.	Month	Amount in Reg: 20	Amount Disbursed
1	07/2021	69,814,784	67,120,642
2	08/2021	2,694,142	2,694,142
3	09/2021	344,704	215,160
4	10/2021	302,267	302,267
5	11/2021	2,654,340	2,654,340
6	12/2021	557,040	131,296
7	01/2022	425,740	00,000
8	02/2022	684,750	68,750
9	03/2022	No record	No record
10	04/2022	-do-	-do-
11	05/2022	-do-	-do-
12	06/2022	-do-	-do-
Total		**77,477,767**	**73,186,597**

Total Amount Received as per Register= Rs. 77,477,767
Total Amount disbursed = 73186597
Difference = Rs. 4291170

Moreover, salary record for the month of 03,04,05& 06 FY-2021-22 was not provided for verification.

On further verification, it was revealed that all the payments were made through DDO instead of vender numbers of concerned staff.

The un-disbursed salaries amounting to Rs. 4,291,170/- were required to be deposited in Government treasury which was not done and retained by the local office in violation of the above quoted rule.

The lapse occurred due to weak internal controls which resulted in violation of rules/regulations that resulted into loss to the government.

When pointed out in 2021-22, no reply was furnished by the department.

The department was requested vide letter dated 28.11.2023 for holding DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends to conduct a detailed inquiry in the case for fixing of responsibility besides recovery of the undisbursed amount.

PDP No. 468 (2021-22)

14.4.8 Less realization of 35% government share on account traffic fine - Rs. 1.787 million

According to paras 26 & 28 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, no amount due to government should be left outstanding without sufficient reason.

During audit of the accounts of District Police Officer Bannu for the Financial Year 2021-22, it was observed that according to reconciliation of receipts statement, the traffic fine was Rs.13,473,962/- during the year while record of the local office was showing Rs.32, 703,000/- for 9 months as detailed below;

S. No.	Month	Amount
01	07/2020	3,953,800
02	08/2020	3,800,900
03	09/2020	4,130,400
04	10/2020	4,181,100
05	11/2020	4,061,500
06	12/2020	4,055,800
07	01/2021	2,934,700
08	02/2021	1,613,500
09	03/2021	3,971,300
Total		**32,703,000**

Due to non-availability of 3 months receipts collected as traffic fine, audit could not certify the actual figures of 35% govt. share deposited into govt. treasury during the year.

Audit held that if receipts figure for 9 months is Rs.32,703,000/- then average per month receipts would be Rs.363,366/- (Rs.32,703,000/- divided by 9 months) and total receipts during the year would be Rs.43, 603,999/- (Rs.363, 366/- multiplied by 12 months) thus resulting into less realization of Rs.1, 787,437/- as detailed below:

Total collection of fine for 9 months	=	32,703,000/-
Average per month (32703000/9)	=	363,366/-

Total receipts (363366 X 12)	=	43,603,999/-
35% Govt: share (43603999 X 35%)	=	15,261,399/-
Amount reconciled as per statement	=	13,473,962
Less realization 35% govt: share	=	1,787,437

The lapse occurred to weak financial controls which resulted into loss to the government.

When pointed out in May 2023, no reply was furnished.

The department was requested vide letter dated 28.11.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends that less realization of 35% Govt: share amounting to Rs.1787437/- needs to be recovered and deposited into Govt: treasury besides investigating the matter for fixing of responsibility.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide DP Number 8.4.2 having financial impact of Rs. 2.251 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 457 (2021-22)

14.4.9 Unauthorized payment on account of Risk Allowance - Rs. 1.132 million

According to para (i) of the Government of Khyber Pakhtunkhwa Finance Department Notification No.FD(SOSR-II)8-26/2009 dated 30.04.2009, all Uniformed Police Personnel will be granted one initial pay per month as Risk Allowance w.e.f. 01.01.2009. Further read with notification even no dated 24.01.2011, regarding increase in Risk Allowance of Uniformed Police Personnel i.e. equal to one and a half of the initial of their respective pay scales.

During audit of the accounts of Law & Order Buner for the Financial Year 2020-21, it was observed that a sum of Rs. 1,132,860/- was paid to the widows of shuhada on account of Risk Allowance in pay & allowances **(Annexure-XXXVI)**.

Further verification of record revealed that risk allowance was only admissible to the uniformed police personnels who performed duties, served the nation in security and take risk of their lives. As the shuhada already sacrificed their lives in serving the nation, bringing peace and got martyred in the divine path. Risk has already been eliminated from their lives, therefore, their widows were not entitled to draw risk allowance.

The lapse occurred due to weak internal controls and financial mismanagement which resulted in unauthorized payment.

In the DAC meeting held on 15.02.2023, the Para was referred to PAC for decision.

Audit recommends to investigate the matter and take appropriate action.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide DP Number 8.4.11 and 8.4.18 having financial impact of Rs. 13.712 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 196 (2020-21)

14.4.10 Loss to the government due to non-recovery of outstanding government dues - Rs. 76.819 million

Para 26 of General Financial Rules Volume I requires that 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.

Para 28 of GFR Vol.-I states that no amount due to government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable the orders of competent authority for their adjustment must be sought.

During audit of the accounts of Law & Order Kohat for the financial year 2020-21, it was noticed that police force was deployed to Pakistan Railways during various years. However, the DPO Kohat did not recovered a huge sum of Rs.76,819,529/- from the beneficiary in lieu of pay & allowances paid by the DPO Kohat to the deployed personnel's 02 HC's & 10 constables. The amount is outstanding from 30.06.2012 to 30.06.2021.

The lapse occurred due to weak internal controls and financial mis-management.

In the DAC meeting held on 13, 14 & 16.09.2022, the Para was referred to PAC for decision.

Audit recommends to recover the outstanding government dues.

PDP No. 307 (2020-21)

14.4.11 Overpayment on account of Adhoc Relief Allowances - Rs. 2.217 million

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

During audit of the accounts of Law & Order Kohat for the financial year 2020-21, it was observed that an amount of Rs.2,217,810/- was paid to the officers/ officials on account of Adhoc Relief Allowance 2013 and 2015.

Further verification of record revealed that adhoc relief allowances 2013, 2014 and 2015 admissible to government employees/civil servant announced by Federal/Provincial Government was merged in Basic pay Scale 2016 w.e.f 01-07-2016 and from that period onward the said allowances were not admissible to any newly appointed Provincial or Federal Government employee. However, the officers / officials of Law & Order Kohat were appointed after 01.07.2016, and they were in receipt of 2013 and 2015 Adhoc Relief Allowances, resulting into inadmissible payment of Rs. 2,217,810/- **(Annexure-XXXVII)**.

The lapse occurred due to weak internal controls and financial mis-management which resulted in inadmissible payment.

In the DAC meeting held on 13, 14 & 16.09.2022, it was decided that the department may make complete recovery. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to recover the overpaid amount.

PDP No. 317 (2020-21)

14.4.12 Misappropriation due to less deposit of traffic fines in government treasury – Rs. 1.568 million

According to Provincial Assembly Secretariat Notification No.13169 and Finance Act 2008, 35% of the traffic fine collected shall be credited to government treasury, 35% shall be distributed among the staff as incentive @ 1:12:22, 05 % shall be allocated for cash reward and 25% shall be allocated for traffic training and education and for the purchase of machinery and equipment.

During audit of the accounts of District Police Officer Mansehra for the Financial Year 2019-20, it was observed that a sum of Rs. 1,558,609/- were mis-appropriated on account of 35% government share, required to be deposited in to the government treasury but was not done.

Verification of the record revealed that Rs. 134,769,000/- on account of traffic fines were deposited wherein 35% government share Rs. 47,169,150/- was required to be deposited in to government treasury but astonishingly Rs. 45,610,541/- were deposited in to government treasury as evident from the receipts reconciliation statement duly reconciled with treasury/DAO, leaving a balance of Rs. 1,568,609/- which was mis-appropriated and needs recovery.

The lapse occurred due to weak internal controls and financial mismanagement which resulted in misappropriation of funds.

In the DAC meeting held on 30.11.2021 and 01, 02 & 07.12.2021, it was decided that the department may make complete recovery of the amount mentioned within 15 days as it is a clear case of embezzlement. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person (s) at fault besides depositing all the traffic fines into the government treasury.

PDP No. 6 (2019-20)

14.4.13 Loss to the government due to non-deduction of income tax - Rs. 2.830 million

According to Provincial Assembly Secretariat Notification No.13169 and Finance Act 2008, 35% of the traffic fine collected shall be credited to government treasury, 35% shall be distributed among the staff as incentive @ 1:12:22, 05 % shall be allocated for cash reward and 25% shall be allocated for traffic training and education and for the purchase of machinery and equipment.

According to Commissioner Income Tax (TOE&CII) medium tax payer until Peshawar under letter No 56 dated 13-07-2006 has made deduction of income tax mandatory @6% on the services rendered for government.

During audit of the accounts of District Police Officer Mansehra for the Financial Year 2019-20, it was observed that an amount of Rs. 47,169,150/- was realized by the Traffic Branch on account of 35% share of the traffic staff. The amount was drawn from the bank account and distributed amongst traffic staff at the ratio of 1:12:22, but it is astonishing to note that income tax @6% Rs 2,830,149/- were not deducted, put the government in to loss, the amount of income tax needs to be recovered from the concerned.

The lapse occurred due to weak internal controls and non-observance of rules/regulations.

In the DAC meeting held on 30.11.2021 and 01, 02 & 07.12.2021, it was decided that the department may provide the relevant record like the amount actually distributed amongst the traffic officials supported by payee's receipts in order to calculate & subsequently deduct & deposit the Income Tax as per the prevailing rules within 15 days. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to recover the tax amount.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide DP Number 8.4.10 having financial impact of Rs. 2.465 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 10 (2019-20)

14.4.14 Unauthorized retention of government arms and ammunition – Rs. 4.210 million

According to IGP Policy and guidelines issued vide No.PPO/2471-3521, dated 16-12-2013, the arms will be issued on his request from District Kot to the Police officer not less than the rank of SP/DSP during his stay in the District, but the same will be returned at the time of his transfer or retirement. If any officer not returned the arm at the time of his transfer or retirement, then DPO of the District concerned will report to the DIG, Head Quarter and he will report to IGP and Departmental action will be started against him

During audit of the accounts of District Police Officer Charsadda for the financial year 2020-2021, it was noticed that arms and ammunitions costing Rs 2,000,000 were allotted to various officers/officials, as detailed below. All these officers/officials were transferred from District Police Office Charsadda but till date the arms/ammunition etc costing Rs 4,210,000 has not yet been recovered from them.

S. No.	Name	Rank	Arms & Ammunitions	Price (Approx)
01	Feroz Shah Khan	DIG	SMG No 48000419	200,000
02	Farooq Azam Khan	ASP	02 Nos 303 rifles M5711 & K 6690	60,000
03	Iftikhar Shah Khan	SP	Glock Pistol MR 640	400,000
04	Riaz Khan	SP	Glock Pistol MR 733	400,000
05	Riaz Khan	SP	SMG 8027	200,000
06	Riaz Khan	SP	Grenad COVF 3471	150,000
07	ShehzadNadeem	SP	Glock Pistol MRC 617	400,000
08	Raza Muhammad Khan	DSP	SMG No 4472	200,000
09	Usman Khan	DSP	Pistol 9mm No 14008697	400,000
10	Luqman Khan	DSP	SMG No 26098432	200,000
11	Saeed Khan	DSP	Glock Pistol MR 645	400,000
12	NoorUllah Khan	DSP	Pistol 9mm No 15016593	400,000
13	Niaz Muhammad Khan	DSP	SMG No 3902149	200,000
14	Inam Jan Khan	DSP	Glock Pistol 646	400,000
15	NasrUllah Khan	DSP	Pistol P 7 No 85700	200,000
Total				**4,210,000**

The lapse occurred due to weak internal controls which resulted in unauthorized retention of arms and ammunition.

When pointed out in September 2021, no reply was furnished by the management.

In the DAC meeting held on 13, 14 & 16.09.2022, it was decided that the department may make complete recovery of the arms and ammunition. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to recover the arms and ammunition and take necessary action against the defaulters.

PDP No. 147 (2020-21)

Chapter – 15

HOUSING DEPARTMENT

15.1 A) Introduction

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

- Administration of Khyber Pakhtunkhwa Provincial Housing Authority Act, 2005.
- Planning and execution of schemes under “Housing for all” and “Housing for Government Employees” and other Housing Schemes from time to time.
- Coordinating, Development Control and Policies with other Government agencies including Local Areas Authorities and Cantonment Boards.
- Formulation of Policies and Control with regard to Urban Growth and Development.
- Area Development Schemes and New Townships.
- Housing Loans and Investments.
- Preparation of schemes for approval of PDWP, CDWP and ECNEC etc
- Execution of works as deposit works.
- Service matters, except those entrusted to Establishment and Administration Department.

Audit Profile of Housing Department:

(Rs. in million)

S. No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23	Revenue/Receipts Audited FY 2022-23
1	Formations	245	18	75	0
2	• Assignment Account • SDA (Excluding FAP)	05	01	99.954	N/A

3	Authorities/Autonomous bodies etc under PAO	01	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

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

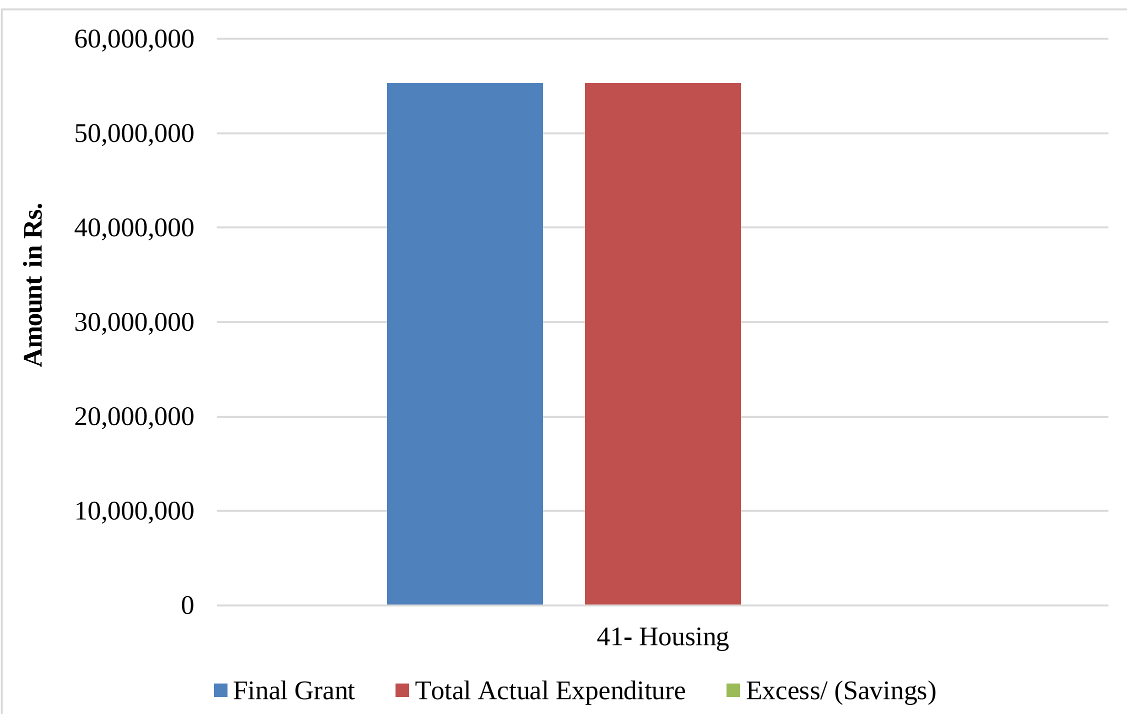
Summary of the Appropriation Accounts:

The Summarized position of actual expenditure 2022-23 against the total of grants/appropriation was as follows:

Non-Development:

(Amount in Rs.)

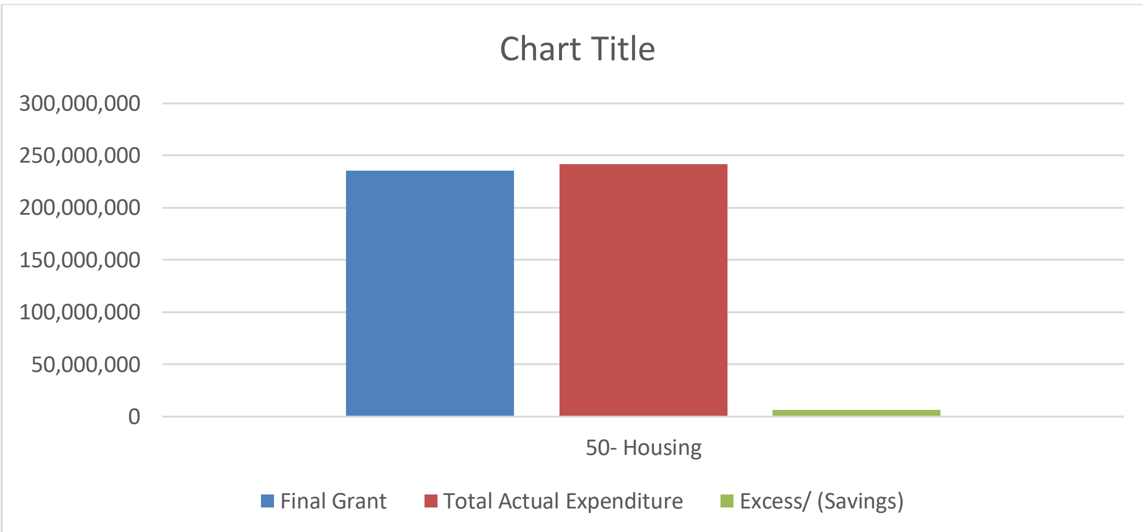
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-AppriorIation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
41-Housing	NC11	154,941,000	3,142,354	0	102,752,260	55,331,094	55,331,094	-
Total		**154,941,000**	**3,142,354**	**0**	**102,752,260**	**55,331,094**	**55,331,094**	**-**



Development:

(Amount in Rs.)

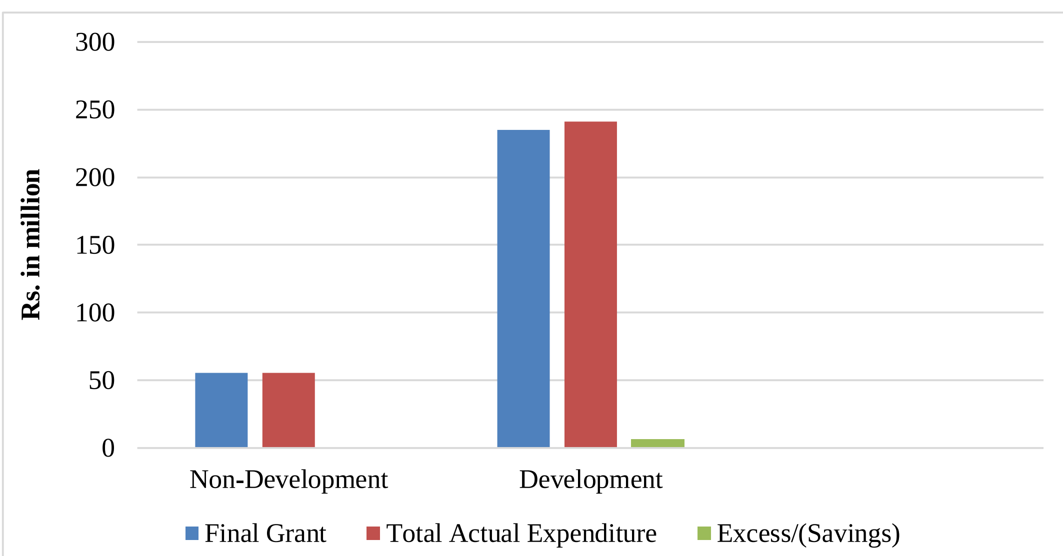
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Apprioriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50- Housing	NC12	623,340,000	-	-	388,132,364	235,207,636	241,331,521	6,123,885
Total		623,340,000	-	-	388,132,364	235,207,636	241,331,521	6,123,885



Overview of expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	55.33	55.33	-	0.00%
Development	235.21	241.33	6.12	0.00%
Total	**290.54**	**296.66**	**6.12**	2.11%



15.1(C) Issues in Housing Department

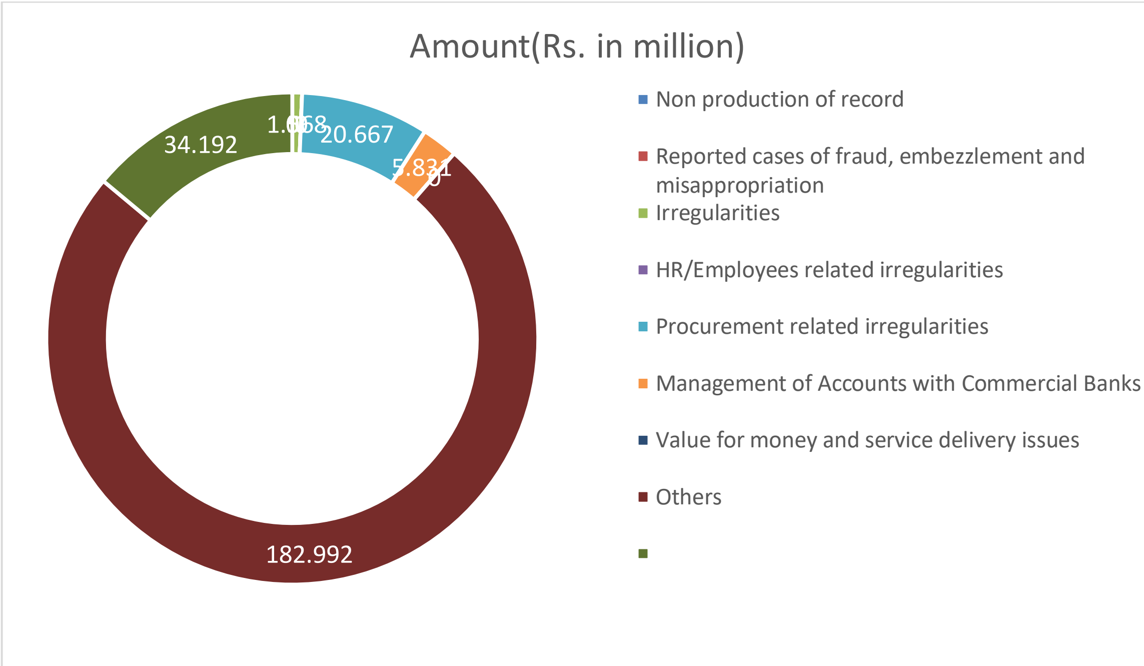
The Housing Department is responsible for provision of housing facilities in the province. However, the departmental systems and procedures could not evolve with the latest requirements of public financial management, revenue and financial accounting. It was noticed that the department failed to achieve its targets of the revenue resulting in excess expenditure over the final grants. In addition, it was noticed that assets are invested without proper evaluation and planning. Assets and liabilities could not be provided to Audit for verification. The department is noncompliant to audit and evaded accountability by not conducting DAC meetings to settle observations on its accounts.

15.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 220.185 million were raised in this report during the current audit of Housing Department. This amount also includes recoveries of Rs. 89 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

S. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	1.568
3	Irregularities	
A	HR/Employees related irregularities	20.667
B	Procurement related irregularities	5.831
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	182.992
5	Others	34.192



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

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
11	2013-14	-do-	Nil	Nil	Nil	Nil
12	2014-15	-do-	Nil	Nil	Nil	Nil
13	2015-16	-do-	Nil	Nil	Nil	Nil
14	2016-17	-do	Nil	Nil	Nil	Nil

15.4 Audit Paras

15.4.1 Non-execution of core activities / functions

According to the Khyber Pakhtunkhwa Provincial Housing Authority Act 2005, the department has to perform the following activities / functions;

- Facilitate and land availability through various innovative measures, develop a comprehensive land information system to cater for the planning and development, requirement for a period of five to ten years.
- Mobilize resources and generate funds in order to provide finance for housing specially to the low-income groups

- Develop packages in which prime state land occupied by Katchi Abady, shall be offered to the private developers for commercial use, provided they arrange finance up-gradation or relocation of Katchi Abady.

During audit of the accounts of Secretary Housing Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that the above-mentioned functions have not been performed/initiated by the department till date of audit i.e. September 2023 which were their prime responsibilities.

Audit held that the core functions of the Housing Department were required to have been performed by the management which was not done.

The lapse occurred due to violation of Rules of Business & Act which resulted in non-execution of the core functions.

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter dated 29.11.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to justify the matter and take corrective measures.

PDP No. 24 (2022-23)

15.4.2 Blockage of public money due to irrational demand – Rs. 100.000 million

According to Para 95 of GFR Vol-I, all anticipated savings should be surrendered to Government immediately they are foreseen but not later than 31st March of each year in any case, unless they are required to meet excesses under some other unit or units which are definitely foreseen at the time. However, savings accruing from funds provided after 31st March shall be surrendered to Government immediately they are foreseen but not later than 30th June of each year. No savings should be held in reserve for possible future excesses.

During audit of the accounts of Secretary Housing Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that local office demanded funds to the tune of Rs 55.00 million under head of account A-08501 (Loan to Non-Financial Institutes) during the start of financial year. Later on, re-appropriation was done and budget/released was enhanced up to limit of Rs 100.000 million.

Scrutiny of record revealed that no expenditure was carried out during the financial year and on the very last day of the financial year (30.6.2023), the local office surrendered Rs 100.00 million to the Finance Department without any cogent reason.

Audit held that if it was not required then why it was demanded in the original as well as revised budget and kept unspent which resulted into not only blockage of public money when government is stressing on the austerity measures and imposing 30-35 % cut on the budget /expenditure but also deprived other needy departments to utilize the funds.

The lapse occurred due to weak internal controls and violation of Rules which resulted in unnecessary blockage of government funds.

When pointed out in September, 2023, no reply was furnished by the management.

The department was requested vide letter dated 29.11.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting. However, the 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.

PDP No. 22 (2022-23)

15.4.3 Loss to the government due to non-recovery of installments from Allottees of Flats and non-imposition of penalty @2% per month – Rs. 82.992 million

According to Para 8 and 26 of the General Financial Rules Volume-I, each administrative department to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury.

During audit of the accounts of Provincial Housing Authority Peshawar for the Financial Year 2021-22, it was observed that the local office failed to recover outstanding installments from allottees of High-Rise Flats, Phase-V Hayatabad since long and non-imposition of penalty @2% per month, which resulted in loss to the Authority amounting to Rs 82,992,194/- **(Annexure-XXXVIII)**.

The lapse occurred due to weak financial controls which resulted into loss to the government.

When pointed in March 2023, the management stated that recovery will be made and will be shown to Audit.

The department was requested vide letter dated 20.04.2023 followed by a reminder dated 01.01.2024 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends to recover the installments along with penalty.

PDP No. 217 (2021-22)

15.4.4 Overpayment to contractor by allowing rate higher than the approved rate analysis - Rs. 5.831 million

According to Para 296 of CPWA Code, 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 varying conditions thereof, so far as may be practicable, be recorded.

During audit of the accounts of Provincial Housing Authority Peshawar for the Financial Year 2021-22, it was observed that the work "Construction of Housing Scheme for Govt: Servants and General Public at Jalozai District Nowshera (Self- Finance), SH: "Construction of Parks" was awarded to the contractor at a bid cost of Rs.245.619 million against the E/cost of Rs.307.986 million (rebate @20.25%) vide letter of acceptance No.DG/PHA/Tech/Jalozai/Parks/1342, dated 21.2.2020 to be completed within one year. The contractor was paid Rs.131.317 million up to 7th running bill.

On further verification and comparison of TS quantities with the bill, it was disclosed that the work contained various non-schedule items of work including the item of work i.e. "Providing & Fixing of wall grill, complete as per drawing" the rate of which was approved through rate analysis in TS @ Rs.3648/- PM2, but the same was allowed @ Rs.5673.19 PM2 in the bill which resulted into an overpayment of Rs.5, 831,107/- to the contractor as detailed below:

S#	Block No.	Quantity	Rate paid in Rs	To be paid in Rs	Difference	Amount (Rs)
1.	A, central park	558.24	5673.19	3648/-	2025.19	1,130,542
2.	A (A-03)	288.00	5673.19	3648/-	2025.19	583,255
3.	B (B-01)	210.24	5673.19	3648/-	2025.19	425,776
4.	B (B-02)	248.948	5673.19	3648/-	2025.19	504,167
5.	B (B-03)	282.96	5673.19	3648/-	2025.19	573,048
6.	C (C-02)	394.6304	5673.19	3648/-	2025.19	799,202
7.	D (D-01)	364.27	5673.19	3648/-	2025.19	737,716
8.	D (D-04)	231.37	5673.19	3648/-	2025.19	468,568
9.	E (E-07)	300.63	5673.19	3648/-	2025.19	608,833
Total						**5,831,107**

The lapse occurred due to weak internal controls which resulted in loss to government.

When pointed in March 2023, no reply was furnished by the management

The department was requested vide letter dated 20.04.2023 followed by a reminder dated 01.01.2024 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends to recover the amount from the contractor and inquire the matter for fixing of responsibility.

PDP No. 216 (2021-22)

15.4.5 Loss to the government due to non-recovery of income tax –Rs. 4.712 million

As per Director General PHA letter No. DG/PHA/Fin/Income Tax/1641 dated: 14.11.2022, the contractor was not enlisted with FBR during the period.

During audit of the accounts of Provincial Housing Authority Peshawar for the Financial Year 2021-22, it was observed that the local office deducted income tax amounting to Rs. 4,712,254/- from a contractor M/S Raja Sabir Khan & Co @7.5% instead of @15% amounting to Rs. 4,712,254/- (Rs. 62,830,055 X 7.5%) being non-filer as the contractor was not enlisted with FBR during the period. Director General PHA also intimated the contractor through letter for depositing the said amount into government treasury but the contractor failed to deposit the amount, which resulted in loss to the government amounting to
Rs. 4,712,254/-.

The lapse occurred due to weak financial controls which resulted in loss to the government.

When pointed in March 2023, the management stated that recovery will be made and will be shown to Audit.

The department was requested vide letter dated 20.04.2023 followed by a reminder dated 01.01.2024 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

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

PDP No. 218 (2021-22)

15.4.6 Irregular auction of dismantling of buildings – Rs. 20.650 million Less deposit of income tax – Rs. 2.123 million

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

During audit of the accounts of Provincial Housing Authority Peshawar for the Financial Year 2021-22, it was observed that the local office awarded contract of demolishing of 23 numbers of bungalows at Nishter Abad Peshawar through open auction / biding for Rs. 20,650,000/- to Mr. Ghulam Shabir S/O Marra. Audit observed the following discrepancies:

1. The bungalows were auctioned along with materials while these were old bungalows and had a lot of iron and wood. The dismantled material should have been auctioned separately to generate more revenue.
2. Neither the pictures nor the video were available to verify the open auction.
3. The contract was sublet to the private people.
4. Completion report was also not available as per DG PHA letter dated: 16.7.21.
5. Signature in application does not tally with attendance/bid sheet/CNIC.
6. Sanction from Competent Authority was not obtained.

7. The bidder was not filer.

Moreover, income tax amounting to Rs 2,006,500 @10% was deducted instead of Rs 4,130,000 @20% being non filer, thus Rs 2,123,500 was less deducted, which needs recovery.

The lapse occurred due to weak internal controls which resulted in irregular auction.

When pointed in March 2023, the management stated that recovery will be made and will be shown to Audit.

The department was requested vide letter dated 20.04.2023 followed by a reminder dated 01.01.2024 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends to recover the amount and inquire the matter for fixing of responsibility against the person(s) at fault.

PDP No. 220 (2021-22)

Chapter – 16

INDUSTRIES DEPARTMENT

16.1 A) Introduction

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

Audit Profile of Industries Department:

(Rs. in million)

S. No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23	Revenue/Receipts Audited FY 2022-23
1	Formations	245	18	95	0
2	• Assignment Account • SDA (Excluding FAP)	05	01	99.954	N/A
3	Authorities/Autonomous bodies etc under PAO	01	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

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

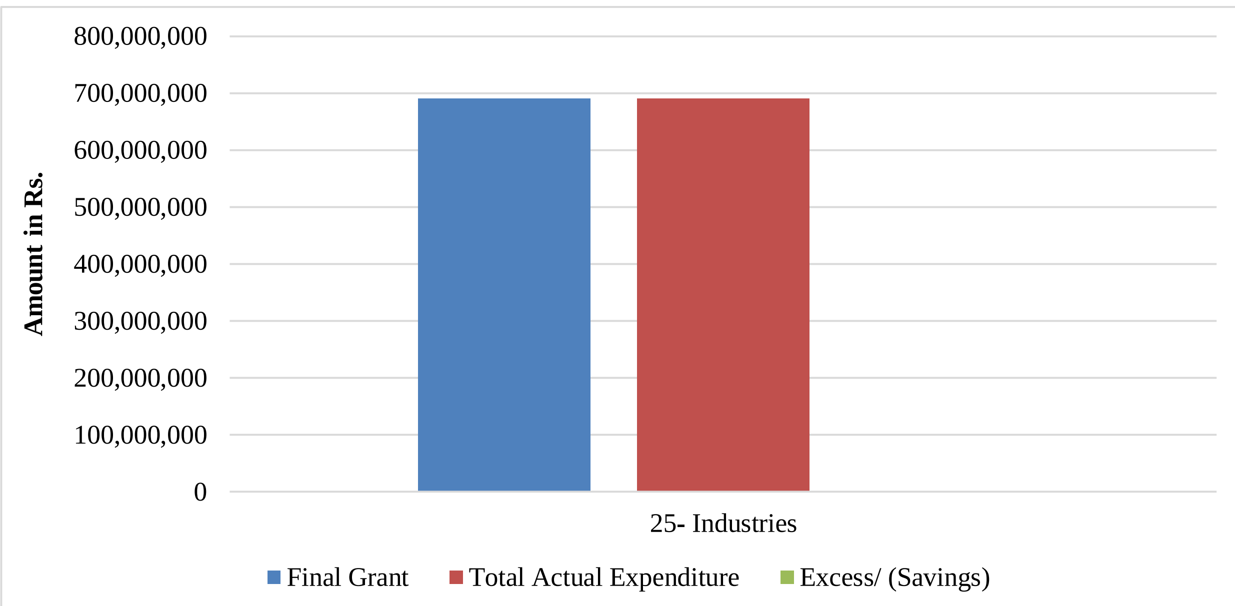
Summary of the Appropriation Accounts:

The Summarized position of actual expenditure 2022-23 against the total of grants/appropriation was as follows:

Non-Development:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
25-Industries	NC21	973,932,000	970	0	283,093,573	690,839,397	690,798,474	-40,923 -
Total		**973,932,000**	**970**	**0**	**283,093,573**	**690,839,397**	**690,798,474**	**-40,923 -**

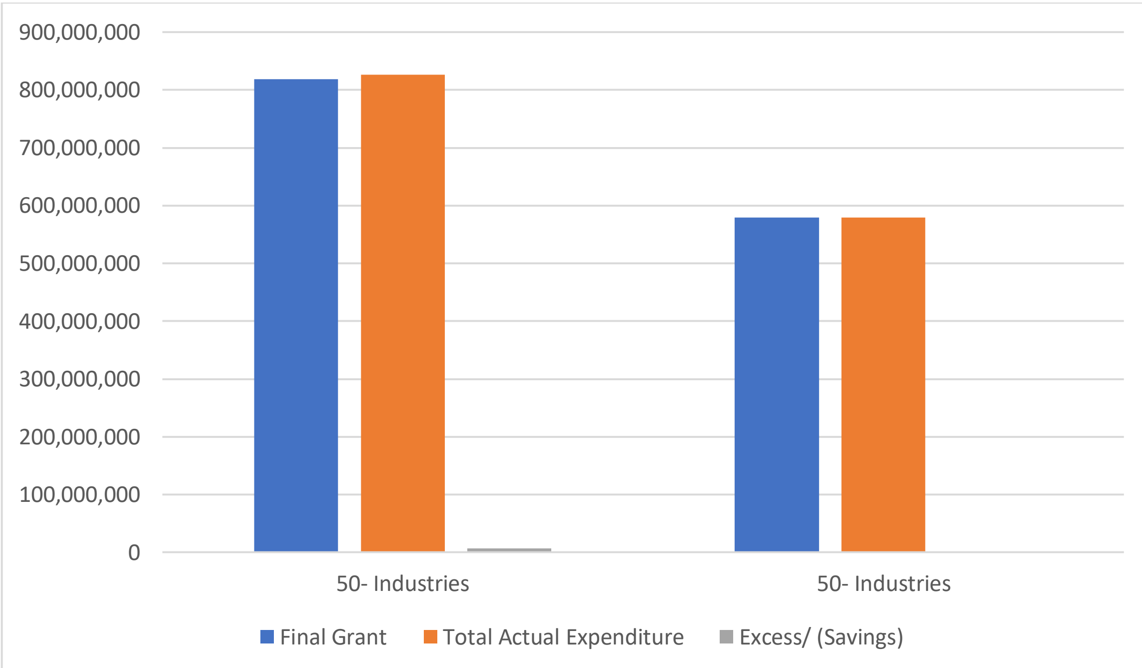


Development:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50-Industries	**NC22**	**1,342,021,000**	**-**	**- 5,000,000**	**517,815,468**	**819,205,532**	**826,237,825**	**7,032,293**
50-Industries	**NC12**	**1,285,662,000**	**-**	**34,730,000**	**741,285,000**	**579,107,000**	**579,107,000**	**-**

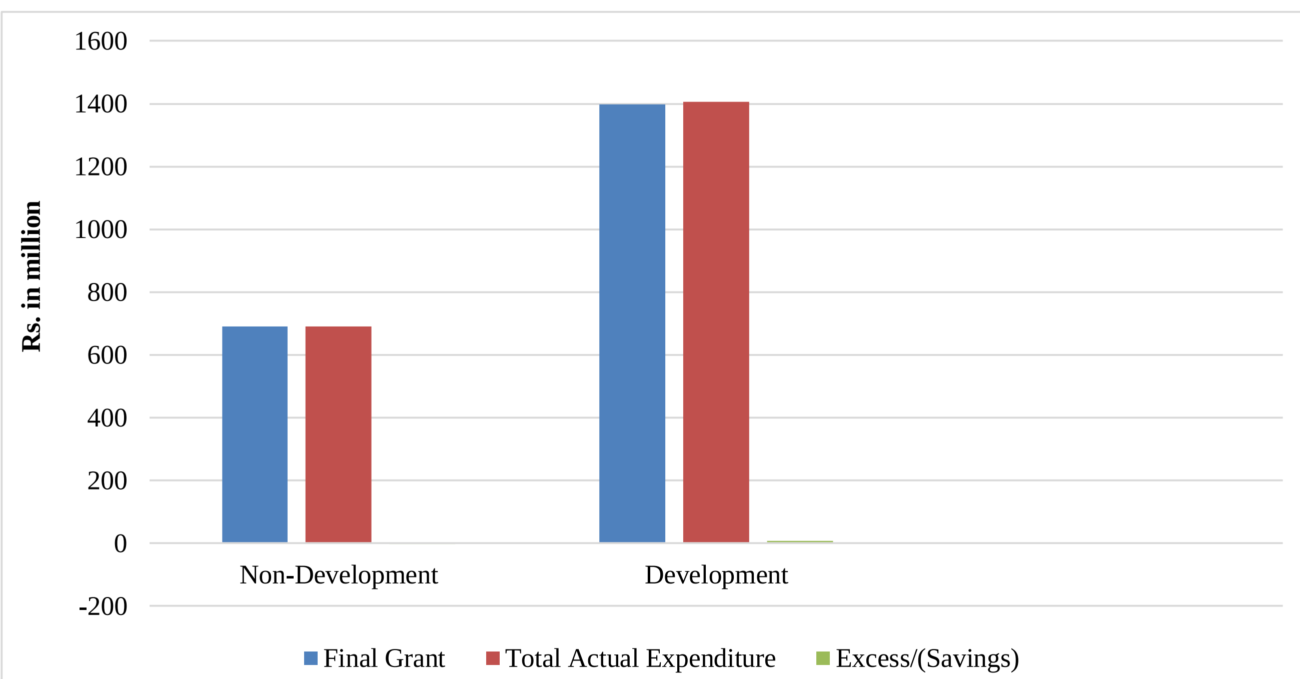
Total		**2,627,683,000**	**-**	**29,730,000**	**1,259,100,468**	**1,398,312,532**	**1,405,344,825**	**7,032,293**



Overview of expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	690.84	690.80	- 0.04	-0.01%
Development	1,398.31	1,405.34	7.03	0.00%
Total	**2,089.15**	**2,096.14**	**6.99**	0.33%



16.1(C) Issues in Industries Department

16.2 Classified Summary of Audit Observations

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

Overview of Audit Observations:

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

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

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
01	2016-17	Industries Department	Nil	Nil	Nil	Nil
	2017-18	Nil	Nil	Nil	Nil	Nil
	2018-19	Nil	Nil	Nil	Nil	Nil
14	2019-20	Nil	Nil	Nil	Nil	Nil

16.4 Audit Paras

16.4.1 Non-achievement of objectives by Industries Department

According to Clause 3 of the Roles of Business 1985, the business of government shall be distributed amongst several departments in the manner indicated in Schedule-II. Read with Clause 4 (2) of the said roles, the Secretary shall be the official head of the department and shall be responsible for its efficient administration and discipline, and for proper conduct of business allocated to the department under Role 3 which are as follows;

- Planning development and control of industries, including cottage industries.
- Industrial Research
- Industrial training (including training of demonstration parties).
- Industrial exhibition within the country etc.

During audit of the accounts of Secretary Industries, Commerce and Technical Education Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that the department failed to conduct the following business as provided in the schedule of their rules of business;

- Industrial Research
- Industrial training (including training of demonstration parties)
- The Provincial Advisory Panels for Industries
- Chambers and Associations of Commerce and Industry
- Registration of essential personnel
- Preparation of short and long-term programs for manpower development & employment promotion
- War injuries schemes & war injuries compensation insurance

The lapse occurred due to weak administrative controls which resulted in poor performance.

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter dated 24.11.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to take steps for accomplishment of the business allocated to the department in their rules of business.

PDP No. 21 (2022-23)

Chapter – 17

IRRIGATION DEPARTMENT

17.1 (A) Introduction

The Irrigation Department is headed by Secretary Irrigation who is assisted at Secretariat level by Additional Secretary, Deputy Secretary (Tech) and PMC. In all the technical matters, the Secretary is assisted by the Planning & Monitoring Cell which prepares the draft proposals for Annual Development Program and Public Sector Development Plan. The PMC prepares plans, liaison with Federal Government and Donors Agencies regarding new schemes and also monitor progress of implementation of the existing portfolios. Execution of the water sector schemes and their operation are carried out by attached departments. There are three attached departments of the Irrigation Department which are headed by their respective Chief Engineers.

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

- Irrigation
    - Rivers and reverine surveys;
    - Construction and maintenance of canals;

- Tube-Wells and other water utilization schemes in areas other than those declared as "Local Areas" under the Soil Reclamation Act, 1952;
    - Embankment;
    - Drainage other than field drains in areas declared as "Local Areas" under the Soil Reclamation Act, 1952; and
    - Storage of water and construction of water reservoirs.
- Barrage construction work and all matters connected therewith.
- Water logging schemes in areas other than those declared as "Local Areas" under the Soil Reclamation Act, 1952.
- Land Reclamation Schemes in areas other than those declared as "Local Areas" under Soil Reclamation Act, 1952.
- Flood Control Schemes. .
- Administration of the Canal and Drainage Act, 1873 (VIII of 1873).
- Booking of irrigation where Minor Canal and Drainage Act is applicable.
- Matters pertaining to distribution of river supplies.
- Inland water-ways and inland navigation.

Audit Profile of Irrigation Department:

(Rs. in million)

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23	Revenue/Receipts Audited FY 2022-23
1	Formations	54	5	57,450	0
2	• Assignment Account • SDA (Excluding FAP)	Nil	Nil	N/A	Nil
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	01	01	1,259	N/A

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

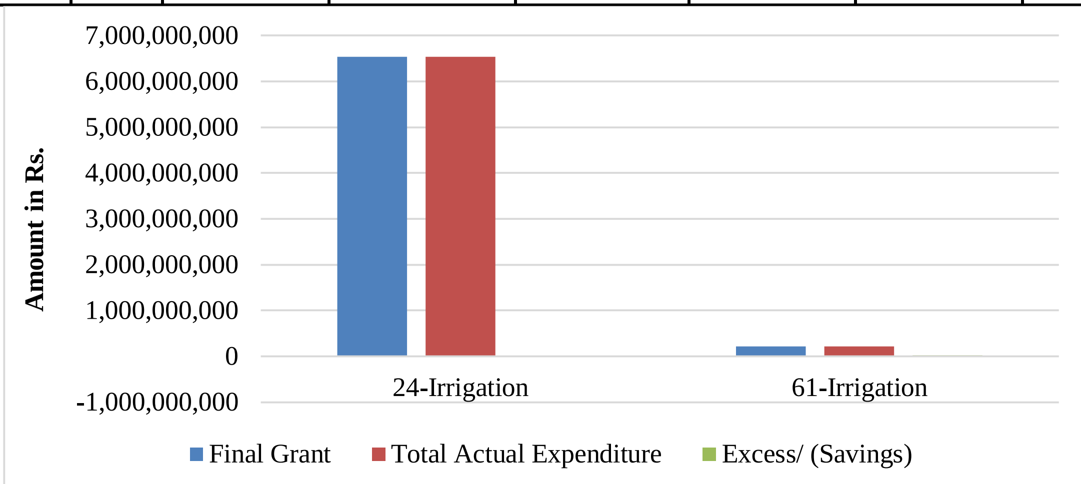
Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2022-23 against the total of grants/appropriation was as follows:

Non-Development:

(Amount in Rs.)

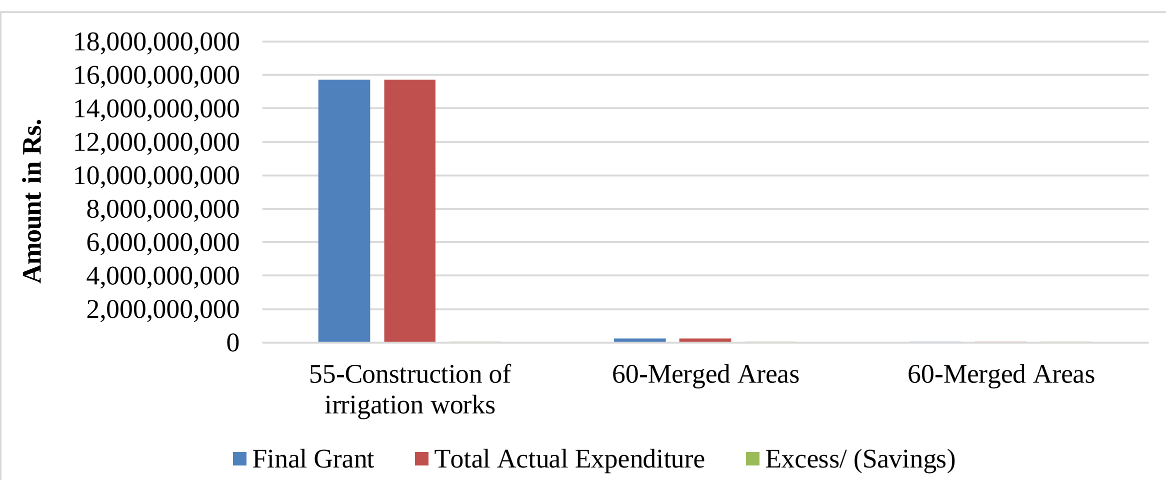
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-approrpiation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
24-Irrigation	NC21	6,055,715,000	1,605,868,000	0	1,117,726,616	6,543,856,384	6,543,629,174	-227,210
61-Irrigation	NC21	283,974,000	-	12,921,910	74,883,318	222,012,592	221,935,169	77423
Total		**6,339,689,000**	**1,605,868,000**	**12,921,910**	**1,192,609,934**	**6,765,868,976**	**6,765,564,343**	**-149,787**



Development:

(Amount in Rs.)

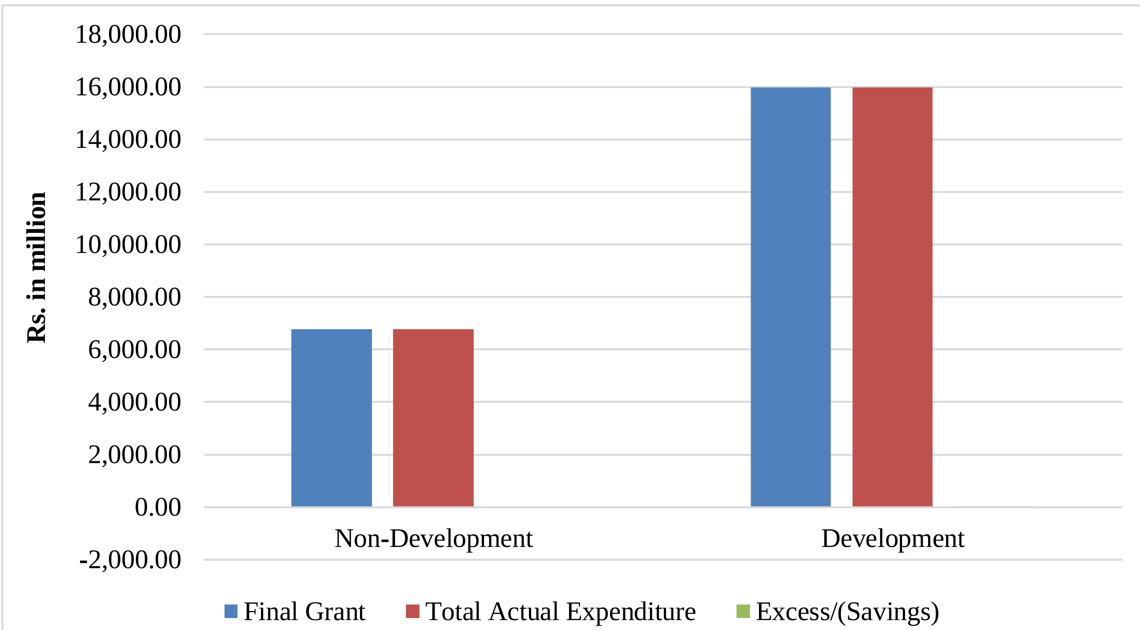
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-approrpiation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
55-Construction of irrigation works	NC12 & 22	12,867,000,000	3,721,893,030	0	877,672,264	15,711,220,766	15,714,648,946	3,428,180
60-Merged Areas	NC12	2,113,734,000	-	-207,453,092	1,683,582,851	222,698,057	227,058,057	4,360,000
60-Merged Areas	NC22	59,850,000	-	9,399,092	30,353,511	38,895,581	49,135,391	10,239,810
Total		**15,040,584,000**	**3,721,893,030**	**-198,054,000**	**2,591,608,626**	**15,972,814,404**	**15,990,842,394**	**18,027,990**



Overview of expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	6,765.87	6,765.56	-0.149787	0.00%
Development	15,972.81	15,990.84	18.02799	0.11%
Total	**22,738.68**	**22,756.41**	**17.878203**	0.08%



It can be seen from the above variance analysis that the budgets could not be utilized with some amount remaining unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

17.1(C) Issues in Irrigation Department

During audit, it was noticed that contract management mechanism was very poor. The field offices of the Irrigation Department did not fulfill the contractual obligations i.e. obtaining Performance Securities from the contractors in violation of contract agreement which provides that failure of the successful bidder to furnish performance security shall constitute sufficient grounds for the annulment of the award and forfeiture of the bid security.

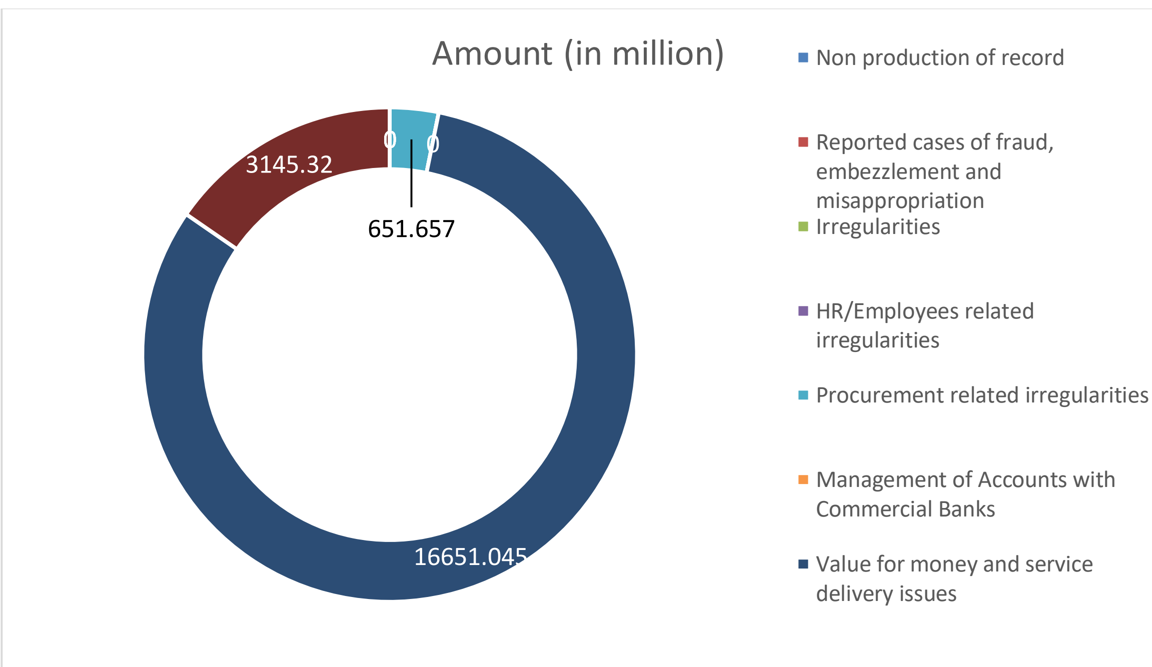
The department also does not comply with the basic rules of the contract award. As a consequence of poor contract management, there has been considerable cost and time over run in different development schemes across the province. Like C&W, the Technical Sanctions for development schemes are prepared at belated stage to cover up the variations in cost, specifications, and estimates. As a matter of policy, the Technical Sanctions must be awarded before the commencement of work. There were no details of the head-wise figures of the departmental own receipts collected by the department.

17.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 20,448.022 million were raised in this report during the current audit of Irrigation Department. This amount also includes recoveries of Rs. 1164.590 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

S. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	651.657
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	16651.045
5	Others	3145.320



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

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2011-12	Irrigation	18	06	-	12
2.	2012-13	-do-	10	07	-	03
3.	2013-14	-do-	14	10	-	04
4.	2014-15	-do-	07	03	-	04
5.	2015-16	-do-	23	16	-	07
6.	2016-17	-do-	29	18	5	6

17.4 Audit Paras

17.4.1 Irregular payment to WAPDA on account of restoration of flood damages – Rs. 350.00 million

According to Para 89 (c) of the CPWD code, the agreement with the contractors selected must be in writing and should be precisely and definitely expressed; it should state the quantity and quality of the work to be done, the specifications to be complied with, the time within which the work is to be completed, the conditions to be observed, the security to be lodged, and the terms upon which the payments will be made and penalties exacted, with any provisions necessary for safeguarding the property entrusted to the contractor.

According to Para 1 (A) – Section-I Introductory of the CPWD code, all original works and special repairs, relating to Central Civil buildings and communications shall be executed through the Agency of the Public Works Department, Central or Provincial, as the case may be.

During audit of the accounts of Secretary Irrigation Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that an amount of Rs.350.00 million was released to M/S WAPDA for the restoration of damages inflicted to Chashma Right Bank Canal (CRBC) as per below given breakup:

S. No.	Cheque No.	Dated	Payee	Amount
1	2467569	15.09.2022	Chief Engineer OMR, CRBC WAPDA	100.00
2	2494668	16.11.2022	-do-	250.00
Total				**350.00**

The scrutiny of available record revealed the following discrepancies:

- Contract Agreement was not executed with M/S WAPDA for scope of work, cost of work, terms and conditions etc.
- Flood damages report was not available to ascertain the actual damages occurred and the required cost.
- PC-I in support of expenditure was not available.
- The provincial share of expenditure was not ascertained as the CRBC right side falls within the territory of the Khyber Pakhtunkhwa province while lift side falls in Punjab province.

- The amount of Rs.350.00 million was released on the demand of the WAPDA but post completion reconciliation was not carried out with WAPDA to ascertain the actual expenditure and retrieve the savings.
- Complete vouchers were not available for scrutiny.
- No justification for release of funds for restoration of flood damaged CRBC was available though WAPDA's mandate is the installation of high transmission line, electricity along with connection etc. The construction/ maintenance of civil work/ infrastructure is the mandate of Irrigation Department and C&W Department as per Rules of Business 1985 as amended from time to time.
- Progress Report of the work showing physical and financial status was not available.
- The amount was charged to the head of account "Others" being non-developmental head despite the fact that the amount was re-appropriated from ADP being developmental budget. The booking of developmental expenditure under the non-developmental head is against the financial rules and resulted in incorrect expenditure final figures of the developmental and non-developmental expenditure at the provincial level.

The lapse occurred due to violation of rules which resulted in irregular expenditure.

When pointed out in August 2023, the management did not furnish any reply.

The department was requested vide letter dated 18.09.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter for corrective action and fixing of responsibility on the person(s) at fault.

PDP No. 1 (2022-23)

17.4.2 Loss to the government due to non-recovery of tender form fee from the contractors – Rs. 34.330 million

According to recommendations of the cabinet sub-committee constituted for improvements in the tender process and e-bidding system and approved by the Chief Minister, KP duly circulated to the Administrative Secretaries of the Works Department vide SO(c)/CMS/KPK/2021 dated 05-04-2021 read with Chief Engineer (Centre) C&W Department letter No.CEC/GS/2-1/1750 dated 05-05-2021 , at the time of implementation of E-bidding system, tender form fee was eliminated by the then authorities, however, the same may be revived and be remitted by each participating contractor online along with earnest money. Non-refundable bidding entry fee @ 0.03% of tender cost may be revived and collected along with earnest money.

According to Para 8 of the General Financial Rules, Subject to such general or specific instruction as may be issued by Government in this behalf it is the duty of the Revenue or Administrative Department concerned to see that the dues of Government are correctly and promptly assessed collected and paid into the treasury.

During audit of the accounts of Secretary Irrigation Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that tenders worth Rs.9173.3760 million for developmental works were placed for bidding through e-bidding system by the irrigation divisions. However, the requisite tender form fee / bidding entry fee @ Rs.0.03% of the tender cost was not recovered from the bidders as no such receipts were reported to the Administrative Department. This resulted in loss of Rs.34.33 million to the government in the schemes/ projects selected on sample basis.

Audit held that Chief Engineer and the Administrative Department were required to monitor the e-bidding system to ascertain the recovery of dues.

The lapse occurred due to non-implementation of the directives/ instructions/ rules which led to non-recovery of the tender form fee.

When pointed out in August 2023, the management stated that the matter will be referred to concerned office for reply.

The department was requested vide letter dated 18.09.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the amount from the contractors and inquire the matter for fixing of responsibility against the person(s) at fault.

PDP No. 2 (2022-23)

17.4.3 Loss to the government due to non-recovery of water user charges from PEDO private sector hydropower projects and Abiana charges – Rs. 235.921 million

According to Para 28 of General Financial Rules, no amount due to government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable the orders of competent authority for their adjustment must be sought.

According to Para 09 of the summary moved by the Irrigation Department, KP to the Chief Minister, KP for the enhancement of water user charges for PEDO Private Sector Hydropower Projects (HPPs) – the water user charges is recoverable at the rate of Rs0.15/KWh.

During audit of the accounts of Secretary Irrigation Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was noticed from the scrutiny of Receipts Reconciliation Statement for June 2023 that an amount of Rs.129.620 million was realized from PEDO private sector hydropower projects on account of water user charges against the target of Rs.79.00 million for 2022-23. Moreover, no outstanding amount for recovery was shown on record. However, scrutiny of receipts statement and comparison with previous year audit observation revealed that an amount of Rs.180.141 million was still outstanding for recovery on account of water user charges from PEDO private hydropower project as elaborated below:

S. No.	Particulars	Amount (Rs. in M)	Remarks
1	Un-recovered balance for 2021-22	74.716	As per Para 03 Audit Note for FY 2021-22
2	Outstanding dues: 2014-15 to 2020-21	156.045	-do-
3	Budget estimates/ target for FY 2022-23	79.00	–
4	Total recoverable amount	309.761	–
5	Amount recovered during 2022-23	129.620	–
6	Net outstanding amount	180.141	–

In addition to above, the following irregularities were observed:

- The amount for recovery of water user charges is calculated at the rate of Rs.0.15 per unit, however, neither detail statistics of units produced by the PEDO private hydropower projects (HPPs) was obtained by the department to ascertain the actual recovery amount nor any contract agreement was signed rather it was informed that the recovery amount @ Rs.0.15 per unit is calculated as per NEPRA policy but copy of the same was not available.
- As per the summary dated 23-05-2023 moved by the department to the Chief Minister, Khyber Pakhtunkhwa for enhancement of water user charges for PEDO private sector hydropower projects (HPPs) from Rs.0.15/Kwh to Rs.1.10/Kwh, revealed that the existing rate is applied since 2008 which was not revised/ enhanced during last 15 years despite the fact that NEPRA tariff has been revised from time to time. This resulted in recurring loss to the provincial government every year due to non-taking up the matter for revision of rates.

Moreover, Receipts Reconciliation Statement for June 2023 revealed that a target of Rs.88.00 million was assigned for recovery of receipts under the head "CO-3434 Others – Irrigation Works" (Abiana) against which recovery of Rs.32.22 million was reported, leaving an outstanding balance of Rs.55.78 million.

In addition to non-recovery of outstanding government dues of Rs.55.78 million i.e. 63.39% less realization of recovery, cogent reasons were not recorded by the Canal Collector for shortfall in recovery.

The lapse occurred due to mismanagement of the recovery affairs which resulted in non-recovery of government non-tax revenue as well as causing recurring loss to the government.

When pointed out in August 2023, the management did not furnish any reply.

The department was requested vide letter dated 18.09.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and fix responsibility for non-recovery of government dues.

17.4.4 Loss due to non-transparent awardof contracts – Rs. 5.173 million

According to Miscellaneous Provisions of the Khyber Pakhtunkhwa Public Procurement Rules 2014 notified by Finance Department, KP vide No. SO (FR)/FD/9-7/2010/Vol-II dated 03.02.2014, the procuring entity may decide the response time for receipt of bids or proposals including proposals for pre-qualification from the date of publication of an advertisement or notice, keeping in view the contract's complexity, and urgency. However, under no circumstances the response time shall be less than fifteen days for national competitive bidding and thirty days for international competitive bidding from the date of publication of advertisement or notice in the national newspaper. Each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders in accordance with section 22 of the Act.

According to Para 19 (vi) of the General Financial Rules, whenever practicable and advantageous, contracts should be placed only after tenders have been openly invited and, in cases where the lowest tender is not accepted, reasons should be recorded.

During audit of the accounts of Secretary Irrigation Department Khyber Pakhtunkhwa for the Financial Year 2022-23, scrutiny of the e-bidding system/ data revealed the following irregularities:

i. 05 No. of tenders were floated for the developmental works by the Charsadda Irrigation Division with tender closing date of 15-02-2023. However, these tenders were cancelled without cogent reasons despite significant rebate rate offered by the lowest bidders. These 05 contracts were retendered and awarded at the higher rates, even 04 contracts were awarded to the same contractors but at higher rates than previously offered rates. This resulted not only in loss of Rs.5.173 as per enclosed statement but also made the tendering process doubtful.

ii. 12 No. tenders worth Rs.19.0005 million for developmental works were placed for bidding through e-bidding system by the irrigation divisions. The BOQs were uploaded on 22-07-2022 with BOQ expiry/ closing date of 11-08-2022. However, comparative statements of these tenders revealed that tenders were opened on 08-08-2022 i.e. 04 days before closing date of tenders. This indicated that the tendering process was managed by the procuring entities as the prospective bidders were deprived from participation in tendering process and deprived the government from obtaining the competitive/ economical rates. As such, tenders award of Rs.19.0005 million was non-transparent.

iii. In 37 No. of cases, tenders worth Rs.842.4736 million for developmental works were placed for bidding through e-bidding system by the irrigation divisions. However, scrutiny of the comparative statements of the contracts revealed that BOQs were uploaded at a belated stage with 02 to 07 days of response time, in violation of KPPRA Rules which warrants that response time shall not be less than 15 days in any circumstances and procurements shall be planned to ensure equal opportunities to all the prospective bidders.

Hence, the award of contracts worth Rs.842.4736 million through e-bidding system was irregular due to less response time.

Audit held that the delayed uploading of BOQs by the irrigation divisions restricted the competition and deprived the government from economical and realistic rates. Moreover, the Chief Engineer and the Administrative Department were required to monitor the e-bidding system to ensure transparency in tender awards but no such controls were observed by the Audit.

The lapse occurred due to mis-procurement and non-transparent tendering process which resulted in loss to the government.

When pointed out in August 2023, the management stated that the matter will be referred to concerned office for reply.

The department was requested vide letter dated 18.09.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility and recovery of loss from the person(s) at fault.

PDP No. 4 (2022-23)

17.4.5 Doubtful Payment to contractor on account of transported material – Rs. 25.925 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.

During audit of the accounts of Executive Engineer Irrigation Swat No. 01 for the Financial Year 2022-23, it was observed that contract for developmental scheme Removal of Debris and Restoration of Protection along with Local Khwars was awarded to M/S Swat Construction with an estimated cost of Rs. 79.000 million and bid cost of Rs. 63.200 million respectively. An up-to-date payment of Rs. 30.623 million was made to the contractor vide Voucher No. 26-S dated 12.06.2023.

Similarly, contract for the developmental scheme Improvement of Gaga Civil Channel Mingora District Swat awarded to M/S Muhammad Ilyas Khan with an estimated cost of Rs. 25.000 million. An up-to-date payment of Rs. 21.197 million was made to the contractor vide Voucher No. 28-S dated 27.02.2023

Further scrutiny of record i.e. PC-I and the paid voucher revealed that the local office paid Rs. 23.728 million to the contractor on account of transportation of earth for a quantity of 26188.71 M^3 @ Rs. 906.07/M^3 and 2722.99 M^3 @ Rs. 806.94/M^3 and Rs. 2.197 million respectively.

However, Audit observed that visual photograph of and re-measurement of transported material at dumping site of material was not done and during physical verification it was confirmed that no material was available at dumping site and fictitious payment was made to compensate contractor.

The lapse occurred due to weak financial control which resulted in doubtful payment.

When pointed out in December 2023, no reply was furnished.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

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

PDP No. 89 (2022-23)

17.4.6 Irregular award of contract for AOM&R works - Rs. 9.000 million

Rule 32 of Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules 2014 provides that (1) Each procuring entity shall constitute committees, in accordance with delegation of financial powers, separately for procurement of goods, works and services. (2) The committees shall have a representative each from the accounts or finance or planning sections of the procuring entity apart from others and;

According to S/No.1(1) II, powers of Irrigation department, delegation of powers rules 2018, CE has full powers to accord TS in ordinary repair of irrigation works, whereas SE has the power up to 2.00 million and XEN up to 0.4 million. Furthermore, S/No. 11(2) of ibid provide that Powers to accept tender are Equivalent to Grant of Technical Sanction in relevant Category.

During audit of the accounts of Executive Engineer CRBC Irrigation Division D.I. Khan for the Financial Year 2020-21, it was observed that bids were invited for various AOM&R Contracts worth Rs. 9.000 million without constitution of proper procurement committees as provided in the Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules 2014. Audit observed that the Procurement Committee was constituted by the Executive Engineer while it was required to have been constituted and notified by the S.E. The award of AOM&R contracts without proper procurement committee is therefore, held irregular, as detailed below;

S#	Name of Work / Sub Work	Name of Lowest Bidder	E/cost Rs in (M)	Contractor Premium	Bid Cost
1	ShorKot Section	M/S Ustrana Construction Co:	1.500	43% below	855,000
2	Gomal Section	-do-	1.500	43% below	855,000
3	Fateh Section	-do-	1.500	43% below	855,000
4	Naivela Section	-do-	1.500	40% below	900,000
5	Mahra Section	-do-	1.500	40% below	900,000
6	Ramak Section	-do-	1.500	40% below	900,000
Total			**9.000**		**3,735,000**

When pointed out in March 2021, management did not furnish any reply.

In the DAC meeting held on 26.01.2023, it was decided that the department may provide the relevant notification. However, Audit did not agree with the forum, and directed for conducting inquiry in the matter. However, no progress was intimated to Audit till finalization of this report.

Audit recommends inquiry into the matter and fixing responsibility against the persons at fault.

PDP No. 414 (2020-21)

17.4.7 Mismanagement of funds under the developmental scheme - Rs. 40.876 million

A Developmental Scheme "Preparation of Revenue Chakbandi in respect of Gomal Canal Network" was approved by the DDWP on 25.01.2016 at estimated cost of Rs. 51.88 million with an aim to prepare Revenue Chakbandi to generate Revenue in Shape of Abiana (Water Rate) to be levied on the Irrigators from Gomal Zam Canal Network.

During Audit of accounts of Executive Engineer Gomal Zam Irrigation Division D.I. Khan for the Financial Year 2020-21, it was observed that a Developmental Scheme "Preparation of Revenue Chakbandi in respect of Gomal Canal Network" was approved by the DDWP on 25.01.2016 at estimated cost of Rs. 51.88 million with an aim to prepare Revenue Chakbandi to generate Revenue in Shape of Abiana to be levied on the Irrigators from Gomal Zam Canal Network. Audit observed the following;

i. Out of the 54 numbers staff approved in PC-I in 11 different cadres i.e. Revenue Consultants, Zilladar, Patwaries, H.V.C, V.C, Computers Operators, Junior Clerk Hawaldars, N/Q, Security Guard and Drivers, only 37 persons in three cadres i.e. Patwaries, Naib Qasid and Drivers were deployed and the savings from these eliminations were diverted to unnecessary objects.

ii. The scheme was not completed despite lapse of the completion period.

iii. PC-I of the scheme contained provision of TA/DA amounting Rs. 1,600,000/- for project staff / establishment which was enhancedto Rs 4,000,000 in the 2nd revised estimate thus the increase was 150% of the PC-I provision. Audit held that when the required establishment was reduced then how TA/DA budget was enhanced so abnormally for the reduced staff.

iv. There was provision of Rs. 5,040,000 for purchase of vehicles which was excluded without any cogent reason.

v. For running and maintenance of above project vehicles, there was provision for POL and repair work worth Rs. 7,600,000 in the PC-I which was also enhanced to Rs. 12,000,000 in the 2nd revised estimates despite the fact that the procurement of vehicles was deferred. The amount was shown spent on the existing vehicles of the division for which sufficient provision was already being kept in the regular budget.

vi. Against the provision of Rs. 2,500,000 (which was revised up to 32.747) million for repair /renovation of existing building in (Tank, Kulachi & D.I. Khan) for official use i/c XEN Residence & Provision of alternate Solar Energy System, the divisional office shown expenditure of Rs. 698,766 during 2015-16 after which no such expenditure was incurred under this head. Further detail of expenditure was also not produced to audit.

vii. Against the provision for the miscellaneous office machinery and equipment huge amount of 5.626 was shown spent by the division, but where about of these items was not shown to Audit.

The lapse occurred due to weak administrative and financial controls which led to mismanagement and misappropriation of funds.

When pointed out in March 2021, management did not furnish any reply.

In the DAC meeting held on 26.01.2023, it was decided that the department may conduct an independent inquiry in the matter. However, no progress was intimated to Audit till finalization of this report.

Audit recommends enquiry into the matter and fixing responsibility against the person(s) at fault.

PDP No. 210 (2020-21)

17.4.8 Loss to the government due to non-deduction of KP Sales Tax on Services - Rs. 3.039 million

Finance Department Government of Khyber Pakhtunkhwa levied 2% sales tax on works & services from July 2020 vide notification No. BO(Res-III)/FD/2-2//2019/Vol-I dated 31.07.2020.

During audit of the accounts of Executive Engineer Gomal Zam Irrigation Division D.I. Khan for the Financial Year 2020-21, it was noticed that the local office did not recover 2% sale tax on works and services amounting to Rs. 3.039 million from the contractors to whom payment worth Rs. 165.006 million.

The irregularity occurred due to weak internal control due to which the Government sustained a loss of Rs. 3.039 million.

When pointed out in March 2021, management did not furnish any reply.

In the DAC meeting held on 26.01.2023, it was decided that the department may make complete recovery of the amount. However, no progress was intimated to Audit till finalization of this report.

Audit suggests recovery of the amount.

PDP No. 220 (2020-21)

17.4.9 Non-production of record of Developmental Project worth- Rs. 16,065.44 million

Section 14 (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provides that any person or authority hindering the auditorial functions of the Auditor-General of Pakistan regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

During audit of the accounts of Directorate General Small Dams Khyber Pakhtunkhwa for the Financial Year 2022-2023, it was observed that the expenditure record of 22 no of schemes pertaining to developmental schemes in merged area amounting to Rs 3405.913 million against estimated cost of 16065.414 million under by Project Support Unit (PSU) was not produced to audit for verification. The record was demanded through audit requisition No.AO (inspection)/01 dated 31.10.23 followed by 1st reminder dated 06.11.23, and 2nd reminder dated 15.11.23 but no record was produced with the plea that Payments of contractor pertaining to PSU small dams merged area processed through Accountant General Khyber Pakhtunkhwa and issued cheques to contractors/ consultant and all original record in the custody of Accountant General Office Peshawar including verified passed vouchers and IPCs etc. Reportedly, inquiries related to projects in merged area were in process/completed by the administrative office. -

The lapse occurred due to obstructing the fulfillment of constitutional obligation by the audit department which resulted in non-production of record.

When pointed out in November 2023, no reply was furnished.

The department was requested vide letter No. Audit/DAC/DG Small Dams/2022-23/1523 dated 05.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends detail inquiry and fixing of responsibility against the persons at fault.

PDP No.7 (2022-23)

17.4.10 Unauthentic payment on account of remuneration of consultant - Rs. 14.200 million

Clause 3.10 of the contract agreement between Directorate General small dams and Pakistan Engineering Services for construction and supervision of different small dams provides that the consultants shall keep accurate and systematic accounts and records in respect of the services in accordance with internationally accepted accounting Principles and in such form and detail as well as clearly identify all relevant time changes and cost and the basis thereof and (ii) shall permit the client or its designated representatives periodically and up to one year from the expiration or termination of this contract , to inspect the same and make copies thereof as well as to have them audited by the auditors appointed by the client.

During audit of the accounts of Directorate General Small Dams Khyber Pakhtunkhwa - Planning and Construction Division Abbottabad for the Financial Year 2022-23, it was observed from the scrutiny of different invoices of M/S PES that Rs. 14.200 million was paid on account of remuneration of key expert and non-key expert consultants in different projects.

Audit observed the following;

1. An amount of 14.20 million was claimed by PES Consultant as remuneration of key expert without verifying and obtaining actual payee receipts. Consultant did not submit the actual payee receipts, proof of payment of remuneration and bank statement of the employees to verify their actual presence at site as evidence of payment at the rate claimed from government. In addition, amount was drawn by designations without mentioning the names of employees.
2. Consultant staff was paid by the employer on account of pay and allowances but being withholding agent incometaxwas not deducted from the salaries which resulted in loss to government of Rs 509,791.

The lapse occurred due to financial mismanagement and weak internal controls, which resulted in unauthentic payment to consultants.

When pointed out in November 2023, no reply was furnished.

The department was requested vide letter No. Audit/DAC/DG Small Dams/2022-23/1523 dated 05.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends detail inquiry in the matter and recovery of income tax amounting to Rs. 14.200 million.

PDP No. 8 (2022-23)

17.4.11 Loss to the government due to overpayment on account of PCC 1:2:4 and PCC 1:3:6 – Rs. 54.349 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.

During audit of the accounts of Directorate General Small Dams Khyber Pakhtunkhwa - Planning and Construction Division Abbottabad for the Financial Year 2022-23, it was observed that contract for the "Construction of Chapra Dam, Haripur" was awarded to M/S National RCC Works Pvt. Ltd. at the contract cost of Rs.659.986 million. The contract was awarded @ 10% rebate on the estimated cost of Rs.733.318

million. A payment of Rs.344.401 million was made to the contractor till IPC No. 18 vide Voucher No. 8SD/06-03-2023.

The scrutiny of voucher No.8-SD IPC No.17 dated 06.03.2023, PC-I, original estimated cost and revised detailed cost estimates revealed that an item of work "PCC 1:2:4 with quantity of 5733.42 m3 @ 6,758.12/m3 was paid up to 17th running bill for item already executed. In 18th IPC quantity was optimized and adjusted for the height factor. Against the deduction of 3738.93 m3, a quantity 5468 m3 quantity was paid resulting into overpayment of 39.561 million.

In addition, due to allowing extra labour, an amount of Rs 14.788 million was also overpaid in item of work PCC 1:3:6 (roller compacted concrete 2000 PSI).

The lapse occurred due to non-fulfillment of the contractual obligations by the supervisory consultants which resulted in loss to the government.

When pointed out in November 2023, no reply was furnished.

The department was requested vide letter No. Audit/DAC/DG Small Dams/2022-23/1523 dated 05.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends recovery of Rs.54.349 million from the contractor besides fixing of responsibility and action against the supervisory consultants.

PDP No. 11 (2022-23)

17.4.12 Overpayment due to allowing location factor on Non-Schedule Items - Rs. 1.445 million

According to Finance Department CSR cell Notification No.FD/CSR cell/1-7/rates/2016 dated 8.4.16, location factors for various areas were notified to be applied on schedule items.

During audit of the accounts of Directorate General Small Dams Khyber Pakhtunkhwa - Planning and Construction Division Abbottabad for the Financial Year 2022-23, it was observed that contract for the work "Construction of Ichar Nullah Dam district Mansehra" was awarded to M/S Kasteer International vide work order No. 4651/SD/GD/7-G(i) Ichar Nullah dated 13.09.2017 with a bid cost of Rs. 846.71 million (9.9% above MRS-2016) against the total estimated cost of Rs. 770.438 million. An up-to-date payment of Rs 1060.82 million was made vide voucher No.08-SD dated 15.09.2022.

Scrutiny of bill No. 8-SD- dated 15.9.2022 revealed that 8% location factor was paid on Non-Schedule Items which was un-justified as the location factor is applicable only on scheduled items. This resulted into overpayment of Rs.1.445 million.

The lapse occurred due to weak financial controls which resulted in overpayment to contractor.

When pointed out in November 2023, no reply was furnished.

The department was requested vide letter No. Audit/DAC/DG Small Dams/2022-23/1523 dated 05.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends recovery of Rs.1.445 million from the contractor and fixing of responsibility against the person(s) at fault.

PDP No. 14 (2022-23)

17.4.13 Overpayment due to non-adjustment of available material at site and allowing excess quantities verified in IPC – Rs. 10.025 million

According to CSR 2012, item No. (06-36-b), PCC 1:3:6 mass concrete less form work using 30 % boulders includes 30% to 40% cost of stone.

According to verified IPC No. 26 a quantity of 7090. 99 was verified for item of work PCC 1:3:6 mass concrete less form work using 30 % boulders.

During audit of the accounts of Directorate General Small Dams Khyber Pakhtunkhwa - Planning and Construction Division Abbottabad for the Financial Year 2022-23, it was observed that contract for the "Construction of Kiyala Dam, Abbottabad" was awarded to M/S Haji Pasham Khan at the contract cost of Rs.706.411 million. The contract was awarded @ 16.13% rebate on the estimated cost of Rs.842.269 million based on CSR-2012.

Further comparison of bill, MB and TS revealed that the local office overpaid Rs 9.459 million by allowing full rate of PCC 1:3:6 mass concrete less form work using 30 % boulders for quantity of 7235.99 m3, while ignoring the available stone at site from excavation in hard rock material for a quantity of 9791.54 m3. The cost of stone available was not deducted from the payments of PCC 1:3:6 mass concrete less form work using 30 % boulders, resulting in overpayment to contractor.

In addition, cutting in hard rock and excavation was paid without rock classification and grading on the basis of geological survey reports and verified cross-section of the road supported with level book and recovery schedule.

Moreover, 7,235 m3 quantity was allowed instead of verified quantity of 7090.99 m3 in IPC 26 resulting in loss of Rs 566,706 (7235.99-7090.99= 144 x3820.57+3%). Moreover, Technical sanction of the scheme was also not produced.

The lapse occurred due to weak financial controls and violation of rules which resulted in loss to the government.

When pointed out in November 2023, no reply was furnished.

The department was requested vide letter No. Audit/DAC/DG Small Dams/2022-23/1523 dated 05.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends details inquiry in the case and recovery of overpayment amounting to Rs. 10.025 million.

PDP No. 18 (2022-23)

17.4.14 Loss to the government due to overpayment on account of lead for transportation of earth - Rs. 2.315 million

Para-221 of the CPWA Code provides that the Sub Divisional Officer 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 read with Para-4.5 of B&R which state that every officer making or ordering payment on behalf of Government should satisfy himself that the work has been actually done in accordance with the bill submitted for payment. He should inspect personally all the most important works before authorizing final payment, and should check the measurements made by his subordinates.

During audit of the accounts of Executive Engineer Irrigation Division Mardan for the Financial Year 2022-23, it was observed that the sub-work "Improvement/clearance of drains in UC Sikandaray, GuliBagh and Par Hoti was awarded to the contractor at bid cost of Rs.6.964 million with 0.02% rebate, vide work order No.1795/55-M, dated 31.8.2022. The contractor was paid Rs.8.00 million on first and final bill Voucher No.11-M, dated 25.1.2023.

On further comparison of the bill quantities, it was noticed that the contractor was allowed for the execution of an item of work i.e. Earth excavation in ashes, sand, shingle & soft soil or silt clearance by mechanical means undressed lead up to 15m with an extra lead up to 1 KM" for a quantity of 9655.33 M3 at composite rate @ Rs.828.74 PM3 amounting to Rs. 8,001,758/- and was paid accordingly (page-88 to 93 MB No.425). On verification and calculation of the composite rate, it was noticed that a higher composite rate @ Rs.828.74 PM3 was allowed to the contractor instead of actual composite rate @ Rs.588.87PM3 as worked out below which resulted into an overpayment of Rs. 2,315,754/- (828.74 (-) 588.87 = 239.89PM3 x 9655.33 x 0.02% rebate) to the contractor concerned.

S#	MRS-2022 item code	Description	Amount (M)
1.	03-02-b	Earth excavation in ashes, sand shingle & soft soil or silt clearance upto 15m	89.25
2.	03-19-a	15m extra lead up to 250m (5.61 x 15)	84.15
3.	03-20-a	250m to 500m lead	234.12
4.	03-20-b	100m extra lead beyond 500 to 1KM 500-1000/100= 5 x @ Rs.36.27	181.35
Total composite rate for transportation up to 15m to 1 KM			**588.87**

The lapse occurred due to weak internal controls and incorrect application of composite rate for transportation of earth which resulted into an overpayment to the contractor.

When pointed out in December 2023, the management replied that rate is calculated from multiple items on basis of actual lead / item of work duly approved in the Technical Sanction, however, detail reply will be furnished after consultation of original record.

Reply was not convincing as the lead for extracted earth was recorded as one (1) KM in the bill as well as in the MB No. 425 pages 88-93. However, the contractor was allowed excess rate that resulted into overpayment of Rs. 2.3015 million.

The department was requested vide letter dated 05.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends inquiry in the matter and fixing of responsibility against person(s) at fault besides recovery of the loss.

PDP No. 45 (2022-23)

17.4.15 Loss to the government due to overpayment by allowing higher rate on account of execution of formwork – Rs. 1.773 million

Para-221 of the CPWA Code provides that the Sub Divisional Officer 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 read with Para-4.5 of B&R which state that every officer making or ordering payment on behalf of Government should satisfy himself that the work has been actually done in accordance with the bill submitted for payment. He should inspect personally all the most important works before authorizing final payment, and should check the measurements made by his subordinates.

During audit of the accounts of Executive Engineer Irrigation Division Mardan for the Financial Year 2022-23, it was observed the work “Construction of lining and protection wall of Canal along with its beautification in Distt: Mardan” SH: Lining/Improvement of DistyNo.9 RD:70500-78000 was awarded to the contractor at estimated cost of Rs.36.572 million with a rebate of 18.50% vide work order No.162/2-M(W/O), dated 2.2.2022 to be completed up to June, 2024. The contractor was paid Rs.24.820 million vide voucher No.3-M, dated 5.10.2022 (1st Running bill).

On further comparison of bill quantities with BOQ, work order and relevant MRS, it was noticed that the contractor was allowed for the execution of an item of work i.e. “Erection and removal of Form-work with plywood sheet finishing for PCC in any shape position vertical (labor rate)” for a quantity of 3026.32 M2 @ Rs.1074.04 PM2 amounting to Rs. 3,250,389/- On verification of MB No.439 page-58 narrated the abstract of cost entry with ply wood sheet finishing (labor rate) under item code 06-47-d, but was allowed the composite rate of Rs.1074.04 PM2 instead of correct rate @ Rs.355/- PM2 (for labor rate) which resulted into an overpayment of Rs. 1,773,476/- (1074.04 PM2 (-) 355/- PM2 = 719.04 PM2 x 3026.32 = Rs. 2,176,045/- x 18.50% rebate) to the contractor concerned.

The lapse occurred due to weak internal controls which resulted in loss to the government.

When pointed out in December 2023, the management replied that formwork is paid as composite item of work including both markets + labour, however, detail reply will be furnished after consultation of original record.

Reply was not correct as only labour rate was allowed as per BOQ and MB at Page 58 @ 355/- under item code 06-47-d.

The department was requested vide letter dated 05.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends inquiry in the matter and fixing of responsibility against person(s) at fault besides recovery of the loss.

PDP No. 46 (2022-23)

17.4.16 Loss to the government due to overpayment on account of extra width for granular subbase using pit-run gravel & composite rate for formwork - Rs. 1.047 million

Para-209(d) of CPWA Code provides that as all payments for work or supplies are based on the quantities recorded in the MB, it is incumbent upon the person taking the measurement s to record the quantities clearly and accurately. He will also work out and enter in the MB the figures for the contents or area column. If the measurements are taken in connection with running contract account on which work has been previously measured, is responsible to the last set of measurement read with Para-4.5 of B&R which also state that every officer making or ordering payment on behalf of Government should satisfy himself that the work has been actually done in accordance with the bill submitted for payment. He should inspect personally all the most important works before authorizing final payment, and should check the measurements made by his subordinates.

During audit of the accounts of XEN Irrigation Division Mardan, for the Financial Year 2022-23, it was observed that work "SH: Construction of black-top road along Narai Drain from Sattar Abad to MuqbaraChowk Ibrahim Khan Kali in UC KhazanaDheri" was awarded to contractor at bid cost of Rs.18.347 million with a rebate of 10% vide work order No.127/2-M(D), dated 12.3.2022 to be completed within 18 months. The contractor was paid Rs.17.830 million vide voucher No.9-D, dated 12.09.2022 (6^{th} Running bill).

On further comparison of bill quantities with BOQ/TS, work order and relevant MB, it was noticed that the contractor was allowed for the execution of an item of work i.e. Granular sub-base using pit run gravel for a quantity of 1938.53M3 @ Rs.1351.29 PM3 for Rs.2,619,516/- calculated on the basis of 22 feet road width in MB No.416 at page-197 with a quantity of 13458 cft or 381.09 M3 in shoulders by enhancing the width up to 28 feet, but on verification with relevant TS estimate, it was noticed that the total width of the road was 18 feet excluding 3 feet shoulder on each side with 16 feet carriage as reflected in the relevant X-section drawing for total width of 22 feet including shoulders. Hence the extra width was allowed which resulted into an overpayment of Rs.514,963/-(381.09 M3 x @ Rs.1351.29 PM3).

Similarly, the contractor was also allowed the composite rate for erecting and removing form work for a quantity of 2125.56 M2 on composite rate of Rs.432.74PM2 instead of labor rate @ 182.30PM2 which resulted into a further overpayment of Rs. 532,352/- (432.74 (-) 182.30=250.44PM2 x2125.56 M2) totaling Rs.1.047 million (514,963+532,352) to the contractor concerned.

The lapse occurred due to weak internal controls which resulted in loss to government.

When pointed out in December 2023, the management replied that road items are paid as per actual site measurement and approved drawing. Shoulders are laid as component of road work and formwork is paid as composite item of work including both material + labour. However, detail reply will be furnished after consultation of original record.

Reply was not convincing as the item of work was required to have been restricted to the approved width of road. The rate of formwork was also required to be allowed on rental basis with other work with similar specification.

The department was requested vide letter No. Audit/DAC/IRR/2022-23/1532 dated 05.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends inquiry in the matter and fixing of responsibility against person(s) at fault besides recovery of the loss.

PDP No. 47 (2022-23)

17.4.17 Loss to the government due to overpayment on account of non-deduction of RCC pipe from PCC 1:3:6 - Rs. 1.054 million

Para-221 of the CPWA Code provides that the Sub Divisional Officer 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 read with Para-4.5 of B&R which state that every officer making or ordering payment on behalf of Government should satisfy himself that the work has been actually done in accordance with the bill submitted for payment. He should inspect personally all the most important works before authorizing final payment, and should check the measurements made by his subordinates.

During audit of the accounts of XEN Irrigation Division Mardan, for the Financial Year 2022-23, it was observed the sub-work “Rehabilitation of CPR along KalpaniDisty RD-42000 to 44150 left side” was awarded to the contractor at bid cost of Rs.36.268 million with a rebate of 27.99% vide work order No.661/2-M(W/O), dated 10.3.2020. The contractor was paid Rs.5.912 million up to 3rd running bill (Voucher No.17-M, dated 7.06.2022.

On further comparison of the bill quantity with relevant MB, it was noticed that the contractor was allowed for the execution of an item of work i.e. PCC 1:3:6 for a quantity of 174.32 M3 @ 7058.77 for Rs.

1,230,484/- around the RCC pipe 18” for a quantity of 71.32 M, but pipe area/dia was not deducted from PCC 1:3:6 quantities at page-144 of MB No.410 which resulted into an overpayment of Rs. 1,053,521/- (18” +3”=21/12=1.75x1.75=3.0625) – (18”/12=1.5x1.5=2.25) =0.8125x3.14xlength of 234 feet=596.99/4= 149.25M3x@ Rs.7058.77PM3).

The lapse occurred due to weak internal controls which resulted in loss to government

When pointed out in December 2023, the management replied that the contention of Audit team was correct and recovery will be made.

The department was requested vide letter No. Audit/DAC/IRR/2022-23/1532 dated 05.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends inquiry in the matter and fixing of responsibility against person(s) at fault besides recovery of the loss.

PDP No. 50 (2022-23)

17.4.18 Loss to the government due to overpayment on account of earth excavation through application of incorrect rateby mechanical mean - Rs.1.608 million

According to MRS-2021 item code 03-02-b, the rate for earth excavation in ashes, sand, soft soil or silt clearance by mechanical mean undressed lead up to 15m was provided @ Rs.86.46 PM3 and @ Rs.85.04PM3 (MRS-2020).

During audit of the accounts of XEN Irrigation Division Mardan, for the Financial Year 2022-23, it was observed that some contractors were allowed the execution of an item of work i.e. Earth excavation in ashes, sand, soft soil or silt clearance by mechanical mean undressed lead up to 15m carried out under AOM&R for a quantity of 23,635 M3 @ Rs.157.75PM3 & Rs.143.28 PM3 instead of correct rate @ Rs.86.46 PM3 & 85.04PM3, which resulted into overpayment of Rs. 1,608,450/- to the contractors.

The lapse occurred due to weak internal controls which resulted in loss to government.

When pointed in December 2023, the management replied that payment was made according to approved tender rates duly approved in T.S, however, detail reply will be furnished after consultation of the original record.

Reply was not correct as the silt clearance was done through mechanical means, therefore, the correct rate as per relevant MRS was not allowed.

The department was requested vide letter No. Audit/DAC/IRR/2022-23/1532 dated 05.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends inquiry in the matter and fixing of responsibility against person(s) at fault besides recovery of the loss. Moreover, other similar nature cases of AOM&R may also be examined throughout the department for corrective measures.

PDP No. 58 (2022-23)

17.4.19 Loss to the government due to overpayment on account of house rent allowance – Rs. 5.833 million

According to Government of Khyber Pakhtunkhwa, Finance Department Notification No. FD(SOSR-II)2-5/2021/H.R Allow: dated 07.07.2021, the Government of Khyber Pakhtunkhwa has been pleased to increase the rate of house rent allowance to the civil servants, Khyber Pakhtunkhwa w.e.f 01.6.2021.

During audit of the accounts of XEN Warsak Canals Division Peshawar for the Financial Year 2022-23, it was observed that the local office overpaid a sum of Rs 5,833,470 to the officials on account of house rent allowance. The officials were regularly paid HRA beyond their authorized rates which needs recovery.

The lapse occurred due to weak internal controls, which resulted in loss to government.

When pointed out in December 2023, management stated that recovery will be made and will be shown to Audit.

The department was requested vide letter No. Audit/DAC/IRR/2022-23/1534 dated 05.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends recovery of Rs.5.833 million from the officials.

PDP No. 67 (2022-23)

17.4.20 Non-deduction of withholding tax from the contractor - Rs. 61.114 million

According to Finance department KP notification No.SO (Dev-II)/FD/12-6/2014-15 dated21.04.2015, all provincial works department while preparing cost estimates of development projects which fall in the tax exempted areas such as PTA, shall frame the same on market rate but with 7.5% less cost to defray the amount added in the rate analysis of all works /constructions/supply items to meet withholding tax.

During audit of the accounts of XEN Warsak Canals Division Peshawar for the Financial Year 2022-23, it was observed that, the local office paid a sum of Rs 814,861,000 million to a contractor M/S M. Younas Builder Pvt: Ltd: for the work "Const: and Reh: of Warsak left bank Canal division District Mohmand (AIP) ADP No. 2465/200056 (2020-21)" during the year but neither the estimates were reduced by 7.5% nor deduction of income tax @7.5% amounting to Rs 61,114,575 was made from contractor as the contractor was not a bona fide resident of Mohmand District and his CNIC and domicile belongs to District Peshawar, which is against the spirit of Finance Department notification as stated above and the same needs to be recovered.

The lapse occurred due to non-observing the government rules & regulations, which resulted in loss to government.

When pointed out in December 2023, no reply was furnished.

The department was requested vide letter No. Audit/DAC/IRR/2022-23/1534 dated 05.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends recovery and action against the person(s) at fault.

PDP No. 69 (2022-23)

17.4.21 Non-recovery of outstanding arrears of Abyana –Rs. 160.055 million

Government of Khyber Pakhtunkhwa Irrigation department letter No. 7-AO/IRR/AR/2019-20 provides that competent authority is pleased to notify that irrigation department will collect abyana till closure of current financial year as stop gap arrangement.

During audit of the accounts of XEN Warsak Canals Division Peshawar for the Financial Year 2022-23, it was observed that a sum of Rs 161,914,741 was outstanding on account of abyana. However, the local office realized a sum of Rs 1,859,421 till 2022-23 resulting into less realization of Rs 160,055,320 till date which needs to be recovered.

The lapse occurred due to weak internal controls, which resulted in loss to government.

When pointed out in December 2023, no reply was furnished.

The department was requested vide letter No. Audit/DAC/IRR/2022-23/1534 dated 05.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends recovery and action against the person(s) at fault.

PDP No. 70 (2022-23)

17.4.22 Loss to the government due to non-recovery of tender form fee from the contractors –Rs. 5.099 million

According to recommendations of the cabinet sub-committee constituted for improvements in the tender process and e-bidding system and approved by the Chief Minister, KP duly circulated to the Administrative Secretaries of the Works Department vide SO(c)/CMS/KPK/2021 dated 05-04-2021 read with Chief Engineer (Centre) C&W Department letter No.CEC/GS/2-1/1750 dated 05-05-2021 , at the time of implementation of E-bidding system, tender form fee was eliminated by the then authorities, however, the same may be revived and be remitted by each participating contractor online along with earnest money. Non-refundable bidding entry fee @ 0.03% of tender cost may be revived and collected along with earnest money read with non-refundable bidding entry fee @ 0.03% of the tender cost along with 02% earnest money and stamp duty in shape of call deposit separately may be furnished (in original) to procuring entity office as recommended by the sub-committee of the cabinet notified vide section officer (confidential) chief Minister Secretariat KPK Peshawar No. SO(C)/CMS/KPK/2020-21, Dated 21-04-21.

During audit of the accounts of XEN Warsak Canals Division Peshawar for the Financial Year 2022-23, it was observed that tenders for the following developmental works were placed for bidding through e-bidding system by the division. However, the requisite tender form fee / bidding entry fee @ Rs.0.03% of the tender cost amounting to Rs 5,099,379 was not recovered from the bidders which resulted into loss of Rs. 5,099,379 to the government exchequer. Moreover, the local office did not maintain tender register, which makes the whole tender process doubtful/ unauthentic.

The lapse occurred due to non-implementation of the instructions/ rules which resulted into loss to the government of Rs. 5.099 million.

When pointed out in December 2023, no reply was furnished.

The department was requested vide letter No. Audit/DAC/IRR/2022-23/1534 dated 05.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends recovery and action against the person(s) at fault.

PDP No. 73 (2022-23)

17.4.23 Overpayment to contractor due to execution of item of work other than approved in TS – Rs. 1.076 million

According to Para-56 CPWD Code, T.S is guarantee that the proposals are structurally sound and that the estimates are accurately calculated and based on adequate data read with Para-4.5 of B&R provides that every officer making or ordering payment on behalf of Government should satisfy himself that the work has been actually done in accordance with the bill submitted for payment. He should inspect personally all the most important works before authorizing final payment, and should check the measurements made by his subordinates.

During audit of the accounts of Executive Engineer Irrigation Division-2 Swabi for the Financial Year 2021-22, it was observed that the sub work "Improvement and widening of Canal Patrol Road PMC RD 77000 to 97000 in reaches" was awarded to the contractor at a bid cost of Rs 42.80 million. The contractor was paid Rs 49.449 million up to 8th running bill vide Voucher No.10-P, dated 20.1.2022.

On further comparison of the bill quantities with TS and MB, it was observed that an item of work i.e. "Formation of embankment from roadway excavation in granular material including compaction modified AASHTO 90% by power roller" was provided in TS for a quantity of 2816.71/M3 to be executed at site but on comparison of recorded entry at page 35 of MB No. 83, the same item of work was executed as Road way excavation in surplus un-suitable common material for the same quantity to avoid the deduction of the same from borrow excavated material paid for a quantity of 6167.10 M3. This has resulted into an overpayment of Rs. 1,076,687/- (437.52 (-) 819.77 = 382.25 PM3 x 2816.71) to the contractor on execution of item of work not approved in the TS.

The lapse occurred due to weak internal controls, which resulted in loss to government.

When pointed out in August 2022, management did not furnish any reply.

The department was requested vide letter dated 19.08.2022 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends recovery of the amount and action against the person(s) at fault.

PDP No. 11 (2021-22)

17.4.24 Non-whereabouts of the excavated material costing - Rs. 50.956 million

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

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

During audit of the accounts of Executive Engineer Peshawar Canals Division Peshawar for the Financial Year 2022-23, it was observed that contract for the “Silt Clearance of canals” was put to tender and awarded to various Govt: Contractors and up to date payment of Rs. 50.956 million was allowed.

Out of the excavated material, nothing was shown used/sold in the open market by the local office. Whereabouts of the excavated silt material quantity of valuing Rs. 50.956 million was not known in violation of the above instructions which states that silt material shall remain the property of the Government and surplus excavated material may be deposited with government store. Furthermore, dumping site for silt material was also not shown to audit.

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

The department was requested vide letter dated 19.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends that inquiry should be initiated for fixing responsibility against person at fault as well as recovery of the differential amount.

PDP No. 101 (2022-23)

17.4.25 Illegal enhancement of contract agreement - Rs.1651.960 million

According to KPPRA rule 2014, chapter III, clause C (i) & (v) sub clause c& d that the value of variation order is not more than 15% of the original contract and there may be more than one variation orders as long as the total value of all orders remain within 15% of the original contract.

During the audit of the accounts of Executive Engineer Peshawar Canals Division Peshawar for the Financial Year 2022-23, it was observed that the work "Construction of flood embankment on right side of the Kabul River (Reach-3) District Nowshera" ADP# 1210 (2014-15) was awarded to Haji Pasham Khan Govt. Contractor at a bid cost of Rs.818.12 million being the lowest bidder in 2015-16 with a completion period of 24 months and period of completion was extended further from time to time. The scheme was later on enhanced from Rs.818.12 million to a bid cost of Rs.2470.08 million resulting a difference of Rs. 1651.96 million (2470.08-818.12) i.e. 201.92 % enhancement. vide letter No.366/79-M dated 01/12/2015 which is a violation of the above rule.

Audit is of the view that enhancement of work more that 15% of the total estimate is just to oblige the contractor which needs justification.

The lapse occurred due to weak internal controls which resulted in violation of rules.

The department was requested vide letter dated 19.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends investigation of the matter for fixing of responsibility against the person at fault.

PDP No. 102 (2022-23)

17.4.26 Non-imposition of penalty on the contractors for delay in execution of works-Rs. 633.026 million

According to clause 2 of contract agreement executed with the contractor, liquidated damages for delay equal to 1 % of the contract price per day subject to maximum of 10% of the contract price stated in the letter of acceptance would be recoverable.

During the audit of the accounts of Executive Engineer Peshawar Canals Division Peshawar for the Financial Year 2022-23, it was observed that the following schemes were awarded to the Govt. contractors, which should have been completed within their stipulated time frame as clearly mentioned in the work order.

Project	Contractor	Vr. No. & Date	Bid cost (M)	Comm: date	Compl: date	Penalty @10% (M)
Construction of Flood structure along JabbaDaudzai&ZangalKoroona, Shah Alam	Haji Pasham Khan & Co	Agr: #57 dt:14-07-17	1261.431	14-10-2017	13-1-2019	126.143

Construction of Flood Embankment on Kabul River Motorway Interchange	M/S CEMCON Pvt Ltd	Agr:62dt: 22/5/18	1073.09	22-05-2018	21-05-2020	107.309
Construction of Flood Embankment on Kabul River R/S (Reach-3)	Haji Pasham Khan & Co	Agr"48 dt: 17-12-2014	2311.67	15-01-2015	14-01-2017	231.167
Construction of Flood Embankment on Kabul River R/S (Reach-2)	Haji Aurangzeb Khan & Co	Agr:62 dt: 17-12-2014	849.18	13-01-2015	12-01-2017	84.918
Construction of Flood Embankment on Kabul River R/S (Reach-1)	Haji Aurangzeb Khan & Co	Agr:63 dt: 17-12-2014	834.89	13-01-2015	12-01-2017	83.489
Total						**633.026**

Audit held that instead of imposing penalty, extension was granted to these contractors again and again and the extension period has exceeded the 72 months in the above schemes which inflicted a loss in the shape of increase of salinity and conversion of fertile agricultural into barren land.

The lapse occurred due to weak internal control and violation of rules which resulted in loss to the government.

When pointed out in August 2021-22, the management did not furnish any reply.

The department was requested vide letter dated 19.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends that penalty should be imposed on the contractors for over delaying the schemes and the amount be recovered from them.

PDP No. 103 (2022-23)

17.4.27 Doubtful payment on account of clearing, grubbing and compaction of natural ground - Rs. 8.897 million

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

During the audit of the accounts of Executive Engineer Peshawar Canals Division Peshawar for the Financial Year 2022-23, it was observed that "construction of Flood Embankment on Right side of Kabul River Reach-3 was awarded to M/s Pasham Khan and was allowed an up-to-date payment of Rs. 2191.431 million up to 77th running bill including a sum of Rs.8.897 million on account of clearing and grubbing and compaction of natural ground which was considered as loss to the Govt. because the said contractor also executed excavation in foundation of building, bridges etc. Therefore, in the presence of execution of later item of works, the expenditure of Rs. 8.897 million carries no justification. Moreover, in the MRS dully approved by the competent forum, it is clearly mentioned that clearing and grubbing is included in formation of embankment.

Item of work	Rate	Qty	Amount in Rs.
Clearing & Grubbing	17.48	272523.162	4,763,704.87
Compaction of natural Ground	15.17	272523.162	4,134,176.37
Total			**8,897,881.24**

Audit held that execution of unnecessary item of works was allowed to oblige the contractor which needs justification.

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

When pointed out in 2022-23, the management did not furnish any reply.

The department was requested vide letter dated 19.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends investigating the matter for fixing of responsibility against the persons at fault as well as recovery of Rs. 8.897 million.

PDP No. 104 (2022-23)

17.4.28 Misappropriation due to dumping of stone without proper utilization-Rs. 993.834 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 and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other government officer.

During the audit of the accounts of Executive Engineer Peshawar Canals Division Peshawar for the Financial Year 2022-23, it was observed that local office allowed an aggregate amount of Rs. 993.834 million to different contractors on account of “supply and dump at site without boat i/c handling within 100 M stone or boulders”. The relevant record like MBs etc. was verified but neither further handling was made nor Material At Site (MAS) accounts for future use of the dumped stones was maintained from which it could be ascertained that the procures or supplied stone was subsequently utilized in the attached schemes. Furthermore, all the schemes where in the item of work was shown carried out were the flood protection works wherein such kind of dumping could not be done therefore, it was apprehended that the same or value thereof misappropriated by the dealing hands. Some of the details and instances of the supply and dumping of stone or boulders at site were attached. Besides RDs wise detail, original and work done x-sections including cut and fill areas where the stone filling was executed were also not provided to Audit for scrutiny.

Audit held that such like procurement without further proper use of stone is just the wastage of public resources.

Misappropriation occurred due to non-observance of the rules and procedures which resulted into loss to the government.

When pointed out in 2022-23, no reply was furnished.

The department was requested vide letter dated 19.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends that to investigate the matter for fixing the responsibility and recovery of the misappropriated amount from the person responsible.

PDP No. 107 (2022-23)

17.4.29 Loss to the government due to overpayment by allowing quantities other than approved design/x-section- Rs. 19.611 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.

During the audit of the accounts of Executive Engineer Peshawar Canals Division Peshawar for the Financial Year 2022-23, it was observed that the Executive Engineer overpaid Rs. 19.611 million to the contractors by allowing quantities of item of work other than the approved BOQ in the work "Construction of Flood Embankment on right side of Kabul River R-I & R-II".

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

The department was requested vide letter dated 19.01.2024 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends recovery of the amount and fixing of responsibility against the person(s) at fault.

PDP No. 108 (2022-23)

17.4.30 Overpayment to contractor due to incorrect composite rate determination – Rs. 21.072 million

According to CSR-2012, the approved rates of the following items are given below:

S. No.	Item code	Item of work	Rate per unit (Rs.)
1	06-05-h	Plain Cement Concrete including placing, compacting,finishing & curing (Ratio 1:3:6)	5117.11

2	06-12-a	Extra labour for laying concrete (plain or reinforced) From20' upto 40' height	525.48
3	06-12-b	Extra labour for laying concrete (plain or reinforced) Forevery extra10' height	262.74

During audit of the accounts record of Planning and Construction Division Abbottabad, DG Small Dams, Khyber Pakhtunkhwa for the financial year 2021-22, it was observed that contract for the "Construction of Kiyala Dam, Abbottabad" was awarded to M/S Haji Pasham Khan Government Contractor at the contract cost of Rs.706.411 million vide Acceptance No. 1773/SD/DG/136-D dated 27-05-2013. The contract was awarded @ 16.13% rebate on the estimated cost of Rs.842.269 million based on CSR-2012. A payment of Rs.655.834 million was made to the contractor till IPC No. 32 vide Voucher No. 13SD/09-06-2022.

The scrutiny of IPC No. 32 and its comparison with PC-I, TS and CSR-2012 revealed that a composite rate for the maximum height of the dam i.e. 130 feet was determined for the execution of PCC 1:3:6 along with extra labour for a height up to 130 feet and the same maximum slab rate was applied on the total quantity of the item executed from the height of 40 to 130 feet. This was contradictory to the mechanism as laid down in the CSR-2012 for determination of rate for certain heights i.e. extra labour charges @ Rs.525.48/M^3 for a height of 20 – 40 feet and Rs.262.74/M^3 for every 10 feet height to be added to the base rate of Rs.5117.11/M^3 for PCC 1:3:6. The uniform application of rate from 40 to 130 feet height instead of bifurcating the height in to the slabs of 10 feet admissible height limit resulted in overpayment of Rs.21.072 million as worked out in the enclosed statement.

It is further added that the same incorrect rate was given in the PC-I, BOQ and technical sanction and during all these stages, the management / consultants failed to rectify the rate even not during allowing payments to the contractor.

The lapse occurred due to defective estimations by the management and non-fulfillment of the contractual obligations by the supervisory consultants which resulted in overpayment.

When pointed out in March 2023, the management stated that the detailed reply will be furnished after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery from the contractor besides fixing of responsibility and action against the person(s) at fault.

PDP No. 136 (2021-22)

17.4.31 Overpayment to contractor due to excess brought forward of the amount to the next EPC – Rs. 8.238 million

According to Para 42 of the Central Public Works Account Code, the responsibility for the correctness, in all respects, of the original records of cash and stores, receipts and expenditure, as also for seeing that complete vouchers are obtained rests with the Divisional Officer, who will, before submitting the monthly accounts, carefully examine the books, returns and papers from which the same are compiled.

During audit of the accounts record of Planning and Construction Division Abbottabad, DG Small Dams, Khyber Pakhtunkhwa for the financial year 2021-22, it was observed that contract for the "Construction of Kiyala Dam, Abbottabad" was awarded to M/S Haji Pasham Khan Government Contractor at the contract cost of Rs.706.411 million vide Acceptance No. 1773/SD/DG/136-D dated 27-05-2013. The contract was awarded @ 16.13% rebate on the estimated cost of Rs.842.269 million based on CSR-2012. The contractor was paid escalation of Rs.58.182 million till EPC No. 9 based on IPCs No. 1 – 29.

The scrutiny of EPC No. 1 to 7 and 9 revealed that incorrect and excess amount was brought forward to the next EPCs which enhanced the amount required for payment in the current EPC and ultimately led to overpayment of Rs.8.238 million.

Audit held that once escalation claim was calculated against a particular IPC keeping in view the work done value and base / current rates and paid accordingly then how the same amount was enhanced in the next EPCs?

The lapse occurred due to non-fulfillment of the contractual obligations by the supervisory consultants and weak internal controls by the management which led to overpayment.

When pointed out in March 2023, the management stated that the detailed reply will be furnished after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends immediate recovery of overpaid amount from the contractor and action against the person(s) at fault.

PDP No. 137 (2021-22)

17.4.32 Overpayment to the contractor due to allowing quantities in excess of 3rd time revised PC-I provisions – Rs. 22.872 million

According to section 4.1 & 4.13 of Manual for Development Project issued by Planning Commission of Pakistan, the physical and financial scope of a project, as determined and defined in the project document (PCI), is appraised and scrutinized by the concerned agencies before submitting it for approval of the CDWP/ECNEC. Once approved by the competent authority the executing agency is supposed to implement the project in accordance with the PC-I provisions. The project preparation has continued to suffer from the weaknesses i.e. inadequacy of data, unrealistic cost estimates, over-estimation of benefits, lack of coordination with the related agencies, incorrect assumption of availability of inputs, lack of proper implementation schedule. To avoid cost over-runs and repeated revisions of the scheme, it is extremely important that a project is prepared with due care and based on surveys, investigations and feasibility studies, the time taken in its examination (and also execution) will be greatly reduced.

During audit of the accounts record of Planning and Construction Division Abbottabad, DG Small Dams, Khyber Pakhtunkhwa for the financial year 2021-22, it was observed that contract for the "Construction of Jhangra Dam, Abbottabad" was awarded to M/S Muhammad Khel Government Contractor at the contract cost of Rs.381.574 million vide Work Order No. 292/DD(P&C) dated 20-02-2013. The contract was awarded at the rebate rate of 0.10% below on the Engineer's estimate. A payment of Rs.625.061 million was made to the contractor till IPC No. 28A vide Voucher No. 24SD/16-03-2022.

The scrutiny of record revealed that the PC-I of the project was revised from original to 3rd time revised PC-I and resultantly the cost of the project enhanced to Rs.698.17 million from the original approved cost of Rs.381.574 million. Comparison of the IPC No. 28A with 3rd time revised PC-I revealed that excess quantities were allowed against the certain items despite the fact that all the site requirement were already incorporated during revision of the PC-I. The payments on account of quantities in excess of 3rd time revised PC-I was in contradiction to the certificate by Engineers that the quantities and rates have been checked and found correct. This resulted in overpayment of Rs.22.872 million as worked out below:

S. No	Item of work	Qty approved	Qty paid	Excess paid Qty.	Rate per unit (Rs.)	Overpayment (Rs.)
1	Reinforced cement concrete (06-06-d-03)	5195.39	5400	204.61	8394.84	1,717,668
2	MS Reinformed G-60 (06-07-b)	389.61	403.702	14.092	118397.38	1,668,456
3	Structural backfill using common material at side (03-60-c)	2466.68	4949.95	2483.27	295.8	734,551
4	P/F # 10 anchor bars etc. (NSI)	3500	9250	5750	3000	17,250,000
5	PCC 1:3:6 40% boulders (06-36-b)	0	414.22	414.22	3490.25	1,445,731
6	Formwork (06-38-b)	0	137.87	137.87	406.72	56,074
Total						**22,872,480**

The lapse occurred due to weak internal controls which resulted in overpayment to the contractor.

When pointed out in March 2023, the management stated that the detailed reply will be furnished after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery of overpaid amount from the contractor and fixing of responsibility against the person(s) at fault.

17.4.33 Overpayment due to allowing duplicate items - Rs. 295.006 million

According to para-23 of G.F.R. Vol.I, every government officer is responsible for any loss sustained by the public exchequer through fraud or negligence on his part or on the part of his subordinates.

During annual audit of the accounts record of the Planning and Construction Division Abbottabad, DG Small Dams for the Financial Year 2021-22, it was observed that contract for the work "construction of Ichar Nullah Dam district Mansehra" awarded to M/S Kasteer International vide work order No. 4651/SD/GD/7-G(i) Ichar Nullah dated 13.09.2017 with a bid cost of Rs. 846.71 million (9.9% above MRS-2016) against the total estimated cost of Rs. 770.438 million.

Scrutiny of bill No. 32 SD dated 16.6.2022 based on IPC No. 14 dated 27.04.2022 revealed that incorrect rate of Rs. 5488.17/m3 for an item (06-05-h+06-12-a) "providing, placing and compact, roller compacted concrete 2000 psi in spillway overflow section etc; vertical height 20 to 150ft" was applied in the PC-I and upto 13th IPC. The rate was corrected to Rs. 6258.94/m3 in the revised PC-I and accordingly in the IPC-14 and payment was made to the contractor on the corrected rates. However, the payment already made on the incorrect rates was not adjusted/recovered from the contractor which resulted into overpayment of Rs. 295.006 million as detailed below:

S. No	Item of work	Qty paid	Rate	Amount
1.	Providing, placing and compact, roller compacted concrete 2000 psi in spillway overflow section etc; vertical height 20 to 40ft	12528.36	5885.45	73735036.4
2.	-do- 40-50ft	6021.50	5488.17	33047015.7
3.	-do- 50-60ft	5608.51	5488.17	30780456.3
4.	-do- 60-70 ft	5273.67	5488.17	28942797.5
5.	-do- 70-80 ft	5043.11	5488.17	27677445.0
6.	-do- 80-90 ft	4665.56	5488.17	25605386.4
7.	-do- 90-100 ft	4038.93	5488.17	22166334.5
8.	-do- 00-110 ft	3339.26	5488.17	18326426.6
9.	-do- 110-120 ft	2751.04	5488.17	15098175.2
10.	-do- 120-130 ft	2109.59	5488.17	11577788.6
11.	-do- 130-140 ft	1298.11	5488.17	7124248.4
12.	-do- 140-150 ft	168.56	5488.17	925085.9
Total				**295006196.5**

The lapse occurred due to weak internal controls.

When pointed out in March 2023, the management stated that the detailed reply will be furnished after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends immediate recovery.

PDP No. 139 (2021-22)

17.4.34 Overpayment to contractor due to allowing escalation against unspecified items – Rs. 89.480 million

According to Standard Procedure and formula for price adjustment, Pakistan Engineering Council March 2009 edition, Part-2 Formula (3) & Parameters 1 (f) provides that, the specific elements for highway and building construction would typically be HSD, Labour unskilled, Cement, Steel and Bitumen. While computing Price Adjustment, base and current prices of the representative elements have to be used in the same way as they are mentioned in the PEC bidding documents. For example, Grade-40 half inch dia Steel is the representative cost element for all types of steel; similarly un-skilled labour is the representative cost element for all types of labour etc.

During audit of the accounts record of Planning and Construction Division Abbottabad, Peshawar, Kohat and Mardan, DG Small Dams, Khyber Pakhtunkhwa for the financial year 2021-22, it was observed that under the following contracts, the contractors were paid escalation against unspecified/ inadmissible items i.e. Skilled Labour and Plant & Machinery of the contractor which was in contradiction to PEC guidelines as escalation was not admissible on the skilled labour. Similarly, Plant & Machinery is the asset of the contractor not a consumable item in the project. The payment of escalation for these 02 inadmissible components resulted in overpayment of Rs.89.48million as summarized below:

S. No.	Name of work	Contractor	EPC No.	Total Escalation paid	Escalation paid against inadmissible components		Total Overpayment	Para No.
					Skilled Labour	Plant & Machinery		
					10%	17%		
1	Construction of Chapra Dam, Haripur	M/S National RCC Works	02	37.841	10%	17%	10.217	05
2	Construction of Kiyala Dam, Abbottabad	M/S Haji Pasham Khan	09	58.182	10%	16%	15.127	10
3	Construction of Latambar Dam Karak	M/S Haji Pasham Khan	07	59.680	10%	17%	16.505	28
4	Construction of Satti Kalli Dam Bannu	M/S Bannu Construction	05	6.888	15%	-	1.505	33
5	Construction of Bada Dam Swabi	M/S Sarwar Construction	07	270.971	10%	17%	8.423	47
6	Construction of Marobi Dam in district Nowshera	M/S Atif Khan Khattak	03	117.940	15%	17%	37.703	58
Total				**551.502**			**89.48**	

Furthermore, fixed portion was kept on the minimum level of 35% and variables portion at 65% which favored the contractor. it was also not known that how the base and current rates were determined for the plant and machinery of the contractor with respect to the current condition of the plant & machinery.

The lapse occurred due to weak management / supervision of the project by the supervisory consultant / management and violation of the PEC guidelines which resulted in overpayment to the contractor.

When pointed out in March 2023, the management stated that the detailed reply will be furnished after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery of overpaid amount from the contractor and action against the person(s) at fault.

PDP No. 140, 145, 163, 168, 182 & 193 (2021-22)

17.4.35 Overpayment due to allowing inadmissible items to enhance the rate - Rs. 49.147 million

According to page 24 of the revised PC-I of the PSDP "Construction of small dams in district Mansehra" sub-work "Construction of Manchura Dam project district Mansehra" the construction materials for the embankment are available in the vicinity of the project area which will be obtained from excavation and borrow areas.

During annual audit of the accounts record of the Planning and Construction Division Abbottabad, DG Small Dams for the Financial Year 2021-22, it was observed that contract for the work "construction of Manchura Dam district Mansehra" awarded to M/S Khyber Grace Pvt. Work order No. 5158/SD/DG/7-G (i)/Manchura dated 17.11.2017 with a bid cost of Rs. 1415.63 million (10.5% below on MRS-2016) against the total estimated cost of Rs. 1581.709 million.

Scrutiny of bill No. 1-SD dated 02.9.2021 revealed that a sum of Rs. 90,761,071/- was paid for execution of an item of work in the main dam embankment "Provide, Place and compact course filter in chimney drain vertical/horizontal on down stream of fine filer including leveling moistening and screening etc" for a quantity of 48,789 cubic meter @ Rs. 1860.28 per Cu-M.

The original rate of the item as per MRS-2016 was Rs. 852.99 and a quantity of 68,766/- was estimated for the item in the original PC-I. However, in the revised PC-I the rate was enhanced to Rs. 1860.33 by adding various transportation leads upto 46kms.

Audit held that the original rate was a composite rate of the item including cost of provision of material to the site along with labour, equipment's (water tank, front end loader, dump truck) and overhead charges as such transportation lead etc; was the responsibility of the contractor but the management enhanced the rate in the revised PC-I through addition of extra transportation lead of 46kms which was un-justified. Moreover, as per the PC-I all the material for embankment were available in the project vicinity and payment of lead upto 46kms was beyond understanding. This resulted into an overpayment of Rs. 49,147,041/- as per details below.

Rate Required	Rate Paid	Difference	Qty	Overpayment
852.99	1860.33	1007.34	48,788.93	49,147,041

The lapse occurred due to financial mis-management.

When pointed out in March 2023, the management stated that the detailed reply will be furnished after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery of overpaid amount from the contractor and action against the person(s) at fault.

PDP No. 141 (2021-22)

17.4.36 Overpayment to contractor due to allowing quantity beyond the approved scope of work in the revised technical sanction – Rs. 21.175 million

According to Para 56 and 73 of the CPWD Code, in cases where a substantial section of a project sanctioned by a higher authority than himself has been abandoned, or where material deviations from the original proposals are expected to result in substantial savings, the Superintending Engineer must revise the amount of the estimate and intimate both to the Audit Officer and to the Divisional Officer that the amount of the expenditure sanction should be reduced accordingly. As its name indicates, it amounts to no more than a guarantee that the proposals are structurally sound, and that the estimates are accurately calculated and based on adequate data.

During audit of the accounts record of Planning and Construction Division Abbottabad, DG Small Dams, Khyber Pakhtunkhwa for the financial year 2021-22, it was observed that contract for the "Construction of Chapra Dam, Haripur" was awarded to M/S National RCC Works Pvt. Ltd. at the contract cost of Rs.659.986 million vide Acceptance No. 3551/SD/DG/7-G(i)/Chapra dated 05-04-2017. The contract was awarded @ 10% rebate on the estimated cost of Rs.733.318 million. A payment of Rs.264.241 million was made to the contractor till IPC No. 16 vide Voucher No. 21SD/09-06-2022.

The project cost was revised several times for adjustment of cost due to rebate of the contractor (10%), inclusion of certain unforeseen item, increase/ decrease of certain items as per actual site requirements as per following cost break up:

(Rs. in million)

Approved PC-I Cost	Approved Estimated Cost	Approved Bid Cost	Revised Estimated Cost
888.873	817.041	659.986	974.786

The scrutiny of IPC No. 16, PC-I, original estimated cost and revised detailed cost estimates revealed that an item of work “PCC 1:2:4” up to 20’ height was originally provided in the PC-I/ estimates with a quantity of 11691 M^3. However, during course of execution, the quantity of item was optimized / reduced to the extent of 1994.83 M^3 from 11691 M^3 as per site requirement. Contrarily, the said item was paid for a quantity of 5128.16 M^3. This resulted in overpayment of Rs.21.175 million to the contractor due to allowing quantity in excess of actual site requirement as worked out below:

Qty. paid till IPC No. 16	Qty. optimized as per site requirement	Excess Qty.	Rate per M^3	Overpayment (Rs.)
5128.16 M^3	1994.83 M^3	3133.33 M^3	6758.12	21,175,420

Furthermore, the revised technical sanction was accorded in August 2022 while the above excess quantity was paid till June 2022, indicated that excess quantity was allowed prior to approval of the revised technical sanction. The quantity in excess of the site requirement was unjustified and was an overpayment.

The lapse occurred due to weak internal controls on the part of the management and non-fulfillment of the contractual obligations by the supervisory consultants which resulted in overpayment.

When pointed out in March 2023, the management stated that the detailed reply will be furnished after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery from the contractor besides fixing of responsibility and action against the person(s) at fault.

PDP No. 142 (2021-22)

17.4.37 Wasteful expenditure due to selection of disputed site - Rs. 743.665 million

According to planning commission manual for developmental project serial No.(iii) Reasons for selection of location. In this connection it may be noted that many projects have suffered tremendously in the past from cost over-runs and delay in implementation due to hasty selection of site. The project also suffers due to delay in acquisition of land. Therefore, the availability of land needs to be assured. In selecting the location, area and population to be served by the project, the income and social characteristics of the population will have to be kept in view. Similarly, the economic characteristics of the area i.e. present facilities and availability of inputs and regional development needs will also have to be taken into consideration.Read with para 86 of the CPWD code, when land is required for public purposes the officer of the Public Works Department should, in the first instance, consult the Chief Revenue Officer of the district, and obtain from him the fullest possible information as to the probable cost of the land, together with the value of buildings, etc., situated on the property, for which compensation will have to be paid. The information thus obtained, an estimate should be framed by the Public Works officer and submitted for sanction.

During annual audit of the accounts record of the Planning and Construction Division Abbottabad, DG Small Dams for the Financial Year 2021-22, it was observed that contract for the work "construction of Manchura Dam district Mansehra" awarded to M/S Khyber Grace Pvt. Work order No. 5158/SD/DG/7-G (i)/Manchura dated 17.11.2017 with a bid cost of Rs. 1415.63 million (10.5% below on MRS-2016) against the total estimated cost of Rs. 1581.709 million with completion in 730 days. A sum of Rs. 743.665 million were shown paid to the contractor vide Vr No. 1-SD dated 02.09.2021. However, it was observed that:

1. The progress report of the project showed that the work on the dam had stopped since Januarry-2021 due to land issues with only 66% completion.
2. A law suit was also filed against the Government by the locals for illegal occupation of their land by the local administration.
3. Audit held that wasteful expenditure of Rs. 743.665 million has been incurred due to selection of disputed site because on one hand the fate of the project depends on the decision of the court and on the other hand the construction work has stopped from the last two years and the work already carried out is losing its value day by day due to environmental effects.
4. Moreover, cost overrun on account of contractor escalation and consultant due to enormous delay in the completion of the project will put extra burden on the public exchequer besides depriving the general public from the benefits of the project.

The lapse occurred due to weak internal controls.

When pointed out in March 2023, the management stated that the detailed reply will be furnished after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends enquiry for fixing responsibility.

PDP No. 143 (2021-22)

17.4.38 Overpayment to contractor due to irregular payment as per CSR-2012 instead of CSR-2008 – Rs. 69.817 million

According to Government of Khyber Pakhtunkhwa, Communication and Works Department, MRS Cell Notifications endorsed with each of the CSR/ MRS "All the departments generally and Nation Building

Departments shall especially follow the new MRS Document for preparation of PC-I and execution of works in the province by observing the following criteria:

i. The rates of newly updated MRS will be applicable on unapproved schemes only.
ii. Projects already approved by respective competent forum shall be immediately put to tender without its revision on new MRS.
iii. Projects already approved by respective competent forum shall be immediately put to tender without its revision on new MRS.

During audit of the accounts record of Planning and Construction Division Abbottabad, DG Small Dams, Khyber Pakhtunkhwa for the financial year 2021-22, it was observed that contract for the "Construction of Jhangra Dam, Abbottabad" was awarded to M/S Muhammad Khel Government Contractor at the contract cost of Rs.381.574 million vide Work Order No. 292/DD(P&C) dated 20-02-2013. The contract was awarded at the rebate rate of 0.10% below on the Engineer's estimate. The scrutiny of record revealed that the PC-I of the project was revised from original to 3rd time revised PC-I and resultantly the cost of the project enhanced to Rs.698.17 million from the original approved cost of Rs.381.574 million. The contractor was paid Rs.625.061 million till IPC No. 28A vide Voucher No. 24SD/16-03-2022.

The scrutiny of pre-bid meeting minutes held on 29-11-2012 revealed that estimates/ PC-I of the project was prepared on CSR-2008, accordingly PC-I was approved and NIT was floated. The bidders also sought clarification about admissibility of CSR during the pre-bid meeting and the chair informed that the competent forum i.e. PDWP approved the PC-I which was based on CSR-2008, hence, the bidders may quote bids as per site and their observations on workable prices. However, IPC No. 28-A revealed that all the items were paid on CSR-2012 which was gross violation from the approved parameter of the PC-I and resulted in overpayment of Rs.69.817 million approx. (698.17 million x 10%) as the rate of CSR-2012 are 10% higher than CSR-2008.

Furthermore, in case revised PC-I was approved from the PDWP forum based on updated CSR then how the contract was awarded to the same contractor without rebidding process.

The lapse occurred due to mismanagement of the project activities which resulted in irregular payment as well as overpayment to the contractor.

When pointed out in March 2023, the management stated that the detailed reply will be furnished after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends to inquire the matter and ensure recovery due to payment of work on CSR-2012 instead of CSR-2008.

17.4.39 Abnormal and un-justified increase in the cost of a project despite substantial rebate rate - Rs. 200.536 million

According to clause-73 of CPWD code, **where material deviations from the original proposals are expected to result in substantial savings, the Superintending Engineer must revise the amount of the estimate and intimate both to the Audit Officer and to the Divisional Officer that the amount of the expenditure sanction should be reduced accordingly.**

During annual audit of the accounts record of the Planning and Construction Division Abbottabad, DG Small Dams for the Financial Year 2021-22, it was observed that PC-I of the project "Construction of Chamak Maira Dam, District Abbottabad" was approved with an estimated cost of Rs. 1130.538 million with completion in 24 months. The contract for civil work portion was awarded to M/S Raja Adalat Khan & Sons vide work order No. 3016/DD/(P&C)/Chamak Maira Dam dated 02.11.2021 with a bid cost of Rs. 775.8099 million (19.34% below on Schedule and 30.20% below on Non-schedule items on MRS 2017) against the total cost of Rs. 975.0910 million.

The detailed estimates (T.S) was required to have been prepared on the basis of the reduced amount of Rs. 929.556 million but rather, exaggerated quantities and cost of items were added just to adjust the savings of Rs. 200.536 million made in the civil work portion of the dam due to the rebate of the contractor. Such as:

i. The cost of the relocation/Access road was enhanced from the PC-I cost of Rs. 25.621 million to Rs. 67.767 million by adding exaggerated quantities of excavation and RRM which was not included in the original PC-I. Hence the scope of work was changed on the plea that the same has been done on the request and demand of the locals in support of which nothing was available on record.
ii. The cost of land acquisition was enhanced from Rs. 62.901 million to Rs. 92.500 million on the plea that the same has been done keeping in view the cost of land of the other same nature projects in the district which is not justified specially when it was claimed by the management in the T.S that the locals have agreed to provide the land free of cost for the access road.
iii. The cost of consultancy supervision was increased from Rs. 24.164 million to Rs. 47.126 million on the presumption that the scheme will not be completed in the self determined stipulated time period of 24 months duly incorporated in the contract agreement, which is un-justified and un-professional.
iv. Against the provision of 6.5% escalation/price adjustment percentage of the PC-I amounting to Rs. 63.381 million, the cost of the escalation was enhanced to Rs. 197.884 million which is more than 20% of the cost on the assumption that the price of the material

will increase many folds in future. This is un-justified and against the provision of the PC-I price adjustment limit and in contradiction with section 4.12 of the Planning Commission Manual for Developmental project wherein it is categorically mentioned that the executing agency should implement the project in accordance with PC-I provisions and has no authority to change/modify the main approved parameters of the project on its own.

The lapse occurred due to estimation on exaggerated quantities and cost of items.

When pointed out in March 2023, the management stated that the detailed reply will be furnished after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends to inquire the matter for fixing of responsibility and recovery of the cost due to unnecessary cost enhancement.

PDP No. 147 (2021-22)

17.4.40 Overpayment due to allowing premium and location factor on Non-Schedule Items - Rs. 3.905 million

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

During annual audit of the accounts record of the Planning and Construction Division Abbottabad, DG Small Dams for the Financial Year 2021-22, it was observed that contract for the work “construction of Ichar Nullah Dam district Mansehra” awarded to M/S Kasteer International vide work order No. 4651/SD/GD/7-G(i) Ichar Nullah dated 13.09.2017 with a bid cost of Rs. 846.71 million (9.9% above MRS-2016) against the total estimated cost of Rs. 770.438 million.

Scrutiny of bill No. 32 SD dated 16.6.2022 based on IPC No. 14 dated 27.04.2022 revealed that on overpayment of Rs. 3.905 million (detailed below) was made to the contractor due to the following reasons.

i. Premium of 9.9% was paid on the Non-Schedule Items which was un-justified as the rate analysis of NSI items is done as per prevailing market rates. This resulted in overpayment of Rs. 2,160,140/-
ii. Similarly, 8% location factor was also paid on the Non-Schedule Items which was also un-justified as the location factor is applicable only on scheduled items. Thus, resulting into overpayment of Rs. 1,745,568/-

S. No	Item of work	Unit	Qty paid	Rate	Amount
1	Supply and ifx steel rack	Nos	01	60000	60000
2	28” dia steel gate wall	Nos	01	3782000	3782000
3	Drilling 4” dia bore for grout curtain	M	621.76	4500	2797920
4	Providing and filling cement slurry /bentonite grout	Bags	1122	1200	1346400
5	Providing and placing 3” perforated pvc pipe in standard gravel shrouding course	M	586	270.73	158647.8
6	Drilling 4” dia bore hole consolidation grouting	M	1142.94	4500	5143230
7	Providing and filling cement slurry/bentonite grout	Bags	750	1200	900000
8	Providing and filling no. 8 anchor bars i/c cost of steel drilling etc;	M	1097.23	5137.54	5637063
9	Drilling 6” dia hole for relief wells	M	365.75	4500	1645875
. 10	Providing and laying cut joint test disinfect pvc pipe 4”	M	365.75	788.70	288467
. 11	Supply and fix steel trash track	Nos	01	60000	60000
Total					**21,819,602.8**
A: Premium 9.9%					2,160,140
B: Area factor 8%					1,745,568
Total overpayment (A+B)					3,905,708

The lapse occurred due to financial mis-management which resulted in overpayment to the contractor.

When pointed out in March 2023, the management stated that the detailed reply will be furnished after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery from the contractor and fixing of responsibility against the person(s) at fault.

PDP No. 150 (2021-22)

17.4.41 Overpayment due to allowing location factor on Non-Schedule Items - Rs. 5.831 million

According to Finance Department CSR cell Notification No.FD/CSR cell/1-7/rates/2016 dated 8.4.16, location factors for various areas were notified to be applied on schedule items.

During annual audit of the accounts record of the Planning and Construction Division Abbottabad, DG Small Dams for the Financial Year 2021-22, it was observed that contract for the work "construction of Manchura Dam district Mansehra" awarded to M/S Khyber Grace Pvt. Work order No. 5158/SD/DG/7-G (i)/Manchura dated 17.11.2017 with a bid cost of Rs. 1415.63 million (10.5% below on MRS-2016) against the total estimated cost of Rs. 1581.709 million.

Scrutiny of bill No. 1-SD dated 02.9.2021 revealed that 8% location factor was paid on Non-Schedule Items which was un-justified as the location factor is applicable only on scheduled items. This, resulted into overpayment of Rs. 5,831,996/-as per details below.

S. No	Item of work	Unit	Qty paid	Rate	Amount
1	Drilling 4" dia bore for medium and hard rock	Rft	2820	4500	12690000
2	Providing and filling cement slury through bore hole including pressure test	Bags	643	1200	771600
3	Grouting of bentonite cement slurry in 910mm dia bore	M	3056.08	10,265.39	31371853
4	Relief holes 4" dia in medium hard rock	Rft	6237	4500	28066500
Total					72899953
Overpayment (8% location factor)					5,831,996

The lapse occurred due to financial mis-management.

When pointed out in March 2023, the management stated that the detailed reply will be furnished after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery from the contractor and fixing of responsibility against the person(s) at fault.

PDP No. 152 (2021-22)

17.4.42 Overpayment due to execution of excess quantity of relief holes over and above the approved design - Rs. 2.146 million

According to the revised PC-I of the project "construction of Manchura Dam district Mansehra, the drawings/design of drainage arrangement plan showed a quantity of 384 numbers of relief holes 4" in medium hard rock, with the depth of 15 feet along the spillway. Accordingly, a quantity of 5760 Rft @ Rs.4500 per Rft amounting to Rs. 25.920 million was approved.

During annual audit of the accounts record of the Planning and Construction Division Abbottabad, DG Small Dams for the Financial Year 2021-22, it was observed that contract for the work "construction of Manchura Dam district Mansehra" awarded to M/S Khyber Grace Pvt. Work order No. 5158/SD/DG/7-

G (i)/Manchura dated 17.11.2017 with a bid cost of Rs. 1415.63 million (10.5% below on MRS-2016) against the total estimated cost of Rs. 1581.709 million.

Scrutiny of bill No. 1-SD dated 02.9.2021 with the revised PC-I revealed that the drawings/design of drainage arrangement plan showed a quantity of 384 numbers of relief holes 4" in medium hard rock, with the depth of 15 feet along the spillway. Accordingly, a quantity of 5760 Rft @ Rs.4500 per Rft amounting to Rs. 25.920 million was approved.

However, excess quantity of item was paid in contradiction to the approved drawings/design thus resulting into an over payment of Rs. 2.146 million.

Qty required	Qty paid	Diff	Rate	Amount
5,760 Rft	6,237 Rft	477	4500	2,146,500

The lapse occurred due to weak internal controls.

When pointed out in March 2023, the management stated that the detailed reply will be furnished after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery from the contractor and fixing of responsibility against the person(s) at fault.

PDP No. 154 (2021-22)

17.4.43 Overpayment due to application of incorrect unit of measurement - Rs. 28.327 million

According to serial No.3.16.9 and 3.16.10 of the bidding documents of the work "Manchura Dam project" payment will be made for the number of cubic meter measured as provided at the contract unit price per cubic meter for Slush grout and Grout curtain. Read with bill No. 32SD dated 16.6.2022 of the project "Construction of Ichar Nullah dam district Mansehra" awarded to M/S Kasteer International vide work order No. 4651/SD/GD/7-G(i) Ichar Nullah dated 13.09.2017 with a bid cost of Rs. 846.71 million (9.9% above MRS-2016) against the total estimated cost of Rs. 770.438 million. The cost of the project was enhanced to Rs. 1,847.441 million in the revised PC-I in September-2021 where in the following NSI items were paid @Rs. 4500 per cubic meter.

S. No	Item of work	Unit	Rate
1.	Drilling 4" dia bore hole for grout curtain in rock	M	4500
2.	Relief holes 4" dia in medium hard rock	M	4500

During annual audit of the accounts record of the Planning and Construction Division Abbottabad, DG Small Dams for the Financial Year 2021-22, it was observed that contract for the work "construction of Manchura Dam district Mansehra" awarded to M/S Khyber Grace Pvt. Work order No. 5158/SD/DG/7-

G (i)/Manchura dated 17.11.2017 with a bid cost of Rs. 1415.63 million (10.5% below on MRS-2016) against the total estimated cost of Rs. 1581.709 million.

Scrutiny of bill No. 1-SD dated 02.9.2021 that the quantities of the following NSI items were paid in Rft instead of converting them in Cubic Meter as was done in the above mentioned Ichar dam project which was approved and revised in the same years on MRS-2016. Audit held that the rates of the NSI were determined keeping in view the market rates. How the rate of the same NSI items was done in the same years with the same MRS in same area, but with different units of measurements due to which the per cubic meter rate of the item was enhanced many folds resulting into an overpayment of Rs. 28,327,500/-

S. No	Item of work	Unit	Qty paid in Rft	Qty required in cubic meter	Rate	Amount required	Amount paid	Diff
1	Drilling 4" dia bore hole for grout curtain in rock	Rft	2820Rft	860m	4500	3,870,000	12,690,000	8,820,000
2	Relief holes 4" dia in medium hard rock	Rft	6237Rft	1902m	4500	8,559,000	28,066,500	19,507,500
Total						**12429000**	**40,756,500**	**28,327,500**

The lapse occurred due to weak internal controls.

When pointed out in March 2023, the management stated that the detailed reply will be furnished after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery from the contractor and fixing of responsibility against the person(s) at fault.

PDP No. 155 (2021-22)

17.4.44 Less deduction/ deposit of Income Tax – Rs. 82.068 million

According to Para 1.62 of the West Pakistan Buildings & Roads Department Code applicable to all departments of Buildings, Road, irrigation, Communication, the Divisional Officer is responsible for the correctness in all respects, of the original records of cash and stores, receipts & expenditure and for seeing that complete vouchers are obtained. The Divisional Accountant is responsible to the Divisional Officer for the correct compilation of the accounts of Division from the data supplied to him.

During audit of the accounts record of Planning and Construction Division Abbottabad, DG Small Dams, KhyberPakhtunkhwa for the financial year 2021-22,it was observed from the comparison of the expenditure reported for the year and income tax deducted/deposited during the year that income tax was less deducted/ deposited for Rs.82.068 million as elaborated below:

S. No	Month	Expenditure (Rs.)	Income Tax deducted (Rs.)	Income Tax req. @ 7% (Rs.)	Less deduction of I/ Tax (Rs.)
1	Jul-21	-	-	-	-
2	Aug-21	138,489,635	9,751,554	9,694,274	(57,280)
3	Sep-21	227,699,237	7,707,819	15,938,947	8,231,128
4	Oct-21	-	-	-	-
5	Nov-21	28,693,489	1,015,602	2,008,544	992,942
6	Dec-21	76,682,730	2,486,067	5,367,791	2,881,724
7	Jan-22	2,947,279	84,098	206,310	122,212
8	Feb-22	40,308,573	2,751,387	2,821,600	70,213
9	Mar-22	396,175,664	7,335,871	27,732,296	20,396,425
10	Apr-22	510,822,263	7,679,262	35,757,558	28,078,296
11	May-22	55,478,068	3,946,121	3,883,465	(62,656)
12	Jun-22	457,772,943	10,628,672	32,044,106	21,415,434
Total		**1,935,069,881**	**53,386,453**	**135,454,892**	**82,068,439**

The lapse occurred due to financial mismanagement which resulted in loss to the government due to less-deduction/ deposit of income tax.

When pointed out in March 2023, the management stated that the detailed reply will be furnished after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery / deposit of income tax in to government treasury.

PDP No. 157 (2021-22)

17.4.45 Overpayment to the contractor due to allowing higher rate through V.O. despite availability of rate in MRS, BOQ and PC-I – Rs. 6.359 million

According to section IB.12 – Bid Prices of the Bidding Documents, unless stated otherwise in the Bidding Documents, the contract shall be for the whole of the works as described in sub-clause 1.1 hereof, based on the unit rates and / or prices submitted by the bidders.

During audit of the accounts record of Planning and Construction Division Kohat, DG Small Dams, KhyberPakhtunkhwa for the financial year 2021-22,it was observed that contract for the “Construction of Latambar Dam, Karak” was awarded to M/S Haji Pasham Khan & Co. at the bid cost of Rs.591.461 million vide work order No.525/DD(P&C)/SD/32-D dated 20-10-2016. The award of contract was made at the premium rate of 8.75% above on the estimated cost of Rs.543.873 million which was based on MRS-2015. A payment of Rs.555.601 million was made to the contractor till 35th running bill vide Voucher No. 7C/08-03-2022.

The scrutiny of 35th running bill and its comparison with PC-I, BOQ and MRS-2015 revealed that the below mentioned schedule item was given in the PC-I, BOQ duly signed by the contractor and MRS-2015 @ Rs.10,593/M^3. However, the rate of the agreed item was enhanced through variation order which was incorrect and led to overpayment of Rs.6.359 million as worked out below:

Item code MRS-2015	Item	Admissible rate as per PC-I, BOQ and MRS	Paid rate (Rs.)	Excess rate (Rs.)	Qty paid M^3
06-06-d-03	Reinforced cementconcrete work as in dams,spillways,weirs,barrages, cross drainageworks and other hydraulicstructures using crushedstone aggregate(screening &washing)and coarse sand i/ccostofall labour and materialand all kinds of formworks, molds, shutteringlifting/pumping, curing, rendering and finishing theexposed surface, cast in situ/precast excluding the cost ofsteel reinforcement and labour for bending binding alsoexcluding cost ofadditives which have to be paid separately.Type C (1:2:4)	10,593	11560.24	967.24	5328.60 + 540.99 = 5869.59
	Overpayment (5869.59 M^3 x Rs.967.24)	5,677,302			
	Location Factor 3%	170,319			
	Sub-total	5,847,621			
	Premium8.75%	511,667			
	Total overpayment (Rs.)	**6,359,288**			

The lapse occurred due to weak internal controls which resulted in overpayment to the contractor.

When pointed out in March 2022, the management stated that the detailed reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery of overpaid amount from the contractor.

PDP No. 159 (2021-22)

17.4.46 Cost overrun due to deviation from the approved parameters of the approved PC-I – Rs. 101.325 million

According to section 4.12 & 4.13 (Chapter-4) of the Manual for Developmental Project, Planning Commission of Pakistan, the physical and financial scope of a project, as determined and defined in the project document (PC-I), is appraised and scrutinized by the concerned agencies before submitting it for approval of the CDWP/ECNEC. Once approved by the competent authority the executing agency is supposed to implement the project in accordance with the PC-I provisions. It has no authority to change and modify the main approved parameters of the project on its own, beyond permissible limit of 15%. However, if at some stage modifications/changes become imperative then project authorities should revise the project and submit it for the approval of competent authority.

During audit of the accounts record of Planning and Construction Division Kohat, DG Small Dams, KhyberPakhtunkhwa for the financial year 2021-22,it was observed that contract for the “Construction of Latambar Dam, Karak” was awarded to M/S Haji Pasham Khan & Co. at the bid cost of Rs.591.461 million vide work order No.525/DD(P&C)/SD/32-D dated 20-10-2016. The award of contract was made at the premium rate of 8.75% above on the estimated cost of Rs.543.873 million which was based on MRS-2015. A payment of Rs.555.601 million was made to the contractor till 35th running bill vide Voucher No. 7C/08-03-2022.

The scrutiny of 35th running bill revealed that the contractor was paid Rs.140.089 million for the construction of the Asphaltic Road under “Access Road” component. Comparison with tendered BOQ and approved PC-I revealed that provision of PCC road was approved at the cost of Rs.38.764 million not the Asphaltic Road.

On inquiring, it was informed that design of the PCC road was modified to Asphaltic Road which was covered in the Revised Technical Sanction granted on 25-07-2022.

Audit did not agree with the justification of the management on the following grounds:

i. PC-I being based on site survey and feasibility survey was prepared by the department itself, accordingly, provision of PCC road was made and approved from the competent forum i.e. CDWP. Later on, the PCC road was changed to Asphaltic Road and got regularized through technical sanction from the Chief Engineer. The basic parameters of the PC-I having cost overrun of Rs.101.325 million (140.089 – 38.764), was changed without approval of the CDWP forum which was contradictory to the instructions quoted above.

ii. 35th running bill quantities of “Access Road” were exactly reflected in the revised technical sanction through copy-paste. This indicated that no site survey for design suitability and soundness was conducted rather the items and quantities executed by the contractors were paid and submitted for accord of technical sanction.

iii. Audit opines that in case PCC road was not feasible then why the same was proposed in the PC-I which was duly approved and circulated for bidding process.

The lapse occurred due to violating the instructions of the Planning Commission, deviation from the parameters approved by the CDWP which resulted in cost overrun of Rs.101.325 million.

When pointed out in March 2022, the management stated that the detailed reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends fixing of responsibility against the persons(s) at fault including Design and Supervision Consultants and recovery of the cost overrun.

PDP No. 160 (2021-22)

17.4.47 Excess payment due to allowing excess lead for disposal of excavated material - Rs. 7.631 million

According to page 156 of the PC-I of the project "construction of Khattak Banda Dam District Kohat, there was provision of 2.5 km lead included in the following items of work in Main Dam and spillways.

S.No	Code	Description
1.	03-78-c	Excavation for core trench of Dam Embankment/Spillway/Intake & Outlet Structure and Irrigation System upto a minimum depth of 35 ft in shingle gravel including removing of excavated material by machinery in 1 KM radius
2.	03-19-b, 03-20-a &b	Disposal of excavated material within 1.5 KM

During annual audit of the accounts record of the Planning and Construction Division Kohat, DG Small Dams for the Financial Year 2021-22, it was observed that contract for the work "construction of Khattak Banda Dam District Kohat" was awarded to M/S Kasteer International Pvt: Ltd vide work order No. 478/DD/SD/40-D dated 16.12.2020 with a bid cost of Rs. 1079.0014 million, 13.70% below on MRS-2019.

Scrutiny of the bill No. 10-C dated 27.5.2022 revealed that against the provision of total lead of the excavated material of 2.5 km in the PC-I which was based on feasibility level design of dam & other ancillary works keeping in view the regional geology, topography and actual requirements of the site, the contractor was allowed 3.5 km lead which resulted into excess payment of Rs. 7.631 million as per details below.

S.No	Code	Description	Rate per slab	Slabs	Total Rate	Remarks
1	03-20-b	Every 100m from 1000 to 1.5km	29.25	05	146.25	Initial 1000m is already included in item code No. 03-78-a
2	03-20-c	Every 500m beyond 1.5km to 2.5 km	26.59	02	53.18	
Required Rate					199.43	

Rate Paid for 3.5km lead	252.61	
Difference	53.18	
Qty of disposed off material	143500	
Excess payment	7631330	

The lapse occurred due to weak contract management.

When pointed out in March 2022, the management stated that the detailed reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends enquiry for fixing responsibility and effecting recovery at the earliest.

PDP No. 161 (2021-22)

17.4.48 Overpayment due to allowing premium on NSIs – Rs. 3.062 million

According to the Detailed Cost Estimate and Variation Order No. 02 of the project "Construction of Satti Kalli Dam Bannu" read with IPC No. 30, the 9% contractor premium is applicable only on MRS items. The location factor @ 3% is applicable except market rate items.

During audit of the accounts record of Planning and Construction Division Kohat, DG Small Dams, KhyberPakhtunkhwa for the financial year 2021-22, it was observed that contract for the "Construction of Satti Kalli Dam, Bannu" was awarded to M/S Bannu Construction at the bid cost of Rs.752.59 million against the estimate cost of Rs.690.457 million, vide work order No. 433/DD(P&C)/SD/31-D dated 26-08-2016. The contract was awarded on the contractor's premium of 9% on MRS items (MRS-2013). A payment of Rs.602.098 million was made to the contractor till IPC No. 30 vide Voucher No. 11C/09-06-2022.

Scrutiny of the IPC No. 30 revealed that 9% premium / 3% location factor was also calculated / paid on the NSI/ market items despite clear notes in the TS and IPC No. 30 that 9% premium and 3% location factor are applicable on MRS items. This resulted in overpayment of Rs. 3.062 million as worked out in the enclosed statement.

The lapse occurred due to non-fulfillment of the contractual obligations by the supervisory consultants as well as weak internal controls by the management which resulted in overpayment to the contractor.

When pointed out in March 2022, the management stated that the detailed reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery from the contractor besides fixing of responsibility.

PDP No. 162 (2021-22)

17.4.49 Excess payment due to allowing items of work with higher rates having no provision in the PC-I - Rs. 9.588 million

According to page 156 of the PC-I of the project "construction of Khattak Banda Dam District Kohat, the following items of work for excavation were included in Main Dam and spillways.

S.No	Code	Description	Qty (m3)	Rate	Amount
1.	03-78-c	Excavation for core trench of Dam Embankment/Spillway/Intake & Outlet Structure and Irrigation System upto a minimum depth of 35 ft in shingle gravel including removing of excavated material by machinery in 1 KM radius	100,698.90	238.38	24,004,603

2.	03-78-c	Excavation for core trench of Dam Embankment/Spillway/Intake & Outlet Structure and Irrigation System upto design depth in medium hardrock requiring 50% blasting including removing of excavated material.	43,156.67	637.01	27,491,231
Total					51,495,834

During annual audit of the accounts record of the Planning and Construction Division Kohat, DG Small Dams for the Financial Year 2021-22, it was observed that contract for the work "construction of Khattak Banda Dam District Kohat" was awarded to M/S Kasteer International Pvt: Ltd vide work order No. 478/DD/SD/40-D dated 16.12.2020 with a bid cost of Rs. 1079.0014 million, 13.70% below on MRS-2019.

Scrutiny of the bill No. 10-C dated 27.5.2022 revealed that a sum of Rs. 21,338,680/- was shown paid for an item of work "Excavation for core trench of Dam Embankment/Spillway etc; in medium hard rock requiring 20% blasting including removing of excavated material" for a quantity of 49,292.4m3 @ Rs. 432.9 per m3. However, it was observed that:

i. The item was neither included in the PC-I nor in the BOQ and was later on included in the revised T.S by decreasing the quantity of less costly item of excavation i.e. "in shingle gravel" having rate of Rs. 238.38m3.
ii. Audit held that PC-I was based on feasibility level design of the dam and prepared after detailed geology and geotechnical investigation of the command area ascertained after detailed surface geological mapping and borehole drilling along the proposed dam axis and spillway site. Hence the quantities and items of work were selected for excavation keeping in view the terrain of the region.
iii. By including an item of work of excavation having higher rate neglected the geotechnical investigation of the region due to which on one hand the total cost of excavation has increased from 51.495 million to 63.625 million and on the other hand resulted into excess payment of Rs. 9.588 million in the current bill as per details below.
iv.

Item	Rate required (shingle gravel)	Paid (20 % blasting)	Diff	Qty	Excess payment
Excavation	238.38 per m3	432.9 per m3	194.52	49,292.4	9,588,358

The lapse occurred due to weak contract management.

When pointed out in March 2022, the management stated that the detailed reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends inquiry for fixing responsibility and effecting recovery at the earliest.

PDP No. 167 (2021-22)

17.4.50 Wasteful expenditure due to changing the original scope of work of access road from the approved design - Rs. 17.813 million

According to planning commission manual for developmental project serial No. 3.1 The selection of a sound project to achieve the given target of economic development in a particular sector is very important for attainment of Plan objectives. Development projects, especially large and complex ones, often meet with difficulties during their execution process. A feasibility study is, therefore, a pre-requisite for preparation of a major development project on sound lines, and is not ruled out even for a minor one. It is basically an in-depth "three-in-one" study consisting of the technical, financial and economic viability of a project.

During annual audit of the accounts record of the Planning and Construction Division Kohat, DG Small Dams for the Financial Year 2021-22, it was observed that contract for the work “construction of Khattak Banda Dam District Kohat” was awarded to M/S Kasteer International Pvt: Ltd vide work order No. 478/DD/SD/40-D dated 16.12.2020 with a bid cost of Rs. 1079.0014 million, 13.70% below on MRS-2019.

Scrutiny of the bill No. 10-C dated 27.5.2022 revealed that a sum of Rs. 17,813,743/- was paid for an item of work in the access road “compaction of earth with power road roller 95% to 100% max AASHTO dry density” for a quantity of 65,774m3 @ Rs. 270.83 per m3. However, it was observed that:

i. The item was neither included in the PC-I nor in the BOQ and was later on included in the revised T.S by changing the original scope of work.
ii. The PC-I was based on feasibility level design of the dam and prepared keeping in view the actual requirements of the site. The access road was designed as “Kacha” road mainly involving excavation, granular sub-base using pit run gravel and protection walls on the side of the road facing the brook as the site area is mostly sandy gravels and clay at places. However, in the revised T.S the scope of the work was completely changed by neglecting the terrain of the region. The above item was included and all the items of work relating to protection walls were deleted.
iii. Audit held that huge expenditure on compaction of earth was merely wastage of funds because on one hand retaining walls were excluded from the sides of the road to divert the

funds to compaction and on the other hand being Kacha Road, the soil will compress and shear when load is applied to it with the passage of time so the compaction of such road is useless that is why the item was not included in the original design.

The lapse occurred due to weak contract management.

When pointed out in March 2022, the management stated that the detailed reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends inquiry for fixing responsibility and recovery at the earliest.

PDP No. 169 (2021-22)

17.4.51 Overpayment to the consultants due to allowing inadmissible components related to main office – Rs. 3.145 million

According to Section 14 of the Standard Form of Bidding Documents for Procurement of Consultancy Services, notified by KPPRA vide KPPRA/M&E/SBDs/1-1/2015 dated 03-05-2016, the financial proposal shall list all costs associated with the assignment including remuneration for the staff and reimbursable expenses.

During audit of the accounts record of Planning and Construction Division Kohat, DG Small Dams, KhyberPakhtunkhwa for the financial year 2021-22,it was observed that contract for the "Consultancy Services for Feasibility Study, Detail Design and Construction of Satti Kalli Dam, Bannu" was awarded to M/S Consulting Associates at the bid cost of Rs.19.720 million which was enhanced through multiple variations to Rs.45.630 million. The record revealed that total payment of Rs.40.40 million was made to the consultants till invoice No. 65 for the month of January 2022.

The scrutiny of invoice No. 65 revealed that an amount of Rs.3.145 million was paid to the consultants for the office rent and utility charges of the Peshawar Office, in addition to Rs.6.915 million being paid for the rent and utility charges of the site office at Bannu.

Audit held that the project was under construction in District Bannu and the payment of Rs.6.915 million as rent and utility charges of the site office for the supervisory consultants was justified, but payment of Rs.3.145 million for the Peshawar office was illogical and unjustified and was held as overpayment. On inquiring, it was informed that the same was in-line with the tender floated for the purpose which indicated that defective provision of Peshawar office was made in the tender. The Peshawar office rent and utility charges were the fixed expenditure of the consultant firm which was their own responsibility and the said office was not dedicated to the instant project, as such its expenditure was inadmissible.

The lapse occurred due to defective BOQs and tender process which resulted in overpayment to the consultants.

When pointed out in March 2022, the management stated that the detailed reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery of overpaid amount from the consultants.

PDP No. 170 (2021-22)

17.4.52 Loss due to less-recovery of excess paid premium - Rs. 16.572 million

According to clause-12.1 of the SBD Instruction for tenderers, unless stated otherwise in the tender documents, the contract shall be for the whole of the works as described in sub-clause 1.1 based on the unit rates and/or prices submitted by the tenderer.

During annual audit of the accounts record of the Planning and Construction Division Kohat, DG Small Dams for the Financial Year 2021-22, it was observed that contract for the work "Construction of Zamir Gul Dam District Kohat" was awarded to M/S Sarwar & Co. Pvt. Ltd vide letter No. 1730/SD/DG/10-D dated 22.05.2013 with a bid cost of Rs. 670.840 million 24% above CSR-2008. The cost of the project was enhanced to Rs. 987.77 million in the first revised PC-I and again to Rs. 1128.22 million in the 2nd revised PC-I. It was further noticed that:

i. During the tendering process NIT was floated initially for constructing of two dams i.e. Kundal Dam Swabi and Zamir Gul Dam Kohat. Kundal dam was Earth Core Rock Filled Dam (ECRD) and was awarded to M/S Sarwar Constructor at a premium of 19.5% above CSR-2008. However, the Zamir Gul Dam being Concrete Gravity Dam (CGD) was awarded at a premium of 24% on CSR-2008.
ii. The PC-I was initially approved for construction of Concrete Gravity Dam (CGD) at site as per the feasibility study carried out by NESPAK but was later on changed to Earth Core Rock Fill Dam (ECRD) in the revised PC-I due to technical reasons.
iii. As both the dams were put to tendering process in the same NIT hence it was later on decided that as the type of the Zamir Gul Dam has also changed to ECRD the premium of the contractor will be made at par with the Kumdal Dam i.e. 19.5%.
iv. Accordingly, deduction at 4.5% amounting to Rs. 14,478,775/- was made from the bill No. 6-C dated 09-06-2022 of the contractor of Zameer Gul Dam but only on few selected items.
v. Audit held that as the type of the dam was changed to ECRD then why the deduction of excess premium was made only on selected items but rather was required to have been

recovered from all the items of work. Which was not done, hence resulting into less deduction of premium amounting to Rs. 16.572 million as per details below.

S. No	Total amount	Recovery required @ 4.5%	Recovery made	Less recovery
1.	690,039,126	31,051,761	14,478,774	16,572,986

The lapse occurred due to weak contract management which resulted in loss to the government.

When pointed out in March 2022, the management stated that the detailed reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends immediate recovery from the contractor and action against the management.

PDP No. 171 (2021-22)

17.4.53 Cost overrun on account of multiple revisions of PC-I due to defective estimation - Rs. 484.450 million

According to planning commission manual for developmental project serial No.4.14, The cost estimates of a project have to be prepared with a lot of care so that these are not revised again and again and implementation is not delayed due to non-availability of provision of funds and revised sanction of the competent authority.

During annual audit of the accounts record of the Planning and Construction Division Kohat, DG Small Dams for the Financial Year 2021-22, it was observed that the project "Construction of Zamir Gul Dam District Kohat" was initially approved for Rs. 643.77 million. It was further noticed that:

i. The PC-I was initially approved for construction of Concrete Gravity Dam (CGD) at site as per the feasibility study carried out by NESPAK with an estimated cost of Rs. 643.77 million, but was later on changed to Earth Core Rock Fill Dam (ECRD) in the revised PC-I due to defective feasibility study and other technical reasons. The cost was also enhanced to Rs. 987.77 million in the revised PC-I.
ii. Due to defective estimation and continuous change in the scope of work, the PC-I was again revised and again the cost was enhanced to Rs. 1128.22 million in the 2nd revised PC-I.

iii. Audit held that if the initial design and type of the dam was not feasible as per the geotechnical investigation carried out by the consultant M/S Consultant Associates and the management then the revised PC-I was required to have been prepared keeping in the view the actual requirements and correct estimates. But the same was not done and the PC-I was revised for 2nd time with enhanced cost. Moreover, the T.S was also revised in November-2022 even after the revision of the 2nd time revised PC-I in June-2022.
iv. The inefficiency of consultant and management can be seen in the various revisions in the cost estimates. This indicated that the design and estimates were defective due to poor planning, non-diligence and preparation on the part of the consultant and management.
v. This resulted in cost overrun of Rs. 484.45 million due to inaccurate estimation on one hand and on the other hand 07 years delay in the completion of the project due to which the objectives of the project has badly suffered.
vi. In addition to cost overrun, the abnormal delay is resulting additional financial burden on the government exchequer in the form of high escalation claims of the contractor.

The lapse occurred due to inaccurate cost estimation and design which resulted in cost overrun.

When pointed out in March 2022, the management stated that the detailed reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends to inquire the matter for fixing of responsibility against the person(s) at fault as the construction of small dams is the core function of the department and multiple revisions in the PC-Is with cost overrun reflected inefficiency of the department.

PDP No. 173 (2021-22)

17.4.54 Cost overrun due to non-observing PC-I timelines and unjustified cost enhancements resulting in extra Burdon on provincial government in PSDP project - Rs. 58.628 million

According to planning commission manual for developmental project serial No.4.14, The cost estimates of a project have to be prepared with a lot of care so that these are not revised again and again and implementation is not delayed due to non-availability of provision of funds and revised sanction of the competent authority.

During annual audit of the accounts record of the Planning and Construction Division Kohat, DG Small Dams for the Financial Year 2021-22, it was observed that contract for the PSDP project "Construction of Pezu Dam District Kohat" awarded to M/S Tribal Global Construction Pvt. Ltd. with a bid cost of Rs. 545.024 million 17% below MRS-2017 vide work order No. 52/DD/SD/35-D dated 17.02.2021 with construction period of 24 months.

Further scrutiny of the record revealed that the PC-I of the project was approved for Rs. 758.462 million. The cost of the project was decreased to Rs. 740.521 million in the original cost estimates prepared keeping in view the actual site requirements. However, the cost was again enhanced to Rs. 799.149 million in the 2nd time revised cost estimates due to increase in the cost of various items however, Audit opines that the cost has enhanced due to inclusion of exaggerated quantities and delay in the PC-I time lines as explained below, just to adjust the savings of Rs. 86.96 million made in the main items of the dam like Dam embankment, spillways and intake & outlet structures.

i. The cost of the irrigation system including affiliated structures was enhanced from the original PC-I cost of Rs. 35.449 to Rs. 90.367 million by including exaggerated quantities of excavation in the main canal although the length of the canal was decreased from 16+290 to 15+008.
ii. The cost of chowkidar hut was enhanced from the original cost of Rs. 2.584 million to Rs. 13.467 million which was un-justified and based on exaggerated estimation.
iii. In the DDWP meeting held on 28.01.2020 it was decided by the chair that although as per policy the cost of land is borne by the beneficiary of the project i.e. the K.P Government but in the instant case to avoid delay in the completion of the project the cost of land of Rs. 11.46 million will be charged to Federal PSDP. In response to the urgency of the matter the local office took 15 months to write to the District Administration Lakki Marwat vide letter No. 95/DD/SD/35/D(LA) dated 05.04.2021 for the acquisition of land for the project. The legal process took another 7 to 8 more months but due to delay of the initial 15 months by the local office the cost of land has increased to Rs. 39.578 million.
iv. Due to delay in the completion of the project the cost of consultant and escalation has also increased many folds i.e. from Rs. 86.774 to Rs. 178.29 million.
v. Moreover, the DDWP in its meeting categorically decided that in case of increase of the cost of the project beyond Rs. 758.462 million, the Government of KP will bear the cost from its own resources. By increasing the cost to Rs. 799.149 million extra burden of Rs. 40.687 was put on the provincial exchequer.

The lapse occurred due to inaccurate cost estimation and design which resulted in cost overrun.

When pointed out in March 2022, the management stated that the detailed reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends to inquire the matter for fixing of responsibility against the person(s) at fault as the construction of small dams is the core function of the department and multiple revisions in the PC-Is with cost overrun reflected inefficiency of the department.

PDP No. 179 (2021-22)

17.4.55 Loss to the government due to allowing full rate for an item of work despite availability of rock – Rs. 30.530 million

According to section 3.2.1.1, 3.2.4, 3.9.5.2 & 3.9.7.3 of the Technical Specifications 2020 for workmanship, issued by Communication & Works Department, Government of Khyber Pakhtunkhwa, materials of any kind such as shingle or hard good quality stone, obtained from excavation shall remain the property of the government. The Engineer shall decide regarding the unsuitability of the material by conducting appropriate laboratory tests. Measurement shall be made as under:
Formation from Borrow = A – B – C, where
A = Total Embankment Quantity
B = Roadway Excavation Quantity
C = Structural Excavation Quantity

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

During audit of the accounts record of Planning and Construction Division Mardan, DG Small Dams, KhyberPakhtunkhwa for the financial year 2021-22, it was observed that contract for the "Construction of Bada Dam, Swabi" was awarded to M/S Sarwar Construction (Pvt) Ltd. at the bid cost of Rs.1060.937 million vide work order No.608/DD/(P&C)/Bada dated 02-02-2017. The estimated cost of the project was Rs.977.254 million being based on MRS-2013, against which the approved bid was 8.56% above.

A payment of Rs.1,275.560 million was made to the contractor till IPC 12B vide Voucher No. 1C/07-06-2022. The scrutiny of the bill revealed that quantities of 243,643.809 M^3 medium hard rock and 17281.182 M^3 hard rock were available from excavation against which expenditure of Rs.108.943 million was made. The rock available from excavation/ cutting could be utilized in the item of work "Providing & laying stone pitching for top layer on slope". However, the contractor only utilized a quantity of 5995.13 M^3 at the rate of Rs.1335.60/M3, while the additional quantity 17,138.96 M^3 of the same item was paid at the full rate of Rs.2975.46/M^3 due to not adjusting the quantity of rock available at site and paid Rs.51.013 million. This resulted in loss of Rs.30.530 million due to allowing full rate and non-adjustment of the available rock as tabulated below;

Item	Qty paid M^3	Rate paid (Rs.)	Rate req. (Rs.)	Excess rate (Rs.)	Loss (Rs.)
Providing & laying stone pitching for top layer on slope	17138.96	2976.46	1335.60	1640.86	28,122,634
Add) Contractor premium 8.56%					2,407,297
Total loss					**30,529,931**

The lapse occurred due to non-fulfillment of the contractual obligations by the supervisory consultants and weak internal controls by the management which resulted in loss to the government.

When pointed out in March 2022, the management stated that the detailed reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery of the amount from the contractor and fixing of responsibility and action against the supervisory consultants.

PDP No. 180 (2021-22)

17.4.56 Overpayment to contractor on account of escalation due to allowing it against unutilized items – Rs. 22.060 million

According to Part I – Procedure, sections C 1 & 5 and Part-II (4) of the Standard Procedure and Formula for Price Adjustment, Pakistan Engineering Council Guidelines 2009 edition, except labour and POL, if any other adjustable item(s) is not used in a particular billing period then the ratio of current date price and base date price for that particular adjustable item(s) shall be considered as one. The billed amount of the Works for each calendar month will be obtained from the checked bills submitted by the Contractor. In case the billed amount is for more than one month, the amount of the bill shall be segregated for actual work done in each month. The co-efficient for each specified adjustable element shall be determined by the user proportionate to its ratio in the total amount of the Engineer’s Estimate, in accordance with the procedure B-1 given under Part 1.

During audit of the accounts record of Planning and Construction Division Mardan, DG Small Dams, KhyberPakhtunkhwa for the financial year 2021-22, it was observed that escalation of Rs.270.971 million was paid to M/S Sarwar Construction (Pvt) Ltd. under the project “Construction of Bada Dam Swabi” through EPC No. 7 against IPC 01 to 12. Perusal of the escalation bill revealed that overpayment of Rs.22.060 million was made to the contractor, as summarized below and worked out in the enclosed statement:

Escalation Paid (Rs.)	Escalation Due (Rs.)	Overpayment (Rs.)
270,971,380	248,911,111/-	22,060,269/-

Recalculation of escalation bill showed overpayment due to the following reasons:

i. Steel was not consumed in IPCs No. 1 – 6, 11 & 12 but still escalation was calculated for steel against the PEC guidelines which categorically states that "except labour and HSD, if any other adjustable item is not used in a particular billing period, then no price adjustment shall be calculated for the unconsumed items".

ii. The contractor did not claim escalation on steel due to the fact that steel was not consumed in these IPCs. But the consultant enhanced the claim through hand writings in the printed IPCs of the contractor. It indicated that the consultant failed to fulfill his contractual obligations as given in the section 3.1.1 – **Standard of Performance** which states that "The Consultant shall Perform the Services and carry out their obligations hereunder with all due diligence, efficiency and economy, inaccordance with generally accepted professional standards and practicesand shall observe sound management practices.

iii. The work done for 6 -8 months was accounted for escalation calculations instead of segregation in to respective billing months. The accumulation of work done and its multiplication to the higher current rates resulted in overpayment. It was violation of PEC guidelines which states that in case the billed amount is for more than one month, the amount of the bill shall be segregated for actual work done in each month.

iv. Construction schedule was not submitted by the contractors as required under section A-3 of the guidelines of Pakistan Engineering Council.

The lapse occurred due to weak management / supervision of the project by the supervisory consultant / management and violation of the PEC guidelines which resulted in overpayment to the contractor.

When pointed out in March 2022, the management stated that the detailed reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends immediate recovery of overpaid amount from the contractor and action against the person(s) at fault.

PDP No. 181 (2021-22)

17.4.57 Loss to the government due to allowing unnecessary item of work in the clubbed pay item – Rs. 39.998 million

According to section 3.2.1.1, 3.2.4, 3.9.5.2 & 3.9.7.3 of the Technical Specifications 2020 for workmanship, issued by Communication & Works Department, Government of Khyber Pakhtunkhwa, materials of any kind such as shingle or hard good quality stone, obtained from excavation shall remain the property of the government. The Engineer shall decide regarding the unsuitability of the material by conducting appropriate laboratory tests. Measurement shall be made as under:
Formation from Borrow = A – B – C, where
A = Total Embankment Quantity
B = Roadway Excavation Quantity
C = Structural Excavation Quantity

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

During audit of the accounts record of Planning and Construction Division Mardan, DG Small Dams, KhyberPakhtunkhwa for the financial year 2021-22, it was observed that contract for the "Construction of Kundal, Swabi" was awarded to M/S Sarwar Construction (Pvt) Ltd. vide Acceptance of Tender No. 1351/SD/DG/14-D dated 02-04-2013. A payment of Rs.1820.625 million was made to the contractor till IPC 33B vide Voucher No. 2C/ 07.09.2021.

The scrutiny of the bill revealed payment of the following items of work:

S. No	**MRS item code**	**Item**	**Qty paid M^3**	**Rate per M^3**	**Amount (Rs.)**
1	03-09-a	Excavation as in shingle / gravel	290,375.2	187.20	54,263,409
2	03-17-b + 03-18-a + 03-18-b	Disposal of excavated rock extra lead up to 1KM	227608.7	161.09	36,665,490
3	03-04-c + 03-17-b + 03-18-a + b + 03-27	Providing, placing and compacting sandy gravel material for upstream & downstream 1.5 km lead	238,791.4	566.40	135,251,437
Total					**226,180,336**

Further verification of paid items with MRS revealed that shingle / gravel quantity of 290,375.2 M^3available from excavation for which 01 KM lead was also paid (S. No. 1 & 2). The item at S. No. 3 was paid by including shingle gravel from borrow pit excavation (03-04-c) which was incorrect and inadmissible as shingle / gravel was already available at site and no further borrow pit excavation was required. The shingle / gravel quantity of 290,375.2M^3could have been used in item No. 3 by excluding the cost of item 03-04-c to the tune of Rs.167.50/M^3 which was not done. This resulted in loss of Rs.39.998 million (238,791.4 x 167.50) to the government.

The lapse occurred due to non-fulfillment of the contractual obligations by the supervisory consultants and weak internal controls by the management which resulted in loss to the government.

When pointed out in March 2022, the management stated that the detailed reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery of the amount from the contractor and fixing of responsibility and action against the supervisory consultants.

PDP No. 183 (2021-22)

17.4.58 Loss to the government due to allowing full rate for an item of work despite availability of rock – Rs. 27.518 million

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

Formation from Borrow = A – B – C, where

A = Total Embankment Quantity

B = Roadway Excavation Quantity

C = Structural Excavation Quantity

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

During audit of the accounts record of Planning and Construction Division Mardan, DG Small Dams, KhyberPakhtunkhwa for the financial year 2021-22, it was observed that contract for the "Construction of Kundal, Swabi" was awarded to M/S Sarwar Construction (Pvt) Ltd. vide Acceptance of Tender No. 1351/SD/DG/14-D dated 02-04-2013. A payment of Rs.1820.625 million was made to the contractor till IPC 33B vide Voucher No. 2C/ 07.09.2021.

The scrutiny of the bill revealed that quantity of 1,306,460 M^3 rock was available from excavation against which expenditure of Rs.446.378 million was made. The rock available from excavation/ cutting could be utilized in the item of work "Providing & laying stone pitching for top layer on slope". However, the contractor was paid at the full rate of Rs.1831.63/M^3 due to not adjusting the quantity of rock available at site and paid Rs.53.911 million. This resulted in loss of Rs.27.518 million due to allowing full rate and non-adjustment of the available rock as tabulated below:

Item	Qty paid M^3	Rate paid (Rs.)	Rate req. by	Excess rate (Rs.)	Loss (Rs.)

			reducing 40% (Rs.)		
Providing & laying stone pitching for top layer on slope	29433.114	1831.63	1098.978	732.652	21,564,230
Add) Contractor premium 19.5 %					5,953,337
Total loss					**27,517,567**

The lapse occurred due to non-fulfillment of the contractual obligations by the supervisory consultants and weak internal controls by the management which resulted in loss to the government.

When pointed out in March 2022, the management stated that the detailed reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery of the amount from the contractor and fixing of responsibility and action against the supervisory consultants.

PDP No. 184 (2021-22)

17.4.59 Wasteful expenditure due to selection of disputed site - Rs. 84.304 million

According to planning commission manual for developmental project serial No.(iii) Reasons for selection of location. In this connection it may be noted that many projects have suffered tremendously in the past from cost over-runs and delay in implementation due to hasty selection of site. The project also suffers due to delay in acquisition of land. Therefore, the availability of land needs to be assured. In selecting the location, area and population to be served by the project, the income and social characteristics of the population will have to be kept in view. Similarly, the economic characteristics of the area i.e. present facilities and availability of inputs and regional development needs will also have to be taken into consideration.Read with para 86 of the CPWD code, when land is required for public purposes the officer of the Public Works Department should, in the first instance, consult the Chief Revenue Officer of the district, and obtain from him the fullest possible information as to the probable cost of the land, together with the value of buildings, etc., situated on the property, for which compensation will have to be paid. The information thus obtained, an estimate should be framed by the Public Works officer and submitted for sanction.

During annual audit of the accounts record of the Planning and Construction Division Mardan, DG Small Dams for the Financial Year 2021-22, it was observed that contract for the work "Construction of Utla Dam" was awarded to M/S Qalander Bux Abro & Co. vide work order No. 5153/DD/SD/Utla Dam dated 25.10.2018 with a bid cost of Rs. 1248.051 million (8.90%) above CSR-2017 with time limit of 02years with upto date payment of Rs. 84,304,501 vide VR No. 21-C dated 23.06.2022. However, it was observed that:

i. Last payment on actual work done was made to the contractor vide IPC No. 2 in September-2020. The work had stopped since September-2020 due to the protest of the local community because the scope of work and area of the required land was changed in the revised PC-I to which the local community was not taken into confidence. The department failed to acquire land through district administration before commencement/revision of the project.
ii. A law suit was filed in Peshawar High Court against the Government by the locals for illegal occupation of their land by the local administration. The honorable court decided for interim relief of the community and the respondents were restrained from taking further land of the petitioners.
iii. Audit held that wasteful expenditure of Rs. 84.304 million has been incurred due to selection of disputed site because on one hand the fate of the project depends on the decision of the court and on the other hand the construction work has stopped from the last three years and the work already carried out is losing its value day by day due to environmental effects.
iv. Moreover, cost overrun on account of contractor escalation and consultant due to enormous delay in the completion of the project will put extra burden on the public exchequer besides depriving the general public from the benefits of the project.

The lapse occurred due to weak internal controls.

When pointed out in March 2022, the management stated that the detailed reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends enquiry for fixing responsibility.

PDP No. 185 (2021-22)

17.4.60 Non-fulfilment of the contractual obligations by the design consultant and less recovery of penalty for defective design - Rs. 3.689 million

According to clause 3.1 and 3.4 of the consultancy contract agreement, the consultant shall perform the services and carry out their obligations with all due diligence, efficiency and economy in accordance with generally accepted professional techniques and practice and shall observe sound management practice and employ appropriate advance technology and safe methods. If the client suffers any losses or damages as a result of proven faults, errors or omissions in the design of a project, the consultant shall make good such losses or damages, subject to the condition that the maximum liability as aforesaid shall not exceed twice the total remuneration of the consultants for design phase in accordance with the terms of the contract.

During annual audit of the accounts record of the Planning and Construction Division Mardan, DG Small Dams for the Financial Year 2021-22, it was observed that consultancy contract for the Feasibility Study & Detail Design of Utla Dam District Swabi was awarded to the design consultant M/S CAMEOS. The contract for the construction of Dam based on the same Feasibility Study and Detail Design was awarded to M/S Qalandar Bux Govt contractor. However, during the review of the design by the supervisory consultant of the project i.e. M/S Pakistan Engineering Supervision, serious objections were raised on the design of the project. Through a series of high level meetings and hydrology studies carried out by the supervisory consultant duly authenticated by WAPDA, it was categorically decided that the original design prepared by M/S CAMEOS was flawed and not according to the actual site requirements.

The design of the project was revised and a revised PC-I was prepared. A penalty of Rs. 4.765 million was imposed on the design consultant for the defective design of the project which warranted revision of the PC-I, as per the clauses of the contract agreement. Resultantly Rs.1.076 million was forfeited from the consultant’s security. However, balance amount of Rs. 3.689 million remained unrecovered which needs immediate attention.

The lapse occurred due to weak internal controls.

When pointed out in March 2022, the management replied that Rs.1.076 million was forfeited out of Rs.4.765 million penalty. Other offices of the Irrigation Department/ Small Dams have been requested for the recovery of the remaining amount of Rs.3.689 million.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends immediate recovery from the consultant.

PDP No. 186 (2021-22)

17.4.61 Unjustified excess payment on account of construction of Aqueducts - Rs. 49.822 million

According to Paras 56 and 58 of CPWD Code provide that technical sanction is a guarantee that the proposals are structurally sound and that the estimates are accurately calculated and based on adequate data.

During annual audit of the accounts record of the Planning and Construction Division Mardan, DG Small Dams for the Financial Year 2021-22, it was observed that contract for the work "Construction of Kundal Dam District Swabi" was awarded to M/S Sarwar Constructors Nowshera. vide work order No. 1472/SD/DG/14-D dated 15.4.2013 with upto date final payment of Rs. 1,820,625,498 vide VR No. 2-C dated 07.09.2021. The bill included payment of Rs. 79,864,037 on account of construction of "Aqueducts" along the canal road. However, it was observed that:

i. The item was initially not included in the original PC-I which was later on included in the revised PC-I with an estimated cost of Rs. 74.737 million.
ii. In the revised T.S which was prepared on the basis of actual site requirements, the cost of the Aqueducts was reduced to Rs. 30.042 million.
iii. Payment of Rs. 79.864 million was made on account of construction of Aqueducts in the final bill of the contractor.

Audit held that the cost of the Aqueducts was reduced in the revised T.S keeping in view the actual site requirements. Hence, payment of Rs. 79.864 million against the revised T.S cost of Rs. 30.042 million was un-justified and resulted into excess payment of Rs. 49.822 million which clearly showed that saving in the overall project were adjusted by paying excess quantities above the actual site requirements.

The lapse occurred due to deviating the approved scope of work which resulted in excess payment.

When pointed out in March 2022, the management stated that the detailed reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends enquiry for fixing responsibility.

PDP No. 187 (2021-22)

17.4.62 Overpayment due to excess brought forward to next EPC – Rs. 5.326 million

According to Para 42 of the Central Public Works Account Code, the responsibility for the correctness, in all respects, of the original records of cash and stores, receipts and expenditure, as also for seeing that complete vouchers are obtained rests with the Divisional Officer, who will, before submitting the monthly accounts, carefully examine the books, returns and papers from which the same are compiled.

During audit of the accounts record of Planning and Construction Division Peshawar, DG Small Dams, KhyberPakhtunkhwa for the financial year 2021-22, it was observed that escalation of Rs.142,716,834/- was paid to M/S Atif Khan Khattak Govt: Contractor under the project “Construction of Marobi Dam in district Nowshera” through EPC No. 4 based on IPC No. 01 to 14.

The scrutiny of EPC No. 1C, 2, 3, 3A and 4 revealed that incorrect and excess amount was brought forward to the EPC which enhanced the amount required for payment in the current EPC and ultimately led to overpayment of Rs.5,325,802/- as summarized below:

IPC No.	EPC No. 1C (15SD/ 06.06.22)	EPC No. 2 (16SD/ 06.06.22)	EPC No. 3 (17SD/ 06.06.22)	EPC No. 3A (22SD/ 17.06.22)	EPC No. 4 (25SD/ 20.06.22)	Overpayment (Rs.)
	Escalation amount	Escalation amount	Escalation amount	Escalation amount	Escalation amount	
1	695,112	844,064	873,855	873,855	873,855	178,743
2	1,474,783	1,960,791	2,027,827	2,027,827	2,027,827	553,044
3	2,775,960	2,775,959	2,794,590	2,794,590	2,794,590	18,630
4	4,961,274	4,961,274	4,961,274	4,961,274	4,961,274	-
5	2,628,595	2,628,595	2,628,578	2,628,578	2,628,578	
6	3,631,826	3,631,801	3,631,801	3,631,801	3,631,801	
7	10,294,859	10,290,633	10,532,197	10,532,197	10,532,197	237,338
8	3,118,784	3,118,784	3,256,435	3,256,435	3,256,435	137,651
9	8,123,191	8,123,204	8,541,926	8,541,926	8,541,926	418,735
10	14,805,339	14,805,339	15,574,353	15,574,353	15,574,353	769,014
11		20,109,405	21,590,330	21,590,330	21,590,330	1,480,925
12		15,562,721	17,094,485	17,094,485	17,094,485	1,531,764
13			24,432,504	24,432,504	24,432,504	-
14					24,776,679	
	52,509,723	**88,812,570**	**117,940,155**	**117,940,155**	**142,716,834**	**5,325,802**

The lapse occurred due to non-fulfillment of the contractual obligations by the supervisory consultants and weak internal controls by the management which led to overpayment.

When pointed out in March 2022, the management stated that the detailed reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends immediate recovery of overpaid amount from the contractor and action against the person(s) at fault.

PDP No. 1190 (2021-22)

17.4.63 Overpayment to contractor on account of escalation due to allowing it against unutilized items – Rs. 21.558 million

According to Part I – Procedure, sections C 1 & 5 and Part-II (4) of the Standard Procedure and Formula for Price Adjustment, Pakistan Engineering Council Guidelines 2009 edition, except labour and POL, if any other adjustable item(s) is not used in a particular billing period then the ratio of current date price and base date price for that particular adjustable item(s) shall be considered as one. The billed amount of the Works for each calendar month will be obtained from the checked bills submitted by the Contractor. In case the billed amount is for more than one month, the amount of the bill shall be segregated for actual work done in each month. The co-efficient for each specified adjustable element shall be determined by the user proportionate to its ratio in the total amount of the Engineer's Estimate, in accordance with the procedure B-1 given under Part 1.

During audit of the accounts record of Planning and Construction Division Peshawar, DG Small Dams, KhyberPakhtunkhwa for the financial year 2021-22, it was observed that escalation of Rs.117,940,155/- was paid to M/S Atif Khan Khattak Govt: Contractor under the project "Construction of Marobi Dam in district Nowshera" through EPC No. 3 against IPC 01 to 13.

Perusal of the escalation bill revealed that overpayment of Rs.21,557,861/-was made to the contractor, as summarized below and worked out in the enclosed statement:

Escalation Paid (Rs.)	Escalation Due (Rs.)	Overpayment (Rs.)
117,940,155/-	96,382,294/-	21,557,861/-

Recalculation of escalation bill showed overpayment due to the following reasons:

i. Steel was not consumed in IPC No. 1 – 6, 8, 10, 12 & 13 but still escalation was calculated for steel against the PEC guidelines which states that except labour and POL, if any other adjustable item(s) is not used in a particular billing period then the ratio of current date price and base date price for that particular adjustable item(s) shall be considered as one.

ii. Similarly, cement was not used in IPC No. 1 - 3 but still escalation was calculated for cement.

iii. Construction schedule was not submitted by the contractors as required under section A-3 of the guidelines of Pakistan Engineering Council.

iv. The work done for 6 -8 months was accounted for escalation calculations instead of segregation in to respective billing months. The accumulation of work done and its multiplication to the higher current rates resulted in overpayment. It was violation of

PEC guidelines which states that in case the billed amount is for more than one month, the amount of the bill shall be segregated for actual work done in each month.

The lapse occurred due to weak management / supervision of the project by the supervisory consultant / management and violation of the PEC guidelines which resulted in overpayment to the contractor.

When pointed out in March 2022, the management stated that the detailed reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends immediate recovery of overpaid amount from the contractor and action against the person(s) at fault.

PDP No. 191 (2021-22)

17.4.64 Non-imposition of liquidated damages for non-completion of the project within stipulated time – Rs. 57.255 million
Irregular award of contract on the basis of toss between the bidders – Rs. 572.55 million

According to Letter of Acceptance issued to M/S Raja Adalat Khan & Son for the construction of Jaroba Dam project vide No. 3717/SD/DG/7-G(i) Jaroba dated 27-04-2017 read with special stipulation No. 43.1, 47.3 and 48.2, the contract was awarded at the bid cost of Rs.572.55 million i.e. 10% below on estimated cost of Rs.636.171 million. Time for completion of the project was 730 days with penalty of Rs.347,986/- for each day of delay in completion of the works subject to a maximum of 10% of the contract cost.

During audit of the accounts record of Planning and Construction Division Peshawar, DG Small Dams, KhyberPakhtunkhwa for the financial year 2021-22, it was observed that contract for the "Construction of Jaroba Dam, Nowshera" was awarded to M/S Raja Adalat Khan at the contract cost of Rs.572.55 million on 27-04-2017. The stipulated time for completion was 2 years and was due for completion on 27-04-2019. The contractor was paid Rs.355.997 million till IPC 18.

Perusal of record revealed the following irregularities:

i. The contractor failed to complete the project till 27-04-2019 and 90% physical work was shown completed in the Progress Report for June, 2022. Despite lapse of 3 years and 2 months, neither the project could be completed nor liquidated damages of Rs.57.255 million (572.55 x 10%) was imposed. Furthermore, time extensions requests were submitted by the contractor nor evaluated/ recommended by the supervisory consultants and granted by the management with cogent reasons of fault not being on the part of the contractor.

ii. Bidding record revealed that 04 bidders offered rate of 10% below and contract was awarded on the basis of selection of bidder through toss instead of re-tendering. However, there was no rules provisions regarding the process of toss for award of contract.

iii. 02 bidders namely M/S Haji Aurangzeb Khan Gandapur and M/S Brothers Constructions & Builders were not prequalified on the plea of not completing dam project of Rs.250 million in the last 10 years. However, there was no evidence regarding fulfillment of the same condition by the successful bidder.

The lapse occurred due to non-enforcement of the contract clauses as well as defective bidding process which resulted in non-imposition of the liquidated damages.

When pointed out in March 2022, the management stated that the detailed reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends to impose/ recover liquidated damages from the contractor and inquire the bidding process.

PDP No. 192 (2021-22)

17.4.65 Overpayment to contractor due to non-freezing of current rates in escalation on expiry of original contract period – Rs. 20.793 million

According to Part I – Applicability sections 3 & 4 (i) of the Standard Procedure and Formula for Price Adjustment, Pakistan Engineering Council Guidelines 2009 edition, in case of default on the part of the contractor causing delay in original scheduled completion, the rate of Price Adjustment will be frozen at the original scheduled date of completion; however, Price Adjustment will be applicable till actual completion. While computing Price Adjustment beyond the scheduled completion period, in the event the rate is reduced, then that reduced rate will be applied. Construction schedule should be provided by the contractor as required in the contract.

During audit of the accounts record of Planning and Construction Division, Peshawar, DG Small Dams, KhyberPakhtunkhwa for the financial year 2021-22, it was observed that contract for the “Construction of Jaroba Dam, Nowshera” was awarded to M/S Raja Adalat Khan at the contract cost of Rs.572.55 million on 27-04-2017. The stipulated time for completion was 2 years and was due for completion on 27-04-2019. The contractor was paid Rs.355.997 million till IPC 18 on account of work done, in addition to escalation payment of Rs.53.394 million till EPC No.4.

Perusal of record revealed that the work could not be completed within stipulated time as IPC No. 18 bill was paid vide voucher No. 20SD/08-06-2022.

Audit held that current rates were required to have been frozen at the at the expiry of the original completion period i.e. 27-04-2019. Contrarily, contractor was paid escalation at the unfrozen current rates despite the fact that 03 years & 2 months elapsed after the stipulated completion time. Making escalation payment at the unfrozen current rates resulted in overpayment of Rs.20.793 million as summarized below and worked out in the enclosed statement.

Particulars	**Amount (Rs.)**
Escalation due as per frozen current rates on expiry of original period	**32,601,390/-**
Escalation paid	**53,394,318/-**
Overpayment	**20,792,928/-**

The lapse occurred due to violation of the PEC guidelines which resulted in overpayment to the contractor.

When pointed out in March 2022, the management stated that the detailed reply will be submitted after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery of the overpaid amount from the contractor and action against the supervisory consultants.

PDP No. 194 (2021-22)

17.4.66 Overpayment to contractor on allowing higher rate than approved PC-I / estimate - Rs. 3.034 million

According to Para-56 CPWD Code, T.S is guarantee that the proposal are structurally sound and that the estimates are accurately calculated and based on adequate data.

During audit of AIP/ADP funds for the financial year 2020-21, the record of the XEN Irrigation Division North Waziristan revealed that the work "Construction of Main Cannel of Kand Small Dam in Shera Tala Mir Ali District" was awarded to the contractor at a rebate of 26% below vide work order dated 23.12.2019 with estimated cost of Rs 36.74 million. The contractor was paid Rs.21.924 million vide voucher No.23, dated 16.6.2021 (7th& final bill).

On further comparison and verification of the bill quantities with the TS, MB etc; it was noticed that the contractor was allowed for the execution of an item of work i.e. earth excavation in irrigation channel /drains and disposal up to 25m & dressing in soft soil" @ Rs.684.30 PM3 for a quantity of 3019.00

M3 for Rs.2,065,950/- instead of Rs.212.74 PM3 as already provided in TS, which resulted into an overpayment of Rs.1,423,640/- (684.30 (-) 212.74 = 471.56 X 3019.00) to the contractor concerned.

Similarly, the quantity of the above item of work was also enhanced from the estimated quantity of 665.50 M3 to 3019.00 M3 without any justification, which also created doubt and resulted into an overpayment of Rs.1,610,500/- (2353.5M3 x Rs 684.30) to the contractor concerned.

The lapse occurred due to weak internal controls of the management over the affairs of engineering staff.

When pointed out in May 2023, management stated that detail reply will be submitted in due course of time after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

The matter is reported for recovery and action against the person(s) at fault.

PDP No. 1397 (2021-22)

17.4.67 Doubtful expenditure on special repair of small dams – Rs. 6.920 million

According to Para 96 of the GFR Vol.-I, money should not be spent hastily or in ill-considered manner just because it is available or that the lapse of a grant could be avoided.

During Special Audit of AIP funds of XEN Irrigation Division, North Waziristan for the financial year 2019-22, it was observed that an expenditure of Rs.6,920,000/- was incurred on the special repair of the following small dams:

Vr. No.	**Name of work**	**Contractor**	**Expenditure**
71/17.06.20	Special M&R to kand dam, Mir Ali	Atta Global	4,685,000
72/17.06.20	Special M&R to Misri Khel small dam	Dawar Lodhi	2,235,000
Total			**6,920,000**

The special repair/M&R expenditure of Rs.6,920,000/- above was doubtful as construction work in the same small dams were in process as following payments for regular construction were also incurred apart from above payments:

Vr. No	**Name of work**	**Contractor**	**Expenditure**
76(i)/18.6.20	Const: of Misri Khel small dam in Mir Ali	Atta Global	9,250,000

77/18.6.20	Const: of Kand small dam in Shera Tala Mir Ali	Atta Global	16,271,508
Total			**25,521,508**

Incurrence of expenditure on construction of small dam and special repair of the same small dams, simultaneously needs to be inquired for appropriate action.

The lapse occurred due to weak internal controls, which resulted in loss to government.

When pointed out in May 2023, management stated that detail reply will be submitted in due course of time after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends inquiryin the matter and action against the person(s) at fault.

PDP No. 1402 (2021-22)

17.4.68 Overpayment to contractors on allowing excess drilling than MS pipe - Rs. 1.112 million

According to paragraph 296 of CPWA Code, 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 varying conditions thereof, so far as may be practicable, be recorded.

During special audit of AIP/ADP fund for the financial year 2021-22, the record of the XEN Irrigation Division South Waziristan revealed that the sub work "Construction of tube well for Malik Khair Muhammad Kikarai Kach Madi Jan Tehsil Taiza" was awarded to the contractor vide work order dated 25.09.2021. The contractor was paid Rs.2.82 million vide voucher No.08, dated 22.12.2021 (Ist running bill).

On further verification of the bill quantities with MB etc; it was noticed that the contractor was allowed drilling for bore hole for tube well for a depth of 125 M (70+55) @ Rs.10,952.63 PM & Rs.13,459.12 PM totaling Rs.1,506,936/- (766,684+740,252) but on comparison it was disclosed that the MS blind pipe and Brass Strainer was installed in tube well bore hole for a quantity of 47 M (15+32) @ Rs.6,481.63 & Rs.27,604.37 totaling Rs.980,564/- thereby meaning that an excess of 78 M drilling in bore hole (125 (-) 47) was allowed to the contractor duly recorded in MB No.171 at page-108 & 109, which resulted into an overpayment of Rs.1,112,800/- (78 M x @ Rs.13,459.12 x 1.06 cost factor) to the contractor concerned.

Moreover, how it was possible that the quantity of Brass Strainer pipe for 32 M was far in excess than MS blind pipe of 15 M which was also doubtful.

Similarly, it could not be got confirmed that as to whether the MS blind pipe of 10" dia was installed or otherwise PVC pipe of the same dia was fixed.

The lapse occurred due to weak internal controls of the management over the affairs of engineering staff, which resulted in loss to government.

When pointed out in May 2023, management neither discussed nor replied to the audit observation.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends the matter to be enquired for fixing responsibility besides recoveryand action against the person(s) at fault.

PDP No. 1377 (2021-22)

17.4.69 Overpayment to contractor on allowing higher rate of PCC 1:3:6 with 30% boulders instead of PCC 1:3:6 with 40% boulders as per actual record entry in MB - Rs. 1.674 million

Overpayment to contractor on application of incorrect & higher rate on allowing PCC 1:3:6 with 30% boulders other than actual work done - Rs. 1.266 million

As per MRS-2020, rates for PCC 1:3:6 in mass concrete less form work using 40% boulders were approved under Code 06-44-b @ Rs.4976.82 PM3.

Para-221 of the CPWA Code provides that 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 special audit of AIP/ADP fund for the financial year 2021-22, the record of the XEN Irrigation Division South Waziristan revealed that the sub work "Construction of Check Dam for the land of Ahmad Kadai" was awarded to the contractor at a cost of Rs.25.628 million vide work order dated 20.9.2021. The contractor was paid Rs.25.628 million vide voucher No.03, dated 21.6.2022 (3rd running bill).

On further comparison of the bill quantities with the TS, MB, it was noticed that the contractor was paid for an item of work i.e. PCC 1:3:6 with 30% boulders @ Rs.5432.81PM3 for a quantity of 3496.465, instead of PCC 1:3:6 with 40% boulders @ Rs.5432.82 PM3 as the said item was carried out with 40% boulders as verified and confirmed from the record entries at page-22,28 & 30 of MB No.181 (copies of relevant pages are enclosed for ready reference). This has resulted into an overpayment of Rs.1,674,071/- (5432.81 - 4976.82=455.99 x 3496.465M3 x 1.05 cost factor) to the contractor concerned.

Similarly, the sub work "Construction of Check Dam for the land of Shayan Tora Payal" was awarded to the contractor at a cost of Rs.20.620 million vide work order dated 20.9.2021. The contractor was paid Rs.20.620 million vide voucher No.02, dated 21.6.2022 (3rd running bill).

On further comparison of the bill quantities with the TS, MB, it was noticed that the contractor was paid for an item of work i.e. PCC 1:3:6 with 30% boulders @ Rs.5432.81PM3 for a quantity of 2644.30M3, which was physically executed as PCC 1:3:6 with 40% boulders the rate of which was provided in MRS-2020 @ Rs.5432.82 PM3 as verified and confirmed from the record entries at page-6,12,45,49-50 of MB No.181 (copies of relevant pages are enclosed for ready reference). On application of incorrect and higher rate the contractor was overpaid a sum of Rs.1,266,063/- (5432.81 (-) 4976.82=455.99 x 2644.30M3 x 1.05). This has resulted into an overpayment of Rs.1,266,063/- to the contractor concerned.

The lapse occurred due to weak internal controls of the management over the affairs of engineering staff, which resulted in loss to government.

When pointed out in May 2023, management neither discussed nor replied to the audit observations.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends the matter to be enquired for fixing responsibility besides recoveryand action against the person(s) at fault.

PDP No. 1378 & 1380 (2021-22)

17.4.70 Suspected/ unauthentic expenditure on account of removal of trees and where about of trees – Rs. 6.258 million

According to Para 23 of GFR volume-I, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinate.

During Special Audit of AIP funds of XEN Irrigation Division, Khyber for the financial year 2019-22, it was observed that payment of Rs 6,258,317 was made to a contractor for an item of work "Removal of trees girth over 600mm" vide voucher No. 10-K dated: 28.12.2021 in a work "Remodeling and extension of Bara River Canal System Package-III". Audit holds that neither the where about of trees was known to audit during physical verification nor any sign of trees found except bushes everywhere on the embankment of whole river/canal as can be verified from pictures. Audit also observed the following:

i. Where about of the removed trees / Acknowledgement of trees by Forest Department and its auction was not available.
ii. Site survey by Forest Department showing number of trees requiring removal was not available.
iii. Inventory report of removed trees along with stems was not available.
iv. Payment of compensation to Forest Department in lieu of trees removal was not available.
v. NOC of Forest Department for removal/ cutting of trees was not available.
vi. No pictures were taken/ available before and after the trees cutting process, which also creates doubts.

Undue benefit was extended to the contractor and chances of misappropriation could not be ruled out. Government was thus put into loss of Rs 6,258,317 as per the following details:

S#	Name of Work	Girth of tree	No of trees	Rate	Amount (Rs)
1	Remodeling and extension of Bara River Canal System Package-III	600mm	2090	2994.41	6,258,317
	Total				**6,258,317**

Irregularity occurred due to weak internal control, which resulted in loss to the government.

When pointed out in April 2023, management stated that detail reply will be submitted in due course of time after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit suggests inquiry besides recovery and action against the person(s) at fault.

PDP No. 1250 (2021-22)

17.4.71 Non recovery of DPR charges from contractors for Rehabilitation of Disable Person - Rs. 4.269 million

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

During Special Audit of AIP funds of XEN Irrigation Division, South Waziristan for the financial year 2019-22, it was observed that payment of Rs 610.44 million was made to various contractors for difference works. However, DPR charges at the rate of Rs. 2000/- per million, amounting to Rs. 1,220,880 was not deducted from contractors resulting in loss to government.

Similarly, XEN Irrigation Division, North Waziristan during the financial year 2019-22 made payment of Rs 768.061 million to various contractors for difference works. However, DPR charges at the rate of Rs. 2000/- per million, amounting to Rs. 1,536,122 were not deducted resulting into non deposit of Rs 1,536,122.

Furthermore, XEN Irrigation Division, Khyber during the financial year 2019-22 made payment of Rs 1,295.381 million to various contractors for difference works. However, DPR charges at the rate of Rs. 2000/- per million, amounting to Rs. 1,077,799 were deducted instead of Rs 2,590,000 resulting less deposit of Rs 1,512,201.

The lapse occurred due to non-adherence to the provisions of rules and weak internal controls, which resulted into non recovery of DPR charges.

When pointed out in May 2023, management stated that detail reply will be submitted in due course of time after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery of DPR charges.

PDP No. 1394, 1415 & 1268 (2021-22)

17.4.72 Non-deduction of defray charges from the contractors - Rs. 96.057 million

According to Finance department KP notification No.SO (Dev-II)/FD/12-6/2014-15 dated21.04.2015, all provincial works department while preparing cost estimates of development projects which fall in the tax exempted areas such as PTA, shall frame the same on market rate but with 7.5% less cost to defray the amount added in the rate analysis of all works /constructions/supply items to meet withholding tax.

During the course of special audit of AIP funds of Executive Engineer, Irrigation Division North Waziristan for the Financial Year 2019-22, it was observed that the local office paid a sum of Rs 670.324 million to various contractors for different works, but neither the estimates were reduced by 7.5% nor deduction of income tax @7.5% amounting to Rs 50.274 million was made from contractors, which is against the spirit of Finance Department notification as stated above and the same needs to be recovered. Detail is given below:

ADP No.	Name of Scheme	Expenditure
2322	195191-Construction of Check Dams / Storage Reservoirs on need basis across Merged Districts (AIP). PDWP /10-08-2019	275.576
2324	195195 - Construction/ Improvement of irrigation Channels/Water Ponds on need basis (AIP). PDWP / 10-08-2019	308.343
2325	195196 - Need Assessment and Construction of New Solar tube Wells & Solarization of existing Tube Wells (AIP). PDWP /10-08-2019	68.322
2328	195199 - Institutional Strengthening, Capacity Building & Construction of official setup of Irrigation Department (AIP). PDWP /04-01-2021	18.083
Total		**670.324**
7.5% withholding tax= 670.324 x 7.5%=		**50.274**

Furthermore, during the course of special audit of AIP funds of Executive Engineer, Irrigation Division South Waziristan for the Financial Year 2019-22, it was observed that the local office paid a sum of Rs 610.44 million to various contractors for different works but neither the estimate was reduced by 7.5% nor deduction of income tax @7.5% amounting to Rs 45.783 million was made from contractors, which is against the spirit of Finance Department notification as stated above and the same needs to be recovered.

The lapse occurred due to non-observing the Government rules & regulations, which resulted in loss of Rs. 96.057 million to the government.

When pointed out in June 2023, management stated that detail reply will be furnished after scrutiny of record.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery and action against the person(s) at fault.

PDP No. 1408 & 1393 (2021-22)

Chapter – 18

LABOUR DEPARTMENT

18.1 (A) Introduction:

The labour department is the custodian of the guaranteed rights of the workers like right to organize, right to collective bargaining, participation in the affairs of the respective organization, health & safety, minimum wages, compensation, etc. For realization of its role, it enforces various labour laws. The implementation of labour laws ensures compliance of the international labour standards and thus contributes to achieving GSP, GSP+ and GSP++ status by securing higher position in the grading system applied by the granting countries, regions and organizations. It also enforces international system of weights and measures in the province. Besides, it carries out awareness raising drive in the workers, employers and other stakeholders on labour issues, labour laws and contemporary issues.

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

1. All matters affecting labour in general:
   (a) Welfare and conditions of labour;
   (b) Labour Laws, both Federal and Provincial; and
   (c) Labour Legislation (Provincial).
2. All cases relating to Weights and Measures Act.
3. Administration of Labour Courts and Labour Appellate Tribunals.
4. Administration of Minimum Wages Boards.
5. Social Security Scheme.

6. Legislation relating to welfare of labour, conditions of labour, provident fund, employers liability and workmen's compensation, health insurance, workers children education, trade unions, industrial relations and labour disputes.
7. Labour Conference, Tripartite Labour Conference, Standing Labour Committee and Bonus Commission.
8. Education of workers in the essentials of trade unions, including education in respect of their rights and obligations.
9. Matters relating to Workers' Education.

Audit Profile of Labour Department:

(Rs. in million)

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23	Revenue/Receipts Audited FY 2022-23
1	Formations	54	5	128	0
2	• Assignment Account • SDA (Excluding FAP)	Nil	Nil	N/A	Nil
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	01	01	1,259	N/A

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

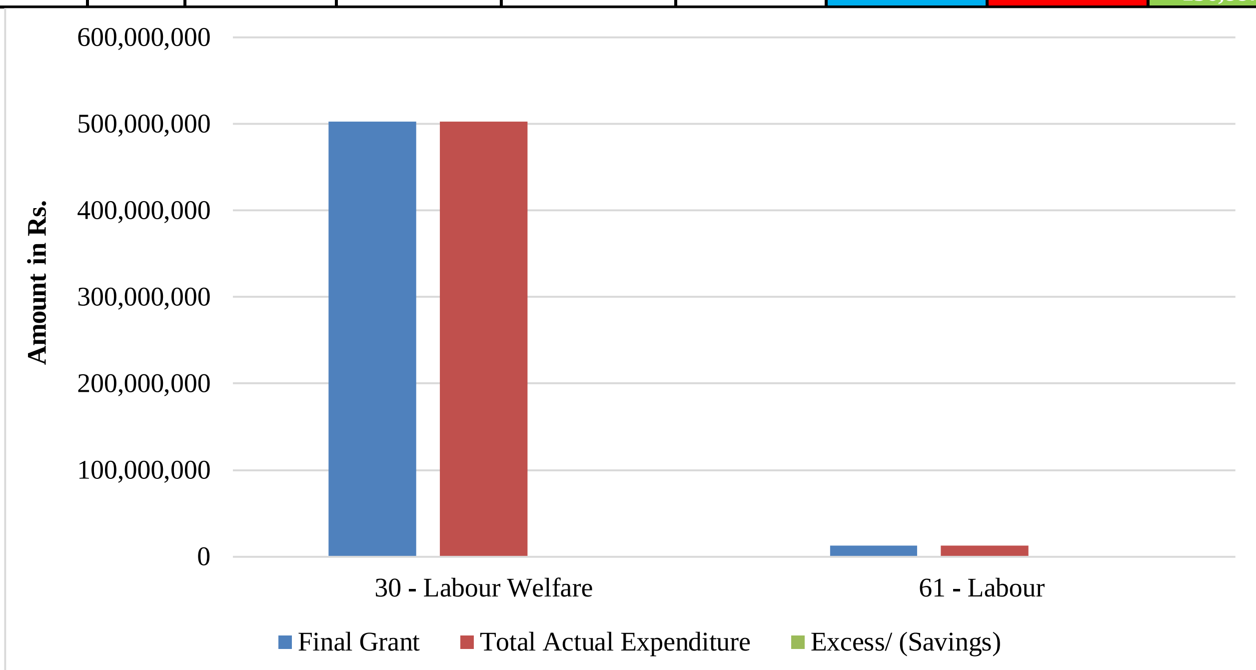
Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2022-23 against the total of grants/appropriation was as follows:

Non-Development:

(Amount in Rs.)

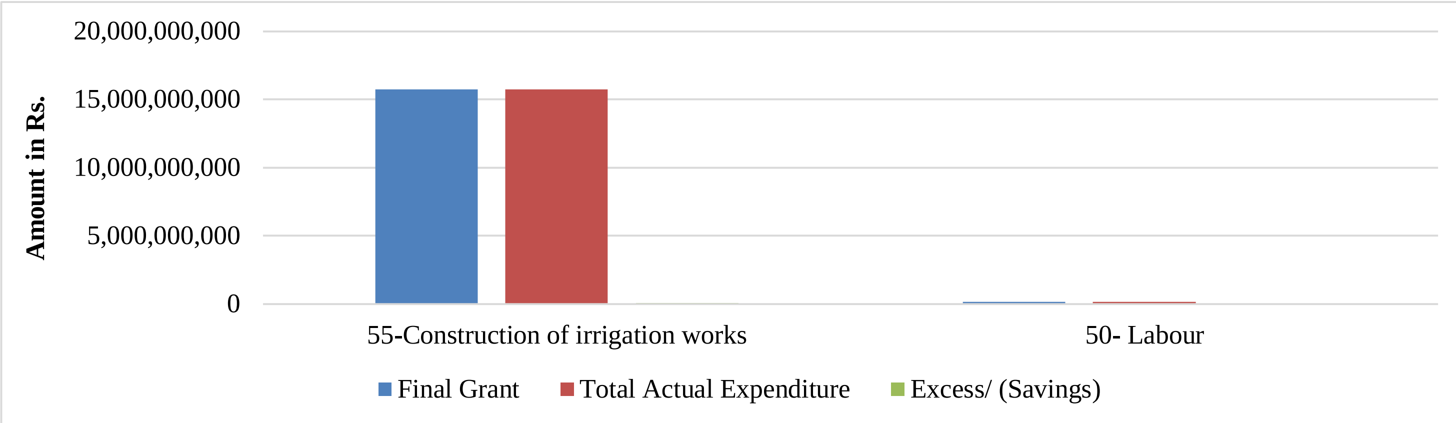
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
30 - Labour Welfare	NC21	605,328,000	2,410	0	102,584,320	502,746,090	502,882,977	136,887
61 - Labour	NC21	46,751,000	0	159,391	34,110,034	12,800,357	12,800,357	-
Total		**652,079,000**	**2,410**	**159,391**	**136,694,354**	**515,546,447**	**515,683,334**	**136,887**



Development:

(Amount in Rs.)

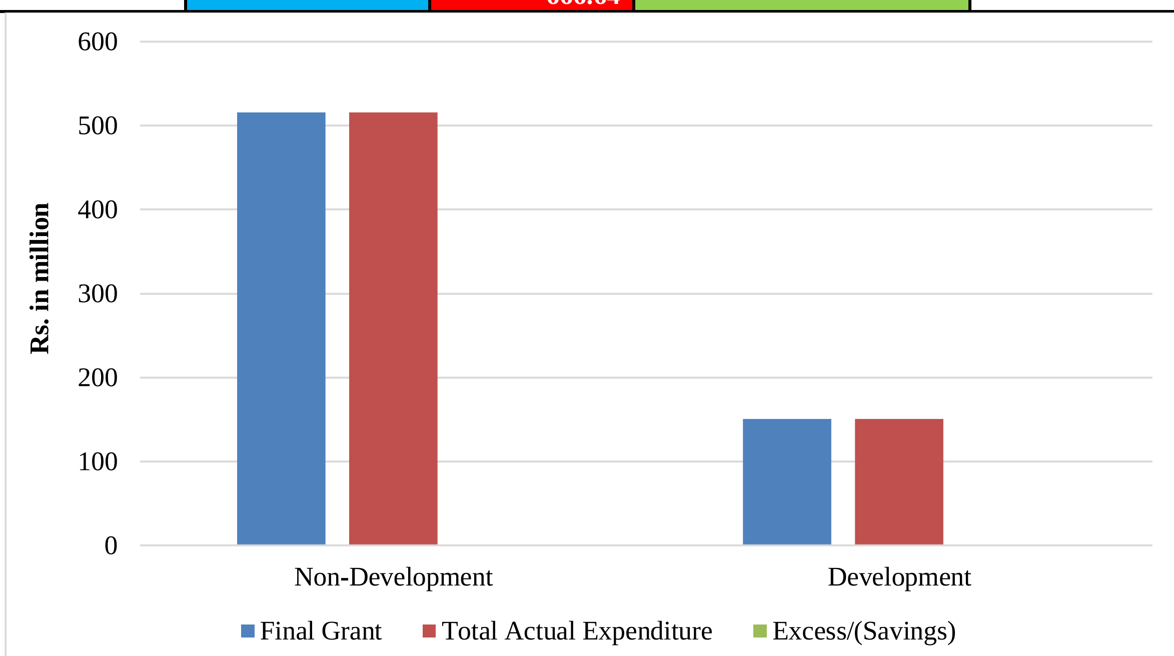
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appriopriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50- Labour Welfare	NC22	333,144,000	0	0	182,184,712	150,959,288	150,959,288	-
Total		**333,144,000**	**0**	**0**	**182,184,712**	**150,959,288**	**150,959,288**	**0**



Overview of expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	515.55	515.68	0.14	0.03%
Development	150.96	150.96	-	0.00%
Total	**666.51**	**666.64**	**0.14**	0.02%



18.1 C) Issues in Labour Department

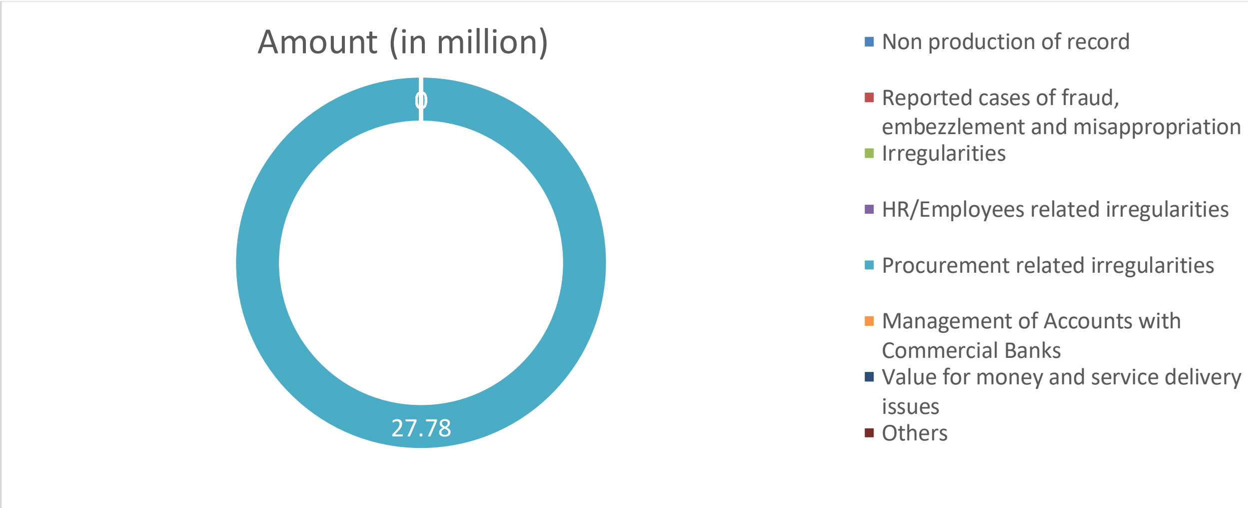
The department did not furnish the initial management replies at the time of exit meetings besides failing to convene the DAC meetings on time. The department could not maintain the minutes of the meetings chaired by the Secretary for record. Furthermore, the department failed to install and operationalize the lab tests machinery in the hospitals under the Employees Social Security Institution.

18.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 27.780 million were raised in this report during the current audit of Labour Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

S. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	27.780
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	-



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

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
7.	2011-12	Labour	Nil	Nil	Nil	Nil
8.	2012-13	-do-	Nil	Nil	Nil	Nil
9.	2013-14	-do-	Nil	Nil	Nil	Nil
10.	2014-15	-do-	Nil	Nil	Nil	Nil
11.	2015-16	-do-	Nil	Nil	Nil	Nil
12.	2016-17	-do-	Nil	Nil	Nil	Nil

18.4 Audit Paras

18.4.1 Non-provision / maintenance of minutes of meetings chaired by the Secretary Labor

According to the Khyber Pakhtunkhwa Rules of Business 1985 notified vide Establishment & Administration Department Notification No. SO(O&M) S&GAD/3-3/1985 dated 06.04.1985.

1. All matters affecting labor in general
2. All cases relating to Weights and Measures Act.
3. Administration of Labor Courts and Labor Appellate Tribunals.
4. Administration of Minimum Wages Boards.
5. Social Security Scheme.
1. Legislation relating to welfare of labour, conditions of labour, provident fund, employers' liability and workmen's compensation, health insurance, workers children education, trade unions, industrial relations and labor disputes.
6. Labor Conference, Tripartite Labor Conference, Standing Labor Committee and Bonus Commission.
7. Education of workers in the essentials of trade unions, including education in respect of their rights and obligations.
8. Matters relating Workers' Education.

According to Section 14 (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provides that any person or authority hindering the auditorial functions of the Auditor-General of Pakistan regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

During audit of the accounts of Secretary Labor Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was noticed that the Secretary Labor was entrusted with additional duties which were as under;

1. Chairman (WWB) Worker Welfare Board
2. Chairman (WCEB) Worker Children Education Board
3. Commissioner, (ESSI) Employees Social Security Institute

The Secretary labor chaired the meeting of the above offices. In this connection Audit requested for provision of the minutes of meetings, decisions taken during the meetings and any other instructions issued, but the department failed to provide such a record. It was further added that according to Rules of Business, the labour legislation and other issues relating to welfare of labor, health insurance, salary issues etc. were required to have been highlighted but no correspondence / record in this regard was provided to Audit.

The laps occurred due to weak internal controls and non-observance of rules / regulations which resulted into non-provision of maintenance of minutes of meetings and other record.

When pointed out in August 2023, no reply was furnished.

The department was requested vide letter dated 11.09.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends providing all the requisitioned record to Audit besides taking appropriate action against the person(s) at fault for non-provision of the record.

PDP No. 14 (2022-23)

18.4.2 Wasteful expenditure on account of purchase of PCRs - Rs. 27.780 million

According to PC-1 "Establishment of Clinical Laboratories (Grade A) and X-Ray Facilities at Service Outlets of Khyber Pakhtunkhwa (Employees Social Security Institution" (ESSI)", the main objective is to ensure best and advanced laboratory technology in the field of health services to secured workers of the institution. Further to reduce the financial burden on ESSI as a handsome amount of money is being spent on the hired panel laboratories in the private sector to provide testing facilities to the secured workers of the institution.

According to bidding documents, the firm/supplier will be responsible for complete installation and commissioning of the machine.

During audit of the accounts of Secretary Labor Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was noticed that under Project titled "Establishment of Clinical Laboratories (Grade A) and X-Ray Facilities at Service Outlets of Khyber Pakhtunkhwa (Employees Social Security Institution (ESSI)", a contract for supply of fully automatic PCR (03 Nos) with all accessories was awarded to M/S Jam Sons @ Rs.13,890,440/- each. In this connection a sum of Rs.27,780,880/- was paid to the supplier vide Cheque No.045018 dt.28-6-22 and No.045025 dt.16-8-2022. The 03 Nos of PCR machines were delivered to the concerned hospitals. During visit of the Employee Social Security Institution Medical Centre at Peshawar, where one of the machines was supplied, it was noticed that only delivery of the said machine was made but was not installed till date i.e. 09.08.2023. Due to defective/incomplete specification given in the PC-I, the machines were not operational/installed and a huge amount of money was spent on the hired panel laboratories in the private sector.

Audit held that as per bidding documents, the supplier was bound to install /operationalize the machines which was not done.

The lapse occurred due to defective planning and financial mismanagement which resulted into loss to the govt.

When pointed out in August 2023, no reply was furnished.

The department was requested vide letter dated 11.09.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to conduct a fact-finding inquiry into the matter, recover the amount and fix responsibility against person(s) at fault.

PDP No. 15 (2022-23)

Chapter-19

LAW DEPARTMENT

19.1 A). Introduction:

Law, Parliamentary Affairs and Human Rights Department deals with the legal matters relating to government business. It includes tendering advice to other Government Departments and deal with the legislative matters including taking action for promulgation of Ordinances, moving bills and laying the ordinances before the Provincial Assembly for enactment, pursuing litigation cases before courts on behalf of Government, whenever and wherever is necessary and printing of Acts, rules and Orders. It includes tendering advice to other Government Departments and deal with the legislative matters including taking action for promulgation of Ordinances, moving bills and laying the ordinances before the Provincial Assembly for enactment, pursuing litigation cases before courts on behalf of Government, whenever and wherever is necessary and printing of Acts, rules and Orders.

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

(1) The Law Department shall be consulted by the Departments.-

(a) on all legal questions arising out of any case;

(b) on the interpretation of any law;

(c) before instituting criminal or civil proceedings in a court of law in which Government is involved; and

(d) whenever criminal or civil proceedings are instituted against Government.

(2) For any proposed legislation, the Law Department shall be consulted in accordance with the provisions contained in these rules.

(3) Except as provided for in sub-rule (4), the Law Department is not, in respect of legislation, an originating office and its proper function is to put into correct form all proposed legislation. It is for the Administrative Department concerned to consider the desirability of legislation and all points connected therewith. After it has reached its conclusions, it shall refer the case to the Law Department with a memorandum indicating precisely the lines on which it is proposed to legislate which should include:-

(a) a statement in the form of series of propositions detailing the provisions required to be made, or preferably, a draft bill; and

(b) a statement giving the objects and reasons for such provisions.

The Law Department, apart from giving shape to the draft legislation, shall advise the Administrative Department whether any sanction is required under existing statutory provisions and whether any further legal requirements are to be compiled with. The Law Department shall also advise whether the proposed law disregards or violates, or is not in accordance with the principles of Law making, whether a reference should be made to the Council of Islamic Ideology for advice, if not already done, and if so, what shall be the terms of that reference. The Administrative Departments shall, after obtaining the approval of the Cabinet in terms of rule 19, return the draft legislation to the Law Department for further action in terms of rule 29.

Note: Legislation means a bill or ordinance or an amendment thereto.

(4) Legislation relating to the codification of substantive law or for the consolidation of existing enactments, or legislation of a purely formal character, such as repealing and amending bills and short title bills, may be initiated in the Law Department. It shall, however, consult the Administrative Departments concerned which shall consider the draft legislation in its bearing on administration, make such enquiries and consultations as may be necessary, and tender advice to the Law Department accordingly.

(5) The Law Department shall be consulted by the Administrative Departments before the issue of the following:

(i) any order, rules, regulations, notification, or bye-law in the exercise of statutory power; and

(ii) any sanction authorizing a subordinate authority to issue any order, rules, regulations, notification or bye-law under a statutory power.

The Law Department shall advise whether the proposed draft is strictly within the power conferred by the Legislature and is in the correct form.

(6) No Department shall consult the Advocate-General, except through the Law Department,

and in accordance with the procedure laid down by that Department. The Departments should draw up specific points on which the opinion of the Advocate-General is desired.

(7) If there is disagreement between the views of the Advocate General and the Law Department, the views of both the Law Department and the Advocate General should be conveyed verbatim to the Department concerned, and if the Department concerned does not accept the view of the Law Department, the case shall be submitted to the Minister for Law for a decision, who may, in his discretion, take such a case to the Cabinet.

(8) Bills requiring assent or sanction of the President shall be referred to the Federal Government by the Law Department.

Audit Profile of Administration Department:

(Rs. in million)

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23	Revenue/Receipts Audited FY 2022-23
1	Formations	2	2	339	0
2	• Assignment Account • SDA (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

19.1B) Comments on budget and accounts (variance analysis)

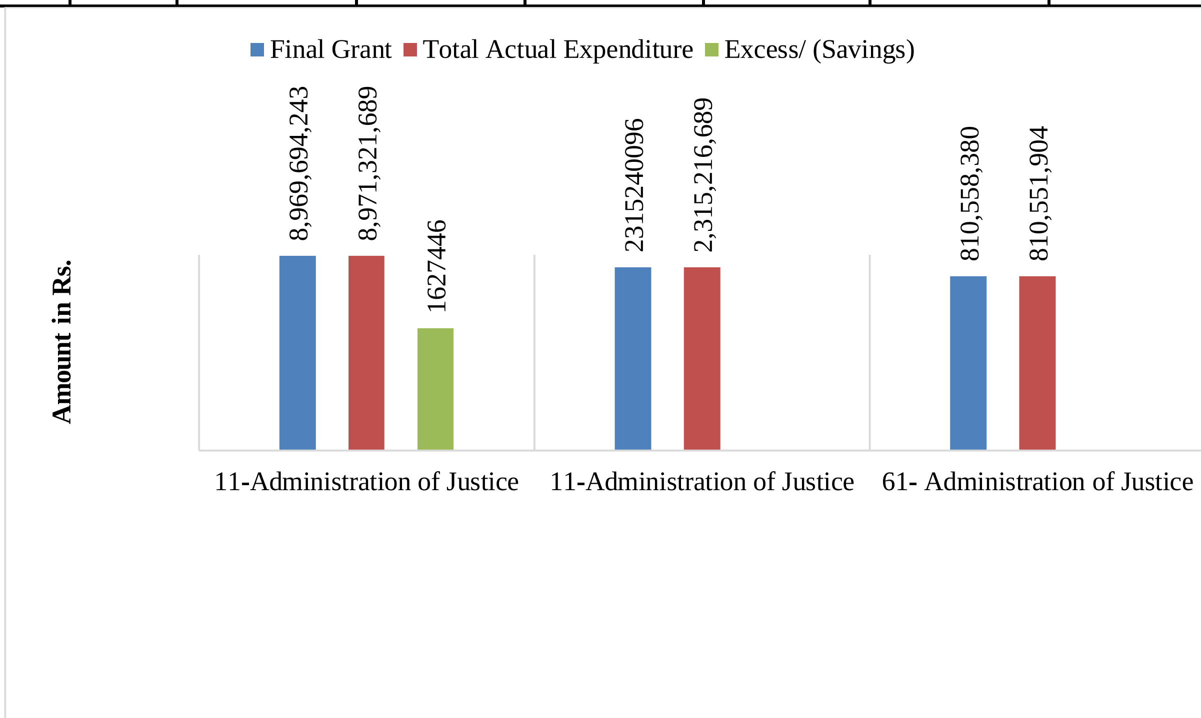
Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2022-23 against the total of grants/appropriation was as follows;

Non-Development:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supp. Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
11-Administration of Justice	NC21	7,742,300,000	1,936,407,000	0	709,012,757	8,969,694,243	8,971,321,689	1,627,446
11-Administration of Justice	NC24	2,043,289,000	531,245,000	0	259,293,904	2,315,240,096	2,315,216,689	- 23,407
61-Administration of Justice	NC21	1,278,172,000	0	56,936,231	524,549,851	810,558,380	810,551,904	- 6,476
Total		**11,063,761,000**	**2,467,652,000**	**56,936,231**	**1,492,856,512**			



Development:

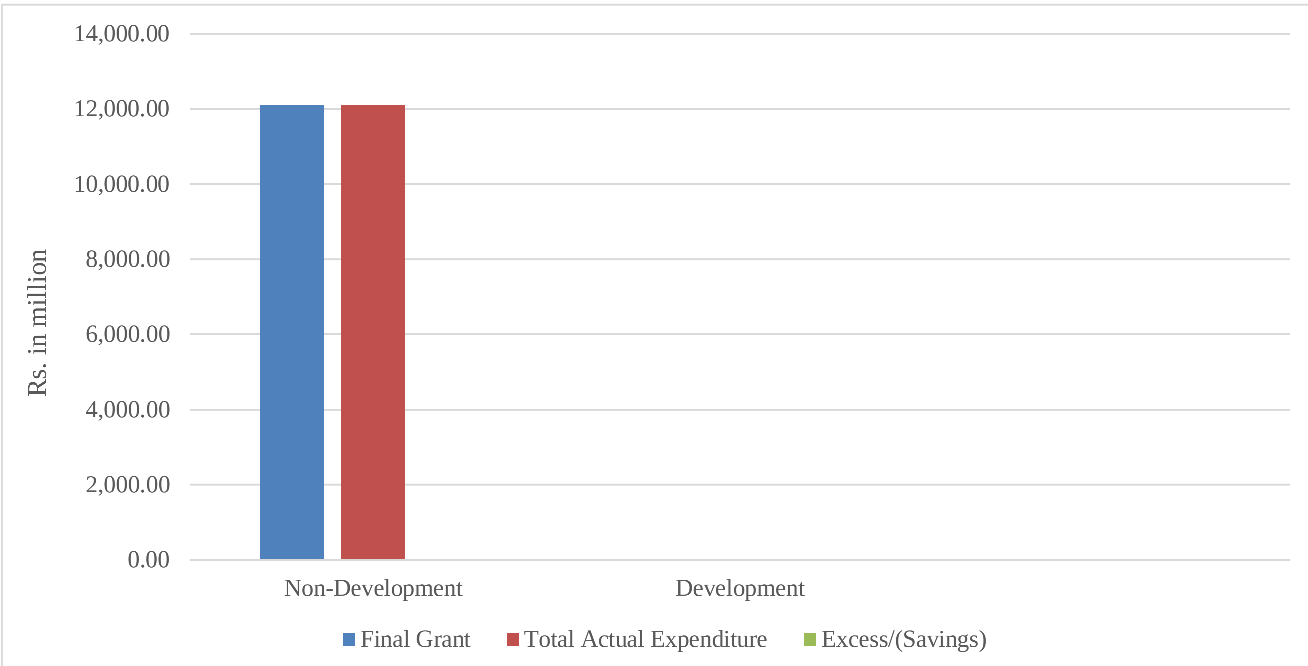
(Amount in Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Suppl Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50-Administration of Justice	NC22	0	0	0	0	0	0	-
Total		0	0	0	0	0	0	-

Overview of expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	12,095.49	12,097.09	1.60	0.01%
Development	-	-	-	
Total	**12,095.49**	**12,097.09**	**1.60**	0.01%



19.1(c) Issues in Law Department

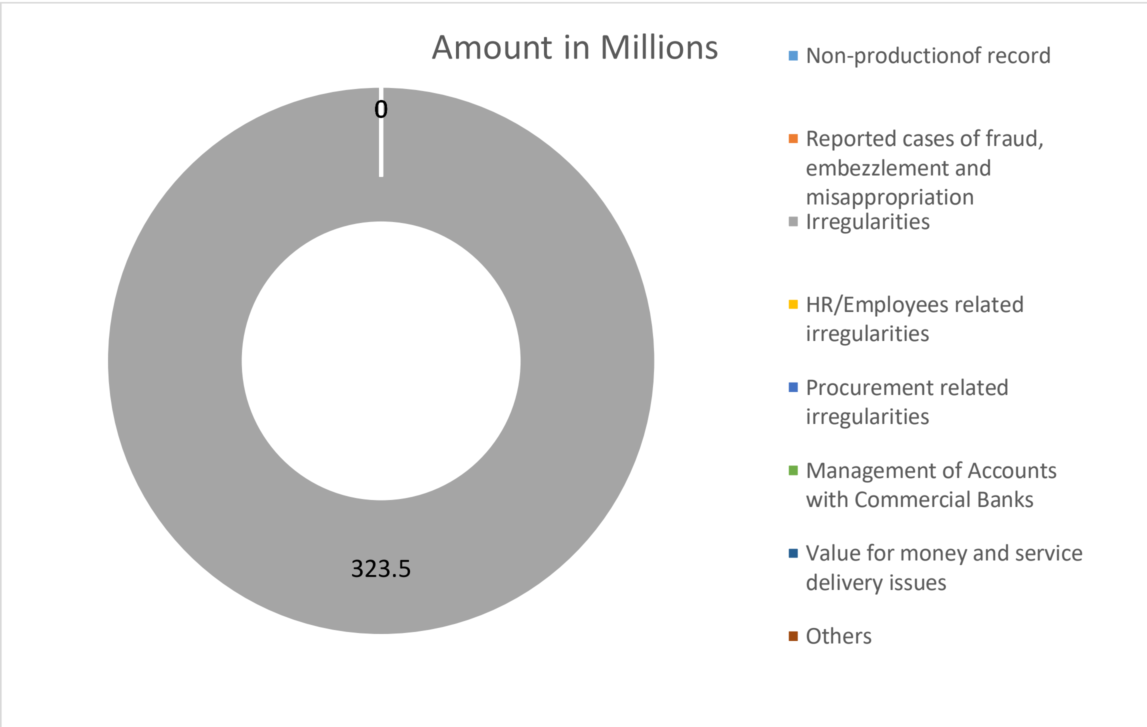
The department released funds to different bar associations, but the payments were made on simple receipts, in advance and on estimated cost. No APRs, bills and vouchers etc. were submitted by the bar associations.

19.2 Classified summary of Audit Observations

Audit observations amounting to Rs. 323.500 million were raised in this report during the current audit of the Law Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

S No.	Classification	Amount (Rs. in million)
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	323.500
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	-



19.3 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	Law Department	-	-	-	-
2	2002-03	-do-	-	-	-	-
3	2003-04	-do-	-	-	-	-
4	2004-05	-do-	-	-	-	-
5	2005-06	-do-	-	-	-	-
6	2008-09	-do-	-	-	-	-
7	2009-10	-do-	-	-	-	-
8	2010-11	-do-	-	-	-	-
9	2011-12	-do-	-	-	-	-
10	2012-13	-do-	-	-	-	-
11	2013-14	-do-	-	-	-	-
12	2014-15	-do-	-	-	-	-
13	2015-16	-do-	-	-	-	-
14	2016-17	-do-	-	-	-	-
15	2017-18	-do-	-	-	-	-
16	2018-19	-do-	-	-	-	-

19.4 Audit Paras

19.4.1 Non-performance of basic functions of Law department

According to Rules of Business 1985, functions of Law Department have been defined.

During audit of the accounts of Secretary Law, Parliamentary Affairs and Human Rights Department Peshawar for the Financial Year 2022-23, it was observed that the following functions were not performed by Secretary Law Department, as detailed below;

1. Matters relating to legal practitioners including scales of fees.
2. Matters relating to approval of appointment, determination of fee and termination of services of legal advisors, legal consultants, legal counsels or special counsels and engagement of legal practitioners by the statutory bodies or any Administrative Department or its attached Departments.
3. Salaries, Allowances and privileges of Speaker and Deputy Speaker of the Provincial Assembly.
4. Salaries, Allowances and privileges of member of the provincial assembly.
5. Review of human rights situation in the province.
6. Co-ordination of activities of government departments, in respect of human rights.
7. Initiatives for harmonization of legislation, regulations and practices with the international human rights convents and agreements to which Pakistan is a party and monitoring their implementation.

8. Obtaining information, documents and reports on complaints and allegations of human rights violations from government department and other agencies.
9. Refer and recommend investigations and inquiries in respect of any incident of violation of human rights.
10. Representation of Province in international bodies, organizations and conference relating to human rights in consultation and in conjunction with Foreign Affairs Division.
11. Developing and conducting information programmes to foster public awareness of human rights, laws and remedies available against the abuse of human rights.
12. Formulating programs of teaching of human rights at educational institutions.
13. Provision of facilities for professional and teaching at home and abroad relating to human rights issues.

Audit held that non-existence of one of the basic functions of Law department is a question mark on the seriousness of the top management towards the implementation of Rules of Business.

The lapse occurred due to non-implementation of Rules of Business in its true spirit.

When pointed out in September 2023, it was stated that detailed reply will be furnished after consulting the relevant record.

The department was requested vide letter dated 27.10.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to justify the matter.

PDP No. 5 (2022-23)

19.4.2 Unauthentic payment to Bar Associations - Rs. 323.500 million

Para 96 of the GFR Vol.-I requires that money should not be spent hastily or in ill-considered manner just because it is available or that the lapse of a grant could be avoided.

Para 207(3) of GFR requires the sanctioning authority to insist on obtaining an audited statement on the accounts of body or institutions concerned in order to see that the grant-in-aid is justified and ensure that any previous grant was not spent for the purpose for which it was not intended.

According to Clause-II of the terms and conditions for grant-in-aid vide Law, Parliamentary Affairs & Human Rights Department Notification No.So(G)/LD/1-1/2012/17523-28 dated 17-05-2016, “as advised by the Ministry of Law & Justice, Govt. of Pakistan vide Office Memorandum No.185-2016-Law-I dated 10-03-2016, the accounts of the bar associations receiving grant-in-aid from the provincial government shall be audited every year by an auditor who is Charted Accountant as provided under Section 18 of the Legal Practitioners and Bar Council Act1973. Bar associations shall submit audited statement to the provincial government in the month of April every year. Read with Clause III, the grant-in-aid may be released on case-to-case basis subject to provision of audit report from charted accountant.

During audit of the accounts of Secretary Law, Parliamentary Affairs and Human Rights Department Peshawar for the Financial Year 2022-23, it was observed that the local office paid a sum of Rs. 8,500,000/- to various Bar Associations on account of grant-in-aid on simple receipts during the Year 2022-23 and Rs. 315,000,000/- during the Year 2021-22 **(Annexure-XXXIX)**. Audit observed the following irregularities;

- All the payments were made on simple receipts, in advance and on estimated cost.
- Neither APRs, bills, vouchers were submitted by the bar associations nor produced to Audit.
- Audit reports from Charted Accountant firms for utilization of grant-in-aid were not submitted by concerned Bar Associations as per above mentioned criteria.
- No details about compulsory taxes deduction and its deposit into government treasury were submitted by the bar association nor demanded by the local office.
- No progress reports were submitted by the bar councils to the quarter concerned.
- No monitoring was conducted by the Law Department to know whether the grant was utilized for the purpose mentioned in the demand letter or otherwise.
- No physical verification was conducted by the local office.

The lapse occurred due to weak internal controls and deviation from government instructions which resulted into doubtful and unauthentic expenditure.

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter dated 27.10.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

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

PDP No. 1&2 (2022-23)

Chapter-20

LIVESTOCK DEPARTMENT

20.1 A) Introduction

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

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

Audit Profile of Livestock Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23 (Rs in million)	Revenue/Receipts Audited FY 2022-23 (Rs in Million)
1	Formations	37	20	10,851	174
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	Nil	Nil
3	Authorities/Autonomous bodies etc under PAO	01	01	1937.69	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

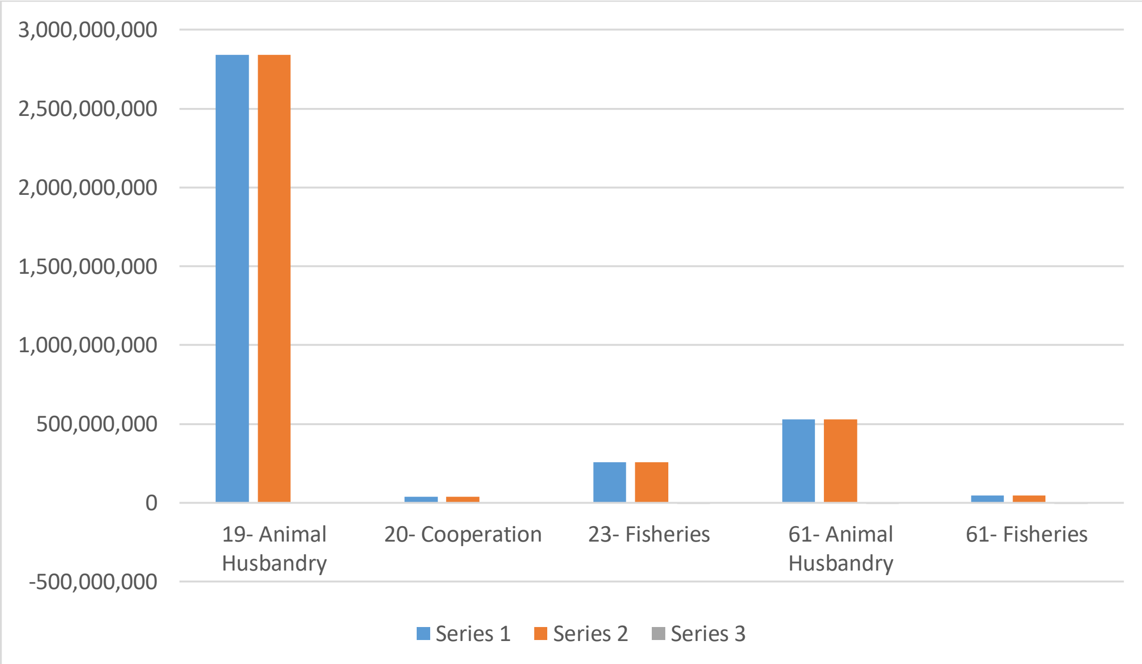
20.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2022-23 is given below:

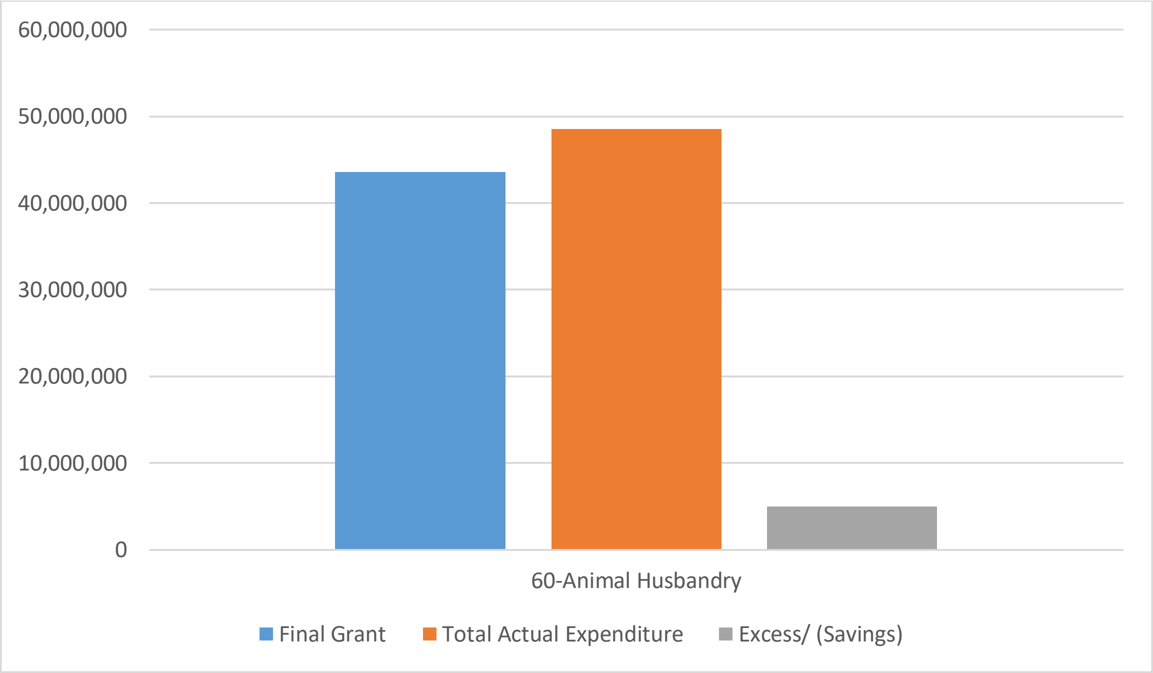
Non-Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Apprioriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
19- Animal Husbandry	NC21	2,550,001,000	739,094,000	0	449,154,242	2,839,940,758	2,839,952,261	11,863
20- Cooperation	NC21	44,619,000	858,000	0	8,250,241	37,226,759	37,226,759	-
23- Fisheries	NC21	306,718,000	100	0	50,495,534	256,222,566	256,150,550	-72,016
61- Animal Husbandry	NC21	368,315,000	0	172,652,061	9,954,695	531,012,367	530,917,078	-95,289
61- Fisheries	NC21	47,474,000	0	6,909,824	8,490,796	45,893,028	45,757,004	-136,024
Total		**3,317,127,000**	**739,952,100**	**179,561,885**	**526,345,508**	**3,710,295,478**	**3,710,003,652**	**-303,329**



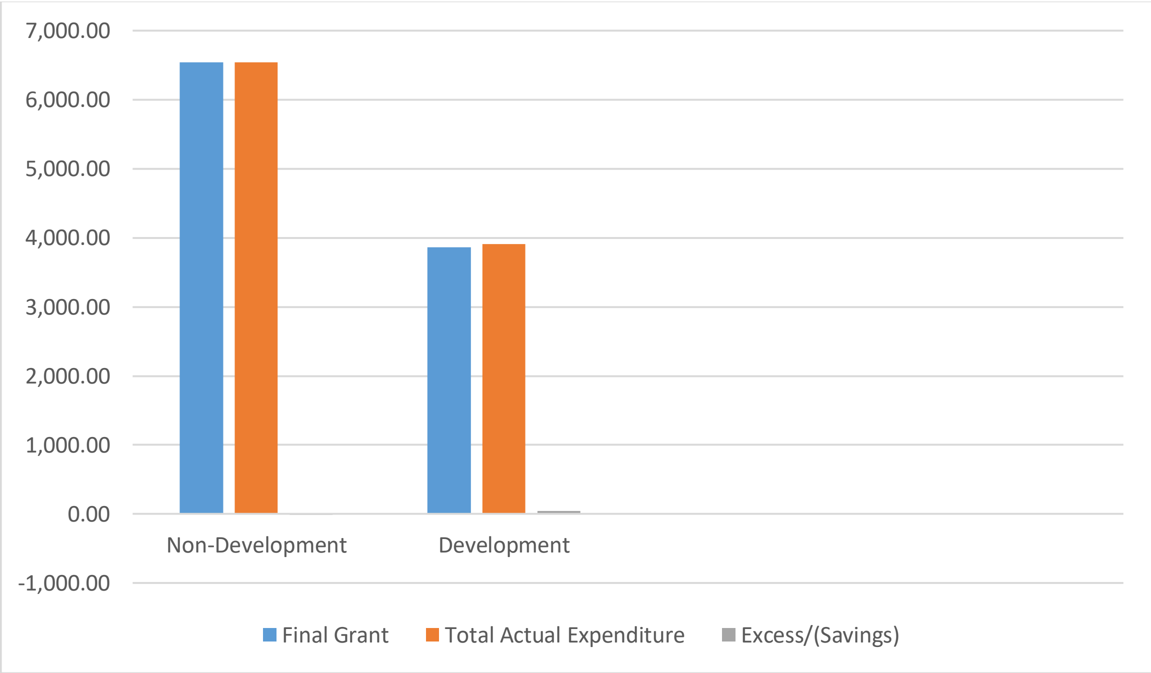
Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
60-Animal Husbandry	NC22	189,517,000	0	0	145,961,303	43,555,697	48,536,704	4,981,007
Total		**189,517,000**	**0**	**0**	**145,961,303**	**43,555,697**	**48,536,704**	**4,981,007**


60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
0
60-Animal Husbandry
Final Grant
Total Actual Expenditure
Excess/ (Savings)

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

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	6,541.13	6,540.81	- 0.33	0.00%
Development	3,865.63	3,914.45	48.82	1.26%
Total	**10,406.76**	**10,455.26**	**48.49**	0.47%



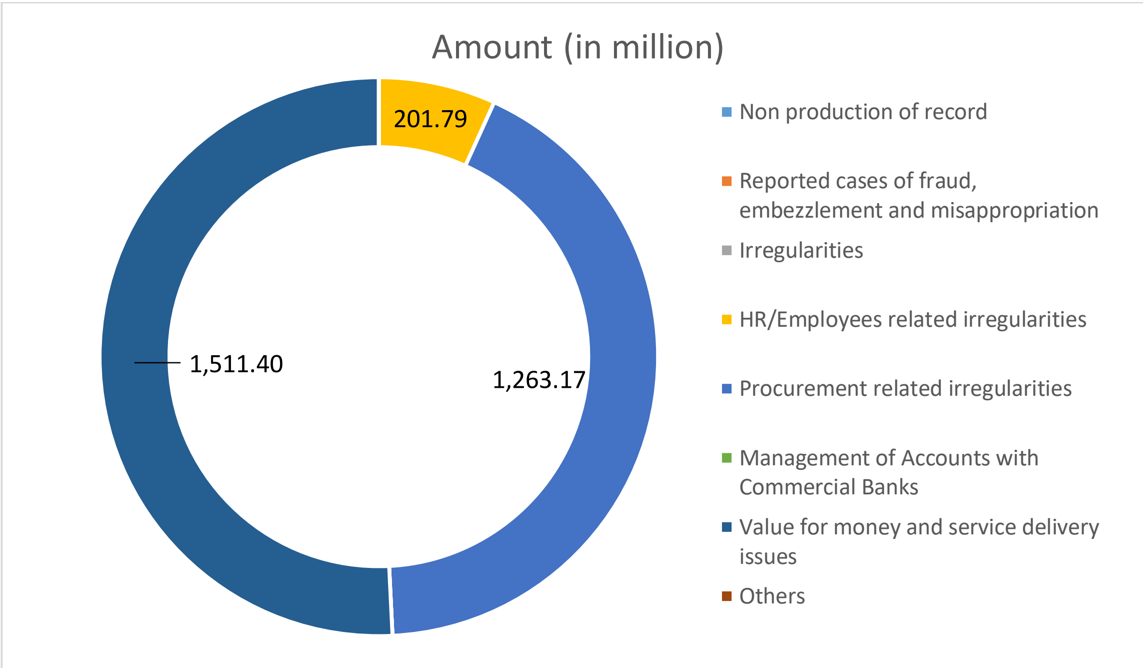
20.2 Classified summary of Audit Observations

Audit observations amounting to Rs. 2,976.358 million were raised in this report during the current audit of the Livestock Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

S No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	201.79
B	Procurement related irregularities	1,263.171
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	1,511.397

5	Others	-



20.3 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	Livestock Department	14	14	-	-
2	2002-03	-do-	12	11	-	01
3	2003-04	-do-	06	06	-	-
4	2004-05	-do-	03	01	-	02
5	2005-06	-do-	04	03	-	01
6	2008-09	-do-	14	05	-	09
7	2009-10	-do-	32	09	-	23
8	2010-11	-do-	25	08	-	17
9	2011-12	-do-	20	08	-	12
10	2012-13	-do-	08	07	-	01
11	2013-14	-do-	12	06	-	06
12	2014-15	-do-	-	-	-	-
13	2015-16	-do-	-	-	-	-
14	2016-17	-do-	09	3	4	2
15	2017-18	-do-	-	-	-	-
16	2018-19	-do-	3	-	-	3

20.4 Audit Paras

20.4.1 Non-availability of progress reports/monitoring mechanism against Livestock Policy 2018

According to KP Livestock Policy 2018, the following are the objectives that the Policy aims to achieve:

- To ensure efficient delivery of services in the livestock sector in order to improve health, efficiency, and productivity of livestock with sustainable use of natural resources
- To conserve, improve and develop local livestock breeds
- To promote the production of safe and healthy food
- To promote one health approach to minimize the incidence of zoonoses.

During audit of the accounts of Secretary Livestock, Fisheries and Cooperative Department for the Financial Year 2022-23, it was requested, via questionnaires, to furnish essential information regarding the progress of key performance indicators aligned with the Livestock policy. These indicators encompassed a wide range of critical areas, including budget allocation, utilization rates, population growth, export percentages, market dynamics, policy implementation, productivity, conservation efforts, and various other aspects vital to the Livestock sector. However, it was revealed that neither the Livestock, Fisheries, and Cooperative Department nor the Agriculture Department had provided any data or insights regarding the advancement of these indicators, which are directly derived from the Livestock Policy of 2018.

Notably, the audit revealed that an impressive sum of Rs 14.590 billion was expended on the developmental side of the Livestock Department since the inception of the Livestock Policy 2018. Despite this substantial financial commitment, both the departments failed to provide any concrete evidence of progress pertaining to the projects undertaken for the implementation of the Livestock Policy. In the absence of concrete progress data at the administrative level regarding the substantial financial investments made in the Livestock sector is a cause for deep concern. Nevertheless, neither the Agriculture Department nor the Livestock Department possesses any reports/ data of the outcomes stemming from the implementation of these significant investments. Audit held that in the absence of this important information through monitoring mechanism, the administrative department would not be in a position to steer the progress on the KPIs and further decisions making for improvement livestock sector would be compromised.

The lapse occurred due to weak internal control and weak management of Livestock Policy 2018 which resulted in non-availability of progress reports/monitoring mechanism against Livestock Policy 2018.

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter dated 30.10.2023 for holding DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends to inquire the matter and fix responsibility against the person(s) at fault. Moreover, a comprehensive and transparent reporting mechanism must be established to track and communicate progress on the Livestock Policy's key performance indicators.

PDP No. 14 (2022-23)

20.4.2 Non transparent award of contract for supply of vaccine, medicine and non-forfeiture of bid security - Rs. 917.062 million

According to para 33.1 of the SBDs, "within twenty days of the receipt of notification of award from the procuring agency, the successful bidder shall furnish the performance security form provided in the bidding documents, or in another form acceptable the procuring agency. Read with para 33.2, failure for the successful bidder to comply with the requirement of ITB clause 32 or ITB 33.1 shall constitute sufficient grounds for the annulment of the award and forfeiture of the bid security, in which event the procuring agency may make the award to the next lowest bidder or call for new bids."

According to advertisement for the purchase of vaccine, the purchase value of vaccine was approximately 50.00 million. The vaccine was required to be purchased from manufacture/authorized dealer having valid registrations/license issued by the Drug Regulatory Authority Pakistan. According to para 10 of terms and conditions for the purchase of vaccine, in addition to call deposit mentioned at S.No.05, the manufacture/authorized dealer will deposit 10% performance security. According to para 21 of terms and conditions for the purchase of vaccine, the firm will provide an affidavit on judicial stamp paper that he will pay the required vaccine testing fee of the laboratory.

During audit of the accounts of Director General (Extension) Livestock & Dairy Development Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that Rs. 307,895,358/- **(Annexure-XL-A)** and Rs.609,166,685/- **(Annexure-XL-B)** was incurred on account of purchase of vaccine and medicine respectively.

Audit observed that;

- Performance security amounting to Rs. 91,706,204/- was not submitted by the firms for supply of vaccine and medicine in violation of SBDs.
- Bid securities of all the firms who have not submitted performance securities were required to have been forfeited which was not done by the local office.
- For supply of imported vaccine M/S Gul traders, Sarhad Traders and Bangash Traders were not the authorized dealers therefore, the bids of these firm were required to have been rejected, however instead of rejection the local office awarded the contracts to these suppliers.
- Advertisement was floated for the purchase of vaccine amounting to Rs. 50.00 million, whereas the local office purchased vaccine for Rs. 307.895 million.
- Contract agreements were signed with Bangash Traders, Sarhad Traders and Gul Traders for the supply of vaccine amounting to Rs.50 million, whereas the local office purchased vaccine from Bangash, Sarhad and Gul traders amounting to Rs. 130,962,800/ Rs. 110,634,575/- and Rs. 43,384,185/- respectively.
- As per stock book of HQ, the vaccine (HSV and BQV) was utilized after lying for the period of 08 months, and repeated orders were placed for the supply of vaccine.
- Advertisement was floated for the purchase of medicine amounting to Rs. 100.00 million, whereas the local office purchases medicine for Rs.609.166 million.

- Dates of DTL reports of medicine amounting to Rs. 83,285,668/- were tempered in order to justify that the DTL was conducted before the issuance of medicine and payment of bills.
- DTL reports of medicine amounting to Rs. 63,998,225 purchased under the project "Establishment of Civil Veterinary Dispensaries in Rented Building in Khyber Pakhtunkhwa were missing, audit is of the view that either the DTL was not conducted or conducted after the payment.
- Inspection of medicine amounting to Rs. 324,998,010/- was not conducted.
- Contract agreements for supply of medicine were signed with the firms without mentioning the amount of contract. Similarly contract agreement of M/S Gul Traders for supply of vaccine is still lying unsigned.
- National Accountability Bureau was not informed as required under the rule ibid because the contract exceeds the limit of Rs. 50 Million.
- Schedule of requirement was not mentioned in the tender documents.
- The demand for vaccine and medicine from the quarter concerned was not taken and all the vaccine were purchased without keeping the needs and requirements.
- The utilization of the vaccine and medicines was not available on record.

The lapse occurred due to weak internal controls and non-observance of rules/regulations.

When pointed out in November 2023, no reply was given by the department.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

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

PDP No. 106 & 107 (2022-23)

20.4.3 Unfair awarding of contract for supply of Holstein Friesian Heifers and non-forfeiture of bid security - Rs. 270.180 million

According to para 33.1 of the SBDs, "within twenty days of the receipt of notification of award from the procuring agency, the successful bidder shall furnish the performance security form provided in the bidding documents, or in another form acceptable the procuring agency. Read with para 33.2, failure for the successful bidder to comply with the requirement of ITB clause 32 or ITB 33.1 shall constitute sufficient grounds for the annulment of the award and forfeiture of the bid security, in which event the procuring agency may make the award to the next lowest bidder or call for new bids." The amount of performance security as percentage of the contract price shall be 5% as per GCC clause 7.1

During audit of the accounts of Director General (Extension) Livestock & Dairy Development Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that Rs. 270,180,000/- was incurred on the purchase of Pregnant Holstein Friesian from M/S Agristock Solutions under the project "Community Dairy and Meat Development in KP."

Audit observed that;

- Performance security amounting to Rs. 13,509,000/- was not obtained from the supplier in order to safe guard the interest of government and violation of SBDs.
- Loss due to non-forfeiture of bid security amounting to Rs. 20,000,000/- as the supplier failed to submit the performance security.
- If the bid security was forfeited and contract was awarded to the next bidder, it would have saved Rs. 14,870,000 (805,000-790000=15000*342=5,130,000-20,000,000 = 14,870,000)
- National Accountability Bureau was not informed as required under the rule ibid because the contract exceeds the limit of Rs. 50 million.
- Amount of contract was not mentioned in the contract agreement.
- All the inspections reports were undated.

Audit therefore held that undue favor was extended to the contractor.

The lapse occurred due to violation of standard bidding documents.

When pointed out in November 2023, no reply was given by the department.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

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

PDP No. 108 (2022-23)

20.4.4 Irregular payment on account of appointment of Poultry Marketing Specialist - Rs. 1.740 million

According to advertisement for the post of Poultry Marketing Specialist qualifications was,

- DVM registered with PVMC/B.SC (Hons) Agriculture or equivalent qualification.
- 10 years' Experience

During audit of the accounts of Director General (Extension) Livestock & Dairy Development Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that Mr. Muslim Shah was appointed as poultry marketing specialist vide Notification No.SO (LFC) AD/1-14/2022 dated 07/07/2022 on fixed pay of Rs. 145,000/month under the project "Semi Environmentally Controlled Poultry Housing System and revival/ revitalization of existing poultry farms in KP"

The selected candidate got 54 marks in academic/experience and 08 marks was obtained in interview (maximum marks 08). The total marks of selected candidate were 62 (54+08). Similarly, another candidate got 66 marks in academic/ experience having DVM degree and 16 years of experience. However, the candidate was rejected on the ground that he was unable to answer any of the question asked by the interview panelists. The appointment is irregular on the ground that the total marks of candidate selected for the post were less than the unselected candidate after giving him zero marks in interview.

Audit is of the view that undue favor was extended to the selected candidate.

The lapse occurred due to violation of rules and regulations.

When pointed out in November 2023, no reply was given by the department.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

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

PDP No. 115 (2022-23)

20.4.5 Irregular payment on account of appointment of various staff - Rs. 12.420 million

According to para 6 of advertisement in Urdu, test and interview call letters will be issued to the candidate after scrutiny of applications for the post. Read with para 7, No T.A/DA will be admissible for test and interview.

During audit of the accounts record of Director General (Extension) Livestock & Dairy Development Department Khyber Pakhtunkhwa for the FY 2022-23, it was observed that the following officers/officials were appointed under the project Establishment of KP University of Veterinary & Animal Sciences at Swat and an amount of Rs. 12,420,000/- was paid on account of their pay and allowances **(Annexure-XLI)**.

The appointment held irregular because:

- All the posts were filled directly without conducting the test.
- The construction of the building is in process, however, the Director works, Civil Engineer, Biomedical engineer, material engineer, Computer operators, junior clerk, driver and office boys were appointed in advance without any work/ job. Therefore, the appointment of the above staff is illogical.
- NOC from surplus pool was not obtained.
- The marking details of the selected candidates were as follow;

Name	Designation	Academic & Experience	Interview Marks	Total Marks	Remarks
Jawad Ali	Electrical Engineer	71.5	6	77.5	Selected
Inam Ullah		75	5	80	Not Selected
Muhammad Shehrayar	Civil Engineer	77.5	4	81.5	Not Selected
Farid Ullah		74.5	5	79.5	Not Selected
Liaqat Ali		71.5	7	78.5	Selected
Saqib Ali	HR Officer	67	7	74	Selected
Dr. Dilwar		74	2	76	Not selected

Audit therefore, held that the appointment of the above officers/officials is irregular.

The lapse occurred due to violation of selection criteria.

When pointed out in November 2023, no reply was given by the department.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

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

PDP No. 116 (2022-23)

20.4.6 Loss to the government due to purchase of vaccine at higher rate - Rs. 74.929 million

According to DG (Research) Livestock & Dairy Development KP order No. DG(R)/Accts (77)/2018/11436-86 dated 28-11-2018, the revised rate for various Vaccine was:

S. No.	Name of Items	Existing rate	Revised rate
01	FMD Vaccine (50 ml)	1200	2550/- per 50 ml pack (25 doses)
02	FMD Vaccine (10m)	--	600/- per 10 ml pack (05 doses)
03	Hemorrhagic Septicemia Vaccine	140	140 (15 doses)
04	Black Quarter Vaccine	180	225 (60 doses)
05	Enterotoxaemia Vaccine	200	250 (100 doses)

During audit of the accounts of Director General (Extension) Livestock & Dairy Development Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that expenditure to the tune of Rs. 93,728,550 /- was incurred on the purchase of various vaccines from private suppliers as per details given below:

Office	Name of Vaccine	Rate	Qty	Supplier Rate	VRI Rate	Diff.	Total Qty.	Amount
FLF	FMD	6950	288	278	102	176	7200	1,267,200
Directorate	Black Quarter Vaccine	236	5500	110	3.75	106.25	275000	29,218,750
Directorate	HSV	4000	260	80	9.33	70.67	13000	918,710
Directorate	FMD	6950	2877	278	102	176	71925	12,658,800
Directorate	HSV	4000	1360	80	9.33	70.67	68000	4,805,560
Directorate	Black Quarter Vaccine	236	1100	110	3.75	106.25	55000	5,843,750
Community Dairy and Meat Development	FMD	6950	72	278	102	176	1800	316,800
Control of Livestock Disease	HSV	4000	630	80	9.33	70.67	31500	2,226,105
Control of Livestock Disease	Black Quarter Vaccine	236	450	110	3.75	106.25	22500	2,390,625
Control of Livestock Disease	FMD	6950	957	278	102	176	23925	4,210,800
Control of Livestock Disease	HSV	4000	250	80	9.33	70.67	12500	883,375
Control of Livestock Disease	Black Quarter Vaccine	236	100	110	3.75	106.25	5000	531,250
Control of Livestock Disease	FMD	6950	590	278	102	176	14750	2,596,000
Control of Livestock Disease	FMD	6950	900	278	102	176	22500	3,960,000
Control of Livestock Disease	FMD	6960	705	278	102	176	17625	3,102,000
Total								**74,929,725**

The verification of record revealed that vaccines were purchased from private supplier at higher rate than the rate offered by the VRI KP and VRI Punjab, resulting in loss to Government worth Rs. 74,929,725/-.

The lapse occurred due to weak internal controls.

When pointed out in November 2023, no reply was given by the department.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on person(s) at fault besides recovery of the amount.

PDP No. 105 (2022-23)

20.4.7 Non-implementation of KP Food Security Policy 2021

According to para 6.1.6 of the KP Food Security Policy 2021, key policy measures are:

- Promotion of Cold & Warm Water Fisheries through Public Private Partnership
- Provision of cold reapers and other transport / storage facilities on subsidized rates
- Strengthening of Government hatcheries
- Promotion of Environment friendly practices in potential areas
- Special financial support for Fisheries business in the province
- Introduction and support to the value addition / processing of fish & fish products
- Involvement of Model Farm Services Centers in Fisheries promotion in the province
- Involvement and support to women farmers and entrepreneurs

During audit of the accounts of Directorate General Fisheries for the Financial Year 2022-23, it was observed that a substantial amount of Rs. 1,121,221,168/- had been expended since the inception of the KP Food Security Policy 2021. However, Audit observed the following;

- It was evident that the department had not taken significant steps to promote cold and warm water fisheries through public-private partnerships.
- No initiatives were undertaken to provide cold reapers and other storage facilities at subsidized rates, which are essential for the development of the fisheries sector within the province. This lack of attention to such critical infrastructure hampers the growth and sustainability of the industry.
- The KP Food Security Policy 2021 mandated the strengthening of government hatcheries. However, we found that the number of hatcheries had decreased from 12 to 11 during the Financial Year 2022-23, which is in direct contradiction to the policy's objectives. This reduction could potentially affect the province's capacity to sustain its fisheries resources.
- Another issue was the department's exclusive focus on increasing fish species production without adequate attention to value addition and processing of fish and fish products. The policy had outlined the establishment of processing units and cold storages, which, unfortunately, remained unrealized. The absence of these facilities impedes the growth and diversification of the fisheries sector.
- The department failed to establish Model Farm Services Centers for fisheries promotion in the province, as stipulated in the policy. Such centers are vital for disseminating best practices, training, and technical support to fishery stakeholders, and their absence is a missed opportunity for industry development.
- In contrast to the Agriculture and Livestock sectors, the Fisheries Department lacks state-of-the-art laboratories and research centers necessary for research and development of fish species and their diseases. This deficiency necessitates the reliance on the department's own laboratory for minor fish disease diagnosis, while advanced diagnostics require referral to the Veterinary Research

Institute. This not only hinders timely and effective disease management but also demonstrates a lack of dedicated research infrastructure for the fisheries sector.

- KP is the only province in Pakistan where all three types of waters—Cold, Semi-Cold, and Warm Water—are available. Each type of water presents unique opportunities for breeding various fish species. Additionally, the Fisheries Department possesses a substantial workforce. However, due to insufficient fund allocation, the potential of this sector remains underutilized, preventing the province from harnessing its full capabilities.

The lapse occurred due to ill planning and underutilization the optimum potential of the fisheries department.

When pointed out in November 2023, no reply was given.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends the following:

- The Fisheries Department should urgently invest in critical infrastructure and facilities, such as cold storage and processing units, to support the growth of the fisheries sector in KP.
- Increase funding allocation to fully harness the potential of the province's diverse water resources, focusing on multi-species breeding and hatchery expansion, while prioritizing the establishment of Model Farm Services Centers for capacity-building and technical support.
- Collaborate with key stakeholders, review the KP Food Security Policy 2021 periodically, and implement a robust monitoring and evaluation system to ensure policy objectives are met, contributing to enhanced food security and economic development in the region.

PDP No. 69 (2022-23)

20.4.8 Loss of potential revenue due to non-allocation of funds under AIP - Rs. 1,501.000 million

According to Tribal Decade Strategy 2020-30, planned investment outlay of Tribal Decade Strategy in fishing sectors in 2019-20, 2020-21, 2021-22 and 2022-23 were Rs. 367 million in first three financial years each and Rs. 400 million in FY 2022-23 for the development of fisheries sectors in merged districts through the following actions;

- Preparing and implementing a fisheries management plan for conservation of fish biodiversity.
- Promoting fish farming and fisheries resources.
- Increasing the natural fish population in water bodies.
- Improving marketing infrastructure and improving access to micro-credit.
- Mobilizing local communities and linkages with public and private-sector services for technical assistance and inputs.
- Improving the access of extension services and develop a follow-up mechanism for monitoring.
- Adopting measures to conserve natural fish resources and improving aquatic health.
- Building capacity of small farmers and enabling them to transition into large scale commercial farming.
- Supporting fish farmers so as to make them climate change and disasters risk resilient
- Strengthening linkages of fisheries sector with water sector, agriculture sector and forestry sector for a more coordinated and integrated natural resources and ecosystems-based development approach

During audit of the accounts of Directorate of Fisheries Department (Merged Areas) for the Financial Year 2022-23, it was observed that a sum of Rs. 1,501,000,000/- was required to have been invested in the fisheries sectors of merged districts under Tribal Decade Strategy starting from the FY 2019-20 to 2022-23. However, further scrutiny of record revealed that not a single rupee was spent under AIP since the inception of the Tribal Decade Strategy 2020-30. The merged districts, endowed with cold waters in the upper reaches conducive for trout, and warm waters in the lower reaches favoring carp varieties such as Grass, Mori, Silver, Rohu, and Thaila, present a prime opportunity for economic development through pisciculture. With 934 kilometers of rivers and streams, 31 small dams, irrigation canals, and springs, the potential for intensive fish farming is substantial. However, institutional weaknesses have impeded efforts to harness this potential, resulting in underutilization of the aquatic resources.

Audit held that despite a considerable increase in the workforce of the Fisheries Department from 44 to 163, following the merger of FATA with Khyber Pakhtunkhwa, the operational output in terms of revenue generation has not reflected a corresponding growth. Audit brought to light that increase in human resources did not translate into increased operations or the completion of significant projects to enhance departmental revenue. Instead, the creation of new posts occurred without a commensurate increase in operational productivity.

Moreover, as per the Tribal Decade Strategy, there were 31 small dams in the merged districts. However, the local office had been leasing out fishing rights for only one dam once every three years, thereby missing out on the potential revenue that could be generated from the remaining dams.

The lapse occurred due to non-implementation of Tribal Decade Strategy which resulted in loss of potential revenue.

When pointed out in November 2023, no reply was given.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends implementation of Tribal Decade Strategy for the fisheries sector, requesting relevant forum for allocation of funds as planned under TDS and enhance operational efficiency by aligning the increased workforce with strategic initiatives for revenue generation, ensuring the regular leasing of fishing rights for all small dams, thereby maximizing potential revenue streams.

PDP No. 74 (2022-23)

20.4.9 Unjustified expenditure due to irrational creation of posts - Rs. 187.630 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 audit of the accounts of Directorate General Fisheries for the Financial Year 2022-23, it was noticed that the Fisheries Department, with a total sanctioned strength of 2509 personnel, distributed across provincial and district levels, revealed a significant allocation of positions at the district level. Notably, District Swat stood out, as it had an Assistant Director Fisheries office in Madyan with a sanctioned strength of 107 personnel and another in Mingora with 313 sanctioned personnel. Of particular concern was the creation of a new office for the Deputy Director Fisheries in Matta, which had an astonishingly large sanctioned strength of 583 personnel, amounting to 23% of the entire department's strength.

Upon further examination, it was observed that most of the dams for fish farming were in District Karak and Kohat, and hatcheries in District Chitral and Dir. Matta lacked both fish hatcheries and dams, which is not justified on any ground and chances political interference behind the decision making cannot be ruled out. The fiscal implications of this unjustified staffing decision were substantial, imposing an annual burden of Rs. 187,630,104/- on the already strained public exchequer.

Furthermore, record relating to fresh appointment made were also not produced to Audit.

The lapse occurred due to ill planning which resulted in unjustified/irrational creation of post involving annual salaries in millions of rupees.

When pointed out in November 2023, no reply was given.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommend to investigate the matter and fix responsibility on the person(s) at fault.

PDP No. 68 (2022-23)

20.4.10 Overpayment on account of civil work activities – Rs. 1.000 million

According to Market Analysis 2021, 22% was added to the actual price of items which constitutes (contractor profit + (overhead + material + labor + equipment + taxes)).

According to the page 11 of the approved PC-, Development of Reservoirs for Fisheries in KP, the All the civil works will be carried out by the beneficiary and not through contractor/sub-contractor, whereas Soil Conservation Department will only provide technical inputs and will ensure the quality of works.

During audit of the accounts of Directorate General Fisheries Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that an amount of Rs. 10,000,000/- was paid to the Soil Conservation department and on farm water management for the establishment Carp Fish farms in private sector. However, further scrutiny of record revealed that the project management was only deducted 12% contractor profit from the MRS schedule of 2021 in the PC-I instead of the approved and applicable rate of 22%, which resulted into an overpayment of Rs. 1,000,000/- (Rs 10,000,000 X 10%).

Audit held that the management was required to deduct the total 22% (contractor profit + overhead + material + labor + equipment + taxes) from the overall MRS rate as was done in the similar project for Development of Cold Water Fisheries in Khyber Pakhtunkhwa.

The lapse occurred due to non-observance of rules and regulations which resulted into overpayment to the contractor.

When pointed out in November 2023, no reply was given.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the overpaid amount.

PDP No. 81 (2022-23)

20.4.11 Loss to the government due to decrease in revenue / production trend – Rs. 10.397 million

According to Para 23 of GFR vol I, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinate.

During audit of the accounts of Director Cattle Breeding and Dairy Farm Harichand for the Financial Year 2022-23, the production of semen by the Semen Production Unit and its revenue was compared with the last four years, the production of semen was decrease each year instead of increase, which is a serious question mark on the performance of SPU and its management, the details of last five-year production and revenue was given below;

Year	Semen Production	Rate	Revenue
2018-19	391,484	80	31,318,720
2019-20	298,065	80	23,845,200
2020-21	301,341	80	24,107,280
2021-22	278,360	80	22,268,800
2022-23	261,510	80	20,920,800

Decrease of Rs. 10,397,920 (31,318,720-20,920,800) was noticed by the audit during the comparison of last five years, despite the fact that all other factors remained constant during the period mentioned.

The irregularity occurred due to weak internal controls, which resulted into decrease of production and revenue.

When pointed out in December 2023, the management did not furnish reply.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

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

PDP No. 98 (2023-23)

Chapter -21

Local Government Elections & Rural Development Department

21.1A) Introduction

The Local Government, Elections and Rural Development Department is working to respond to the specific needs of the citizens of Khyber Pakhtunkhwa falling within the ambit of local governance. The Department has been assigned the responsibility to implement the Khyber Pakhtunkhwa Local Government Act 2013 to achieve the stated objectives of the local government reforms introduced by the Government of Khyber Pakhtunkhwa. The Department also has regulatory and administrative functions to ensure that the local governments throughout the province perform their roles and functions within the policy framework introduced under the new law.

Vision of the department is to enhance the local governments' ability to generate revenue and optimally utilize development funds while meeting the needs of their respective administrative units, including the ability to deliver municipal services and provide infrastructure. Policy of the department is to enable cities and towns in the province to become engines of economic growth, to create efficient mechanisms for governance of urban and rural areas that can facilitate the flow of goods and services, to address inter-jurisdictional and intra-jurisdictional issues between cities, towns and villages, to build the capacity of local governments to provide municipal infrastructure, facilities and services.

The department pursue objectives to encourage local government institutions as an obligation and a principle of policy, decentralization of government administration on the axis of expeditious disposal of business for convenience of the public, devolution of political, financial and administrative authority and responsibility to elected representatives in local governments. The strategic interventions include;

improving citizen participation and bringing the state closer to the citizen, outlining a framework for shared commitments of the government and development partners, developing a common understanding of the local gov;8ernment system, setting the context for delivery of assistance of development partners for strengthening local government system, overseeing the placement of systemic arrangements, resource allocation and support institutions, contributing through exchange of experience and lessons learnt.

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

- All matters connected with the Administration of the 3Khyber Pakhtunkhwa Local Government Ordinance, 2001.
- North- West Frontier province Public Property (Removal of Encroachment) Act, 1977.
- Muslim Family Law Ordinance, 1962.
- Hackney Carriage Act, 1879 and Stage Carriage Act, 1861.
- Conciliation Courts Ordinance, 1961.
- Special Marriage Act, 1872.
- Fire Brigade.
- Census.
- Burning and burial grounds and Muslim grave-yards not taken over by the Auqaf Department.
- Matter pertaining to the Election for the Provincial and National Assemblies.
- Provincial Election Authority and Provincial Election Tribunal concerning Local Councils.
- Matters relating to Referendum on a national issue.
- Village Police.
- Rural Works Programme and Rural Uplift.
- German Aid Financial Project (Pakistan Academy for Rural Development), and Budget and Accounts matter of Pakistan Academy for Rural Development (PARD) and Pakistan Provincial Services Academy (PPSA) development plans and development funds pertaining to Local Councils and Local Bodies.
- Grant-in-Aid for Local Councils.
- Processing of ADP through District Coordination Committees.
- Water supply and Sewerage Schemes of Local Councils.
- USAID Financial Project.
- Asian Development Bank Assisted Projects (Farm to Market Roads through Local Councils).
- World Food Programme.
- UNICEF Programme.
- Women Programme and Overseas Women Foundation.
- Adult Education.
- Village/Union Council Library Programme.
- Local Council Reforms/Local Government Commission.
- Matters relating to KachiAbadi.
- Village Electrification Programme.
- Registration of Births, Deaths and Marriage.

- Slaughter houses under the Local Councils and Local Bodies (other than those in Cantonments).
- Local Councils Services including Engineering and Health Services for Local Councils.
- High/Low Selection Boards (LCS) and other matters relating to the Local Councils Services.
- Service matters of the defunct Village Aid and B.D. Department.
- Delegation of additional power to Local Councils.
- Privileges and Protocol of Local Councillors.
- Ponds and Prevention of cattle trespass.
- Pre-partition claims relating to Local Bodies.
- Seminars, conventions and publications concerning Local Councils.
- Local Councils contribution to Provincial Government.
- Local Taxation and Local Rates.
- Education Cess on Octroi.
- Education Cess on Export Tax.
- Urban Property Tax payable to Local Councils.
- Aerial Spray Surcharges on Gur.
- Local Government Pool Fund.
- Local Government Research Statistics and Evaluation.
- Foreign delegations/training of Local Councillors.
- Construction and minor repair of Basic Health Units and Primary Schools, Maktabs through Local Councils.
- Arrangements of Horse and Cattle Shows and Fairs.
- Jashan-i-Khyber.
- Coordination of Nation Building Departments through District Coordination Committees.
- Management of Nazool Land.
- Service matters except those entrusted to Establishment & Administration Department.

Audit Profile of Local Govt. Department:

(Rs. in million)

S. No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23	Revenue/Receipts Audited FY 2022-23
1	Formations	15	01	11,136	0
2	• Assignment Account • SDA	04	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	11	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	02	02	1,068	N/A

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

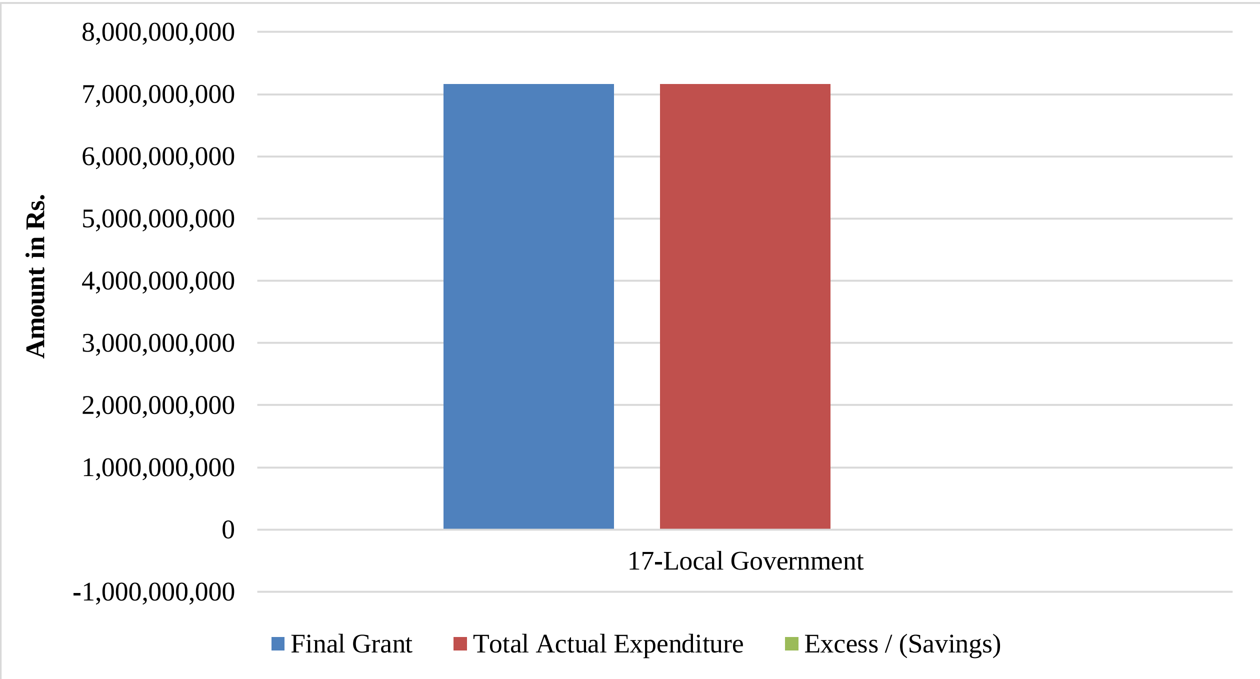
Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2022-23 against the total of grants/appropriation was as follows:

Non-Development:

(Amount in Rs.)

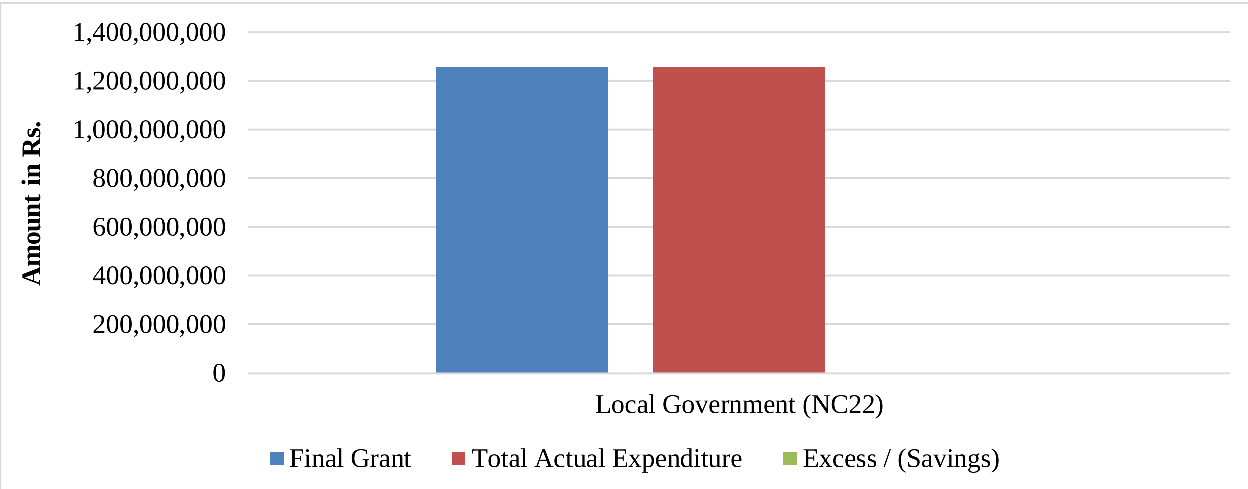
Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Re-appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess / (Savings)
17-Local Government	NC21	12,559,710,000	320	0	5,397,456,094	7,162,254,226	7,162,242,512	(11,714)
Total		**12,559,710,000**	**320**	**0**	**5,397,456,094**	**7,162,254,226**	**7,162,242,512**	**(11,714)**



Development:

(Amount in Rs.)

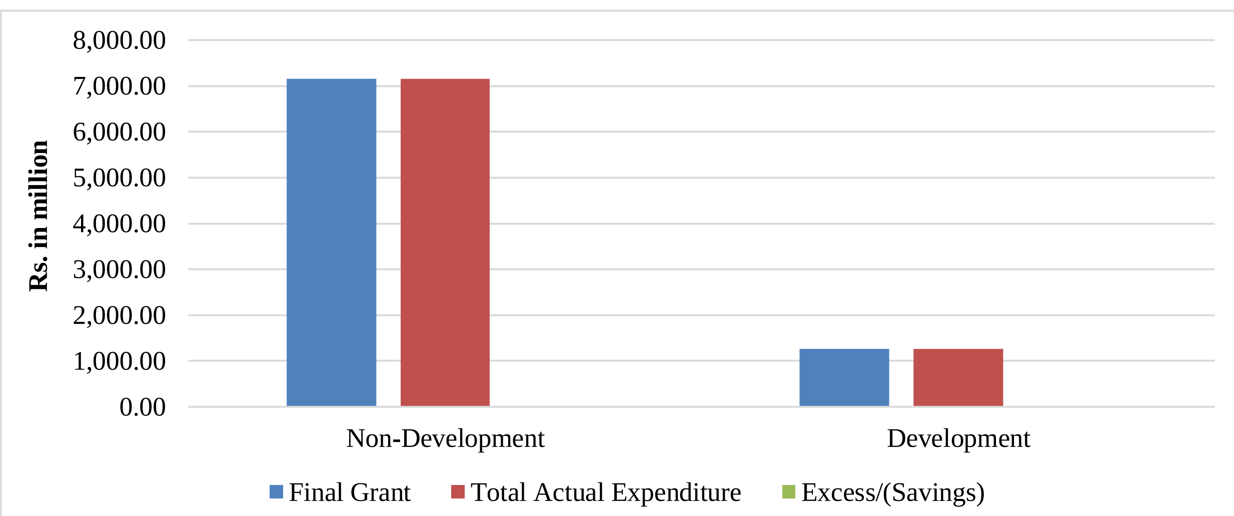
Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Re-approrpiation	Surrender	Final Grant	Total Actual Expenditure	Excess / (Savings)
Local Government	NC12	2,543,541,000	0	167,988,187	1,454,541,063	1,256,988,124	1,256,988,124	0
Total		**2,543,541,000**	**0**	**167,988,187**	**1,454,541,063**	**1,256,988,124**	**1,256,988,124**	**0**



Overview of expenditure against the final grant

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	7,162.254	7,162.242	0	0
Development	1,256.99	1,256.99	0	0
Total	**8,419.244**	**8,419.232**	**0**	**0**



21.1 C) Issues in Local Government Department

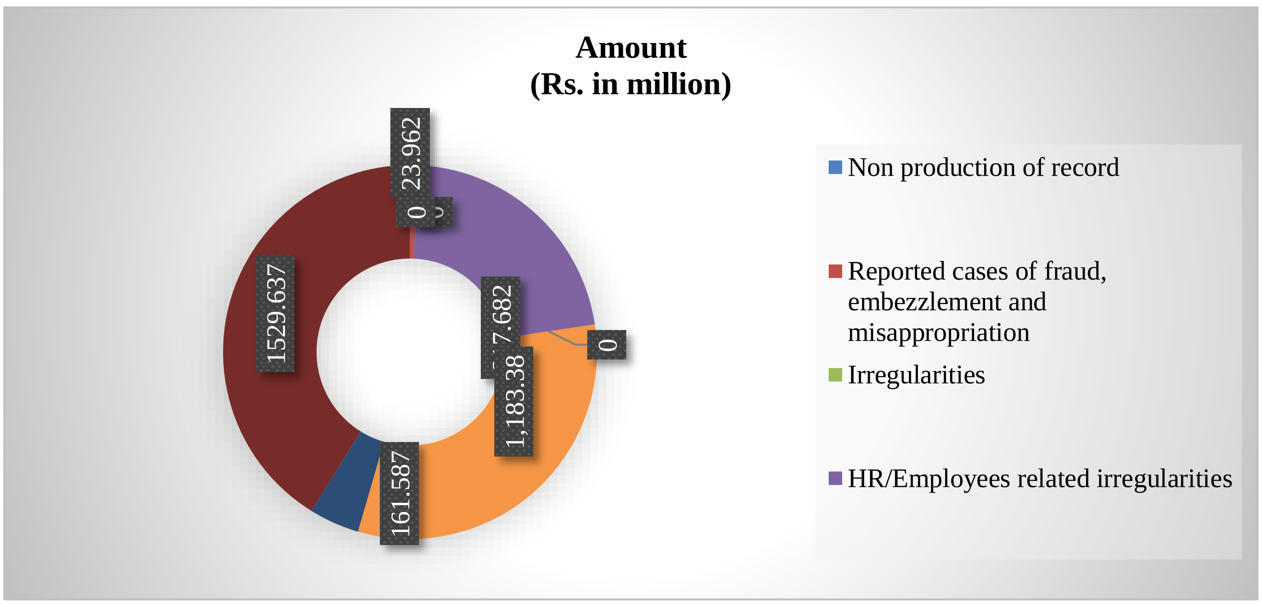
The major issue in the Developmental Authorities is violation of approved building plans that too without realizing the penalty. Similarly, restoration charges were not recovered on restoration of cancelled allotments. Many issues in the receipts of these formations were observed. Cases of non-auction of the plots/ flats and illegal allotments / relocation of plots were made which deprived these authorities from the revenue. There were no details of the head-wise figures of the departmental own receipts collected by the department.

21.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 3,665.534 million were raised in this report during the current audit of various developmental authorities of the Local Government and Rural Development Department. This amount also includes recoveries of Rs. 1,054.509 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

S. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	23.962
3	Irregularities	
A	HR/Employees related irregularities	817.682
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	1,183.376
4	Value for money and service delivery issues	161.587
5	Others	1529.637



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

S No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2008-09	Local Government	4	1	-	3
2.	2009-10	-do-	2	1	-	1
3.	2010-11	-do-	20	2	-	18
4.	2011-12	-do-	9	2	-	7
5.	2012-13	-do-	6	1	-	5

21.4 Audit Paras

21.4.1 Loss to the government due to non-deduction of taxes and non-imposition of penalty – Rs. 7.257 million

According to According to Section 153(1) (c) of the Income Tax Ordinance 2001, income tax is required to be deducted at the prescribed rates from the service provider bills by the withholding agent and deposited into government treasury as soon as possible.

According to the Working Tariff to the Second Schedule to the KP Finance Act 2013, issued vide Notification No: BO(Res-III) FD/2-2/2019-20/Vol-I dated 05.08.2020, the KP Sales Tax on Services on various services shall be deducted at the prescribed rates i.e. 2% from various service providers.

During audit of the accounts of Secretary Local Government, Elections and Rural Development Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that the local office executed an agreement with M/S Liaison Corporation (Consultant) on 17.09.2021 with the completion date of 16.12.2022 for the project “Support to Local Government System” at the cost of Rs. 90,000,000/-. Accordingly, the local office paid a sum of Rs. 32,987,520/- to the consultant but the consultant neither completed the scheme till completion period i.e. 16.12.2022 nor till date of audit i.e. 30.06.2023, resulting into unnecessary blockage of public money.

Moreover, the local office neither deducted the government taxes from the payments made to the consultant nor imposed penalty for non-completion of the scheme in time which resulted in loss of Rs. 7,257,254/- to the government, as detailed below;

Object Head	Cheque #	Date	Amount (Rs)
A03970 (Others)	2287586	23.12.21	18,000,000
A03970 (Others)	2322081	16.03.22	14,987,520
Total payment			**32,987,520**
Income Tax (10%)			3,298,752
Sales Tax on Services (2%)			659,750
Penalty (10%)			3,298,752

Loss	**7,257,254**

The lapse occurred due to weak internal and financial controls, which resulted in non-completion of the project on one hand and loss to the government on the other.

When pointed out in August 2023, management stated that detailed reply will be given after scrutiny of record.

The department was requested vide letter dated 11.09.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

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

PDP No. 1 (2022-23)

21.4.2 Irregular awarding of contract for improvement of streets – Rs. 76.255 million

According to Clause 7 (VII) of the terms and conditions of the NIT published on 14.04.2021, the technical proposals / bids of the contractors / firms will be evaluated in accordance with the laid down evaluation criteria i.e. the firms / contractors having their own asphalt plant and paver machine for road works and other related machinery and concrete batch plant.

During audit of the accounts of Peshawar Development Authority Peshawar for the Financial Year 2021-22, it was observed that the Directorate of Roads-II awarded the contract for Improvement of Roads, Street Pavements and Drains in UC-Daag and UC-Kaneeza to M/S Hafiz Hayat Ullah & Brothers for Rs. 76,255,367/- (2% below the bid cost of Rs. 77,811,600) vide work order dated 26.07.2021. The other two competing firms were technically disqualified on the basis of non-availability of asphalt plant, their financial bids returned un-opened and resultantly a single bidder was technically qualified, his financial bid opened and contract awarded. However, further scrutiny of record revealed that the 9th Final Bill did not include any asphalt related item being executed on ground, instead, the streets were improved through PCC related works.

Moreover, the availability of asphalt plant with the contractor was not the mandatory requirement in evaluating the technical proposal as evident from the NIT referred to above.

Audit held that as the directorate management carried out the PCC related works, therefore, the management should have either not rejected the technical proposals on the basis of non-availability of asphalt plants or the work should have been re-advertised for getting economical rates.

Audit further held that returning the financial bids of the competing firms unopened resulted into a loss of Rs. 6,224,928/- (10% rebate approximate average below rate prevailing in the authority management – 2% below offered by the selected bidder = 8% below X Rs. 77,811,600) to the authority funds.

The lapse occurred due to violation of rules and regulations which resulted in fraudulent awarding of contract.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

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

PDP No. 452 (2021-22)

21.4.3 Unauthorized payment due to irregular awarding of consultancy contract – Rs. 114.460 million

According to Section 14 (1) of CHAPTER III of Khyber Pakhtunkhwa Public Procurement Regulatory Authority Regulations 2014, the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs. 100,000/ rupees one hundred thousand.

According to the administrative approval accorded and issued by the local government department vide letter dated 19.07.2021, PDA should ensure vigorous supervision through skilled staff at site for optimal implementation of the project and also to provide timelines / work schedule to the P&D Department so that timely implementation is ensured and the project be tracked accordingly.

During audit of the accounts of Peshawar Development Authority Peshawar for the Financial Year 2021-22, it was observed that the Directorate of Roads-II paid an amount of Rs. 114,460,082/- to M/S NESPAK vide 8th Running Bill dated 03.05.2023 on account of consultancy services under the scheme Construction of Bus Terminal at Northern Bypass / Motorway Junction Peshawar. However, further scrutiny of record revealed that the directorate management failed to adopt open tendering system for hiring of the consultancy services.

Moreover, there was no (consultancy) work order available in the file to determine the actual cost of awarding of the consultancy contract.

Furthermore, had the proposal given in the summary to the Chief Minister Khyber Pakhtunkhwa on 21.12.2015 regarding construction of state-of-the-art bus terminal on the new proposed site through Public Private Partnership been agreed to, payment to the consultant by the provincial government could have been avoided altogether by charging the same to the private contractor and the provincial kitty could have been saved from the cost incurred on the consultancy charges.

It is worth mentioning here that the consultancy firm could not carry out detailed feasibility study for submission to the provincial government as to whether the bus terminal should be constructed by the provincial government or through public private partnership and the resulting cost vs benefits of opting either of the two options.

Audit held that making payments to the consultancy firm without adopting open tendering system and issuing proper work order was a serious lapse which not only makes the payments to the consultant as unauthorized but chances of complications in carrying out the consultancy assignment cannot be ruled out.

Audit further held that as the PDA was required to ensure vigorous supervision of the scheme through its skilled staff, there was no need to hire the services of the consultancy firm, and the said tasks should have been performed through the PDA's staff.

The lapse occurred due to violation of rules and regulations which resulted in unauthorized payment.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

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

PDP No. 453 (2021-22)

21.4.4 Overpayment on account of hot rolled deformed bars – Rs. 43.716 million

According to Rule 209 (d) of CPWA code, all payments for work or supplies are based on the quantities recorded in the measurement book, it is incumbent upon the person taking the measurement to record the quantities clearly and accurately.

During audit of the accounts of Peshawar Development Authority Peshawar for the Financial Year 2021-22, it was observed that the Directorate of Roads-II paid an amount of Rs. 819,596,018/- to M/S Probuilt Construction vide 8^{th} Running Bill dated 30.08.2022 on account of executing different items of work under the scheme Construction of Detour Road Hayatabad Remaining Portion (Phase-II). However, further scrutiny of record revealed that the directorate management utilized 512.80 ton "Hot Rolled Deformed Bars Grade-60" against 2407.40 M3 of "RCC" resulting into excess utilization of 267.12 tons of hot rolled deformed bars which resulted into overpayment of Rs. **Rs. 43,716,714/-** to the contractor as detailed below;

Component	RCC exec	Steel exec.	Steel req. @ 1.30	Diff.	Rate	Amount
Sub Structure	1595.74	285.34	162.85	122.49	163,656.5	20,047,059
Super Structure	523.38	176.53	53.41	123.12	163,656.5	20,149,236
Culverts	288.28	50.93	29.42	21.51	163,656.5	3,520,419
Total	2407.40	512.80	245.68	**267.12**		**43,716,714**

The lapse occurred due to violation of rules and regulations which resulted in overpayment to the contractor.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends to inquire the matter and fix responsibility at the person(s) at fault besides recovery of the overpaid amount.

PDP No. 467 (2021-22)

21.4.5 Doubtful payment on account of AWC – Rs. 5.902 million

According to Clause 60.1 of the general conditions of the contract, the contractor shall be entitled to payment against the value of permanent works executed. Read with Rule 397 of the Federal Treasury Rules Volume-I, no payment can be made to the contractor except for work actually done or supplies actually received.

During audit of the accounts of Peshawar Development Authority Peshawar - Directorate of Roads-II for the Financial Year 2021-22, it was observed that an amount of Rs. 11,854,473/- was paid to M/S Al Mehreen Enterprises on account of executing an item of work "AWC" for a quantity of 634.21 M^3 at the rate of Rs. 18,691.45 vide 4th& Final Bill under the scheme Upgradation / Widening of Approach Road to Bacha Khan International Airport. However, further scrutiny of record revealed that a quantity of 6368.57 M2 of another complementary item of work "bituminous tack coat" was executed, meaning thereby that an amount of **Rs. 5,902,582/-** (6368.57 M2 / 20 = 318.42 M3 – 634.21 M3 = 315.79 M3 X Rs. 18,691.45) paid to the contractor was doubtful.

Moreover, the contractor failed to execute the item of work "ABC" despite the fact that the same was included in the approved technical sanction for which a quantity of 5160.03 M2 of bituminous prime coat was also carried out for an amount of Rs. 975,865/-.

The stance of Audit was further strengthened from the fact that in the technical sanction a quantity of 13,895 M2 of bituminous tack coat was approved for executing a quantity of 694.75 M3 of AWC (13,895 M2 / 20 = 694.75 M3).

The lapse occurred due to violation of rules and regulations which resulted in doubtful payment.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends to inquire the matter and fix responsibility at the person(s) at fault besides recovery of the amount.

PDP No. 479 (2021-22)

21.4.6 Wasteful expenditure on account of RCC Planters – Rs. 13.481 million

According to Clause 5 of the revised PC-I of the project Beautification of Peshawar Canals Peshawar, the objectives of the project are to convert the eye sore image of the canal into a pleasant view and the general public will have a clean environment. Beautification of the canal will improve the aesthetic view of the entire city.

During audit of the accounts of Peshawar Development Authority Peshawar for the Financial Year 2021-22, it was observed that the Directorate of Horticulture paid an amount of Rs. 13,481,844/- to M/S Malik Masroor & Co. vide 5th running bill dated 07.01.2022 on account of RCC Planters under the work Beautification of Peshawar Canals under ADP Scheme. However, further scrutiny of record revealed that;

- There was no provision for carrying out the RCC Planters in the original PC-I of the project.
- In the justification for revision of the PC-I of the project, the reasons given were that as there is a conflict between the current ADP Scheme and another ADP Scheme carried out by the Irrigation Department, the scope of work needs to be revised to include "provision of RCC Planters". However, the scope of work and the cost summary did not include the said provision.
- The project was restricted to (and closed) an amount of Rs. 13,481,844/- despite the fact that the PC-I of the project was revised for an amount of Rs. 97.665 million due to unknown reasons.
- The RCC Planters (and the seasonal plants) did not serve the purpose of initiation of the project.
- The conversion of the scheme from beautification to provision of RCC planters was also not feasible on the grounds that the seasonal plants in the RCC planters needs plenty of water in hot weather.
- There was no approved drawing of the revised scope of work i.e. the RCC Planters.
- The nature of the scope of work of the project was changed on the mere visit of the Secretary Local Government without obtaining any visit report from the secretary office.
- The physical verification of site at Warsak Gravity Canal revealed that plantation of big trees was already carried out alongside the canal and there was no need to place the RCC Planters behind these plants as they were not visible.
- In most of the cases, the planters were empty and no plants were found planted in them.
- The purpose of converting the eye sore image of the canals to pleasant view could have easily been achieved by merely planting seasonal (and other) plants in the small pits in the available land alongside the canal.
- There was no documentary evidence regarding reservations raised by the Irrigation Department on the basis of which the scope of work was completely changed.

Audit held that neither the PDA Authorities nor the Chief Infrastructure P&D Department pointed out the issues while preparing / approving the original and revised PC-I of the project which resulted into non-achievement of the main project objectives and that the expenditure being incurred was held wasteful.

The lapse occurred due to weak internal controls which resulted in wasteful expenditure.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

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

PDP No. 488 (2021-22)

21.4.7 Loss to the authority funds due to non-forfeiture of CDR and awarding of contract at higher rate - Rs. 4.396 million

According to Rule 10 (i) of the General Financial Rules Volume-I, every government officer shall exercise the same vigilance in respect of expenditure incurred from public moneys, as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of the accounts of Peshawar Development Authority Peshawar for the Financial Year 2021-22, it was observed that the Directorate of Electrical carried out bidding for Conversion of Solar Based LED Lights to Conventional System starting from Kohat Road Flyover to Pir Zakori Bridge Wherein M/S Sardar Muhammad & Company offered 18.20% below rate (the lowest rate). Further scrutiny of record revealed that the contractor submitted a fake 8% additional security amounting to Rs. 6,800,000/-, as evident from the directorate letter dated 31.05.2021. However, the directorate management failed to forfeit the 2% CDR submitted with the financial proposal amounting to Rs. 1,700,000/- till date of audit i.e. June 2023.

Moreover, the directorate management awarded the contract to M/S Pak Friends Construction & Developers vide work order dated 07.07.2021 at the cost of Rs. 71,638,770/- (15% below) instead of the lowest rate of 18.20% below amounting to Rs. 68,941,781/-, which resulted in loss of Rs. 2,696,989/- to the authority funds.

Audit held that the directorate management should have awarded the contract to the second lowest at the risk-&-cost of the lowest bidder and thus should recover the amount from the defaulted contractor.

The lapse occurred due to violation of rules and regulations which resulted in loss of **Rs. 4,396,989/-** to the authority funds.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends to recover the amount from the contractors at fault.

PDP No. 500 (2021-22)

21.4.8 Overpayment on account of LED Lights - Rs. 25.451 million

According to Clause 6 of the NIT published in the newspapers on 07.03.2021, any item not included in the BOQ and required at site shall be paid in accordance with MRS 2020 prevailing markets on the approval of the competent authority. Read with MRS Cell C&W Department notification dated 01.07.2020, the competent authority is pleased to approve the Market Rate System 2020 with effect from 01.07.2020.

According to Observation 4 of the electrical directorate letter dated 12.10.2021, LED lights being principal item of the project, is recommended to be replaced with the approved brand i.e. PHILIPS updated model as per standard specifications provided with the tender documents from original manufacturer to ensure original warranty / quality.

During audit of the accounts of Peshawar Development Authority Peshawar for the Financial Year 2021-22, it was observed that the Directorate of Electrical paid an amount of Rs. 38,099,913/- to M/S Pak Friends Construction & Developers on account of executing an item of work "Supply and Erection of LED Road Light Fixture (120-130 Watt)" for a quantity of 430 lights at the rate of Rs. 88,604.45 vide 2nd Running Bill dated 15.07.2022 under the scheme Conversion of Solar Based LED Lights to Conventional System starting from Kohat Road Flyover to Pir Zakori Bridge. However, further scrutiny of record revealed that the rate of the said item of work was Rs. 29,415.00 in MRS 2020 and the directorate management made payment on MRS 2019 instead of MRS 2020 which resulted into overpayment of **Rs. 25,451,463/-** (Rs. 88,604.45 - 29,415.00 = 59,189.45 X 430 lights) to the contractor.

It is worth mentioning here that the scheme was administratively approved on 10.07.2020 well after the issuance of MRS 2020 which was issued on 01.07.2020 and that the technical sanction of the scheme was approved and notified vide order dated 22.11.2021.

It is further worth mentioning here that the LED Lights installed were of "Butterfly Brand" instead of the approved PHILIPS Brand as well.

The lapse occurred due to violation of rules and regulations which resulted into overpayment to the contractor.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends to recover the overpaid amount from the contractor.

PDP No. 501 (2021-22)

21.4.9 Fraudulent payment on account of jersey barriers - Rs. 3.512 million

According to Para 208, 209 (d), 220 & 221 of the CPWA Code, payments for all works should be made on the basis of measurements recorded in the measurement book.

During audit of the accounts of Peshawar Development Authority Peshawar for the Financial Year 2021-22, it was observed that the Directorate of Electrical paid an amount of Rs. 3,512,000/- to M/S Pak Friends Construction & Developers on account of executing an item of work "removal and reinstallation of jersey barriers safely" for a quantity of 4000 barriers at the rate of Rs. 878.09 vide 2nd Running Bill dated 15.07.2022 under the scheme Conversion of Solar Based LED Lights to Conventional System starting from Kohat Road Flyover to Pir Zakori Bridge. However, further scrutiny of record revealed that the rate analysis of the item was calculated as "equipment hydraulic crane" on hourly basis at the rate of Rs. 1756.18 per hour without adding any labor cost, contractor profit, overhead and taxes etc., with each barrier taking half an hour to be removed and reinstalled by the crane at the rate of Rs. 878.09 per 0.5 hour.

Moreover, the site visits of the scheme revealed that the jersey barriers were not available at the site meaning thereby that the barriers were just removed and not reinstalled, and there were no whereabouts of the removed barriers as well.

The lapse occurred due to violation of rules and regulations which resulted into fraudulent payment.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends to investigate the matter and fix responsibility against the person(s) at fault besides recovery of the amount from the contractor.

PDP No. 502 (2021-22)

21.4.10 Wasteful expenditure on account of beautification and illumination - Rs. 5.656 million

According to Rule 10 (i) of the General Financial Rules Volume-I, every government officer shall exercise the same vigilance in respect of expenditure incurred from public moneys, as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of the accounts of Peshawar Development Authority Peshawar for the Financial Year 2021-22, it was observed that the Directorate of Electrical awarded the contract for Beautification and Illumination of Hayatabad Peshawar to M/S Pak Friends Construction & Developers vide work order dated 13.09.2021 at the cost of Rs. 5,656,274/-, with the completion period of 03 months. However, further scrutiny of record and physical visit of the site revealed that there was no such scheme executed on ground.

Moreover, there was no record of the special audit report despite the fact that the director general of the authority had directed for conducting the said audit as evident from the DG Secretariat letter dated 27.12.2022.

Furthermore, the selected contractor did not submit the bid through registered courier service as was required.

Audit held that incurring expenditure and making payment for such an unnecessary component at the time when the government was facing challenges for paying the salaries to its employees was lavish and wasteful on part of the authority management.

The lapse occurred due to violation of rules and regulations which resulted in loss to the authority funds.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends to investigate the matter and fix responsibility against the person(s) at fault besides taking appropriate action against the officers / officials involved.

PDP No. 509 (2021-22)

21.4.11 Doubtful payment on account of supply of below-specification LED Light Drivers - Rs. 2.348 million

According to Clause 4 of the NIT published 18.11.2020, the bid shall be received through registered courier services and bids received by hand not through registered courier service and late shall not be entertained.

During audit of the accounts of Peshawar Development Authority Peshawar for the Financial Year 2021-22, it was observed that the Directorate of Electrical paid an amount of Rs. 2,348,018/- to M/S Swat Electric Power Company on account of executing an item of work “Supply and Erection of LED Drivers (180 Watt) - NSI” for a quantity of 100 drivers at the rate of Rs. 23,480.18 vide 2nd& Final Bill under the scheme Providing and Installation of LED Road Lights on Ring Road from Hayatabad to Kohat Road Flyover (ADP Scheme). However, further scrutiny of record revealed that;

- The directorate management failed to carry out the rate analysis of the said item of electrical work, instead the rate analysis of the item was carried out by the contractor himself.
- The rate analysis carried out by the contractor was defective as there was no mention of the material cost, labor, overhead and taxes etc.
- The sanction of the non-scheduled item was granted vide order dated 19.07.2021 without any proper need assessment and justification.
- The sanction was granted and payment was made for “180 Watt” LED Drivers whereas the contractor had provided “150 Watt” items as evident from the inquiry report.

It is worth mentioning here that these drivers were not installed in the similar nature schemes executed on Ring Road from Kohat Road Flyover to Pir Zakori Bridge and Zoo Road from University Road to Agriculture Bazar as evident from their bills.

The lapse occurred due to violation of rules and regulations which resulted in doubtful payment.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

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

PDP No. 512 (2021-22)

21.4.12 Suspected misappropriation on account of LED Lights and Drivers - Rs. 3.138 million

According to the 2nd& Final Bill of the scheme, a quantity of 32 double arm poles and 08 single arm poles were installed and paid for to the contractor.

During audit of the accounts of Peshawar Development Authority Peshawar for the Financial Year 2021-22, it was observed that the Directorate of Electrical paid an amount of Rs. 8,860,445/- to M/S Swat Electric Power Company on account of executing an item of work “Supply and Erection of LED Road Light Fixtures (120-130 Watt)” for a quantity of 100 lights at the rate of Rs. 88,604.45 vide 2nd& Final Bill under the scheme Providing and Installation of LED Road Lights on Ring Road from Hayatabad to Kohat Road Flyover (ADP Scheme), as against installation of 72 numbers of lights (32 double arm poles X 2 lights = 64 + 8 single arm poles = 72 lights), which resulted in a difference of Rs. 2,480,924/- (28 lights (100 lights – 72 lights) X Rs. 88,604.45 per unit rate)).

Similarly, the directorate management also paid an amount of Rs. 2,348,018/- on account of “Supply and Erection of LED Drivers (180 Watt) - NSI” for a quantity of 100 drivers at the rate of Rs. 23,480.18 vide 2nd& Final Bill under the same scheme, as against installation of 72 numbers of drivers (32 double arm poles X 2 drivers = 64 + 8 single arm poles = 72 drivers), which resulted in a difference of Rs. 657,445/- (28 drivers (100 drivers – 72 drivers) X Rs. 23,480.18 per unit rate)).

Audit held that as the total slots available for installation of lights and drivers were 72 only, making payment in excess of 72 slots, was against the rules and regulations and chances of misappropriation cannot be ruled out.

The lapse occurred due to violation of rules and regulations which resulted into a total suspected misappropriation of **Rs. 3,138,369/-**.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends to inquire the matter and fix responsibility at the person(s) at fault besides recovery of the amount.

PDP No. 513 (2021-22)

21.4.13 Illegal establishment and operation of private housing societies and non-recovery on account of penalty – Rs. 562.500 million

According to Clause 35 of the PDA Act 2017, whoever develops a scheme or society within the Authority areas, without prior written approval of the Authority or contravenes the provision of this Act, rules and regulations, shall be liable to imprisonment for a term which may extend to three (03) years or a fine which may extend to rupees five (05) million or with both.

According to Clause 41 (b) & 42 (5) of Chapter-VIII of the Khyber Pakhtunkhwa Local Government (Private Housing Schemes Management and Regulation) Rules 2021, a private promoter or developer shall ensure to undertake development works, after issuance of approval of design and specifications. If a private promoter or developer fails to develop a private housing scheme, within the stipulated period, or development works are not in conformity with the approved design and specifications, then the department may take over the development works of the private housing scheme and take action against the deviations or violations as per law.

During audit of the accounts of Peshawar Development Authority Peshawar for the Financial Year 2021-22, it was observed that the Directorate of Building Control Agency regulated the operations of the private housing societies situated within the jurisdiction of the authority management by registering 08 private housing schemes since its establishment. On the other hand, a total of 225 different private housing societies were illegally established and operating in District Peshawar. However, the authority management failed to impose penalty upon the owners of the societies at the prescribed rate of at least 2.5 million per owner amounting to **Rs. 562,500,000/-** (Rs. 2,500,000 X 225 illegal societies).

Further scrutiny of record revealed that;

- Almost all of the illegally operating societies were established on the fertile land, violating the provincial government directives regarding utilization of agriculture / fertile land for housing purposes.
- The housing societies were ranging from 10-100 kanals with construction activities completed in most of the cases.
- The directorate management failed to stop the development activities in the illegally operating housing societies and issued notices / reminders to the owners only.

- The directorate management failed to take up the issue with the administrative secretary for further taking up the matter with the provincial cabinet / decision makers for taking action against the violators and taking necessary measures for stopping the illegal practice in future.
- The directorate management failed to coordinate with the Urban Policy & Planning Unit P&D Department KP regarding granting NOCs to the 08 private housing societies as per their policy for master planning / urban planning of the major cities in the province.
- The authority management failed to notify and convene meetings of the Land Use and Building Control Committee decided to be constituted in the 2nd PDA Board meeting held on 01.10.2019 to initiate and ensure comprehensive master development planning for the authority area; prepare and ensure compliance of the annual development program for the authority area; and to prepare and recommend measures for the face lifting and beautification of the authority area.

The lapse occurred due to violation of rules and regulations which resulted in illegal establishment and operation of the housing societies and non-recovery of penalty.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends to investigate the matter and fix responsibility against the person(s) at fault besides taking up the matter with the quarters concerned for stopping the illegal practice.

PDP No. 530 (2021-22)

21.4.14 Loss to the authority funds due to non-imposition of surcharge - Rs. 7.128 million

According to Clause B (1) of the terms and conditions of the Directorate of Estate Management letter dated 13.01.2022, the allottee shall deposit the balance 3/4th of the bid amount within 30 days of the issuance of the allotment letter. In case the allottee failed to deposit the requisite 3/4th amount within the stipulated period, he will be liable to pay surcharge in addition to the original amount at different rates ranging from 5-15%.

During audit of the accounts of Peshawar Development Authority Peshawar for the Financial Year 2021-22, it was observed that the Directorate of Estate Management allotted Commercial Plot No. A Opposite HMC Phase-IV measuring 1.33 Kanal to Mr. Asad Khan S/O Mughal Baz vide allotment letter dated 13.01.2022. Further scrutiny of record revealed that the allottee failed to deposit the requisite 3/4th amount within the stipulated period of time of one month i.e. up to 13.02.2022 and the directorate management failed to impose surcharge for late deposit at the prescribed rates amounting to Rs. 7,128,756/-, as detailed below;

Challan No.	Date	Amount	Rate of Surcharge	Formulae	Surcharge Amount
93060	18.02.22	53,500,000	5% P.A per day	296,260,000*3/4*5%/360*5	154,302

93202	24.02.22	30,000,000	5% P.A per day	296,260,000*3/4*5%/360*11	339,465
92822	02.03.22	6,000,000	5% P.A per day	296,260,000*3/4*5%/360*19	586,348
77382	11.03.22	10,500,000	5% P.A per day	296,260,000*3/4*5%/360*28	864,092
62507	25.04.22	60,000,000	15% P.A per day	296,260,000*3/4*15%/360*12	1,110,975
62508	30.04.22	50,000,000	15% P.A per day	296,260,000*3/4*15%/360*17	1,573,881
62505	10.05.22	12,195,000	15% P.A per day	296,260,000*3/4*15%/360*27	2,499,694
Total					**7,128,756**

The lapse occurred due to violation of rules and regulations which resulted in loss to the authority funds.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

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

PDP No. 541 (2021-22)

21.4.15 Loss to the authority funds due to non-imposition of surcharge - Rs. 3.163 million

According to Clause A (1) of the terms and conditions of the Directorate of Estate Management letter dated 13.01.2022, the allottee shall deposit the balance 3/4th of the bid amount within 30 days of the issuance of the allotment letter. In case the allottee failed to deposit the requisite 3/4th amount within the stipulated period, he will be liable to pay surcharge in addition to the original amount at different rates ranging from 5-15%.

During audit of the accounts of Peshawar Development Authority Peshawar for the Financial Year 2021-22, it was observed that the Directorate of Estate Management allotted Commercial Plot No. E1 Opposite HMC Phase-IV measuring 15.6 Marla to M/S Rabbani Associates vide allotment letter dated 13.12.2022. Further scrutiny of record revealed that the allottee failed to deposit the requisite 3/4th amount within the stipulated period of time of one month i.e. up to 13.01.2023 and the directorate management allowed payment of the 3/4th amount in 04 equal installments instead of imposing surcharge for late deposit at the prescribed rates amounting to **Rs. 3,163,070/-**, as detailed below;

Challan No.	Date	Amount	Rate of Surcharge	Formulae	Surcharge Amount
147	31.01.23	45,187,500	5% P.A per day	241,000,000*3/4*5%/360*17	426,717
156	03.03.23	45,187,500	10% P.A per day	241,000,000*3/4*10%/360*20	1,004,166
Nil	10.04.23	45,187,500	15% P.A per day	241,000,000*3/4*15%/360*23	1,732,187
Total					**3,163,070**

Audit held that there was no provision for allowing the payments on installment basis in the general terms and conditions for auction of commercial plots, hence making payments in installments was against the auction rules.

The lapse occurred due to violation of rules and regulations which resulted in loss to the authority funds.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends to investigate the matter and take appropriate action against the person(s) at fault besides imposition of penalty and recovery of the amount.

PDP No. 542 (2021-22)

21.4.16 Loss to the authority funds due to late allotment of commercial plot - Rs. 320.727 million

According to Clause 1 (g) of the Terms and Conditions for Auction of Commercial Plots, the acceptance of the highest bid would be subject to approval of the Director General PDA who reserves the right to accept or reject the bid **assigning cogent reasons**.

During audit of the accounts of Peshawar Development Authority Peshawar for the Financial Year 2021-22, it was observed that the Directorate of Estate Management initiated the auction process for allotment of Commercial Plot No. H Opposite HMC Phase-IV measuring 1 Kanal in February 2018, wherein Mr. Sheraz Khan offered the highest bid of Rs. 220,500,000/- (USD 2,004,545 @ 110 prevailing market rate). However, further scrutiny of record revealed that the highest bid of Mr. Sheraz Khan was rejected on a minor issue that there was a difference between the amounts written in figures and in words, as evident from Para No. 16/N dated 08.03.2018.

Audit further observed that;

- The directorate management vide letter dated 30.03.2018 intimated the bidder that his bid was rejected due to difference between the amounts written in figures (Rs. 220,500,000) and in words (Rs. 200,000,000), whereas the amount in words was Rs. 200,500,000/- instead of Rs. 200,000,000/- as claimed by the directorate management.
- The highest bidder had clarified vide his application dated 30.03.2018 that his bid offered was Rs. 220,500,000/-.
- The legal opinion given by the CSLC also clarified that as the bidder had clarified the rate offered and that the adjacent plot was auctioned at the rate much lower than the instant bid, there is no reason for rejection of the bid.

- The Honorable Peshawar High Court Peshawar vide its judgment dated 30.11.2022 disposed of the petition in terms of remitting it to the Director General PDA for looking into it and deciding the same strictly in accordance with law expeditiously.
- The authority management after wasting 5 years, allotted the plot to the same bidder at the same original bid cost of Rs. 220,500,000/- vide allotment letter dated 23.01.2023 (which was initially rejected by the directorate management).
- It is worth mentioning here that another 1 Kanal Plot No. G was allotted to another bidder vide allotment letter dated 16.03.2018 at the bid cost of Rs. 171,000,000/-, bid cost much lower than the instant bid, in the same tendering process.

Audit held that non-allotment of the commercial plot in February 2018 and depositing the amount in January 2023 resulted into loss of **Rs. 320,727,200/-** (Rs. 270 exchange rate in Jan 2023 – 110 exchange rate in Feb 2018 = 160 exchange rate difference X USD 2,004,545) to the authority funds in terms of dollar disparity.

The lapse occurred due to violation of rules and regulations which resulted in loss to the authority funds.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

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

PDP No. 544 (2021-22)

21.4.17 Loss to the authority funds due to non-auctioning of Fun Land in Tatara Park - Rs. 36.750 million

According to Rule 10 (i) of the General Financial Rules Volume-I, every government officer shall exercise the same vigilance in respect of expenditure incurred from public moneys, as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of the accounts of Peshawar Development Authority Peshawar for the Financial Year 2021-22, it was observed that the Directorate of Estate Management initiated the auction process of the Fun Land in Tatara Park on 24.11.2015 wherein Muhammad Jamil Qari offered the highest bid of Rs. 12,575,000/- and thus allotted the Fun Land vide office order dated 18.12.2015. However, further scrutiny of record revealed that;

- Muhammad Jamil Qari failed to deposit the guarantee amount of Rs. 5,000,000/- in the authority's account and the directorate management thus cancelled the allotment instead of allotting the same to the second highest bidder.

- The directorate management initiated second auction process on 22-24.06.2016, wherein Mian Muhammad Jamil offered the highest bid of Rs. 6,100,000/- which was rejected vide letter dated 30.06.2016.
- Mian Muhammad Jamil offered to take over the contract at the bid cost of Rs. 12,575,000/- which was accepted but on temporary basis instead of leasing out the same. The allotment was subject to the condition that the same will be put to yet another auction and the current bidder will vacate the Land in case of receipt of another higher bid.
- The directorate management initiated third auction process on 04.08.2016, wherein Mr. Saleem Khan offered the highest bid of Rs. 13,500,000/- along with the affidavit that if another bidder offered higher bid then he may just be allowed to en-cash his call deposit only.
- The directorate management initiated fourth auction process on 20.09.2016, but in the meanwhile Mian Muhammad Jamil who was not just the highest bidder in the second auction process but deposited an amount of Rs. 13,000,000/- in advance as well, filed a civil suit and got a statuesque.
- The directorate management initiated fifth auction process on 08.02.2019, wherein once again Mian Muhammad Jamil's firm Fun Land Amusement Co. obtained qualifying marks only, but the committee recommended to re-advertise the case.
- The directorate management initiated sixth auction process on 28.03.2019, wherein once again Mian Muhammad Jamil's firm Fun Land Amusement Co. offered the highest bid of Rs. 5,250,000/- (as yearly rent) with 10% increase every year and the committee recommended the bid for approval. However, the Director Estate Management vide Para No. 228/N dated 30.07.2019 ordered to keep the case pending as Minister Local Government might order an inquiry.
- An inquiry was also conducted to probe the delay in awarding the contract in August 2019 which found multiple discrepancies in the auction proceedings of lease of Tatara Park, however, instead of fixing responsibility against the person(s) at fault, the inquiry committee recommended re-auction of the same.
- The directorate management initiated seventh auction process on 23.01.2020 as per remarks in Para 251/N dated 23.01.2020 instead of conducting or waiting for a detailed inquiry, so that to avoid delay in the auction of the Land in Tatara Park for the interest of general public.

It is worth mentioning here that the directorate management failed to award the contract of the Fun Land to any of the highest bidders **till date of audit i.e. June 2023** despite the fact that the auction process was carried out **7 times** and that the highest bidders deposited the amount in the authority's account in advance as well.

Audit held that non-awarding of contract of the Fun Land not only resulted in loss of **Rs. 36,750,000/-** (Rs. 5,250,000 yearly rent offered X 7 years) to the authority funds but the general public was also deprived of the entertainment services as well.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

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

PDP No. 549 (2021-22)

21.4.18 Suspected misappropriation on account of Toll Plaza, Car Parking and Itwar Bazar receipts - Rs. 20.824 million

According to Rule 26 of the General Financial Rules Volume-I, it is the duty of the Departmental Controlling Officer to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the Public Account.

During audit of the accounts of Peshawar Development Authority Peshawar for the Financial Year 2021-22, it was observed that the Directorate of Estate Management awarded the contracts for operating different sites to different contractors and shown realized the receipts from these contracting out in their yearly abstract of receipts. However, further scrutiny of record revealed that a sum of Rs. 20,824.235/- was also realized by the directorate management from the operating the following sites through their own staff for different periods, which was not reflected in the yearly abstract of receipts, as detailed below;

S. No.	Particulars	Period	Amount
1	Ring Road Toll Plaza	19.05.22 to 16.08.22	8,487,400
2	HMC Car Parking	21.10.22 to 31.03.23	4,814,330
3	Itwar Bazar Stall and Car Parking	04.07.21 to 22.05.22	7,522,505
Total			**20,824,235**

Audit held that non-reflecting of the receipts realized in the yearly abstract was a serious lapse on part of the directorate management and chances of misappropriation by the dealing hands cannot be ruled out.

The lapse occurred due to violation of rules and regulations which resulted in suspected misappropriation.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and taking appropriate action against the person(s) at fault.

PDP No. 553 (2021-22)

21.4.19 Irregular allotment of plot to Muhammadi Hospital and non-recovery of cost of additional land - Rs. 162.500 million

According to the Summary for Governor Khyber Pakhtunkhwa dated 16.03.1985, the Governor directed for allotment of 04 Kanal Plot in Hayatabad to the Pakistan Heart Foundation for charitable purposes.

During audit of the accounts of Peshawar Development Authority Peshawar - Directorate of Estate Management for the Financial Year 2021-22, it was observed that plot No. 560-A at Sector P-2 Phase-IV measuring 4 Kanals initially was allotted to M/S Pakistan Heart Foundation vide Summary to the Governor Khyber Pakhtunkhwa dated 16.03.1985 at the cost of Rs. 55,650 per Kanal as utility plot and an amount of Rs. 222,600/- was deposited as plot price as evident from the agreement signed on 19.02.1986. However, further scrutiny of record revealed that instead of utilizing the plot for establishing a charitable institution, rented out the same for dental clinic as evident from the draft Para-wise Comments prepared for submitting before the Senior Civil Judge Peshawar.

Audit further observed that;

- 8.2 Kanals of additional land was allotted to the Foundation despite the fact it failed to make use of the initially allotted land measuring 4 Kanals and to supply the required plans for the utilization of the existing allotted land, as evident from Para No. 13 of the Summary for Chief Minister Khyber Pakhtunkhwa dated 10.09.1988.
- The directorate management failed to ensure establishment of International Medical Research Center Pakistan Heart Foundation despite allotment of the plot in 1985 and taking possession on 20.06.1996, as evident from the brief at Page No. 239 regarding allotment of the plot.
- The directorate management failed to impose surcharge upon the allottee for non-completion of construction work on the plot as was required under Clause 6 of the agreement signed with the foundation.
- Finally, the allotment was cancelled, after serving several notices, vide letter dated 03.08.2018, after wasting 33 years. However, the directorate management failed to vacate the plot and take possession.

Moreover, an amount of **Rs. 162,500,000/-** (Rs. 650,000 cost of the additional 8.2 Kanal land allotted to the foundation X 250 net exchange rate (270 current exchange rate – 20 exchange rate in May 1988)) was outstanding against the allottee, as evident from Para No. 13 of the Summary for Chief Minister Khyber Pakhtunkhwa dated 10.09.1988, however, the directorate management failed to recover the same till date of audit i.e. June 2023.

Audit held that allotting plot to the foundation for charitable purposes when in fact the same was not used as a charitable institution and its non-vacation / possession back by the authority management was a serious lapse on part of the management.

The lapse occurred due to violation of rules and regulations which resulted in fraudulent awarding of plot.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and taking appropriate action against the person(s) at fault besides recovery of the outstanding amount and the surcharge amount levied on the foundation for not completing the construction within the stipulated period of time.

PDP No. 555 (2021-22)

21.4.20 Loss to the authority funds due to irregular allotment of plot to Muhammad Medical Complex - Rs. 67.401 million

According to the Summary for Chief Minister Khyber Pakhtunkhwa dated 18.09.1991, the Hematology and Blood Transfusion Center will provide special treatment to the patients suffering from fatal diseases like cancer, blood diseases, hereditary diseases (Thalassemia and Hemophilia), Chemotherapy etc. The Center will comprise of OPDs with Treatment Rooms; Inpatient Wards for male and female and children; ICU for BM Transplantation, Leukemia and Aplastic Anemia; Radiotherapy Unit with X-Ray and Irradiation Treatment Room for BM Transplantation and Radiotherapy; Laboratories; OTs for BM Transplantation and General Surgery; Blood Coagulation Laboratory; Hemophilia Center; Blood Bank & Blood Transfusion Center for Thalassemia patients; Pharmacy and other required administrative units.

During audit of the accounts of Peshawar Development Authority Peshawar - Directorate of Estate Management for the Financial Year 2021-22, it was observed that plot No. 3, 4 & 4A at Sector B-3 Phase-V total measuring 14.82 Kanals was allotted to Mrs. Simin Mahmod Jan vide allotment letter dated 09.05.1993 at the cost of Rs. 172,320/- per Kanal, along with allotting the 3 Kanal land under high tension line free-of-cost, for construction of Hematology and Blood Transfusion Center.

However, further scrutiny of record revealed that;

- The allottee failed to construct the requisite center for provision of the above mentioned services and the authority management cancelled the allotment of plot vide letter dated 27.07.1995.
- The allotment was restored on 25.02.1996 with extension in the completion period up to 15.05.1997. However, the allottee once again failed to construct the building within the extended period of time.
- The allottee illegally occupied the plot with effect from 15.05.1997 to 22.04.2019 untill the authority management cancelled allotment of plot the second time vide letter dated 22.04.2019. The plot is still under the custody of the allottee for unauthorized use.
- The plot was sub-divided by the allottee by establishing different businesses like Umar Pharmacy, MMC Canteen, Private Doctors Clinics and Car Parking etc. as admitted vide Para 537/N dated 10.05.2023 and a handsome revenue in terms of rent amounting to **Rs. 14,400,000/-** (Rs. 600,000

monthly rent approximately X 24 months) was generated by the allottee from the authority's property, hence the same needs to be recovered and deposited into authority funds.

- The directorate management failed to recover the restoration charges from the allottee amounting to **Rs. 35,400,000/-** as mentioned in Para No. 540/N dated 10.05.2023 as well.

Audit held that as the plot was used for commercial purposes, the same should have either been vacated by the authority management **or** should have been allotted initially at the commercial rate prevailing in authority at the time of allotment in 1993 i.e. Rs. 1,360,000/- per Kanal as mentioned in the Summary to the Governor for Khyber Pakhtunkhwa dated 16.03.1985 in allotment of another Plot No. 560-A at Sector P-2 Phase-IV, which would have resulted in extra realization of an amount of **Rs. 17,601,418/-** as detailed below;

Rate of commercial plot as per auction on 20.05.1984	Rs. 1,360,000	
Multiply by total area of plot allotted		14.82 Kanal
Equals		Rs. 20,155,200
Less actual cost at which the plot was allotted	(Rs. 2,553,782)	
Equals (extra realization of revenue)	**Rs. 17,601,418**	
Plus rent generated		Rs. 14,400,000
Plus restoration charges	Rs. 35,400,000	
Equals		**Rs. 67,401,418**

The lapse occurred due to violation of rules and regulations which resulted in loss to the authority funds.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and taking appropriate action against the person(s) at fault besides recovery of the amount.

PDP No. 556 (2021-22)

21.4.21 Loss to the authority funds due to non-imposition of surcharge - Rs. 14.500 million

According to Clause 9 (b) of the contract agreement executed with the contractor, the mode of payment will be on advance in **four** equal installments within **six** months i.e. Rs. 36,250,000/- + government taxes each as per following schedule;

- 1st installment of Rs. 36,250,000 + government taxes within 07 days of signing contract agreement.
- 2nd installment of Rs. 36,250,000 + government taxes after 02 months of 1st installment.
- 3rd installment of Rs. 36,250,000 + government taxes after 04 months of 1st installment.
- 4th installment of Rs. 36,250,000 + government taxes after 06 months of 1st installment.

In case the contractor fails to deposit installment in the stipulated time, the contractor will have to pay surcharge on the due / outstanding amount as per government prevailing rates.

According to Clause B (1) of the terms and conditions of the Directorate of Estate Management letter dated 13.01.2022, the allottee shall deposit the balance 3/4th of the bid amount within 30 days of the issuance of the allotment letter. In case the allottee failed to deposit the requisite 3/4th amount within the stipulated period, he will be liable to pay surcharge in addition to the original amount at different rates ranging from 5-15%.

During audit of the accounts of Peshawar Development Authority Peshawar for the Financial Year 2021-22, it was observed that the Directorate of Horticulture awarded the contract for collection of advertisement charges of billboards / hoarding boards to M/S Mikab Advertisersvide work order dated 13.12.2021 at the offered rate of Rs. 145,000,000/- for a period of three years. However, further scrutiny of record revealed that instead of collecting the installments as per the approved schedule, the directorate management approved and issued a new schedule for payment of the installments.

Audit held that as the contractor failed to deposit the installments within the stipulated periods of time, surcharge at the rate of **Rs. 14,500,000/-** (Rs. 145,000,000 X 10% approximately) should have been imposed.

The lapse occurred due to violation of rules and regulations which resulted in loss to the authority funds.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and taking appropriate action against the person(s) at fault besides imposing surcharge upon the contractor.

PDP No. 560 (2021-22)

21.4.22 Overpayment to the contractor on account of excavation in open cut – Rs. 3.269 million

According to Clause 60.1 of the general conditions of the contract, the contractor shall be entitled to payment against the value of permanent works executed. Read with Rule 397 of the Federal Treasury Rules Volume-I, no payment can be made to the contractor except for work actually done or supplies actually received.

During audit of the accounts of Peshawar Development Authority Peshawar for the Financial Year 2021-22, it was observed that the Directorate of Water & Sanitation RMT paid an amount of Rs. 5,302,042/- to M/S Green Crown vide 1st Running Bill on account of executing an item of work “excavation in open cut for sewer & main hole except shingle, gravel & rock up to 2 meter to 5 meter" for a quantity of 14362.45 M3 at the rate of Rs. 369.16 under the scheme Providing / Laying 72" dia RCC Pipe Missing Link between Zone-4 and Zone-5 RMT. However, further scrutiny of record revealed that a quantity of 5904.78 M^3 of another complementary item of work "excavation in open cut for sewer & main hole except shingle, gravel & rock up to 2 meter" was executed, meaning thereby that an amount of **Rs. 3,269,712/-** (5904.78 M^3 X 1.5 times = 8857.17 M^3 X Rs. 369.16) was overpaid to the contractor.

The stance of Audit was strengthened from the fact that quantities of the aforementioned items were approved in the technical sanction and awarded to the contractor in the ratio of 1:1.5 as well.

The lapse occurred due to weak internal controls which resulted in overpayment to the contractor.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends inquiring the matter and fixing responsibility against the person(s) at fault along with recovery of the amount.

PDP No. 567 (2021-22)

21.4.23 Unauthorized payment on account of technical allowance - Rs. 35.047 million

According to the Finance Department Khyber Pakhtunkhwa Notification No. FD (SO-SRII)8-7/2018-19 dated 19.10.2018, the technical allowance at the specified rate is approved for the engineers serving against the sanctioned posts in the C&W, Irrigation, PHE and Local Government Departments with effect from November 2018. Read with clarification issued by the Finance Department in response to the Local Government Department letter No. FD/SOSR-II/8-7/2-17/06 dated 03.07.2020, the Finance Department allowed technical allowance to only four works departments i.e. C&W, Irrigation, PHE and Local Government Departments, therefore, the engineers working in the local area authorities (autonomous bodies) are not entitled to the said allowance.

During audit of the accounts of Peshawar Development Authority Peshawar - Directorate of Administration & Finance for the Financial Year 2021-22, it was observed that an amount of **Rs. 35,047,356/-** was paid to different engineering staff on account of their technical allowance, in violation of the above mentioned rules and regulations, which makes the payment as unauthorized.

The lapse occurred due to violation of rules and regulations which resulted in unauthorized payment.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and taking appropriate action against the person(s) at fault besides recovery of the amount.

PDP No. 569 (2021-22)

21.4.24 Irregular payment on account of pay and allowances of chief security officer - Rs. 5.655 million

According to Clause 8 (1 & 2) of the PDA Act 2017, the Authority may appoint such officers, officials and employees, as it considers necessary for the efficient performance of its functions on such terms and conditions **as may be prescribed by regulations (framed under this act)**. The Authority may appoint advisors, experts and consultants on such terms and conditions **as the Authority may specify** from time to time.

During audit of the accounts of Peshawar Development Authority Peshawar - Directorate of Administration & Finance for the Financial Year 2021-22, it was observed that the authority management appointed a Chief Security Officer in the project "Safe City Hayatabad" in the Year 2016, as evident from the Curriculum Vitae submitted by the officer for regularization of his services. Accordingly, an amount of **Rs. 5,655,066/-** (Rs. 92,706 X 61 months) was paid to the officer on account of his pay and allowances till date of Audit i.e. June 2023.

However, further scrutiny of record revealed that he was selected as the Chief Security Officer (BPS-7) in the DSC meeting held on 24.04.2017 and appointed vide offer letter dated 08.05.2017 **on temporary basis**. His services were regularized as Chief Security Officer (BPS-17) vide office order 31.05.2018.

Audit further observed that;

- The officer was given the charge of Secretary PDA vide office order dated 24.08.2017, in violation of Clause 9 (6) of the PDA Act 2017, wherein the Director General was mentioned to act as Secretary of the Authority.
- He was further given the charges of PSO to DG, Deputy Director (Coordination), Deputy Director (Administration) and Public Information Officer instead of assigning the duties of looking after the security of Hayatabad as was mentioned in the minutes of the DSC meeting held on 24.04.2017.
- The PUDB Rules were amended for the officer vide notification dated 29.12.2016 to include the post of chief security officer on initial recruitment basis, at the time when he was serving as chief security officer in the Safe City Project under PDA.
- The record of his working as chief security officer in the project "Safe City Hayatabad" was missing in his personal file.
- The Section Officer (Establishment) Local Government Department vide letter dated 08.02.2021 requested the DG PDA Peshawar to provide a detailed report regarding alleged bribery and misuse

of authority by the officers of PDA Peshawar including the chief security officer. However, no inquiry against the said officer was conducted till date of audit i.e. June 2023.

Audit held that the PUDB Rules were amended to include the post of chief security officer to accommodate the already hired officer working in the project without vide publicity of the post.

The lapse occurred due to violation of rules and regulations which resulted in irregular payment.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and taking appropriate action against the person(s) at fault besides recovery of the amount.

PDP No. 572 (2021-22)

21.4.25 Irregular payment due to unauthorized regularization of services – Rs. 776.980 million

According to Clause 48 (1 & 2) of the PDA Act 2017, the government may, by notification in the official gazette, make rules and regulations for carrying out the purposes of this Act.

During audit of the accounts of Peshawar Development Authority Peshawar - Directorate of Administration & Finance for the Financial Year 2021-22, it was observed that the services of 1824 contract / work charge employees were regularized vide office orders dated 13.11.2018; 09.08.2018; and 31.05.2018 under Section 49 (1) of the PDA Act 2017. However, further scrutiny of record revealed that services of these employees were regularized without framing service rules under the PDA Act 2017. Accordingly, an amount of **Rs. 776,980,896/-** ((Rs. 34,264 X 1640 BPS-1 employees X 12 months = **674,315,520**) + (Rs. 46,497 X 184 BPS-10 employees X 12 months = **102,665,376**)) was paid to these regularized work charge employees on account of their pay and allowances during the year.

Audit further observed that;

- The services of the employees were regularized on the basis of Clause 49 of the PDA Act 2017, which provides for adoption of the employees serving with the affairs of the Authority and were **holding** various posts till the enactment of this Act, instead of providing for regularization of the work charge employees.
- There was no mention of regularization of the services of the work charge employees in the preamble of the Act, which stipulates the establishment of Peshawar Development Authority only.
- The authority management regularized services of these employees without verifying the documents and other pre-requisites of the post as required under the office order of regularization of their services.

- Almost 90% of the staff regularized vide the above office order was in BPS-1, which did not exist in the sanctioned strength of the authority at the time of regularization.
- Most of the employees were shown recruited on work charge basis in the Years 2016 and 2017 just before enactment of the PDA Act 2017 and regularization of the services in 2018, hence chances of recruitment of staff during preparation of the case for regularization cannot be ruled out.
- The authority management did not carry out any proper scrutiny under a notified committee for their suitability for regularization against the posts keeping in view the factors like their qualifications, experiences, domicile, quotas and other indicators necessary for ensuring merit in the recruitment process.
- Three officers of the authority management were promoted to the posts of Additional Director Generals vide 20.01.2023 by the defunct PUDB instead of the same being approved by the currently operational high-powered PDA Board.

Audit held that regularizing the services of the employees by the authority management without any provision for regularization of the work charge employees and without framing their own rules and regulations under the PDA Act 2017 was a serious lapse on part of the authority management.

Audit further held that promotion of the officers by the defunct PUDB after enactment of the PDA Act 2017 and notification of the Board of Authority of PDA vide Notification dated 09.03.2018 under the chairmanship of the Chief Minister KP was against the rules and regulations.

The lapse occurred due to violation of rules and regulations which resulted in irregular regularization of services of the contract / work charge employees.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and taking appropriate action against the person(s) at fault.

PDP No. 573 (2021-22)

21.4.26 Non-recovery on account of damages done by BRT contractors - Rs. 360.384 million

According to Clause 6 (2) (q) of the PDA Act 2017, the Authority shall recover all the arrears of taxes, rents and other money within the Authority's areas, claimable by it as arrears of land revenue. Read with the Director W&S / RMT PDA Peshawar letter No. 07/D(W&S/BCA)RMT / PDA / 229-234 dated 05.06.2020, the Director Finance was requested to immediately start recoveries from the BRT contractors.

During audit of the accounts of Peshawar Development Authority Peshawar for the Financial Year 2021-22, it was observed that an amount of **Rs. 360,384,000/-** was outstanding against the BRT contractors on account of damages done to the authority's assets as evident from the Director W&S / RMT letter referred to above, as detailed below;

Contractor	Reaches	Directorates	Amount (Rs. in M)
SGEC-MAQBOOL CALSONS JV	Reach-I	Horticulture	42.218
		Electrical	16.415
		Electrical / Solar Line	2.450
		Machinery	1.927
CR21G-MAQBOOL CALSONS JV	Reach-II	Reach-II	76.558
CR21G-MAQBOOL CALSONS JV	Reach-III	W&S	104.477
		Horticulture	5.240
		Road-III	16.445
		Electrical	16.415
		Machinery	1.927
		Building	6.312
ANHUI-MAQBOOL JV	Lot-I	Building	70.000
Total			**360.384**

However, the Finance Directorate failed to recover the amount from the BRT contractors till date of audit i.e. June 2023.

Furthermore, the Directors BRT Reach-I, II, III and Building failed to intimate the outstanding dues against the BRT contractors to the quarter concerned for incorporating in the detailed list of the outstanding dues to be recovered from the contractors, as required under the Deputy Director Coordination PDA Peshawar letter No. 165/DD(Coord)PIU-BRT/PDA/93 dated 09.06.2020.

The lapse occurred due to weak internal controls which resulted in non-recovery of the outstanding dues from the contractors.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends determining the whole amount of the outstanding dues and its early recovery from the contractors at fault.

PDP No. 579 (2021-22)

21.4.27 Loss to the authority funds due to non-imposition of penalty upon the contractors for submission of fake and unauthentic bank guarantees - Rs. 535.460 million

According to Rule 23 of the General Financial Rules Volume-I, every public officer is personally responsible for any loss sustained by government through fraud or negligence on his own part or on the part of subordinate disbursing officers.

During audit of the accounts of Peshawar Development Authority Peshawar for the Financial Year 2021-22, it was observed that the following contractors submitted fake and unauthentic bank guarantees amounting to Rs. 535,460,375/-, as detailed below;

Contractors	Scheme	Directorate	Nature	Guarantee No.	Amount
Younas Builders	New General Bus Stand	Road-II	Mobilization Advance	HMBL/LG/04/54/1500096/2022	22,193,528
Younas Builders	New General Bus Stand	Road-II	Performance Guarantee	HMBL/LG/04/54/1500021/2021	184,790,200
Younas Builders	New General Bus Stand	Road-II	Mobilization Advance	HMBL/LG/04/54/1500019/2021	92,395,105
Younas Builders	New General Bus Stand	Road-II	Mobilization Advance	HMBL/LG/04/54/1500091/2022	92,395,105
Al-Noor Builders	New General Bus Stand		Performance Guarantee	735LOGT220740001	143,686,437
Total					**535,460,375**

However, further scrutiny of record revealed that the authority management neither imposed any penalty upon the contractors for submitting fake bank guarantees nor took any action against its own staff for allowing the submission of such fake guarantees.

Audit held that the authority management should have imposed at the rate of at least 10% amounting to **Rs. 53,546,075/-** (Rs. 535,460,375 X 10%) upon the contractors for submitting fake bank guarantees and indulging in fraudulent practices.

The lapse occurred due to violation of rules and regulations which resulted in loss to the authority funds.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends imposing penalties at the prescribed rates upon the contractors besides its early recovery.

PDP No. 581 (2021-22)

21.4.28 Non-achievement of development objectives by the authority management

According to the PDA Notification dated 06.04.2021, the PDA Board in its 4th meeting held under the Chief Minister KP on 29.01.2021 approved construction of Northern Section of Ring Road (Missing Link) with the direction to complete the scheme within 01-year time positively.

During audit of the accounts of Peshawar Development Authority Peshawar for the Financial Year 2021-22, it was observed that the authority management failed to initiate and complete work on the construction of Northern Section of Ring Road (Missing Link) till date of audit i.e. July 2023.

Audit further observed that;

- The authority management failed to resolve the land ownership / occupation issues in Regi Model Town due to which Zone-I, II and V remained disputed sine long despite the fact that the PDA Board in its 4th meeting had already directed to remove and vacate the land from the illegal occupant i.e. Muslim Khan within one month time, which shows the non-seriousness of the authority management towards the development of public housing scheme where the general public has invested their hard earned money.
- The PDA Board shifted the development of New Peshawar Valley from PHA to PDA Peshawar for accelerated development of the scheme. However, the authority management failed to complete the scheme within the stipulated period of time and the PDA Board in its 10th meeting held on 26.12.2022 decided to develop the scheme on PPP basis.
- The Minister Finance / Health participated in the 4th, 6th, 7th, 9th and 10th PDA Board Meetings held on different dates in violation of the Local Government Department Notification dated 09.03.2018 which was held unauthorized which further makes the decisions taken as unlawful.

Audit held that the authority management should have initiated / completed the development schemes well on time as the management has no issues of finance, law & order, human resources and land settlement as evident from the fact that the PDA Board is chaired by the Chief Minister KP with members from all the relevant departments.

The lapse occurred due to violation of rules and regulations which resulted in non-achievement of development objectives.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and fixing of responsibility against the person(s) at fault.

PDP No. 585 (2021-22)

21.4.29 Unauthorized expenditure on account of POL due to unauthorized allotment of vehicles – Rs. 4.736 million

According to Rule 11 of the General Financial Rules Volume-I, each head of the department is responsible for enforcing financial order and strict economy at every step. He is responsible for observing of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

According to Clause 4(1) of the Staff Car Rules 1980, each division/ department having a staff car shall detail an officer to be called the officer-in-charge who shall be responsible for the proper utilization and upkeep of the car and the maintenance of record of the staff car.

During audit of the accounts of Peshawar Development Authority Peshawar for the Financial Year 2021-22, it was observed that the Directorate of Machinery & Equipment allotted 06 different vehicles to the following officers / officials and incurred expenditure to the tune of Rs. 4,736,670/- on account of their POL. However, further scrutiny of record revealed that these officers / officials were not entitled to the vehicles of the authority management on the grounds mentioned against each, as detailed below;

Vehicle No.	Allottee	POL / Repair	Amount	Remarks
AB-5800 & BD-9226	Minister Local Govt.	POL	1,388,496	Not authorized as Minister is entitled for E&A Dept. vehicle
AB-5800 & BD-9226	Minister Local Govt.	Repair	495,669	Not authorized as Minister is entitled for E&A Dept. vehicle
AB-1134	Secretary Local Govt.	POL	1,049,550	Not authorized as Secretary is entitled for E&A Dept. / Departmental vehicle
BD-8670	Consultant PDA	POL	302,955	Not authorized
GAA-566 & AB-1070	DG PDA	POL	1,500,000	Not authorized for 02 vehicles
Total			**4,736,670**	

Audit held that incurring expenditure on account of POL and repair of the vehicles allotted to the above mentioned officers / officials was a serious lapse.

The lapse occurred due to weak internal controls which resulted in unauthorized expenditure.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends inquiring the matter and fixing responsibility against the person(s) at fault besides recovery of the amount.

PDP No. 587 (2021-22)

21.4.30 Unauthorized utilization of security vehicles – Rs. 200.000 million

According to Para 149 of the General Financial Rules Volume-I, when materials are issued from stock, a written acknowledgment should be obtained from the person to whom they are ordered to be delivered or dispatched, or from his duly authorized agent.

During audit of the accounts of Peshawar Development Authority Peshawar - Directorate of Machinery & Equipment for the Financial Year 2021-22, it was observed that the provincial government initiated "safe city project" by providing funds for the purchase of 10 Toyota Hilux 2016 vehicles costing Rs. 200,000,00/- (Rs. 2,000,000 X 10 vehicles) for patrolling the Hayatabad region. The project was closed by the provincial government, however, the security vehicles were issued to the officers / officials of the authority instead of surrendering back to the provincial government for further utilization in the home department / security purposes.

Furthermore, neither receiving of these vehicles nor their issuing to the officers / officials of the authority were taken on stock by the authority management.

The lapse occurred due to weak internal controls which resulted in unauthorized utilization of vehicles.

When pointed out in June 2023, it was replied that detailed replies will be furnished after checking the relevant record.

The department was requested vide letter dated 22.09.2023 for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends inquiring the matter and fixing responsibility against the person(s) at fault.

PDP No. 591 (2021-22)

21.4.31 Loss to the authority funds due to non-recovery of rent of shops - Rs. 31.320 million

Para 8 and 26 of the General Financial Rules Volume I require each administrative department to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury.

During audit of the accounts of Urban Areas Development Authority Bannu for the Financial Year 2020-21, it was observed that two commercial plazas in Phase-II of the Authority were available. The commercial markets comprised of about 220 Shops and 70 rooms of various sizes. These markets are situated right in front of Khalifa Gul Nawaz Hospital which is not only a very busy market for medicines and other health related entrepreneur but also for other businesses such as hotels, restaurants and various stores for daily used commodities due to heavy influx of general public for treatment in the hospital. But the Authority failed to recover a single penny from these commercial markets since its construction. When the administration of the authority was asked about the factual position of these markets, it was informed that the issue of these markets is under trail in the NAB for the last too many years, therefore, all the relevant record pertaining to these markets is in the custody of the NAB authorities. Therefore, nothing in black in white was produced to Audit for verification. However, approximate expected earnings for the last three years were calculated which comes to Rs. 31.320 million and had not been recovered by the BDA and the authority was deprived from huge amount of income.

Rooms / Shops	Avg. Rent P.M	Months	Total
290	3000	36	3,1320,000

The lapse occurred due to weak administrative controls which resulted into loss to the authority funds.

When pointed out in May 2022, no reply was furnished.

In the DAC meeting held on 03.01.2023, it was decided that the PAC may decide fate of the Para.

Audit recommends high level departmental inquiry into the matter fixing of responsibility against the person(s) at fault and recovery of dues.

PDP No. 335 (2020-21)

21.4.32 Loss to the authority funds due to illegal occupation of land by private persons - Rs. 62.040 million

According to allotment regulations all residential plots will be put to auction after draw and all the commercial plots in the scheme will be disposed of by auction as notified.

During audit of the accounts of Urban Areas Development Authority Bannu for the Financial Year 2020-21, it was observed that a plot measuring 6.33 Kanal in Phase-I Sector-B of the housing scheme right in from of the BDA office was reserved for government Boys School. The approximate rate of the plot as per government approved rates within the same area is Rs. 62,040,330. The piece of land is illegally occupied by a private person and have illegally constructed a building where a private school had been opened and in operating condition. When the administration of the authority was asked for provision of the relevant record regarding the allotment of the plot, it was informed that this office has no record available in this regard as this is an illegal occupation. It was astonishing to note that no action has been taken by the authority against the illegal occupation of the BDA property till date.

The irregularity incurred due to weak administrative and financial control and lake of interest towards the affairs of the official business of the authority which resulted into loss.

When pointed out in May 2022, no reply was furnished.

In the DAC meeting held on 03.01.2023, it was decided that the PAC may decide fate of the Para.

Audit recommends appropriate action by the management, inquiry into the matter and fixing of resistibility against the person(s) at fault.

PDP No. 338 (2020-21)

21.4.33 Loss to the authority funds due to non-recovery of non-user charges – Rs. 34.520 million

According to allotment regulations all residential plots will be put to auction after draw and all the commercial plots in the scheme will be disposed of by auction as notified.

Recovery of non-user charges at the prescribed rates by made from the allottees in case of non-construction of their plots according to clause-II of the building regulations read with Para 1 of the standing orders of PUDB dated: 19.10.2001.

During audit of the accounts of Urban Areas Development Authority Bannu for the Financial Year 2020-21, it was observed that the authority did not recover non user charges worth Rs. 34,520,050/- outstanding against various allottees during 2020-21.

Non recovery of non-user charges was occurred due to weak internal control which resulted into compliance of rules and loss to authority.

When pointed out in May 2022, no reply was furnished.

In the DAC meeting held on 03.01.2023, it was decided that the department may make complete recovery of the amount. However, no progress was intimated to Audit till finalization of this report.

Audit recommends complete recovery.

PDP No. 339 (2020-21)

21.4.34 Loss to the authority funds due to non-recovery of water charges - Rs 3.466 million

Para 8 and 26 of GFR Vol-I states that each administrative department to see that the dues of the government are correctly and promptly assessed collected and paid into government treasury.

During audit of the accounts of Urban Areas Development Authority Bannu for the Financial Year 2020-21, it was observed that the authority management failed to recover water charges amounting to Rs. 3,466,837/- outstanding against various water users during the year.

The irregularity occurred due to weak internal control which resulted due to non-recovery of outstanding due and loss sustained by the authority.

When pointed out in May 2022, no reply was furnished.

In the DAC meeting held on 03.01.2023, it was decided that the department may make complete recovery of the amount. However, no progress was intimated to Audit till finalization of this report.

Audit recommends complete recovery.

PDP No. 341 (2020-21)

21.4.35 Loss to the authority funds due to non-recovery of rent of shops - Rs. 3.521 million

According to allotment regulations all residential plots will be put to auction after draw and all the commercial plots in the scheme will be disposed of by auction as notified.

During audit of the accounts of Urban Areas Development Authority Bannu for the Financial Year 2020-21, it was observed that the authority has rented out number of shops suited in the commercial areas of sector A,B,C& D of Phase-I of the BDA housing scheme. The owners of the shops did not deposit the monthly rent regularly and thus an amount of Rs. 3,521,631/- on account of Rent was reported as outstanding against these shops. Neither any earnest efforts were made by the administration of the authority for the recovery the outstanding due on account of rent of shops nor action was taken against the defaulters for cancellation of their lease agreements and vacation of the shops.

The irregularity occurred due to weak internal control which resulted due to non-recovery of outstanding due and loss sustained by the authority.

When pointed out in May 2022, no reply was furnished.

In the DAC meeting held on 03.01.2023, it was decided that the department may make complete recovery of the amount. However, no progress was intimated to Audit till finalization of this report.

Audit recommends complete recovery.

PDP No. 342 (2020-21)

21.4.36 Loss to the authority funds due to non-recovery of outstanding rent of multipurpose hall from the defaulter as arrears of land revenue - Rs. 3.367 million

According to clause-2(b),3 & 8 of the undertaking on stamp paper dated 10.1.2012 of the tenant of Multi-purpose Hall (Shadi Hall) that in case of non-deposit of monthly rent beyond 30 up to 60 days, 20% surcharge will be charged and on completion of 03 years' contract period, 25% increase will be made in monthly rent. Electricity and Water charges will also be paid on monthly basis, read with Para-8 and 26 of GFR Vol-I, that each administrative officer to see that the dues are correctly and promptly assessed, collected and paid in relevant account.

During audit of the accounts of Urban Areas Development Authority Bannu for the Financial Year 2020-21, it was observed that the multi-purpose hall in Bannu town ship was rented out to the tenant @ Rs.30000/- PM w.e.f 12/2011 to 11/2014 for three years. But the tenant was failed to deposit the outstanding dues of Rs.3,367,692/- as per detail given below:

S#	Period	Months	Rate PM	Amount
1.	Net outstanding amount calculated by the department up to 8/2019	0	0	1,469,250
2.	9/2019 to 11/2020	15	46875	703,125
3.	Surcharge @ 20%	0	0	140,625
4.	12/2020 to 2/2022	15	58594	878,910

5.	Surcharge @ 20%	0	0	175,782
Total				**3,367,692**

Moreover, the department did not calculate the water charges since the award of the contract till evacuation of multi-purpose hall up to 2/2022, the outstanding amount would be much more as calculated above.

Audit is of the view that presently the authority is facing financial constraint and already in deficit, which requires strict action toward the recovery of long outstanding dues from the defaulters meeting the expenditure on staff pay and allowances & operational cost of the authority.

The lapse occurred due to weak internal controls towards the recovery of land revenue, which is also in violation of Land Revenue Act, 1967.

When pointed out in May 2022, no reply was furnished.

In the DAC meeting held on 03.01.2023, it was decided that the department may make complete recovery of the amount. However, no progress was intimated to Audit till finalization of this report.

Audit recommends complete recovery.

PDP No. 343 (2020-21)

21.4.37 Unjustified award of contract – Rs. 582.639million
Unauthorized payment on account of mobilization advance - Rs. 50.690 million
Non-recovery of interest on mobilization advance, due to non-commencement of work - Rs. 22.435 million

According to Minconsult DN BHD joint venture Creative Engineering consultant letter NO. KPCIP/PMCSC/PMU/002 dated 23.11.2022 addressed to Director Technical PMU LGE&RDD Peshawar advised that 58% plantation work IFPMU approves de-scoping to the extent of executing only the plantation component on Ring Road Mardan and some beautification works on N-45, the contract amount will reduce from Rs. 582.639 million (executed value) to Rs. 244.71 million equivalents to a scope reduction/ cost value 58%. In other words, the contractor will execute works of Rs. 244.71 million which is 42% of the signed contract agreement. Contract agreement was executed with M/S Reliable-JHK (JV) (M/S Reliable Engineering services (Pvt) – M/S JHK Construction Company (Joint venture) for the work Urban/Green space initiatives- Ring Road Green Belt and N-45 National High Way, Mardan for Rs. 582.639 million vide letter No. LGE&RDD/KPCIP/2022/2707-2719 dated 13.5.2022.

During financial attest audit of Khyber Pakhtunkhwa Cities Improvement Project- ADB loan No. 4160-PAK, ADB Loan 8412-PAK (Co-financing AIIB L0214A) ADB Grant 0816 and Government of Khyber Pakhtunkhwa for the financial year 2022-23 revealed that Contract agreement was executed with M/S Reliable-JHK (JV) (M/S Reliable Engineering services (Pvt) – M/S JHK construction company (Joint venture) for the work Urban/Green space initiatives- Ring Road Green Belt and N-45 National High Way, Mardan for Rs. 582.639 million vide letter No. LGE&RDD/KPCIP/2022/2707-2719 dated 13.5.2022 and

15% mobilization advance amounting to Rs. 87.395 million was paid to the contractor for the said work. Following points need justification: -

- The contract agreement was executed for Rs. 582.639 million instead of Rs. 244.71 million as required under de-scoping report.
- 15% mobilization Rs. 87.395 million was allowed on full contract amount instead of on de-scoped amount 244.71 million which comes to Rs. 36.71 million, so an overpayment of Rs. 50.69 million (87.395- 36.71) was made.
- Time for completion of work was 15 months however as per progress for the month of September 2023, the work was not executed till the date of audit November 2023, i.e 17 months after contract agreement.
- Interest on mobilization advance amount to Rs. 22.435 million was not recovered.

The lapse occurred due to non-existence of internal control system and inefficiency of the management which resulted in non-commencement of work and loss to the government.

When pointed out in November 2023, the management did not furnish any reply.

The department was requested vide letter dated 08.12.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends disciplinary proceedings for fixing of responsibility, for unjustified execution of contract agreement, recovery of overpayment of excess mobilization advance amounting to Rs. 50.69 million and interest on mobilization amounting to Rs. 22.435 million for non-execution of work

PDP No. 156 (2022-23)

21.4.38 Overpayment due to allowing price adjustment having less than 18 months' project life - Rs. 11.686 million

Under clause 2.3 of the ADB Guidance Note for Price Adjustment, in such like short-term contracts, price adjustment is not allowed. Under 2.2(ii) and 2.5(ii)(a) and note 1 and 2 under clause 1.3 of Price adjustment guidance note on procurement of ADB Price adjustment may be apply for works contract with long periods. Price adjustment provisions may also be used in consulting and non-consulting service contracts to adjust remuneration rates for the effects of inflation for contracts with duration of **18 months.**

During financial attest audit of Khyber Pakhtunkhwa Cities Improvement Project- ADB loan No. 4160-PAK, ADB Loan 8412-PAK (Co-financing AIIB L0214A) ADB Grant 0816 and Government of Khyber Pakhtunkhwa for the financial year 2022-23 revealed that Package No. OCB/KPCIPcw-01 Development of urban/Green spaces and Parts lot-2-woman Business Development and community centers and Sports complex Kohat was awarded to M/S Reliable JHK JV at the cost of Rs. 389.954 million with time completion of 365 days. Ist IPC was paid for Rs. 90.363 million including price adjustment of Rs. 11.686 million which was not admissible as per ADB Guidance notes. Therefore, escalation was not admissible to the contractor on the ground that time completion of the project was 365 days.

The lapse occurred due to extending undue benefit to the contractor at the cost of Government interest/resources.

When pointed out in November 2023, the management did not furnish any reply.

The department was requested vide letter dated 08.12.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends recovery from the quarter concerned

PDP No. 159 (2022-23)

21.4.39 Unauthorized payment on account of remuneration of consultant's employees - Rs. 14.454 million

According to the approved PC-I of the project, the following packages of salary were provided by M/S Creative Consultant Company to their employees from the payments made by the Client;

Designation	Creative salary package	PC-I Package
Sub Engineer	160000	85000
AdmnAsstt,	135000	70000
Comp Op	120000	70000
Sr. Urban Planner	400000	300000

During financial attest audit of Khyber Pakhtunkhwa Cities Improvement Project- ADB loan 4160-PAK, ADB loan 8412-Pak (Co-Financing AIIB 1.0214A) ADB Grant 0816 and Government of Khyber Pakhtunkhwa for the financial year 2022-23, it was observed that the Project Management Unit entered into an agreement with Minconstant in J.V with Creative Engineering Consultants. According to this agreement, the later will provide human resource and consultancy services for the implementation of the project. Audit observed that the CEC paid huge salaries to their employees on behalf of the PMU which are greater than the rate mentioned in the PC-I and event than the monthly remuneration of the project employees.

This list is not exhaustive. Officers/officials receiving comparatively more remuneration than the due amount which may be investigated and similar action be taken

Audit is of the view that monthly remuneration of all employees of the CEC and PMU may be paid @ mentioned in the PC-I

The lapse occurred due to non-presence of internal auditor who could check the excess payment.

When pointed out in November 2023, the management did not furnish any reply.

The department was requested vide letter dated 08.12.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommend recovery and steps be taken to pay the salary at par with the PC-I and PMU employees.

PDP No. 161 (2022-23)

21.4.40 Unauthorized payment due to allowing higher pay package than provided for in the PC-I – Rs. 8.179 million

According to PC-I of the project following detail of salaries are provided without concurrence of Finance Department.

S. No.	Name	Post	Rate of PC-I
01-	Syed Sarmad Ali Shah	Community Liaison Specialist	300000
02-	Qazi Raees Ahmad	Finance & Accounts Officer (Reporting)	140000
03-	Mubarak Ali	Procurement Assistant	70000
04-	Syed Usman Ali Shah	Administration Assistant	70000
05-	Sajjad Ahmad	IT Officer	200000
06-	Moazzam Ali	M&E Officer	140000
07-	Muhammad Siddique	GIS Officer	140000
08-	Waqas Jan	MIS Officer	140000
09-	Gohar Ali	GIS	140000
10-	Muhammad Waqas Awan	GIS Officer	140000
11-	Sameer Ali Shah	MIS Officer	140000
12-	Neelam Naz	Gender Co-Ordinator	140000
13-	Farhat Parveen	-do-	140000
14-	Shaila Gul	-do-	140000
15-	Mis Ayesha	Admn Officer	140000

During financial attest audit of Khyber Pakhtunkhwa Cities Improvement Project- ADB loan 4160-PAK, ADB loan 8412-Pak (Co-Financing AIIB 1.0214A) ADB Grant 0816 and Government of Khyber

Pakhtunkhwa for the financial year 2022-23, it was observed that the PMU hired human resources for various positions mentioned in the PC-I. The appointees were issued offer letters wherein all conditions besides their monthly remuneration were mentioned. However, the above officers/officials were found receiving their monthly remunerations over and above the rate mentioned in the PC-I.

The lapse occurred due to non-implementation of PC-I salaries duly approved by the ECNEC and CDWP and non-obtaining of revenue clearance from Finance Department.

When pointed out in November 2023, the management did not furnish any reply.

The department was requested vide letter dated 08.12.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends recovery and responsibility may be fixed on person(s) concerned.

PDP No. 163 (2022-23)

21.4.41 Loss to the government due to ignoring the lowest quoted rates - Rs. 5.723 million

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

During financial attest audit of Khyber Pakhtunkhwa Cities Improvement Project- ADB loan 4160-PAK, ADB loan 8412-Pak (Co-Financing AIIB 1.0214A) ADB Grant 0816 and Government of Khyber Pakhtunkhwa for the financial year 2022-23, it was observed that the Project Management Unit called for quotation for I/T equipment in Two separate batches. Audit has the following observations.

1- The procurement committee issued purchase orders for the required items to A. Com Distributors who quoted the highest rate rather than to Paragon Office Solution, the lowest offered.
2- The administration did not call for the deposit of CDR which is supported to bid documents @ 2% of the Estimated Cost in order to safeguard the government interest at any stage or process.
3- Among the required items, the Committee procured Eighty (80) no. of Laptops (30 no. & 50 no.) through separate quotations, ignoring the market policy that the greater the quantity, the lesser will be the cost.

	Laptop	**Desktop**	**Laser Jet Printer**	**Scanner**	**Mouse & Key board**	**Diff.**
A. Com Distributor	312000	288000	105000	315000	6500	
Paragon Office Solution	255500	-	91500	271200	4600	
Difference	56500*80		13500*8	43800*4	1900*8	
	4520000		**108000**	**175200**	**15200**	**4,818,400**

Similarly, Government sustained a loss of Rs. 0.905 million due to ignoring lowest rate in the procurement of furniture and fixture.

The lapse occurred due to non-adherence to the procurement rules which caused a loss of Rs 5.723 million

When pointed out in November 2023, the management did not furnish any reply.

The department was requested vide letter dated 08.12.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends that the responsibility may be fixed on the dealing hands who inflicted losses to government.

PDP No. 170 (2022-23)

21.4.42 Loss due to creation of liability of interest and service charges - Rs. 2.156 million

Non-utilization of budget due to inefficiency of staff – Rs. 107.783 million

According to clause 06 project administrative manual Chief Quantity Surveyor will be responsible for measurement of all type of quantities and preparation of measurement sheet in accordance with approved drawings for the purpose of preparing interim and final payment certificates; • He/she will be responsible for preparing the Bills of Quantities and the Engineer's Estimates for the individual subprojects; • The Chief quantity surveyor shall review detailed estimates for quantities (considering designs and mass haul diagram) and project cost for the entire project (civil works packages wise), including the cost of environmental and social safeguards proposed and market rate for the inputs or the local schedule of rates. Standard interest on loan and services charges may be imposed on the amount lying unutilized.

During financial attest audit of Khyber Pakhtunkhwa Cities Improvement Project- ADB loan No. 4160-PAK, ADB Loan 8412-PAK (Co-financing AIIB L0214A) ADB Grant 0816 and Government of Khyber Pakhtunkhwa for the financial year 2022-23 revealed that according to Not para 12 of the Finance Statement Rs. 107,783,500/- were not utilized on the purpose for which this amount was received and huge amount is lying in the closing balance as evident from the financial statement. Moreover 2% interest as on loan and services charges (1.25% and .75%) which comes to Rs. 2.156 million.

The lapse occurred due to lack of planning and defective budgeting system.

When pointed out in November 2023, the management did not furnish any reply.

The department was requested vide letter dated 08.12.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends recovery and appropriate action.

PDP No. 172 (2022-23)

21.4.43 Loss to the government due to non-recovery of income tax - Rs. 2.325 million

According to income tax slab if the annual income of an individual exceeds Rs. 12.000 million a sum of Rs. 2955000/- plus 35% of the amount above Rs. 12.000 million will be deducted under income tax head

During financial attest audit of Khyber Pakhtunkhwa Cities Improvement Project- ADB loan 4160-PAK, ADB loan8412-Pak (Co-Financing AIIB 1.0214A) ADB Grant 0816 and Government of Khyber Pakhtunkhwa for the financial year 2022-23, it was observed that the Project Director received a sum of Rs,15400000/-(for 11 months) on account of monthly remuneration @ Rs.1400000 Per Month. According to the income tax slab, a sum of Rs. 4.635 million was required to the deducted as income tax on yearly salary of Rs, 15400000/-. However, the project authority has deducted Rs. 2.310 million leaving a balance of Rs. 2.325 million.

The lapse occurred due to non-implementing the income tax slab.

When pointed out in November 2023, the management did not furnish any reply.

The department was requested vide letter dated 08.12.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends recovery.

PDP No. 174 (2022-23)

21.4.44 Overpayment due to allowing higher rates to the consultant – Rs. 7.950 million

According to submission No.1 of individual consultant environment specialist estimate for the remuneration was approved as Rs. 13.860 million equals to 80729 US$ @ Rs. 35000/-per day for 396 working days.

During financial attest audit of Khyber Pakhtunkhwa Cities Improvement Project- ADB loan No. 4160-PAK, ADB Loan 8412-PAK (Co-financing AIIB L0214A) ADB Grant 0816 and Government of Khyber Pakhtunkhwa for the financial year 2022-23 revealed that contract agreement in submission -2 was carried out with Mr. Dr. Abdul Qayyum Environment special for 100000 US$ as per detail given below: -

Expense	Quantity	Unit	Rate	Amount	Total
Renumeration	396	WD	$234	$92664	$92,664
Out of packet expenses (per Diem	50	WD	$110	$5,500	5,500
Contingency				$1,836	$1,836
Total Maximum $100000 x 218.10 =21810000/-					$100,000

Audit observed an overpayment of Rs. 7.950 million made to the consultant because there was no provision for out of packet expenses and contingency which was later included in the contract agreement and working days was approval as Rs. 35000/- equal to $160.476 per working day. Detail of overpayment is as under:

$ 234- 160.476 = 73.523 x 396 = 29115.508 + 5500 + 1836 = 7409.523 x 218.10 = Rs. 7.950 million

The lapse occurred due to extending undue favor to the candidate.

When pointed out in November 2023, the management did not furnish any reply.

The department was requested vide letter dated 08.12.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends recovery of Rs. 7.950 million.

PDP No. 176 (2022-23)

21.4.45 Loss to the government due to less deduction of income tax - Rs. 1.541 million

According to rate analysis of MRS 2020, 7.5% income is included in all MRS rates.

During financial attest audit of Khyber Pakhtunkhwa Cities Improvement Project- ADB loan No. 4160-PAK, ADB Loan 8412-PAK (Co-financing AIIB L0214A) ADB Grant 0816 and Government of Khyber Pakhtunkhwa for the financial year 2022-23 revealed that a sum of Rs. 1.541 million less deducted from the contractors as per detail given below). Verification of record revealed that the works were awarded on MRS 2020 however 7% tax was deducted from the contractor instead of 7.5% as applicable on MRS 2020.

The lapse occurred due to extending undue benefit to the contractor at the cost of Government interest/resources

When pointed out in November 2023, the management did not furnish any reply.

The department was requested vide letter dated 08.12.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends recovery from the quarter concerned

PDP No. 177 (2022-23)

Chapter - 22

Mines & Mineral Development Department

22.1 (A) Introduction

Minerals Development Department has a clear vision for Khyber Pakhtunkhwa. Through rigorous reform attitude in the legal framework by updating polices & laws to international standards and improving capacity building of the department's human resources, Minerals Development Department is committed to participate in the socio-economic uplift of the province.

Minerals Department pledges to maintain transparency and ensure ease of doing business for the investors interested in the mineral sector of the province. The Minerals Department has made it a mission to bring in the mineral sector to the mainstream business platform while enabling KP's people to benefit from these natural resources by partaking their fair share in the improvement of their life style and thereafter improving their province economic stature.

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

- Development of Mineral Resources.

- Consideration of applications and grant of licenses and leases.
- Regulation and monitoring of mining operations and activities in the mineral sector, including collection of royalties.
- Negotiating mineral agreements and consulting the Federal Government when considered necessary by Mineral Investment Facilitation Authority (MIFA).
- Facilitating access to private or public lands and reserve forest areas for the purpose of mineral exploration or development of mineral resources.
- Maintenance of up-to-date master plans showing positions of all exploration licenses and leases granted, renewals, assignments and surrenders of mineral titles, relinquishment of acreage etc. and make this information public through regular
- Geological Survey for mineral exploration/resource mapping, including assessment of mining concession.
- Safety of mines and workers and welfare of mine workers and enforcement of Act and rules and regulation made thereunder.
- Any other function related to management and development of mineral resources of the province.

Audit Profile of Mines & Minerals Development Department:

(Rs. in million)

S. No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23	Revenue/Receipts Audited FY 2022-23
1	Formations	42	Nil	605	2,903
2	• Assignment Account • SDA (Excluding FAP)	04	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

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

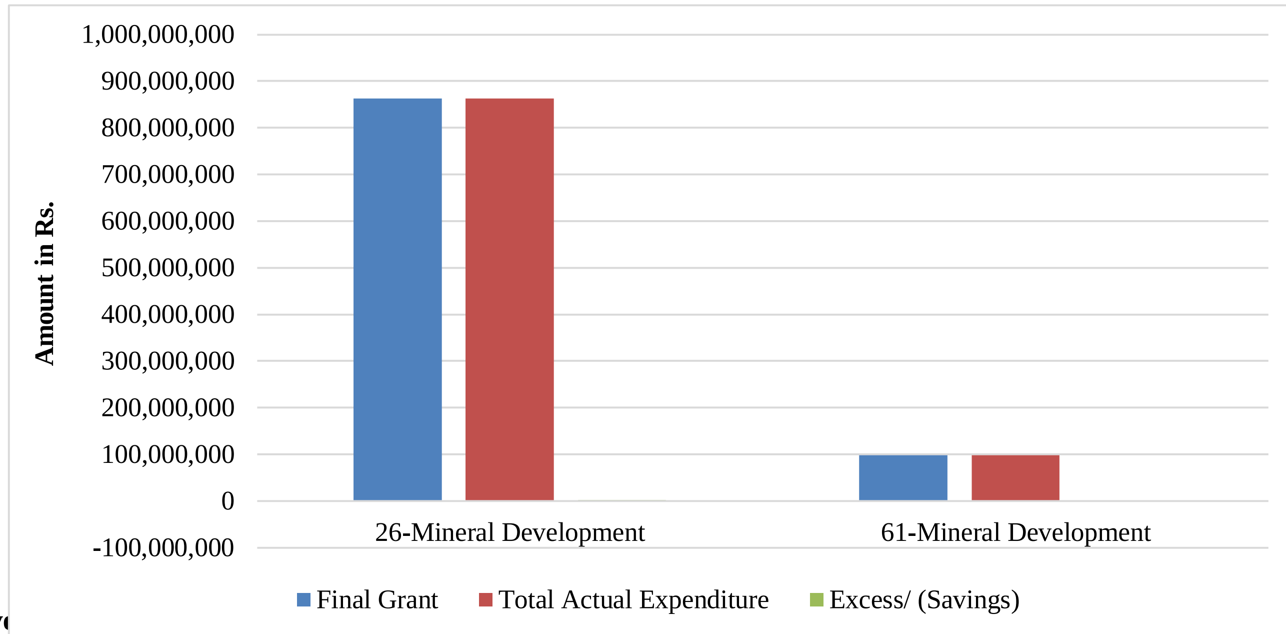
Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2022-23 against the total of grants/appropriation was as follows:

Non-Development:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appriotiation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
26-Mineral Development	NC21	935,193,000	774,352,990	0	846,389,632	863,156,358	863,224,289	67,931
61-Mineral Development	NC21	153,629,000	0	6,634,000	62,378,808	97,884,192	97,873,778	-10,414
Total		**1,088,822,000**	**774,352,990**	**6,634,000**	**908,768,440**	**961,040,550**	**961,098,067**	57,517



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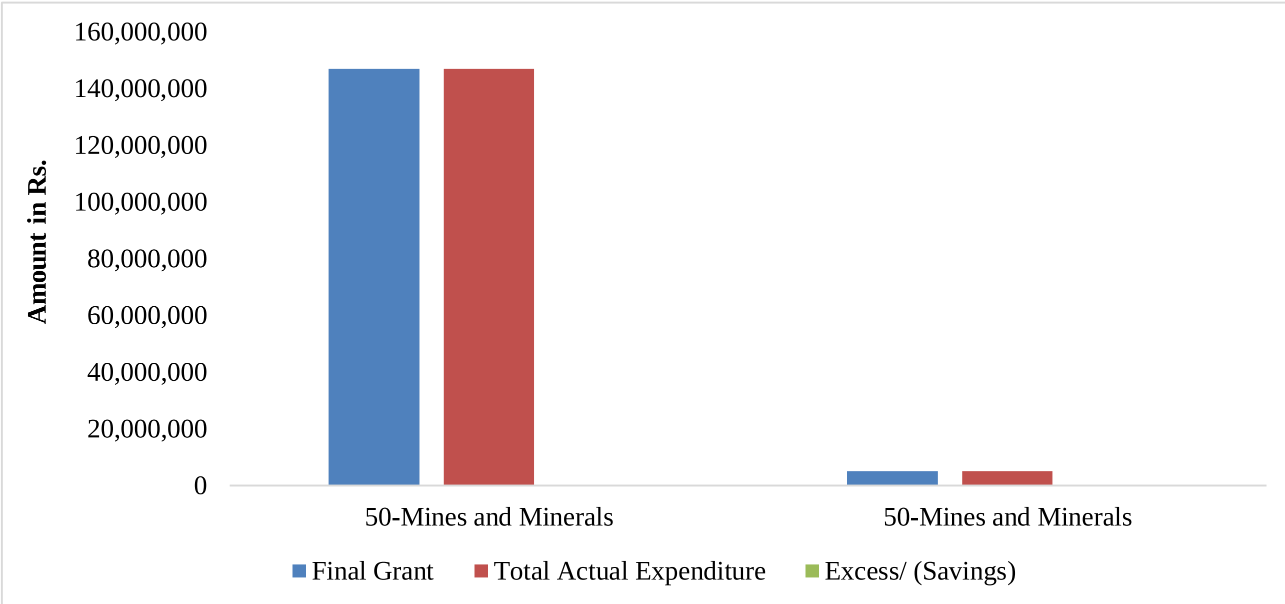
(Amount in Rs.)

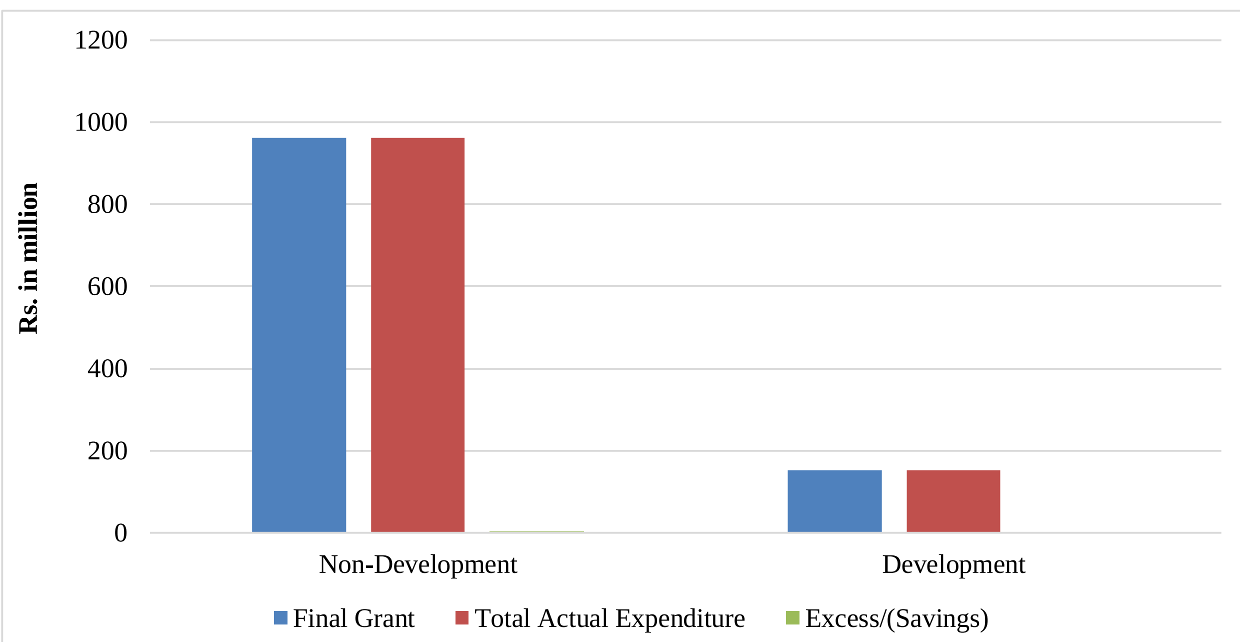
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appriotiation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50-Mines and Minerals	NC22	193,800,000	0	20,000,000	66,777,858	147,022,142	147,022,142	0
50-Mines and Minerals	NC12	85,000,000	0	-20,000,000	59,914,427	5,085,573	5,085,573	0
Total		**278,800,000**	**0**	**0**	**126,692,285**	**152,107,715**	**152,107,715**	**0**



Overview of expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	961.04	961.10	0.06	0.00%
Development	152.11	152.11	-	0.00%
Total	**1,113.15**	**1,113.21**	**0.06**	0.00%



22.1(C) Issues in Mines & Minerals Development Department

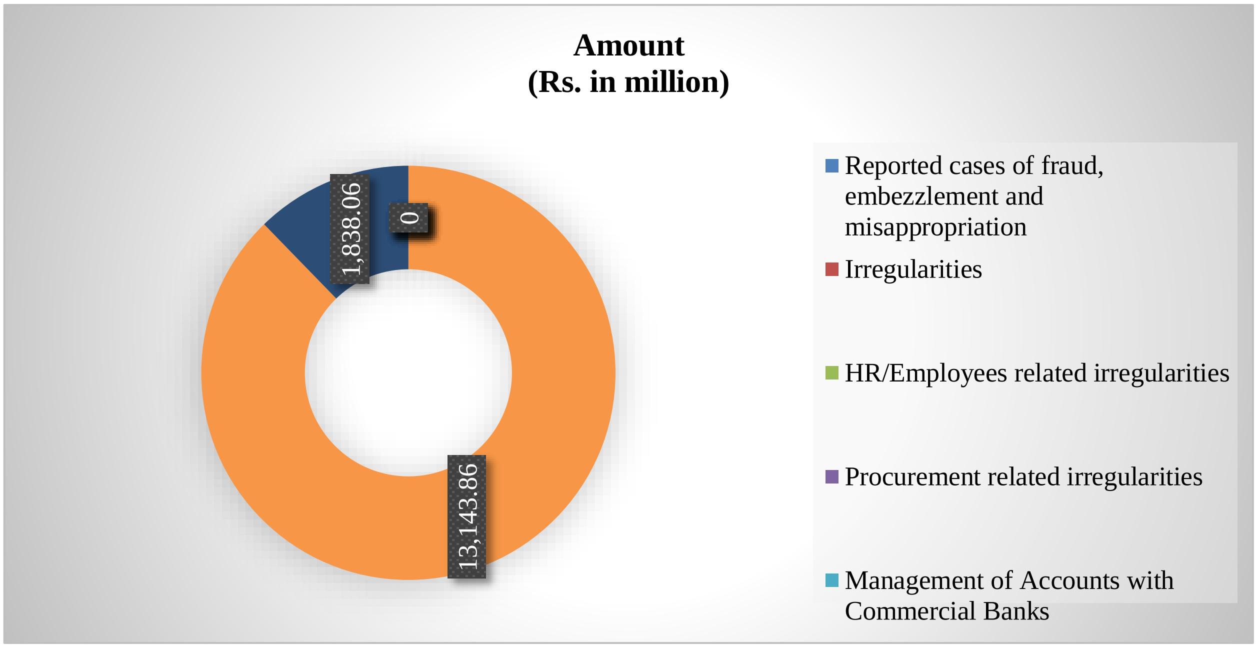
During audit of the Mines & Minerals Department it was observed throughout the province that outstanding lease amounts were not recovered from the lease holders and unauthorized persons. In many cases it was also observed that auction money was not deposited in the government treasury. Moreover, no punitive action was taken against these lessees to either recover the amount or cancel their lease agreements forthwith, to safeguard government interest. There were no details of the head-wise figures of the departmental own receipts collected by the department.

22.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 16,943.928 million were raised in this report during the current audit of Mines and Minerals Development Department which comprises recoveries of Rs.13,144 million the same amount as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S. No.	Classification	Amount (Rs. in million)
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	13,143.863
5	Others	1,838.056



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

S.No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
01	2014-15	Mines & Minerals	Nil	-	-	-
02	2015-16	-do-	Nil	-	-	-
03	2016-17	-do-	15	3	-	12
04	2017-18	-do-	-	-	-	-
05	2018-19	-do-	01	-	-	01

22.4 Audit Paras

22.4.1 Loss to the government on account of illegal mining - Rs. 1179.009 million

According to the para 5 of the approved PC-I of the project "Assessment Study & Establishment of Mines Monitoring & Surveillance units in Minerals Bearing Areas of KP" The project is designed to put in place an effective monitoring and surveillance mechanism in the Province including Merged Areas by establishing 35 district offices to control illegal mining and to implement the regulation of mines and the mining activities.

According to "Monitoring & Surveillance Unit" Minerals Development Department Khyber Pakhtunkhwa, District Wise Report (Murasalas/FIRs & Assessment).

During audit of the accounts of Secretary Mines and Minerals Department Khyber Pakhtunkhwa Peshawar for the Financial Year 2022-23, it was observed that Rs. 1179.009 million was assessed on account of illegal mining by Monitoring & Surveillance Unit, Minerals Development Department as per detail attached with original para.

The verification of record revealed that the amount is still outstanding against various offender, but the department did not make stern efforts to recover the outstanding amount, resulting in loss to government.

Moreover, a total of 6668 number of Murasalas were pointed out by the Monitoring & Surveillance Unit of the Mines & Mineral Department, wherein 3921 number of Murasalas were converted into FIRs, whereas 2742 No of Murasalas are still pending and not converted into FIRs.

Further verification revealed that legal advisory funds amounting to Rs.20.00 million was provided in the approved PC-I, which was not utilized for such purpose and still these Murasalas were not converted into FIRs and undue favor was extended to the offenders.

Audit held that the Murasalas involved handsome amount of revenue, if converted into FIRs government would have realized the revenue involved which was not done and government was put loss.

The lapse occurred due to weak internal controls.

When pointed out in August 2023, it is stated that the para pertains to DG Mines and Mineral as section 56 of Mines and Minerals Act of KP empowers Director Licensing or his nominees for such recoveries.

The department was requested vide letter dated 13.09.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the dealing hands besides recovery of the amount under intimation to audit.

PDP No. 01 (2022-23)

22.4.2 Non-recovery of outstanding government dues - Rs. 819.195 million

According to rule 65 of the Khyber Pakhtunkhwa Mines and Minerals Act 2017, the holder of a mineral title, other than the holder of a lease for minor mineral and reconnaissance license, who has won or mined any mineral or group of minerals in the course of any exploration or mining operations carried out by him shall pay to the Government, in respect of any such mineral or group of minerals disposed of by him, royalty as determined under this Act.

During audit of the accounts of Secretary Mines and Minerals Department Khyber Pakhtunkhwa Peshawar for the Financial Year 2022-23, it was observed that Rs. 819,195,897/- was assessed by the mine and mineral department as outstanding dues against the lease holders as per details given below:

S. No.	Lease Holder	Lease No.	Amount Outstanding	Judgment Date
1	Fazal Qadar	MDW/DR/PL-LIMESTONE (21)/2019	39,472,780	09.03.2023
2	M/S Kohat Cement Limited	MDW/KT/ML-Limestone (17)/1986	750,411,690	10.20.2022
3	Amjad Khan	MDW/DN/ML-Bauxite (1)/2012	318,800	02.03.2023
4	Sareer Khan	MDW/MR/ML-Dolomite (3)/1970	322,785	21.07.2023
5	Nabi Shah	MDW/KT/PL-Limestone (150)/2018	1,603,460	15.06.2023
6	All Crush Plants Owner in District Bannu	MDW/AD/BU-Assessment/2020	103,080	07.09.2022
7	Abdul Sareer	MDW/SNA/ML-Soapstone(11)/2021	814,427	15.06.2023
8	Ayanullah	MDW/DR/Assessment File-2019	20,959,250	12.01.2023
9	MS. Lucky Cement Factory	MDW/BU/ML-Limestone (47)/1993	2,026,105	20.10.2022
10	Khan Pervaiz	MDW/PR/ML-Limestone(79)/93	1,210,000	20.10.2022
11	Khan Pervaiz	MDW/PR/ML-Coal(12)/1978	1,953,520	06.10.2022
Total			**819,195,897**	

The verification of record revealed that the lease holders challenged these assessments for review which were dismissed and upheld the department’s assessment, however no recovery was made till the date of audit i.e. August, 2023.

The lapse occurred due to weak internal controls.

When pointed out in August 2023, it is stated that the requisite reply will be submitted after consulting the relevant record.

The department was requested vide letter dated 13.09.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the outstanding dues.

PDP No. 03 (2022-23)

22.4.3 Unauthorized leases granted by the Appellate Tribunal on account of JV / profit sharing mode and recurring loss worth millions of rupees

Fraudulent awarding of mineral lease tittle to the defaulter firm and non-black listing & forfeiture of security of the firm – Rs. 6.00 million

According to the Mines & Mineral Act, 2017 (amended 2019) vide Clause No. 102 A Sub-Section 5, Appellate Tribunal shall hear appeal against the order of licensing authority in relation to small scale mining, large scale mining and minor minerals in the manner as may be prescribed. The composition of Appellate Tribunal is as under:-

1) Secretary to Government of Mines Development Department (Chairperson)
2) A representative of Law Department not below the rank of BPS 19 (Member)
3) A technical person having expertise in Mines and Mineral to be nominated by the Chairman from time to time (Member)

According to the Article 10 of the Act, MTC with approval of authority may grant license for any period, for any organization under terms and condition as deemed appropriate in public interest.

According to the Serial No. 6 of the offer letter that you will clear outstanding government dues if any before allotment of mineral tittle.

During test audit of the accounts record of the Directorate General Mines & Mineral Peshawar for the financial year 2022-23, it was noticed that 25 JVs / profit sharing lease approvals were granted by the Appellate Tribunal against the decision of licensing authority rather than hearing appeal in original manner that was restoration of Prospective Licensing (PL) and Mining Licensing (ML).

Furthermore, neither the Appellate Tribunal has the authority to grant JV nor has power to change the tittle or mode of lease. In all JVs granted, the Appellate Tribunal has decided 17% profit share to Mines & Mineral Department and 3% share for Corporate Social Responsibility (CSR) out of the net profit but nothing is available under what calculation and mechanism profit ratio was decided or derived. Had this ratio being fixed by 50% of the net profit than the government would be earning huge revenue but government interest was not protected by the dealing hands.

Further scrutiny revealed thatappellate tribunal granted Jvs to the various firms with the condition to pay advance net profit share to the government for the first year and deposit bank guarantee but contrary to this the firms did not deposit advance net profit share and bank guarantee worth Rs 50.3 million. Similarly, annual rent amounting to Rs 19,753,874 has also been outstanding against the firms.

(Amount in Million)

S. No.	JV No.	Firm Name	BG	Advance NP Share	Annual Rent	Total Amount
1	DGMM/DR/ML(JV)-copper(00007)	M/s Luqman JV M/s Adenzai	5	10	0	15
2	FDA/MCC/KRM/PL-softstone(48)	M/s Ihsan JV M/s Mega Parachinar	1	1.03	0	2.03
3	DGMM/CL/ML(SS)base metal group(0646)/2022	M/s Ikram JV M/s MIGCO	0	10	0	10
4	DGMM/JV cell/cl/nephrite/40/2022	M/s Imran Ali JV M/s north range	3	0	19.735	19.77
5	DGMM/CL /ML/copper/0822/2022	M/s Muhammad Siddiq JV Hazaratud Din	0	10	0	10
6	DGMM/JV cell/cl	M/s shahdabijaz JV M/s inno mines	0	10	0	10
Total			**9**	**41.03**	**19.735**	**66.8**

Audit held that due to not fulfillment of the Appellate Tribunal decision the lease was not required to be awarded and security was required to be forfeited of Rs 6 million along with debarring the firm into black list which was not done.

The lapse occurred due to violation of Act.

When pointed out in November, 2023, no reply was given.

The department was requested vide letter dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to stop and cancelled the lease and production granted under J.V/sharing mode and conduct inquiry for fixing responsibility against the person /committee's as well as executing agencies by using excess and unlawful powers.

PDP No. 22 & 23 (2022-23)

22.4.4 Loss to government due to non-deposit of advance net profit share – Rs. 583.000 million Non-cancellation of JV granted and non-black listing & forfeiture of security – Rs. 20.000 million

According to the Article 10 of Mines and Mineral Act, 2017, amended in 2019, notwithstanding, anything contained in this Act, the Mineral Title Committee with the approval of authority (MIFA) may grant license and mining lease for any such period for any un-granted area under any term and conditions to such public and private organization as deemed appropriate in the public interest. Provided that on the initiate of government or where proposal is received from any public or private organization for the grant of mining right of any area on the basis of profit sharing with government.

According to the Sub-Section-2 of Section 4 (function of MIFA authority) stipulates that the authority may delegate any of its powers to the Committee of Members.

According to the minutes of meeting MIFA/MTC the party shall pay as advance profit share before execution of work.

According to the Section 59 of the mines mineral Act. a person and firms may be black listed by the licensing authority for noncompliance of offer.

During test audit of the accounts record of the Directorate General Mines & mineral Peshawar, for the Financial Year 2022-23, it was noticed that huge numbers joint venture/profit sharing lease were granted by the MTC under Article 10 Mines and Minerals Act, 2017 by using delegation of power of mineral investment facilitation authority vide minutes dated 31.10.2022.

Scrutiny of record revealed that vide agenda 2 (B) regarding delegation of power under sub Section -2 of Section 4 of the Khyber Pakhtunkhwa Mines and Minerals Act, 2017, the forum was misguided by the Secretary and DG Mines that under Sub- Section (2) of the Section 4 of the said Act, the authority has been empowered to delegate its power to the Committee of Members in order to expeditiously dispose of the grant of joint ventures/profit sharing agreements cases under Section-10 of the said Act, the department propose that authority may delegate its power to mineral title committee which was granted accordingly.

Further scrutiny revealed that 20 numbers JV/profit sharing leases were granted by MTC from 31.10.2022 to 31.3.2023 which stands unauthorized and irregular and also evident from the letter no SO(APP)/MDD)/6-14/MIFA/2022/4506-10 dated 31st march,2023 addressed to DG Mines and Mineral by the Section officer (appeal) o/o Secretary Mines and Minerals regarding stoppage of approval of JV on the behalf of authority because as per Sub- Section 2 of Section 4 of the Act ibid , the authority can delegate its power only to the Committee of Members of the authority which has been clearly enumerated in Section 4 of the Act ibid, therefore, mineral titles committee cannot assume or to be delegated with power of the mineral investment facilitation authority.

Furthermore, MTC has directed various firms to deposit advance net profit share of Rs. 583.000 million to the government but the same was not deposited by the firms which put government into loss of Rs. 583.000 million **(Annexure-XLII)**.

Audit held that due to non-deposit of advance net profit share department had sufficient ground to cancel the lease and forfeited the performance security amounting to Rs 20 million and debar the firms /company but the same was not done.

The irregularity occurred due to weak internal controls and financial mis-management.

When pointed out in November, 2023, no reply was given.

The department was requested vide letter dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter at high appropriate level and fix responsibility against the person at fault.

PDP No. 24 (2022-23)

22.4.5 Non-recovery of government dues from the defaulters – Rs. 4,316.908 million

According to the minutes of MTC meeting from 21.9.2022 to 13.9.2023 regarding outstanding dues form contractor and declared defaulter under Section 70 of the Khyber Pakhtunkhwa Mines and Mineral Act, 2017.

During test audit of the accounts record of the Directorate General Mines & Mineral Peshawar, for the Financial Year 2022-23, it was observed that the local directorate awarded/granted mineral title lease to various contracts/firms at various intervals. After issuance of the work order, the lessee has to pay government dues i.e annual rent, royalty etc to the Mines and Mineral Department but the Directorate has failed to collect the government dues from the concerned lessees and have been declared defaulter after fulfilling due course of action **(Annexure-XLIII)**.

The lapse occurred due to weak internal control & financial mismanagement.

When pointed out in November, 2023, no reply was given.

The department was requested vide letter dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter and fix responsibility at the person(s) at fault besides expediting the recoveries from the defaulters to minimize the government losses.

PDP No. 25 (2022-23)

22.4.6 Non-recovery of assessed amount against illegal mining of minor minerals - Rs. 12.339 million

According to Section 56 of Mines & Mineral Act, 2017, (1) If any person, directly or indirectly, starts prospecting, exploring or mining and mineral outside the area granted to him under a mineral title or in any area for which he has not obtained a mineral title or unauthorized transportation of minerals or if any person obstructs free access of a holder of a mineral title to the licensed or leased area or directly or indirectly tries to interfere with the prospecting or mining operations by a holder of a mineral title, he shall be punishable with imprisonment for a term of minimum six months which may extend up to five years and with a fine of minimum five hundred thousand which may extend up to two million provided that owner of a land may level the land or make excavation of mineral for agriculture or building purposes other than commercial mineral extraction or marketing subject to prior approval of the Director General. (2) The

Licensing Authority shall appoint a technical committee to assess the losses incurred due to obstruction, hindrance, or closure of the prospecting, exploration or mining operations caused by any person, and shall proceed to recover the assessed losses from such person, which in case of default, shall be recovered as arrears of land revenue.

During audit of accounts record of DG Mines & Minerals for the financial year 2022-23, it was observed thatwork order for minor minerals of District Peshawar as one unit was issued to Contractor Abdul Nabi on 19.05.2021 for Rs. 57.100 million for a period of one year i.e 19.05.2021 to 18.05.2022 which was extended twice i.e once upto May-2023 and secondly upto May-2024.

Scrutiny of record revealed that an application was written by contractor Abdul Nabi on 08.03.2023 addressed to DG Mines KP stating therein that he is facing financial loss due to illegal mining from neighboring districts on boundaries (Camp Korona, PastunGarhi, Khyali and Sardaryab) in river beds. In response to query, the Assistant Director Mines & Minerals Charsadda commented that 57 Nos. Murasalas have been lodged against the persons involved in illegal mining in river beds and assessment of Rs. 12,339,365 has been carried out and served notices for payment of assessed amounts. However, responsibility for taking action against illegal transportation was shifted to the field staff of District Peshawar and Nowshera.

Audit held neither these Murasalas were converted into FIRs nor recoveries of the assessed amounts were made till date of Audit i.e Novembe-2023.

The lapse occurred due to weak internal control & financial mis-management.

When pointed out in November, 2023, no reply was given.

The department was requested vide letter dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter and fix responsibility at the person(s) at fault besides recovery of the assessment amounts on account of illegal mining.

PDP No. 26 (2022-23)

22.4.7 Loss to government due to authorizing less annual rent than required rate – Rs. 147.095 million

According to the gazette notification dated 1.3.2023, Mines and Mineral Act, 2017, annual fee/rent of 1 acre will be Rs. 10,000.

During test audit of the accounts record of the Directorate General Mines & mineral Peshawar, for the Financial Year 2022-23, it was noticed that a various leases were granted to various firms under joint venture /profit sharing agreement.

Scrutiny of record reveled that Assistant Director concerned while issuing allotment letter rate was quoted 200/ acre for annual rent rather than Rs 10000 /acre which resulted into less recovery of Rs 147.095 million on account of annual fee, as detailed under;

Mineral Title	Firm	Rate quoted in Annual Rent	Rate required	Amount Due (m)
DGMM/cl/ml ss	M/s Raza shah	200	10,000	18.094
MDW/CL/ML –quartz	M/s Arkari	200	10,000	49.978
MDW/cl/ML-gemstone01	M/s Imran	200	10,000	19.726
MDW/cl/ML-gemstone02	M/s Imran	200	10,000	39.958
MDW/cl/ML-nephrite2	M/s Imran	200	10,000	9.390
MDW/cl/ML-nephrite3	M/s Imran	200	10,000	9.949
Total				**147.095**

Audit held that undue favor was extended to the firms by the dealing hands on the cost of government kitty which needs justification

The irregularity occurred due to weak internal controls and financial mis-management.

When pointed out in November, 2023, no reply was given.

The department was requested vide letter dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and fix responsibility again the person at fault along with recovery and strict disciplinary action.

PDP No. 27 (2022-23)

22.4.8 Non-recovery of outstanding Govt dues from Royalty Contractor of Mardan Division - Rs. 63.922 million

According to Section-77 of Mines & Minerals Act, 2017, surrender, expiry or determination of a mineral title, the licensee or the lessee, as the case may be, shall be responsible for payment of all outstanding dues and other charges which, in the event of non-payment, shall be recoverable as Arrears of Land Revenue.

During audit of accounts record of DG Mines & Minerals for the financial year 2022-23, it was observed that contract for Royalty collection for Mardan Division was granted to contractor M/S Swabi Construction & Mines (SMC) Pvt Ltd at bid price of Rs. 285,000,000 for the period w.e.f 01.07.2022 to 30.06.2023.

Scrutiny of further record revealed that the firm deposited 25% down payment amounting to Rs. 71,250,000/-, 10% Security of Rs. 28,500,000/- and Professional Tax of Rs. 100,000/-.

The Work Order was issued to the Firm/contractor on 28.06.2022 to deposit the remaining amount in three equal installments of Rs. 71,250,000/- on 30.09.2022, 30.12.2022 and 31.03.2023 respectively with the condition that in case of failure Security amounting to Rs. 28,500,000/- shall be forfeited in favor of Government and Work Order shall be processed for cancellation without any further delay.

However, the Firm/contractor failed to deposit the due installments in time and an amount of Rs. 65,766,749 was outstanding against the Firm/contractor out of which the Firm/contractor deposited a sum of Rs. 2,040,000 leaving a balance of Rs. 63,726,479 as outstanding dues against the Firm/contractor. The Mineral Title Committee vide agenda item NO. 62 dated 12.07.2023 declared the Firm/contractor defaulter.

Further, the Firm/contractor also collected an amount of Rs. 65,250/- on account of Royalty beyond their contact jurisdiction, therefore, an amount of Rs. 195,750 (three times of the amount collected) was also outstanding against the firm.

Therefore, total outstanding dues against the Firm/contractor was Rs. 63,922,229 (Rs. 63,726,479 + Rs. 195,750).

The lapse occurred due to violation of Rules and extending undue favor to contractor.

When pointed out in November, 2023, no reply was given.

The department was requested vide letter dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends immediate recovery of outstanding Govt dues amounting to Rs. 63,922,229 million.

PDP No. 31 (2022-23)

22.4.9 Non-recovery of outstanding dues against minor mineral contractor - Rs. 29.468 million

According to Section-77 of Mines & Minerals Act, 2017, surrender, expiry or determination of a mineral title, the licensee or the lessee, as the case may be, shall be responsible for payment of all outstanding dues and other charges which, in the event of non-payment, shall be recoverable as Arrears of Land Revenue.

During audit of accounts record of DG Mines & Mineral for the financial year 2022-23, it was observed that mining lease for mineral minerals for District Peshawar was granted to Mr. Abdul Nabi.

Scrutiny of record revealed that a sum of Rs. 29,468,312 (Rs. 11,299,424 for 2022-23 and Rs. 18,168,888 for 2023-24) was outstanding against the contractor as detail below:

S. No.	Particular	Amount outstanding	Remarks
1.	Lease money 2022-23	2,939,998	Till 20.05.2023
2.	Withholding Tax 2022-23	6,691,605	Till 20.05.2023
3.	Sales Tax 2022-23	1,667821	Till 20.05.2023
4.	Lease Money 2023-24	16,222,222	2023-24
5.	Withholding Tax 2023-24	1,622,222	2023-24

6.	Sales Tax 2023-24	324,444	2023-24
Total		**29,468,312**	

The contractor was asked vide letter No. 25255/DGMM/MM/PR/Auction-2020-21 dated 07.11.2023 to deposit all the outstanding dues within one month from the date of issuance of letter. In case of failure to deposit the outstanding Govt dues, the same will be recovered under arrears of Land Revenue Act.

The lapse occurred due to weak internal control & financial mis-management.

When pointed out in November, 2023, no reply was given.

The department was requested vide letter dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends detail inquiry in the matter against the person(s) at fault along with recovery of outstanding dues under intimation to Audit.

PDP No. 32 (2022-23)

22.4.10 Loss to the government due to non-recovery of outstanding dues against small dams and M/S Matracon - Rs. 534.862 million

According to Sub- Section (1,2,3,4) of Section 56 of KP Mineral Governance Act 2017, if any person, directly or indirectly, starts prospecting exploring or mining any mineral outside the area granted to him under mineral title or in any area for which he has not obtained a mineral title or unauthorized transportation of minerals or if any person obstructs free access of a holder of a mineral title to the licensed or leased area or directly or indirectly tries to interfere with the prospecting or mining operation by a holder of mining title , he shall be punishable with imprisonment for a term of minimum of six months which may extend up to three years or a fine minimum five hundred thousand which may extend upt to two million or with both. The licensing authority shall have the power to stop unauthorized work in such manner as if may deem fit and recover in addition to the penalty, the pit-mouth value of the mineral so excavated from the person responsible for such un-authorized work.

During audit of accounts record of DG Mines & Minerals for the financial year 2022-23, it was observed that evaluation/assessment of claims on account of unauthorized mining/transportation of minor/major minerals against Small Dams and M/S MATRACON were carried out by the regional offices amounting to Rs. 3,075,324,339 as per the break up.

Name of the Party	Assessment Carried out by the office	Date till assessment	Assessed amount
Small Dams	Kohat, Nowshera, Swabi, Abbottabad, Haripur, Karak	28.11.2018	**427,321,645**
M/S MATRACON (PHA Contractor)	Karak, Kohat, Bannu and LakkiMarwat		**107,540,846**
Total			**534,862,491**

The lapse occurred due to weak internal control & financial mis-management.

When pointed out in November, 2023, no reply was given.

The department was requested vide letter dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends immediate recovery of outstanding Govt dues on account of un-authorized mining amounting to Rs. 534,862,491 under intimation to Audit.

PDP No. 34 (2022-23)

22.4.11 Non-recovery of Annual Rent along with fine in District Peshawar - Rs. 6.440 million

According to Section 56 (1) of Mines & Minerals Act, 2017, if a holder of a mineral title persists in violating any of the terms and conditions of the mineral title or the provisions of this Act and fails to rectify the violation within such period as may be fixed by the Licensing Authority, the mineral title shall, subject to notice, be cancelled. (2) If any dues payable under a mineral title are not paid within three months next after the due date, the Licensing Authority may, subject to notice, revoke the mineral title and take possession of the premises comprised therein read with Section -77 On the surrender, expiry or determination of a mineral title, the licensee or the lessee, as the case may be, shall be responsible for payment of all outstanding dues and other charges which, in the event of non-payment, shall be recoverable as arrears of land revenue.

During audit of accounts record of DG Mines & Minerals for the financial year 2022-23, it was observed while going through lease files of District Peshawar that a sum of Rs. 6,440,136 was outstanding against lease holders of District Peshawar on account of Annual Rent since 2009 but no efforts were made to recover the same as detail below:

Name of Lease holder	File No.	Annual Rent Since	Amount of Annual Rent	Fine	Outstanding amount
Sultan Muhammad	MDW/PR/ML/Bentonite(10)/2008	2017	60,000	550,000	610,000
Imran Khan	MDW/PR/ML/Bentonite(14)/2009	2009	717,174	600,000	1,317,174
M/S Phonix Chemical	MDW/PR/ML/Bentonite(1)/97	2009	1,488,752 (Rs. 988,721 deposited)	820,000	1,317,552
-Do-	MDW/PR/ML/Bentonite(02)/98	2009	20,47,400 (Rs. 988,721 deposited)	820,000	1,878,679
Sultan Muhammad	MDW/PR/ML/Bentonite(16)/2009	2009	716,731	600,000	1,316,731
Total					**6,440,136**

Audit held that the Licensing Authority should have revoke the mineral title and took possession of the premises as required under Section -56(2) which was not done and the contractors were given undue favor.

The lapse occurred due to weak internal control & financial mis-management.

When pointed out in November, 2023, no reply was given.

The department was requested vide letter dated 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends immediate recovery of Annual Rent along with fine under intimation to Audit.

PDP No. 36 (2022-23)

22.4.12 Less recovery of receipt due to non-award of contract - Rs. 250.749 million

According to Para 26 of GFR Vol-I, it is the duty of the department concerned to see that all sums due to Government are regularity and promptly assessed, realized and duly credited in the public Account.

According to Minutes of the meeting regarding reserve price fixation of royalty for the financial year 2021-22 dt. 26-3-2021, the proposed reserved price for 03 Nos of Divisions i.e. Peshawar, Kohat&D.I.Khan are as under:

1. Peshawar Rs.116,987,585/-
2. Kohat Rs.128,580,396/-
3. D.I.Khan Rs.103,664,289/-

During the audit of accounts record of Directorate General, Mines & Minerals for the financial year 2021-22, it was noticed that royalty contract for above 03 Divisions were not awarded to contractor due to which the local office directed to collect the royalty fee through their own staff. As per record provided by local office a sum of Rs. 250,749,553/- (detail below).has been less recovered against the proposed reserved price

Sl. #	Division	Proposed reserved price	Recovery made by local office	Difference
1.	Peshawar	Rs.116,987,585/-	Rs.51,767,907/-	Rs.65,219,678
2.	Kohat	Rs.128,580,396/-	Rs.38,555,265	Rs.90,025,131
3.	D.I.Khan	Rs.103,664,289/-	Rs.8,159,545/-	Rs.95,504,744
	Total	Rs.349,232,270/-	Rs.98,482,717/-	Rs.250,749,553/-

As per record of local office a sum of Rs. 98,482,717/- was recovered. The same is 28% of proposed reserved price. The local office also established check posts to enhance recovery and stop illegal mining but even then only 28% amount of reserved price shown recovered. The matter needs serious attention of higher ups to conduct high level inquiry and fixing the responsibility for non-recovering of Rs. 250,749,553/- on a/c of royalty.

The lapse occurred due to weak internal controls.

When pointed out in May 2023, it was replied that detail reply will be given after consultation of relevant record.

The department was requested vide letter dated 21.06.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends investigation into the matter and fixing responsibility on the dealing hands besides recovery/regularization of the amount.

PDP No. 655 (2021-22)

22.4.13 Non-recovery of outstanding dues on account of illegal mining - Rs. 3,083.075 million

According to Para 26 of GFR Vol-I, it is the duty of the department concerned to see that all sums due to Government are regularity and promptly assessed, realized and duly credited in the public Account.

According to D.G Mines & Minerals letter NO.33772/MDW/CDN/6 (5) 2017 (FWO) dt. 28.11.22 M/S FWO/NLC were involved in un-authorized mining/transportation of minerals and utilized the same in construction of Swat Expressway and CPEC western route at D.I.Khan without permission from the Licensing Authority.

During the audit of accounts of Directorate General Mines & Minerals Khyber Pakhtunkhwa for the financial year 2021-22, it was noticed that M/s FWO was involved in un-authorized mining/transportation of minerals and utilized the same in construction of Swat Expressway and M/s NLC involved in un-authorized mining and utilized the same in CPEC western route at D.I. Khan. Similarly, during the construction of small Dam, the contractors utilized a huge quantity of major mineral and Minor minerals without fulfilling the legal decimation/approval of the Department. The local office assessed the amount (detail below) and approach the above 03 departments to deposit the same into the Govt treasury. But lapse of considerable time period no single penny has been shown recovered. Due to non-recovery of huge amount the provincial Govt. is deprived from the revenue.

1.	M/s Frontier Works Organization (FWO)	Rs.2,141,810,799.70
2.	M/s National Logistic Cell (NLC)	Rs.398,651,048.00
3.	D.G Small Dams KP	Rs.427,321,645.00
	Total:	**Rs.2,967,783,492/-**

It was further added that a sum of Rs. 115,291,622/- established on a/c of un-authorized mining by local community's persons. In this connection District Collector Peshawar has been approached vide letter No.1460/DGMM/MM/PR/Assessment Recovery dt.24.1.2023 to recover the outstanding dues from defaulters but no recovery made till audit.

It was therefore suggested to take appropriate action at high level and recovered a sum of Rs.3,083.075 (M).

The lapse occurred due to weak internal controls.

The department was requested vide letter dated 21.06.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends recovery.

PDP No. 656 & 659 (2021-22)

22.4.14 Loss to Government due to non-recovery of long outstanding dues - Rs. 257.207 million

According to Para 26 of GFR Vol-I, it is the duty of the department concerned to see that all sums due to Government are regularity and promptly assessed, realized and duly credited in the public Account.

According to letter No.15377/MDWR&R/HQ/Reg:/Pre-Qualification/2022-23 dt.20-5-2022, D.G Mines & Mineral reject registration request being defaulter in term of Rule-06 of the KP Royalty Auction Rules 2017.

During the audit of accounts record of Directorate General, Mines & Minerals for the financial year 2021-22, it was noticed that a sum of Rs. 138,648,056/- shown long outstanding and declare defaulter by local office. It was therefore suggested to recover said amount.

Mr. Nawazish Ali S/o Khan Pervaiz		Rs.3,092,500/-
Mr.Shujat Ali S/o Nusrat Iqbal	Rs.135,555,556/-	
	Total:	Rs.138,648,056/-

It was further added that Mr. Israrul HQ S/o Sahib Jamal was awarded royalty contract for Malakand Division. The contractor failed to deposit 3rd installment amounting to Rs. 41,850,000/-. Further the local office also imposed Rs. 418,500/- as 10 % fine.

Similarly a sum of Rs.75,551,000/- and Rs.739,500/- as 2nd and 3rd installment and annual rent respectively is outstanding against Mr. Gul Wali Shah. The same needs recovery.

The matter needs serious attention of higher ups.

The lapse occurred due to weak internal controls and financial mis-management.

When pointed out in May 2023, it was replied that detail reply will be given after consultation of relevant record.

The department was requested vide letter dated 21.06.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

Audit recommends recovery.

PDP No.657 &658 (2021-22)

22.4.15 Loss on account of illegal mining Rs. 1,838.056 million

According to "Monitoring & Surveillance Unit" Minerals Development Department Khyber Pakhtunkhwa, District Wise Report (Murasalas/FIRs & Assessment).

During audit of the accounts of Directorate General Mines and Minerals Development Khyber Pakhtunkhwa for the Financial Year 2020-21, it was noticed that Rs. 1,850,303,530/- were assessed on account of illegal mining by Monitoring & Surveillance Unit, Minerals Development Department till March 2022.

Audit observed that only Rs. 12,247,395/- were recovered by the department and Rs. 1,838,056,135/- is still outstanding against the various offender, but the department did not make stern efforts to recover the outstanding amount, resulting in loss to government. It was apprehended by audit that the illegal mining was done with consent of the department as a large number of inspectors were posted and check posts established by the department.

The lapse occurred due to weak internal controls.

When pointed out in April, 2022, it was stated that detail reply will be furnished after consulting the record.

In the DAC meeting held on 24.07.2021, it was decided that para stands till immediate complete recovery.

Audit recommends investigation into the matter and fixing responsibility on the dealing hands besides recovery of the amount under intimation to audit.

PDP No. 357 (2020-21)

22.4.16 Loss to the Government due to non-recovery of outstanding dues Rs. 3,075.32 million.

According to KP Mineral Governance Act, Section 56 sub section (1,2,3,4) if any person, directly or indirectly, starts prospecting exploring or mining and mineral outside the area granted to him under mineral title or in any area for which he has not obtained a mineral title or unauthorized transportation of minerals or if any person obstructs free access of a holder of a mineral title to the licensed or leased area or directly or indirectly tries to interfere with the prospecting or mining operation by a holder of mining title , he shall be punishable with imprisonment for a term of minimum of six months which may extend up to three years or a fine minimum five hundred thousand which may extend upto two million or with both. The licensing authority shall have the power to stop unauthorized work in such manner as if may deem fit and recover in addition to the penalty, the pit-mouth value of the mineral so excavated from the person responsible for such un-authorized work.

During audit of the accounts record of Director General Mines and Minerals Development Department Khyber Pakhtunkhwa Peshawar for the Financial Year 2020-21, it was noticed that Huge quantity of major and minor mines were used without taking the mineral department into loop by the following contractors. Evaluation/assessment of claims on account of unauthorized mining/transportation of minor/major minerals were carried out by the local office amounting to Rs. 3,075,324,338/- as per details given below. However, no action was taken by the local office against these contractors for recovery of such amount and put a huge loss to government as royalty from mining is one of the major source of revenue of the province.

Sr.No	Contractor Name	Assessed Amount
01	Frontier works organization (FWO)	2,141,810,799
02	National Logistic Cell (NLC)	398,651,048
03	Small Dams	427,321,645
04	M/S Matracon	107,540,846
	Total	3,075,324,338

Non recovery of the royalty from the parties is the violation of the MSG Act. 2017.

When pointed out in April, 2022, it was stated that detail reply will be furnished after consulting the record.

In the DAC meeting held on 24.07.2021, it was decided that para stands till complete recovery.

Audit recommends that matter may be taken with the Chief Secretary for possible solution and recovery of the un-authorized mining/transportation

PDP No. 358 (2020-21)

22.4.17 Loss to government due to non-recovery of outstanding dues of excise duty on minerals - Rs. 547.283 million

According to Rule 44(1) of the Khyber Pakhtunkhwa Excise Duty on Minerals (Labour Welfare) Rules, 1969; any amount of duty of excise which remains unpaid the date specified the demand notice any amount of penalty which is imposed on an owner for violation of any of the provision of these rules shall be recovered as arrears of land revenue and shall be credited to the government treasury.

During audit of the accounts of Commissionerate of Mines Labour Welfare Khyber Pakhtunkhwa Peshawar for the financial year 2021-22, it was observed that a sum of Rs.547,283,595/-was outstanding on account of excise duty against various contractors/lease owners.

Audit held that the amount was outstanding since long but the department failed to recover the amount from contractors.

The lapse occurred due to non-implementation of the rules and regulations, which resulted in loss to government.

When pointed out in June 2023, the management replied that necessary actions have been taken for recovery of outstanding dues from the defaulters. Record will be provided to DAC.

The department was requested vide letter dated 21.06.2023 for holding DAC meeting. However, the DAC was not convened till finalization of this report.

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

PDP No. 879 (2021-22)

Chapter-23

PLANNING & DEVELOPMENT DEPARTMENT

23.1 A) Introduction

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

- Planning development and control of industries, including cottage industries.
- Industrial Research
- Industrial training (including training of demonstration parties).
- Industrial exhibition within the country.
- Survey of industries.
- Trade and commerce, within the Province, including Government commercial undertakings, Merchandise Marks Act, railway freight, import and export, trade control, capital issue, Insurance Act, Registration of Accountants, Auditors Certificate Rules, Partnership Act, trade condition reports, trade enquiries and agreements.
- All cases relating to Boilers Act, Patent and Designs Act, Explosive Act and Companies Act.
- Registration of Joint Stock Companies, Firms, Societies.
- Store Purchase Department, purchase of stores and capital goods including stores for Government Presses and Public Works Department.
- The Provincial Advisory Panels for Industries and Minerals.
- Chambers and Associations of Commerce and Industry.

Audit Profile of Planning & Development Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23 (Rs in Million)	Revenue/Receipts Audited FY 2022-23 (Rs in Million)
1	Formations	13	01	39,948	0
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	11	07	2443.398	N/A

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

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2022-23 is given below:

Non-Development;

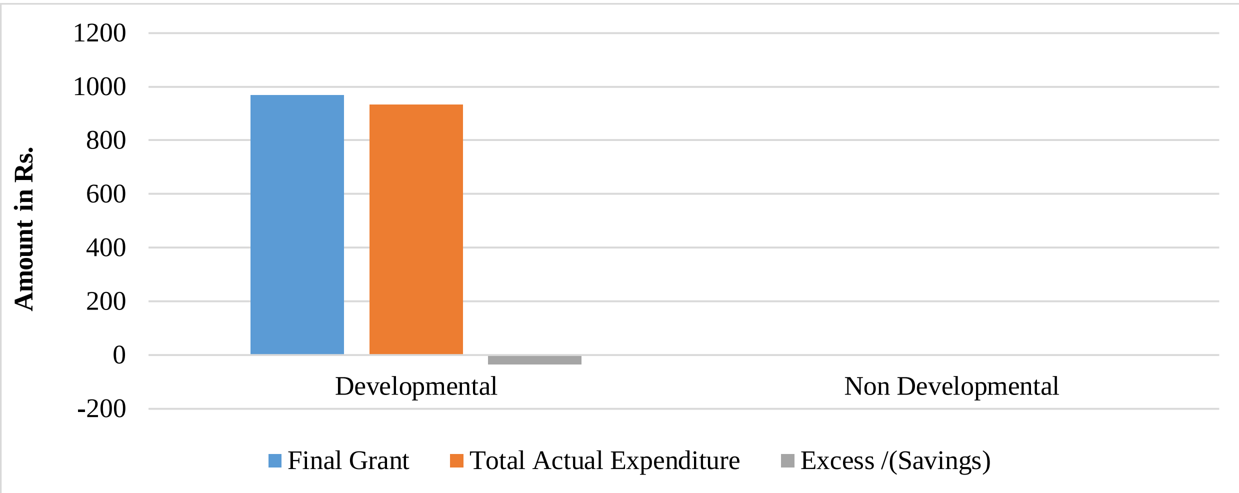
(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appriopriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
04 - Planning & Development and Bureau of Statistics	NC21	895,308,000	30	0	118,647,110	776,660,920	740,648,990	- 36,011,930
61 - Planning &Developmen	NC21	81,201,000	0	106,692,131	1	187,893,130	187,861,636	- 31,494
61- Bureau of Statistics	NC21	10,163,000	0	380,372	6,559,840	3,983,532	3,983,532	-
Total		**986,672,000**	**30**	**107,072,503**	**125,206,951**	**968,537,582**	**932,494,158**	**- 36,043,424**

Development;

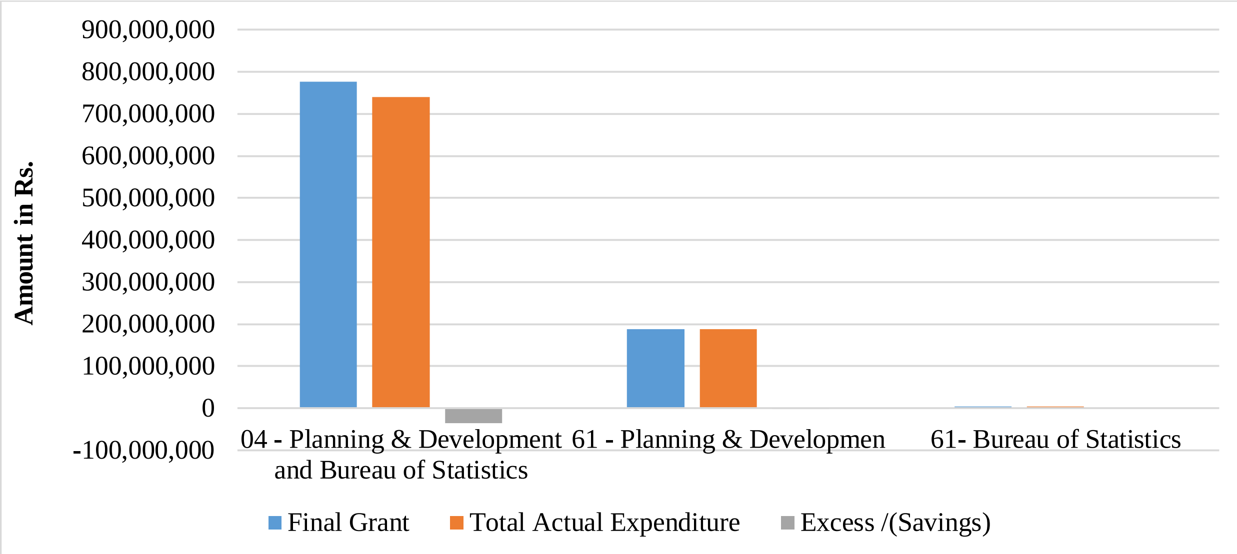
(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Apprioriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50-Planning & Development	NC22	0	0	0	0	0	0	-
Total		**0**	**0**	**0**	**0**	**0**	0	-



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

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	968.54	932.49	- 36.04	-3.72%
Development	-	-	-	
Total	**968.54**	**932.49**	**- 36.04**	-3.72%



It can be seen from the above variance analysis that the budgets could not be utilized and 11.45% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and many plans might have been left unachieved.

23.1 (C) Issues in the Planning & Development Department

The main issue in the planning and development department was that they incurred millions of expenditure of regularized projects out of ADP. Some of the projects have not achieved their objectives and have been given un-justified extensions.

23.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 1587.024 million were raised in this report during the current audit of Planning & Development Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	173.065
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	1300.88
5	Others	2113.079

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

S#	Audit Year	Name of Department	Total No. of actionable point	Full compliance	Partial compliance	Nil compliance
1.	2001-02	Planning & Development	08	06	-	02
2.	2003-04	-do-	04	03	-	01
3.	2004-05	-do-	08	02	-	06
4.	2007-08	-do-	05	01	-	04
5.	2008-09	-do-	08	05	-	03
6.	2011-12	-do-	10	05	-	05
7.	2012-13	-do-	24	11	-	13
8.	2013-14	-do-	02	01	-	01
9.	2014-15	-do-	03	01	-	02
10.	2015-16	-do-	00	00	-	00
11.	2016-17	-do-	00	00	-	00

23.4 Audit Paras

23.4.1 Wasteful expenditure on initiation of projects for discharge of functions of the P&DD – Rs.733.90 million

According to Rules of Business 1985, the functions are entrusted to Planning & Development Department:

i. Planning and Development including policy, procedure and coordination work relating to the preparation of the Provincial Annual Development Programme and its review.
ii. Processing of all development schemes, programmes and proposals submitted by other Departments including autonomous bodies and making recommendations to Government thereupon; Secretariat functions of the Provincial Development Working Party.
iii. Maintaining liaison with the National Planning Agencies.
iv. Dealing with Autonomous and Semi-Autonomous Bodies in regard to development planning programmes and projects in N.W.F.P.
v. Foreign Aid.
vi. Coordination of technical assistance from abroad including training facilities; expert advisory services and equipment.
vii. Coordination of training of Local Officers and private sector candidates in foreign countries. Secretariat functions of the Provincial Selection Committee for training abroad.
viii. Arrangement of the services of foreign experts/advisors including Secretariat functions of the Provincial Screening Committee for the appointment of foreign expert/advisors.
ix. Economic research and matters relating to the Board of Economics Enquiry.
x. Coordination of Provincial statistics in general and all matters relating to the Bureau of Statistics.

xi. General Economic appraisal evaluation of progress and performance of Development Schemes and Programmes and their critical appraisal.
xii. Initiation of measures for giving a suitable publicity to the Development plans and educating the public on the results achieved from time to time.
xiii. Matters relating to the Regional Development Projects, N.W.F.P.
xiv. Price Stabilization Policy.
xv. Protocol functions in connection with visits of foreign economics missions and delegations; etc.
xvi. Appropriation and re-appropriation of development grants provided in the budget.

During audit of the accounts record of Planning & Development Department, Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that 33 No. of projects were initiated by the P&D Department with expenditure of Rs.733.90 million incurred by these projects during a single financial year.

Audit raised the following observations:

i. With the total strength of 636 Officers/ officials on regular side of the P&D Department, the department is under obligation to perform its duties as entrusted in the Rules of Business 1985. However, the department further initiated number of projects from time to time for discharge of its mandatory function/ role under the Executive pillar of the system. During the Financial Year 2022-23, there were total of 33 projects initiated by the department and incurred expenditure of Rs.733.90 million in addition to its regular expenditure of Rs.463.662 million on account of pay & allowances and operating expenses. The expenditure of Rs.733.90 million incurred by 33 projects was unjustified and wastage of government resources as these projects did not generate any asset/ infrastructure and were revenue nature projects. The functions performed through these projects, were the basic functions of the P&D Department itself.
ii. All the projects were revenue side projects which did not generate any asset/ infrastructure but a source for the P&D Department to engage the contingent staff without proper recruitment process and ultimately regularize the staff through Regularization of Services Act 2018 and 2022.
iii. Chief of Section supported by officers/ officials in Health, Education, Infrastructure, Rural Development, Foreign Aid Projects are working on the regular side of the department and their services could be utilized in planning, development, review, appraisal, critical analysis and coordination work of ADP etc. Contrarily, P&D Department initiated projects like GIS, Development of Regional GDP, Extension of M&E, Institutional Support to P&DD. Instead of initiation multiple projects which are resulting in overlapping of projects and resources, the existing department was required to be strengthened through the laid down mechanism i.e. SNE and proper recruitment process.

Audit held that initiating of these 33 projects and expenditure of Rs.733.90 million was wastage of resources and indicate conflict of interest committed by the P&DD which is facilitating initiation of projects for itself which was contradictory to the provisions of the GFR which provides that “No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage. Public moneys should not be utilized for the benefit of a particular person or section of the community unless."

The lapse occurred due to conflict of interest and misuse of authority which resulted in wasteful expenditure.

When pointed out in September 2023, the management stated that proper reply will be shared with the Audit as and when response is received from concerned sections/ units.

The department was requested vide letter dated 21.09.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter for fixing of responsibility against the person(s) at fault and corrective action.

PDP No. 19 (2022-23)

23.4.2 Cost overrun due to multiple revisions of the PC-I without justification– Rs. 566.98 million

According to section 4.1, 4.13 & 4.14 of Manual for Development Project issued by Planning Commission of Pakistan, the physical and financial scope of a project, as determined and defined in the project document PC-I is appraised and scrutinized by the concerned agencies before submitting it for approval of the CDWP/ECNEC. Once approved by the competent authority the executing agency is supposed to implement the project in accordance with the PC-I provisions. The project preparation has continued to suffer from the weaknesses i.e. inadequacy of data, unrealistic cost estimates, over-estimation of benefits, lack of coordination with the related agencies, incorrect assumption of availability of inputs, lack of proper implementation schedule. To avoid cost over-runs and repeated revisions of the scheme, it is extremely important that a project is prepared with due care and based on surveys, investigations and feasibility studies, the time taken in its examination (and also execution) will be greatly reduced. The cost estimates of a project have to be prepared with a lot of care so that these are not revised again and again.

During audit of the accounts record of Planning & Development Department (M&E), Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that PC-I of the "Extension of M&E system to Districts in KP" was approved at the cost of Rs.1196.285 million which was revised time and again as below:

PC-I	Period	Approved cost (Rs.)
Original	2020-2023	1196.285
1st Revised	2021-2024	1411.318
2nd Revised	2022-2025	1978.299

Scrutiny of record revealed the following irregularities:

i. The 2nd revised PC-I for Rs.1978.299 million showed justification / reasons for revision of cost due to price hike in market, increase in dollar conversion rate, increase in the prices of vehicles and delayed appointments due to COVID-19. However, detail of HR positions and comparison with 1st time revised PC-I revealed that 50 HR positions were enhanced in the attachments to

PC-I which were not brought in to the notice of PDWP while obtaining approval for the 2nd revised PC-I.

ii. The reason of COVID-19 for revision to 2nd time was not justified as the 1st time revision was made in post COVID-19 scenario.

iii. The time and again revisions resulted in time and cost overrun of Rs.566.98 million (1978.299 – 1411.318).

iv. In addition to above project, regular set up of M&E with annual expenditure of Rs. and another project "Establishment of M&E System in KP" was annual expenditure of Rs.23.279 million were also in place. Running different projects for the one and same purpose of monitoring, is resulting in duplication of developmental schemes and the objectives of monitoring could have been achieved by strengthening the existing M&E system instead of running similar projects.

v. The monitoring and evaluation services were extended to the districts without proper analysis of the targets achieved and impact created at the divisional level under the project.

The lapse occurred due to non-observing the instructions for preparation of PC-I which resulted in cost overrun.

When pointed out in September 2023, the management stated that proper reply will be shared with the Audit as and when response is received from concerned sections/ units.

The department was requested vide letter dated 21.09.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter for fixing of responsibility against the person(s) at fault.

PDP No. 22 (2022-23)

23.4.3 Non-preparation of PC-IVs / non-maintenance of record and non-retrieval of assets of projects

According to section vii – Chapter 7 of the Manual for Developmental Projects, Planning Commission of Pakistan, the project/ programme completion report on PC-IV form is to be furnished by every Project Director/Executing Agency only once soon after a project or programme is adjudged to be completed. The PC-IV includes the full history of the project emphasizing the risks taken and the mistakes committed along with the remedial measures adopted and the experience gained thereby. It serves as a guide to those who are charged with the execution and supervision of similar projects in future. Ideally the completion report should begin before the works are completed, and the events are fresh in mind. As far as possible, the completion report should be ready at the time the project is completed or very soon thereafter.

According to minutes of Transport Committee meeting, Administration Department, KP circulated vide SOT(AD)3-20/2013 dated 07.10.2015, Provincial Government has imposed complete ban on purchase of vehicles as a measure of austerity which can be relaxed by the Chief Minister, KP on case-to-case basis. The case of purchase of vehicle may be moved after obtaining non-availability certificate from

Administration Department. All the closed projects vehicles must be handed over to Administration Department and may not be retained by any government department or its subordinate office.

According to Government of Khyber Pakhtunkhwa, P&D Department Notification SO(Estt:)P&D/052/8-19/MAF/2019 dated 04-02-2020, in post-merger scenario, the competent authority on the recommendation of Establishment Department and committee constituted by ACS PDD, 11 No. of projects of Merged Areas were allocated SDU and 25 No. of projects to P&D Department, KP.

During audit of the accounts record of Planning & Development Department, Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that 36 No. of projects were in progress in the Erstwhile FATA at the time of merger in to Khyber Pakhtunkhwa. To review the existing roles and responsibilities of Directorate of Projects and restructuring/ integration in the post-merger scenario, on the recommendation of Establishment Department and a committee constituted by Additional Chief Secretary, P&DD, 11 projects were allocated to SDU while 25 projects to P&D Department.

Moreover, record of these 36 projects along with PC-Is, PC-IVs in case of completion along with vehicles and other assets was requested to ascertain the assets and No. of vehicles procured under these projects with their current status as well as achievement of the projects' objectives. It was informed that assets/ vehicles of these projects were taken on the strength of P&DD and allotted to the officers as per their entitlement. However, plea of the management was not correct as 86 vehicles were available (P&DD + ISPD) and also available from the closed projects executed in the settled districts but whereabouts of the vehicles of these 36 projects of Erstwhile FATA was not known.

Furthermore, no evidence of handing over of the assets/ vehicles of these projects to the Administration Department (Transport Wing) was available.

The lapse occurred due to non-implementation of the rules/ policies which resulted in non-preparation of PC-IVs of the completed projects and missing of vehicles of these projects.

When pointed out in September 2023, the management stated that proper reply will be shared with the Audit as and when response is received from concerned sections/ units.

The department was requested vide letter dated 21.09.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends fact finding inquiry for ascertaining the actual No. of vehicles along with their status for recovery of assets/ vehicles besides disciplinary action against the person(s) at fault.

PDP No. 24 (2022-23)

23.4.4 Loss due to missing of 04 REVO vehicles,IT equipment and other assets of the closed project – Rs.68.00 million

According to minutes of Transport Committee meeting, Administration Department, KP circulated vide SOT(AD)3-20/2013 dated 07.10.2015, Provincial Government has imposed complete ban on purchase of vehicles as a measure of austerity which can be relaxed by the Chief Minister, KP on case-to-case basis. The case of purchase of vehicle may be moved after obtaining non-availability certificate from Administration Department. All the closed projects vehicles must be handed over to Administration Department and may not be retained by any government department or its subordinate office.

During audit of the accounts record of Planning & Development Department, Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that a project "FATA Water Resource Development Project" (FWRDP) was closed / completed on 30-06-2023. Soon after completion of the project, all the assets including vehicles were required to be handed over to the Administrative Department/ Administration Department as it was already intimated to all the departments to not retain the vehicles of the closed projects. The list of vehicles provided by the management of FWRDP and handing / taking certificates revealed that 04 REVO vehicles were missing as were handed over to the P&D Department but were not shown in their list of 86 No. vehicles (39 main P&DD + 47 ISDP). This resulted in missing of 04 vehicles worth Rs.68.00 million (Rs.17.00 x 4) approximately as tabulated below:

S. No.	Vehicle type	Reg. No.	Remarks
1	Corolla 2015	AB-1265	Under the use of Director SDU.
2	REVO 4x4	AB-1266	Handed over to P&DD.
3	REVO 4x4	AB-1267	Handed over to P&DD.
4	REVO 4x4	AB-1268	Handed over to Administration Department
5	REVO 4x4	AB-1269	Chief Coordinator (P&DD)
6	REVO 4x4	AB-1270	Handed over to P&DD.
7	REVO 4x4	AB-1271	Islam Zeb

The vehicle at S. No.1 was retained by SDU, S. No. 4 handed over Administration Department while vehicle at S. No. 5 was shown at the strength of the P&DD under the use of Chief Coordinator. However, four No. of REVO 4x4 vehicles (S. No. 2, 3, 6 & 7) were missing while the project management informed that the vehicles were handed over to the Deputy Secretary – Administration, P&DD.

Moreover, the lists provided by the project management revealed that the following assets were handed over to P&D Department but these assets were neither issued to another fresh project nor current status was known:

S. No.	Item	Qty
1	Dell Laptop Inspiron 5000 series	15
2	Printer	05
3	Photocopier	02
4	Panasonic fax machine	01
5	Multimedia projector in-focus with plotter	01
6	DC Inverter AC	10
7	Generator 25 KV	01
8	Digital camera	02
9	Safe for cash	01
10	Furniture (Sofa set, chairs, office tables)	70

Audit held that PC-IV/ assets list are not shared during the course of Audit and the actual No. of missing vehicles will be much more.

The lapse occurred due to non-implementation of the rules/ policies which resulted in missing as well as misuse of vehicles of the completed projects.

When pointed out in September 2023, the management stated that proper reply will be shared with the Audit as and when response is received from concerned sections/ units.

The department was requested vide letter dated 21.09.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends facts finding inquiry for complete overhauling of closed projects' assets for retrieval of the vehicles/ loss from the person(s) at fault besides disciplinary action.

PDP No. 27 (2022-23)

23.4.5 Loss to government due to non-implementation of the austerity measures and non-observing of the revised POL ceilings – Rs.32.885 million

According to the Austerity Measures approved by the Chief Minister, Khyber Pakhtunkhwa and endorsed to all the Administrative Secretaries by Finance Department and Administration Department vide SO(T)AD/4-5/Transport Rules/2022 dated 17-06-2022, revised POL ceilings were approved by imposing 35% cut as follow:

S. No.	Designation	Current ceiling	35% cut in Liters per month (Revised ceiling)	Remarks
1	CS, ACS	225	146	For local duties and official tours may be claimed separately.
2	Administrative Secretaries	200	130	-do-
3	All Secretariat Officers above Dy: Secretaries	130	85	-do-
4	Deputy Secretaries	110	72	-do-
5	Economist, Environmentalist, Sr. Planning Officer	110	72	-do-

According to Transport Committee of Government of Khyber Pakhtunkhwa, Administration Department, meeting minutes circulated vide SOT(AD)/3-20/2013 dated 07-10-2015, only the Transport Committee of KP is mandated to confer authorization of vehicles for officers and pool/ general/ operational duties etc. The authorization of vehicles for officers and pool of all the departments has been determined by the Transport Committee. Use of vehicles in excess of authorized strength is subject to accountability under the law and rules.

During audit of the accounts record of Planning & Development Department, Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that an expenditure of Rs.58.475 million (Rs.36.451 ISPD & Rs.22.024 Reg. budget) was incurred on the POL of 86 No. of vehicles (47 ISPD + 39 Reg. side) during the year.

Scrutiny of the POL expenditure and its comparison with vehicles' pool and sanctioned strength of HR revealed the following irregularities which resulted in loss to the government due to non-implementation of the Austerity Measures and non-observing the revised POL ceilings:

i. POL expenditure of Rs.58.475 million on 86 vehicles mean expenditure of Rs.679,942/- per vehicle in a financial year. As such POL expenditure of Rs.56,662/- was made per vehicle per month (679,942 / 12). The average POL rate per liter was Rs.248/liter based on PSO archives data (enclosed). The government imposed 35% cut as Austerity Measures for the financial year 2022-23 keeping in view the financial hardships in the province. Most officers of the department were entitled to 70-100 liter per month, as such the total expenditure on POL was required to be restricted to Rs.25.59, contrarily, expenditure of Rs.58.475 million which led to excess expenditure and loss of Rs.32.885 million to the government as worked out below:

Vehicles	**POL ceiling on average**	**Months**	**Average POL rate for the year**	**Total expenditure required Approx.**	**Actual expenditure incurred (Rs. in million)**	**Excess exp: / Loss (Rs. in million)**
86	100 liters	12	Rs.248	25.59 million	58.475 *	32.885

* the expenditure was purely incurred on POL, repair expenditure of Rs.20.918 million (14.494+6.424) was made in addition to POL expenditure.

The lapse occurred due to non-implementation of the Transport Rules and directives of the Chief Minister, KP in the matter which resulted in loss to the government.

When pointed out in September 2023, the management stated that proper reply will be shared with the Audit as and when response is received from concerned sections/ units.

The department was requested vide letter dated 21.09.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends inquiring the matter for recovery of loss and fixing of responsibility on the person(s) at fault.

PDP No. 28 (2022-23)

23.4.6 Unauthorized retention of 07 government vehicles

According to Transport Committee of Government of Khyber Pakhtunkhwa, Administration Department, meeting minutes circulated vide SOT(AD)/3-20/2013 dated 07-10-2015, only the Transport Committee of KP is mandated to confer authorization of vehicles for officers and pool/ general/ operational duties etc. Use of vehicles in excess of authorized strength is subject to accountability under the law and rules.

According to Rule 9 (i) & (iii) of the Khyber Pakhtunkhwa Government Staff 'Vehicles (Use and Maintenance) Rules 1997, all the Government Officers irrespective of their ranks/status shall be entitled to use only one vehicle for official duty. The Officers of Provincial Government, who are holding charge of more than one department/ organization and are in possession of more than one vehicle, by virtue of their offices/ posts etc. will not be entitled to use the additional Vehicles.

During audit of the accounts record of Planning & Development Department (SDU), Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that 29 vehicles were placed at the disposal of SDU/ DOP. List of vehicles revealed the following irregularities:

i. Vehicle No. DZ-935 (Toyota Hilux Vigo 2014) and No. BA-3697 (Toyota Corolla 2008) were retained by the Ex-Director General SDU, however, neither name of the officer was recorded on record nor period of retention on transfer was known though vehicle No. AB-1265 was allotted to the incumbent Director SDU.
ii. Vehicle No. A-2762 (Toyota Corolla 2014) and No. A-4656 (Toyota Double Cab 2003) were retained by the Ex-DG DOP, though vehicle No. AB-2750 (Toyota Rivo 2019) was allotted to the incumbent DG DOP. Again, the management neither mentioned name of Ex-DG DOP nor year of transfer and illegal retention of excess vehicle were recorded.
iii. Vehicle No. BB-7153 (Suzuki Cultus) was allotted to PS to Director SDU for which he was not entitled.
iv. Vehicles bearing No. NX-175 (Suzuki Jimny 2007) and A-2955 (Suzuki Cultus 2013) were shown at the pool of the department for which authorization of Transport Committee, Administration Department was not available.
v. Transport Committee Authorization for 29 vehicles was not available.

Audit held that the officers, upon their transfer, were required to return the vehicles as official vehicles would have been allotted to them from their current posting at respective department, it resulted in not only misuse of government vehicles but dual vehicles from different departments simultaneously.

The lapse occurred due to ill management of the transport affairs and non-implementation of the Transport Rules which resulted in misuse of official vehicles.

When pointed out in September 2023, the management stated that proper reply will be shared with the Audit as and when response is received from concerned sections/ units.

The department was requested vide letter dated 21.09.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends inquiring the matter for retrieval of vehicles besides fixing of responsibility.

PDP No. 40 (2022-23)

23.4.7 Overpayment to contractors on account of enhancement charges – Rs. 3.036 million

According to Para-209 (d) of CPWA code, all payments for work or supplies are based on the quantities recorded in the measurement book, it is incumbent upon the person taking the measurement to record the quantities clearly and accurately.

During audit of the accounts of Planning and Development Department Khyber Pakhtunkhwa – Karak Area Development Project (Kohat Division Development Program) for the financial year 2021-22, it was observed that an amount of Rs. 3,036,147/- was paid to the following contractors on account of 15% enhancement charges and Rs. 110,000/- as advertisement charges at the rate of Rs. 10,000/- **(Annexure-XLIV)**.

However, scrutiny of payment bills revealed that all these aforementioned payments to the contractors were added at the end of the bills after the actual work was done and measurements taken.

The lapse occurred due to weak internal controls which resulted in overpayment to contractors.

When pointed out in March 2023, the management stated that the observation has been forwarded to the executing agency for necessary reply which will be forwarded to Audit as and when received.

In the DAC meeting held on 12-14.12.2023, it was decided that the para stand for justification of the variation, otherwise recovery may be made. However, no progress was intimated to audit till finalization of this report.

Audit recommends inquiring the matter for fixing responsibility besides affecting recovery of the overpaid amount.

PDP No. 688 (2021-22)

23.4.8 Overpayment due to non-deduction of overhead charges - Rs. 1.872 million

According to the Market Rate System 2021 issued vide Finance Department Khyber Pakhtunkhwa Notification 28.09.2021, 24% is added in the actual price of items which constitutes (contractor profit + (overhead + material + labour + equipment + taxes)).

During audit of the accounts of Planning and Development Department Khyber Pakhtunkhwa – Karak Area Development Project (Kohat Division Development Program) for the financial year 2021-22, it was observed that an amount of Rs. 41.603 million was allocated and paid to the Agriculture Department Karak (Soil Conservation Cell) for soil conservation in District Karak. However, the executing department made the payments to the farmers on MRS-2021 which includes 24% overheads / contractors' profit and government taxes including 2% KP Sales Tax on Services. Further scrutiny of record revealed that the department made a total deduction of 19.5% (7.5% income tax + 12% overhead & contractors' profit) instead of deducting the 24% overhead, contractors' profit and sales tax on services which resulted in less deduction of Rs. 1,872,135/- (24% - 19.5% = 4.5% X Rs. 41.603 million).

Audit held that the 24% overhead and contractors' profit was included in the Market Rate System for awarding the works to the government contractors, and the farmers were not entitled to receive the said overhead, hence the same should have been deducted from the payments made to the farmers.

The lapse occurred due to violation of rules and regulations which resulted in overpayment to the farmers.

When pointed out in March 2023, the management stated that the observation has been forwarded to the executing agency for necessary reply which will be forwarded to Audit as and when received.

In the DAC meeting held on 12-14.12.2023, it was decided that recovery of the overpaid amount @ 2.5% will be made from the contractor. However, no progress was intimated to audit till finalization of this report.

Audit recommends recovery of the overpaid amount.

PDP No. 696 (2021-22)

23.4.9 Excess payment on account of excess quantities of works - Rs. 2.889 million

According to Rule 395 of the Federal Treasury Rules Volume-I, payments of all works done shall be made on the basis of measurements recorded in the measurement book kept for the purpose. Claims for such payments shall be prepared by the claimant themselves in authorized forms of bills and no payment may be authorized unless the correctness of claim in respect of quantities and rates as well as the quality of the work done have been accepted.

During audit of the accounts of Planning and Development Department Khyber Pakhtunkhwa – Hangu Area Development Project for the financial year 2021-22, it was observed that two works "Construction of Ibrahimzai Irrigation Channel Scheme District Hangu" was awarded to M/S Junaidur Rehman Construction and "Construction / improvement of Left Bank Canal of Naryab District Hangu" to M/S Haji Niaz Muhammad & Sons. Further scrutiny of record revealed that an amount of Rs. 2,889,932/- was paid to the contractors vide their final bills for different items of work shown executed in excess of the quantities mentioned in the PC-IV of the schemes **(Annexure-XLV)**.

The lapse occurred due to weak internal controls which resulted in excess payment to the contractors.

When pointed out in March 2023, the management stated that the observation has been forwarded to the executing agency for necessary reply which will be forwarded to Audit as and when received.

In the DAC meeting held on 12-14.12.2023, it was decided that recovery of the excess payment will be made. However, no progress was intimated to audit till finalization of this report.

Audit recommends recovery of the amount.

PDP No. 729 (2021-22)

23.4.10 Doubtful withdrawal of funds on account of pumping machinery – Rs. 2.578 million

According to the approved PC-I of the scheme "solarization of the existing WSS and other works at water supply scheme MerobakDarbarMela U/C Kach PK-83 District Hangu, a quantity of 7.95 WHP of an item of work solar submersible pump complete including supply & installation, testing and commissioning of solar submersible (ISO – 9906 Certified coupled with all allied accessories) was included in the approved PC-I at the rate of Rs. 73356.75 per WHP costing Rs. 583,520/-.

During audit of the accounts of Planning and Development Department Khyber Pakhtunkhwa – Hangu Area Development Project for the financial year 2021-22, it was observed that an amount of Rs. 2,578,244/- was paid to M/S JDS Construction Company on account of supply and installation of a solar based submersible pump and supply, installation and commissioning of solar system at the rate of Rs. 2,403,244/- and Rs. 175,000/- respectively.

However, further scrutiny of record revealed that the sales invoice submitted by the supplier was doubtful on the following grounds;

- The supplier showed the manufacturing of pumps, turbine pumps, centrifugal pumps and solar at Village Zaim Tehsil Tangi District Charsadda in its sales invoice wherein such a ISO Certified manufacturing plant was not found existing.
- The sales invoice and sales tax invoice showed three different addresses i.e. Village Zaim Tehsil Tangi District Charasadda for JDS Engineering Works & Construction Company, RashakaiMardan for JDS Marble Factory and RashakaiMardan for JDS Engineering Works & Construction Company.
- The sales invoice and sales tax invoice were found to have been printed on two different letter heads as evident from the fact the former showed the address being pasted at the lower end of the invoice whereas the latter had no such address.
- The NTN number shown on the sales invoice and sales tax invoice did not exist in the online verification portal of FBR.
- The project management failed conduct the factory acceptance test (FAT) of the major components of the solar pumping system at the manufacturing facility as required under clause 5 of the supply order dated 08.03.2021 issued to the supplier.
- No documentary evidence of the ISO certification could be found available with the bills.
- The amount was paid to the supplier for supply of solar pumps on lump sum basis instead of making payment on the basis of scheduled rate of WHP as approved in the PC-I.

The lapse occurred due to violation of rules and regulations which resulted in fraudulent withdrawal of funds.

When pointed out in March 2023, the management stated that the observation has been forwarded to the executing agency for necessary reply which will be forwarded to Audit as and when received.

In the DAC meeting held on 12-14.12.2023, it was decided that proper registration of the contractor business in the relevant field and all other relevant document will be produced to audit. However, no progress was intimated to audit till finalization of this report.

Audit recommends recovery of the amount.

PDP No. 736 (2021-22)

23.4.11 Loss to the government due to non-execution of works and non-blacklisting of contractor – Rs. 12.663 million

According to Clause 7.4 of the contract executed between the contractor and the local office, if the contractor fails to complete the works within the time for completion, the contractor's liability for such a failure shall be to pay the amount stated in the contract data for each day for which he fails to complete the works. If the contractor abandons the works, refuses or fails to comply with the client's instructions or fails to proceed expeditiously, the procuring entity may terminate the contract by a second notice leaving behind the contractor's equipment to be used for the completion of the works at the risk and cost of the original (defaulter) contractor.

During audit of the accounts of Planning and Development Department Khyber Pakhtunkhwa – Sustainable Development Unit for the financial year 2021-22, it was observed that the Highway Division Bajaur awarded contract for the Blacktopping of Dhand Azghan Road to M/S Ittemad& Co. at the rate of 29.13% - below for a bid cost of Rs. 17.314 million vide work order No.84/3-M dated 19.01.2021. Accordingly, an amount of Rs. 6,020,593/- was paid to the contractor up to 5th Running Bill.

Further scrutiny of record revealed that the contractor failed to complete the work within the stipulated period of time. Resultantly, an amount of Rs. 12,663,794/- was returned by the local office to the donor agency without taking any action against the defaulter contractor.

Moreover, the local office failed to carry out the said work by the second lowest contractor i.e. M/S Watan Builder Bajaur with a rate of 27.20% below and bid cost Rs. 17.893 million, at the risk and cost of the original (defaulter) contractor.

The lapse occurred due to weak internal controls which resulted in loss to the government.

When pointed out in March 2023, the management stated that the balance fund has been returned to the donor agency and the firm has been recommended for blacklisting to the higher ups.

The department admitted the loss incurred due to non-execution of work and surrender of funds.

In the DAC meeting held on 12-14.12.2023, it was decided that recovery of the penalty from the contractor will made along with necessary for blacklisting of contractor. However, no progress was intimated to audit till finalization of this report.

Audit recommends fixing of responsibility against the person(s) at fault besides expediting the blacklisting process of the contractor.

PDP No. 753 (2021-22)

23.4.12 Fraudulent payment on account of purchase of livestock medicines – Rs. 21.999 million

According to Rule 13 of the General Financial Rules Volume-I, it is the responsibility of the controlling authority to apply internal check to prevent and detect error and irregularity in the financial proceeding of its sub-ordinate officers and to guard against waste and loss of public money.

During audit of the accounts of Planning and Development Department Khyber Pakhtunkhwa – Sustainable Development Unit for the financial year 2021-22, it was observed that an amount of Rs. 21,999,970/- was paid to the following suppliers on account of supply of livestock medicines under the project Special Integrated Area Development Project North Waziristan Tribal District;

S. No.	Supplier	SO Date	Invoice Date	Receiving Date	Amount
1	Mallard Pharma	26.01.22	24.01.22	02.02.22	3,490,250
2	IntervacPharma	26.01.22	24.01.22	02.02.22	439,500
3	WimitsPharma	26.01.22	24.01.22	02.02.22	4,969,600
4	Classic Natural Lab	26.01.22	24.01.22	02.02.22	1,483,500
5	Aviceena Lab	26.01.22	24.01.22	02.02.22	9,372,360
6	Nawl Pharma	26.01.22	24.01.22	02.02.22	540,000
7	Leads Pharma	26.01.22	24.01.22	02.02.22	1,195,000
8	AttabakPharma	26.01.22	24.01.22	02.02.22	509,760
Total					**21,999,970**

However, further scrutiny of record revealed that the supply orders were shown issued to all the firms on a single day i.e. 26.01.2022, whereas the payments to the suppliers were approved and passed on 24.01.2022 (two days before the supply orders were issued). And surprisingly, all the livestock medicines were shown received from all the suppliers on a single day i.e. 02.02.2022, as evident from their delivery challans.

Audit held that the whole process of purchasing the livestock medicines carried out by the District Director Livestock & Dairy Development North Waziristan seems dubious and mere utilization of funds was made.

The lapse occurred due to weak internal controls which resulted in fraudulent payment.

When pointed out in March 2023, no reply was furnished by the department.

In the DAC meeting held on 12-14.12.2023, it was decided that necessary document pertaining to the purchase livestock medicines from start to end for verification to audit. However, no record was produced to audit for verification till finalization of this report.

Audit recommends fixing of responsibility against the person(s) at fault besides recovery of the amount.

PDP No. 759 (2021-22)

23.4.13 Loss to the government due to non-completion of works and unauthorized award of contract for additional work – Rs. 81.458 million

According to Section 33 (2) (b) of the KPPRA Act 2012, a procuring entity can issue repeat order to the same bidder not exceeding 15% of the original procurement. Read with the work order issued by the C&W Department Haripur vide letter No. 2368/3-M dated 09.04.2019, the stipulated time limit for completion of works is 18 months.

During audit of the accounts of Planning and Development Department Khyber Pakhtunkhwa – Sustainable Development Unit for the financial year 2021-22, it was observed that the C&W Division Haripur awarded the contract for Construction of Suspension Bridge and Approach Roads Dartian to M/S Al-Mehreen Enterprises vide work order No. 2368/3-M dated 09.04.2021 at 6% above on MRS-2017 for an amount of Rs. 138,626,254/-, with a completion period of 18 months. Further scrutiny of record revealed that the original PC-I of Rs. 142,690,000/- was revised by including certain items of work totaling to Rs. 224,148,401/- which resulted in increase of Rs. 81,458,401/- which was 57.09% of the original PC-I cost. However, the local office instead of retendering the additional work being more than 15% of the original PC-I cost, continued the same through the existing contractor.

Moreover, the contractor failed to complete the works within the stipulated period of time without any cogent reasons. Resultantly, the PC-I of the project was revised for an amount of Rs. 224,148,401/- which resulted in additional cost of Rs. 81,458,401/-. The reasons and justification given by the project management for the revision of the PC-I were not plausible. For instance, the reason given for increase in cost of earthwork from Rs. 14,107,397/- to Rs. 24,510,450/- was the change in soil classification as per site condition and to achieve better gradients the quantities also increased. This reason was not plausible as the change in soil classification has nothing to do with increase in the quantities of the earthwork items.

It is worth mentioning here that there was neither any issue of funds on the part of the donor agency nor was there any dispute on the land for the said scheme as evident from the District Coordination Committee meeting held on 07.03.2018 wherein it was mentioned vide Para 5 of the minutes that the local owners of the land are agreed to donate the land free-of-cost in favor of the government / scheme.

Audit held that had the contractor completed the project within the stipulated period of time, there would have been no revision in the PC-I, thus no additional cost of the project, and no loss to the government.

The lapse occurred due to weak internal controls which resulted in loss to the government and irregular awarding of contract for additional work.

When pointed out in March 2023, no reply was furnished by the department.

In the DAC meeting held on 12-14.12.2023, it was decided the department may investigate the matter through a fact-finding inquiry and fixing responsibility under intimation to audit. However, no outcome of the findings was shared with audit till finalization of this report.

Audit recommends fixing of responsibility against the person(s) at fault besides recovery of the amount paid in excess of the original tender cost.

PDP No. 763 (2021-22)

23.4.14 Loss to the government due to non-imposition of penalty upon the contractor – Rs. 13.862 million

According to Serial No. 7 (a) of the Appendix-A (Clause 47.1 of the special stipulations), the project management shall impose liquidated damages at the rate of Rs. 5,000 for each day of delay in completion of the works subject to a maximum of 10% of the contract price stated in the letter of acceptance.

According to the 4th recommendation of the consultant at Page No. 43 of AiD Consultant's Annual Progress Report 2022, if the contractor is unable to perform significantly, the line department may be advised for liquidated damages as per Clause 47.1 of the contract agreement and where needed for contract cancellation.

During audit of the accounts of Planning and Development Department Khyber Pakhtunkhwa – Sustainable Development Unit for the financial year 2021-22, it was observed that the C&W Division Haripur awarded the contract for Construction of Suspension Bridge and Approach Roads Dartian to M/S Al-Mehreen Enterprises vide work order No. 2368/3-M dated 09.04.2021 at 6% above on MRS-2017 for an amount of Rs. 138,626,254/-, with a completion period of 18 months. Accordingly, an amount of Rs. 128,766,138/- was paid to the contractor up to 19th Running Bill.

Further scrutiny of record revealed that the contractor failed to complete the works within the stipulated period of time without any cogent reasons. However, the project management failed to impose penalty at the prescribed rate amounting to Rs. 13,862,625/- (Rs. 138,626,254 X 10%) upon the contractor.

The stance of Audit was further strengthened from the AiD Consultant's Annual Progress Report 2022 wherein it was stated at Page No. 42-43 that the first two U-Bolts of the left bank anchorage block has broken while the other 18 bolts on left bank and 06 on right bank anchorage block have failed. The consultant further stated that the contractor shows weak capacities ranging from their inability to plan or deploy the required human, equipment and other resources to weak planning and management of schedules.

It is worth mentioning here that the C&W Division Haripur submitted vide letter No. 8735/1-A dated 07.02.2023 that there is no inquiry being conducted by any entity regarding the failure of the suspension bridge, whereas the consultant vides their Annual Progress Report 2022 at Page No. 06 admitted that the failure of the U-Bolts / Suspension Bridge was investigated and the design of the main anchorage system was revised accordingly.

The lapse occurred due to weak internal controls which resulted in loss to the government.

When pointed out in March 2023, no reply was furnished by the department.

In the DAC meeting held on 12-14.12.2023, it was decided the department may investigate the matter through a fact-finding inquiry and fixing responsibility besides recovery under intimation to audit. However, no outcome of the findings and recovery were shared with audit till finalization of this report.

Audit recommends imposition of penalty upon the contractor and early recovery.

PDP No. 765 (2021-22)

23.4.15 Loss to the government due to non-imposition of penalty upon the contractors – Rs. 10.549 million

According to Clause 1 of the instructions to bidders in the NIT dated 22.05.2019, each lot shall be completed within 18 months from the date of signing of the contract agreements. Read with the standard form of contract agreements executed with the works contractors, if the contractor fails to complete the work within the time for completion, the contractor's only liability to the procuring entity for such failure shall be to pay the amount stated in the contract data for each day for which he fails to complete the works.

According to Clause 6 of the Instructions to Bidders in the NIT dated 22.05.2019, the electronic bid should be submitted electronically on or before the fixed date & time.

According to Para 178 of GFR Vol 1 and Para 56 of CPWD code, no work shall be commenced or liability created without obtaining administrative approval and technical sanction of the competent authority.

During audit of the accounts of Planning and Development Department Khyber Pakhtunkhwa – Sustainable Development Unit for the financial year 2021-22, it was observed that the TMA Haripur awarded various contracts for construction / repair of the water supply schemes in District Haripur for an amount of Rs. 210,999,547/-, as detailed below;

Scheme	Lot	Contractor	Bid Cost	WO Date	Comp. Date	Penalty
MohallahBabu: Tube Well / Pumping Machinery Chamber / Chowkidar Hut / Compound Wall and Water Supply Pipeline (WSS)	Lot-1	Peshawar Construction	32,791,248	20.09.19	20.03.21	1,639,562

Zafar Park: WSS	Lot-2	Syed Yaqoob Shah	45,769,893	20.09.19	20.03.21	2,288,495
GHS No. 2: WSS	Lot-3	Shah & Sons	36,641,005	20.09.19	20.03.21	1,832,050
Saddar Bazar: WSS	Lot-4	Mehboob Khan Wazir	43,737,556	20.09.19	20.03.21	2,186,878
Awan Colony: WSS	Lot-5	Qalandar Bux Abro & Co.	25,676,110	20.09.19	20.03.21	1,283,806
Chungi: WSS	Lot-6	Sitara Engineering & Construction	26,383,735	20.09.19	20.03.21	1,319,187
Total			**210,999,547**			**10,549,978**

Further scrutiny of record revealed that the contractors failed to complete the works within the stipulated period of time despite the fact that there was no issue of funds allocation and releases from the donor agency. However, the local office failed to impose penalty at the rate of at least 5% amounting to Rs. 10,549,978/- (Rs. 210,999,547 X 5%) upon the contractors.

Moreover, the contractors were shown to have participated in the bidding process by submitting their bids electronically. However, the local office prepared and maintained a self-generated comparative statement instead of the e-bidding system-generated comparative statement which creates doubts about the bidding process.

Furthermore, the local office failed to obtain the technical sanction for the above-mentioned schemes initiated in the Year 2018-19.

It is pertinent to mention here that none of the works have been completed by the contractors till the date of audit i.e. March 2023, as evident from the AiD Consultant's Annual Progress Report 2022 (Page No. 51) wherein the consultant stated that the line departments are reluctant for handing / taking over of the schemes.

The lapse occurred due to weak internal controls which resulted in loss to the government.

When pointed out in March 2023, no reply was furnished by the department.

In the DAC meeting held on 12-14.12.2023, it was decided that the copy of KPPRA may be produced to audit for change of criteria in case of performance guarantee. However, no progress was intimated to audit till finalization of this report.

Audit recommends imposing penalties upon the contractors and their early recovery.

PDP No. 786 (2021-22)

23.4.16 Overpayment to contractors due to non-deduction of 7% defray cost – Rs. 12.147 million

According to the Finance Department Khyber Pakhtunkhwa Notification No. SO(Dev-II)/FD/12-6/2014-15 dated 21.04.2015, all the Provincial Works Departments, while preparing cost estimates of developmental projects which fall in the tax-exempt areas such as FATA / PATA, shall frame the same on

Market Rate System-2015 but with 7% less cost to defray the amount added in the rate analysis of all works / construction / supply items to meet withholding tax.

During audit of the accounts of Planning and Development Department Khyber Pakhtunkhwa – Sustainable Development Unit for the financial year 2021-22, it was observed that different irrigation and public health engineering works were awarded to different contractors under Torghar Area Development Project and an amount of Rs. 173,536,434/- was paid to the contractors. However, neither deduction @ 7% was made from the cost estimates to defray the amount already added in the rate analysis of the works / construction / supplies to meet withholding tax nor was income tax deducted from the contractors' claims on the plea that the contractors are exempted from income tax deduction because of executing the works in the tax-exempted area which resulted in overpayment of **Rs. 12,147,550/-**, as detailed below;

Office name	**Final / Running Bills**	**Amount**
Irrigation Division Torghar	Final Bills	27,574,200
Irrigation Division Torghar	2nd Running Bills	12,557,069
Irrigation Division Torghar	1st Running Bills	15,017,131
PHE Division Torghar	Final / Running Bills	95,656,239
PHE Division Torghar	1st Running Bills	13,636,310
PHE Division Torghar	1st Running Bills	9,095,485
Total payments		173,536,434
Defray cost (@7%)		**12,147,550**

The lapse occurred due to non-observance of rules / instructions which resulted in overpayment to the contractors.

When pointed out in March 2023, no reply was furnished by the department.

In the DAC meeting held on 12-14.12.2023, it was decided that the para stand till verification of recovery of the overpayment to contractors due to non-deduction of 7% defray cost. However, no progress was intimated to audit till finalization of this report.

Audit recommends fixing of responsibility against the person(s) at fault besides recovery of the amount.

PDP No. 770 (2021-22)

23.4.17 Loss to the government due to non-utilization of funds – Rs. 4.855 million

According to Rule 23 of the General Financial Rules Volume-I, every public officer is personally responsible for any loss sustained by government through fraud or negligence on his own part or on the part of subordinate disbursing officers.

During audit of the accounts of Planning and Development Department Khyber Pakhtunkhwa – Sustainable Development Unit for the financial year 2021-22, it was observed that different public health engineering works were awarded to different contractors under Torghar Area Development Project and an amount of Rs. 118,388,034/- was paid to the contractors. However, further scrutiny of record revealed that an amount of Rs. 4,855,105/- could not be utilized by the project management and was returned back to the donor agency, as detailed below;

Office name	Final / Running Bills	Amount
PHE Division Torghar	Final / Running Bills	95,656,239
PHE Division Torghar	1st Running Bills	13,636,310
PHE Division Torghar	1st Running Bills	9,095,485
Total payments		118,388,034
Unspent / returned amount		**4,855,105**

Audit held that the non-utilization and returning back of the grant amount to the donor agency was a serious lapse on part of the project management and the executing agency as well.

The lapse occurred due to weak internal controls which resulted in loss to the government.

When pointed out in March 2023, no reply was furnished by the department.

In the DAC meeting held on 12-14.12.2023, it was decided that the para stand till verification of record relating to justification of delay and lapse. However, record was provided to audit till finalization of this report.

Audit recommends fixing of responsibility against the person(s) at fault and taking appropriate action.

PDP No. 771 (2021-22)

23.4.18 Overpayment to contractors due to non-deduction of 7.5% cost to defray the amount added in MRS – Rs. 1.114 million

Non-deduction of DPR charges – Rs.29,719/-

According to Government of Khyber Pakhtunkhwa, Finance Department Notification No. SO(Dev-II)/FD/12-6/2014-15 dated 21-04-2015, "All the Provincial Works Departments, while preparing cost estimates of developmental projects which fall in the tax-exempt areas such as PATA, shall frame the same on Market Rate System-2015 but with 7% less cost to defray the amount added in rate analysis of all works/ construction/ supply items to meet withholding tax. The instruction shall be applicable to all new contracts of the project to be undertaken in tax exempt area. All relevant department/ offices/Authorities shall ensure to incorporate the above provisions in preparation of cost estimates prior to processing Administrative Approval of the project"

During audit of accounts record of the Planning & Development Department, Khyber Pakhtunkhwa for the Financial Year 2020-21, it was observed that payment of Rs.14,859,719/- was made to various contractors for executing DWSS works through PHE Division Bajaur out of Bajaur Area Development Project (INL). Scrutiny of record revealed that 7.5% deduction was neither made in the cost estimates/ Technical Sanction nor from payments to the contractors, to defray the amount already added in rate analysis of all works/ construction/ supply to meet withholding tax.

It is worth mentioning that 7.5% additional cost is already added in MRS/ Rate Analysis and Bajaur erstwhile FATA is the tax exempted area, the management of executing agency was required to reduce the rates by 7.5% on MRS rates to meet the withholding tax. But no such deduction was made which resulted in overpayment of Rs.1,114,479/- Furthermore, DPR charges amounting to Rs.29,719/- was also not deducted, this resulted in overpayment of Rs.1,144,198/- as tabulated below:

S. No	**Name of Work**	**Contractor**	**Gross Payment**	**I/Tax 7.5%**	**DPR 0.2%**	**Total recovery**
1	DWSS DabarSalarzai	Shah Rehman	3,347,469	251,060	6,695	257,755
2	DWSS DoparaiSalarzai	Hazrat Gul	2,983,152	223,736	5,966	229,703
3	DWSS KarosarBarang	Hazrat Gul	3,921,029	294,077	7,842	301,919
4	DWSS Batmalai	Shah Wali	4,608,069	345,605	9,216	354,821
Total			**14,859,719**	**1,114,479**	**29,719**	**1,144,198**

The lapse occurred due to non-implementation of the above instruction which resulted in overpayment.

When pointed out in June 2022, no reply was furnished.

In the DAC meeting held on 10 & 15.08.2022, it was decided that the department may provide the relevant record regarding provision of 7% defray in MRS 2015 and 2018, otherwise recoveries be made from the concerned. However, no progress was intimated to Audit till finalization of this report.

Audit recommends immediate recovery and fixing responsibility on the person(s) at fault.

PDP No. 525 (2020-21)

23.4.19 Overpayment to contractors due to non-deduction of 7.5% cost to defray the amount added in MRS – Rs.16.237 million

Non-deduction of DPR charges – Rs.432,996/-

According to Government of Khyber Pakhtunkhwa, Finance Department Notification No. SO(Dev-II)/FD/12-6/2014-15 dated 21-04-2015, "All the Provincial Works Departments, while preparing cost estimates of developmental projects which fall in the tax-exempt areas such as PATA, shall frame the same on Market Rate System-2015 but with 7% less cost to defray the amount added in rate analysis of all works/ construction/ supply items to meet withholding tax. The instruction shall be applicable to all new contracts of the project to be undertaken in tax exempt area. All relevant department/ offices/Authorities shall ensure to incorporate the above provisions in preparation of cost estimates prior to processing Administrative Approval of the project"

During audit of accounts record of the Planning & Development Department, Khyber Pakhtunkhwa for the Financial Year 2020-21, it was observed that payment of Rs.216,498,002/- was made to various contractors for executing construction of road through C&W Khyber out of Khyber Area Development Project (INL). Scrutiny of record revealed that 7.5% deduction was neither made in the cost estimates/ Technical Sanction nor from payments to the contractors, to defray the amount already added in rate analysis of all works/ construction/ supply to meet withholding tax.

It is worth mentioning that 7.5%% additional cost is already added in MRS/ Rate Analysis and Khyber erstwhile FATA is the tax exempted area, the management of executing agency was required to reduce the rates by 7.5% on MRS rates to meet the withholding tax. But no such deduction was made which resulted in overpayment of Rs.16,237,350/- Furthermore, DPR charges amounting to Rs.432,996/- was also not deducted, this resulted in overpayment of Rs. 16,670,346/- as tabulated below:

S. No.	Scheme	Contractor	Gross Payment	I/Tax @ 7.5%	DPR @ 0.2%	Total recovery
1	LalayKas Bar Bagh to Barghawo in Tirah	Zaib Afridi	26,842,221	2,013,167	53,684	2,066,851
2	Saokha to Landawar in Tirah	Gul Builders	18,901,344	1,417,601	37,803	1,455,403
3	Shalman road to Ogdara	Gul Ahmad Afridi	51,341,975	3,850,648	102,684	3,953,332
4	Stori Khel in Upper Bara	Ahmad & Afridi	37,148,237	2,786,118	74,296	2,860,414
5	Bagh to PirMela Via MeshryJomatTirah	Alif Khan & Sons	17,252,801	1,293,960	34,506	1,328,466
6	Dwatoi road to Takhtakai phase-II	Zaib Afridi	39,106,046	2,932,953	78,212	3,011,166
7	Shulober road to Donga Kalay	Zaib Afridi	25,905,378	1,942,903	51,811	1,994,714
Total			**216,498,002**	**16,237,350**	**432,996**	**16,670,346**

The lapse occurred due to non-implementation of the above instruction which resulted in overpayment.

When pointed out in June 2022, no reply was furnished.

In the DAC meeting held on 10 & 15.08.2022, it was decided that the department may provide the relevant record regarding provision of 7% defray in MRS 2015 and 2018, otherwise recoveries be made from the concerned. However, no progress was intimated to Audit till finalization of this report.

Audit recommends immediate recovery and fixing responsibility on the person(s) at fault.

PDP No. 527 (2020-21)

Chapter-24

POPULATION WELFARE DEPAERTMENT

24.1 A) Introduction:

The national population program started in 1965, passing through changes in its approach and initiatives; In 2002 the program has been decentralized under the administrative control of province. The approved population policy in year 2002. Is on ground to reduce the unmet need and enhance accessibility to family planning services.

Many initiatives have been taken by the department to enhance the accessibility. Increase the Contraceptive Prevalence Rate. Lowering Total Fertility Rate (TFR) and population growth rate:

The programme is having three main components i.e. Administrative Organization Component (Provincial set-up. District set-up and Tehsil set-up)/

Service Delivery Component (Reproductive Health Services Centers, Mobile Service Units. Family Welfare Centers and Male Mobilizers)/

Support component (Information Education and Communication, Training, Logistic. Monitoring/Evaluation and Management Information System)/

The Family Planning /Reproductive Health services are provided by the programme/non-programme service delivery i.e. Family Welfare Centers. Reproductive Health Services Centers/ Training centre. Mobile Service Units. Male Mobilizers and the non-programme service delivery i.e. Outlets of the Provincial Line Departments. (Health & NGOs), Registered Medical Practitioners, Hakeem and Homeopaths.

Keeping in view the demographic indicators of the province, the network of service delivery is being increased with emphasis on underserved rural and peri-urban areas to meet the challenges of MDGs regarding fertility reduction, Increasing the contraceptive prevalence rate, and reducing, the population growth rate as envisaged in the current plan

To ensure coordination and reviews of the programme. Provincial Technical Coordination Committee headed by Secretary and a District Technical Committee in each district headed by the DCO & Executive District Officer Health are functional and meet periodically to review the performance and take measures for further improvements.

The main focus areas are implementation of standard operating procedures (SOPs), focused advocating FP services to gain political and opinion leaders support, strengthening monitoring/evaluation, Enhancing public private partnership, intersect oral coordination to expand services to meet FP International Conference goal 2020 of universal accessibility to FP services.

Pakistan FP 2020 commitments:

Work toward achieving universal access to reproductive health and raising the Contraceptive prevalence Rate to 55% by 2020.

Pakistan will continue its 2011 commitment with the provinces for all public and private health facilities to offer birth spacing services.

The amount spent on family planning, estimated as US $ 151 million in 20011/12 will be increased to nearly US $ 200 million in 2012-13, and further in future years.

The federal government accesses the contraceptive requirements as US $ 186 million over the period 2013 to 2020, which will need to be provided for Contraceptive Services will be included in the essential service package of two provinces in the 2012, with the others following in 2013. Supply chain management, training and communication campaign will be strengthened.

Family planning will be priority for over 100,000 Lady Health Workers, who cover 70% of rural areas.

Public-private partnerships and contracting out mechanisms will help scale up success and work with religious leaders and men to promote the benefit of birth spacing will continue.

The strategic plan aims at decreasing TFR, increasing the CPR and supports improvement in existing structure and system being implemented with the outputs i.e. policy planning, administration and management. Monitoring and evaluation system enhanced technical capacity and addressing socio-cultural issues. To achieve this implementation plan has been developed. Budget provision proportionally made with maximum share to the service delivery component particularly and management followed by support components as a strategic intervention as reflected in the Integrated Development Strategy KP.

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

1. Promotion of Population Welfare motivational services by establishing contracts with the clients at all levels.

2. Promotion of Family Health Services, Clinical and Non-clinical contraception through Family Welfare Centres and those reproductive Health Service Establishments located in the Provincial Government Hospitals and particularly provision of Services for rural areas.

3. Promotion of Population Welfare Motivation and Services through line departments of the Provincial Government.

4. Supply of contraceptives and medicines to the desirous clients in urban and rural areas of the districts through agencies involved in the programme.

5. Implementation of publicity and communication strategy.

6. Promotion of community involvement and active participation in Population Welfare Programme Activities.
7. Coordination of Population Welfare Programme activities with other nation building departments at district and local levels.

8. Setting up of Advisory Management Committees at Family Welfare Centres level and Population Welfare Councils at district and Provincial levels as provided in the Population Welfare Plan 198184.

9. Any other activity of the Population Welfare Programme that the Provincial Government may specify.
10. Planning and development policies for the Population Welfare Programme in the Province.
11. Monitoring activities and evaluation of the Population Welfare Programme.
12. Mainstreaming Population factor in development planning process at Provincial and district levels.
13. Forecasting, acquiring and storing contraceptives dispatching supplies of contraceptives to stakeholders.

    (a) Organizing and operating information and education services for the furtherance of Population Welfare Programme objectives; and
    (b) Training in the field of Population Planning in Pakistan and abroad.
14. Technical coordination and the formulation of policy governing the manufacture, use and quality control of contraceptive material in the Province under the Population Welfare Programme.
15. Research in different aspects of the programmes such as clinical, social, communication and demography.
16. Promotion of Population Welfare activities through:
    (a) Public sector institutions;
    (b) Social marketing of contraceptives and infrastructure institutions;
    (c) Non-Governmental Organizations, Registered Medical Practitioners, Hakims and Homeopaths; and
    (d) Public Private Sector Organization (PPSO).

17. Coordination with the Departments of Federal Government and Departments for:
   (a) The systematic introduction of Population Education; and
   (b) The introduction of financial and regulatory incentives and disincentives favouring Population Planning.
18. Administration of Regional Training Institutes and Multi-purpose Service Centre.

Audit Profile of Administration Department:

(Rs. in million)

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23	Revenue/Receipts Audited FY 2022-23
1	Formations	2	2	1,428	575
2	• Assignment Account • SDA (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

24.1B) Comments on budget and accounts (variance analysis)

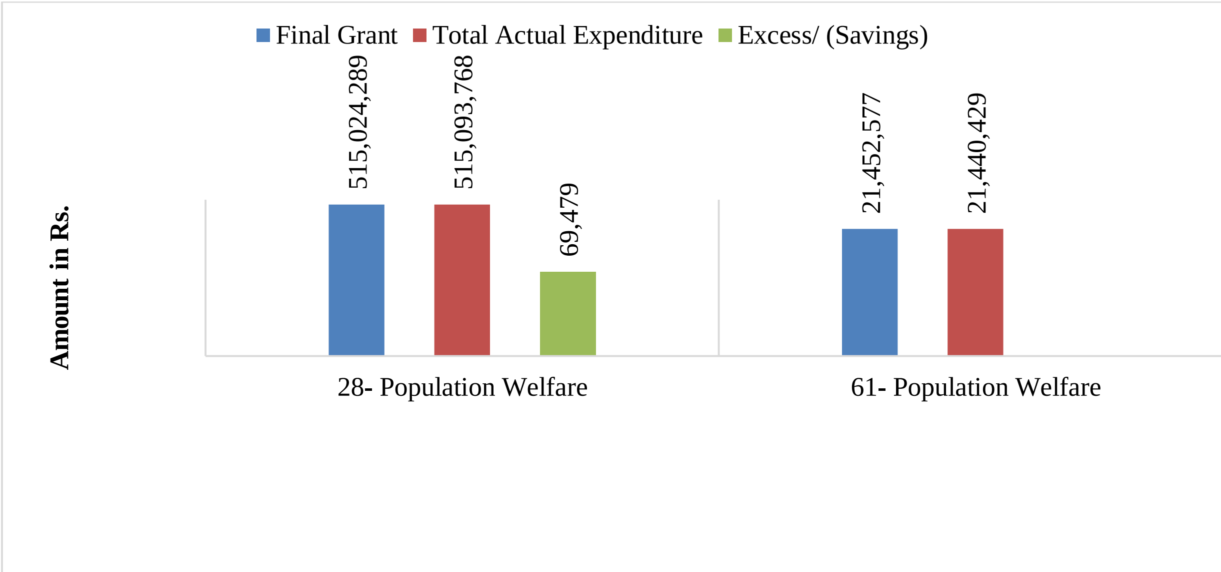
Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2022-23 against the total of grants/appropriation was as follows;

Non-Development:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supp. Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
28-Population Welfare	NC21	695,481,000	620	0	180457331	515,024,289	515,093,768	69,479
61-Population Welfare	NC21	29,689,000	0	0	8,236,423	21,452,577	21,440,429	-12,148
Total		**725,170,000**	**620**	**0**	**188,693,754**			



Development:

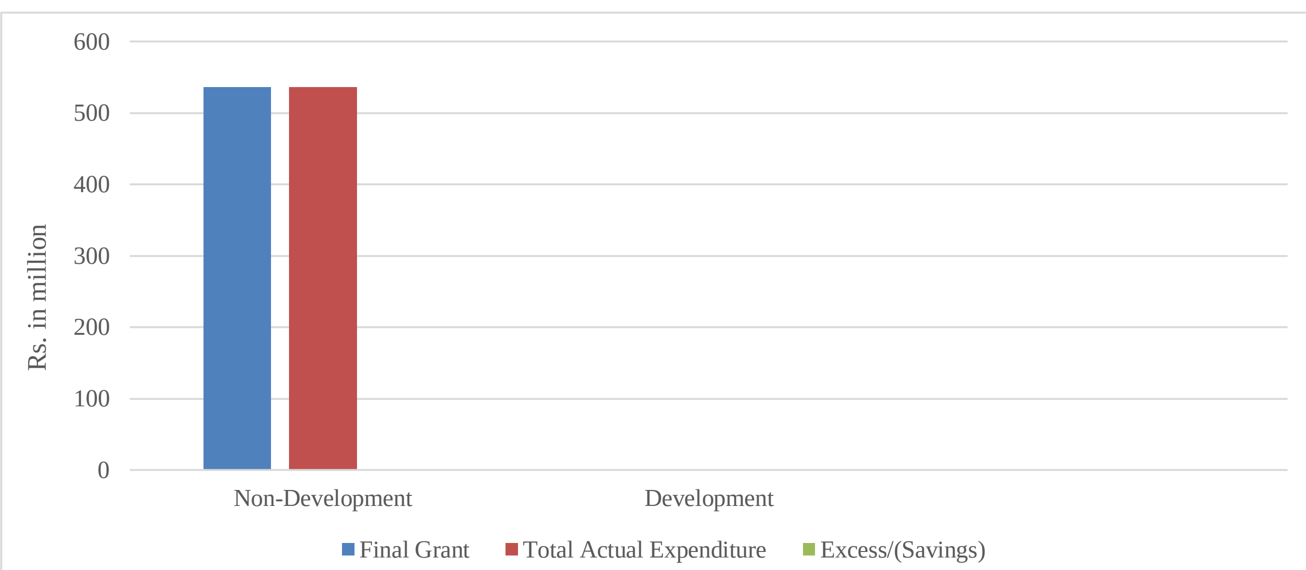
(Amount in Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Suppl Grant	Re-Appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50- Population Welfare	NC-22/ NC12	0	0	0	0	0	0	0
Total		**0**	**0**	**0**	**0**	**0**	**0**	**0**

Overview of expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	536.48	536.53	0.057331	0%
Development	0.00	0.00	0	-
Total	**536.48**	**536.53**	**0.057331**	0%



24.1(c) Issues in Population Welfare Department

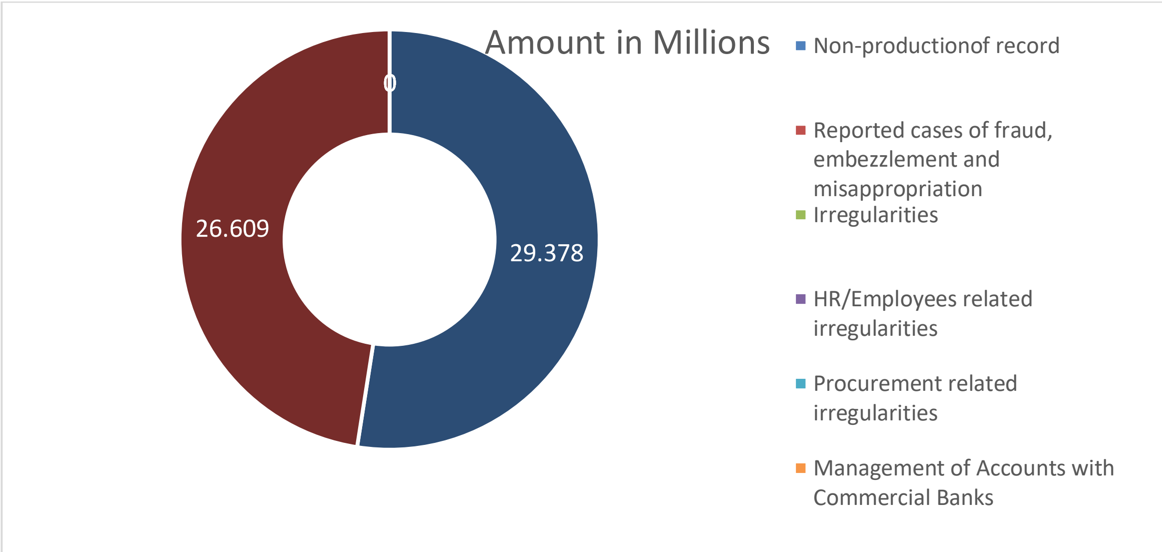
There were instances of blockage of government money due to non-utilization of assets and equipment items. Moreover, the department could not deduct government taxes in some cases as well. Besides, the department could not furnish initial management replies during the exit meetings and convene DAC meetings in time.

24.2 Classified summary of Audit Observations

Audit observations amounting to Rs. 55.987 million were raised in this report during the current audit of the Population Welfare Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

S No.	Classification	Amount (Rs. in million)
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	29.378
5	Others	26.609



24.3 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	Population Welfare Department	-	-	-	-
2	2002-03	-do-	-	-	-	-
3	2003-04	-do-	-	-	-	-
4	2004-05	-do-	-	-	-	-
5	2005-06	-do-	-	-	-	-
6	2008-09	-do-	-	-	-	-
7	2009-10	-do-	-	-	-	-
8	2010-11	-do-	-	-	-	-
9	2011-12	-do-	-	-	-	-
10	2012-13	-do-	-	-	-	-
11	2013-14	-do-	-	-	-	-
12	2014-15	-do-	-	-	-	-
13	2015-16	-do-	-	-	-	-
14	2016-17	-do-	-	-	-	-
15	2017-18	-do-	-	-	-	-
16	2018-19	-do-	-	-	-	-

24.4 Audit Paras

24.4.1 Loss to the government due to non-deduction of taxes and non-imposition of penalty – Rs.26.609 million

Para 144 of the General Financial Rules Volume I provides that Open Tender System should be adopted in order to obtain economical and lowest rates. In case of acceptance of higher rates, justification must be recorded on the comparative statement.

According to supply orders placed time to time, the procuring agency shall send samples from each batch to the DTL (Drug Testing Laboratory) KP/ Central Drug Testing Laboratory Karachi for testing. The joint inspection committee constituted by the procuring agency shall inspect the quality, specifications of goods after receipt of standard quality report from DTL concerned. In addition, the procuring agency, if required, may send samples up to 05 batches abroad to a WHO prequalified lab for testing purposes. The cost of the lab tests shall be borne by the supplier.

According to Article 153 of Income Tax Ordinance 2001, deduction of income tax on prescribed rate is mandatory. Rule 379 of Federal Treasury Rules Volume 1 prohibits the drawl of money from Government Treasury in advance of the supply received.

During the course of audit of DG Population Welfare Department Peshawar for the financial year 2022-23, it was observed that the local office and Health Department jointly made NIT for the purchase of contraceptives on single stage two envelop bidding procedure and paid a sum of Rs 183,749,989 to different suppliers under Head A-06470 (Others) during the year. However, the local office failed to provide auditable record like bidding documents, stock register, list of end users, DTL reports, demand from health centers and inspection reports etc.

Moreover, the local office failed to deduct the government taxes amounting to Rs 5,248,936/- and sales tax Rs 6,262,309/-, which resulted in loss to government exchequer as detailed below:

S#	Name of supplier	Amount paid	Income Tax @4.5%	Sales Tax (Rs.)	Total
1.	M/S Aries Pharmaceutical Lab	36,837,113	1,657,670	6,262,309	
2	M/S Zafa Pharmaceutical	7,053,182	35,266	-	
3	M/S Zafa Pharmaceutical	68,442,144	342,210	-	
4	Green Star Marketing, Karachi	57,471,150	2,586,202	-	
5	Green Star Marketing, Karachi	13,946,400	627,588	-	
Total		**183,749,989**	**5,248,936**	**6,262,309**	**11,511,245**

Furthermore, the local office placed supply order No. P.No.6 (2)/Joint Proc/2021-22 dated 26.10.2022 to the firm at Serial No. 4 for supply of contraceptives amounting to Rs. 208,452,109/-. The supplier supplied contraceptives amounting to Rs. 57,471,150/- only,and failed to supply items amounting to Rs. 150,980,959/- till date of audit i.e. November 2023. However, the local office neither imposed/ recovered penalty @10% amounting to Rs. 15,098,095/- nor the supplier's performance guarantee was forfeited as per Clause-6 of the supply order, which is serious lapse on the part of the procuring agency.

The lapse occurred due to weak internal controls, which caused irregular procurement and loss of **Rs. 26,609,340/-**to government.

When pointed out in November 2023, management stated that detail reply will be submitted after scrutiny of record.

The department was requested vide letter dated 02.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to take corrective measures besides recovery of the amount.

PDP No. 49 & 50 (2022-23)

24.4.2 Blockage of government money due to dumping of furniture and other store items – Rs. 29.378 million

According to Rule 145 and 148 of GFR Vol-I, purchases must be made in the most economical manner in accordance with the definite requirement of the public services. Care should be taken not to purchase store much in advance of actual requirements. All materials received should be examined, counted, measured or weighed as the case may be when delivery is taken and they should be taken in charge by a responsible government officer who should see that the quantities are correct and their quality good, and record a certificate to that effect.

During the course of audit of DG Population Welfare Department Peshawar for the financial year 2022-23, it was noticed that the local office paid a sum of Rs 14,505,053 vide cheque No. 2405763 dated: 13.6.2022 and Rs 14,873,736 vide cheque No. 2405764 dated: 13.6.2022 to M/S Abdal Trading Company on account of purchase of furniture & fixture for the project "Establishment of 260 Family Welfare Centers in Khyber Pakhtunkhwa" under Head A-03970 (Others).However, the local office dumped the stock items in the basement of the office and neither inspection was carried out by the inspection committee nor was issued to the centers after elapse of more than 20 months, which is doubtful and government money was unnecessarily blocked for so many months. The said furniture and other store item's warranty has also been expired and are devaluing day by day.

S#	Name of Item	Quantity	Rate	Total Payment (Rs)
1.	Examination Table	200	9300	1,860,000
2	Steps for Table	200	1150	230,000
3	Bed/Couch	200	13800	2,760,000
4	Folding Screen	400	4900	1,960,000
5	Office Table	400	1100	4,400,000
6	Benches with Disk	800	4700	3,760,000
7	Rack	273	3300	900,900
8	Revolving Stool	400	1950	780,000
9	Cupboard	600	20500	12,300,000
10	Chair	1200	1950	2,340,000
11	Wooden Stool	400	1088	435,200
12	Racks	127	3300	419,100
Total				**32,145,200**

The lapse occurred due to weak internal controls, which resulted in unnecessarily blockage and loss to government.

When pointed out in November 2023, management stated that detail reply will be submitted after scrutiny of record.

The department was requested vide letter dated 02.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

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

PDP No. 52 (2022-23)

Chapter – 25

PUBLIC HEALTH ENGINEERING DEPARTMENT

25.1 A) Introduction

The main function of the Public Health Engineering Department (PHED) is to provide safe Drinking Water and Sanitation services to the residents of the urban and suburban areas in the province.

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

- Public Health Engineering works pertaining to government buildings and Government Residential Estates.
- Construction and maintenance of Rural Drinking Water Supply and Sanitation Schemes including Sewage Treatment Plants and Solid Waste Management.
- Determination of rates of supply to consumers in bulk and otherwise and prescribed tariff (only in the case of private/public undertakings).
- Levy and collection of fees, etc. for supply of water for drinking purposes.
- Levy and collection of fees, etc. for provision of Sanitation services including Sewage Treatment and Solid Waste Management.
- Engineering trainings and skill development courses other than:
    - Engineering University;

- Engineering Colleges; and
- Engineering Schools.

- Laying standards and specifications for various types of water supply & sanitation projects including Sewage Treatment and Solid Waste Management.
- Laying standards and specifications for various types of construction materials/equipment used in water supply & sanitation projects including Sewage Treatment and Solid Waste Management like various types of pipes, pumping machinery & other allied equipments.
- Planning and designing of water supply & sanitation projects including Sewage Treatment and Solid Waste Management financed from Provincial and / or Federal Funds.
- Research and material testing pertaining to PHE sector projects.
- Execution of PHE works on behalf of other agencies/department as Deposit Works.
- Water Quality Monitoring/Mapping including maintenance of water quality data base.
- Services matters, except those entrusted to Establishment and Administration Department.

Audit Profile of Public Health Engineering Department:

(Rs. in million)

S. No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23	Revenue/Receipts Audited FY 2023-23
1	Formations	55	08	101	0
2	• Assignment Account • SDA (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	-

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

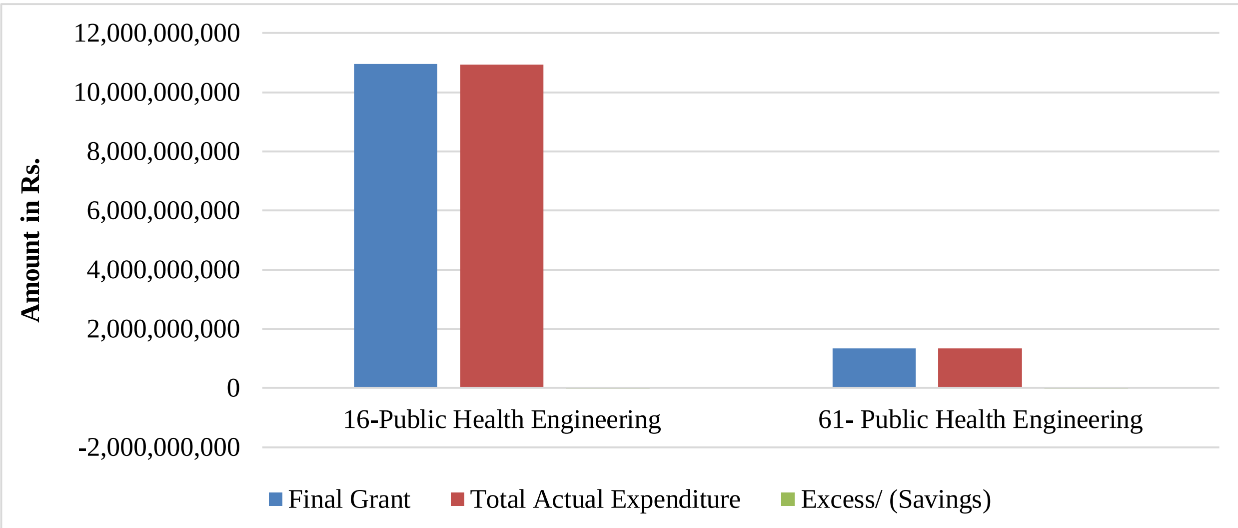
Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2022-23 against the total of grants/appropriation was as follows:

Non-Development:

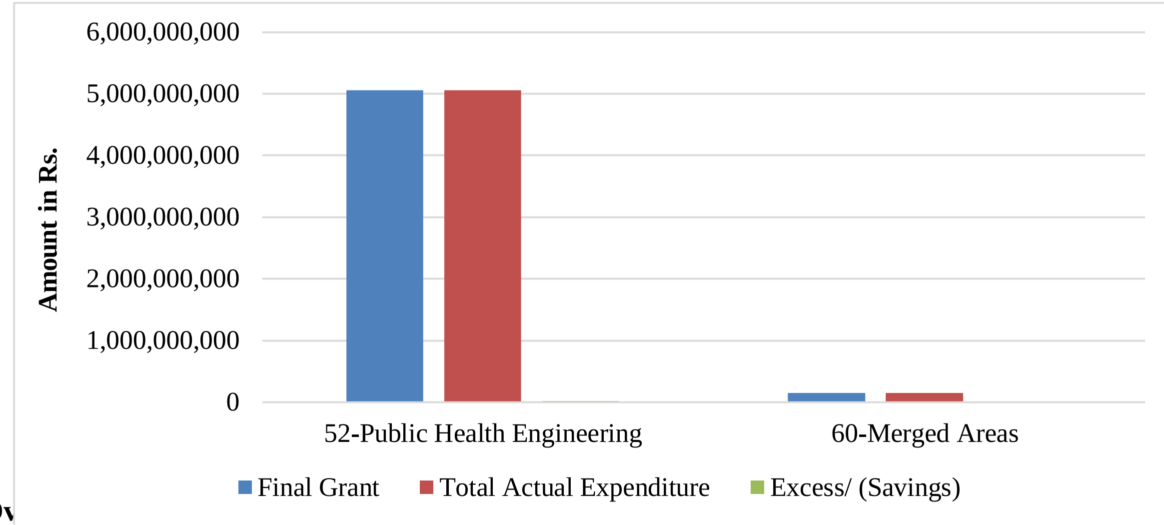
(Amount in Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
16-Public Health Engineering	NC21	9,614,499,000	1,334,798,972	-	17	10,949,297,955	10,947,051,975	-2,245,980
61- Public Health Engineering	NC21	1,137,686,000	0	603,332,393	392,633,733	1,348,384,660	1,348,375,810	-8,850
Total		**10,752,185,000**	**1,334,798,972**	**603,332,393**	**392,633,750**	**12,297,682,615**	**12,295,427,785**	**-2,254,830**



(Amount in Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
52-Public Health Engineering	NC12/22	8,776,925,000	0	-	3,715,048,569	5,061,876,431	5,062,270,476	394,045
60-Merged Areas	NC12/22	1,065,665,000	0	-10,000,000	910,264,896	145,400,104	145,400,104	0
Total		**9,842,590,000**	**0**	**-10,000,000**	**4,625,313,465**	**5,207,276,535**	**5,207,670,580**	**394,045**



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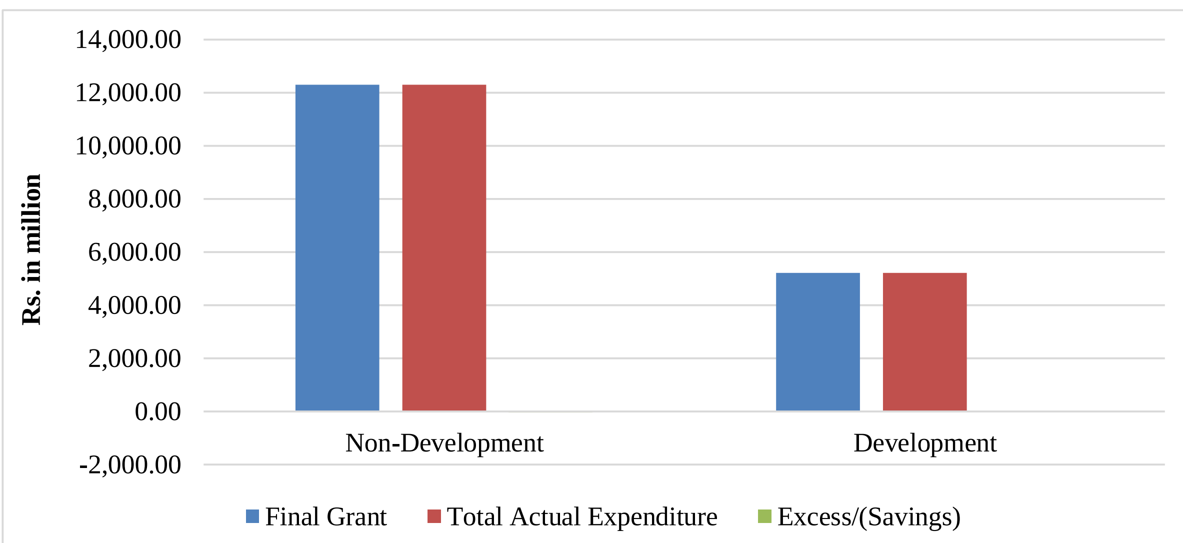
(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	12,297.68	12,295.43	-2.25483	-0.02%
Development	5,207.28	5,207.67	0.394045	0.01%
Total	**17,504.96**	**17,503.10**	**-1.860785**	-0.01%



%

of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

25.1 (C) Issues in Public Health Engineering Department

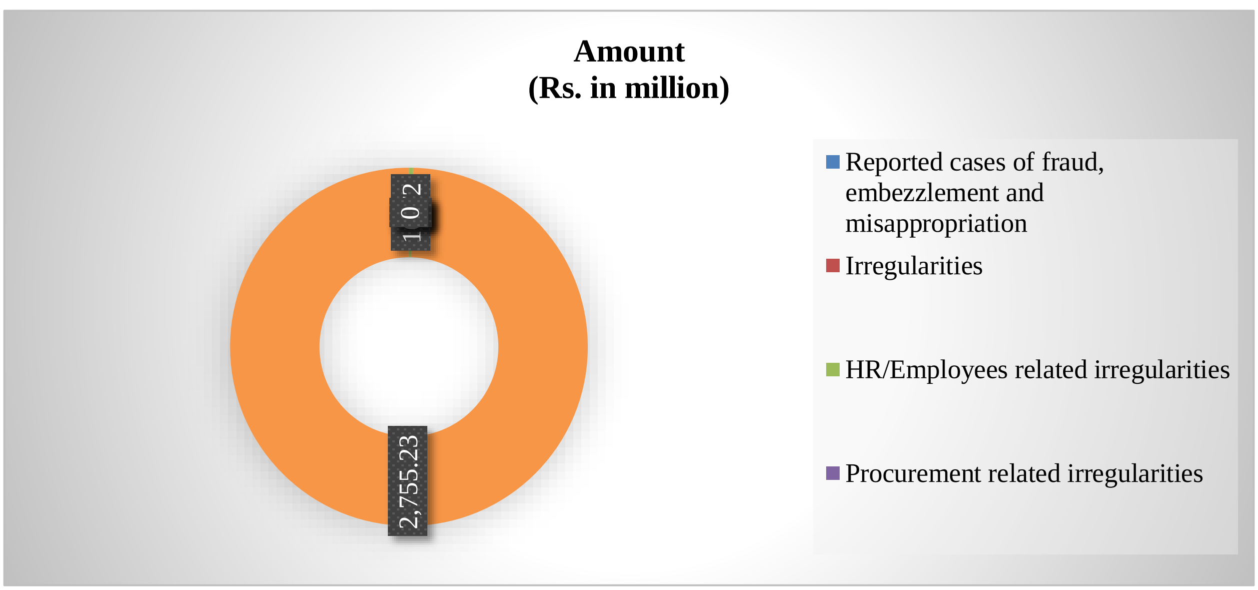
During audit of the Public Health Engineering Department, it was noticed that poor contract management mechanism was in practice as the developmental schemes could not be completed within the stipulated time but the department neither granted time extensions based on justified grounds nor penalty was imposed on the contractors. Huge government revenue was outstanding against the consumers on account of water charges but the department did not take concrete steps to realize the water charges. Instances of non-deduction of taxes were observed and reported to the management for corrective action but response was awaited on the part of the management. There were no details of the head-wise figures of the departmental own receipts collected by the department.

25.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 2765.949 million were raised in this report during the current audit of Public Health Engineering Department which comprises recoveries of 2725.929 million. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

S. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	10.720
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	2,755.229
5	Others	-



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

S.No.	Audit Year	Name of Department	Total No. of actionable points	Full Compliance	Partial Compliance	Nil Compliance
1	2014-15	PHE	10	04	-	06
2	2015-16	-do-	03	-	-	03

25.4 Audit Paras

25.4.1 Loss to government due to non-recovery of outstanding arrears of water charges– Rs. 2,748.48 million

According to Para 26 & 28 of GFR Vol-I, it is the duty of department concerned to see that the dues of Government are correctly and promptly assessed, collected and paid into treasury and no amount should be left outstanding without sufficient reasons.

During audit of the accounts of Secretary Public Health Engineering Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed different divisions of PHE department are under the administrative control of local office failed to realize arrears of outstanding water charges from consumers amounting to Rs 2,748.48 million **(Annexure-XLVI).**

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

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter No. Audit/DAC/1242 dated 30.10.2023 for convening the DAC meeting. However, no meeting was convened till finalization of this report.

Audit recommends to recover Rs. 2,748.48 million from the concerned.

PDP No.13 (2022-23)

25.4.2 Wasteful expenditure on account of pay and allowances for ghost employees - Rs.10.720 million
Wasteful expenditure on appointment of staff - Rs.6.267 million

According to Para 23 of GFR Vol.-I, every Government officer is personally responsible for any loss sustained by Government through fraud or negligence either on his part or on the part of his subordinate staff.

During audit of the accounts of Executive Engineer PHE Nowshera for the Financial Year 2021-22, it was observed that it was noticed that 18 numbers employees having designation of Operator, Valve Man and chowkidar are drawing pay and allowances regularly, however they were posted nowhere, because as per list of employees posted in the water schemes provided by the local office in which all other employees are posted in the relevant water schemes except these 18 employees as in the said list instead of mentioning the name of water supply schemes, "various: it means they were posted nowhere and ghost employees. while drawing pay and allowance of Rs 10,720,680/- were incurred on pay and allowances of Valve man, Pump Operator and Chowkidar. Thus, the expenditure on non-functional schemes is wasteful and a great national loss and great lethargy of concerned staff. Moreover, it was noticed that 24 numbers employees having designation of Operator/cum/Chowkidar, Valve Man and chowkidar were appointed during the period and posted in various water supply schemes **(Annexure-XLVII)**. Audit observed that these appointments are unjustified because 18 number of ghost employees are drawing pay and allowances regularly and similarly many other staff posted are drawing pay and allowance against nonfunctional schemes. Local office was required to be posted these employees on the schemes on which new appointment has been made. However instead of taking such action, had appointed further 23 number fresh employees were appointed and paying the salary of Rs. 6.387 million.

Wasteful expenditure occurred due to weak financial control, which resulted in loss to the government treasury.

When pointed in May 2023, however, no reply was furnished.

In the DAC meeting held on 02.11.2023, it was decided that the Superintending Engineer PHE Circle may conduct physical verification / investigation to check whether 18 numbers of employees are working on the non-functional schemes or otherwise and report be shared with Audit. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to depute a special audit team to conduct special audit of all appointed during last five years and detailed investigation and fixing the responsibility on the person(s) concerned.

PDP No. 371 & 372 (2021-22)

25.4.3 Less deduction of income tax - Rs. 5.207 million

According to rate analysis of MRS 2020 and 2021, circulated vide no. MRS Cell/C&W/6-1/D&S/2019-20 dated 01.7.2020, the rate of income 7.5% and 2% KEPRA Tax is included in all MRS rates.

According to provision of Section-II of the appendix II of the Khyber Pakhtunkhwa, Finance Act No. PA/KPK/Bills/2014/340 dated 02.4.2014, the Provincial Government has levied the subject tax from 2014-15 for all contractors/consultants & supplier who during the preceding financial year supplied to the Federal or any Provincial Government or any local authority in District, Goods, Commodities or rendered services to the value are liable to pay the tax at the prescribed rate of Rs. 4000/- to 100000/-.

During audit of the accounts of Executive Engineer PHE Nowshera for the financial year 2021-22, it was observed that a sum of Rs. 3.677 million was less deducted from the contractors **(Annexure-XLVIII)**. Verification of record revealed that the works were awarded on MRS 2020 and 2021 however 6.5% and 7% tax were deducted from the contractor instead of 7.5% as applicable on MRS 2020 and 2021. Moreover, Professional tax amounting to Rs. 1.530 million was not deducted from the contractors on the prescribed rate already provided in the above-mentioned Act.

The lapse occurred due to extending undue benefit to the contractor at the cost of Government.

When pointed in May 2023, however, no reply was furnished.

In the DAC meeting held on 02.11.2023, it was decided that the department may seek clarification from FBR Peshawar, the tax amount of Rs. 1.530 million may be recovered and report be shared with Audit. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to recover the income tax amount.

PDP No. 374 & 375 (2021-22)

25.4.4 Loss to the government due to less-deduction of Sales Tax on Services– Rs. 1.542 million

According to KPRA Notification No.BO(Res-III)FD/2-2/2019-20/Vol-I dated 05.08.2020 Second Schedule S.No-13 “Services provided by persons engaged in contractual execution or performance of works including(repair, maintenance, renovation, up-gradation or janitorial works) or furnishing supplies (excluding transactions involving contractual supply of goods only without any component of services relating to such goods). The rate of tax is 5% on such activities.

During audit of the accounts of Executive Engineer PHE Division Karak-I for the Financial Year 2021-22, it was observed that expenditure amounting to Rs.105,575,200/- was incurred on account of different civil works during the financial year. Accordingly, an amount of Rs. 2,856,667/- was required to have been deducted as KP SalesTax on Services @ the prescribed rates. However, a total of Rs. 1,314,784/- was deducted as the said tax, resulting into a difference of Rs. 1,541,883/-, as detailed below;

S#	Head of Account	Payment(Rs.)	Tax
1.	Total up-to-date payment from ADP @2%	33,784,126	675,683
2.	Total Payments from Deposit-II I@2%	46,952,331	939,047
3.	Total M&R Payments @5%	24,838,743	1,241,937
Sub Total		**105,575,200**	**2,856,667**
Tax deducted			**1,314,784**

Total KP Sales Tax on Services	**1,541,883**

The lapse occurred due to weak financial and administrative controls which resulted into loss to the government.

When pointed out in August 2022, no reply was furnished.

In the DAC meeting held on 23 & 24.05.2023, it was decided that the department may make complete recovery of the amount. However, no progress was intimated to Audit till finalization of this report.

Audit recommends to recover the government dues.

PDP No. 50 (2021-22)

25.4.5 Wasteful expenditure on non-materialized schemes due to selection of disputed sites – Rs. 5.853 million

According to section 4.7 (iii) – Chapter 4 and section 7.16 (ii) – Chapter 7 of the Manual for Developmental Project, Economic Affairs Division states that, many projects have suffered tremendously in the past from cost over-runs and delay in implementation due to hasty selection of site. The projects also suffer due to delay in acquisition of land. Therefore, the availability of land needs to be assured. In selecting the location, area and population to be served by the project, the income and social characteristics of the population will have to be kept in view. Similarly, the economic characteristics of the area i.e., present facilities and availability of inputs and regional development needs will also have to be taken into consideration. Selection of proper location of the project are amongst the reasons for slow implementation. Before conceiving a project, the sponsoring authorities should decide about the location of the project keeping in view the availability of land. Such locations should be avoided where problems are likely to occur later on.

During audit of accounts record of the Executive Engineer PHE Division, Khyber for the financial year 2021-22, it was observed that expenditure of Rs.5,853,000/- was incurred on the below mentioned schemes. However, the schemes could not be materialized after lapse of considerable time due to selection of disputed sites:

S. No.	Scheme	WO Date	Completion period (M)	AA cost (Rs.)	Expenditure (Rs.)
1	Gravity based WSS Shen Tang Choora Jamrud	09.02.2016	24	6,457,000	4,427,000
2	DWSS Bhai Garhi Stori Khel	29.05.2019	36	7,345,000	0
3	DWSS Sheen Tang Ali Masjid Jamrud	21.06.2019	24	5,155,000	0
4	DWSS Lashora Jamrud	01.08.2020	18	5,898,000	1,426,000
5	DWSS Hadi Gul Kali Landikotal	28.09.2021	9	6,071,000	0
6	DWSS Jamrud Ali Masjid	28.09.2021	9	4,219,000	0
7	DWSS Darbar Zakha Khel Tirah	29.05.2019	24	4,264,000	0

Total	**39,409,000**	**5,853,000**

Audit held that:

i. These schemes were identified, approved and commenced without site clearance and resulted in wasteful expenditure of Rs.5,853,000/- on the non-materialized schemes due to site disputes.
ii. The allocation of Rs.39,409,000/- was made for the schemes on disputed sites which blocked the government funds.
iii. The benefits of the drinking water supply schemes could not be shifted to the deserving community.
iv. Due to inclusion of schemes on disputed sites in the ADP, deserving public of other areas were deprived from the DWSS.

The lapse occurred due to hasty selection of sites.

When pointed out, management stated that detail reply will be furnished after scrutiny of record however, no reply was provided till finalization of this report.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends to inquire the matter and ensure early resolution of the site disputes otherwise recoveries be made from the person(s)/ authority at fault in identification of site.

PDP No. 163 (2021-22)

25.4.6 Unjustified expenditure on monthly electricity bills of Tube Wells without realizing water charges - Rs.27.034 million

According to sections 3, 4 & 6 of the Khyber Pakhtunkhwa Rural Drinking Water Supply Scheme Act 1985, Department means Public Health Engineering Department of Government. Subject to availability of funds, there shall be executed and administered schemes for the supply of water for drinking purposes in rural areas. Government shall perform all functions and exercise all powers as may be necessary to implement and administer the schemes, including the power to impose and collect rates, fees and charges for water supply, in such manner as may be prescribed. The Department shall maintain proper account of the receipts and credit the same to the Provincial revenue under the proper head of account. Any rate, fee or charge imposed for water supply under this Act but not paid by the due date specified in that behalf shall be recoverable from the person or persons against whom it is outstanding as arrears of land revenue. All connections of water supply shall be subject to payment of water charges at such rate as Government may from time-to-time fix or determine.

During audit of accounts record of the Executive Engineer PHE Division, Khyber for the financial year 2021-22, it was observed that an expenditure of Rs.27,033,602/- was incurred on payment of electricity bills of tube wells located in the areas of Bara, Jamrud, Tirah and Landikotal. The electricity charges of tube wells were met out from the recurring budget allotted to the division but neither any receipts on account of water charges were realized from the users nor any mechanism was developed for its recovery through any agency.

Hence, the expenditure of Rs.27,033,602/- was unjustified without recovery of water charges.

The lapse occurred due to slackness on the part of the management which resulted in wasteful expenditure.

When pointed out, management stated that detail reply will be furnished after scrutiny of record however, no reply was provided till finalization of this report.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery of water charges from the users.

PDP No. 165 (2021-22)

25.4.7 Overpayment to contractors due to non-deduction of 7% cost to defray the amount added in MRS - Rs.31.135 million

According to Government of Khyber Pakhtunkhwa, Finance Department Notification No. SO(Dev-II)/FD/12-6/2014-15 dated 21-04-2015, "All the Provincial Works Departments, while preparing cost estimates of developmental projects which fall in the tax exempted areas such as PATA, shall frame the same on Market Rate System-2015 but with 7% less cost to defray the amount added in rate analysis of all works/ construction/ supply items to meet withholding tax. The instruction shall be applicable to all new contracts of the project to be undertaken in tax exempt area. All relevant department/ offices/Authorities shall ensure to incorporate the above provisions in preparation of cost estimates prior to processing Administrative Approval of the project"

During audit of accounts record of the Executive Engineer PHE Division, Khyber for the financial year 2021-22, it was observed that payment of Rs.490,167,233/- was made to various contractors for executing DWS Schemes. Scrutiny of record revealed that income tax at prescribed rate was deducted only from the contractors belonging to settle area whereas contracts were mostly awarded to the contractors belong to Erstwhile FATA/ merged area. Record showed that 7% deduction was neither made in the cost estimates/ Technical Sanction nor from payments to the contractors, to defray the amount already added in rate analysis of all works/ construction/ supply to meet withholding tax.

It is worth mentioning that 7% additional provision is already added in MRS/ Rate Analysis of each item and Khyber erstwhile FATA/ merged area is tax exempted area, the management was required to reduce the rates by 7% on MRS rates to meet the withholding tax. But no such deduction was made which resulted in overpayment of Rs.31,135,315/- as tabulated below:

S. No.	Component	Expenditure (Rs.)	Income Tax deducted during the year (Rs.)	Income Tax due during the year (Rs.)	Income Tax short deducted (Rs.)
1	ADP	144,115,233	**3,176,391**	**34,311,706**	**31,135,315**
2	AIP	346,052,000			
Total		**490,167,233**			

The lapse occurred due to non-implementation of the above instructions which resulted in overpayment.

When pointed out, management stated that detail reply will be furnished after scrutiny of record however, no reply was provided till finalization of this report.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery of the taxes.

PDP No. 166 (2021-22)

25.4.8 Un-authorized retention of old balances in deposit account instead of credit to government treasury – Rs.126.320 million

According to Para 399 (iii) of CPWA Code that in the Month of June each year, the balances unclaimed for more than three complete accounts years should be credited to Government as lapse deposits.

During audit of accounts record of the Executive Engineer PHE Division, Khyber for the financial year 2021-22, it was observed that an amount of Rs.126,319,847/- was lying in the deposit account since 2012. These unclaimed balances were required to have been credited to government treasury as required under CPWA code. Contrarily, these old and unclaimed balances were retained in the deposit account of the division instead of credit to government treasury as per enclosed statement till June 2022.

The irregularity occurred due to weak management of the deposit account.

When pointed out, management stated that detail reply will be furnished after scrutiny of record however, no reply was provided till finalization of this report.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends credit of all lapse balances into government treasury.

PDP No. 168 (2021-22)

25.4.9 Non-forfeiture of additional security – Rs.2.154 million

According to the Khyber Pakhtunkhwa Public Procurement Regulatory Authority Notification No. KPPRA/M&E/Estt:/1-13/2017-18 dated 27-06-2018, 8% additional security of the successful bidder shall be forfeited in case the successful bidder repudiates the contract or fails to submit performance guarantee.

During audit of accounts record of the Executive Engineer PHE Division, Khyber for the financial year 2021-22, it was observed that contract for the construction of DWSS Ali Masjid to Landikotal was awarded to M/S Muhib Construction Co.

Perusal of record revealed that the successful contractor failed to commence the work and the department cancelled the contract by forfeiting 2% bid security of Rs.2,124,250/- However, the additional security of Rs.2,154,000/- which was also required to be forfeited as the contractor repudiated the contract, was released to the contractor through voucher No. 3J/06-06-2022 instead of forfeiture.

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

When pointed out, management stated that detail reply will be furnished after scrutiny of record however, no reply was provided till finalization of this report.

The department was requested for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends recovery of the released security and its deposit to government treasury.

PDP No. 174 (2021-22)

Chapter-26

PROVINCIAL ASSEMBLY

26.1 (A) Introduction

The Khyber Pakhtunkhwa Assembly is the unicameral legislative body of the Khyber Pakhtunkhwa province in Pakistan. It was established under Article 106 of the Constitution of Pakistan. The Assembly has 124 elected members, 99 General/regular seats, 22 seats reserved for women and 3 sears for non-Muslims, committed to achieve excellence in the best parliamentary practices and legislation.

There are three main functions performed by the Assembly i-e Legislation, management of public money and policy making. After the first meeting of the Assembly, the members take an oath. The Assembly elects, from amongst its members, a Speaker and a Deputy Speaker. After the election of the Speaker and the Deputy Speaker, the Assembly cannot transact any other business unless it elects the Chief Minister. The Chief Minister is elected in a special session, summoned by the Governor on a day specified by the President.

Audit Profile of Provincial Assembly;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23 (Rs in million)	Revenue/Receipts Audited FY 2022-23 (Rs in Million)
1	Formations	01	01	1337	0
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	Nil	Nil
3	Authorities/Autonomousbodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

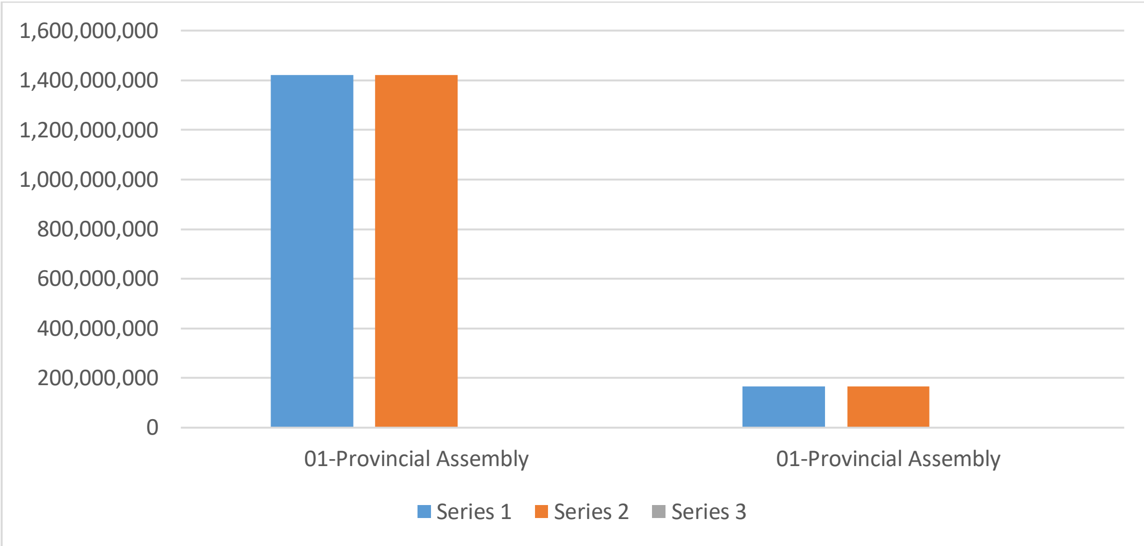
26.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2022-23 is given below:

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

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appriориation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
01-Provincial Assembly	NC24	1,398,055,000	51,916,000	0	28,742,274	1,421,228,726	1,421,228,726	0
01-Provincial Assembly	NC21	430,105,000	0	0	263,594,173	166,510,827	166,510,827	0
Total		**1,828,160,000**	**51,916,000**	**0**	**292,336,447**	**1,587,739,553**	**1,587,739,553**	**0**



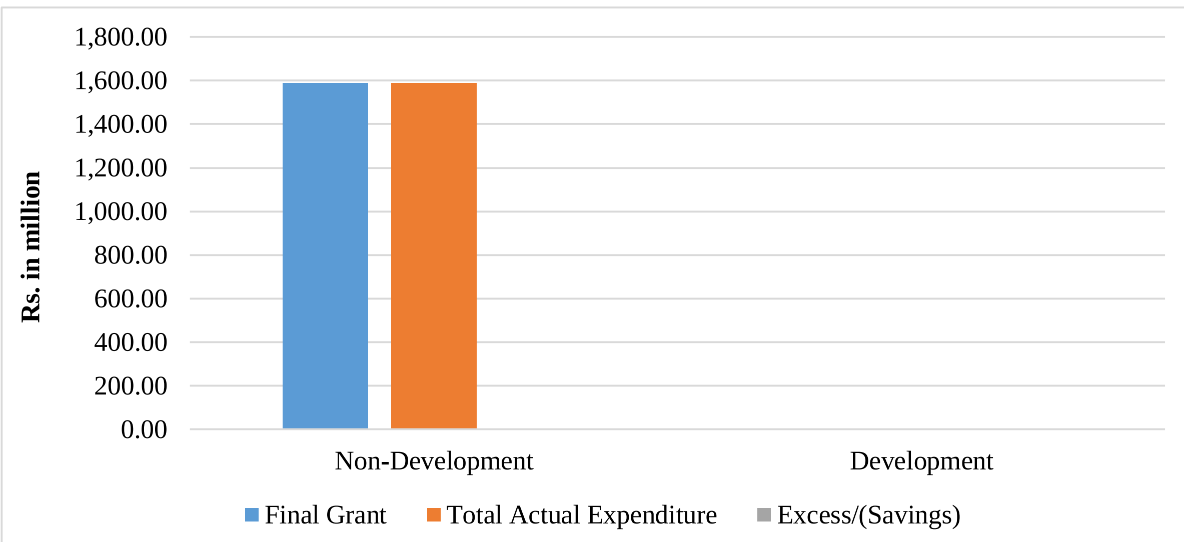
1,600,000,000
1,400,000,000
1,200,000,000
1,000,000,000
800,000,000
600,000,000
400,000,000
200,000,000
0
01-Provincial Assembly
01-Provincial Assembly
Series 1
Series 2
Series 3

Development; **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appriориation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50-Provincial Assembly	NC22	0	0	0	0	0	0	0
Total		**0**	**0**	**0**	**0**	**0**	**0**	0

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

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	1,587.74	1,587.74	-	0.00%
Development	-	-	-	0.00%
Total	**1,587.74**	**1,587.74**	-	0.00%



It can be seen from the above variance analysis that the budgets could not be utilized and 0% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

26.1 (C) Issues in Provincial Assembly Secretariat

During audit of the Provincial Assembly Secretariat, it was noticed that irregular promotions, upgradations and appointment were being made without transparency.

26.4 Audit Paras

26.4.1 Unverified / irregular promotions / upgradations

According to the judgement of Supreme Court of Pakistan in a civil appeal no 101 and 102-P 2011, the upgradation cannot be made to benefit a particular individual in term of promoting him to a higher post and further proving him with the avenues of lateral appointment or transfer or posting. In order to justify the upgradation, the Government is required to establish that the department needs re-structuring reforms or to meet the exigency of service in the public interest. In the absence of the pre-conditions, upgradation is not permissible.

During audit of accounts record of Secretary Provincial Assembly Khyber Pakhtunkhwa for the financial year 2021-22, it was noticed in the data extracted from SAP that some of the employees were given rapid promotions in same financial year. During the course of audit, it came in the notice that some of the employees were also upgraded/re-designated on recommendation of the parity committee approved by the finance committee meeting held on 17^{th} February 2022. However, audit didn't verify the cases of double promotions that whether these employees were given double promotions or were promoted once along with upgradation/re-designation as the TORs/recommendations of the parity committee and personal files of the employees were not produced to audit for verification. On analysis of the data extracted from SAP audit observed the following on sample cases.

- In some cases, the employees were first promoted on time scale (personal) basis and then re-designated and regularly promoted in the said higher scale. Salary of the employees were first enhanced to next stage and one premature. At the time of regular promotion/re-designation and 2 additional increments were also given (S. No.1 to 5 of **Annexure-XLIX**).
- In some cases, it was observed that employees were given rapid promotions from BPS 1 and 2 to BPS 11 in the same year. (S No 6 to 8 of the annexure)
- In some cases, officers were regularly promoted/upgraded. However, the increments were given twice. The reason could not be verified as no record was produced to audit. (S No 9 to 11 of the annexure).

Audit held that the upgradation and re-designation was made to benefit some of cadres like personal staff and secretaries were favored in promotions and up-gradation.

The lapse occurred due to non-adherence to rules.

In the DAC meeting held on 13.09.2023, it was decided that department will produce complete record relating to employees upgraded and promoted along with their personal files to audit. However, no record was produced to audit till finalization of this report.

Audit recommends production of complete record and corrective measures.

PDP No. 546 (2021-22)

Chapter-27

Social Welfare, Women Empowerment and Zakat & Usher Department

27.1 A) Introduction

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

- Provision of Social Services to the various educational institutions meant for special persons.
- Collection of Zakat and Usher and its fair distribution amongst the deserving community
- Establishment of Zakat Committees

Audit Profile of Social Welfare Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23 (Rs in Millions)	Revenue/Receipts Audited FY 2022-23 (Rs in Millions)
1	Formations	03	01	482	0
2	• Assignment Account • SDA • Etc (Excluding FAP)	N/A	N/A	N/A	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

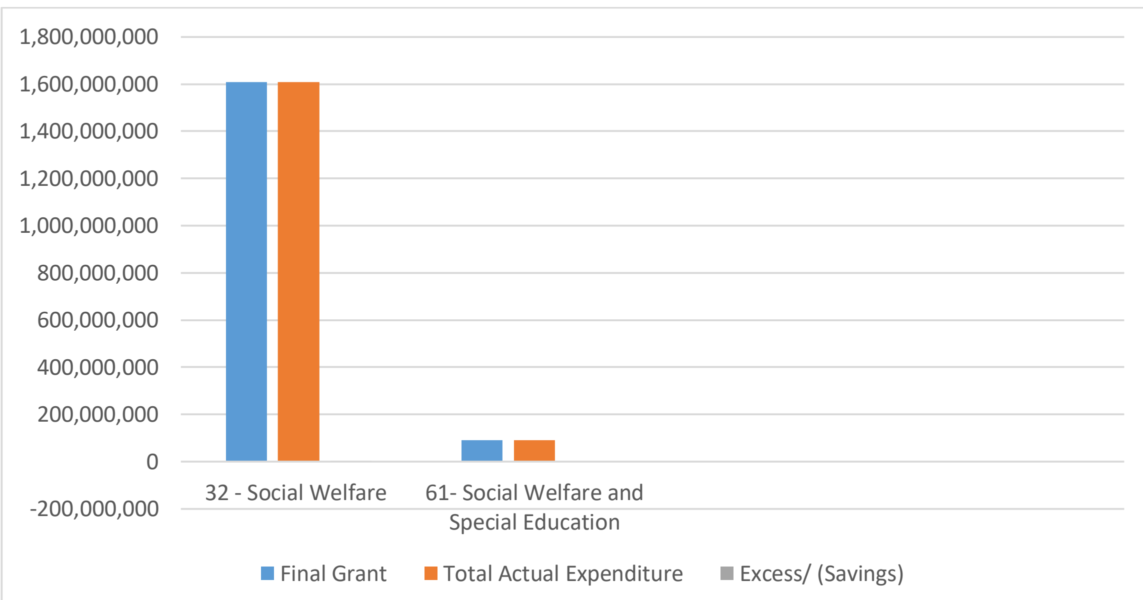
27.1 B) Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2022-23 is given below:

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

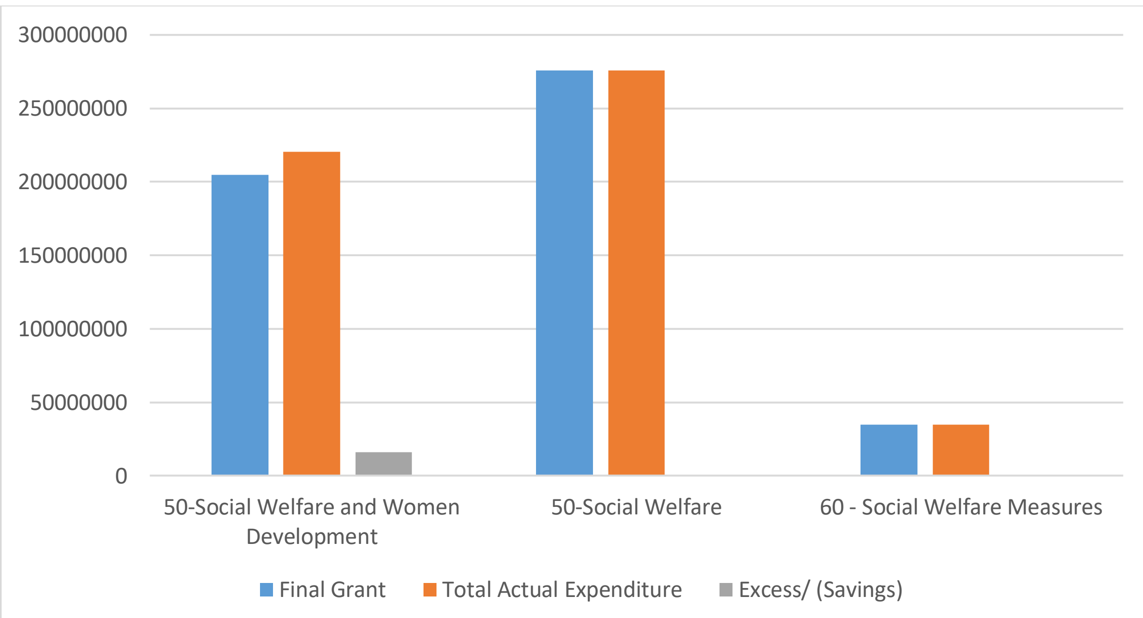
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appriociation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
32 - Social Welfare	NC21	3,124,989,000	110	0	1,517,179,850	1,607,809,260	1,609,164,902	1,355,642
61- Social Welfare and Special Education	NC21	107,847,000	0	-16,555,837	118,576	91,172,587	91,124,167	- 48,420
Total		**3,232,836,000**	**110**	**-16,555,837**	**1,517,298,426**	**1,698,981,847**	**1,700,289,069**	**1,307,222**



Development;

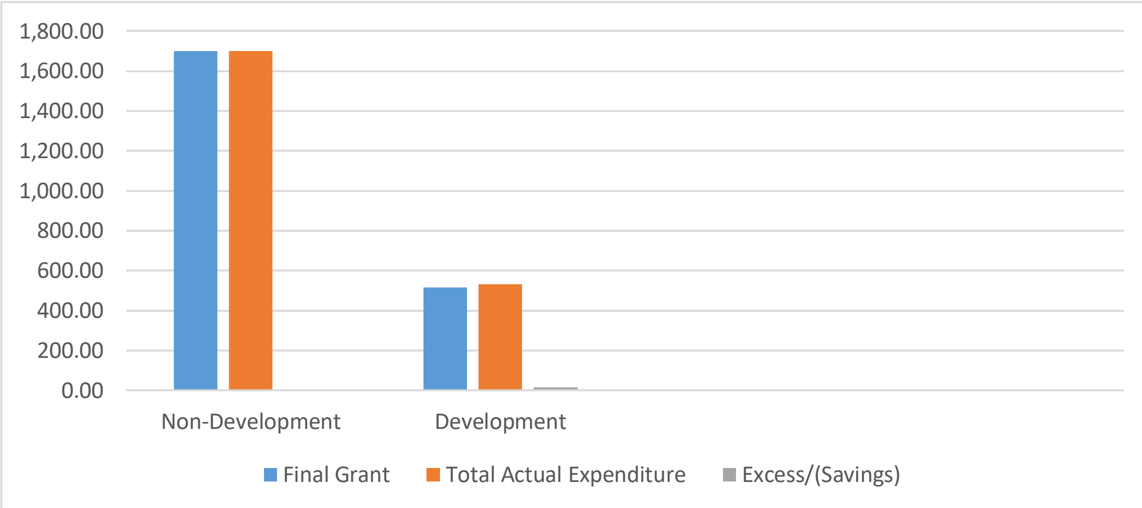
(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Apprioriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50-Social Welfare and Women Development	NC22	671,682,000	0	-23,327,000	443,759,218	204,595,782	220,425,484	15,829,702
50-Social Welfare	NC12	413,170,000	0	23,327,000	160,487,018	276,009,982	276,009,982	-
60 - Social Welfare Measures	NC22	153,362,000	0	-43,746,000	75,004,195	34,611,805	34,636,954	25,149
Total		**1,238,214,000**	**0**	**-43,746,000**	**679,250,431**	**515,217,569**	**531,072,420**	**15,854,851**



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

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	1,698.98	1,700.29	1.31	0.08%
Development	515.22	531.07	15.85	3.08%
Total	**2,214.20**	**2,231.36**	**17.16**	0.78%



27.2 Classified Summary of Audit Observations.

Audit observations amounting to Rs. 1840.573 million were raised in this report during the current audit of Social Welfare Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations; Amount in million

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	1667.009
5	Others	173.564

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

S#	Audit Year	Name of Department	Total No. of actionable point	Full compliance	Partial compliance	Nil compliance
12.	-	Social Welfare	-	-	-	-

27.4 Audit Paras

27.4.1 Non-monitoring of developmental schemes – Rs.1,419.990 million

According to Notification vide No.SOG (SWD)/6-6/distribution of work/2022/dt. 31-8-2022, Job description of Senior Planning Officer is to supervise and monitor the annual development program and comprehensive developmental strategy. Further, Planning Officer has the important mandate to formulate and contribute with policy level inputs for the sectoral development policies of department.

According to P&DD letter vide No. C/COORD/P&D/ADP/Guidelines/2022-23 dt. 21-12-21, Administrative Secretary/Department may also ensure that proposed project are duly approved by the relevant forum. This is absolutely critical, and the line department should gear up to make sure that they have the **required capacity** dedicated to this task.

During audit of the accounts of Secretary Social Welfare, Zakat and Ushr for the Financial Year 2022-23, it was noticed from the ADP 2022-23 of the Social Welfare Department that 23 ongoing and 19 new projects were assigned. An allocation of Rs.1,419.990 million was also made. Audit observed the following;

- Quarterly progress reports in r/o of the projects were not maintained by the department. Which resulted in cost overrun.Mostly the projects were not completed in time and extension in this regard given. Due to which cost of civil work increased. Proper justification for extension alongwith documentary evidence and impact of cost was not produced to audit.
- Maintenance of financial control of each scheme of the respective Sector/Section in terms of cost, allocation, releases, expenditure etc. required for verification.
- Planning officer will design tools for effective guidance and supervision of all social welfare related developmental activities and programs. Monitoring unit established in local office neither monitor developmental schemes nor reports available.

Keeping in view the responsibility and job descriptions of SPO/PO, all the projects especially the works related projects should be completed in time otherwise inflation effect the cost of the project. Concrete efforts by Planning Officers required to compete all the projects in time otherwise placement of SPO/PO in field offices were just wastage of time and money.

The lapse occurred due to poor internal and financial controls, which resulted into non-monitoring of developmental schemes.

When pointed out in September 2023, no reply was furnished.

The department was requested vide letter dated 27.10.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends a detailed justification of above points.

PDP No. 5 (2022-23)

27.4.2 Substandard/unauthorized execution of work - Rs. 3.264 million Doubtful awarding of contract - Rs.8.000million

According to Para 95 of CPWD Code read with para 23 of GFR Vol-1, Engineer is strictly prohibited to deviate from sanctioned design in the course of execution of work. Every Government officer is personally held responsible for loss to public exchequer due to negligence on his part or on the part of his subordinate. Paras-56 & 58 of CPWD Code provides that technical sanction is a guarantee that the proposals are structurally sound & that the estimates are accurately calculated and based on adequate data. Proper detailed drawing & design have been sanctioned.

During audit of the accounts of Secretary Social Welfare, Zakat and Ushr for the Financial Year 2022-23, it was observed that a contract for Alteration & Renovation work of two Model Hostels for State Children (Zamung Kor) was awarded to M/S Mother Construction Company. During the scrutiny of IPC-2 and 4, it was observed that a sum of Rs.3,264,700/- was paid against item of work MRS-11-34 "supply & apply acrylic wall coating 2mm thick of approved quality over plastered surface''. The said item was not included in BOQ. As per original BOQ, the said item was replaced with Item 10-51 "Providing and Fixing of Ceramic Tiles 12`x 24` of Imported Approved Quality with jointing and finishing complete in all respect'', which resulted in unauthorized payment on account of substandard work.

It was further added that another contract for Renovation & Developmental works of two Model Hostels for State Children (Zamung Kor) were awarded to M/S Mother Construction Company. The contract was awarded @ 15% below for an amount of Rs.5,999,894/- against the estimated cost of Rs.7.000million. Scrutiny of the documents revealed that undue benefit was given to the contractor and enhanced the cost of contract to Rs.8.000million. Whereas, the work was required to be get completed within the offered price of Rs. 5.990million.

Moreover, the performance security bond was also not verified from the concerned bank/company.

The department was requested vide letter dated 27.10.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends recovery besides fixing the responsibility on person at fault.

PDP No. 4 (2022-23)

27.4.3 Irregular expenditure on account of Grant-in-Aid - Rs. 170.300 million

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

According to MoU between Social Welfare Department Party I, Deputy Commissioner Peshawar, Party II and Concerned NGOs/Foundations Party III, payment has been made to for provision of rehabilitation services for the drug addicts identified by Party I & II i.e. Social Welfare Department and

D.C Peshawar respectively. All the operations will be verified by Party II. The foundations/NGO will submit the utilization report of all the grants received from government as well as progress reports to Party I and II. The D.C office will notify a Monitoring Team who submits their recommendations to Party I on fortnightly basis. This monitoring team will verify the claims and work done.

During audit of the accounts of Directorate of Social Welfare, Special Education & Women Empowerment Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that a sum of Rs. 170,300,000/- was paid to different NGOs **(Annexure-L)** under the head of Account A-5270-090 Others (Grant-in-Aid). In this connection it was pointed out that recommendation of the monitoring teams nominated by DC Office and details of drug addicts identified as per MoU were not available.

Moreover, the payments were made on account of purchase of fixed assets and rent of building etc. by the NGOs, which was not provided for in the MoU.

The lapse occurred due to weak internal controls which resulted in irregular expenditure.

The department was requested vide letter dated 04.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends conducting inquiry and taking appropriate action against the person(s) at fault.

PDP No. 31 (2022-23)

27.4.4 Loss to the government due to non-deposit/investment of DPR charges - Rs. 247.019million

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 audit of the accounts of Directorate of Social Welfare, Special Education & Women Empowerment Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that the local office received a sum of Rs.933,232,702/- on account of DPR charges, with an opening balance of Rs.366,869,041/-, totaling to Rs.1,300,101,743/-, which was shown deposited into the National Bank of Pakistan Account No.3312358365 on 13.12.2022. However, the local office failed to invest the said amount in TDRs or other profitable deposits, and as such a loss of Rs. 247,019,331/- (Rs. 1,300,101,743 X 19% average standard rate) was sustained by the government.

The lapse occurred due to weak financial controls which resulted into loss to the government.

The department was requested vide letter dated 04.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends investing the amount in profitable deposits at the earliest.

Chapter – 28

SPORTS, YOUTH AFFAIRS, ARCHAEOLOGY & MUSEUMS DEPARTMENT

28.1 A) Introduction

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

- Sports.
- Archaeology.
- Excavation, Exploration/Survey, Conservation, restoration and rehabilitation.
- Museums.
- Youth Affairs.
- Service matters except those entrusted to Establishment and Administration Department

Audit Profile of Sports Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23 (Rs in Million)	Revenue/Receipts Audited FY 2022-23 (Rs in Million)
1	Formations	11	02	2,845	0
2	• Assignment Account • SDA • Etc (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	01	01	5,589	N/A
4	Foreign Aided Projects (FAP)	01	01	520	N/A

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

Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2022-23 against the total of grants/appropriation was as follows:

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

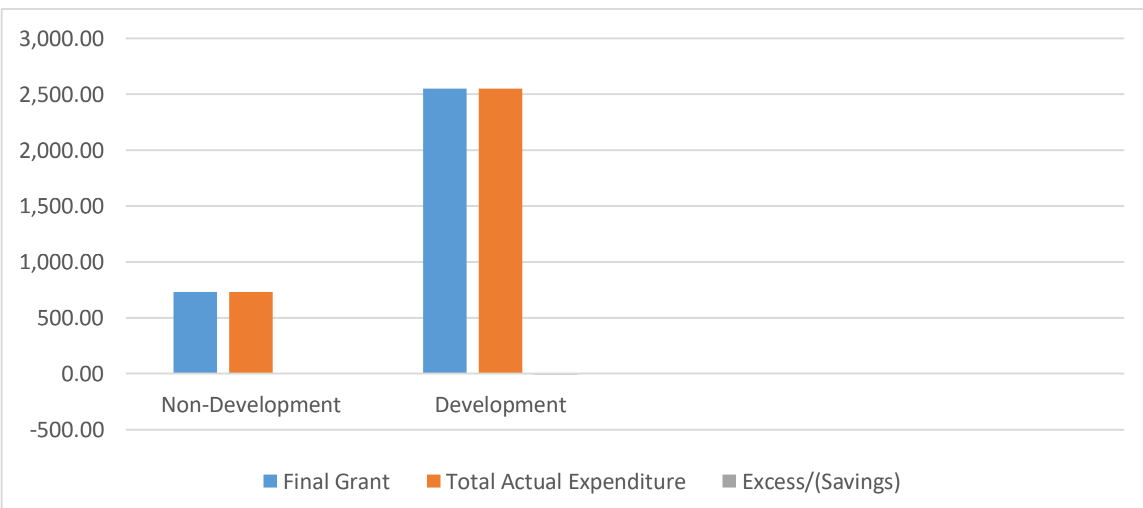
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Apprioriation	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
38 - Sports, Culture, Tourism & Museums	NC21	1,932,155,000	2,420	0	1,217,891,823	714,265,597	714,712,755	447,158
61 - Sports, Culture, Tourism & Museums	NC21	36,384,000	0	-1,857,782	15,971,001	18,555,217	18,555,217	-
Total		**1,968,539,000**	**2,420**	**-1,857,782**	**1,233,862,824**	**732,820,814**	**733,267,972**	**447,158**

Development **(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-Appriorition	Surrender	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50 - Sports, Tourism, Archeology	NC22	5,113,301,000	0	-528,575,000	3,594,678,914	990,047,086	987,108,237	-2,938,849
50 - Sports, Tourism, Archeology	NC12	6,422,818,000	0	124,516,000	4,983,930,551	1,563,403,449	1,563,403,449	-
Total		**11,536,119,000**	**0**	**-404,059,000**	**8,578,609,465**	**2,553,450,535**	**2,550,511,686**	**-2,938,849**

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

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	732.82	733.27	0.45	0.06%
Development	2,553.45	2,550.51	-2.94	-0.12%
Total	**3,286.27**	**3,283.78**	**-2.49**	-0.08%



28.1 (C) Issues in the Sports Department

There were issues of contract awarding in the department. In some cases, the department made advance payments on the basis of fake measurements. The department could not submit initial management replies during the exit meetings.

28.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 8769.373 million were raised in this report during the current audit of Sports and Culture Department. This amount also includes recoveries of Rs. 220.232 million as pointed out by the audit Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	7.808
B	Procurement related irregularities	250.28
C	Management of Accounts with Commercial Banks	12.598
4	Value for money and service delivery issues	0
5	Others	8519.093

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

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

28.4 Audit Paras

28.4.1 Non-functionalization of Provincial Sports Management Committee

According to the section-11 of the Sports & Youth Policy 2018, there shall be management committee for all sports facilities in the province. The Department of sport shall notify these committees with certain TORs while the provincial committee shall perform the following functions: i. Providing strategic guidance and recommendations to the Department of Sports on matters and other issues relating to Sports and Physical recreation activities. ii. Designing and ensuring proper implementation of suitable Programmes for general participation in sports and sports played at international level competition. iii. Administrating the Provincial Sports Fund. The committee shall have the provision of financial and technical assistance to Community Sporting Organizations, Schools and Community Coaching Programmes, Individuals, Public Education in Sports and Physical Activities and National Sports Organizations on the basis of established criteria. iv. Decision regarding categorization of established sports facilities. V. Decision regarding established standards for both regional and national recreational rounds and sports facilities in association with Sports department. vi. Decision regarding legislation of codes of practice for (a) housing developers, (b) institutions involved in sports and fitness trainings, for example health spas, coaching schools and gyms, and safety in sporting facilities. vii. Decision regarding standards for provincial Coaching Programmes and for coaching certifications viii. Collaborating with Department of Sports & Youth Affairs, the Educational Sector and other relevant agencies to initiate sports as a discipline at University level thus leading to establishment of Sports University. ix. Advise the government regarding players' character building, issues of the Sportspersons, drugs prevention viz-a-viz sports medicines.

During audit of the accounts record of the Secretary Sports & Youth Affair Department Khyber Pakhtunkhwa for the financial year 20222-23, it was noticed that Provincial Sports Management Committee was constituted and notified vide notification No. SO(S)2-39/sports policy/2020 dated 26-08.2020 in the light of sports policy Khyber Pakhtunkhwa 2018 but neither meeting of the said committee was convened till the date of audit i-e 15.08.2023 (for more than 03 Years) nor the specified functions were performed by the provincial sports management committee.

The lapse occurred due to weak internal controls which resulted into non-functionalization of Provincial Sports Management Committee.

When pointed out in August 2023, it was stated by the Department that the detailed reply will be furnished to the DAC after consulting for relevant record.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to implement the said policy in letter and spirit.

PDP No. 40 (2022-23)

28.4.2 Fictitious payment to contractor due to fake measurement for non-executed work - Rs. 69.148 million

According to rule 395 FTR Volume-1, provides, the payments of all works done shall be made of the basis measurements recorded in measurement book kept for the purpose, read with Para-397 of the Federal Treasury Rules Vol-I Prohibits payment to contractors without actual work done, read with Para-209 (d) of CPWA code provides that all payments for work or supplies are based on the quantities recorded in the measurement book, it is incumbent upon the person taking the measurement to record the quantities clearly and accurately.

During the audit of accounts record of the Director General Sports & Youth Affairs, Khyber Pakhtunkhwa for the financial year 2022-23, it was noticed that **the contract of** Establishment & Rehabilitation of Jamrud Sports complex, awarded to MS A.Q Builders and the contractor has been paid up to 6th IPC/RB for Rs. 191.152 million which included a fictitious payment of Rs. 69.418 million on the basis of fake measurement of non-executed work. The fictitious payment was also confirmed during site visit of the team (Pictures & Videos for ready reference).

Items of Work	Quantity	Rate	Total Payment
Hostel Building			
Providing and fixing of floor tiles 24x24	725.97	4358.04	3,163,806
Providing and fixing of bath room tiles 10x20	218.50	3629.17	792,974
Providing and fixing of bath room tiles 12x3	102.04	730.28	74,518
Supply and fixing of double glazed aluminum	117.10	15396.89	1,802,976
French polishing on new work	149.30	938.39	140,102
S/F of suspended false ceiling with dumps 2x2	630.24	7785.00	4,906,418
Electrification of hostel (SI+NSI)	--	--	8,130,943
Sub Total-I			**19,011,737**
Gymnasium			
Providing and fixing of floor tiles 24x24	107.5	4358.04	468,489
Providing and fixing of bath room tiles 10x20	58.16	3629.17	211,073
Supply and fixing of double glazed aluminum	123.79	15396.89	1,905,981
Providing and fixing of aluminum cladding of approved color	750.96	52419.14	39,364,677
S/F of suspended false ceiling with dumps 2x2	436.99	7785.00	3,401,967
Electrification of Gymnasium (SI+NSI)	--	--	7,639,380
Sub Total-II			**50,406,024**
Grand Total			**69,417,761**

Moreover, the payment on the basis of fake measurement by the SDO/Engineers (MB Attached) and its verification by the consultant in IPC under mines the role and function of the consultant and sub-engineer concerned.

The lapse occurred due to weak internal and financial mismanagement.

When pointed out in December 2023, it was stated by the department that the detailed reply will be furnished to DAC after the scrutiny of relevant record.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter and recover the amount.

PDP No. 34 (2022-23)

28.4.3 Overpayment due to non-deduction of 7% withholding tax from the contractors - Rs. 49.086 million

According to the Notification No. SO(DEV-II)/FD/12-6/2014-15 Dated Peshawar 21.04.2015, that all provincial works departments while preparing the cost estimates of Development projects which fall in the tax exempted areas such as PATA, shall frame the same on the Market rate system but with 7 % less cost to defray the amount added in rate analysis of all works/construction/supply items to meet withholding tax.

During the audit of accounts record of the Director General Sports & Youth Affairs, Khyber Pakhtunkhwa for the financial year 2022-23, it was noticed thatexpenditure to the tune of Rs. 701.228 million was incurred on account of Establishment & Rehabilitation of Sports Facilities in MNDs and the amount was paid to various contractors without deducting the withholding tax / defrayed amount @ 7%, in compliance with the above-mentioned notification which resulted into overpayment to the tune of Rs. 49.086 million (Rs. 701.228 million X 7%) to contractors. The details given below;

Name of work	Contractor	RB	Payment
Upgradation of Jamrud sports complex	MS AQ Building	6th	191,152,067
Rehabilitation of Mulagori Sports Complex	MS Hamesh Gul & Sons	4th	64,752,603
Upgradation of Kalya sports complex Orakzai	Mehboob Ali Affridi	6th, &7th	104,429,142
Upgradation of Jinah Civil Stadium Parachinar	Mehboob Ali Affridi	7th	144,990,384
Kala khel sports complex Khyber	Mehboob Ali Affridi	5th	51,214,937
Provision of missing facilities for existing grounds in Swat	---	---	144,689,000
Total			**701,228,133**

The lapses occurred due to weak internal controls.

When pointed out in December 2023, it was stated by the department that the detailed reply will be furnished to DAC after the scrutiny of relevant record.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to recover the overpaid amount.

PDP No. 35 (2022-23)

28.4.4 Loss to the government due to incorrect rate analysis - Rs. 9.300 million

Para-221 of CPWA code provides that before signing the bill, the sub-divisional Officer should compare the quantities in the bill with those recorded in the measurement book and see that all the rates are correctly entered and that all calculations have been checked arithmetically.

According to MRS 2020 analysis 19.5% were added for contractor profit, Income tax and Overhead (10% + 7.50% +2%).

Accounts record of the Director Works, Sports Department Khyber Pakhtunkhwa for the year 2022-23 revealed that the work, “Provision of 3D Squash Court at Hayat Abad Sports Complex Peshawar” was awarded to M/S AQ Builders at Estimated cost of Rs.99.40 million (at par on the BOQ items) vide work order No.EW(STY&M)/1-4/2021 dated 22-03-2021 with a completion period of 18 months. Expenditure to the tune of Rs.62,830,000/- was shown incurred vide 2nd running bill cheque No.060389 dated 23/06/2022 on execution of 07 Nos non-scheduled items.

Further verification of rate analysis of non-schedule items revealed that according to MRS 2020 (analysis), contractor profit of 10% and Overhead (Material+Labour& Equipment) @ 2% was required to be added while analyzing the rate but the local office added 22.5%, excluding income tax, which caused loss of Rs.7.00 million to govt; exchequer.

Moreover, in the rate analysis, two items i.e. installation charges and overhead (MLE) were included which serves the same purpose, causing double payment to contractor for one item, resulting in loss to public exchequer Rs. 2,300,000/-.

S. No.	Name of Item (NSI)	Contractor Profit + OH (MLE)		Loss	Installation Charges
		Charged 22.5%	Required 12%		
01	S/F of Glass Front Wall	3,215,790	1,715,088	1,500,702	500,000
02	S/F of Glass Side Walls	6,982,964	3,724,263	3,258,701	1,000,000
03	S/F of Glass Back Wall	826,695	452,904	373,791	500,000
04	S/F of Sports Floor	1,378,218	735,050	643,168	250,000
05	S/F of Tin made of Alu Sheet	166,058	88,564	77,494	50,000
06	S/F of Lighting system	1,092,857	637,500	455,357	-
07	Central Air Conditioning System	1,653,061	964,285	688,776	-
	Total	**15,315,643**	**8,317,654**	**6,997,989**	**2,300,000**

The lapse occurred due to weak internal control.

When pointed out in December 2023, it was stated by the department that detailed reply will be furnished to DAC after the scrutiny of auditable record.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter and recover the amount.

PDP No. 39 (2022-23)

28.4.5 Loss to the government due to allowing /awarding high-rate - Rs.11.725 million

Para-221 of CPWA code provides that before signing the bill, the sub-divisional Officer should compare the quantities in the bill with those recorded in the measurement book and see that all the rates are correctly entered and that all calculations have been checked arithmetically.

Para-10(i) read with Para-11 of GFR provides that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

Accounts record of the Director Works, Sports Department, Khyber Pakhtunkhwa for the year 2022-23 revealed that contract for the work, "Extension of Male Gymnasium at Hayat Abad Sports Complex" was awarded to M/S Khaki Builders at a total cost of Rs.99.93 million with one year completion period i.e. up to 30-06-2023 vide work order No.EW(STYA&M)/1-4/2021 dated 24-06-2021. Expenditure to the tune of Rs.114.917 million were incurred up to 06th running bill.

Further verification revealed that the contractor was paid Rs.14875000/- for execution of a non-schedule item of work, “Providing & Fixing of Floor Matt of approved quality” for a quantity of 3500 nos @ Rs.4250/- per piece.

The rate of same item of work was paid in another work, “Establishment of female indoor Gym at Swat” @ Rs.900/- per sft. Thus the rate of Rs.4250/- is on very high side as compared to Rs.900/- per sft.

Rate analysis, duly approved from the competent authority were not produced to Audit. The item was neither provided nor fixed as the structure work of extended portion was in progress.

Due to allowing exorbitant rates the public exchequer was put to sustain loss of Rs.11.725 million (4250 -900=3350 x 3500)

The lapse occurred due to weak internal control.

When pointed out in December 2023, it was stated by the department that detailed reply will be furnished to DAC after the scrutiny of auditable record.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends inquiry and appropriate action under intimation to audit.

PDP No. 43 (2022-23)

28.4.6 Loss to the government due to allowing higher rate of NSI - Rs.2.550 million

Para-221 of CPWA code provides that before signing the bill, the sub-divisional Officer should compare the quantities in the bill with those recorded in the measurement book and see that all the rates are correctly entered and that all calculations have been checked arithmetically.

Accounts record of the Director Works, Sports Department Khyber Pakhtunkhwa for the year 2022-23 revealed that the contract for the work, "Mini Sports Complex at Swat" was awarded to M/S Nasurllah Khan & co at 10% above on schedule and non-schedule items. Expenditure to the tune of Rs.86.482 million were incurred up to 4th Running bill. Non-schedule item of work, S/F of Pioneer Company, Parkin Company & TECHNO 50KVA Diesel Generator set fully automatic with all accessories" was awarded to contractor at the rate of Rs.5500000/- + 10% above. The item can be supplied any time after the completion of work, through specialized contractors adopting open tender at economic rate instead of including in the BOQ.

Further verification revealed that the rate of same kind and specification of generator was analyzed as Rs.3500000/- in the work, Extension of Male Gymnasium at Hayatabad Sports Complex". This shows that the rate analysis of Generator in the Mini Sports Complex was incorrect and resulted in loss of Rs.2.55 million (5500000 -3500000=2000000 + 10% above).

When pointed out in December 2023, it was stated by the department that detailed reply will be furnished to DAC after the scrutiny of auditable record.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends inquiry and recovery under intimation to audit.

PDP No. 44 (2022-23)

28.4.7 Loss to the government due to non-recovery of penalty - Rs.32.940 million

According to agreement 10% liquidated damages shall be recovered from the contractor if he fails to complete the work within stipulated time period.

Accounts record of the Director Works, Sports Department Khyber Pakhtunkhwa for the year 2022-23 revealed that the work, "Provision of 3D Squash Court at Hayat Abad Sports Complex Peshawar" was awarded to M/S AQ Builders at Estimated cost of Rs.99.40 million (at par on the BOQ items) vide work order No.EW(STY&M)/1-4/2021 dated 22-03-2021 with a completion period of 18 months. Expenditure to the tune of Rs.62,830,000/- was shown incurred vide 2nd running bill cheque No.060389 dated 23/06/2022 on execution of 07 Nos non-scheduled items.

The time period for the completion of work was 18 months (22-09-2022) but even after elapse of 33 months the contractor has not completed the work. The contractor has given under taking that he may be penalized Rs.5.00 million if he failed to hand over the completed work of 3D Squash Court up to 09/2023.

The works, "provision of hockey turf at Abbottabad and Nowshera" were awarded to M/S KAM Traders at total cost of Rs.115.21 million and Rs.123.75 million respectively vide work order No.EW(STYA&M)1-4/2021 with completion period of 12 months.

Scrutiny of the record revealed that the work was required to be completed in 05/2022 but the same are still in progress even after elapse of two and a half years.

As per agreement the contractor is liable to pay 10% liquidated damages amounting to Rs.32.940 million (9.940 + 23.00) due to failure in completing the work within stipulated time period.

The lapse occurred due to weak internal control.

When pointed out in December 2023, it was stated by the department that detailed reply will be furnished to DAC after the scrutiny of auditable record.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends inquiry and recovery under intimation to audit.

PDP No. 46 (2022-23)

28.4.8 Loss to the government due to less deduction of income tax from securities - Rs. 9.041 million

Rule 28(2) of CTR provides that a govt; 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 Accountant General and of the Audit Officer concerned. He shall also be responsible for seeing that payments are made to persons entitled to receive them.

Rule 205 of CTR provides that a govt; officer entrusted with the payment of money shall obtain for every payment he makes, including repayment of sums previously lodged with the government, a voucher setting forth full and clear particulars of the claim and all information necessary for its proper classification and identification in the accounts. Every voucher must bear or have attached to it, an acknowledgement of the payment signed by the person by whom, or in whose behalf, the claim is put forward.

Accounts record of the Director Works, Sports Department Khyber Pakhtunkhwa for the year 2022-23 revealed that a sum of Rs.9,041,744/- was shown paid on account of income tax to FBR and DG sports from Designated Account No. 2008027504 maintained for Security and CDRs of the contractors.

S. No.	Cheque No.	Date	Amount	Particulars
01	48369189	23-01-2023	1,596,000	Less recovery from AQ Builders
02	48369190	27-01-2023	5,504,000	Less recovery from KAM Traders-2445679/-, Swallow Intrn-658402/-, Seven Star -274996/-, Hamesh Gul -1310070/-, Obaidullah co-820297/-

03	48369192	19-06-2023	420,624	Shown paid to DG Sports
04	48369193	19-06-2023	1,521,120	Shown paid to DG Sports
			9,041,744	

The security of AQ Builders and KAM Traders was released but the income tax Rs.4041679/- paid from the security account at S. No. 01 & 02 (1596000+2445679) was not shown deducted from their retention moneys.

The security register has no record of deductions of retention money made from M/S Seven Star and Hamesh Gul contractor. The charging of income tax Rs.1585066/- (274996 + 1310070) to security account is unauthorized.

Payment at S.No.03 & 04 amounting to Rs.,1,941,864/- was made to DG Sports instead of FBR without mentioning the names of contractors to whom account the less deduction of income tax was charged.

Amount of Rs.420624/- was drawn in cash instead of crossed cheque and income tax deposit challan was not shown to audit.

When pointed out in December 2023, it was stated by the department that detailed reply will be furnished to DAC after the scrutiny of auditable record.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends inquiry and recovery under intimation to audit.

PDP No. 49 (2022-23)

28.4.9 Overpayment to the contractor on account of escalation for non-executed work - Rs. 34.290 million

According to Para 23 of GFR Vol-I provides that every public officer is personally responsible for any loss sustained by government through fraud or negligence on his own part or on the part of subordinate disbursing officers.

During the audit of accounts record of the Director General Sports & Youth Affairs, Khyber Pakhtunkhwa for the financial year 2022-23, it was noticed that **the contract of** Establishment & Rehabilitation of Jamrud Sports complex, awarded to MS A.Q Builders and the contractor has been paid upto 6th IPC/RB for Rs. 191.152 million which included an amount of Rs. 34.290 million on account of escalation in IPC-5th& 6th for the non-executed work. The non-execution of work was confirmed during physical verification and site visit of the audit teams. Pictorial evidences are attached.

Moreover, the overpayment on account of non-executed work in the 6th IPC/RB was also verified by the consultant and record by the sub-engineer/SDO concerned in MB as well which under mines the seriousness of the consultant and sub-engineer.

The lapse occurred due to weak internal control.

When pointed out in December 2023, it was stated by the department that the detailed reply will be furnished to DAC after the scrutiny of relevant record.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends inquiry for ascertaining the factual position beside recovery of overpayment.

PDP No. 64 (2022-23)

28.4.10 Overpayment to the contractor due to non-deduction of sale tax - Rs. 3.990 million

The Government of Pakistan Collectorate of Sales Tax and Central Excise Peshawar letter No. ST(Tech) Govt./31/2000/12379 dated 19-10- 2001 provides that all government departments are required to purchase taxable goods from persons registered with Sales Tax Department and against Tax Invoice showing name and address of the supplier's/recipients description, quantity and value of goods with amount of Sale Tax charged.

During the audit of accounts record of the General Sports & Youth Affairs, Khyber Pakhtunkhwa for the financial year 2022-23, it was noticed that the contract of Up-gradation of Football Stadium at Qayum Stadium Peshawar, awarded to MS Swallow International and the contractor has been paid up to 5th IPC/RB for Rs. 164.888 million. The contractor purchased 4000 Nos. of stadium chairs @ Rs. 5700 per chair and included a sum of Rs. 3.990 million as sale tax in the invoice but instead of deducting the sale tax amount from the contractor the amount was paid to the contractor which resulted into overpayment of Rs. 3.990 million to contractor.

The lapse occurred due to weak internal control,

When pointed out in December 2023, it was stated by the department that the detailed reply will be furnished to DAC after the scrutiny of relevant record.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends recovery of overpayment.

PDP No. 70 (2022-23)

28.4.11 Loss to the government due to irregular awarding of contract - Rs.70.834 million

According to Para 1 of Chapter II of KPPPRA Rules 2014, Open tendering open competitive bidding as principal method of procurement, the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs. 100,000 (rupees one hundred thousand).

During audit of the Directorate General Sports Peshawar, for the financial year 2022-23, it was noticed that the ADP Scheme "Up-gradation of Hayatabad Sports Complex" was awarded to NM/S National Logistic Cell (NLC) at 15% above the BOQ/Estimate directly without open tender system and without competition. The award of contract directly on single source basis at 15% above the estimate stands irregular and un-authorized, thereby resulting into undue burden over the public exchequer and financial loss. The Contractor was extended favour at the cost of the public exchequer. The 9th Running Bill indicated that an amount of Rs.70,834,042 was paid to the Contractor on account of 15% above the estimate.

Further, Detailed Cost Estimate/Technical Sanction was not provided to the audit team. The cost of the Original PC-I was Rs.500 million. The total work done up to 9th Running Bill was Rs.745.041 million without the approved revised PC-I.

The loss occurred to award of award of contract without open tender at 15% above and extension of undue favour.

When pointed out in December 2023, it was stated by the department that the detailed reply will be furnished to DAC after the scrutiny of relevant record.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends inquiry for ascertaining the factual position and recovery of loss.

PDP No. 74 (2022-23)

28.4.12 Loss to the government due to manipulation of bidding process and incorrect evaluation - Rs. 7.184 million

According to Para-23 of GFR Vol-I, provides that every public officer is personally responsible for any loss sustained by government through fraud or negligence on his own part or on the part of subordinate disbursing officers.

During the audit of accounts record of the Director General Sports for the financial year 2022-23, it was noticed that expenditure to the tune of Rs. 26.723 million incurred on account of purchase of fitness equipments under the project "Establishment of Female indoor sports facilities at divisional level in Khyber Pakhtunkhwa" from contractor MS Shoaib Sports company vide various work orders Nos. and date. The scrutiny of bidding and evaluation process revealed that undue favor was extended to the contractor at the cost of public money which resulted into a loss of Rs. 7.184 million. The financial marks of the first three high value items were not awarded to MS SK Business Corporation and straight away excluded the contractor by manipulation and mutual understanding by the bid evaluation committee while in previous years the equipment of the same specification was provided by SK business corporation.

Moreover, the CDR of the contractor MS Shoaib Sports company for Rs. 2.390 million (CDR# 01426435 dated 14.03.2023) was sent to the bank concerned on 17.04.2023 but no reply was given by bank till the date of audit i-e 30.11.2023. The local office made payment to the said contractor of Rs. 19.592 million (75% of the total claim) without duly verifying the CDR of the contractor and security bond against the advance payment.

The loss of Rs. 7.184 million is brought to the notice for further investigation in detail and inquiry against the person at fault.

The lapse occurred due to weak internal control.

When pointed out in December 2023, it was stated by the department that the detailed reply will be furnished to DAC after the scrutiny of relevant record.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends inquiry for ascertaining the factual position and recovery of loss.

PDP No. 79 (2022-23)

28.4.13 Overpayment to the contractor due to non-deduction of compulsory taxes - Rs. 3.270 million

According to the Income Tax ordinance 2001, the income tax should be deducted from the contractor at the prescribed rate.

During the audit of accounts record of the Director General Sports for the financial year 2022-23, it was noticed that a sum of Rs. 29.725 million paid to the consultant/contractor for the provision of event management services for various activities under the project “Promotion and Sustainability of Sports activities in Khyber Pakhtunkhwa” as per details given below but the compulsory taxes at the prescribed rates were not deducted from the contractor which resulted in overpayment of Rs.3,269,750/-.

S. No.	Consultant/ Contractor	Cheque No.	Amount	3% IT	8% STS
1	Young Leader	1124002	10,000,000	300,000	800,000
2	//	117122	15,000,000	450,000	1,200,000
3	//	1124078	4,725,000	141,750	378,000
Total				**891,750**	**2,378,000**

The lapse occurred due to weak internal control.

When pointed out in December 2023, it was stated by the department that the recovery if any will be made from the contractor and progress will be shown to audit.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends recovery of overpayment.

PDP No. 80 (2022-23)

28.4.14 Overpayment due to non-deduction of 7% withholding tax from the contractors - Rs. 5.049 million

According to the Notification No. SO(DEV-II)/FD/12-6/2014-15 Dated Peshawar 21.04.2015, that all provincial works departments while preparing the cost estimates of Development projects which fall in the tax exempted areas such as PATA, shall frame the same on the Market rate system but with 7 % less cost to defray the amount added in rate analysis of all works/construction/supply items to meet withholding tax.

During the audit of accounts record of the Directorate of Youth Affairs, Khyber Pakhtunkhwa for the financial year 2022-23, it was noticed thatexpenditure to the tune of Rs. 72.133 million was incurred on account of Establishment of Jawan Markaz Mohmand under the AIP Scheme "Youth Development Package & Establishment of Youth Facilities in NMDs" and the amount was paid to M/S Hamesh Gul & Sons without deducting the withholding tax / defrayed amount @ 7%, in compliance with the above-mentioned notification which resulted into overpayment to the tune of Rs. 5.049 million (72.133*7%) to contractor.

The matter is brought to the notice for recovery under intimation to audit.

The lapses occurred due to weak internal controls.

When pointed out in November 2023, it was stated by the Department that the overpayment to contractor will be recovered and progress will be shown to audit.

The department was requested vide letter dated 06.12.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends recovery of overpayment.

PDP No. 6 (2022-23)

28.4.15 Loss to the government due to non-investment of endowment fund balance - Rs. 24.560 million

According to the section-4 (Control and Management of the Fund) of the Khyber Pakhtunkhwa Youth Welfare Endowment Fund Act, 2019, the fund shall be under the administrative control of the Committee and shall be kept in such and invested in such manner as may be determined by the committee.

During the audit of accounts record of the Directorate of Youth Affairs, Khyber Pakhtunkhwa for the financial year 2022-23, it was noticed that endowment fund with seed money of Rs. 230.205 million was established in February 2021 the amount was transferred to Bank account No. 0000832007 BoKRaast saving account. The huge amount was rationally invested in TDRs/fixed deposit for maximum return which resulted into a loss of Rs. 24.560 million,as detailed below;

Year	Principle	Total Profit	%age of return	KIBOR 1st July 2021,2022	Difference	Loss
2021-22	231,654,623	9,956,788	4.30%	8.07 %	3.77%	8,733,379
2022-23	240,533,479	22,269,795	9.26%	15.84%	6.58%	15,827,103
Total						**24,560,482**

The lapse occurred due to weak internal control and mismanagement of financial resources.

When pointed out in November 2023, it was stated by the Department that the detailed reply will be furnished to DAC after the scrutiny of relevant record.

The department was requested vide letter dated 06.12.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends inquiry and fixing of responsibility.

PDP No. 7 (2022-23)

28.4.16 Irregular transfer of government rest houses from tourism department to GDA to facilitate unauthorized outsourcing of government assets – Rs. 57.000 million

According to Chief Minister Directives addressed to Secretary to Government Sports, culture and Tourism department Peshawar, letter No. SO-II /CMS/KPK/6-1/207 /951 dated 16.01.2017, all the rest houses in the Galiyat area may be handed over to Galiyat Development authority for proper upkeep and utilization.

According to BOA meeting chaired by Chief Minister KP dated 22.06.2017, the chair showed extreme displeasure on running of government rest houses by the GDA. The chair of the view that BOA is un-necessary delaying the out souring and GDA need not to run the rest houses or make any improvement in investments.

During audit of accounts record of the DG GDA for the Fy 2021-2022, it was observed that the following 14 rest houses were rented out on long term rental basis for Rs 57.00 million. The rest houses were handed over from tourism department to GDA for proper upkeep and utilization in result of BOA meeting chaired by Chief Minister KP dated 22-06-2017. Tourism Department already uplifted the facilities and generated approx. 20.00 million besides providing facilities to thousand s of tourist and also relieving the parent's departments from O&M expenditure of 40-50 million per annum.

S.No	Rest houses	Amount (Rs)
1	Shimla rest House Nathia Gali	1,752,312
2	Secretariat Cottage	1,355,562
3	Additional Cottage	1682,220
4	Ress Khana	6,533,944
5	Vidia Rest Nathia Gali	1,355,562
6	Retreat House Nathia Gali	8,142,420
7	Inspection BanglownathiaGali	4,334,493
8	Forest Rest House Donga Gali	4,009,158
9	Fan Rest House Nathia Gali	2,843,375
10	Forest Rest House Nathia Gali	4,393,000
11	C&W Rest House Thandianai	1,557,000
12	Forest rest house Thandiani	2,170,000
13	Forest Rest house Barrian	8,125,000
14	Chand view rest house muree	8,780,000
Total		**57,034,046**

The following irregularities were noticed.

- Audit is of the view that the rest houses being government property was unauthorisely handed over to GDA in result of meeting chaired by the CM instead of chairman of the board. As after amalgamation of GDA ACT on 12/08/2016 board meeting under the chairmanship of Chief Minister is irregular and unauthorized.
- Rest houses were transferred to GDA for proper upkeep and utilization, but the BOA for out source of the government assets with mollified intention.
- The rest houses were outsourced at thrown away prices without conducting market survey as long term rent agreement was made on rates much below the market rates and without considering capital value of the assets.
- GDA property Raees Khana in main Nathia Gali Bazar was awarded to Zahoor Ahmed of IV Tours without bidding process as no EOI was called for the same and factitious tender process was shown to facilitate the illegal process.
- The rest houses were illegally outsourced by GDA without approval of cabinet and government of KPK and revenue of 57.034 million were realized by GDA. However, revenue generated were not transferred to Provincial Government by GDA administration.

The lapse occurred due to weak financial controls.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 13.07.2023 followed by a reminder letter dated 02.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends transfer of funds to provincial government.

PDP No. 394 & 395 (2021-22)

28.4.17 Irregular leasing of land for development of 4-star hotel in Nathia Gali – Rs. 852.000 million

According to Government of Khyber Pakhtunkhwa Revenue and Estate department letter No. Rev:IV/4/S. land lease policy /2015/19213-62 dated 24.08.2015, In case of leasing the determination of the lease money will be worked out on market rate basis and the rates so determine / recommended would be subject to the approval of the board of revenue Khyber Pakhtunkhwa for a period of 15 years, further extendable for 15 years.

According to GDA Auction regulation rules 2019, point II, in mega projects the lease period will normally be 33 years or 66 years or 99 years.

According to KPPRA rules 2014, Chapter-V, each procuring entity shall plan its procurements with due considerations to transparency, economy, efficiency and time lines and shall ensure equal opportunities to all prospective bidders.

During audit of the accounts record of the DG GDA for the financial year 2021-22, it was noticed that a lease agreement was executed on 21st June 2021 between GDA and BARON (PVT) Limited for the development of a 4-star or higher category hotel in Nathia Gali. The agreement stipulated that the lessor (GDA) would grant a long-term lease of approximately 22 Kanal of land, commonly known as Shangrila Pines Hotel Nathiagali, including all structures, equipment, fittings, and fixtures, to the lessee (Baron PVT Limited) for a period of 99 years, with total amount of Rs 852.000 million including upfront amount of Rs 306.720 million and remaining amount in equal installment compromising on 20-year period. However, during the examination of the relevant records, the audit observed the following irregularities:

- Lease agreement and GDA auction Guidelines are not vetted from law department Khyber Pakhtunkhwa.
- Necessary approval of provincial government was not obtained.
- The EOI advertisement required bidders to submit a non-refundable tender processing fee of Rs 50,000 with their profile/prequalification documents. It was observed that 10 bidders were shown participated however proof of deposit of processing fee by other bidders is not available on record, raising doubts about the fairness and transparency of the bidding process.
- In Pre-qualification meeting held on 12.03.2020, scrutiny of attendance sheet revealed that successful bidder[i] did not attended meeting for opening of prequalification documents.
- Reserve price of the bid was not made nor calculated through market survey.
- After prequalification out 0f 8 bidders, 04 bidders were successfully qualified for RFP. In RFP submission and closing date only BARON hotel have submitted technical proposal and later on his financial bid 852 million was accepted. The bidding was required to be re –advertised as per the opinion of Zahid Jamil & Co chartered accountant firm and representative of Local Government, but the recommendation was ignored on the plea that re-advertisement will considerably delay the process.
- According to caluse-05 of contract agreement all existing structures, fitting, fixtures equipment laying in the premises will be the property of lessee and clause 06 provides that lessor will provide adequate supply of water, electricity supply though grid, sewerage / drain lines, construction of carpeted road to hotel entrance. In existing facilities hotel Shagirila Pines Nathiagali was handed over to the bidder without considering the values of the building existing structures, fitting, fixtures and equipment installed. The burden of facilities was shifted to GDA resulting loss to authority.
- Heritage substance of the hotel was not considered and no NOC was obtained from the archeology department.
- According clause 5 (H) the bidder have to submit schedule of construction but no supervisory mechanism was devised at GDA level to supervise the construction activates to ensure timely completion as per PEC standards.
- The auction process was made through illegal auction committee constituted by Director General Gallyiat Development Authority instead of BOA.
- The process was not approved from board.

The lapse occurred due to improper contract management.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 13.07.2023 followed by a reminder letter dated 02.01.2024 for holding DAC meeting.However, the DAC meeting was not convened till finalization of this report.

Audit recommends revision of the contract and fixing responsibility.

PDP No. 396 (2021-22)

28.4.18 Irregular awarding of contract of Forest Rest House Nathia Gali – Rs. 4.393 million Loss of Rs. 21.965 million

According to approved minutes of BOA dated 3.12.2020, rest houses shall be outsourced through competitive process for the period of 15 years with further extension of 5 years. Contrary to above rent agreement was made for period of 15 years and 10 years

According to the clause 6 of the contract agreement between GDA Abbottabad and M/S Gallian trading corporation, for long term rent agreement for Forest Rest House Nathiagali, bidder shall pay 50% of the total rent within 30 days from date of agreement (July every year) and remaining 50 % shall be payable within next 6 months.

During audit of accounts record of the DG GDA for the FY 2021-22, it was observed that the agreement for long term rent agreement of Forest Rest house Nathiagali was made between GDA and M/S Gallion Industries &Trading Corporation on 25th June 2021. Forest rest house measuring 02 kanal and 15 marla was allotted to M/S Gallian trading corporation for the period of 15 years which shall be further extendable for 10 years with mutual consent at annual rent amounting to Rs 4,393,000 and increase of 10% after every three years. During scrutiny of the relevant record audit observed the following observations:

- Contrary to above criteria rent agreement was made for period of 15 years and further extendable for 10 years without the approval of BOA resulted in loss to the authority.
- No market survey was made for rent assessment nor was rent calculated on the basis of capital value of the property, which includes land cost and building value.
- 2 % call deposit of quoted rent was required in shape of pay order /demand draft to ascertain the original bids offered by the bidders. 05 contractors were shown participated as per comparative statement but financial bids and call deposits of other bidder as proof of participation was not available on record. Which make the whole process non transparent.
- The successful bidder was in conflict of interest with GDA in Elite Hotel case in violation of Instruction to bidder at S NO 3.4.
- According to GCC clause 6 fixed security was required to be deposited for existing inventory and facilities, no such security was obtained from the bidder and whereabouts of existing inventory and facilities was not known.
- The contract was advertised and awarded on the basis of annual rent of forest rest house having limited structure and rooms, accordingly rates were offered. After bidding process successful bidder was illegally allowed for demolition and construction of new building without the approval

of competent authority. i.e. BOA. Audit is of the view that if contract was advertised for reconstruction there might be a chance of attractive bidding. Whereabouts of demolished building /inventory was not assessed and were taken away by the contractor/GDA staff.

- Expenditure on pay and allowances of the existing staff of forest rest house was not considered while approving the bid.
- BOA approval was not sought for reconstruction and BOA recommendation for period of 15 year and 05 years was manipulated and ignored.
- Note parts regarding tender /NIT, financial bidding is missing nor available in the file.
- Withholding tax @ 5 % amounting to Rs 219,650 (4,393,000x5%) was not deducted from successful bidder.
- Details of rooms, furniture and fixture and inventory record was not available on record.

The lapse occurred due to improper contract management.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 13.07.2023 followed by a reminder letter dated 02.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends revision of the contract and fixing responsibility.

PDP No. 397 (2021-22)

28.4.19 Irregular awarding of contract of Forest Rest House Thandiani – Rs. 32.550 million

According to standard bidding documents for out sourcing forest rest house thandiani condition No.04, initially only the envelops marked Technical proposal shall be opened, technical proposal is to determine the technical strength of bidder and evaluation of the firms or its JV partner before the opening of financial bid.

During audit of accounts record of the DG GDA for the FY 2021-22, it was observed that the rent agreement for outsourcing of forest rest house thandiani was made between GDA and M/S Ploutus on 2nd November 2021. According to the agreement the total area allotted is 8 kanal and6 marla at forest rest house thandiani at annual rent of 2,170,000 for a period of 15 years which shall be further extendable for two term of five years.During scrutiny of the relevant record audit observed the following shortcomings:

- Rent agreement was made at thrown away price of 2,170,000 for 8 kanal and 06 marla land without considering the capital value of the rest house which resulted in loss to government as market rate assessment was not made.
- According to approved minutes of BOA dated 3.12.2020, rest houses shall be outsourced through competitive process for the period of 15 years further extension of 5 years with good construction standards. Contrary to above long-term agreement for rent was made with successful bidder for the

period of 15 years and 10 years with mutual consent of both parties. Undue favor was extended to successful bidder for five years.

- The agreement was not approved from BOA.
- BOA approval was not sought for extended period of 05 years.
- Fraudulent award was made to the bidder against blank technical evaluation sheet as out of 09 number bidder participated in bidding process, firms were debarred from tender process by tagging "Non responsive" without any proof on record and award was made without any comparative statement.
- Bidding documents fee and 2% call deposit/ demand draft of offered rent was not available on record to ascertain the fair competition.
- Details of rooms, furniture and fixture and inventory record was not available on record.

The lapse occurred due to improper contract management.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 13.07.2023 followed by a reminder letter dated 02.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends revision of the contract and fixing responsibility.

PDP No.398 (2021-22)

28.4.20 Irregular auction of Leasing out 110 Kanal land for modernization of Ayubia chairlift – Rs. 7393.959 million

According to KPPRA rules 2014, Chapter-V, each procuring entity shall plan its procurements with due considerations to transparency, economy, efficiency and time lines and shall ensure equal opportunities to all prospective bidders.

During audit of accounts record of the DG GDA for the FY 2021-22, it was observed that the lease agreement for modernization of Ayubia chair lift resort was awarded to MS Monal group/ A-cube private limited. According to agreement lesser (GDA) and lessee (MS Monal group/ A-cube private limited) has agreed to take on long term lease of all the land measuring about 110 Kanal along with all structures, equipment fittings and fixtures etc. for duration of 42 years (inclusive of 02 years of grace period) for Rs 450 million as up-front payment. Two years grace period was allowed for construction and no rent will be charged during grace period. After grace period the lessee will pay advance annual rental amount of Rs 96 million per annum. During scrutiny of the relevant record audit observed the following shortcomings:

- The agreement was made without vetting the contract agreement from law department and legal-council of the authority. As per model term and condition of contract of Provincial government minimum 25% of the bidding amount needs to be deposited. Where in the contract the clause of deposit of ¼ was omitted purposely and contract was made according to the bidder requirement.
- Up front amount of Rs 450.00 million was not deposited by the successful bidder with the plea of conflict of land with forest department and the authority suffers a huge loss from the last two years.
- The successful bidder Monal group offered upfront payment of 450 million and annual rent of 96 million and 2nd bidder i.esamson offer upfront amount of Rs 610 million and annual rent of 71 million. The bid was awarded to monal group on the basis of NPV of the installment and ignored the future value of upfront payment.
- According to advertisement for (EOI), the bidders required to submit Rs 50,000 with their profile/ prequalification documents. Scrutiny of attendance sheet revealed that 10 Nos bidders submitted their documents and Rs 450,000 (09x50000) required to be collected but where about of said amount was not known as no record relating to Rs 450,000 was available on record to ascertain that fair competition was held and bidding was made in fair and transparent manner.
- Pre-qualification meeting was held on 16.09.2020, a committee was constituted by Director General instead of authority i.e (BOA) for evaluation of received proposal. Prequalification sheet is not supported with relevant documentary evidences of successful bidder required for evaluation criteria 1.e Detail profile , certificate for registration or incorporation, registration with FBR, SECP , Documentary proof and detail of installed chairlifts, audited financial statements for last two years and above, copies of MOU or other documents or partnership deed, litigation history in which court decision against the applicant and undertaking of the applicant has never been blacklisted/ defaulted.
- Screening sheet for technical evaluation was not supported by documentary evidences i.e conceptual master plan, Environmental Impact Assessment (EIA capability) financial capability, management capability. Record was not available on record.

The lapse occurred due to improper contract management.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 13.07.2023 followed by a reminder letter dated 02.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends revision of the contract and fixing responsibility.

PDP No. 402 (2021-22)

28.4.21 Non-recovery of outstanding dues of the authority – Rs. 96.560 million

According to section 7 (1) of GDA ACT 2016" Notwithstanding anything contained in any other law for the time being in force, the authority may levy and collect a tax with the prior approval of Government, however, the authority may subject to prior publication in the official Gazette may collect a user charges or a fee or payment in respect of services or facilities extended or made available by the authority to the public, including fee or charges on account of conservancy, maintenance of public area of facilities within the Galiyat areas.

During audit of the director General Galiyat Development Authority for the Financial Year 2021-22, it was observed that the authority did not realize arrears as well as the current dues of GDA which accumulated to Rs. 96.56 million as evident from record of the GDA Taxation Department **(Annexure-LI)**.

Non-recovery of various dues occurred due to weak financial and administrative controls.

When pointed out in June 2023, no reply was furnished.

The department was requested vide letter dated 13.07.2023 followed by a reminder letter dated 02.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends expediting the recovery.

PDP No. 403 (2021-22)

Chapter – 29

SCIENCE & TECHNOLOGY AND INFORMATION TECHNOLOGY DEPARTMENT

29.1 A) Introduction

Audit Profile of Science Technology & Information Technology Department:

(Rs. in million)

S. No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23	Revenue/Receipts Audited FY 2022-23
1	Formations			1,498	-
2	• Assignment Account • SDA (Excluding FAP)			349.514	N/A
3	Authorities/Autonomous bodies etc under PAO			5,279	N/A
4	Foreign Aided Projects (FAP)			795	N/A

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

Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2022-23 against the total of grants/appropriation was as follows:

29.1(C) Issues in Science Technology & Information Technology Department

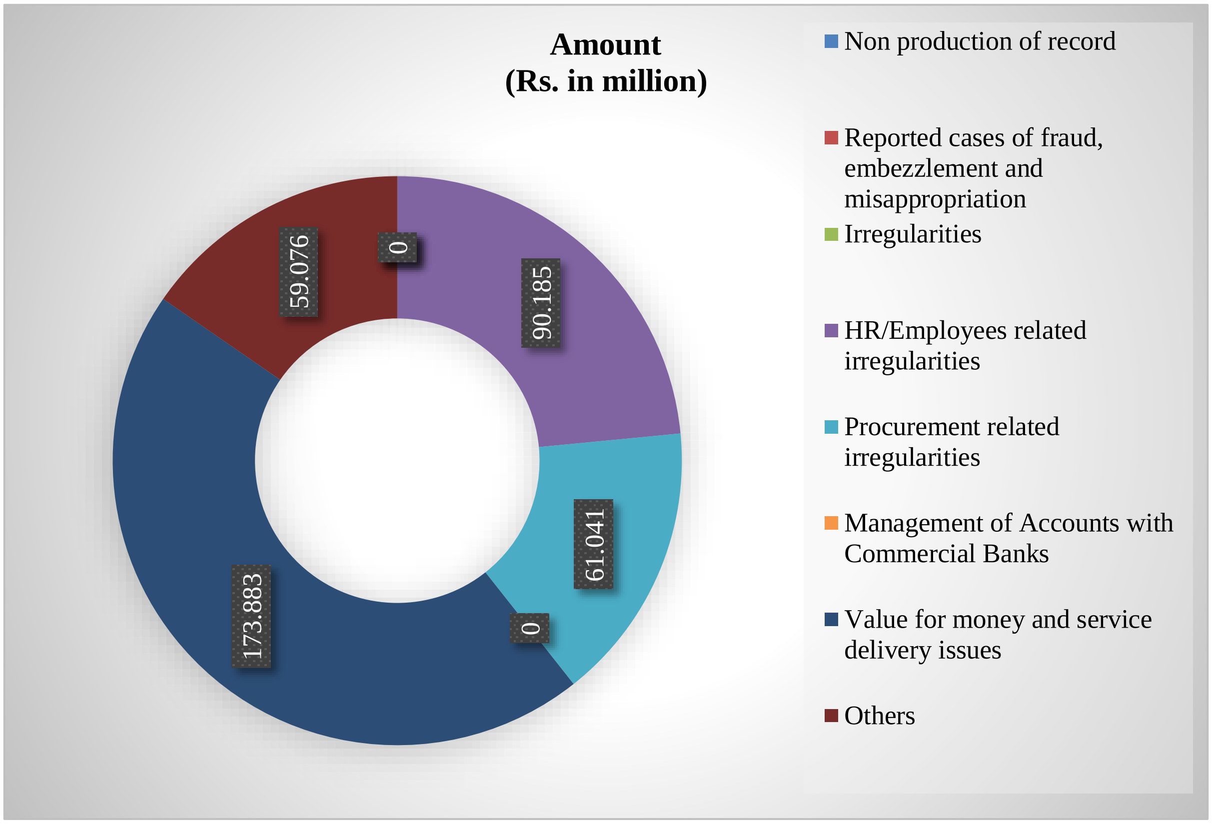
There were issues of contract awarding in the department. In some cases, the department failed to operationalize / rent out the BPO ready spaces for revenue generation. The department could not submit initial management replies during the exit meetings.

29.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 384.185 million were raised in this report during the current audit of ST&IT department. This amount also includes recoveries of Rs. 37.905 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	90.185
B	Procurement related irregularities	61.041
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	173.883
5	Others	59.076



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

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full Compliance	Partial compliance	Nil compliance
19.	2001-02	Health	31	21	-	10
20.	2002-03	-do-	18	14	-	04
21.	2003-04	-do-	11	06	-	05
22.	2004-05	-do-	42	11	-	31
23.	2005-06	-do-	12	06	-	06
24.	2007-08	-do-	18	05	-	13
25.	2008-09	-do-	16	07	-	09
26.	2009-10	-do-	23	12	-	11
27.	2010-11	-do-	19	07	-	12
28.	2011-12	-do-	33	18	-	15
29.	2012-13	-do-	14	09	-	05
30.	2013-14	-do-	46	23	-	23
31.	2014-15	-do	27	14	-	13
32.	2015-16	-do-	39	12	-	27
33.	2016-17	-do-	52	13	-	39

29.4 Audit Paras

29.4.1 Non-fulfillment of the core functions under the Rules of Business

According to the Government of Khyber Pakhtunkhwa Rules of Business, 1985 Schedule-II; the main functions of the Science & Technology and Information Technology Department are;

1) Launching of R&D Program and up-gradation of its infrastructure.
2) Restructuring of R&D Organizations.
3) To initiate Science & Information Technology Projects in the Province in Agriculture, Housing, Industry, Health, Education, Forestry, Energy, Pharmaceuticals and small Cottage Industry including pilot plant studies
4) To advise provincial Govt. Departments and other institutions on the introduction and usage of Information Technology.
5) Coordination with public & private sector for promotion of IT.
6) Promotion of IT Education and Training.
7) Interfacing with National and International IT Markets and Industry.

Read with Part-A rule 5(2), the business of the Department shall be disposed off by or under the authority of the Secretary. He/she shall be responsible to the Minister for the proper conduct of business and for ensuring that the sanctioned policy of the Minister is duly executed.

During audit of the accounts of Secretary Science & Technology and Information Technology Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that the department lacked proper systems & procedures to record and document fulfillment of its various functions given in the rules of business. For this purpose, the attached questionnaire was shared with the department to help audit understand the level to which the department has attained its objectives (functions). However, the department was unable to provide any reliable data and documents in this regard.

The province's present IT and Research & Development scenario is indicative of the fact that the department was unable to fulfill its various functions such as launching RD programs and restructuring RD organizations, launching Science and IT projects in other departments, digitization processes and paper-less environment etc. Similarly, no impact studies were performed for analysis of any IT or Science projects if any initiated as per Rules of Business.

Audit held that the department was not performing according to the roles assigned to it in the rule of business.

The lapse occurred due to improper management which resulted into non-performance of the core functions.

When pointed out in August 2023, no reply was furnished.

The department was requested vide letter dated 01.09.2023 followed by reminder letters dated 26.12.2023 and 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to take appropriate action in the matter.

PDP No. 6 (2022-23)

29.4.2 Wasteful expenditure due to non-hiring of consultancy for impact analysis - Rs. 41.730 million

According to PC-I of the project "Revamping and Rejuvenation ST & IT Department"; a consultancy shall be hired to study the impact of the interventions and activities performed by the Directorate of Science and Technology and KP IT Board in the last 10 years. Detail TORs of the consultant were approved in the PC-I.

During audit of the accounts of Secretary Science & Technology and Information Technology Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that the project record of "Revamping and Rejuvenation of ST & IT Department" headed by the Chief Planning Officer that a sum of Rs. 41,720,633/- was incurred on the project operations against the budgeted cost of Rs. 48,583,000/-. However, an important activity of the project i.e. hiring of consultant to calculate the impact of the interventions and activities carried out in last ten years by the Department was totally ignored and sidelined. While the budget was incurred on procurement of machinery & equipment, developmental works of renovation of offices, salaries of staff etc. which also included certain un-necessary activities.

Audit held the expenditure of Rs. 41,720,633/- incurred on this project as wasteful because due to non-engaging of the consultant, the project failed to achieve its core PC-I objectives as listed below;

1. To know the objectives & outcomes of the completed projects in the last 10 years as envisaged in the PC-I
2. An impact analysis report in terms of the improvement in performance of the department, facilitation of Academia, Industry, Target area and group and general public
3. Study and report the planned and actual recurring cost of each project of the ST&IT sector completed during the last 10 years and its cost benefit analysis
4. Study and report the planned and actual physical output of each project of the ST&IT sector and planned and actual income of the completed projects during the last 10 years
5. Study the planned and actual cost per unit produced and market analysis of same product available
6. Track the beneficiaries of the project and report current status
7. Submission of PC-IV for actual objective achieved vs. targeted
8. Submit recommendations and comparative analysis of the regional and international best practices

The lapse occurred due to non-compliance of an important component of the project.

When pointed out in August, 2023, it was stated that the Project Director is on ex-Pakistan leave and detail reply will be submitted his return from abroad.

The department was requested vide letter dated 01.09.2023 followed by reminder letters dated 26.12.2023 and 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends fixing responsibility on the management due to failure in hiring of consultant for this very important component.

PDP No. 3 (2022-23)

29.4.3 Misuse of project vehicles - Rs. 8.810 million

According to PC-I of the project “Revamping and Rejuvenation of ST & IT Department” 03 vehicles were purchased for the following officers/purpose;

Description	Purpose/Allottee	No	Cost Rs. in million
1800 CC car Honda model 2021	Head of Advisory Committee (Secretary ST & IT)	1	4.5255
1300 CC car Toyota Yaris Gli model 2021	For planning officers	1	2.6865
1000 CC car Suzuki Alto AGS VXL model 2021	For monitoring purpose	1	1.5980

During audit of the accounts of Secretary Science & Technology and Information Technology Department Khyber Pakhtunkhwa for the Financial Year 2022-23, it was observed that the project record of “Revamping and Rejuvenation of ST & IT Department” headed by the Chief Planning Officer that the project vehicles were miss-used and allotted to un-authorized person. The 1800 CC Honda car (model 2021) was purchased for the Head of Advisory Committee (Secretary ST & IT), however, till date of audit Advisory Cell was not established whose role was to establish linkages with industries, academia in Science, Technology and IT Sector with Government to improve Digital Transformation and to develop eco-system as outlined in the PC-I of the Project.

Similarly, the 1300 CC Toyota Yaris (model 2021) was purchased for the planning officers of the department; however, it was retained by the Chief Planning Officer who was already allotted a corolla car from the regular side. Moreover, a 1000 CC Suzuki Alto AGS (model 2021) was purchased for the monitoring purpose whereas the vehicle was allotted to a BPS- 17 Planning Officer although BPS-17 officers are not entitled to retain official vehicle in the case of Planning Officer. Furthermore, monitoring activities of the projects of the KP IT Board and Directorate of S&T could not been done.

The lapse occurred due to mis-use of project vehicles and violation of relevant rules.

When pointed out in August, 2023, it was stated that the Project Director is on ex-Pakistan leave and detail reply will be submitted his return from abroad.

The department was requested vide letter dated 01.09.2023 followed by reminder letters dated 26.12.2023 and 01.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends fixing responsibility for the lapse.

PDP No. 4 (2022-23)

29.4.4 Loss to the public exchequer on account of renting of office - Rs. 8.487 million

According to Para 10 read with para 23 of GFR Vol-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as 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 subordinate.

During audit of the accounts of Directorate of Science & Technology and Information Technology for the Financial Year 2022-23, it was observed that the earlier the rent agreement for office building was made @ Rs.434,760/- per months between the Deans Management Deans Trader Center and DOST on 01.07/2020. The rent agreement was valid for the period of 36 months from July 2020 to Sept.2023. But on 31st March, 2021 the rent agreement was cancelled and another agreement was made with Muhammad Yousaf Khan (lesser) by Dr. Khalid Khan (Ex-Director DOST) @ monthly rate of Rs. 700,000/- for bungalow No.20 old Jamrud Road University Town for 5 years. Audit observed that cancelation of old rent agreement and execution of new agreement on higher rate of (Rs.700,000-434,760= Rs. 265,240) put the public exchequer to loss of Rs. 265,240 X 32 months= Rs.8,487,680/- for nothing.

Audit further observed that Deans Trader Center was located at Peshawar Cantt and was near to the Secretariat, Accountant General Office and SBP Peshawar which not only affect the official business and also consume higher energy cost (Fuel). During Audit it was noticed that again the DOST is shifting to Peshawar Cantt due to several issues in the existing rented building in university town which is merely wastage of government resources.

The lapse occurred due to vested interest of the then management which resulted into loss to the public exchequer.

When reported to the management, it was stated that detailed reply will be furnished to DAC.

The department was requested vide letter dated 04.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility on the Ex-Director Dr. Khalid Khan.

PDP No. 146 (2022-23)

29.4.5 Irregular awarding of consultancy contract to the UET - Rs. 48.545 million

According to KPPRA Rules 3-(2)(c), the direct sourcing to a government organization for provision of works, goods or services under a cost plus or fixed contract provided that the Public Sector Organization shall not involve a private sector enterprise as a partner or in the form of a joint venture or a sub-contractor. The government organizations shall be totally government owned and controlled or semi-autonomous and autonomous agencies under the administrative control of Federal Government or Provincial Government

According to clause 3 of the KPPRA Act 2012, All public procurement shall be conducted in such a manner as provided in this Act, rules and regulations made under this Act and shall promote the principles of transparency, economy, value for money, accountability and swift grievance handling.

During audit of the accounts of Directorate of Science & Technology and Information Technology – the ADP Scheme Building Provincial STI System for the Financial Year 2022-23, it was observed that the consultancy contract for Master Planning & Designing of KP ST&IT Museum at Mardan was directly awarded to the UET Peshawar under KPPRA Rules 3-(2)(c) without any competition for Rs. 48.545 million. The cheque for advance payment of Rs. 12,136,000 was made on the name of Dean Faculty of CAN Engg: instead of university Main treasury account.

Audit raised the following observation to it;

1. The Technical Proposal and Financial Proposal submitted by the UET was in association with Architect Firms (1618 Architects Address**:** 761 Wilmslow Rd, Didsbury, Manchester M20 6RN, United Kingdom) and independent International Consultant. This clearly means that UET engaged private sector architects who are employee of these international consultant firms and also some of them are foreign national for execution of the consultancy contract which is violation of the KPPRA Rules 3-(2)(c). Audit confirmed that 65% of the revenue was taken away by the Dean CAN Engineering who further distributed the same with all the stake holders (private architects and UET employees) and the government money was gone into private hands.
2. NOCs from the employers were not obtained by these Architects working in international and local organization to work in association with UET Peshawar for consultancy contracts.
3. The UET failed in providing payment detail of 65% share to the professors and private consultants from the payment received, whether the payment was made in foreign currency to the international architects working in association with the UET or otherwise.
4. There are a lot of other Govt. Sector Engineering Sciences Universities like (Ghulam Ishaq Khan Institute of Engineering Sciences) existed then why competition was not held to make the process more transparent and have more economical rates.
5. UET Peshawar is an Academia and could not be in a position to perform consultancy without involvement of the private sector architects. Hence direct award of consultancy contract under KPPRA Rules 3-(2)(c) is not applicable in the instant case.
6. KPPRA Sale tax on services @ 5 % was not deducted from the advance payment made for Rs. 12,136,000 x 5%= 606,800/-
7. Performance guarantee was not obtained from the UET.
8. The financial proposal quoted by the UET was not supported with detailed breakdown of the HR and administration cost (remuneration of the staff, perdiem, housing and transportation services and equipment vehicle cost). There was a provision for 50.000 million and the UET Peshawar submitted bid costing Rs. 48.545 million.
9. The consultancy was quoted for Master Planning & Designing of KP ST&IT Museum, however, supervision at site, checking and recommendation of bill of quantity was not covered in the agreement or in the TORs.
10. The stamp duty for agreement was issued on the name of a private personAmjrRaza instead of UET.

The lapse occurred due to violation of KPPRA rules (3-2-C) and favoring a specific bidder which resulted into un-economical expenditure.

When reported to the management, it was stated that detailed reply will be furnished to DAC.

The department was requested vide letter dated 04.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends inquiry into the matter recovery of the advance payment and re-tendering of the consultancy contract to achieve economical rates.

PDP No. 147 (2022-23)

29.4.6 Illegal retention of official vehicle - Rs.3.00 million

According to Para 10 read with para 23 of GFR Vol-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as 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 subordinate.

During audit of the accounts of Directorate of Science & Technology and Information Technology for the Financial Year 2022-23, it was observed that Assistant Director (E&A) of the DG Science & Technology and IT Department vide Letter No. Dirtt/S&T/KP/PF /9047 dated 07.08.2022 directed the Ex-Director Dr. Khalid Khan that you have been using the official vehicle Toyota Corolla AB 1898 illegally as the said vehicle has been allotted to the DG S&T on 28.11.2022 and you were earlier communicated vide letter of even no. dated 28.11.2022 for returning of the said vehicle to office within 02 days as you remain absent from duties since 06.08.2021. He was further directed to deposit a sum of Rs. 3,000,000/- vide treasury challan on account of monthly rent for the illegal use of the govt. the car @ Rs. 125000 as per market rate

On further inquiry, the DG ST&IT time and again reported Dr. Khalid Khan to the Administrative Department that the incumbent is neither regularly attending his office nor taking interest in his official responsibilities. An inquiry was initiated by the Administrative Department for his willful absence since 06.08.2021 till date of audit i.e. November 2023, but no disciplinary action could have been initiated against the officer under the E&D rules, 2011 and during the period of his absence he has regularly drawn his salaries as well.

The non-initiating of action under E&D rules during the period of absence was due to mutual connivance of the then management for favoring him to safely retire from service.

The lapse occurred due to weak internal control over the official business of the DG ST&IT.

When reported to the management, it was stated that detailed reply will be furnished to DAC.

The department was requested vide letter dated 04.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends investigating the matter besides recovery of rent of motor car for illegal use and recovery of pay and allowances for the absent period and taking disciplinary action against the responsible for not initiating action under E&D rules well on time.

PDP No. 149 (2022-23)

29.4.7 Revenue loss due to non-renting of BPO ready space for operators - Rs.15.699 million

According to Para 23 of GFR Vol-I, every government officer will be personally responsible for any loss or fraud on his part or on the part of his subordinate.

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 audit of the accounts of Khyber Pakhtunkhwa Information Technology Board Peshawar for the Financial Year 2022-23, it was observed that 550 BPO (Business process outsourcing) seats ready space facilities were established in a project "Digital Jobs in KP" financed by MTDF. Each seat shall be offered on monthly rent of 55 $ to the BPOs/online operated firms. The project has been closed on 30.06.2022 and the now the expenditure were started from one liner budget of the MD KPITB. 350 seats (BPO) were allocated to Peshawar office and 200 to Abbottabad office. Out of 350 BPO seats in Peshawar only 146 to 151 seats were rented out by the BPO operators which resulted into loss of revenue amounting to Rs.15,699,733/- Audit observed that there is full fledge marketing department who was primarily responsible for renting of these 350 ready space to national and international companies but no stern efforts were made and revenue loss was observed. Moreover, this also resulted into less creation of job and revenue loss for government.

Description	Revenue
Revenue of 350 BPO seats on optimum level	29,551,044
Revenue generated for 146 to 151 seats as per actual	13,851,311
Revenue loss	15,699,733

The lapse occurred due to negligence on the part of the management.

When reported to the management it was stated that detail reply will be furnished to DAC.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting.However, the DAC meeting was not convened till finalization of this report.

The matter needs to be inquired as to why the well-established spaces having the entire infrastructure were not rented out to companies.

PDP No. 200 (2022-23)

29.4.8 Wasteful expenditure on the development & renovation of BPO (ready facility) Abbottabad - Rs. 111.474 million
Non-realization of revenue from BPO ready space - Rs. 16.866 million

According to PC-I of the project "Digital Jobs in KP" financed MTDF; under the component (BPO Ready Space) the KPITB will finance infrastructure and services with the objective of (i) attracting investment and growth in the BPO sector (ii) promoting job opportunities through outsourced work. KPITB will finance infrastructure and services with the objective of attracting investment and growth in the BPO Sector, promoting job opportunities thorough outsourced work. KPITB will finance goods and services designed to prepare BPO ready space for use by international or national operators. The propose facilities will have all required technical and physical infrastructure for BPO operations; typically, this shall include the following.

1. Physical space

2. Furniture and fixture
3. Heating/cooling
4. Necessary IT infrastructure
5. Internet connectivity
6. Utilities
7. Power back up
8. Any other standard industry requirement.

During audit of the accounts of Khyber Pakhtunkhwa Information Technology Board Peshawar for the Financial Year 2022-23, it was observed that a sum of Rs.95,083,671/- was incurred on the capital nature expenditure (LEDs, 211 Laptops, workstation, office chair, conference table, Diesel Generator, ACS, electrification cost, renovation cost etc) for establishment of 200 BPOS (ready space facility) in Abbottabad in the project "Digital Jobs in KP" financed by MTDF. The project was closed on 30.6.2022 and now the MD KPITB incurring expenditure for rent of building, pay and allowances of staff, utilities charges on revenue nature expenditure from the budget of KPITB. The monthly rent of the building is Rs.525,000/- but the ready space of 200 seats was neither rented to national or international companies during the project period nor in the current year. The non renting of ready space of 200 seats besides of incurring of expenditure on the revenue and capital nature expenditure will render the operations non sustainable.

It was further noticed that these 200 BPO seats may earn revenue of Rs.16,886,311/- based on M/S Sybrid Private actual revenue generated. Audit observed that there is a full fledge marketing department who was primarily responsible for renting these BPO ready spaces. However, the marketing department has not been able to properly and effectively market these spaces resulting in delays in job creation and leading the operations to being non sustainable.

The lapse occurred due to weak internal control over the affairs of the BPO facility at Abbottabad.

When reported to the management it was stated that detail reply will be furnished to DAC.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends that stern efforts be made by the management for renting it to BPO besides disciplinary action be taken against the marketing department and to take all necessary measures to ensure that the spaces are offered to BPO operators so that the operations are made self-sustainable and further revenue loss is avoided.

PDP No. 201 (2022-23)

29.4.9 Loss to government due to non-recovery of service charges - Rs.5.931 million

According to Para 23 of GFR Vol-I, every government officer will be personally responsible for any loss or fraud on his part or on the part of his subordinate.

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 audit of the accounts of Khyber Pakhtunkhwa Information Technology Board Peshawar for the Financial Year 2022-23, it was observed that 55 seat (ready space facility) were rented to M/S SMSAMI since Oct, 2020 @ 55 USD till Sept, 2021 and onward as per actual cost (physical space, furniture and fixture, IT infrastructure, internet connectivity, utilities, power back up). The M/S SAMSAMI did not deposit its monthly services charges since January, 2021 till December, 2021 for Rs.5,635,511/-. Another company M/S Touchstone Communication also failed in depositing its monthly services as per invoice submitted for Rs. 296,104/-.

Audit held that recovery of the principal amount along with the markup of 20% be made from these companies amounting to Rs.1,186,323/- (Rs.5,931,615 X 20%).

The lapse occurred due to negligence and giving undue favor to the companies on the cost of the public funds.

When reported to the management it was stated that detail reply will be furnished to DAC.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends immediate recovery of the outstanding rent along with markup of 20% per annum from the firm concerned.

PDP No. 203 (2022-23)

29.4.10 Wasteful expenditure on account of Consultancy and Salaries -Rs.10.901 million

According to Para 10 read with para 23 of GFR Vol-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as 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 subordinate.

During audit of the accounts of Khyber Pakhtunkhwa Information Technology Board Peshawar - ADP Scheme Pilot Citizen Facilitation Center Peshawar for the Financial Year 2022-23, it was observed that a sum of Rs.10,901,470/- was incurred on the payment of salaries, developmental cost of application (consultant) and miscellaneous expenditure as detailed below:

Breakup of Expenditure of Pilot CFC, Peshawar		
S.No.	**Head of Account**	**Amount (Rs.)**
1	Human Resource Cost	5,798,581
2	IT Equipment Cost	350,000
3	Development cost of Application	4,507,272
4	Miscellaneous Cost	177,680
5	Advertisement, Publicity & Awareness	40,169

Total	**10,901,470**

The project was started in November, 2021 and till date i.e. 30th June, 2023 a sum of Rs.22, 095,846/- was incurred on the project different activities. This project was the part of the Government Digital Policy 2018-23 initiatives. The consultancy contract for the development of CFC Software, acceptability testing and deployment to provide nineteen (19) services of Six Govt. offices (i.e. Local Govt. & Rural Development Department, Revenue & Estate Dept., Excise, Taxation & Narcotics Control Dept., Home & Trial Affairs Dept., Respective DC Offices) to the citizens of KP was awarded to National Engineering Services of Pakistan (NESPAK) for Rs.26,513,370/- with a contract period of twenty (20) months from the date of commencement (Eight (08) months System designing, development and deployment time and twelve (12) months post deployment support). The consultancy contract was awarded on 11th March, 2022 and ended on 10th November, 2023 but during the period no software for end-to-end process automation, digitization, and offering of the 19 services through a single integrated platform (web, mobile based, and through citizen facilitation centers) could be developed.

Audit observed that public money was wasted on the hiring of nine (09) numbers of officers and officials for which a sum of Rs.12,436,994/- incurred on salaries and consultant (NESPAK) have been paid for Rs.6,362,07/- till date i.e. 30th June, 2023 but neither software was developed nor public was offered the mentioned services during the project life.

Non development of software put public exchequer to extra payment of salaries in extension period of the project.

When reported to the management, it was stated that detail reply will be furnished later on to DAC.

The lapse occurred due to negligence laxity on the part of management.

The department was requested vide letter dated 05.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends investigating the matter and taking disciplinary action against the responsible(s).

PDP No. 207 (2022-23)

29.4.11 Financial loss due to purchase on higher rates - Rs. 2.749 million

According to Para 23 of GFR Vol-I, “Every Government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence”.

During audit of the accounts of Khyber Pakhtunkhwa Information Technology Board Peshawar - Merged Area Digital Connect for the Financial Year 2020-21 & 2021-22, it was noticed that financial loss of Rs.2,749,101/- was made due to purchase of IT equipment at higher rate. The verification of record revealed that lowest bid of Rs.7,029,830, offered by M/S Panasonic Office Product, was not accepted and purchases were made at higher rate of Rs.9,778,931, offered by M/S Tech Art Pvt. Ltd., which resulted into financial loss to the public exchequer.

The lowest financial offer was not accepted on the plea that:

1. The bidder was not registered with the Security & Exchange Commission of Pakistan, but this condition was actually not mentioned in the evaluation criteria of the bidding documents.
2. Undertaking was not attached with the bid, but the undertaking on stamp paper was actually attached with the firm's bid.

Further, the IT equipment offered by the lowest bidder were found as per specification, so rejection of the lowest bid was, therefore, un-justified. The Public exchequer was put into financial loss of Rs.2,749,101.

The irregularity was made due to weak internal controls.

When pointed out in April 2023l, it was stated that reply will be given after consulting the record.

The department was requested vide letter dated 26.12.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends inquiry into the matter.

PDP No. 1046 (2021-22)

29.4.12 Blockade of public money - Rs. 9.778 million

According to Para-145 of GFR Vo-I, Purchases must be made in the most economical manner in accordance with the definite requirements of the public service. Stores should not be purchased in small quantities. Periodical indents should be prepared and as many articles as possible obtained by means of such indents. At the same time, care should be taken not to purchase stores much in advance of actual requirements, if such purchase is likely to prove unprofitable to Government.

During audit of the accounts of Khyber Pakhtunkhwa Information Technology Board Peshawar - Merged Area Digital Connect for the Financial Year 2020-21 & 2021-22, it was noticed that expenditure of Rs.9.778 million was incurred over the IT equipment for the seven (07) digital connects across the newly merged districts. An amount of Rs.9,778,931 was paid to M/S Tech Art vide cheque No.2401166 dated 30.06.2022, on the purchase of IT equipment (21 Smart PC, 11 Laptop, 7 printers and 7 copiers/printers), which the purchases were made for the seven digital connects Verification of record revealed that:

1. The digital connects were not established/functional so far, the IT equipment was lying in store, so purchases were made much in advance, which was not justified, and tantamount to blockade of public money.
2. The terms and conditions of the financial bid revealed that the items were covered with one year warranty, where the warranty period would get expired after two months. But the equipment was still lying in store till the date of audit i.e. 21.03.2023.
3. The equipment was received on 15.07.2022, however, Payment was made on 30.06.2022 in advance although there was no provision in PC-I.
4. 21nossmart PCs were not recorded on the stock register

The irregularity was due to ill management of the project implementation.

When pointed out in April 2023l, it was stated that reply will be given after consulting the record.

The department was requested vide letter dated 26.12.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends that the matter may be inquired.

PDP No. 1047 (2021-22)

29.4.13 Ineffective implementation of the project early age programming - Rs. 25.987 million

According to page 3 of the PC-I, objectives of the project “Early Age Programming & IT Essentials of Govt. Schools of Merged Districts of Khyber Pakhtunkhwa” were:

1. To establish eight (08) IT labs in Govt. Schools of two merged districts (Khyber &Orakzai) of Khyber Pakhtunkhwa
2. To introduce computer programming in eight (08) Govt. Schools (4 boys & 4 girls) across two newly merged districts (Khyber &Orakzai) of Khyber Pakhtunkhwa
3. Capacity Building of existing IT Teachers of eight (08) Govt. Schools of two newly merged districts (Khyber &Orakzai) of Khyber Pakhtunkhwa
4. Training of 1000 students of class IV to class VIII of eight (08) Govt. Schools newly merged districts (Khyber &Orakzai) of Khyber Pakhtunkhwa on block-based computer programming.
5. To raise awareness about early age programming and IT essentials.

During audit of the accounts of Khyber Pakhtunkhwa Information Technology Board Peshawar - Early Age Programming & IT Essentials for the Children of Government Schools of Merged Districts for the Financial Year 2020-21 & 2021-22, it was observed that expenditure of Rs.32.358 million was incurred over implementation of the project out of which Rs. 25.987 million was spent on the establishment of eight (08) computer labs. Audit observed that objectives set in the PC-I were not effectively achieved. On visit of the schools in district Khyber, audit observed the following:

1. Computer lab at Govt. Girls High School (GGHS) Gulabad, district Khyber was established but it was unutilized for the last one year, as there was no IT teacher posted in the school, similarly, IT teacher was also not posted in GHS Jan Khan Killi Bara, district Khyber.
2. Similarly, IT teacher was also not posted in GGHS Mawaz kali Bara, district Khyber. Computer lab was also non-functional. Power batteries were damaged. So, the whole lab out of order.
3. No evidence/efforts for capacity building of existing IT Teachers of eight (08) Govt. Schools of two newly merged district (Khyber &Orakzai) of Khyber Pakhtunkhwa was found on record.
4. Training of students of girls schools in district Orakzai was not carried out and IT teacher was also not posted, so objectives of the IT lab could not be achieved.
5. Detailed record/progress reports, about training of students, were not provided to the audit team, so the actual number of students trained could not be verified.
6. There were two IT labs at GHS Ghiljo, one established by the KP IT Board, and another by the department of Elementary & Secondary Education, so there was duplication of resources incurred in the same station.

Objectives of the project could not be effectively achieved due to poor implementation of the project.

When pointed out in April 2023l, it was stated that reply will be given after consulting the record.

The department was requested vide letter dated 26.12.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends that the matter may be inquired responsibility be fixed the person at fault.

PDP No. 1040 (2021-22)

29.4.14 Doubtful selection of consultant costing - Rs. 9.747 million

According to clause 24 of the KPPRA, 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 audit of the accounts of Khyber Pakhtunkhwa Information Technology Board Peshawar for the Financial Years 2020-21 & 2021-22, it was observed that contract for consultancy services for employable digital skills training for the youth of merged areas of Khyber Pakhtunkhwa was awarded to M/S Tech Valley JV M/S DEMO JV M/S Data Point for the provision of consultancy services at the cost of Rs. 9,747,630/-.

Further scrutiny of the contract agreement revealed that the consultancy firm, which shown their team composition of staff at Attachment–C of the Form Tech-05, for executing the activities also included the name of Mr. Dr. Shahbaz Khan at S. No. 1, as a Project Director, who remained the Managing Director of the KP IT Board from the period 16 July 2016 to 16 July 2020.

Audit held that selection of the consultancy firm which is being managed by the ex- MD of the KP IT Board is a clear conflict of interest and violation of the rules mentioned above which needs justification.

The lapse occurred due to non-observance rules and regulations.

The department was requested vide letter dated 26.12.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting, however it was not convened till finalization of this report.

The matter is reported for investigation and appropriate action under the rules.

PDP No. 1041 (2021-22)

29.4.15 Non/Less deduction of taxes - Rs. 2.972 million

According to Government of Khyber Pakhtunkhwa, Revenue Authority (KPRA), Notification No.KPRA/Withholding –Regulation/DC/2020/2105 dated 06-10-2020, it is the responsibility of the Government Department to withhold 100% sales tax on service from the payment made to the service providers, irrespective of the fact that whether such service provider is registered with KPRA or not in respect of service mentioned in the second schedule to KP Finance Act, 2013 and deposit it in the Government Account under the Head B-02386 in terms of para 5 of the aforesaid regulation.

As per Government rules, stamp duty was required to be deducted @ of 1% and DPR Fund @ Rs.2000 per million from the payment made to contractors/suppliers.

According to the Financial Proposal of M/S CNS, the bid amount was inclusive of all taxes.

During the audit of the accounts of ICT Infrastructure Khyber Pakhtunkhwa Peshawar for the Financial Year 2021-22, it was observed that an amount of Rs.13.876 million Was paid to M/S CNS, Package-III & IV, on account of annual maintenance of the data Centre. However, the KPRA tax on services was either not deducted or it was less deducted. Detail is below:

S. No.	Cheque No	Date	Amount Paid	Tax due	Tax ded.	Diff.
1	2320245	03.03.2022	4,425,862	663879	-	663879
2	2253679	02.11.2011	6,110,138	916520	159395	757125
3	239934	22.06.2022	3,340,800	501120	100224	400896
Total			**13,876,800**	**2,081,519**	**259,619**	**1,821,900**

Similarly, an amount of Rs. 107.864 million was paid to the contractor on account of supply of various items, however, stamp duty @ of 1% and DPR Fund @ of Rs.2000 per million amounting to Rs. 1,078,647/- and Rs. 72,000/- respectively was not deducted from the bill. This resulted into loss to the public exchequer. Detail is below:

S.N.	Name of Supplier	Date	Cheque No.	Gross Amount	Stamp Duty	DPR Fund
1	Premier System	22.06.2022	239934	27,962,806	279628	20000
2	-do-	23.12.2021	2287178	40,674,000	406740	8000
3		03.03.2022	2320244	13,058,000	130580	0
4	2252971	-	Premier	12,293,277	122932	24000
5	2320245	03.03.2022	CNS Engineering	4,425,862	44258	8000
6	2253679	02.11.2021	CNS Engineering	6,110,138	61101	12000
7	239934	22.06.2022	Wide Band	3,340,800	33408	0
Total				**107,864,883**	**1,078,647**	**72,000**

The KPRA tax on services @ of 15% amounting to Rs.1821900/-, stamp duty @ 1% for Rs.1078647/- and DPR @ 2000/- per million amounting to Rs.72000 /- as required to be deducted from the concerned contractors bill. Non/less deduction of the tax on services resulted into loss of revenue to the public exchequer.

When pointed out in March, 2023, it was replied that detailed reply will be given after consulting of record.

The department was requested vide letter dated 26.12.2023 followed by a reminder dated 01.01.2024 for holding DAC meeting, however it was not convened till finalization of this report.

Audit recommends for recovery.

PDP No. 648 & 649 (2021-22)

29.4.16 Loss to public exchequer due to irregular appointment of Managing Director - Rs.19.285 million

According to para 1 of the advertisement dated 24-06-2020 for the post of Managing Director, candidate must be a person of eminence in information technology with at least 10 years of post-qualification experience including 5 years in senior management position with medium or large public or private organization or entrepreneurial setups in IT showing career progression in senior corporate management and leadership with focus on governance projects planning and execution, people and strategic management.

According to para 6 of the advertisement dated 24-06-2022 for the post of Managing Director, candidate must have graduate degree (16 years of education including 4 years' university education, throughout first division) in IT, computer sciences, or related engineering discipline from reputed and accredited institution.

According to para (8) (e) of 6 of KPITB Act 2011, the search and scrutiny committee for the appointment of MD shall comprise of five members who shall be members of the board.

During performance audit of the accounts of Khyber Pakhtunkhwa Information Technology Board Peshawar for the Financial Years 2016-17 to 2020-21, it was observed that Managing Director was appointed with pay package of Rs. 1,015,000/- per month w.e.f from 13-10-2020 and Rs. 19,285,000/ was paid till the date of audit i.e. May 23, 2022.

The appointment was held illegal because:

- The member at serial No.03 of search and scrutiny committee constituted for the appointment of Managing Director i.e. Secretary P&D was not the member of board which was mandatory by the law. The same was clarified by Law department vide letter No. SO(OP-I)/LD/15-I/2012-Vol-XXI/5120 dated 31-08-2020.
- The membership of the board member of search and scrutiny committee at serial 04 Dr. Sadaqat Jan, Dean of Faculty of Engineering, UET Mardan had expired on 17 June 2020 and was not renewed whereas the committee had been constituted on 13-08-2020.
- As per evaluation sheet, the selected candidate is ineligible as the selected candidate has done Ph. D in Electrical Engineering from Brunel University London, UK and B.Sc Electrical Engineering from UET Peshawar, whereas required qualification for the said post was 16 years of education including 4 years' university education-throughout first division- in IT, computer sciences, or related engineering discipline. According to HEC, degree in Electrical Engineering is not equivalent to degree in IT or Computer Science.
- As per evaluation sheet, the selected candidate did not have the relevant experience while his name put into the list of the applicants, fulfilling the mandatory criteria of experience for the post.
- Educational and experience certificates were requested in written as well as verbal however, the same was not provided to audit for verification.

The lapse occurred due to violation of KPITB Act.

In the DAC meeting held on 28.12.2022, the Para was marked for verification of record. However, no progress was intimated to Audit till finalization of this report

Audit recommends implementation of the DAC directives.

29.4.17 Loss to public exchequer due to illegal appointments of Directors - Rs. 59.090 million

According to para 1 of advertisement for the post of Director Finance & Accounts dated 04-06-2020, minimum qualification required was at least CA/ACMA/Foreign Equivalent Qualification or Degree in Accounts or Finance or Business Administration with specialization in Accounts or Finance or any other relevant qualification (at least 16 years of education) from recognize university with at least 10 years of overall experience with at least 05 years post-CA/ACMA/Foreign Equivalent Qualification in a leading public or private sector organization. OR at least 10 years, progressively relevant post qualification experience in a leading public or private sector organization for degree holder in Accounts or Finance or Business Administration with specialization in Accounts or Finance.

According to para 3 of advertisement for the post of Director Legal Affairs dated 04-06-2020, the minimum qualification required was at least LLB from a university/Institution recognize by the HEC with 05 years' relevant experience, Professional Certification as appropriate & member of Khyber Pakhtunkhwa bar council.

During Performance audit of the Khyber Pakhtunkhwa Information Technology Board for the Financial Years 2016-17 to 2020-21, it was observed that the following Directors were appointed on contract basis by the KPITB as per details given below:

Amount in Rs.

S. No.	Name	Designation	Period	Salary P.M	Total
1	M. Munaim	Contract employee, as Director Accounts & Finance w.e.f12.01.2017	10	372,230	372,2300
		Regular employee, as Director Accounts & Finance	54	440,000	23,760,000
2	M.Asad	Contract employee, as Legal Adviser w.e.f 03.06.2014	41	207,235	8,496,635
		Regular as Director Legal Affairsw.e.fNovember 2017Till date	54	428,000	23,112,000
Total					**59,090,935**

Audit observed the following deficiencies:

- The Director Finance and Accounts was initially appointed as contingent staff on 12-01-2017 and from 01-11-2017 the service was regularized at the monthly salary of Rs. 440,000/- without any advertisement and proper procedure for initial recruitment. The officer was awarded 20 marks out of 20 for the qualification of CA/ACMA or equivalent foreign degree of 16 years' regular qualification, who obtained the ACCA degree in April 2012 and last date of submission of Job application was 22/12/2016. In this case, the candidate lacked the required experience of 10 years overall and 05 years post CA/ACMA, making the candidate ineligible for the said post. Furthermore, there is duplication of experience period mentioned by the officer and supporting experience certificate from ex employer i.e. NW Hospital. The CV transpired that the officer worked as "Finance Manager" from June, 2014 to 22/01/2016 while certificate reflects Senior Manager Finance and Administration.
- Similarly, the Director Legal Affairs was regularized from 01-11-2017 at the monthly salary of Rs. 428,000/- without any advertisement and adopting proper procedure for initial recruitment.

- In interview of Legal Adviser (nomenclature change to “Director Legal Affaires” Notification No.2278-82 dated June 04,2020), despite the fact that the candidate had obtained the Secondary School Certificate (SSC) with grade “C” third class, the recruitment committee gave him 10 marks instead of 08 which is in violation of the criteria. Similarly, Higher Secondary School Certificate (HSC) with grade “D” for which he was entitled for 08 marks as per criteria instead of 10 marks. Moreover, there is no evidence available for 5 years’ experience in his personal file.
- The relevant educational documents and experience certificates were not verified from the organization concerned as required under the rules.
- The posts of Director Accounts & Finance and Director Legal Affairs were not approved from the board.
- The officers were selected in hurry, setting aside all the required norms and rules just to favor the blue eyed.

Audit, therefore, held that the process of short listing and selection was not transparent and resultantly merit had been compromised.

The lapse occurred due to weak internal control.

In the DAC meeting held on 28.12.2022, the Para was marked for verification of record within 15 days. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC directives.

PDP No. 76 (2021-22)

Chapter – 30

TOURISM AND CULTURE DEPARTMENT

30.1 A) Introduction

The Sports, Tourism, Archaeology, Museum, Culture & Youth Affairs Department is mandated to administer the operations and development of the following. Providing state of the art sports facilities Youth Development Promotion and development of culture Preservation and conservation of archaeological sites Tourism Sector enablement and tourism Value Chains to attract national and international tourists.

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

- Tourism.
- Archaeology.
    - Excavation.
    - Exploration/Survey.
    - Conservation, restoration and rehabilitation.

- Museums.
- Culture
- Youth Affairs.
- Service matters except those entrusted to Establishment and Administration Department.

Audit Profile of Tourism Department: **(Rs. in million)**

S. No.	Description	Total Nos	Audited	Expenditure Audited FY 2022-23	Revenue/Receipts Audited FY 2022-23
1	Formations	11	02	2,845	0
2	• Assignment Account • SDA (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	01	01	-	N/A
4	Foreign Aided Projects (FAP)	01	01	-	N/A

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

Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2021-22 against the total of grants/appropriation was as follows:

Non-Development:

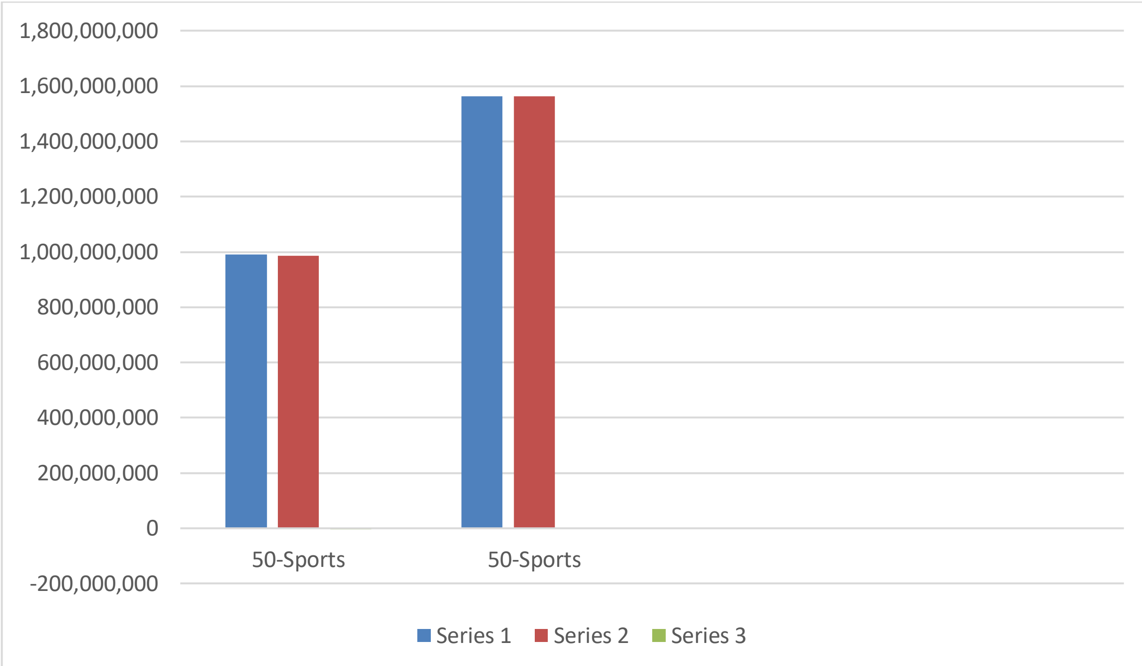
(Amount in Rs.)

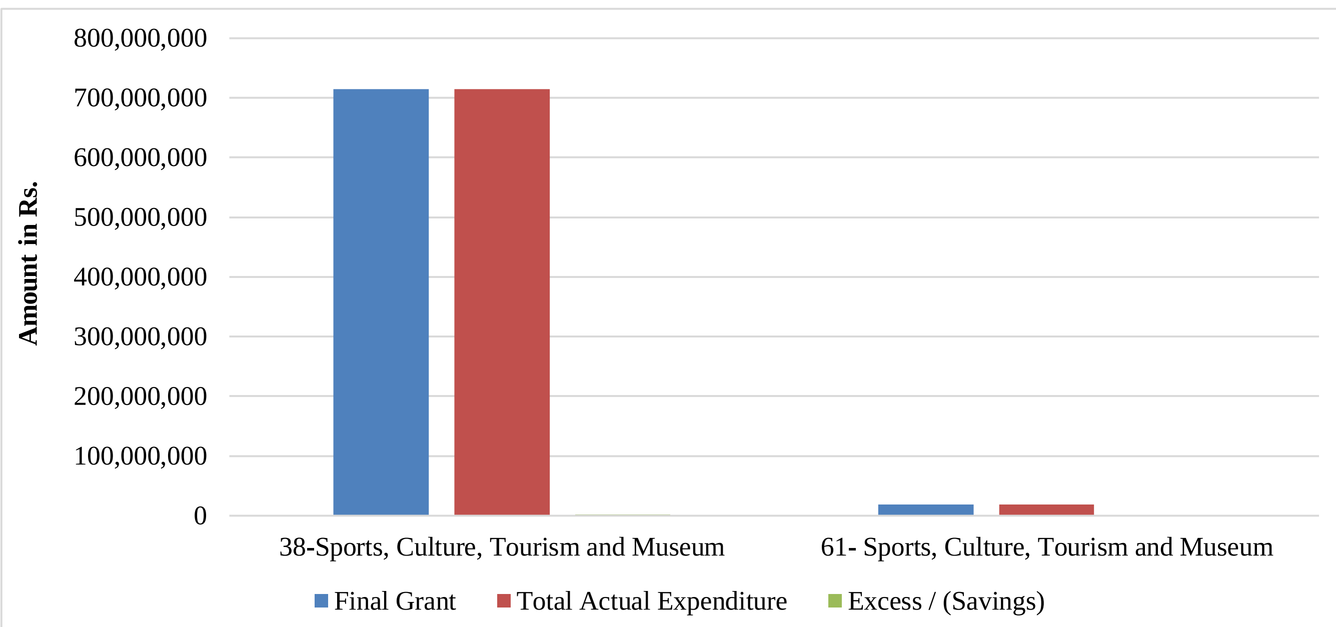
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess / (Savings)
38-Sports, Culture, Tourism and Museum	NC21	1,932,155,000	2420	-	1,217,891,823	714,265,597	714,712,755	447,158
61- Sports, Culture, Tourism and Museum	NC21	36,384,000	0	-1,857,782	15,971,001	18,555,217	18,555,217	0
Total		**1,968,539,000**	**2,420**	**-1,857,782**	**1,233,862,824**	**732,820,814**	**733,267,972**	**447,158**

Development:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Re-appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess / (Savings)
50-Sports	NC22	5,113,301,000	0	-528,575,000	3,594,678,914	990,047,086	987,108,237	-2938849
50-Sports	NC12	6,422,818,000	0	124,516,000	4,983,930,551	1,563,403,449	1,563,403,449	0
Total		**11,536,119,000**	**0**	**-404,059,000**	**8,578,609,465**	**2,553,450,535**	**2,550,511,686**	**-2,938,849**

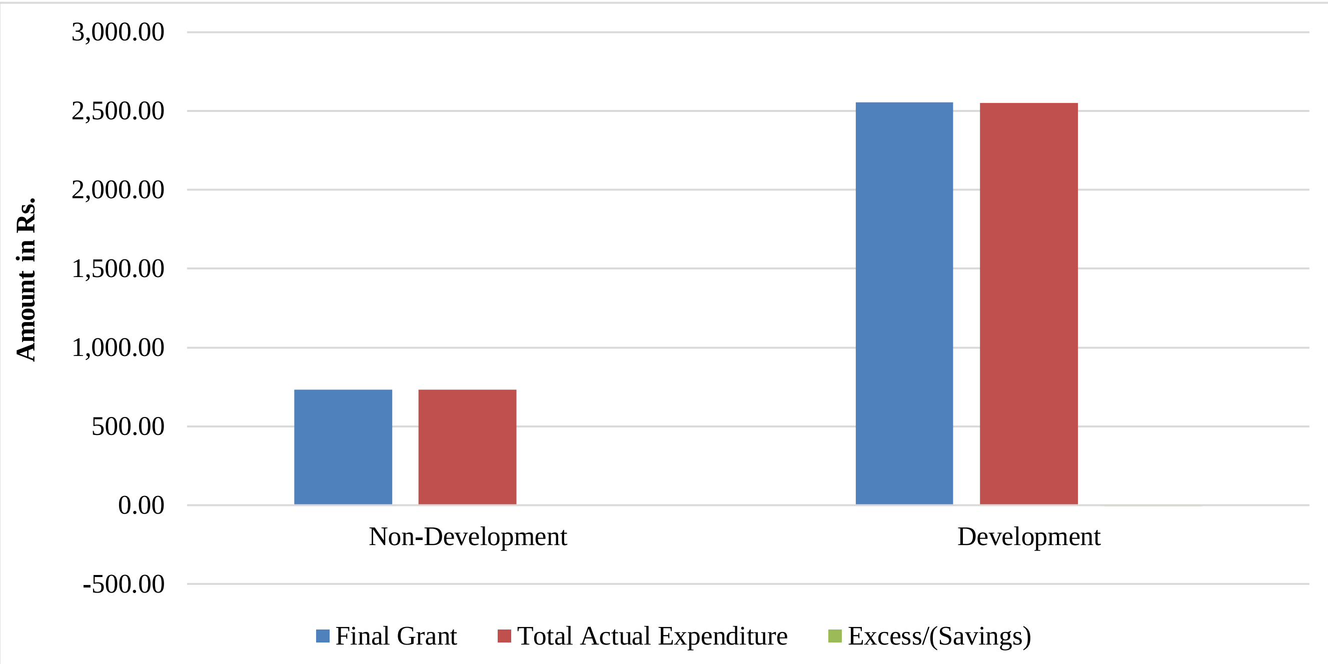

1,800,000,000
1,600,000,000
1,400,000,000
1,200,000,000
1,000,000,000
800,000,000
600,000,000
400,000,000
200,000,000
0
-200,000,000
50-Sports
50-Sports
Series 1
Series 2
Series 3


Amount in Rs.
800,000,000
700,000,000
600,000,000
500,000,000
400,000,000
300,000,000
200,000,000
100,000,000
0
38-Sports, Culture, Tourism and Museum
61- Sports, Culture, Tourism and Museum
Final Grant
Total Actual Expenditure
Excess / (Savings)

Overview of expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	732.82	733.27	0.447158	0.06%
Development	2,553.45	2,550.51	-2.938849	-0.12%
Total	**3,286.27**	**3,283.78**	**-2.49**	-0.08%



30.1 (C) Issues in the Culture & Tourism Department

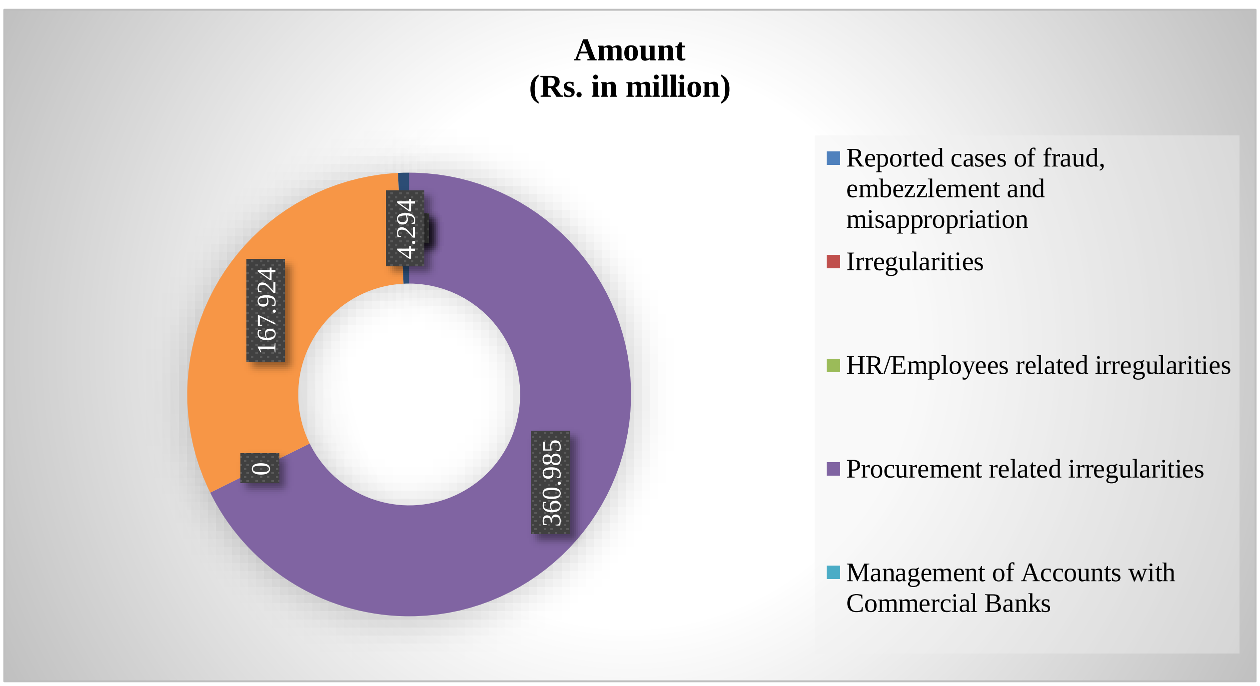
During audit of the Tourism Authority Khyber Pakhtunkhwa, it was observed that staff of the Tourism Corporation was irregulary absorbed in the KP Tourism Authority. Millions of assets were procured without any procurement plan. More than 600 million of budget was available in different ADP schemes but were not surrendered to the Government. Assets and liabilities were not properly transferred to the tourism Authority resulting in mis-appropriation of millions of funds. Investment of the idle funds was also delayed resulting in millions of loss to government. There were no details of the head-wise figures of the departmental own receipts collected by the department.

30.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 533.203 million were raised in this report during the current audit of Tourism, Sports and Culture Department. This amount also includes recoveries of Rs. 43.271 million as pointed out by the audit Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

S. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	360.985
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	167.924
5	Others	4.294



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

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

30.4 Audit Paras

30.4.1 Unjustified expenditure on account of fabrication of 4X4 firefighting vehicles – Rs. 31.553 million

According to Section V, clause 5.59 of the World Bank Procurement Regulations for IPF Borrowers, lack of competition shall not be determined solely on the basis of the number of Bidders/Proposers. Even when only one Bid/Proposal is submitted, the process may be considered valid, if:

a. The procurement was satisfactorily advertised;
b. The qualification criteria were not unduly restrictive; and
c. Prices are reasonable in comparison to market values.

During audit of the accounts of Khyber Pakhtunkhwa Integrated Tourism Development Project (KITE) – DoT Component for the Financial Year 2022-23, it was observed that an amount of Rs. 57,495,000/- was paid to M/S Ahmad Madix Lahore on account of purchase of Prototype 4x4 Fire Fighting Vehicles at the rate of Rs. 11,499,000/- per unit which included the unit price of vehicle amounting to Rs. 5,188,484and Rs. 6,310,616 for locally fabricating of fire fighting vehicle.

Further scrutiny of record revealed that the selection of firm was made on single source bid wherein two firms formed joint venture i.e. M/S Toyota Frontier Motors and M/S Ahmed Medix for provision and fabrication of 4x4 firefighting vehicles. As the fabrication cost of the vehicle exceeded more than 100% of the original cost of the vehicle, therefore, Audit held that the management failed to consider the price reasonability in comparison to market values so that to safeguard the interest of the project's fund.

Moreover, the project management also made an advance payment of Rs. 57,495,000/- to M/S Indus Motors for which neither any provision in the contract agreement existed nor in the bid offered by the supplier.

The lapse occurred due to non-observance of the rules and regulations which resulted in unjustified expenditure.

When pointed out in October 2023, the project management stated that detailed reply will be submitted at DAC forum.

The department was requested vide letter dated 15.11.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to investigate the matter and take appropriate action.

PDP No. 10 (2022-23)

30.4.2 Wasteful expenditure on account of purchase of heavy vehicles Rs. 136.374 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.

According to objectives of the PC-I, the proposed development objective of KITE project is to open up new tourist destinations and areas, improve the provincial infrastructure, enhance tourism assets, and strengthen institutional capacity in support of sustainable tourism development in KP.

During audit of the accounts of Khyber Pakhtunkhwa Integrated Tourism Development Project (KITE) – DoT Component for the Financial Year 2022-23, it was observed that a sum of Rs. 136,374,671/- was paid on account of procurement of different vehicles for Rescue stations and Development Authorities at GabeenJaba, Kalash and Kumrat.

Audit held that these areas, characterized by rugged terrain and limited infrastructure, posed a significant challenge to conventional vehicle usage, as they were primarily accessible via narrow jeep tracks. The existing tracks were ill-suited for the operation of these vehicles, necessitating substantial roads construction and infrastructure development before their utilization could even be contemplated.

Furthermore, when inquiring about the practicality and usage of these newly acquired vehicles from the project management, it was revealed that the responsibility for their operation and maintenance had been transferred to the respective rescue stations and development authorities in GabeenJaba, Kalash, and Kumrat. Audit is deeply concerned about the probability that these vehicles may remain idle due to the impracticality of their use in these terrains, rendering the substantial financial allocation for their acquisition wasteful.

Audit further held that the procurement of these vehicles for the rescue stations and development authorities in GabeenJaba, Kalash, and Kumrat, without a commensurate plan for road development or a clear strategy for their operation, is an unjustifiable and unwise allocation of resources, indicative of financial mismanagement within the KITE project.

The lapse occurred due to ill planning which resulted in wasteful expenditure on account of purchase of heavy vehicles.

When pointed out in October 2023, the project management stated that detailed reply will be submitted at DAC forum.

The department was requested vide letter dated 15.11.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to inquire the matter and fix responsibility on the person(s) at fault.

PDP No. 17 (2022-23)

30.4.3 Loss to the government due to selection of contractor at higher rates – Rs. 17.852 million

According to clause 15.1 of the bidding documents, prices shall be quoted in PKR or any fully convertible currency, singly or in combination of up to three foreign currencies.

During audit of the accounts of Khyber Pakhtunkhwa Integrated Tourism Development Project (KITE) – DoT Component for the Financial Year 2022-23, it was observed that a contract for the purchase of Wheel Loader (5 Ton) with Snow Blower, Angle Blade & Angle Sweeper Snow Brush was awarded to M/S Rawal Industrial Equipment at the cost of Rs. 72,540,000/-. However, further scrutiny of record revealed that the project management ignored the lowest rate of M/S Global Technologies i.e. Rs. 54,687,916/- and declared the bid non-responsive due to offering the rates in US Dollars, which resulted into a loss of Rs. 17,852,084/- to the government.

Firm	Bid Price	Price in PKR	Remarks
M/S Rawal Industrial Equipment	Rs. 72,540,000	72,540,000	
M/S Global Technologies	USD. 344,100	54,687,916	Prevailing market rate at the time of bidding was Rs. 158.95 per dollar
Difference (Loss)		**17,852,084**	

The lapse occurred due to violation of the standard bidding documents and extending undue favor to the selected bidder which resulted in loss to the government.

When pointed out in October 2023, the project management stated that detailed reply will be submitted at DAC forum.

The department was requested vide letter dated 15.11.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

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

PDP No. 21 (2022-23)

30.4.4 Doubtful supply on account of 4X4 firefighting vehicles costing – Rs. 57.495 million

As per clause 5.38 of the World Bank Procurement Regulations for IPF Borrowers, firms participating in Bank-financed contracts may form joint ventures with domestic and/or foreign firms to enhance their qualifications and capabilities. A joint venture may be for the long term (independent of any particular procurement), or for a specific procurement. All the partners in a joint venture shall be jointly and severally liable for the entire contract.

According to Para148 of the General Financial Rules Para Vol I 148 GFR, all materials received should be examined, counted, measured or weighed as the case may be when delivery is taken and they should be taken in charge by a responsible government officer who should see that the quantities are correct and their quality good, and record a certificate to that effect.

During audit of the accounts of Khyber Pakhtunkhwa Integrated Tourism Development Project (KITE) – DoT Component for the Financial Year 2022-23, it was observed that an amount of Rs. 57,495,000/- was paid to M/S Ahmad Madix Lahore on account of purchase of Prototype 4x4 Fire Fighting Vehicles at the rate of Rs. 11,499,000/- per unit. Further scrutiny of record revealed that a four members' committee carried out the technical inspection of the said vehicles on 11-08-2021 at Rescue 1122 HQ Peshawar which pointed out 19 different serious deficiencies related to the quality and quantity. The 2nd meeting of the said committee was held on 19.11.2021 wherein the committee reported that out of the nineteen observations raised in the previous meeting, only nine were rectified with the rest of the observations remaining unaddressed.

However, the project management instead of rectifying the same deficiencies through the supplier, constituted another inspection committee of three members (one member from Punjab Emergency services) vide KITE letter dated 02-02-2022. The committee carried out the technical inspection on 16-05-2022 by giving a simple overall satisfactory certificate of the performance of the vehicles without considering the deficiencies pointed out by the previous inspection committee which was signed only by the two members instead of all the three members.

Furthermore, the project management failed to take up the issue of the deficiencies with the co-ventures as they were jointly responsible under the rules mentioned above.

The lapse occurred due to non-observance of the rules and regulations which resulted in doubtful supplies.

When pointed out in October 2023, the project management stated that detailed reply will be submitted at DAC forum.

The department was requested vide letter dated 15.11.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends investigating the matter and taking appropriate action.

PDP No. 22 (2022-23)

30.4.5 Loss to government due to award of contract at higher rates - 87.928 million

According to para 23 of GFR Vol-I, every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part or on the part of his subordinate.

During audit of the accounts of Khyber Pakhtunkhwa Integrated Tourism Development Project (KITE) – DoT Component for the Financial Year 2022-23, it was observed that the initial advertisement for the procurement of snow removal vehicles was issued on 14.10.2020. M/S Global Technology was shortlisted and subsequently issued letter of acceptance at a contract price of USD 518,500, equivalent to Rs. 82,680,010. The successful bidder i.e. M/S Global Technology communicated their inability to provide the requisite item and requested a re-advertisement of the tender. However, the project management failed to offer the contract to the second lowest bidder i.e. M/S Rikans International at the bid cost of USD 565,675 at the risk-&-cost of the defaulter bidder along with forfeiting their CDR.

Consequently, the project management re-advertised the tender on 14.10.2021 and awarded the contract to M/S Rikans International at a contract price of USD 799,200 which resulted in loss of USD 280,700 (USD 799,200 lowest bid in second tender - USD 518,500 lowest bid in the first tender).

An analysis of the procurement process reveals that if the contract had been awarded to M/S Rikans International, the second lowest bidder during the initial tender, significant cost savings amounting to Rs. 87,938,345 ((USD 799,200 rate offered by Rikans Int. in second bidding x 222.899) = Rs. 178,140,880 – (USD 565,675 rate offered in first bidding x 159.46) = Rs. 90,202,535) could have been achieved.

Moreover, the letter of acceptance was issued to the contractor on 02.02.2021 and the defaulter supplier refused to enter into contract on 15.04.2021. Therefore, the management failed to sign contract with M/S Global Technology despite a lapse of two months and obtain 10 percent performance to materialize the supply of snow removal vehicles.

Audit held the project management neither forfeited the bid security, which amounted to Rs. 1,653,618 (2% of the initial contract value), from the defaulter supplier, M/S Global Technology, nor took any measures to blacklist the company.

The lapse occurred due to weak procurement management and extending undue benefit to the supplier which resulted in loss to government due to award of contract at higher rates contract.

When pointed out in October 2023, the project management stated that detailed reply will be submitted at DAC forum.

The department was requested vide letter dated 15.11.2023 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends conducting a fact-finding inquiry and fixing responsibility on person(s) at fault.

PDP No. 27 (2022-23)

30.4.6 Non-supply of snow removal vehicles – Rs. 160.926 million Non-imposition of liquidated damages – Rs. 16.092 million

According to the letter of acceptance dated 17.1.2022, equipment /good must be delivered within the agreed time lines of three to six months from the contract singing date.

According to the contract agreement clause GCC 27.1, the maximum liquidated damages shall be 10 % of the total contract value in case of late supply.

During special audit of the Project Director Khyber Pakhtunkhwa Integrated Tourism Development Project, DOT component revealed that Rs 160.926 million (90% of the total payment) was paid to M/s Rikans international vide cheque No.274930292 dated 24.11.22 for supply of 6 No's snow Removal vehicles for establishment of rescue 1122 at various districts.

Scrutiny of record revealed that contract was executed on 31.1.2022 between the supplier and the Project Management. As per letter of acceptance the maximum time to reach the supplies to the purchaser country was 31.7.2022 but contrary to this supplier did not supply the snow removal vehicles till date of audit i-e April, 2023 despite lapse of considerable time. Audit held that neither any action has been taken against the supplier nor liquidated damages was imposed for non-supplies which needs justification.

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

When pointed out department replied that detailed reply shall be furnished after checking the record.

The department was requested vide letter dated 15.06.2023 followed by a reminder letter dated 04.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

The matter needs to be inquired for fixing responsibility along with imposing liquidated damages on supplier.

PDP No. 1193 (2021-22)

30.4.7 Expected loss on account of execution of pre-fabricated toilet work due to deviation from the approved design – Rs. 7.855 million

According to the approved advertisement the height of pre-fabricated toilet was 8 feet 6 inches later on addendum made the said height was enhanced to 10 feet and 6 inches

During special audit of the Project Director Khyber Pakhtunkhwa integrated tourism development project, DOT component, it was noticed that the contract for supply and installation of pre-fabricated toilet was awarded to contractor M/s Frontier works with the contract cost of Rs 64.115 million and allowed up-to- date payment of Rs 25.259 million for 73 toilets.

Scrutiny and verification of record revealed that as per advertisement and approved design the height of the pre- fabricated toilet was 8 feet and 6 inches which was later on changed and enhanced to 10 feet and 6 inches through addendum. However, on physical verification it was observed that the height of pre-fabricated toilet was 9 feet and 4 inches which resulted into expected loss of Rs 7.855 million due to below specification of work. detail is as under: -

Particular	Contract cost	No of toilet to be installed	Per toilet cost	Specification required to be executed	Actual work done	Difference in square feet	Per unit cost in per square approx.	Expected loss
Fabricated toilet	64.115	90	0.712 million approx.	5.5 feet width 10.6 feet height	5.5. feet width 9.4 feet height	6.6 /square feet	87278	7.855 million

The lapse occurred due to violation and non-adherence of rules & regulation.

When pointed out department replied that detailed reply shall be furnished after checking the record.

The department was requested vide letter dated 15.06.2023 followed by a reminder letter dated 04.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

The matter is reported for detail inquiry and fixing responsibility against the person at fault along with recovery of differential amount.

PDP No. 1194 (2021-22)

30.4.8 Loss to the government due to non-deduction of GST - Rs. 4.294 million

According to SRO 661 (07) of the Sales Tax Department, 1/5th GST should be deducted at source from the supplier concerned & intimated to sales tax department on Proforma with their dated invoices.

According to the contract agreement clause 17.2 for good manufactured within the purchaser's country, the supplier shall be entirely responsible for all taxes, duties, license, fees etc.

During special audit of the Project Director Khyber Pakhtunkhwa integrated tourism development project, DOT component, it was noticed that the contract for supply and installation of pre-fabricated toilet was awarded to contractor M/s Frontier works with the contract cost of Rs 64.115 million and paid Rs 25.259 million for installation of 73 units.

On checking of record, it was found that sales tax at the rate of 17 % i-e Rs 4.294 million (25.259x17/100) was not deducted from the claim of supplier so far despite the fact that the price quoted by the bidder was lump sum price and inclusive of all taxes which was also evident from the contract clause quoted above.

The lapse occurred due to weak internal control & financial Mismanagement.

When pointed out department replied that detailed reply shall be furnished after checking the record.

The department was requested vide letter dated 15.06.2023 followed by a reminder letter dated 04.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

Audit recommends recovery from the supplier.

PDP No. 1195 (2021-22)

30.4.9 Non-obtaining 10% performance securities – Rs 23.896 million

According to clause 13.5 (c) read with IB. 21 & 44 of the standard form of bidding documents for procurement of works notified vide No. KPPRA/M&E/SBDs/1-1/2015 dated 03-05-2016, the bid security may be forfeited in case the successful bidder fails to furnish the required performance security. The successful bidder shall furnish to the procuring entity a performance security in the form and the amount stipulated in the conditions of contract within a period of 14 days after receipt of letter of acceptance. Failure of the successful bidder shall constitute sufficient grounds for the annulment of the award and forfeiture of the bid security. The performance security will be needed in case the contract value is equal to or exceeds Rs.20.00 million.

During special audit of the Project Director Khyber Pakhtunkhwa integrated tourism development project, C&W component,it was noticed that contract for conservation and development museum and Archeological sites under 6 lots/packages were awarded to the M/s Younas builders and allowed upto date payment to Rs 87.428 million as per detailed given below: -

S. No.	Lot No.	Scheme	Bid Cost (Rs)	10% Performance Security (Rs)
1	1	Conservation and development of Archeological site Bhamala, Haripur	46.827	4.6827
2	2	Development & improvement of Dir Museum Chakdara	27.856	2.7856
3	3	Development & improvement of Hund Museum Swabi	51.265	5.1265
5	5	Conservation and development of Archeological site ShapulaStupa district Khyber	25.075	2.5075

6	6	Conservation and development of of main kalam Mosque and Udigram Mosque district swat	69.859	6.9859
Total			**238.963**	**23.8963**

Scrutiny of record revealed that performance securities worth Rs. 23.896 million i.e. 10% of the accepted costs was not obtained from the successful bidder or obtained but not produced to audit for scrutiny.

Audit is of the view that performance security was required to be obtained before commencement of work from the contractor which was not done.

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

When pointed out department replied that detail reply will be furnished after checking the record.

The department was requested vide letter dated 15.06.2023 followed by a reminder letter dated 04.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

The matter is reported for justification and corrective measures.

PDP No. 1203 (2021-22)

30.4.10 Excess payment to the contractor over & above BOQ cost on stone chipping work – Rs. 2.009 million

According to the approved BOQ. Providing, laying and restoration Stone chipping qty 2544cft amounting to Rs 712,320 was provided.

During special audit of the Project Director Khyber Pakhtunkhwa integrated tourism development project, DOT component, it was noticed that the contract for supply of material skilled /unskilled for conservation of archaeological remains Shapula district Khyber was awarded toM/s Shah brother with the contract cost of Rs 30.44 million and allowed upto date payment of Rs 15.803 million.

On Comparison and verification of record it was observed that approved quantities of an item Providing, laying and restoration Stone chipping was 2544 cft in the approved design and cross sections but contrary to this contractor was allowed a quantity of 9719 cft by the site supervisor and Archeology Engineer which resulted into excess payment of Rs 2.009 million for the 7175cft (9719-2544=7175 cft x280) than the required. Furthermore,neither TS was obtained nor original MBs were produced to authenticate the record entries.

Audit held that incurring of expenditure was required to be executed within approved cost and quantities which was not done.

The irregularity occurred due to weak internal control and financial mismanagement.

When pointed out, the department replied that detailed reply will be furnished after checking the record.

The department was requested vide letter dated 15.06.2023 followed by a reminder letter dated 04.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

The matter requires fact finding inquiry and fixing responsibility against the person at fault alongwith recovery.

PDP No. 1198 (2021-22)

30.4.11 Unauthorized payment to the contractor - Rs 3.024 million

According to KPPRA rule only 15 % variation is allowed over & above the bid cost.

According to the Government of Pakistan, Planning & Development Division letter No.21(40)/PIA/PC/200 dated 26-05-2007 “The executing agency should start preparing the revised scheme immediately when it is known that the cost of the scheme is going to rise beyond permissible limit of 15%”

During special audit of the Project Director Khyber Pakhtunkhwa integrated tourism development project, DOT component, it was noticed that the contract for supply & installation of illumination of Peshawar Museum and Sehti house was awarded to the contractor M/s Hussain Metal stone with the contract cost of Rs 8.061 million and allowed upto date payment of Rs 11.085 million.

However, Scrutiny of record revealed that contractor was only entitled upto the payment of Rs 9.270 million as 15 % over and above the contract cost of Rs 8.061 million but contrary to this contractor was paid Rs 11.085 million which resulted an over payment of Rs 3.024 million. As per above quoted rule a separate tender was required to be re-advertisedfor excess work which was not done.

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

When pointed out department replied that detail reply will be furnished after checking the record.

The department was requested vide letter dated 15.06.2023 followed by a reminder letter dated 04.01.2024 for holding DAC meeting. However, the DAC meeting was not convened till finalization of this report.

The matter is reported to inquire the matter for fixing of responsibility on the person(s) at fault and recovery of loss.

Chapter - 31

TRANSPORT DEPARTMENT

31.1 A) Introduction

Transport Department is responsible for the supervision and control of Provincial Transports, preparation of Provincial Budget, formulation and interpretation of Financial Rules, Civil servants Rules related to pay, Allowances and Pension, Management of Public Debit, Banking, coordination of National and Provincial Transport Commissions, Administration of Local Fund Audit and Treasuries.

Major services of the Transport Department are Administration of Motor vehicle ordinance 1965 and rules framed there under, issuance of route permits, fixation of fare rates, issuance of driving licence and classification of transport routes.

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

- Administration of Motor Vehicle Ordinance, 1965 and Rules framed thereunder.

- Administration of Directorate of Transport 2Khyber Pakhtunkhwa, Provincial Transport Authority, District Regional Transport Authorities & 3Khyber Pakhtunkhwa Road Transport Board.
- Inspection and checking of the documents of Motor Vehicles.
- Inspection & Certification of road worthy vehicles.
- Service matter except those entrusted to the Establishment and Administration Department.
- Formulation of Transport Policy & Planning.
- Research & Development (R&D).
- Data Collection.
    - Vehicle Registration Data,
    - Route permits statistics
    - Accident Data.
    - Traffic Courts.
    - Origin-Destination Studies.
- Assistance in Legislation.
    - Updating of Highway Code.
    - Review of Traffic Laws.
    - Review of Traffic Safety Provisions.
    - Review of Motor Vehicle Laws Rules.
- Directorate of Transport 4Khyber Pakhtunkhwa, Provincial Transport Authority, District Regional Transport Authorities & 5Khyber Pakhtunkhwa Road Transport Board.
- Coordination with other Government Departments Agencies both in public and private sectors.
- Monitoring and evaluation of Transport related projects.
- Issuance of route permits for stage carriages and contract carriages.
- Route Permits, fare/freights, matters relating to traffic speeds, loading, parking and halting places, exemption cases of vehicles under Motor Vehicles Ordinance and Rules Grouping of stage carriages.
- Payment of compensation in accident cases of Private Public Sectors and allied matters.
- Chapter VII and VIII of Motor Vehicles Act, 1939.
- Policy regarding students' concession and Nationalization & Privatization of Road Transport.
- Maintenance/Management of Public Bus Stands throughout the Province.
- Classification of routes for public service vehicles.
- Settlement of terms and conditions for public service vehicles.
- Settlement of disputes among the District Regional Transport Authorities.
- Operation of Pak-Afghan Bus Service.

- Operation of Mass transit system in 1Khyber Pakhtunkhwa.
- Attract Private investment in Transport Sector.

Audit Profile of Transport Department: **(Rs. in million)**

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2021-22	Revenue/Receipts Audited FY 2021-22
1	Formations	43	04	2,845	0
2	• Assignment Account • SDA (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	02	01	-	N/A
4	Foreign Aided Projects (FAP)	02	02	-	N/A

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

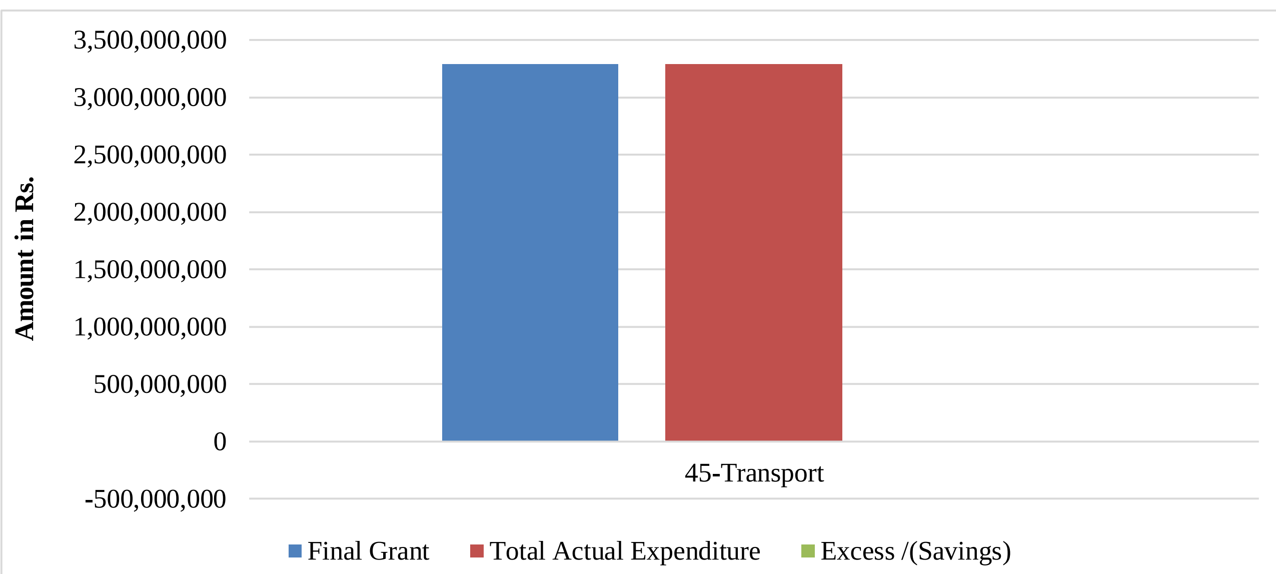
Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2022-23 against the total of grants/appropriation was as follows:

Non-Development:

(Amount in Rs.)

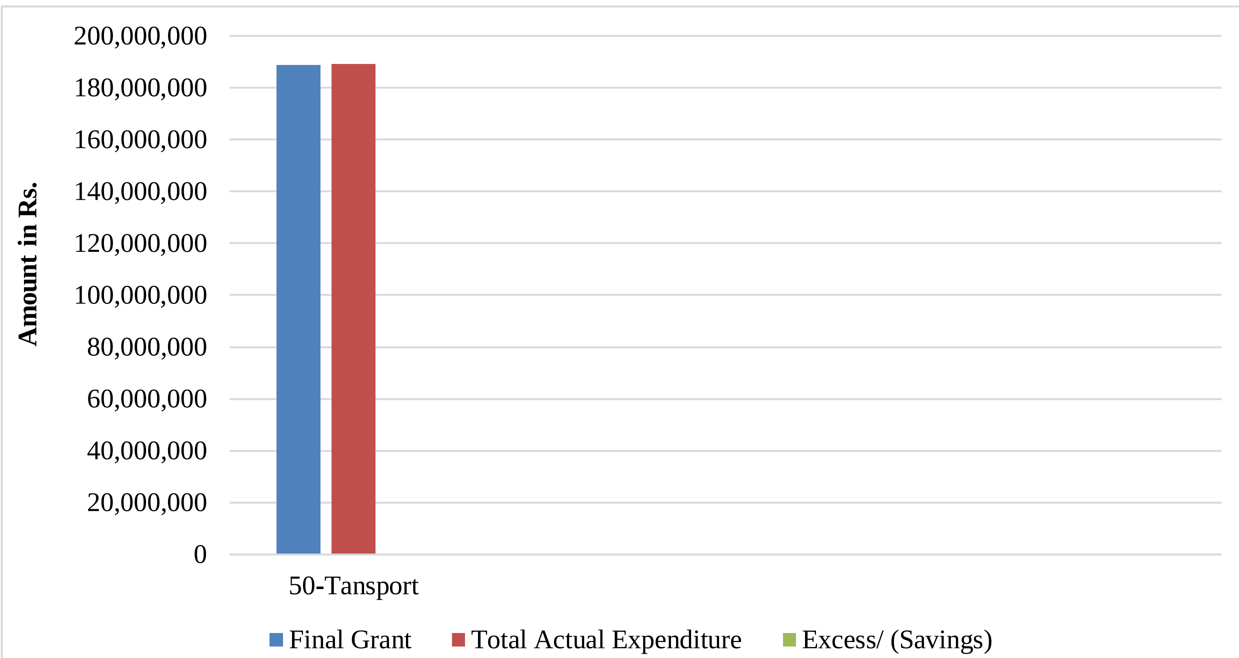
Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Re-appropriation	Surrender	Final Grant	Total Actual expenditure	Excess / (Savings)
45- Transport	NC21	4,993,402,000	49,351,000	0	1,754,120,961	3,288,632,039	3,287,652,201	(979,838)
Total		4,993,402,000	49,351,000	0	1,754,120,961	3,288,632,039	3,287,652,201	(979,838)



Development:

(Amount in Rs.)

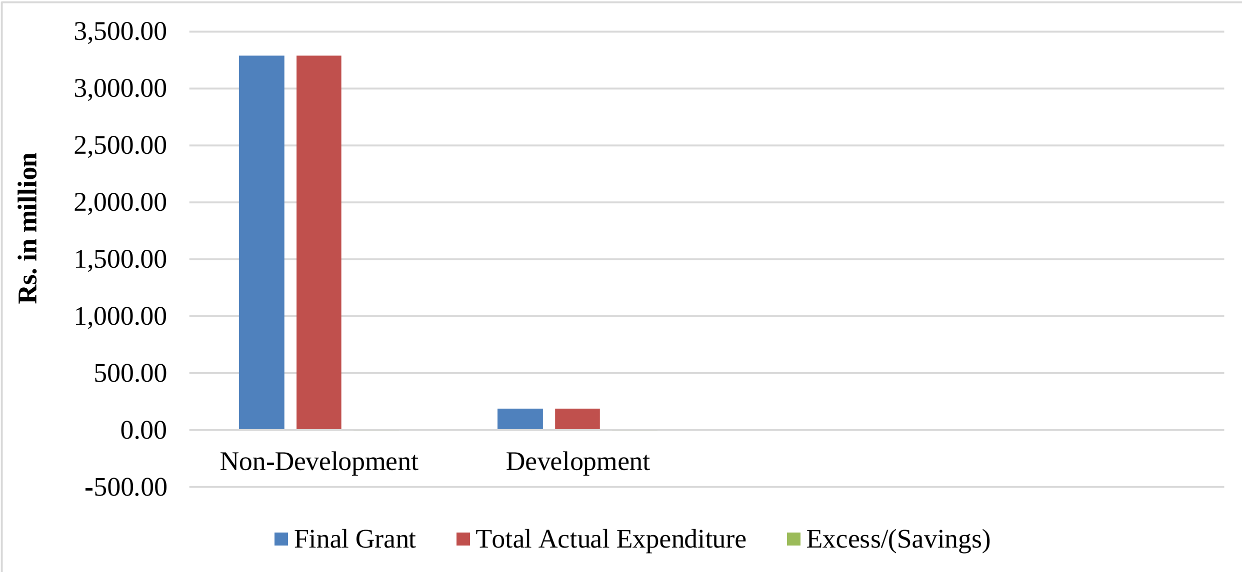
Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Re-appropriation	Surrender	Final Grant	Total Actual Expenditure	Excess / (Savings)
50-Tansport	NC22	113,988,000	10	27,114,442	1,822,385	188,916,608	188,951,568	34,960
Total		**113,988,000**	**10**	**27,114,442**	**1,822,385**	**188,916,608**	**188,951,568**	**34,960**



Overview of expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	3,288.632	3,287.652	-0.979	0.00%
Development	188.916	188.951	-.35	0.00%
Total	**3,477.548**	**3,476.603**	**-1.329**	0.00%



31.1(C) Issues in Transport Department

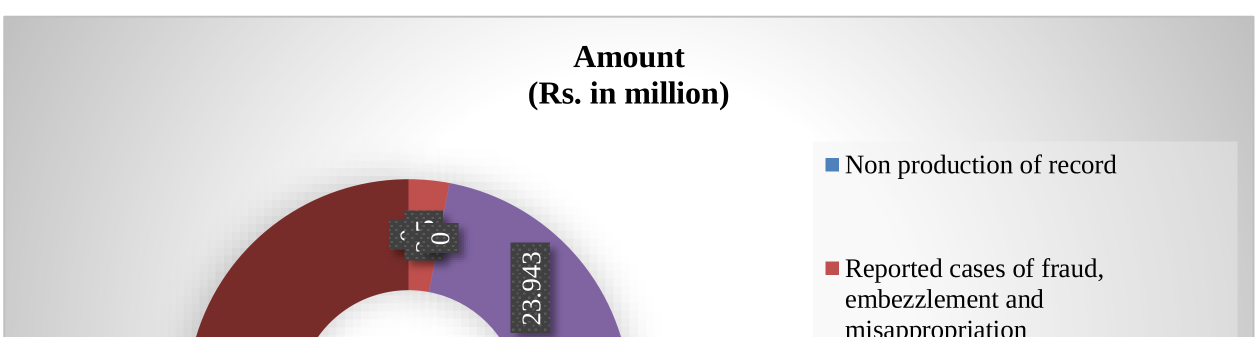
During audit of the Transport Department, it was observed that irregular expenditure were made on procurement of Intelligent Transport System (ITS) equipment. It was also observed that millions of recoveries were outstanding against different bus terminal. Another important issue in the transport department was that fleet for the BRT buses were not supplied till the date of audit. On revenue receipt side it was observed that route permit fee and penalty on the late depositors were not fully collected. There were no details of the head-wise figures of the departmental own receipts collected by the department.

31.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 118.367 million were raised in this report during the current audit of Transport Department. This amount also includes recoveries of Rs. 33.581 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

S. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	3.5
3	Irregularities	
A	HR/Employees related irregularities	23.943
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	8.914
4	Value for money and service delivery issues	-
5	Others	82.01



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

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

31.4 Audit Paras

31.4.1 No-execution of core responsibilities by the department

According to the Khyber Pakhtunkhwa Rules of Business 1985, the Secretary Transport Department has to perform the following activities;

- Monitoring and evaluation reports of the transport related projects
- Approval granted regarding compensation in death cases of private public sectors and allied matters.
- Private investment made in transport sector
- Maintenance/Management of Public bus stands throughout the province

During audit of the accounts of Secretary Transport & Mass Transit Khyber Pakhtunkhwa Peshawar for the Financial Year 2022-23, it was observed that no evidence was found available on record which could authenticate the performance of the following core functions / activities by the department;

- Monitoring and evaluation reports of the transport related projects

- Approval granted regarding compensation in death cases of private public sectors and allied matters
- Private investment made in transport sector
- Maintenance/Management of Public bus stands throughout the province

The lapse occurred due to weak internal controls & financial Mismanagement which resulted in non-execution of the core functions / responsibilities by the department.

When pointed out in August 2023, no reply was furnished.

The department was requested vide letter dated 05.09.2023 followed by reminder letters dated 26.12.2023 and 01.01.2024. However, the DAC meeting was not convened till finalization of this report.

Audit recommends to justify the matter and take corrective measures.

PDP No. 16 (2022-23)

31.4.2 Unauthorized utilization & retention of government vehicles and non-recovery of rental value – Rs. 9.000 million

According to section 9 of Services and General Administration Department Notification No.SO(T)NP/S&GAD/97 dated 13.3.1997 all the Government officers irrespective of their ranks/status shall be entitled to use only vehicle for official duty.

According to minutes of the meeting of the Transport Committee held on 12.10.2015 in the administrative department Serial No. 3(V) that use of two vehicles by virtue of holding the charge of more than two posts is not allowed under any circumstances.

During audit of the accounts record of the Secretary Transport & Mass Transit Peshawar for the FY 2022-23, it was observed that it was observed that Administrative Department allotted two vehicles to Ex-Ministers who resigned from their Minister-ship but the status of vehicles showed that 14 more vehicles from various projects and Transport Department were under the use of Ex-Ministers which stands as illegal & un-authorized use and retention of government vehicles **(Annexure-LII)**.

Similarly, Mr. Manzoor Ahmed Ex Secretary Transport was transferred from the department since long but the following official vehicles were not returned till date and were under his use. Furthermore, some officers/officials were using government vehicles for which they were not entitled.

S. No.	Vehicle No.	Name	Designation	Vehicle	Monthly Rent	Months	Amount
1	AA3746	Manzoor Ahmed	Ex-secretary	Corolla 1600 cc	50,000	12	600,000
2	AB1462		Do	Corolla Gli	50,000	12	600,000
3	Double Cabin		Do	Double cabin	50,000	12	600,000
4	AA1458		PS to Secretary Transport	Suzuki Cultus	40,000	12	500,000

5	CMVFC		Administrator PBT	Suzuki bolan van	40,000	12	500,000
Total							**2,800,000**

Audit held that allotment of extra/un-authorized vehicles means additional burden on the government kitty on account of POL and repair when Provincial Government is stressing hard on use of austerity measures and imposed 30 to 35 % cut on the expenditure.

Furthermore, rental value amounting to Rs. 9.00 million (Rs. 6.20M and Rs. 2.80M) for using government vehicles under their use should be recovered from the Ministers/officers/official concerned.

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

When pointed out in August, 2023, no reply was given.

The department was requested vide letter dated 05.09.2023 followed by reminder letters dated 26.12.2023 and 01.01.2024. However, the 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 recovery of the rental value.

PDP No. 13 & 15 (2022-23)

31.4.3 Loss to the govt. due to non-auction of PBT for the last three years - Rs. 66.343 million

According to Para 23 of GFR Vol-I provides that every public officer is personally responsible for any loss sustained by government through fraud or negligence on his own part or on the part of subordinate disbursing officers.

During the audit of accounts record of the Directorate of Transport & Mass Transit Department, Khyber Pakhtunkhwa for the financial year 2021-22, it was noticed that a loss of Rs. 66.343 million due to non-auction of PBT Peshawar at the competitive rates for the last three year. The record revealed that the initial bidding process of the PBT was started on 04.06.2018, where the contractor Muhammad Usman offered highest bid of Rs. 135,330,000 per year, but on the same time the court ordered stay of the bidding process and after vacating of court stay order all the bidders have shown no interest and refunded their call deposits. Then the bidding process was restarted on 24.12.2018, where the contractor Dilawar khan quoted highest bid for Rs. 103,500,000 and the contract awarded to the contractor w.e.f 14.02.2019 to 13.02.2020. After the completion of contract period bidding process started where the minimum rate of 113,850,000 was fixed, the contractor M/S Nadeemullah quoted the highest bid of Rs. 250,000,000 and the 2nd highest bidder was Dilawar Khan who quoted Rs. 113,850,000 but later on he failed to deposit the ¼ amount of the total bid and instead of awarding contract to the next bidder the committee extended the contract to the existing contractor i-e Dilawar Khan @ of Rs. 287,500 per day (103,500,000/360) who enjoying the same price/rate for the last three years i-e till the date of audit without enhancing the rate. At last, the contract of PBT, won by the contractor Farmanullah who was the son of Dilwar Khan who are also not intended to deposit the ¼ of the total bid despite of repeated reminders.

It worthwhile to mention here that all the participants in the above-mentioned bidding process were closed relatives of each other who protected their interest at the cost of Govt. loss along with manipulating the administration in their favor. The details of the loss given below.

	13.02.2020	**14.02.2021**	**13.02.2021 To**	**14.02.2022**	**13.02.2022 to 14.02.2023**	**Total loss**
Period of contract	**1st year**	**10% increase**	**2nd year**	**10% increase**	**3rd year**	
Expected recovery/revenue	113,850,000	11,385,000	125,235,000	12,523,500	137,758,500	
Actual receipts	103,500,000		103,500,000		103,500,000	
Loss	10,350,000		21,735,000		34,258,000	66,343,000

The matter is brought to high level joint inquiry for fixing of responsibility and recovery from the contractor.

The lapse occurred due to weak internal control.

When pointed out in March 2023, it was stated by the department that detailed reply will be furnished in DAC, after the scrutiny of relevant record.

The department was requested vide letter dated 03.05.2023 followed by subsequent reminders dated 28.08.23, 26.12.2023 and 01.01.2024, respectively, for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends to investigate the matter and take appropriate action.

PDP No.670 (2021-22)

31.4.4 Loss due to double payment on account of purchase of fume extractor (external filtration) for laser engraving machine - Rs. 3.500 million

According to the supply/work order vide No. Dir/TPT/TIS/Dl/HW-LEM/4-2/19/4372-74 dated 28.06.2019, to MS Orbit Technologies, for the supply of 02 Nos. of Laser engraver Machine, Model S5200LX (specification details as per RFP/Contract), read with Para 23 of GFR Vol-I provides that every public officer is personally responsible for any loss sustained by government through fraud or negligence on his own part or on the part of subordinate disbursing officers.

During the audit of accounts record of the Project Director "Establishment of Transport Inspection Stations in Khyber Pakhtunkhwa" for the financial year 2021-22, it was noticed that 02 Nos. of laser engraver machine model S5200LX were purchased from the M/S Orbit Technologies but the contractor supplied only one external filtration machine (complimentary part of the same machine and details available on company website) instead of two systems. Later on, a sum of Rs. 3.500 million paid to the supplier on account of another filtration machine which inflicted a loss to the Govt. exchequer due to double payment.

The matter is brought to the notice for joint inquiry for fixing of responsibility and recovery of the double payment.

The lapse occurred due to weak internal control.

When pointed out in March 2023, it was stated by the department that detailed reply will be furnished in DAC, after the scrutiny of relevant record.

The department was requested vide letter dated 03.05.2023 followed by subsequent reminders dated 28.08.23, 26.12.2023 and 01.01.2024, respectively, for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

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

PDP No.671 (2021-22)

31.4.5 Non-recovery of Peshawar Bus Terminal rent - Rs. 12.075 million

According to G.F.R-8 Vol-I require that, it is the duty of the Revenue or Administrative Department concerned to see that the dues of Government are correctly & promptly assessed, collected & paid into the treasury.

During the audit of accounts record of the Directorate of Transport & Mass Transit Department, Khyber Pakhtunkhwa for the financial year 2021-22, it was noticed that recovery of Rs. 12075000/- (42 day @ Rs. 287,500) on account PBT rent (daily rent basis) from the contractor Dilwar khan neither recovered nor deposited into the PBT account.

The non recovery of outstanding rent from the contractor is brought to the notice for early recovery.

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

When pointed out in March 2023, it was stated by the department that detailed reply will be furnished in DAC, after the scrutiny of relevant record.

The department was requested vide letter dated 03.05.2023 followed by subsequent reminders dated 28.08.23, 26.12.2023 and 01.01.2024, respectively, for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends to recover the amount.

PDP No.672 (2021-22)

31.4.6 Loss due to short receipts/short recovery of revenue - Rs. 3.592 million

According to Para-7 of CTR, all money received by Govt. on a/c of revenues shall without delay be paid in full into Govt. Treasury &. Receipts should not be utilized towards expenditure, read with Para 23 of GFR Vol-I provides, that every public officer is personally responsible for any loss sustained by government through fraud or negligence on his own part or on the part of subordinate disbursing officers.

During the audit of accounts record of the Directorate of Transport Khyber Pakhtunkhwa for the financial year 2021-22, it was noticed that receipts/revenue to the tune of Rs. 3.592 million shortly deposited by the VETS. The record revealed that total 90,461 Nos. of VETS stickers were purchased and issued to various VET stations, out of which some 77,232 Nos. of stickers were shown returned back (closing balance) and 13229 Nos. of stickers issued/sold out, along with 77600 Nos. of VET certificates @ Rs. 200 per sticker/certificate. Thus revenue/receipts to the tune of Rs. 18.165 million should have been generated and deposited but only Rs. 14,572,800 was deposited into bank which resulted in a short receipt of Rs. 3.592 million, as detailed below;

Total nos. of stickers/certificates	**Less closing balance as on 30.06.2022**	**Total Nos. of stickers issued**	**Total revenue**	**Actual receipts**	**Short receipts**
90461	77232	13229*200	2,645,000	---	---
886 books of 100 pages	110 books	77600*200	15,250,00	---	--
Total			**18,165,000**	**14,572,800**	**3,592,200**

The short deposit is brought to the notice for early recovery.

The lapse occurred due to weak internal control.

When pointed out in March 2023, it was stated by the department that detailed reply will be furnished in DAC, after the scrutiny of relevant record.

The department was requested vide letter dated 03.05.2023 followed by subsequent reminders dated 28.08.23, 26.12.2023 and 01.01.2024, respectively, for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

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

PDP No. 673 (2021-22)

31.4.7 Unauthorized deduction of withholding tax - Rs. 8.914 million

According to section-49 of Part-IV of the Income Tax Ordinance 2001, Exemption and tax concession, the income of the Provincial Govt. in Pakistan shall be exempted from tax under this ordinance.

During the audit of accounts record of the Directorate of Transport & Mass Transit Department, Khyber Pakhtunkhwa for the financial year 2021-22, it was noticed that a sum of Rs. 8,913,996 on account of withholding tax on profit from PBT bank account No. 3086090447 (NBP), was irregularly deducted by the bank in violation of the above mentioned rules.

Bank Account No.	Dated	Particulars	Amounts
Account # 3086090447	17.07.2021	PBT	Rs. 3,974,243
//	15.01.2022	//	Rs. 4,939,753
Total			**Rs. 8,913,996**

Moreover, the receipts should have been deposited into treasury through challan instead of depositing into designated bank account.

The unauthorized deduction of withholding tax is brought to the notice for recovery.

The lapse occurred due to weak internal control.

When pointed out in March 2023, it was stated by the department that detailed reply will be furnished in DAC, after the scrutiny of relevant record.

The department was requested vide letter dated 03.05.2023 followed by subsequent reminders dated 28.08.23, 26.12.2023 and 01.01.2024, respectively, for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

PDP No. 679 (2021-22)

31.4.8 Unjustified/unnecessary payment from PBT account/fund - Rs. 14.943 million

According to Para 23 of GFR Vol-I provides that every public officer is personally responsible for any loss sustained by government through fraud or negligence on his own part or on the part of subordinate disbursing officers.

During the audit of accounts record of the Directorate of Transport and Mass Transit, Khyber Pakhtunkhwa for the financial year 2021-22, it was observed that only 13 Nos. of employees allowed to continue their services under PBT fund/account vide order No. DIR/TPT/2-25/Bill-Act/230-33, dated 09.11.2020, whose services were regularized as per PBT regularization act 2017, but the local office recruited another batch Nos. 110 employees of various cadre/posts under the PBT fund/account without any justification (As the PBT was rented out to the Contractor MS Dilawar Khan) and a sum of Rs. 14.943 million paid to them as salaries during the period under report. Moreover, the recruitment process i-e recruitment & selection process, merit list, the place of duty & attendance etc were also not provided to audit for verification.

The matter is brought to the notice for high level inquiry and fixing of responsibility on the person at fault.

The lapse occurred due to weak internal control and mismanagement.

When pointed out in March 2023, it was stated by the department that detailed reply will be furnished in DAC, after the scrutiny of relevant record.

The department was requested vide letter dated 03.05.2023 followed by subsequent reminders dated 28.08.23, 26.12.2023 and 01.01.2024, respectively, for holding the DAC meeting. However, no DAC meeting was convened till finalization of this report.

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

PDP No. 681 (2021-22)

Abbreviations and Acronyms

ADP	Annual Development Program
BISP	Benazir Income Support Program
CHE	Catastrophic Health Expenditures
CNIC	Computerized National Identity Card
GDP	Gross Domestic Product
FA	Foreign Aid
IBP	Institution-Based Practice
KfW	Kreditanstalt für Wiederaufbau
KP	Khyber Pakhtunkhwa
LSCS	Lower Segment Caesarean Section
MTI	Medical Teaching Institute
NADRA	National Database and Registration Authority
OOP	Out of Pocket
OPD	Outpatient Department
PMC	Pakistan Medical Commission
PMDC	Pakistan Medical and Dental Council
PMT	Poverty Means Test
PSR	Premium Stabilization Reserve
SDGs	Sustainable Development Goals
SHPI	Social Health Protection Initiative
SLIC	State Life Insurance Company
SOP	Standard Operating Procedure
SSP	Sehat Sahulat Program
WHO	World Health Organization
UHC	Universal Health Coverage
UN	United Nations

1. Introduction:

Sustainable Development Goal's # 3 emphasizes on good health, ensuring healthy lives and to promote well-being for all by 2030. However, provision of quality healthcare for all has become a major source of concern universally. Out-of-pocket (OOP) payments is the major burden of health financing in low-income countries and particularly in South Asia, where on average 62 percent of the households finance healthcare from their own pockets. Moreover, the goal provides for achievement of universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable medicines and vaccines for all.

The primary goal of Sehat Sahulat program is to improve the health status of the targeted population through increasing access to quality health services and to reduce poverty through reduction of out of pocket payments for healthcare expenditures in KP.

This Impact Audit assesses the impact of Sehat Sahulat Program in Khyber Pakhtunkhwa. The Government of Khyber Pakhtunkhwa initially launched Social Health Protection Initiative (SHPI) with the brand name "Sehat Sahulat Programme" phase-I focusing on the provision of free of cost health insurance to families living below the poverty line in 04 districts of Khyber Pakhtunkhwa i.e. Mardan, Malakand, Kohat and Chitral, targeting 21% of the population i.e. 100,000 Households during 2013 for which PC-I worth Rs.1399.156 million (ADP share of Rs.165.90 million and Foreign Aid share of Rs.1233.256 million) was approved. The PC-I for phase-I was revised to Rs. 3366.148 million. Later on, the SSP was converted to current side from the developmental side on 20-09-2017. Since late 2020, the services of the program were extended to 100% population of all the districts of Khyber Pakhtunkhwa.

1.1 Background:

Public health expenditures in Pakistan were only 1.1% of GDP as per Economic Survey of Pakistan for the year 2018-19 which was raised to 1.4% in 2022-23 which was still very low as compared to 5% advocated by the WHO. As a result, the public health infrastructure is not sufficient to serve the entire population, and so is the achievement of the Sustainable Development Goal # 3. As detailed in the 2017-2018 National Health Account report, 83 percent of the population had been using private health facilities due to lack of access and quality of health services at government hospitals.

The high OOP payments cause households to reduce their spending on other basic needs and are responsible for pushing households into chronic poverty. Therefore, controlling Catastrophic Health Expenditures (CHE) could significantly reduce poverty. In line with best international practices, the Government of Pakistan launched a specific intervention called the Sehat Sahulat Program (SSP) for provision of indoor health facilities. Initially, insurance coverage of Rs.25,000 per person per annum was approved, which was enhanced phase-wise and revised to Rs.1.00 million per family per year in the UHC phase.

State Life Insurance Corporation (SLIC) is paid a certain premium amount against each household to the healthcare providers in the public as well as private sector.

Role of the Program:

The SSP is a milestone in social welfare reforms, ensuring that all the citizens, especially the under-privileged have access to indoor medical healthcare in a swift and dignified manner without incurring out-of-pocket expenses. The SSP provides the following treatment packages:

1. Inpatient services (all medical and surgical procedures)
2. Emergency treatment requiring admission
3. Maternity consultancy and services (normal delivery and C-Section)
4. Cardiology services
5. Cancerous services
6. Neurological services
7. Infectious diseases

2. Overview:

The Government of Khyber Pakhtunkhwa is committed to improve health status of its population. Social Health Protection is one of the flagship imitative of Government of Khyber Pakhtunkhwa. The program was launched with the objectives of enhancing the access of the population to quality healthcare services, reduce out of pocket expenditure for healthcare services, incrementally achieve Universal Health Coverage with pre-pooling financial mechanism and to improve the quality of healthcare services of hospitals by retaining & utilizing additional funds generated by hospitals through the scheme.

For the implementation of the program, about 126 hospitals from public and private sector are empanelled in Khyber Pakhtunkhwa which are providing free of cost treatment to 100% population of the province. The premium amount is paid to the SLIC and the empanelled hospitals get reimbursement of medical expenditure of the SSP patients from the SLIC.

For the program, services of NADRA were acquired under contractual arrangements according to mutually agreed Terms of Reference (TORs) between the Health Department KP and NADRA. A Centralized Management Information System (CMIS) was established with the support of NADRA through which all the information regarding enrollment, admissions, and treatment in hospitals, claims data and customer's grievances data was collected and processed.

Details of premium paid to SLIC and NADRA payments are given below:

(Amount in Rs.)

Year	Premium payment to SLIC	Payment to NADRA	Total
2020-21	13,056,561,942	526,775,060	13,583,337,002
2021-22	13762,095,076	0	13,762,095,076
2022-23	25,000,000,000	35,758,829	25,035,758,829
Total	**51,818,657,018**	**562,533,889**	**52,381,190,907**

3. Scope and methodology:

a. Scope:

The scope of the impact audit was limited to the general assessment of one intervention in the Khyber Pakhtunkhwa during the Universal Health Coverage phase. Further the audit included study of 10 hospitals for detail data analysis regarding the intervention. The contract agreements executed with SLIC under the program were scrutinized. Reduction in out of pocket expenditure by the general public was the objective of the program which was examined from different third party surveys to observe the reduction in Out-of-Pocket expenses. The data of claims of public and private sector hospitals was analyzed to observe the provision of healthcare services by these hospitals whether public confidence built on public sector hospitals.

b. Methodology:

The impact audit analyzed the number of Caesarean section surgeries versus normal deliveries carried out in 10 public and private sector empanelled hospitals in the province by using the Time Series Analysis for UHC phase. However, there were certain limitations faced during the impact audit i.e. data of pre-intervention of SSP was not available in the hospitals as partial record was digitized in that period which did not provide the information of procedures performed.

4. Audit Findings

4.1 Enhanced ratio of Caesarean section surgeries instead of normal deliveries

Condition with: During the Impact Audit, data of 10 public and private sector hospitals in the UHC phase (January 2021 to September 2023) was analyzed with special focus on the ratio/ percentage of Caesarean Section surgeries instead of normal delivery. The revelation was abnormal hike in ratio of Caesarean Section surgeries as percentage of C-Section was 47.43% whereas normal deliveries were 52.56% as summarized below:

S. No	Hospital Name	Total delivery cases		Normal Delivery Cases			Caesarean surgeries		
		No. of cases	Expenditure (Rs.)	No. of cases	Expenditure (Rs.)	%age	No. of cases	Expenditure (Rs.)	%age
1	LRH	8779	196,525,990	4844	80,035,420	55	3935	116,490,570	45
2	NWGH	1484	32,223,920	858	14,113,920	58	626	18,110,000	42
3	MMC	3403	72,592,880	1752	27,115,120	51	1651	45,477,760	49
4	DHQ CHD	287	5,333,000	111	1,387,500	39	176	3,945,500	61
5	Jalil Int. Swat	2202	39,864,030	1235	17,680,950	56	967	22,183,080	44
6	Hangu Med. Com.	327	7,029,600	2	27,600	1	325	7,002,000	99
7	ATH Abbottabad	2194	53,501,020	485	7,409,900	22	1709	46,091,120	78

8	Chinar Hospital ATD	984	21,747,610	278	4,075,390	28	706	17,672,220	72
9	Faizan Med. Com. Battagram	6444	109,295,740	4082	54,969,940	63	2362	54,325,800	37
10	DHQ Battagram	347	5,677,310	257	3,541,060	74	90	2,136,250	26
Total		**26451**	**543,791,100**	**13904**	**210,356,800**	**52.56**	**12547**	**333,434,300**	**47.43**

This indicated that the empanelled hospitals preferred Caesarean Section surgeries as compared to normal deliveries for financial gains as the average package cost per normal delivery case was Rs.15,129/- whereas, per Caesarean Section surgery cost was Rs.26,575/-

Condition Without: The study "The C-Section Epidemic in Pakistan" referring to Pakistan Demographic and Health Survey (PDHS) showed a rapid increase in the rates of C-Section deliveries, from 14% in 2012-13 to 22% in 2017-18. World Health Organization recommends that C-Section rates higher than 10% are not associated with a reduction in maternal or neonatal mortality (WHO 2015). Current rates of C-Section surgeries exceeded the World Health Organization recommendations, suggesting that Pakistan is part of a trend worldwide of having C-Sections for non-medical reasons. This indicated that with the intervention of the SSP, the C-Section percentage raised to 47.43% as compared to 22% in the base year 2017-18 though 22% C-Section surgeries rate was termed as point of concern by WHO.

Moreover, Third Party Evaluation (P.85) of the SSP conducted in May 2023 by Department of Community Health Sciences, Aga Khan University, Karachi, mentioned that Lower Segment Caesarean Section (LSCS) was the most commonly performed Bellwether procedure. Of all the LSCS, 83.4% were carried out in private hospitals. The higher package cost sends a strong incentive for hospitals to opt for Caesarean section.

Cause: The main cause of the high percentage of C-Section surgeries instead of normal deliveries was the high financial gains by the empanelled hospitals and non-adherence to monitoring of clinical indicators and regulatory intervention.

Effect: The extensive use of C-Section can increase the probability of negative impacts on mother and child physical and mental health. A normal delivery after the C-Section trial gets risky. Having a previous C-Section puts the mother at a higher risk of C-Section for subsequent births. With these high rates of C-Section, the empanelled hospitals are unduly exposing women to major surgery for multiple times. Performing C-Section on non-medical reasons for financial gains or time management indicates mal-practicing at the physicians end.

Intended outcome: The provision of free indoor healthcare facilities to the SSP users was the intended outcome of the program which was achieved.

Unintended outcome: The increased percentage of C-Section surgeries was an unintended outcome which arose due to higher package cost than the normal delivery.

4.2 Change in the formula for settlement of PSR negative balance

Condition with: A payment of Rs.629.685 million was made to SLIC on account of premium of Rs.1,700/- per family per year in respect of target population in pre-UHC phase while paid Rs.51,818.657 million in UHC phase @ Rs.2818 per family per year as per following breakup:

Phase	Period	Premium payment to SLIC
Pre-UHC	2013-2020	629,684,611
UHC	2020-21	13,056,561,942
-do-	2021-22	13,762,095,076
-do-	2022-23	25,000,000,000
	Total	**52,448,341,629**

Since 2013, various Agreements were executed with SLIC in pre-UHC phase. In UHC phase, contract agreement was executed on 20-08-2020 for extending the services to 100% population of the KP.

Phase	Particulars	Period	Contract Agreement execution date	Premium rate (Rs.) per Household
Pre-UHC	1st PC-I KfW assisted (04 districts) BISP score based/ targeted population	05 years (2013 to 2018)	19.01.2015	Rs.1700 per household every year
	Revised PC-I KfW assisted (all districts of KP) BISP score based/ targeted population	09 years (2013 to 2022)	16.08.2016	Rs.1499 per household every year
	PC-I Phase-II All the districts of KP BISP score based/ targeted population	02 years (2016-17 to 2017-18)	20.08.2019	Rs.1998 per household every year
UHC	Revised PC-I Phase-II All the districts of KP (100% coverage)	02 years (2016-17 to 2017-18)	20.08.2020	Rs.2849 per family every year
	Supplemental Agreement. All the districts of KP (100% coverage)		21.03.2022	Rs.2818 per family every year

There was requirement of maintaining a Premium Stabilization Reserve (PSR) to protect the program from adverse claims deviation. At the end of each Program Policy year, the available PSR balance was settled as per below given formula:

PSR balance at the end of the year	**Contract dated 16.08.2016**		**Contract dated 20.08.2019**		**Contract dated 20.08.2020**		**Contract dated 21.03.2022**	
	Govt. Share	**SLIC share**	**Govt. Share**	**SLIC share**	**Govt. Share**	**SLIC share**	**Govt. Share**	**SLIC share**
+ PSR Balance	80%	20%	85.1%	14.9%	85%	15%	85%	15%
- PSR Balance	0%	100%	0%	100%	0%	100%	100%	0%

The agreed PSR formula for the settlement of PSR negative balance at the end of each Program Policy year was already decided while carrying out bidding process and award of contract to the SLIC. As per agreed formula, 100% responsibility for the negative balance of PSR was on the part of the SLIC in contract agreements executed in 2016, 2019 and 2020. However, the same agreed formula was drastically changed to 100% responsibility for the PSR negative balance to the government through Supplemental Agreement executed on 21.03.2022. This drastic change in distribution formula for PSR negative balance at the end of each year will result unprecedented financial burden on the government at the end of coming financial years.

The SLIC obtained the contracts through competitive bidding process for the sake of business which may result in profit or loss for the organization being integral part of any business. The change in settlement of agreed PSR formula for negative balance was made to protect SLIC from the loss which is an integral part of any business. This means there is minimal financial risk for SLIC.

<u>Condition without:</u> Basically the program was initiated for poor and needy people selected on the BISP PMT score. The extension of program to 100% population of the province in UHC phase emerge the scenario of negative PSR balance for the first time. To protect the SLIC from loss due to negative PSR balance, change in distribution formula agreed since 2013 was made. Had the program been restricted to poor and targeted population of the province, the change in agreed distribution formula for PSR negative balance would not have happened.

<u>Cause:</u> The extension of program to 100% population of KP, caused change in the distribution formula for PSR negative balance.

<u>Effect:</u> The drastic change in the formula of PSR negative balance has shifted 100% liability from SLIC to government which will create financial burden at the end of the coming financial years which will put the future sustainability of the program at stake. Moreover, continuity of the program cannot be ensured with high expenditure by the government due to extension of program services to the 100% population of the province since late 2020 without working the financial plans for the viability of the program. The comparison of average yearly expenditure during pre-UHC and UHC phase is given below:

(Amount in Rs.)

Phase	**Period**	**Premium payment to SLIC**	**Average yearly premium cost**
Pre-UHC	2013-2020	629,684,611	89,954,944
UHC	2020-23	51,818,657,018	17,272,885,673

Unintended outcome: The change in agreed formula for settlement of PSR negative balance was an unintended output which emerged in UHC phase and will create financial liabilities for the government without having viable financial support plan.

4.3 Reduction in out of pocket expenditure:

Reducing poverty through reduction in out-of-pocket payments by target population/ general public for health expenditures in KP, was amongst the main objective of the program. Catastrophic Health Expenditures (CHE) are the high share of health payments in total consumption/ income. The high OOP payments cause households to reduce their spending on other basic needs, compel them to take out loans, fall into debt, compromise and forgo treatment, and are responsible for pushing households into chronic poverty. Therefore, controlling CHE can significantly reduce poverty

Condition with: An amount of Rs.51.819 million was injected by government on account of premium payment to SLIC during the 03 years for provision of inpatients free healthcare services to the citizens of the KP province, as summarized below:

Year	Premium payment to SLIC
2020-21	13,056,561,942
2021-22	13762,095,076
2022-23	25,000,000,000
Total	**51,818,657,018**

As per Third Party Evaluation of the SSP conducted in May 2023 by Department of Community Health Sciences, Aga Khan University, Karachi, there was a significant reduction in medical care component of mean out-of-pocket expenditure for inpatient services in respect of SSP users. The mean out-of-pocket expenditure for SSP users was Rs.6,551 (medical and non-medical expenses), which was significantly lower than the mean expenditure of Rs. 34,639 (medical and non-medical expenses) for SSP nonusers.

Moreover, the report showed that the level of catastrophic health expenditure by households was significantly lower for SSP users (14%) as compared to SSP nonusers (35%). This has contributed to higher perceived economic well-being among SSP users.

The reduction in OOP payments and CHE is helpful in achieving the Sustainable Development Goal 3 of the 2030 Agenda for Sustainable Development i.e. to ensure healthy lives and promoting well-being of all. As such, the program intervention is in line with the global commitment made by all countries at the UN General Assembly in 2015 to achieve Sustainable Development Goals (SDGs) by the year 2030 through providing Universal Health Coverage (UHC).

Condition without: As evident from the above referred report, the average per head yearly health expenditure for SSP user is Rs.6,551/- while the same for SSP nonusers is Rs.34,639/- which is a sign of relief for the poor patients and it could not be made possible without intervention of the program.

Cause: The reduction in out-of-pocket payments and catastrophic health expenditure as noticed from the comparison of SSP users and SSP non-users is attributed to the intervention of the program which is a positive impact.

Effect: The program intervention improved the spending capacity of the public on other daily life needs as their out of pocket expenditure reduced significantly and contributed towards achievement of Goal 3 of the 2030 Agenda for Sustainable Development.

Intended output: The reduction in out-of-pocket expenditure was the intended output of the program.

4.4 Non-gaining of patients' confidence by public hospitals relative to private hospitals:

The KP MTI Act 2015 was passed by the legislature to provide autonomy to the Government owned Medical Institutions in the Khyber Pakhtunkhwa and to regulate on sound physical and technical footings the services being rendered by these institutions and to improve performance, enhance effectiveness, efficiency and responsiveness for the provision of quality healthcare services.

The Sehat Sahulat Program was launched to enhance stewardship of the Department of Health. The objective of the program included improvement in quality of healthcare services of public sector hospitals. Accordingly, the hospitals were allowed to retain and utilize 75% of the funds generated by hospitals through the SSP. Out of 75% funds, 60% funds were allowed for utilization to improve quality standards in the respective health institution while 25% will be used as Incentive Payments to Doctors providing services to insured patients. These funds were in addition to regular pay & allowance, medicine & drugs and other operating budget released by government as well as receipts from IBP.

Condition with: However, analysis of SSP data of 87 public and private sector hospitals based in 05 districts (Peshawar, Charsadda, Swat, Swabi and Lower Dir) covering 1042855 admissions from the perspective of inpatients treated under the program along with financial impact revealed that 68.1% public preferred treatment in private hospitals while 31.9 % availed treatment in public sector hospitals during the period October 2020 to March 2023. Similarly, total claims of the private hospital were Rs.22.189 billion which formed 72.9% of the total cost while public sector hospitals were Rs.8.231 billion which formed 27.1% of the total claims. The variation in percentages of patients treated and claimed amount was due to high package cost for the private hospitals which enhanced claimed amount and resulted in excess payment of Rs.1.47 billion (Total claimed amount Rs.30.420 billion x 68.1% = Rs.20.72 billion – Rs.22.19 billion). Summary of patients treated in public and private hospitals in terms of percentages and cost is given below and detailed in the enclosed **(Annexure-LIII)**:

(October 2020 to March 2023)

S. No	Hospital District	Private Sector Hospital				Public Sector Hospital				Total	
		Total Admission	% age	Total Claim (Rs.)	% age	Total Admission	% age	Total Claim (Rs.)	% age	Admissions	Claim (Rs.)
1	Peshawar	348544	61.6	14,374,607,895	69.8	217406	38.4	6,229,063,202	30.2	565950	20,603,671,097

2	Charsadda	23958	58.2	408,305,504	66.7	17208	41.8	204,060,030	33.3	41166	612,365,534
3	Swat	156349	74.1	3,954,606,024	75.6	54614	25.9	1,279,432,977	24.4	210963	5,234,039,001
4	Swabi	72349	66.3	1,873,856,746	81.6	36693	33.7	421,670,595	18.4	109042	2,295,527,341
5	Lower Dir	108734	94.0	1,577,372,817	94.2	7000	6.0	97,052,074	5.8	115734	1,674,424,891
		709934	**68.1**	**22,188,748,986**	**72.9**	**332921**	**31.9**	**8,231,278,878**	**27.1**	**1042855**	**30,420,027,864**

The above analysis showed that with the intervention of the SSP program, patients preferred treatment in private hospitals relative to public hospitals due to less waiting time and getting treatment from the choice physicians/ surgeons/ consultants. The less waiting time and 68.1% flow of the patients to the private sector hospitals indicated that the public has less confidence/ trust on government hospitals as compared to private sector hospitals despite numerous reforms in Health Sector including autonomy through MTI Act and incentive of 25% out of receipts from the SSP to the doctors and 60% for improving quality standards in the respective public sector health institution.

Condition without: Prior to SSP, the patients preferred treatment in public sector hospitals as evident from the Bureau of Statistics KP reports “Development Statistics of KP for the years 2020, 2021 & 2022”. In the UHC phase, the inflow of patients to public sector hospitals was declined:

Year	No. of patients treated (Indoor & Outdoor)
2017	28,384,623
2018	30,710,782
2019	28,557,178
2020	29,141,829
2021	25,713,041

The attributed reason for decline in patients’ inflow to public sector hospitals was providing health coverage to 100% population of KP and empanelment of large number of private sector hospitals where patients are at liberty to get treatment from their choice physicians/ surgeons.

Cause: The data of 05 districts showed that 80% of the empanelled hospitals were from private sector while 20% were public sector hospitals. The Health Care Commission, Khyber Pakhtunkhwa has never been involved in the empanelment of hospitals and this function has entirely been given to SLIC. SLIC empanels health facilities based on their own standards while the HCC has its own standards for licensing.

Effect: The intervention of the program did not improve the healthcare quality of the public sector hospitals despite autonomy given through MTI Act and future discontinuation of the program will result in high OOP payments due to public trends towards private sector hospitals.

Unintended output: The non-gaining of patients’ confidence by the public sector hospital was an unintended output.

Recommendations:

1. Spending resources on a surgical procedure for non-medical reasons should be a grave concern for health policymakers, managers, and practitioners. Close monitoring of clinical indicators and regulatory intervention is required to discourage the C-Section for non-medical reasons and a standard medical board consisting of District Gynecologists be formed for devising SOP to decide the requisite procedure on case to case basis.

2. Change in agreed formula of 2015 for distribution of PSR balance at the year end through supplemental agreement executed in March 2022 may be withdrawn as the initial formula was agreed consequent upon award of contract to SLIC through competitive bidding process, any change in formula without competitive bidding is irregular and will result in unprecedented liability for the government in the coming financial years.

3. HCC should be involved in the empanelment of health facilities to bring parity in the empanelment of public and private hospitals in each district with regular accountability mechanism for public sector hospitals for improvement in service delivery and gaining public confidence/ trust. The involvement of HCC will bring greater independence and transparency in the empanelment of hospitals under the SSP KP and will ensure the empanelment of private hospitals as per PMDC/PMC standards/ protocols.

Chapter 33

Thematic Audit KP Foreign Debt Management

1.1 Introduction

Provincial government's take loans for financing activities where their own resources fall short. The debt of the province of Khyber Pakhtunkhwa is managed by the Debt Management Unit of the Finance Department. Total debt is sum of domestic and foreign loans taken by the Provincial Government. A significant portion of foreign debt was historically utilized for developmental schemes or the mega projects. However, in the past few years, some of the loans have also been taken for supporting operational expenditures of the Province. As per the debt bulletin of Khyber Pakhtunkhwa, there is no domestic debt of the province. However, transfers from the public account to the consolidated fund account are made which also is a debt on the consolidated fund but not recorded as such. As of June 30, 2023, the foreign debt of the province was Rs. 530,330 million, which is 46.55 % greater than Rs 359,330 million as on 30th June 2022. This sharp increase in foreign debt requires insights into management practices related to foreign debt in order to mitigate adverse effects in future. Managing foreign debt means not only using the borrowed money wisely but also making sure that the province can repay it without compromising its future developmental needs. The foreign debt of Khyber Pakhtunkhwa therefore needs to be examined with regard to terms of the financing, procedures adopted during finalization of the agreements and efficient utilization of the finances. Most importantly the debt servicing and liquidity position of the province at the time of repayment of debt also needs to be analysed.

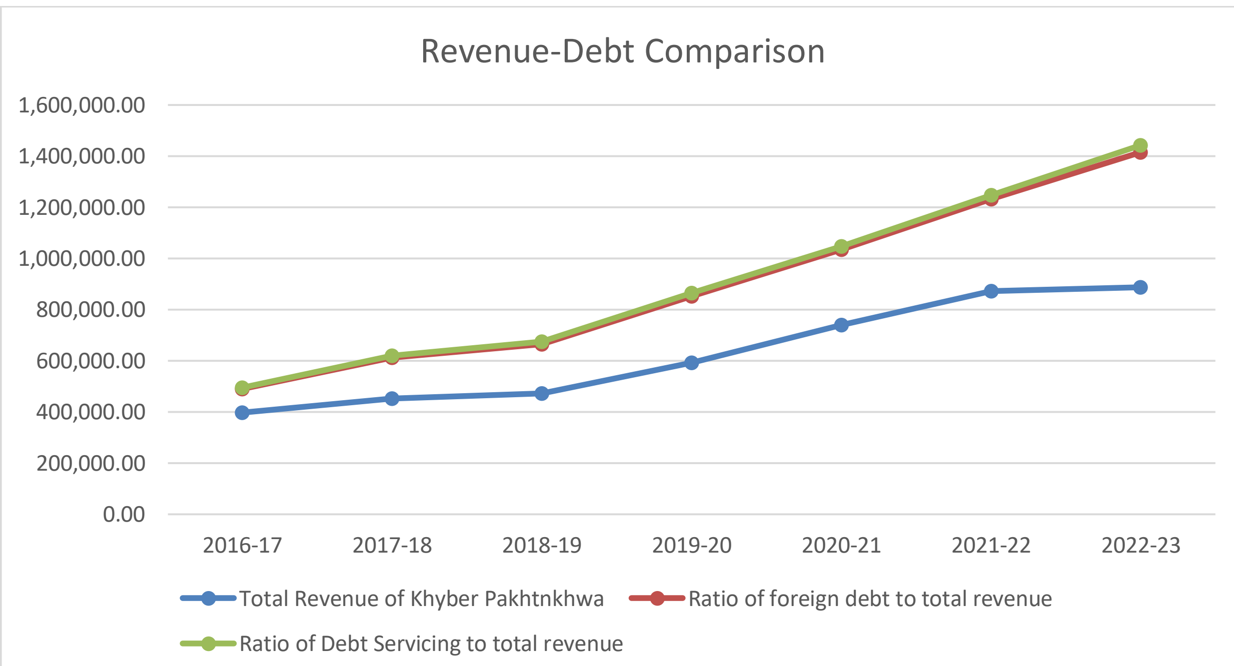
1.2 Background

In the financial year 2016-17, the province had recorded a revenue generation of Rs. 398 billion against an outstanding foreign debt of Rs. 90.8 billion. The debt servicing during the period was Rs. 5.8 billion with a debt-to-revenue percentage of 22.81% and revenue-to-debt servicing percentage of 1.48%. The current and development expenditures of the province in the corresponding period were Rs 330.387 million and 152,078 million respectively. The Government adopted a policy of seeking foreign loans from World Bank, Asian Development Bank and other consortiums for the robust development of the province. By June 2022, foreign debt stood at Rs. 359 billion. Total outstanding and disbursed foreign debt of Khyber Pakhtunkhwa increased to Rs. 530, billion and the ratio of total foreign debt to total revenue has also increased from 41% to 60%. One of the factors of such an increase in foreign debt is the depreciation of local currency with respect to the currencies in which the loans were taken. Devaluation in the local currency also increased debt servicing costs from Rs. 14,437 million (FY 2021-22) to 27,463 million (2022-23). This increase in the foreign debt and debt servicing raises important questions. Why did Khyber Pakhtunkhwa take this money? Where did they spend it? Also, how did this affect their ability to repay the debt? It's important to find out if this money they borrowed is manageable or if it might cause problems in the future and if this borrowing helped make more money for the province or made things harder financially.

This increasing reliance on external borrowing for budgetary support and funding infrastructure projects underscores the significance of conducting a rigorous audit to ensure alignment between borrowed funds and the province's developmental goals. The backdrop of this audit lies in the need to evaluate and strengthen KP's management of foreign debt within the broader context of fiscal sustainability, economic growth, and governance. The Khyber Pakhtunkhwa Debt Management Act of 2022 is a crucial framework that guides how the provincial government handles its borrowing and manages its debts. This Act lays down rules and regulations to ensure that borrowing and debt management are done responsibly and transparently. It outlines procedures for borrowing money, sets limits on how much debt the government can take, and establishes mechanisms for effective monitoring and reporting of debt-related activities. The Act also aims to promote fiscal discipline by requiring the government to develop strategies for sustainable debt management and regular assessment of the risks associated with borrowing.

A comparison of the Total Revenue, Total value of Foreign Debt and Debt Servicing of last 7 years is given below.

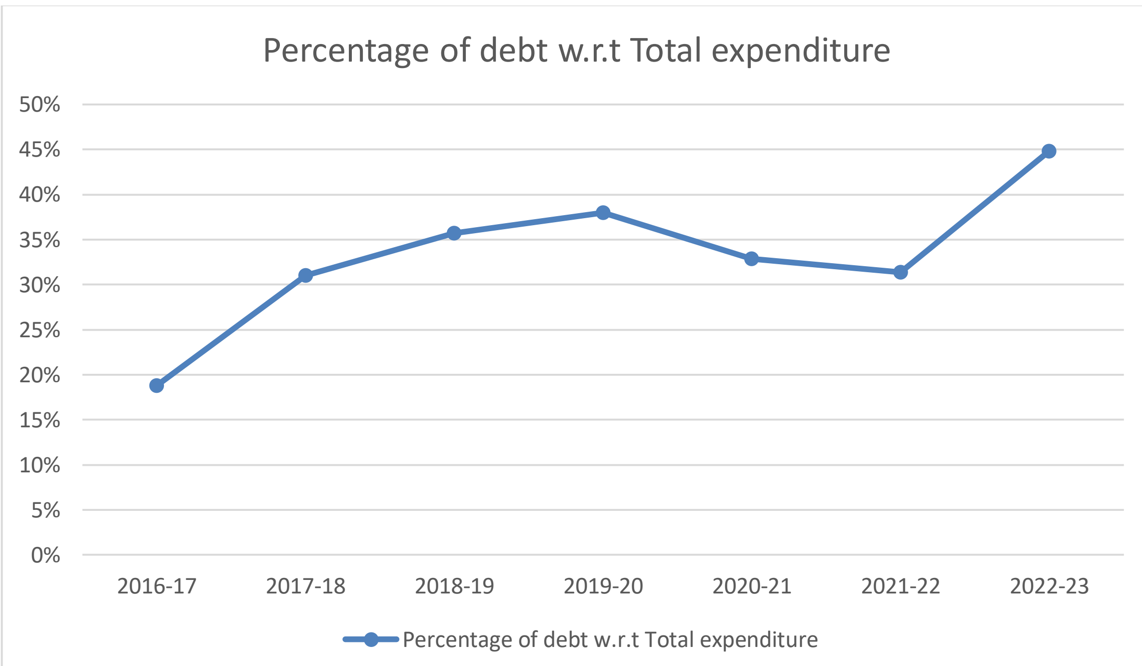
FY	Total Revenue of KP	Total Value of Debt	Debt Servicing	Ratio of foreign debt to total revenue	Ratio of Debt Servicing to total revenue
2016-17	398,030.000	90,810	5,880.934	22.81%	1.48%
2017-18	450,769.000	160,709	7,751.851	35.65%	1.72%
2018-19	471,943.000	193,685	9,805.110	41.04%	2.08%
2019-20	591,064.000	261,333	12,105.963	44.21%	2.05%
2020-21	739,835.000	294,397	12,838.161	39.79%	1.74%
2021-22	872,704.000	359,330	14,437.949	41.17%	1.65%
2022-23	886,355.000	530,130	27,463.195	59.81%	3.10%



The above graph shows comparison of the total revenues with the debt servicing and total outstanding debt of the Province. As evident the gap between revenues and total outstanding debt increases with the passage of time.

A comparison of the current and developmental expenditure to total debt over the last year also shows that the value of total outstanding debt is rapidly increasing w.r.t the total expenditure of the province, reducing the fiscal space.

FY	Total Value of Debt	Capital Expenditure	Revenue Expenditure	Total Expenditure	Percentage of total expenditure w.r.t Total debt
2016-17	90,810	152,078	330,387	482,465	19%
2017-18	160,709	138,773	379,098	517,871	31%
2018-19	193,685	150,666	392,110	542,776	36%
2019-20	261,333	199,487	489,041	688,528	38%
2020-21	294,397	313,770	582,532	896,302	33%
2021-22	359,330	470,909	675,523	1,146,432	31%
2022-23	530,130	449,817	732,875	1,182,692	45%



1.3 Establishing the Audit Theme

1.3.1 Reasons of selection

This thematic audit is crucial owing to the substantial impact that external borrowing can have on KP's fiscal health, economic stability, and overall development trajectory. It seeks to analyse the acquisition, utilization, and repayment strategies of foreign debts, aiming to identify areas for improvement, ensure effective utilization of borrowed funds, mitigate associated risks, and enhance transparency in reporting and governance. This audit aims to look closely at how the Province is handling the money it borrowed. The theme of debt management in Khyber Pakhtunkhwa summarizes a comprehensive examination of the province's fiscal landscape, emphasizing the complex relationship between debt dynamics and economic resilience. This theme examines the trajectory of debt accumulation, its categorization, and patterns over the past seven years, aiming to relate the implications of debt utilization on the province's financial stability, cash flow requirements, long term solvency and debt servicing. The main objective is to furnish stakeholders with informed insights essential for shaping prudent fiscal policies and adopting sustainable economic development within Khyber Pakhtunkhwa.

1.3.2 Purpose/ Objectives

This thematic audit was conducted with the aim to evaluate the foreign debt management by the Government of Khyber Pakhtunkhwa. Some specific objectives of the audit is given below.

- To examine that the debt taken conforms to the provisions of Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management Act 2022.
- To examine that the total debt is within the limits provided in the Debt Management Act 2022 and the overall capacity to pay back.
- To examine that the required policies and procedures have been approved and complied with for the foreign debt management.
- To examine that the debt taken is further utilized for the intended purposes as per the loan agreement with the lender.
- To examine that the figures of total debt reported are correct and true.

1.3.3 Scope

The scope of audit is limited to the management aspects of foreign debt as maintained and controlled by the Finance Department of the Government of Khyber Pakhtunkhwa. Due to absence of detailed data, the audit was based on the available of seven years i-e 2016-17 to 2022-23. The loan agreements, cash flows, expenditure statements and detailed analysis of debt management was carried out for the loans taken during the most recent two financial years i.e. 2021-22 and 2022-23.

2 Legal frame work governing the Theme

The theme for this audit has been selected from the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management Act 2022 and the debt bulletin 2022 and 2023. The main objective of this act was to devise and implement the policies for effective debt management of the Khyber Pakhtunkhwa. The specific objectives of the Act are given below.

- Establishing principles and objectives of sound fiscal and debt management.
- Defining the purposes of borrowing.
- Preparation of medium term fiscal framework.
- Establishing and implementing fiscal and debt limitation.
- Establishing a debt management unit.
- Defining standards of reporting for Government finance statistics and public sector debt statistics

3. Stakeholders and governmental organizations identified as directly/indirectly involved

- Economic Affairs Division for entering debt agreements on behalf of Government of Khyber Pakhtunkhwa.
- Secretary to Government Finance and Planning & Development Department for budget preparation and planning developmental expenditure.
- Provincial Assembly for approval of the budget of Khyber Pakhtunkhwa.

4. Role of important organizations

Debt Management Unit, working under the Secretary to Government for Finance Department has been assigned the following functions by the Fiscal Responsibility and debt Management Act 2022.

- Prepare annual borrowing plan, which shall be in line with the medium-term debt management strategy. It shall be published along with the Annual Budget Statement.
- Formulate and implement a process for raising domestic debt through various sources such as Government securities, bank loans etc. The process shall be finalized and modified, from time to time, as deemed necessary with prior approval of Secretary of the Department.
- Raise domestic debt through domestic Government securities, bank loans or any other domestic borrowing instruments.
- Raise external debt through commercial sources, including debt securities, such as bonds, sukuks, bank loans or any other commercial borrowing instruments.
- Coordinate with the Planning and Development Department of Government, in raising external debt through multilateral or bilateral sources and provide advice to Planning and Development Department of Government on financial terms and conditions of external debt.
- Propose guidelines to the Department and the Planning and Development Department of Government, regarding raising of external debt through multilateral and bilateral sources.
- Advise Secretary of the Department in evaluation of requests for guarantees by Government/
- Maintain consistent and authenticated record of public debt and guarantees.
- Prepare a comprehensive debt bulletin on semi-annual basis.
- Monitor compliance with the limits for debt and guarantees provided under this Act.
- Ensure that debt sustainability analysis is carried out in accordance with the international standards, at least once in five years; provided that, if Government is non-compliant with the fiscal or debt imperatives under this Act; the debt sustainability analysis shall be carried out at least once in three years.

5. Field Audit Activity

5.1. Methodology

The field audit team has used a mix of the quantitative and qualitative approaches in gathering audit evidence, by observations, field visit, documents scrutiny, holding discussions and interviews with the experts. The documents reviewed by the field audit team during the thematic audit are given in the references.

6 Strategic and Planning Issues / Significant Audit Observations

As a result of the thematic audit of Khyber Pakhtunkhwa Foreign Debt Management, certain observations were raised which are produced as under.

6.1 Lack of Future Borrowing Estimates and Debt Projections

According to rule 6 (1) the of the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management Act, 2022 Government shall prepare a three-year medium-term fiscal framework, aligned with the medium-term national macro-fiscal framework, approved in accordance with Fiscal Responsibility and Debt Limitation Act, 2005. (4) The medium-term fiscal framework shall include (d) Estimates of primary balance, fiscal balance and borrowing requirements; and (e) medium-term projections of public debt and guarantees.

According to rule 8 of the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management Act, 2022 Medium-term debt management strategy.---(1) Government shall approve a medium-term debt management strategy for managing the public debt and guarantees, covering a minimum of three years and may update it on annual basis in line with the medium-term fiscal framework. The medium-terms debt management strategy alongwith annual budget shall be presented to the Provincial Assembly of Khyber Pakhtunkhwa. (2) The medium-term debt management strategy shall discuss- (a) debt portfolio of Government; (b) future borrowing requirements of Government as outlined in the medium-term fiscal framework; (c) key quantitative targets for public debt along-with the justification for setting those targets and their comparison with the existing figures.

During thematic audit of Khyber Pakhtunkhwa's foreign debt management for the audit year 2023-24, it was noticed from the medium-term budget estimates for service delivery in the fiscal year 2022-23 that the estimated debt, borrowing requirements, and medium-term projections of public debt in these estimates were not incorporated. The audit requested essential records, including the province's fiscal responsibility, medium-term debt management strategy, and annual borrowing plan, to analyze future debt requirements. However, these documents were unavailable as they did not exist. It was observed that the Government of Khyber Pakhtunkhwa had not formulated any plan to determine the necessary foreign debt to address their financial deficit. The absence of a proper borrowing plan resulted in spontaneous debt acquisition by the province. In the fiscal year 2022-23, the province negotiated four loans totaling Rs. 89,221 million. However, disbursements for three out of these four loans were not made due to non-existent project implementation units. Similarly, the funds released for the remaining loan were not utilized for the intended project due to the absence of a project implementation unit. The lack of proper planning needs assessment, and the absence of functional project implementation units hindered the execution and utilization of funds for their intended purposes.

The lapse occurred due to weak financial planning and non-observance of rules which resulted in unplanned debt accumulation, ineffective fund utilization and potential long-term liquidity issues.

Audit recommends corrective measures.

6.2 Obtaining Loans without Project Preparation Rs 353,140 million

According to rule 5 of the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management Act, 2022, the Government may borrow or give guarantees for any or all of the following purposes: (a) finance the fiscal deficit; (b) repay, refinance, reschedule, restructure, prematurely retire or swap existing debt; (c) meet temporary cash or liquidity needs during a financial year; (d) make investment in financial assets; (e) make investment in non-financial assets i.e. development expenditure; and (f) any other purpose Government may deem appropriate.

During thematic audit of the foreign debt management of Khyber Pakhtunkhwa for the audit year 2023-24, it was observed in the debt bulletin as on the 30th June 2023, that in some of the loans no disbursement was made in the financial year 2022-23. On further scrutiny of these loan agreements audit observed the following.

- Loan Agreement: "IDA-7149 Rural Accessibility Project" for Rs. 77,106 million, reflecting in the Debt Bulletin as of June 30, 2022, this loan remains undisbursed as of June 30, 2023. The primary reason for non-disbursement pertains to clause 3.01 in the loan agreement. The lender has mandated the executing agency to establish a project implementation unit, a requirement that remains unfulfilled.

- The agreement for Loan: "IFAD-RETP KP Rural Economic Transformation Project (RETP)" for Rs. 23,020 million was signed in December 2021, includes Clause 8 outlining the Borrower's (Government of Khyber Pakhtunkhwa) commitment to provide counterpart financing for the project. This entails EUR 25,460,000, with EUR 8,000,000 allocated for taxes, duties, and project management expenses, and EUR 17,460,000 to be sourced through ongoing projects under the provincial Annual Development Plan (ADP). Regrettably, no such arrangement has been established to date, resulting in the project's non-initiation.
- Two Loan Agreements: "Emergency Flood Assistance" and "KP Water Resource Management", totaling Rs. 18,444 million, were signed with the ADB in December 2022. However, these proceeds remained undisbursed until June 2023 due to the absence of a project management unit.

Audit held that the KP Government engages in loan agreements without adequate prior planning for project activities. In the aforementioned cases, although agreements were signed, the significant lapse of time without any disbursement highlights the absence of a project executing agency. This absence hampers the utilization of the loan amount and prevents engagement in the services for which the loan was originally acquired.

The lapse occurred due to ill planning and weak financial management, resulting in delays and hindering the proper utilization of the loans for their intended purposes.

Audit recommends corrective measures.

6.3 Irregular/Unjustified retention of funds from ongoing projects Rs. 10,084.329 Million

According to section 2.03 (d) of the general conditions of IDA financing investment Dated July 14, 2017, each such application and accompanying documents and other evidence shall be sufficient in form and substance to satisfy the Association that the Recipient is entitled to withdraw from the Financing Account the amount applied for and that the amount to be withdrawn from the Financing Account shall be used only for the purposes specified in the Financing Agreement. According to para 1 of schedule-II of the financing agreement with the IDA, for the Khyber Pakhtunkhwa Human Capital Investment Project, to facilitate the carrying out of the project, the recipient shall make the proceeds of the financing available to the project implementation entity under the same terms and condition as shall have been received from the association and in accordance with the provision of this agreement. A similar clause is also inserted in most of the ADB loan agreements stating that the proceeds of the loan are available to the program executing agency upon terms and conditions acceptable to ADB and shall ensure the cause program executing agency ensures that the proceeds of the loan are applied to the financing of expenditure in accordance with the provision of the loan agreement and the program agreement.

During the thematic audit of Khyber Pakhtunkhwa's foreign debt management for the 2023-24 audit year, it was noted in the debt bulletin as of June 30, 2023, that a total of 70,201 million rupees were disbursed across various loans in the fiscal year 2022-23. Upon closer examination and comparison of the figures in the debt bulletin with the financial statements of individual projects, it was observed that out of the total funds of Rs. 31,988 million, an amount of 24,900 million was released to the projects, while the remaining 10,084 million was retained by the finance department for utilization within the consolidated fund account. Audit held that the retention of funds in the consolidated fund might adversely impact the progression of project activities. Moreover, the complete disbursement of loans leaves no provision for further financial support toward the remaining project activities, as the allocated funds have previously been expended in the consolidated fund **(Annexure-LIV)**.

The lapse occurred due to violation of loan agreements and weak financial management which resulted in violation of agreements made with the lenders and delay in the achievement of project objectives.

Audit recommends inquiring the matter, fixing responsibility and formulation of guidelines for the release of funds for the Foreign Aided Projects.

6.4 Understatement of receipts of Foreign aided projects Rs. 21,715 million

According to rule 3 of the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management Act, 2022, the objectives of this Act includes (a) identification of major fiscal risk, faced by Government and the measures to mitigate those risks; (b) sustainability of fiscal operations and public sector debt; and (c) transparency in Government finance statistics and public sector debt statistics.

According to para 11.4 of APPM, all loan monies received must be recorded as a capital receipt in the Federal or Provincial Consolidated Fund. This includes any direct loans from donors to beneficiaries within the Government. Cash transactions arising from liabilities (eg. loan receipts, repayments of interest and principal) shall be recorded in the Sub Ledger and General Ledger of the respective DAO/AG/AGPR offices. The related non-cash transactions arising from liabilities (eg. loan liability, loss or gain on exchange), shall also be recorded for incorporation into the Annual Accounts.

During thematic audit of the foreign debt management of Khyber Pakhtunkhwa for the audit year 2023-24, it was noticed in bulletin as on 30th June 2023, that a sum of Rs. 70,423,201,250 was collected from foreign loans during the FY 2022-23. On analysis of the data extracted from SAP and further verification from the financial statements of Government of Khyber Pakhtunkhwa prepared by Accountant General Khyber Pakhtunkhwa it was observed that the total foreign debt received by the Provincial Government KP was Rs 48,708 million. It shows that the 21,715 million of foreign debt was taken by the finance department but was not taken into accounts, resulting in understatement of foreign debt by Rs. 21,715 million

The lapse occurred due to weak financial reporting.

When pointed out it was stated that detailed reply will be furnished later on.

Audit recommends corrective measures.

6.5 Non-formulation and implementation of the process of domestic debt

According to rule 11 (1) (6) of the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management Act, 2022, without prejudice to the generality of the foregoing powers, the Debt Management Unit shall also formulate and implement a process for raising domestic debt through various sources such as Government securities, bank loans etc. The process shall be finalized and modified, from time to time, as deemed necessary with prior approval of the Secretary of the Department and raise domestic debt through domestic Government securities, bank loans or any other domestic borrowing instruments.

According to rule 8 (2) c, of the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management Act, 2022, The Government shall approve a medium-term debt management strategy for managing the public debt and guarantees, covering a minimum of three years and may update it on annual basis in line with the medium-term fiscal framework. The medium-terms debt management strategy along with annual budget shall be presented to the Provincial Assembly of Khyber Pakhtunkhwa. The medium-term debt management strategy shall discuss (ii) proportion of external and domestic debt;

During thematic audit of the foreign debt management of Khyber Pakhtunkhwa for the audit year 2023-24, it was noticed in the debt bulletin as of 30th June 2022 and 2023 revealed a policy of refraining from acquiring domestic debt due to perceived higher costs compared to foreign loans. The claim was supported by the calculation and comparison of the costs of domestic loans with foreign debt. In the dent Bulletin as on 30th June 2022, the cost of Domestic Debt was taken 15.35% (KIBOR plus Spread) and the cost of foreign loans was taken at 9% (Average interest plus foreign exchange depreciation of 7%). However, such a comparison was not made in the FY 2022-23. The calculation indicated a foreign exchange currency depreciation of 33.87%, significantly exceeding the highest KIBOR rate of 23.27% on 27th June 2023, marking a differential of more than 10%. This discrepancy strongly suggested that the cost of domestic debt might have been lower during the fiscal year 2022-23. Despite this revelation, no explicit policy or implementation strategies were devised or executed to leverage the seemingly more favorable domestic debt options, indicating a notable gap in the debt management framework of the province.

The lapse occurred due to violation of rules and weak financial management which resulted in costly acquisition of debt, increase in the foreign exchange fluctuation risk and ineffective debt management.

Audit recommends formulation and implementation of the strategy of obtaining domestic debt,

6.6 Non establishment of Project management/implementation Unit for the loans already disbursed during the year Rs. 8,954.887 million

According to section 3.01 of the contract agreement between the Islamic Republic of Pakistan and Asian Development Bank on 4th November 2022 for the Health System Strengthening Program, the borrower shall make the proceeds available to the program executing agency upon terms and conditions acceptable to ADB and shall ensure and cause the program executing agency to ensure, that the of the loan are applied to the financing of expenditure on the program in accordance with the provision of this loan agreement and the program agreement.

According to rule 5 of the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management Act, 2022, the Government may borrow or give guarantees for any or all of the following purposes: (a) finance the fiscal deficit; (b) repay, refinance, reschedule, restructure, prematurely retire or swap existing debt; (c) meet temporary cash or liquidity needs during a financial year; (d) make investment in financial assets; (e) make investment in non-financial assets i.e. development expenditure; and (f) any other purpose Government may deem appropriate.

During thematic audit of the foreign debt management of Khyber Pakhtunkhwa for the audit year 2023-24, it was noticed in the debt bulletin as on 30th June 2023, that loan amounting to Rs. 8,954.887 million was obtained for two projects of health department as detailed below.

S. No.	Title of Project	PAO/	Funding	Actual loan realized as per Debt Bulletin	Funds retained by the Finance Department

1	Khyber Pakhtunkhwa Health Systems Strengthening Program (4222, RBL)	Health Deptt.	ADB	6,225,000,000	6,225,000,000
2	National Health Support Program 7149/TFOB8491/TFOB8974	Health Deptt	World Bank	2,729,886,600	2,729,886,600
	Total			8,954,886,600	8,954,886,600

The financial attest audit reports for the mentioned projects in the same financial year indicated that projects reported no receipts or expenditures, indicating that the funds allocated were not disbursed to these projects. Further investigation revealed that the executing agencies responsible for these projects were not established till the date of audit i-e November 2023. This revelation suggests a delay or failure in setting up the necessary executing agencies for these projects within the stipulated timeframe. Consequently, the allocated funds remained unutilized, impacting the progress and implementation of the projects. This situation raises concerns about project management, execution timelines, and resource utilization, requiring immediate attention and corrective measures to ensure efficient and timely project implementation in the future.

The lapse occurred due to violation of loan agreement and weak financial management which resulted in non-utilization of funds for the intended purposes.

Audit recommends justification and corrective measures.

6.7 Delay in project execution resulting in un-necessary commitment charges

According clause 2.03 of the loan agreement between Islamic Republic of Pakistan and Asian Development Bank for Pehur High Level Canal Extension Project on 9th June 2017, the borrower shall pay a commitment charges of 0.15 % p.a. Such charges shall accrue on the full amount of the loan less amounts withdrawn from time to time.

During thematic audit of the foreign debt management of Khyber Pakhtunkhwa for the audit year 2023-24, it was observed in the data provided by the debt management unit that some loans remained undisbursed despite expiry of the grace period. On further analysis it was also observed that in certain loans the lenders are also charging commitment charges on the undisbursed loans. On test check basis it was observed that in the loan agreement of Pehur High Level Canal (Loan No3470) an amount of Rs. 14,987 million remained undisbursed despite expiry of grace period on April 2022. Commitment charges @ 0.15%, amounting to Rs 22.480 million are applicable on the undisbursed balance.

The lapse occurred due to delay in project execution.

Audit recommends corrective measures.

6.8 Unjustified capitalization of interest and commitment charges resulting in increase in foreign debt Rs 4,927 million

According to rule 5 of the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management Act, 2022, the Government may borrow or give guarantees for any or all of the following purposes: (a) finance the fiscal deficit; (b) repay, refinance, reschedule, restructure, prematurely retire or swap existing debt; (c) meet temporary cash or liquidity needs during a financial year; (d) make investment in financial assets; (e) make investment in non-financial assets i.e. development expenditure; and (f) any other purpose Government may deem appropriate.

During thematic audit of the foreign debt management of Khyber Pakhtunkhwa for the audit year 2023-24, it was observed in the disbursement schedules of the loans on test check basis that in certain loans, instead of payment of interest charges of the grace period were capitalized and added in the original loan. Detail is given below.

Loan No	Name of the loan	Capitalization in 2021-22 ($)	Capitalization in 2022-23 ($)	Total capitalization ($)	Exchange rate as on 3oth June 2023	Amount Capitalized in Rs
3470	Pehur High Level Canal	261,085	1,181,618	1,442,703	249	359,233,047
3476	Access to Energy	1,629,625	7,283,821	8,913,446	249	2,219,448,054
3601	Provincial Roads Improvement	680,252	2,696,930	3,377,182	249	840,918,318
3602	Provincial Roads Improvement		135,837	135,837	249	33,823,413
3756	Additional Financing for KP Provincial Road Improvement Project	290,336	1,886,225	2,176,561	249	541,963,689
4057	Balakot Hydro Power Project	483,556	2,317,923	2,801,479	249	697,568,271
4160	Cities Improvement Project		943,098	943,098	249	234,831,402
	Total	3,344,854	16,445,452	19,790,306		4,927,786,194

Audit held that capitalization of interest charges is not justified as the grace period is basically for the payment of the principal amount. Capitalizing the interest charges, which is the operating cost is not justified, as this capitalization neither increases cash flows nor increases assets but converts operating cost into long-term debt.

The lapse occurred due to weak financial management which resulted in unnecessary debt accumulation of foreign debt.

Audit recommends corrective actions.

7 Departmental Responses

Observations were communicated to the secretary to Government Finance Department Vide Letter No.Audit/FAT/Thematic Audit/2022-23/2 Dated 09.01.2024, however, no replies were given.

8 Conclusion

Based on the thematic audit of the Khyber Pakhtunkhwa Debt Management the following conclusions were drawn.

- Due to the absence of medium-term projections, fiscal responsibility documents, and a clear debt management strategy resulted in spontaneous debt acquisition without proper planning.
- Several loans remained undisbursed due to the absence of project implementation units, leading to funds being unutilized for their intended purposes.
- Retention of a substantial portion of disbursed loans within the consolidated fund account has the potential to negatively impact project progression due to limited financial support for ongoing activities.
- Discrepancies in reporting and accounting for foreign debt led to an understatement of Rs. 21,715 million, highlighting potential inefficiencies in financial reporting and management.
- Failure to establish executing agencies for allocated projects within the stipulated timeframe led to unutilized funds and raised concerns about project management, execution timelines, and resource utilization.

9 Recommendations

Based on the issues highlighted audit recommends the following.

- Audit recommends immediate development and implementation of a comprehensive medium-term debt management strategy and fiscal responsibility framework for proper projection of debt acquisition and utilization.
- Prioritize the establishment of project implementation units to facilitate the timely and effective execution of projects funded by loans, ensuring compliance with loan agreement requirements.
- Ensure transparency and accountability in the utilization of disbursed funds, minimizing retention in the consolidated fund and ensuring adequate allocation for ongoing project activities.
- Strengthen financial reporting mechanisms to accurately account for all borrowed funds, reducing discrepancies and understatement of foreign debt.
- Enforce strict timelines for establishing executing agencies for allocated projects to prevent delays and ensure efficient fund utilization.

Implementing these recommendations will foster better debt management, streamline fund utilization, and improve project execution efficiency, ensuring effective utilization of borrowed funds for the province's development.

1. INTRODUCTION

1.1 Background

Khyber Pakhtunkhwa Lissaail-e-Wal Mahroom Foundation has evolved from Tanzeem Lissaail-e-Wal Mahroom which was special initiative of the Provincial Government launched as developmental project in 2006-07 for providing relief to the indigent and dispossessed segments of the Society including orphans, widows, person with disability and the poor. The Tanzeem had Governing Council which was working directly under the Chief Minister Secretariat for operational purposes, while for budgetary allocation it was placed initially in the Health Sector (Health Department) and subsequently under the Social Welfare Sector (Social Welfare Department). The Tanzeem would provide social welfare oriented services in three sectors i.e. Education Sectors, Health Sectors and Social Welfare Sector. Gradually its welfare activities /operations expanded significantly, requiring higher quantum of funding. As a result, the then Chief Minister Khyber Pakhtunkhwa in June 2011announced/approved allocation of Rs. 600 million for three years i.e Rs.200 million per year and accordingly the allocated fund released every year (i.e 2011-12, 2012-13 and 2013-14).

In July 2015 Tanzeem Lissaail-e-Wal Mahroom was merged with the "Khyber Pakhtunkhwa Deserving Widows and Special Person Welfare Foundation' (a nascent entity established in 2014) & re-designated as Khyber Pakhtunkhwa Lissaail-e-Wal Mahroom Foundation (LWMF) through the Khyber Pakhtunkhwa Lissaail-e-Wal Mahroom Foundation Act, 2015. Subsequently, a new Board was constituted & notified on 11.05.2017 for three years, the terms of which expired on 10.05.2020 and since then foundation is operating with-out constitution of the board till date. Since its re-designation in July 2015, the Lissaail-e-WalMahroom Foundation through its different welfare schemes provided relief/support to entitled beneficiaries including orphans, widows, indigent & dispossessed persons under the three sectors.

During the period (2015 to 2018) the Foundation faced shortage of funds because against the actual requirements/proposed budget, less allocation were made by the Finance Department and still lesser releases were made by the Finance Department whereas; not a single rupee was released in the F.Y 2017-18. Financial problem linger on even beyond June 2018. Persistent hyperinflation static quantum of annual allocation (Rs. 200 Million per annum) and release of a meager amount of fund had an adverse impact on the capacity and service delivery of the foundation. Resultantly, foundation welfare activities/operations had to be curtailed and scaled down significantly as detailed below:

(Rs in million)

S. No.	Financial Year	Proposed Budget	Allocated Budget	Release Budget	%age of released
1.	2015-16	209.72	0	36.00	18%
2.	2016-17	229.39	200	20.00	10%
3.	2017-18	247.44	200	0	0%
4.	2018-19	256.30	200	100	50%
5.	2019-20	284.18	200	100	50%
6.	2020-21	247.188	200	100	50%
7.	2021-22	276.00	276	138	50%
8.	2022-23	276.00	276	69	25%
Total		**2026.218**	**1552.00**	**563.00**	

1.2 Functions of the Foundations

The Foundation is working for the welfare of orphans, widows, the disabled, and dispossessed persons and individuals within the province. Its operations span three critical sectors: Health, Education, and Social Welfare.

a. Health Sector:

- Providing FMT up to Rs. 20,000/- per patient for a period of one year in specific hospitals
- Zakat forms &proforma for treatment cost estimate and focal person, verification certificates are issued to the patient on the basis of OPD Chit & valid CNIC.
- Verification by the Chairman Local Zakat Committee concerned & Physicians/Focal Persons on prescribed proforma.
- After fulfillment of coddle formalities Patient Information proforma is filled by the official concerned at LSWM foundation.
- After the approval of MD, formal sanction is issued in favor of the patient for provision of FMT/ Paraplegic facility.
- Payments to the hospitals are processed through cross cheque, by submission of bills of respective hospitals to the Foundation monthly basis.

b. Social Welfare Sector:

- Selection of Tailoring & Garments Centers for Six months courses through Advertisement in daily Newspapers.
- Centers are selected on the basis of trainer's vocational Qua1ification, availability of space for training, water & electricity, and location/environment.
- Selection of trainees (i.e. orphan, disabled, widows and deserving poor) on the basis of elaborate instructions issued on the prescribed proforma to the T&G Centers.
- Inspection and surprise visits of the T&G centers are made by the officials of the foundation and SDC during the course of training.

c. Education Sector:

- Selection of Primary Level deserving orphan awardees are made through DEO's of the respective districts on Union Councils basis. One male and one female student is selected from each UC.
- Payment of stipends through Cross/Order Cheque on the basis of updated list of selected orphan students.
- Distribution programs are held in the districts by the respective DEO/focal person in coordination with the foundation.
- Stipend given to the awardee @ Rs. 1000/- per month (Rs. 12000/- per annum)
- Selection of Post-Matric orphans & deserving awardees on merit, through advertisements in daily Newspapers, on Tehsil basis; 05 male und 05 female entitled students selected from each tehsil.
- Career Stipends @ Rs. 4000/- per month is admissible to all selected awardees.

- Rs. 10,000/- Honoraria is admissible to the nominated Focal person of the LSWM Foundation in educations Sector.

In the health sector, patients receive free medical treatment (FMT) for a one-year period in designated hospitals, encompassing the costs of medicines and surgeries. The education sector focuses on providing financial assistance to impoverished or orphaned students at both pre and post-matric levels. Within the realm of social welfare, the Foundation has established tailoring and garments centers across the districts, offering six-month training program to female citizens, enhancing their skills for sustainable development and livelihood.

Never the less the foundation has managed to provide relief /support to a total of 41785 entitled beneficiaries from the 2015-16 and onward through its various schemes in the all three sectors including Educations (11162 orphan awardees both male/female), Health (16720 poor patients both male/female, 9748 flood affected and Social Welfare (5155 female trainees including orphans, widows indigent etc.

As per section-05(1) of the LWM Foundation Act, 2015the Board of Directors of Khyber Pakhtunkhwa Lissaail-e-WalMahroom Foundation consists of the following members headed by a Chairperson;-

1. Secretary to Government of Khyber Pakhtunkhwa, Zakat, Ushr, Social Welfare, Special Education and Women Empowerment Department;
2. Secretary to the Governmentof Khyber Pakhtunkhwa, Establishment Department;
3. Secretary to Government, of Khyber Pakhtunkhwa,Finance Department;
4. Chairman, Khyber Pakhtunkhwa Zakat and Ushr Council;
5. Chairperson, Khyber Pakhtunkhwa Commission on the status of women;
6. Four persons to be appointed by the Chief Minister for a period of three years on the recommendation of Search Committee from amongst the known philanthropists, retired civil servants in BPS-20 and above from PCS/PMS/PAS and members from civil society; and
7. Managing DirectorLissaail-e-WalMahroom Foundation (Member-cum-Secretary)

The term of last Board of Directors was expired on 10th May 2020 and no new Board of Directors constituted till date which needs re-constitution.

2. Financial outlay of the foundation:

2.1 Endowment Fund

According to Section-15 of Lissaail-e-WalMahroom Foundation Act, 2015 there should be to fund to be known as Khyber Pakhtunkhwa Endowment Funds which can be used only for the welfare of the indigent & dispossessed persons. Endowment fund consists of grants, contributions, donations, trusts and bequests by;

- Federal Government
- Provincial Government

- International and local donor agencies
- Conditional grant
- Fifty percent (50%) of the annual income from investment of endowment fund
- Ten (10%) of unconditional grants; and

In the BOK the Foundation has endowment of Rs. 500 Million invested in RFC Account (invested in 2014 and 2016)

2.2 General Fund

According to Section-16 of Lissaail-e-WalMahroom Foundation Act, 2015 there should be to fund to be known as General Fund which is used for the administrative expenditure of the foundation and welfare operations for the indigent & dispossessed persons in the manner as prescribed by the board. The General Fund consists of grants, contributions etc; by the following;

- Federal Government
- Grant-in-aid by government of such amount as I may deem fit to allocate every year.
- Donations, financial assistance and funds by international and local donor agencies
- Ninety percent (90%) of unconditional grant
- Fifty percent (50%) of the annual income from investment of endowment fund; and

The source of the General Fund is Government of Khyber Pakhtunkhwa, who released the fund through Finance Department in shape of Grant-in-Aid which is kept in a separate bank account. Detail of General Fund received in the last three years as tabulated below:

(Amount in million)

S.No	Financial Year	Proposed Budget	Allocated Budget	Release Budget	%age of released amount
1.	2020-21	247.188	200	100	50%
2.	2021-22	276.00	276	138	50%
3.	2022-23	276.00	276	69	25%
Total		**799.188**	**752.00**	**307**	

3. Objectives of the Foundation:

The following objectives were laid down in the LWM Foundation Act, 2015.

1. Enhance the availability of specified facilities to the indigent and dispossessed persons in health, education and social welfare sectors;
2. Further synergize the welfare activities of the charity organizations and evolve a partnership with more private charities;
3. Protect the indigent and dispossessed persons by facilitating the provision of health care, education, skill development and entrepreneurship; and
4. Encourage and support philanthropist individuals and institutions to improve their activities and interventions.

4. AUDIT OBJECTIVES

The objective of the Citizen Participatory Audit (CPA) is active participation of citizens and civil society society/groups and organizations in the audit process to:

1. Assess the impact of the Khyber Pakhtunkhwa Lissaail-e-WalMahroom Foundation's initiatives on the targeted indigent and dispossessed persons/individuals in the health, education, and social welfare sectors.
2. Examine the efficiency and effectiveness of the financial assistance provided to patients, students, and individuals in terms of achieving the foundation's objectives.
3. Evaluate the foundation's efforts in fostering partnerships with private charities and charity organizations to synergize welfare activities and enhance overall outcomes.
4. Scrutinize the measures in place to protect indigent and dispossessed persons, focusing on the facilitation of healthcare, education, skill development, and entrepreneurship.

5. AUDIT SCOPE AND METHODOLOGY

Citizen Participation:

- Involve citizens and beneficiaries/members of civil societies in the audit process through discussion and interviews to gather firsthand experiences and feedback.

Financial Audit:

- Review the financial outlay and budget allocations over the past years to ensure transparency and adherence to financial regulations.
- Examine the management, release and utilization of funds against proposed budgets to determine financial efficiency.

Program Evaluation:

- Analyze the implementation and outcomes of health, education, and social welfare programs to gauge their effectiveness.
- Assess the reach and impact of financial assistance and training programs for orphans, widows, disabled individuals, and other targeted groups.

Partnership Assessment:

- Evaluate the collaborations with private charities and charitable organizations, assessing the extent to which partnerships enhance the foundation's welfare activities.

Compliance Review:

- Ensure compliance with the Khyber Pakhtunkhwa Lissaail-e-WalMahroom Foundation Act 2015.
- Verify that the foundation follows established procedures for the composition of Board and other key appointments.

Documentation Analysis:

- Scrutinize official documents, reports, and records related to the foundation's activities and interventions.
- Cross-reference the financial statement, proposed budget, allocation, and release figures with the actual financial transactions.

6. AUDIT LIMITATIONS

While the audit team has made commendable efforts to involve members of civil societies in the domains of education, health, and social welfare, the overall efficacy of the Citizen Participatory Audit is hampered by the team's restricted activities primarily limited to interviews and discussions.

The time and resource constraints have hindered the audit team's ability to conduct extensive field surveys in education, health, and social welfare sectors. The team's focus on interviews and discussions may limit the depth of analysis in scrutinizing various aspects of education, health, and social welfare initiatives taken by the foundation. By primarily relying on interviews and discussions, there is a risk of overlooking critical issues that might not be adequately addressed through these methods alone.

Lack of data collection by the foundation such as the impact of policies on marginalized communities or the effectiveness of welfare programs, may not receive the attention they deserve.

7. Citizen/Beneficiaries Feedback

7.1 Health Sector

The audit team interviewed the citizens and the beneficiaries of the foundations and it was told by the beneficiaries' that they are satisfied with services they availed. However, while interviewing the doctor at Hayat Medical Complex, it was told that the facilities and services are already available in the Govt Hospitals especially in the teaching hospitals of the KP; therefore, the patients should directly approach to hospital rather than using indirect channels for approaching hospitals. On the one side this will not only be time saving but on the other it will be helpful to save the patient's life.

7.2 Education Sector

The audit team interviewed the civil society and the beneficiaries of the foundations and it was retrieved from their opinion regarding Khyber Pakhtunkhwa Lissaail-e-WalMahroom Foundation's activities pertain to education sector. The citizens expressed reservations about its performance especially over the last three years. The promise to provide financial assistance to impoverished or orphaned students at both pre-Matric and post-Matric levels has faced challenges in execution. The eligibility criteria and disbursement processes seem opaque, leading to a lack of clarity on how assistance is reaching to the most deserving individuals. There is a pressing need for a comprehensive review to ensure that the foundation's efforts in the education sector align with the intended goals and effectively address systemic shortcomings.

Furthermore, over 1400 students of 2021-22 of both categories are still waiting for their stipends due to non-availability of full time Managing Director, as the post is vacant since March 2023. The additional charge is given to the Secretary Social Welfare who could not spare time for the foundation activities due to busy schedule.

7.3 Social Welfare Sector

The audit team interviewed the civil society and the beneficiaries of the foundations and it was derived from their opinion that Khyber Pakhtunkhwa Lissaail-e-WalMahroom Foundation's efforts in the realm of social welfare were commendable, citizens acknowledged the positive step of establishing tailoring and garment centers. However, concerns arise regarding the effectiveness of the six-month training program, especially for female citizens. The impact of these skills on sustainable development requires careful scrutiny. The foundation must ensure that these initiatives genuinely empower individuals and contribute tangibly to their socio-economic well-being. A thorough assessment of the training programs and their outcomes is essential for the foundation to achieve its social welfare objectives effectively.

8. AUDIT FINDINGS AND RECOMMENDATIONS

8.1 Organization and Management

8.1.1 Non preparation of annual Financial Statements of the Foundation

According to section 20(1) of the Khyber Pakhtunkhwa Lissaail-e-WalMahrrom Foundation Act 2015, notified by the Provincial Assembly vide their letter No.PA/KP/Bills/2015/225, dated 03.07.2015. The Managing Director shall prepare Annual financial statements of the Foundation within thirty days of closing of the respective financial year and submit these Statements along with audit report there upon to the Board within ninety days of the close of financial year.

During Citizen Participatory Audit of the office of the Managing Director Lissaail-e-WalMahroom Foundation for the financial year 2022-23, it was noticed that the management of the foundation did not prepare the annual financial statements since the establishment of the foundation i.e. 2015 which is a mandatory requirement of the of the Act.

Audit is of the view that non preparation of annual financial statements of the foundation is a seriousirregularity on the part of the management and due to non-preparation of financial statement true and fair picture of the accounts could not be ascertained which could lead to misappropriation.

The lapse occurred due to weak financial control of the management which resulted into non preparation of annual financial statement since its establishment.

When pointed out in December, it was replied that the said audit observation will be taken up with the Secretary Social Welfare for hiring of an Auditor/CA Firm regarding preparation of financial statement since inception of the Foundation till date.

Audit recommends inquiry into the matter besides action against the person at fault.

8.1.2 Non preparation of Annual Report of the Foundation for laying before the Provincial Assembly

According to section 21 of the Khyber Pakhtunkhwa Lissaail-e-WalMahrrom Foundation Act 2015, notified by the Provincial Assembly vide their letter No.PA/KP/Bills/2015/225, dated 03.07.2015. The Board shall prepare Annual Report of the Foundation which shall be submitted to Secretary to Government, Zakat, Ushr, Social Welfare, Special Education and Women Empowerment Department for laying before the Provincial Assembly.

During Citizen Participatory Audit of the of the office of the Managing Director Lissaail-e-WalMahroom Foundation for the financial year 2022-23, it was noticed that the management of the foundation did not prepare the Annual Report of the foundation since its establishment i.e. 2015 which is a mandatory requirement of the of the Act.

Audit is of the view that non preparation of annual report of the foundation is a serious irregularity on the part of the management and due to non-preparation of the report it could not be laid before the Provincial Assembly.

Audit observed that the lapse occurred due to weak internal controls which led to the non-preparation of an annual report since the establishment of the foundation. This oversight has resulted in a situation where the legislature remains uninformed about the foundation's activities. The absence of a comprehensive annual report has hindered transparency and accountability, leaving key stakeholders unaware of the foundation's operational details and financial performance.

When pointed out in December-2023, it was replied that Report discussed today on 26.12.2023. However, a detailed brief regarding annual report is already been prepared and handover to the audit team for perusal. The said report will be placed before the board of Directors for approval as and when constituted and after that the annual report will be placed before the Provincial Assembly.

Audit recommends inquiry into the matter besides action against the person at fault.

8.1.3 Non transfer of Un-Conditional Grant to LWM Endowment Fund Account worth Rs.20.70 million

According to Clause-15 of the LWM Act, 2015 notified by the Provincial Assembly vide their letter No.PA/KP/Bills/2015/225, dated 3.7.2015, that there shall be a fund to be known as KP LWM Foundation Fund, which shall consist of grants, contributions, donations, trusts and bequests by:-

a. Federal Government.
b. Provincial Government.
c. International and local donor agencies.
d. Conditional grant.
e. 50% of the annual investment of Endowment fund;
f. 10% of un-conditional grant.

During Citizen Participatory Audit of the record of the Managing Director LWM Foundation for the financial year 2022-23 revealed that an Account bearing No.PLS-07718-003 in BOK Islamic Banking Branch Hayatabad is being operated specifically as Endowment Fund Account consist of profit returns on investments + Interest accrued on PLS mode, of the amount so remitted by the Govt. Out of the total profit/return on investment, 50% will be utilized for the welfare of the indigent and dispossessed persons.

But on comparison and verification of record, it was disclosed that the LWM Foundation received a sum of Rs.207.00 million as Grant-in-Aid (Un-conditional grant) during the period but 10% of the un-conditional grant amounting to Rs.20.700 million (207.000 x 10%) was not transferred to the specific fund Account resulted into non-transfer of grant to the relevant bank account in violation of the clauses of the Act as per detail given below;

S.No.	**Cheque No. & Dated**	**GIA Amount**
1.	2225660 dated 16.09.2021	69,000,000
2.	2322215 dated 17.03.2022	69,000,000
3.	2466497 dated 12.09.2022	69,000,000
Total		**207,000,000**

Audit is of the view that if the amount had not been transferred to the designated bank account, there was a potential for higher profits through investment in fixed RIBA-Free Certificates. This additional profit could have been utilized for program activities, a course of action that was neglected, thereby violating the distribution guidelines outlined in the Act. The failure to align with the stipulated provisions has resulted in a missed opportunity to maximize financial gains for the foundation's program initiatives.

The lapse occurred due to non-observance and implementation of the Rules already framed.

When pointed out in December-2023, it was replied that The Board of Directors of Khyber Pakhtunkhwa Lissaail-e-WalMahroom Foundation was expired in May, 2020 and no new Board of Directors is constituted due to amendment of Act 2015, the audit observation/proposal will be placed before the Board of Directors as and when constituted, and reinvestment will be done as per the decision of the newly constituted Board of Directors. The contention of audit admitted by the management of the foundation. The Act may follow in true letter & spirit and 10% amount out of unconditional grant amount may transfer for foundation welfare activities.

The matter needs to be enquired for taking appropriate action and fixing the responsibility under intimation to audit.

8.1.4 Non achievement of core objectives due to failure to evolve partnership with private charities

According to the Khyber Pakhtunkhwa Lissaail-e-WalMahroom Foundation Act-2015 duly notified vide No. PA/Khyber Pakhtunkhwa/bills2015/225 dated 03.07.2015, the core objective of the foundation were:

a. Enhance the availability of specified facilities to the indigent and dispossessed persons in health, education and social welfare sectors;
b. Further synergize the welfare activities of the charity organizations and evolve a partnership with more private charities;
c. Protect the indigent and dispossessed persons by facilitating the provision of health care, education, skill development and entrepreneurship; and
d. Encourage and support philanthropist individuals and institutions to improve their activities and interventions.

During Citizen Participatory Audit Accounts record of the Managing Director, Lissaail-e-WalMahroom Foundation for the financial year 2022-23 revealed that the foundation was aimed to improve the availability of specified facilities to the indigent and dispossessed persons in health, education and social welfare by not only working on its own but also by involving and evolving partnership with more private charities to further synergize the welfare activities. However, since its inception in 2015, no efforts have been made to involve more charity organizations. Audit held that:

1. Without collaboration and synergy, the foundation may struggle to maximize its impact on welfare activities. Working in isolation may result in limited resources, expertise, and outreach, ultimately reducing the effectiveness of their initiatives. Moreover, without such collaborations, the foundation may struggle to maintain its initiatives over time, risking the continuity of support for the communities it serves.
2. Partnering with private charities could provide additional resources, both financial and human. Without these partnerships, the foundation might face resource constraints, hindering its ability to address the diverse and complex needs of the beneficiaries.
3. The lack of progress in achieving this objective might lead to stagnation in the foundation's impact and reputation. Donors and stakeholders may question the foundation's ability to adapt and evolve, potentially affecting future funding and support.

The lapse occurred due to weak internal controls by ignoring the core objectives of the foundation.

When pointed out in December-2023, it was replied that Public-private partnerships involve collaboration between a government agency and a private-sector company that can be used to finance, build, and operate projects. Financing a project through a public-private partnership can allow a project to be completed sooner or make it a possibility in the first place. Khyber Pakhtunkhwa Lissaail-e-WalMahroom Foundation has been working in Health, Education and Social Welfare Sectors for providing relief to the indigent & dispossessed segments of the society including patients suffering from different eye diseases. Private Institution has been collaborating with LSWM Foundation since inception of the Foundation. They administered Cataract surgeries of the indigent & dispossessed segments of the society as per MOU/Agreement duly signed between LSWM Foundation and the Organization/institutions concerned where they are strictly bound to work as per MOU.

Reply is not correct as the foundation failed to involve private charities besides the cataract surgeries and other areas have completely been ignored.

Audit recommend that strenuous efforts may be made to enhance the welfare activities by involving private charity organizations.

8.1.5 Irregular expenditure without Board's approval Rs. 194.826 million

According to section-17 of the Khyber Pakhtunkhwa Lissail-e-WalMahroom foundation Act-2015 duly notified vide No. PA/Khyber Pakhtunkhwa/bills2015/225 dated 03.07.2015, The Managing Director shall, in respect of each financial year, prepare and place before the Board for approval, the budget of the Foundation. The budget shall comprise of-

(a) Regular Budget, representing the expenditure to be incurred on administration and organization of the Foundation which shall include salaries of officers, staff and other expenditure of the Foundation;
(b) A Program Budget, representing the disbursements planned to be made on various programs and activities for the welfare of indigent and dispossessed persons in, the achievement of objectives of the Foundation; and
(c) A Receipts Budget, indicating the probable sources from where the funds shall be pooled to meet the Regular Budget and the Program Budget.

During Citizen Participatory Audit accounts record of the Managing Director, Lissaail-e-WalMahroom Foundation for the financial year 2022-23 revealed that expenditure to the tune of Rs. 194.826 million has been incurred by the foundation on account of salaries, contingencies and social welfare activities as per details below:

S.No	Year	Amount
1	2021-22	90,841,157
2	2022-23	103,985,044
Total		**194,826,201**

As per section-17 of the Foundation's Act, the Managing Director was liable to place the budget before the Board for approval. However, since May, 2020 the Board has not been re-constituted nor any Board meeting held. Hence, expenditure without the approval of the Board of Rs. 194.826 million is irregular and un-authorized.

The lapse occurred due to weak internal controls. When pointed out in December-2023, it was replied that budgetary proposals for financial year 2021-22 & 2022-23 could not be approved in time due to expiry of the Board of the Directors on 11.05.2020. The activities of the LSWM Foundation continued in the public interest. The last Board of Directors also approved the budget of financial year 2020-21.

When pointed out in December-2023, it was replied that the financial expenditure incurred for carrying out activities of the Foundation in the Health, Education & Social Welfare Sectors including administrative expenses for the welfare of the orphans, widows and indigent and dispossessed persons which are required to be Ex-post Facto Sanction by the Board of Directors LSWM Foundation as and when constituted.

The reply of the foundation is not convincing expenditure without Board approval which is mandatory requirement of the act.

Audit recommends that the Board may be re-constituted at the earliest along with approval of the expenditure incurred.

8.1.6 Non distribution of funds under education stipend program to deservingorphans/ students at pre and post-Matric levels Rs. 27.839 million

According to the Khyber Pakhtunkhwa Lissaail-e-WalMahroom foundation Act-2015 duly notified vide No. PA/Khyber Pakhtunkhwa/bills2015/225 dated 03.07.2015, the core objective of the foundation were to (a) Enhance the availability of specified facilities to the indigent and dispossessed persons in health, education and social welfare sectors, (c) Protect the indigent and dispossessed persons by facilitating the provision of health care, education, skill development and entrepreneurship read with Education Stipend Policy notified vide No. LWMF/2019-20 dated April-2020 that stipend of Rs. 1000/per month per student will be admissible to the selected awardees or as approved by BOD at the primary level and career stipends at Rs. 4000/- per month is admissible to all selected students at Post-Matric Level.

During Citizen Participatory Audit accounts record of the Managing Director, Lissaail-e-WalMahroom Foundation for the financial year 2022-23 revealed that various education stipend programs were initiated as per the foundation's education policy, aimed to provide monthly stipends, amounting to Rs. 1000, to underprivileged or orphaned pre-matric level students. Additionally, career stipends of Rs. 4000 per student have been introduced for post-matriculation levels, benefiting students across different districts including both male and female students.

However, it was observed that funds amounting to Rs. 27,839,000 allocated for the aforementioned education programs have remained undistributed since July 2021, despite the availability of funds.

S.No	Batches of students	No. of students	Period	Months	Amount
1.	Batch-VII Primary Level (2021-22)	1425	July-2021-Dec-2022	18	25,650,000
2.	Batch-2018-19 Primary Level	95	July-2021-June-2021	12	1,140,000
3.	Batch 2019-20 Post-Matric Level	17	Various	-	789,000
4.	-do-	06	Various	-	260,000
Total					**27,839,000**

Audit held that the management failed to fulfill its core objectives and the reason of its existence on one hand but on the other hand the already financially struggling orphan students were deprived from the provision of financial assistance exacerbating their already challenging circumstances which is alarming and beyond understanding.

The lapse occurred due to weak internal controls by denying financial assistance to the underprivileged/orphan students.

When pointed out in December-2023, it was replied that the post of Managing Director was laid vacant due to transfer of the then Managing Director Mr. Khayyam Hassan Khan vide Notification dated 31.03.2023. All the administrative as well as welfare activities of the foundation are completely stopped because of non-availability of sanctioning authority for 05 months (April, 2023 to August, 2023). This office addressed a letter to Secretary Social Welfare regarding posting of Managing Director LSWM Foundation. The Govt. of Khyber Pakhtunkhwa now authorized Secretary Social Welfare Department to hold additional Charge of the post of Managing Director Khyber Pakhtunkhwa Lissaail-e-WalMahroom Foundation vide Establishment Department Govt. of Khyber Pakhtunkhwa Notification No. SO(E-1)E&AD/9-115/2023 dated 30-08-2023.

The pending file/cases as mentioned in the audit paras are submitted to the worthy Secretary Social Welfare for perusal and approval. After the approval the same may be distributed amongst the orphan students concerned.

Audit contention admitted and till December 2023 the payment is undisbursed.

Audit recommends enquiry into the matter for fixing responsibility along with immediate release of funds to the deserving students already deprived.

8.1.7 Non implementation of skill development activities despite availability of funds of Rs. 92.497 million

According to the Khyber Pakhtunkhwa Lissaail-e-WalMahroom foundation Act-2015 duly notified vide No. PA/Khyber Pakhtunkhwa/bills2015/225 dated 03.07.2015, the core objective of the foundation were to (a) Enhance the availability of specified facilities to the indigent and dispossessed persons in health, education and social welfare sectors. (b) Protect the indigent and dispossessed persons by facilitating the provision of health care, education, skill development and entrepreneurship. Read with skill development regulations notified vide No. LSWMF/2019-20 dated April, 2020 that the number of training centers will be 02 per district, 03 in case of district as divisional headquarter and 04 in case of Peshawar as Provincial Capital. Each batch will consist of 20 trainees per center and the foundation will pay 10,000/- stipend to each trainee at the end of the course through cross cheque or order cheque whichever is convenient.

During Citizen Participatory Audit Accounts record of the Managing Director, Lissaail-e-WalMahroom Foundation for the financial year 2022-23, it was revealed that the Board of Directors approved a skill development policy notified vide (No. LSWMF/201-20/) dated April 4, 2020 in an effort to empower the underprivileged. The policy aimed to offer skill development training to those in need, with plans for the establishment of two training centers in each district, spanning a six-month training period. Divisional headquarters were scheduled to host three centers, while the provincial capital, Peshawar, was to accommodate four centers.

In line with this policy, 45 training centers were set up across various districts in 2020-21, followed by an additional 47 in 2021-22. However, an examination of records revealed that no skill development activities were carried out post the expiration of the 2021-22 batch in February 2023despite the availability of funds amounting to Rs. 92.149 million in March-2023, i.e. 50% from the established endowment fund's profits, no further initiatives were undertaken. This was not only a clear deviation from the foundation's stated objectives but also stands in violation of the stipulated skill development policy depriving the underprivileged and poor citizen from the benefits of the programs and financial assistance.

The lapse occurred due to weak internal controls by ignoring the core objectives of the foundation.

When pointed out in December-2023, it was replied that the post of Managing Director was laid vacant due to transfer of the then Managing Director Mr. Khayyam Hassan Khan vide Notification dated 31.03.2023. All the Administrative as well as welfare activities of the foundation are completely stopped because of non-availability of sanctioning authority for 05 months (April, 2023 to August, 2023). This office addressed a letter to Secretary Social Welfare regarding posting of Managing Director LSWM Foundation. The Govt. of Khyber Pakhtunkhwa now authorized Secretary Social Welfare Department to hold additional charge of the post of Managing Director vide Establishment Department Govt. of Khyber Pakhtunkhwa Notification No. SO(E-1)E&AD/9-115/2023 dated 30-08-2023.

However, the case may be submitted to the Managing Director/Secretary Social Welfare for approval after fulfilling of all the coddle formalities. The reply of the foundation is not convincing as no skill development center was constituted till December 2023.

Audit recommends that strenuous efforts may be made to achieve the objectives of the foundation in letter & spirit.

8.1.8 Irregular and un-authorized establishment of training centers involving funds allocation of Rs. 3.072 million

According to the Khyber Pakhtunkhwa Lissaail-e-WalMahroom foundation Act-2015 duly notified vide No. PA/Khyber Pakhtunkhwa/bills2015/225 dated 03.07.2015, the core objective of the foundation were to (a) Enhance the availability of specified facilities to the indigent and dispossessed persons in health, education and social welfare sectors. (b) Protect the indigent and dispossessed persons by facilitating the provision of health care, education, skill development and entrepreneurship. Read with skill development regulations notified vide No. LSWMF/2019-20 dated April, 2020, that the number of training centers will be 02 per district, 03 in case of district as divisional headquarter and 04 in case of Peshawar as provincial capital. Each batch will consist of 20 trainees per center and the foundation will pay 10,000/- stipend to each trainee at the end of the course through cross cheque or order cheque whichever is convenient. A sum of Rs. 18000/- per month will be paid as salary of instructors.

During Citizen Participatory Audit Accounts record of the Managing Director, Lissaail-e-WalMahroom Foundation for the financial year 2022-23, revealed that the Board of Directors approved a skill development policy notified vide No. LSWMF/201-20/ dated April 4, 2020. The policy aimed to offer skill development training to those in need, with plans for the establishment of two training centers in each district, spanning a six-month training period. Divisional headquarters were scheduled to host three centers, while the provincial capital, Peshawar, was to accommodate four centers.

However, scrutiny of record revealed that contrary to the skilled development policy guidelines, more training centers were established against the required limit at various districts, district headquarters and Provincial capital, Peshawar. This not only resulted in irregular and un-authorized allocation of funds of Rs. 3.072 million to those training centers in respect of stipends, instructors' salary and training materials etc., but citizens of other districts in need of skilled development and financial assistance were denied their rightful share of funds, which were instead diverted to other districts.

Moreover, all the trainings were focused on tailoring and garments (T&G) targeting only female citizens, and other trainings programs such as basic driving and mechanical driving programs approved in the policy focusing male citizens were completely ignored.

The lapse occurred due to weak internal controls due to which policy guidelines were violated.

When pointed out in December-2023, it was replied that the number of centers increased in Haripur& Peshawar was only because of its population and need basis.

Irregularity admitted. Audit recommends a fact-finding enquiry into the matter for fixing responsibility and action under the rules.

8.2 Financial Management

8.2.1 Non-deposit of bank profit into the Government Treasury - Rs. 20.030 million

According to the Provincial Government policy circulated vide Finance Department letter No. 2/3-(F/L)FD/2007-08/ Vol: IX dated 10.02.2014, profit earned on the Profit & Loss Sharing Accounts should be deposited in government treasury under the following heads of account:-

C01	Total income from property
C018	Total interest on loan –Others
C01803	Interest realized on investment of Cash Balance

During Citizen Participatory Audit it was observed that Managing Director Lissaail-e-WalMahroom Foundation operated Interest Bearing Account vide No. 000212908001 in the Bank of Khyber for the government of Khyber Pakhtunkhwa grant/funds on 08.04.2016. The Bank statements revealed that profit of Rs 20,029,986(7,010,048 + 13019,939) was earned on this account during the year 2022-23.

Audit observed that the profit earned was required to be deposited into the Provincial Government Account. Contrarily, the same was retained in the bank account. The non-deposit of profit into government treasury was held unauthorized.

The lapse occurred due to weak financial controls of the management and violation of rules which resulted into retention of profit amount outside the government treasury.

When pointed out in December-2023, it was stated that Khyber Pakhtunkhwa Lissaail-e-WalMahroom Foundation was established in 2015 through an Act called the Khyber Pakhtunkhwa Lissaail-e-WalMahroom Foundation Act, 2015 (KP ACT No. XXVI) Passed by the provincial assembly. According to the Section 15 of the LSWM Foundation Act, 2015 Endowment funds consist of grants, donations, trusts and bequests by the Federal Government, Government international and local donors agencies and conditional grants. The Foundation is statutory body and the only source of its revenue is the profit occurred on the bank deposits. In case of the directions of the Finance Departments are complied with there would be no fund left to run this organization. The case has already been taken up with Finance Department vide this office letter No. LSWMF/2015-16/114-15 dated 28.09.2016.

Reply is not correct as a separate account has been maintained to run the activities of the foundation.

Audit recommends calculation of profit amount since 08.04.2016 and timely transfer of the amount of profit into the government besides action against the person(s) held responsible for keeping the amount outside the government treasury.

8.2.2 Un-authorized drawl of Corporate Allowance worth-Rs1.119 million

According to Para-3 of the Finance Department (Regulation Wing) notification No.FD (SOSR-II)/8-7/2016-17, dated 2.2.2018, the officers posted against scheduled post and are in receipt of such allowances other than regular allowances shall be entitled to one of the allowance which is more beneficial.

During Citizen Participatory Audit audit of the office of the Managing Director Lissaail-e-WalMahrrom Foundation for the financial year 2022-23, it was noticed that the post of Managing Director was declared as scheduled post by the Establishment Department and the PMS/PAS officers posted against this post were allowed the perks and privileges of the scheduled posts including the Executive Allowance, deputation allowance and other regular allowances, but they were also allowed Corporate allowance @ 20% of his running basic pay which is purely meant for those employees who were appointed under the

Khyber Pakhtunkhwa Lissaail-e-WalMahroom Foundation Act 2015. It was also clarified by the Establishment Department vide their letter as noted above that those officers posted against the scheduled post and are in receipt of such allowances other than the regular allowances shall be entitled to one of the allowance which is more beneficial but even then the officers were allowed both the facilities which is against the rules and regulations of the Govt as well as framed under the Act. This has resulted into un-authorized drawl of Corporate Allowance of Rs 1,119,134 as detailed given below:

Name of officer	Period	Corporate Allowance	Total amount
Khayyam Hassan Khan Managing Director BPS-21	April 2022 to March 2023 (12 Months)	42,050	504,600
Syed Kamran Shah Managing Director BPS-21	September 2020 to March 2022 (19 Months)	32,344	614,534
Total			**1,119,134**

Audit is of the view that the officers posted against the post were already enjoying perks and privileges of the Civil Secretariat PMS/PAS cadre posts, were not eligible to draw the corporate allowance approved for the employees of the foundation appointed under the Act due to which the drawl on this account was thus held irregular and un-authorized.

The lapse occurred due to non-observance and implementation of Govt rules and procedure.

When pointed out in December-2023, it was stated that the Board of Directors in its 4th meeting held on 23.12.2015 decided that corporate allowance @ 20% of running basic pay is allowed to the deputationist also. Reply is irrelevant as the officers mentioned are neither the foundation's employees nor deputationist.

Audit recommends recovery besides the matter needs to be enquired for taking appropriate action against the person(s) at fault.

8.2.3 Irregular drawl of Executive Allowance worth-Rs. 8.707 million

According to clause-11 of the KP Lissaail-e-WalMahroom Foundation Act-2015 circulated vide No.PA/KP/Bills/2015/225, dated 3.7.2015 followed by clause-7 of KP LWMF Rules-2017 issued by the Department vide notification No.SO-III(SW)/4-39, dated 28.2.2017 that:

i. There shall be a Managing Director of the Foundation, who shall be appointed by Govt: on such term and conditions, as may be prescribed by rules: provided that till the framing of the rules, Govt; may appoint an officer of Govt; not below the rank of Additional Secretary as M.D of the foundation for a period of six months.
ii. The Managing Director shall be appointed by Govt; for a period of three years extendable for further two years;

a) Any person to be appointed as MD shall at least 2nd class Master Degree in Social Science or professional Degree of LLB or MBA from a recognized University and having at least 15 years' experience in Admn: for management etc; and shall not be less than 45 years and not more than 60 years.
b) The salary and allowances of the MD shall fixed equal to the salary, allowances and other perks and privileges of a BPS-20 of the Govt: servant.

During Citizen Participatory Auditfor the financial year 2022-23, the record of the Managing Director Lissaail-e-WalMahroom Foundation revealed that the appointment procedure of managing Director for the foundation was prescribed within the LWMF Act-2015 and also elaborated in the rules made thereunder as mentioned above, but on comparison, it was noticed that the post of MD and Social welfare Manager was declared as Scheduled posts against which the PMS/PAS officers are being drawing their salaries including Executive Allowance amounting to Rs. 8,706,570 (detailed below) without the amendment in the laid down criteria provided in the Act-2015 by the Provincial Assembly in absence of which the drawl of Executive Allowance @ 150% of the basic pay in addition to pay and allowances was thus held irregular as detailed below;

S.No	Name & Designation	Monthly Rate	Period	Total
01	Khayyam Hassan Khan Managing Director BPS-21	205,080	April 2022 to March 2023 (12 Months)	2,460,960
02	Syed Kamran Shah Managing Director BPS-21	242,580	September 2020 to March 2022 (19 Months)	4,609,020
03	Muhammad Farooq Welfare Manager BPS-18	96,270	01.08.2022 to December 2022 (05 months)	481,350
04	Muhammad Abbass Khan Welfare Manager BPS-18	96,270	01.05.2021 to 30.04.2022 (12 Months)	1,155,240
Total				**8,706,570**

Audit is of the view that had the positions were filled in accordance with the provisions contained in Lissaail-e-WalMahrrom Foundation Act-2015 and rules framed thereunder, the foundation would have been saved from the recurring loss in shape of executive allowance.

The lapse occurred due to weak internal controls.

When pointed out in December-2023, it was replied that the procedure regarding the appointment of Managing Director of the Khyber Pakhtunkhwa was amended in 2019 at clause 2 sub section (1) There shall be a Managing Director of Foundation, who shall be posted by the Government from amongst the officer in BPS-20 & BPS-21 from PAS/PMS/PCS"

In light of the above amended Act, 2019 the post of Managing Director is a schedule post vide notification No. SO (E-I) E&AD/1-1/2018 dated 25.09.2018. The post of the Welfare Manager is also a schedule post which was approved by the BOD in its 7th meeting held on 12.07.2019 and copy of the Establishment department vides notification No. SO (E-I) E&AD/9-128/2019 dated 11.06.2019 regarding the schedule post of Welfare Manager.

The matter needs to be enquired for taking appropriate action.

8.2.4 Wasteful Expenditure on one and the same free medical treatment worth Rs.10.999 million

According to clause 4 (a) and (c) of the Lissaail-e-WalMahrrom Foundation Act-2015, provide that to enhance the availability of specified facilities to the indigent and dispossessed persons in health, education and social welfare sectors; and to protect the indigent and dispossessed persons by facilitating the provision of health care, education, skill development and entrepreneurship.

During Citizen Participatory Audit of the Managing Director Lissaail-e-WalMahrrom Foundation for the financial year 2022-23 it was revealed that a sum of Rs.41,559,395 was incurred on health care activities during the period 2021-22 & 2022-23 including a sum of Rs. 10,999,933 was paid to the following four teaching hospitals for free medical treatment of the individual’s concerned.

S.No	Name of the Hospital	2021-22	2022-23	Total Amount
1.	LRH	2,142,906	2,774,585	4,917,491
2.	KTH	2,647,639	0	2,647,639
3.	HMC	1,486,738	1,330,063	2,816,801
4.	Ayub Medical Complex	618,002	0	618,002
Total		6,895,285	4,104,648	**10,999,933**

The incurrence of expenditure was wasteful on the following grounds: -

1. The Provincial Govt released funds on account of free medical treatment under object heads purchase of emergency drugs and medicines, LP under ADP, free angiography, angioplasty, electro physiology, under GIA and free provision of medicines, drugs and other lab facilities procedures free of cost to the admit patients under regular medicines, being provided by the hospital management. In addition, free medical treatment under Sehat Saholat Programme including different surgeries/procedures were allowed through Sehat Card, therefore, the incurrence of expenditure by the foundation through the above hospitals were mere duplication on one and the same free medical treatment object.
2. There is no liaison at departmental level for provision of different facilities to be provided to the indigent and dispossessed persons under the ‘free medical treatment’ except to release the funds to hospitals management for onward payment to medicines contractor. No bifurcation of the diseases at LWM Foundation level for sponsoring treatment and hospital management could be made separated as no defined policy exist.

   The lapse occurred due to non-observance and implementation of laid down procedure.

When pointed out in December-2023, it was replied that Provincial Government provides medical facilities through Sehat card in hospitals only for admission cases or OT while the LSWM Foundation Provides FMT facility to the outdoor poor patients who have been referred by LRH, KTH, HMC have not provided medical treatment through Sehat Card or other funds. The FMT Facility is only for OPD Patients which is referred by the above hospitals focal persons. The LSWM Foundation provide only medicine sanction as prescribed by the RMO/Doctor concerned. The reply of the department is not convincing as these hospitals have million of rupees for the purchase of medicines from MCC and LP as well.

Audit recommends the matter to be enquired for taking appropriate action in this regard under intimation to audit.

8.2.5 Non deduction of Income Tax from bills of L.P contractor worth Rs.1.870 million

According to the Deputy Commissioner Inland Revenue, Regional Tax Peshawar letter No.DCIR (Unit-48/WHZ/2017-18/04, dated 1.7.2017, I/tax @ 4.5% for filler and 7.75 % for non-filler was levied upon to be deducted.

During Citizen Participatory Audit for the financial year 2022-23, the record of the Managing Director LWM Foundation revealed that an amount of Rs.50,447,600 was drawn and paid to different Hospital of public and private sector organizations on account of Free Medical Treatment (FMT) as detail given below, but on comparison and verification of the Local purchase medicines bills of the contractor, it was noticed that these bills were honored on the basis of gross amount of the bills instead of net amount after deduction of income tax at the prescribed rate, resulted into non deduction of income tax amounting to Rs.1,870,173 (41,559,395 x 4.5%) as detail given below:

S.No	Name of the Hospital	2021-22	2022-23	Total Amount
1.	LRH Peshawar	2,142,906	2,774,585	4,917,491
2.	KTH Peshawar	2,647,639	0	2,647,639
3.	HMC Peshawar	1,486,738	1,330,063	2,816,801
4.	Ayub Medical Complex Abbottabad	618,002	0	618,002
5.	HabibPhysiothraphy Complex Peshawar	0	600,000	600,000
6.	Paraplegic Centre Peshawar	1,344,200	943,800	2,288,000
7.	Dar-Ui-Rehmat Medical Complex Charsadda	5,160,000	3,426,462	8,586,462
8.	Khyber Eye Foundation Peshawar	5,525,000	4,285,000	9,810,000
9.	Mehmood Eye Hospital D.I.Khan	4,045,000	3,030,000	7,075,000
10.	Dar-Ui-Rehmat Medical Complex Charsadda (Prosthetic & Orthotic Appliances)	1400,000	800,000	2,200,000
Total		**24,369,125**	**16,508,475**	**41,559,395**

Audit is of the view that the paying authority was required to deduct the prevailing taxes from the claims of the contractor/organization concerned for onward transmission into relevant head of account of income tax department, but the foundation was found in continues practice of releasing gross bill’s amount to the quarter concerned which is against the Finance Act.

The lapse occurred due to non-observance and implementation of Govt: rules/procedure.

When pointed out in December-2023, it was stated that the Private hospital/organizations are mostly working as welfare organization and as per their statements that they are exempted from the Income Tax. In reply of the para the hospitals mentioned in the table of the said para, a letter addressed to RMOs of the said hospitals regarding the confirmation of the Income Tax deduction from LP contractor.

Audit recommends recovery besides the matter to be enquired at appropriate level for immediate action along with overhauling the record of previous years as well as succeeding year payment and necessary action towards recovery be taken under intimation to audit.

8.2.6 Non-deposit of bank profit into the Government Treasury - Rs. 7.989 million

According to the Provincial Government policy circulated vide Finance Department letter No. 2/3-(F/L)FD/2007-08/ Vol: IX dated 10.02.2014, profit earned on the Profit & Loss Sharing Accounts should be deposited in government treasury under the following heads of account:-

C01	Total income from property
C018	Total interest on loan –Others
C01803	Interest realized on investment of Cash Balance

During Citizen Participatory Audit it was observed that Managing Director Lissaail-e-WalMahroom Foundation operated Interest Bearing Account vide No.PLS-0095707010000246 in the Muslim Commercial Bank University Town Branch on 25.05.2007. The Bank statements revealed that profit of Rs 7,988,726(11,412,466-3,423,740{Tax on Profit}) was earned on this account during the period July 2021 to June 2023.

Audit observed that the profit earned was required to be deposited into the Provincial Government Account. Contrarily, the same was retained in the bank account. The non-deposit of profit into government treasury was held unauthorized.

The lapse occurred due to weak financial controls of the management and violation of rules which resulted into retention of profit amount outside the government treasury. When pointed out in December-2023, it was replied that as per amended Act, 2022 the 50 % Endowment Fund will be transferred to PLS Account for utilization of program cost activities and administrative purpose and remaining 50% fund will be reinvested in the BOK Branch Hayatabad Peshawar against the RIBA Free Certificate as per BODs approval.

The Foundation is statutory body and the only source of its revenue is the profit occurred on the bank deposits. In case of the directions of the Finance Departments are complied with there would be no fund left to run this organization. The case has already been taken up with Finance Department vide this office letter No. LSWMF/2015-16/114-15 dated 28.09.2016.

Reply is irrelevant as the amount is lying in the PLS account since 2020 as idle and profit earn needs to be credit to the government.

Audit recommends calculation of profit amount since opening of account and timely transfer of the profit into the government treasury besides action against the person(s) held responsible for keeping the amount outside the government treasury.

8.2.7 Unauthorized retention & non transfer of balances to the foundation activities account - Rs. 54.135 million

According to Clause-15(1) of the Lissaail-e-WalMahroom Act, 2015 notified by the Provincial Assembly vide their letter No.PA/KP/Bills/2015/225, dated 03.07.2015, that there shall be a fund to be known as Khyber Pakhtunkhwa Lissaail-e-WalMahroom Foundation Fund, which shall consist of grants, contributions, donations, trusts and bequests by:-

a. Federal Government.
b. Government.
c. International and local donor Agencies.
d. Conditional grant.
e. 50% of the annual income from investment of endowment fund;
f. 10% of un-conditional grant.
g. Others

During Citizen Participatory Audit of the Managing Director Lissaail-e-WalMahroom Foundationit was revealed that the management of the foundation operated Interest Bearing Account vide No.PLS-0095707010000246 in the Muslim Commercial Bank University Town Branch Peshawar. The account was meant for foundation activities and funds in this account are transferred from endowment fund account (50% of profit RFC).

On further verification of bank statement for the last three years it was noticed a sum of Rs 54,135,121 was lying on 30.06.2023 without any activity in the account. Only profit of Rs 11,412,466 was gain on this accountand Rs 3423740 was deducted as income tax on profit. Audit also observed that another account vide No.PLS-07718-003 maintained in BOK Islamic Branch Hayatabad which is being operated specifically as Endowment Fund Account consist of profit returns on investments + Interest accrued on PLS mode, of the amount so remitted by the Govt. Out of the total profit/return on investment, 50% will be utilized for the welfare of the indigent and dispossessed persons. At the end of June 2023, the closing balance in this account was Rs 162,427,020. Audit observed that:

- The management of the foundation maintained two accounts at a time for the project activities i.e in BOK & in MCB which is against the spirit of the LWM Act 2015.
- More than three years over 54.00 million rupees remained idle without carrying out any activities, on one side, rupee value was devaluated and on the other poor & needy people of the community deprived at large.
- The amount remained in PLS account with marginal interest on PLS account though it gained profit but income tax was charged @30% amounting to Rs 3,423,740. If the amount was kept in the RFC account it would have earned more profit on fixed RIBA free Certificate, and could be expended upon the program activities, which was not done by violating the distribution provided in the Act.

The lapse occurred due to non-observance and implementation of the Rules already framed.

When pointed out in December-2023, it was replied that As per amended Act, 2022 the 50 % Endowment Fund will be transferred to PLS Account for utilization of program cost activities and Administrative purpose and remaining 50% fund will be reinvested in the BOK Branch Hayatabad Peshawar against the RIBA Free Certificate as per BODs approval. The reply of the department is not convincing as the amount is lying in the bank before amendment in the act.

Audit recommends to draw the idle amount and re-invest in the RFC account in order to obtain maximum benefit from the deposit besides the matter needs to be enquired for taking appropriate action and fixing the responsibility under intimation to audit.

8.2.8 Difference between the cash book and bank figure worth-Rs. 4.243 million

Para 89 (3) (viii) of GFR Vol-I provides that the head of the department and the Accountant General, will be jointly responsible for the reconciliation of the figures given in the accounts maintained by the head of the department with those that appear in the Accountant General’s books.

During Citizen Participatory Audit of the Managing Director Lissaail-e-WalMahrrom Foundation for the financial year 2022-23, it was noticed that the management of the foundation maintained a cash book for the accounts of foundation welfare activities maintained in Bank of Khyber University Road. The closing figure and cash book shows a variation of Rs.4,243,342 as detailed below;

Closing date	Cash Book	Banks Figure	Difference
30.06,2023	158,183,677	162,427,019	4,243,342

Audit observed that the lapse occurred due to weak financial managerial controls of the management which resulting into non-reconciliation of balances with banks causing differences in the closing balances.

When pointed out in December-2023, it was replied that Khyber Pakhtunkhwa Lissaail-e-WalMahroom Foundation has been working in Health, Education and Social Welfare Sectors for providing relief to the indigent & dispossessed segments of the society including orphans, widows, persons with disability and the poor under the administrative control of Social Welfare Department. The LSWM Foundation distributed thousands of cheques amongst the orphan students/awardees across Khyber Pakhtunkhwa in which most of the cheques are lying pending un-cashed with the students concerned and will be clear the difference between bank and cash book figure as an when the students cash their cheques from the concerned banks.

Audit recommends timely reconciliation of the balances with bank besides justification action against the person at fault.

8.2.9 Non transfer of 50% of the annual income from investment of Endowment Fund account worth Rs. 106.310million

According to Clause-15(1) of the Lissaail-e-WalMahroom Act, 2015 notified by the Provincial Assembly vide their letter No.PA/KP/Bills/2015/225, dated 03.07.2015, that there shall be a fund to be known as Khyber Pakhtunkhwa Lissaail-e-WalMahroom Foundation Fund, which shall consist of grants, contributions, donations, trusts and bequests by:-

a. Federal Government.
b. Provincial Government.
c. International and local donor agencies.
d. Conditional grant.

e. 50% of the annual income from investment of endowment fund;
f. 10% of un-conditional grant.
g. Others

During Citizen Participatory Auditfor the F.Y2022-23, the record of Managing Director Lissaail-e-WalMahroom Foundation revealed that an Account bearing No.PLS-07718-003 in BOK Islamic Banking Branch Hayatabad is being operated specifically as Endowment Fund Account consist of profit returns on investments + Interest accrued on PLS mode, of the amount so remitted by the Govt. In this regard an amount of Rs 611,963,634 was lying in the RFC account which was deposited on different dates with maturity time of five years and one year as detailed below:

S#	RFC No.& date	Date of Maturity	Maturity Period	Amount
01	0007019 dt:26.09.2014	26.09.2019	5 Years	250,000,000
02	0008170 dt:20.01.2016	20.01.2021	5 Years	12,000,000
03	0008171 dt:26.01.2016	26.01.2021	5 Years	250,000,000
04	0008176 dt:13.04.2016	13.04.2021	5 Years	8,000,000
05	0008188 dt:31.07.2017	31.07.2022	5 Years	20,368,494
06	0008200 dt:07.12.2018	06.12.2019	1 year	15,727,409
07	0010160 dt:02.08.2019	02.08.2020	1 year	28,361,049
08	0010166 dt: 17.04.2020	16.04.2025	5 Years	27,506,682
Total Investment in RFC Account				**611,963,634**

Audit observed the following:

- After promulgation of Lissaail-e-WalMahroom Foundation Act 2015, the Board was notified on 11.05.2017 for a period of three years. The term of the Board was expired on 10.05,2020 and since then neither board was re-constituted nor can't welfare activities be undertaken in the absence and without approval of Board.
- Till 30th June 2023, as per bank statement of RFC account, amount of Rs 212,620,620 was earned on above investments. However, as per Act, out of the total profit/return on investment, 50% will be utilized for the welfare of the indigent and dispossessed persons, which was not done since April 2020, causing affecting the foundation welfare activities on the one side and on the other beneficiaries/poor/orphans of the community were deprived/suffered at large of the benefit of the fund.
- The management of the foundation initially invested Rs.500.00 million in the RFC account in 2014 & 2016 and furthermore, re-investment of Rs. 111.964 million was made till April 2020, as 50% of the annual income from investment of endowment fund. However, after April 2020 Rs 212.621 million was earn as profit till June 2023 and as per LWM Act 2015, 50% amount of Rs 106.310 was require to be re-invest in the RFC account and remaining 50% amount was require to be transfer in the BOK for the purpose of welfare activities. Due to lapse of the management neither 50% amount was invested in the RFC account no 50% amount was transferred in BOK for the welfare activities of the foundation.

Audit is of the view that in the absence of Board all activities and expenditures are held irregular as nothing can be done without the approval of board. Moreover, profit earned on RFC account neither invested nor utilized in the welfare activities. had the amount was transferred to the specific Bank Account, it would have earned more profit on fixed RIBA free Certificate, and could be expended upon the program activities, which was not done by violating the distribution provided in the Act.

The lapse occurred due to non-observance and implementation of the Rules already framed which resulted non transfer of 50% amount for investment on the one side and on the other welfare activities of foundation were not carried out causing beneficiaries of the funds deprived at large.

When pointed out in December-2023, it was replied that the same will be placed before the Board of Directors for approval as and when constituted.

The matter needs to be enquired for taking appropriate action and fixing the responsibility under intimation to audit.

8.2.10 Loss to the foundation due to payment of sales tax on exempted items Rs. 1.283 Million

According to the clarification made by the Deputy Commissioner, Regional Tax Office Peshawar, vide their letter No. ST/Corporate Zone/Audit-l/Misc/04 dated 31.08.2021, that supply of sewing machines of the household type are exempted from the levy of sales tax under entry at serial No. 92 Table-I of the sixth schedule to the sales tax Act. 1990 read with SRO 501(l)2013 dated 12.06.2013.

During Citizen Participatory Audit Accounts record of the Managing Director, Lissaail-e-WalMahroom Foundation for the financial year 2022-23, revealed that a sum of Rs. 8.836 million was paid to M/S Hizbullah Khan & Sons for the supply of 940 sewing machines @ Rs. 9,400/- per machine, purchased for 47 tailoring and garments (T&G) centers established at various districts for the skilled development of unprivileged and/or orphan female citizens.

Upon scrutiny of record, it was observed that the bill included 17% sales tax amounting to Rs. 1,283,863/- despite the exemption of sewing machines from sales tax. $1/5^{th}$ of the sales tax amounting to Rs. 256,773/- was deducted at source from the bills however, $4/5^{th}$ of the sales tax amounting to Rs. 1,027,090/- was overpaid to the contractor. It could not be ascertained that whether the same has been recovered by the Sales Tax department or else.

The lapse occurred due to weak internal controls resulting in overpayment to the contractor.

When pointed out in December-2023, it was stated that reply will be submitted after scrutiny of record.

Audit recommends recovery besides action against the person(s) at fault.

8.3 Procurement and Contract Management

8.3.1 Doubtful expenditure on account of free medical treatments by private hospitals Rs. 15.675 Million

According to serial No.2 (xiii) of the Khyber Pakhtunkhwa Lissaail-e-WalMahroom foundations regulations for Free Medical Treatment and Diagnoses, notified vide No. LSWMF/2019-20 dated April, 2020, xiii. Auditable record pertaining to the patients treated, as required will be provided to the LWM Foundation duly signed by the head /administrator of the concerned private welfare hospital/organization. Read with serial No. X of the MOU signed between the foundation and the private hospitals, that auditable record shall be provided by the party-II, including OPD slip along-with-OT form and lists of patients will be provided in soft and hard form. If failed amount of respective cataract surgery/surgeries shall be deducted from the monthly bill accordingly.

During Citizen Participatory Audit accounts record of the Managing Director, Lissaail-e-WalMahroom Foundation for the financial year 2022-23, revealed that a sum of Rs. 15,675,000 million was paid to the following private eye hospitals for carrying out Cataract surgeries of poor and needy patients @ Rs. 5000/- per patient.

S.No	Name of Hospital	Payment 2021-22	Payment 2022-23	Total
1.	Khyber Eye Foundation	5,525,000	3,825,000	9,350,000
2.	Mehmood Eye Hospital D.I Khan	4,045,000	2,280,000	6,325,000
Total				**15,675,000**

However, record revealed that all the payments were sanctioned solely on the basis of OPD slips from the hospital prescribing the cataract surgery. No document to authenticate that the surgeries have actually been carried out including OT forms duly signed by the surgeon showing the surgical procedures, laboratory and diagnostic test results and post-surgery examination reports etc; were neither obtained nor available without which the payment to hospitals remained un-verified and doubtful.

The lapse occurred due to weak internal controls due to which huge payments were made without the required record.

When pointed out in December-2023, it was replied that in this regard the matter was discussed telephonically with the administration of the said organization regarding provision of OT record duly signed by the surgeon showing the surgical procedure of surgery as well as a letter in this regard is also intimated to the said organizations. The reply of the department is not convincing as all payments were made on OPD slip rather than full record.

The matter is reported for obtaining the required documents from the concerned hospitals or affect recovery under intimation to Audit.

9. Overall Assessment

i. Relevance

Lissaail-e-WalMahroom Foundation was established in line with the Government of Khyber Pakhtunkhwa polices and Act of parliament.

ii. Efficacy

The foundation’s efficacy will be more effective if polices are followed in letter & spirit

iii. Efficiency

The data revealed that there are inbuilt internal control weaknesses in the foundation due to which the objectives of the foundation were not achieved. The assetswere not managed and utilized for the achievement of the intended objectives. The Board was not reconstituted since May 2020, which hindered the decision making in various key issues related to timely distribution of assistance funds to the selected Pre and postMatric level students. Social welfare activities have not been started for the current year due to non-reconstitution of Board and adhocism of the key posts.

iv. Economy:

The economy aspect of the foundation was not satisfactory as the funds were managed uneconomically while making investments with the banks. Though sufficient funds were available, they were not utilized on the intended welfare activities.

v. Effectiveness:

It was observed that though the foundation managed to establish rules in all the three intended sectors i.e. Health, Education and Social Welfare. Initially effective programs were initiated in all the three sectors. However, data from the last three years showed that the foundation was not able to effectively execute its programs. In education sector funds remained undistributed among the students at pre & post matric levels due to non-posting of Managing Director on regular basis. The financial assistance in the health sector was focused mainly at the main hospitals of Peshawar with little focus on other districts, though some MOU's have been signed with various eye foundations and philanthropist at Charsadda and D.I Khan. No skill development activities were carried out post the expiration of the 2021-22, batches despite the availability of funds. Due to non-existence of Board and non-posting of Managing Director on regular basis. The foundation is unable to call applications for stipends from the deserving students in the year 2022-23. Moreover, no efforts have been made to encourage the private charities and other social welfare organizations to synergize its activities with the foundation in other areas beside Cataract surgeries.

vi. Compliance with rules

The act of the foundation not been followed in letter & spirit.

i. Performance rating of the foundation

The performance of the foundation is moderate.

ii. Risk rating of the foundation

High.

10. CONCLUSION

10.1 Key issues for the future: Issues that could limit the foundation performance and achievement of objectives are as under:

- Inefficiency to initiate welfare projects
- Non implementation of health, education and welfare activities

- Failure to establish partnership with private charities
- Non reconstitution of the Board of Directors
- Foundation's funds may be managed in the efficient manner to increase the profits
- Ineffective funds distribution mechanism to the poor and depressed citizens
    - Lack of mechanism to evaluate the impact of the welfare projects initiated by the foundation.
- Poor internal control system

10.2 Lessons learned

- Efforts may be made to initiate welfare projects and extend welfare activities
- Education, Health and Social Welfare policies may be followed in letter & spirit.
- Board may be reconstituted for smooth and effective running of the foundation's activities
- Funds may be distributed to the needy and poor students at the earliest.
- Overpayments may be recovered from the officers/officials
- Proper record in respect of payments made to hospitals and eye foundations may be maintained before making payments

AUDIT REPORT
ON
THE ACCOUNTS OF
REVENUE RECEIPTS
GOVERNMENT OF KHYBER PAKHTUNKHWA
AUDIT YEAR 2023-24

AUDITOR-GENERAL OF PAKISTAN

REVENUE RECEIPTS GOVERNMENT OF KHYBER PAKHTUNKHWA

Chapter - 1

SECTORAL ANALYSIS

The major revenue collecting departments of the Government of Khyber Pakhtunkhwa are Excise, Taxation & Narcotics Control Department, Khyber Pakhtunkhwa Revenue Authority, Revenue & Estate Department and Transport & Mass Transit Department. Revenue target of Rs. 51,388 million was set for these departments for the financial year 2022-23. Against this target, revenue amounting to Rs. 41,897 million was collected by the aforementioned departments during the year, which was 19 percent less than the target.

The main sources of the tax and non-tax revenue are Sales Tax on Services, Stamp Duty, Land Revenue, Infrastructure Development Cess, Property Tax, Motor Vehicle Tax, and Tobacco Development Cess.

1. Performance of Tax Collecting Departments.

As per Finance Account 2022-23, total receipt collection of the above mentioned four departments was Rs. 41,897 million in year 2022-23 against Rs. 42,878 million during previous year 2021-22. Hence, tax collection during the Financial Year 2022-23 decreased by 2%.

(Rs. in million)

Department	Actual Receipts 2021-22	Actual Receipts 2022-23	Variation Excess (+) Short (-)	Percentage of Variance
Excise, Taxation & Narcotics Control	3,194.16	4,511.22	1,317.05	41.23
Khyber Pakhtunkhwa Revenue Authority (KPRA)	30,341.96	30,646.12	304.17	1.00
Revenue & Estate	8,657.01	5,968.40	-2,688.61	-31.06
Transport & Mass Transit	575.60	770.99	195.38	33.94
Total:	**42,768.73**	**41,896.72**	**-872.01**	**-2.04**

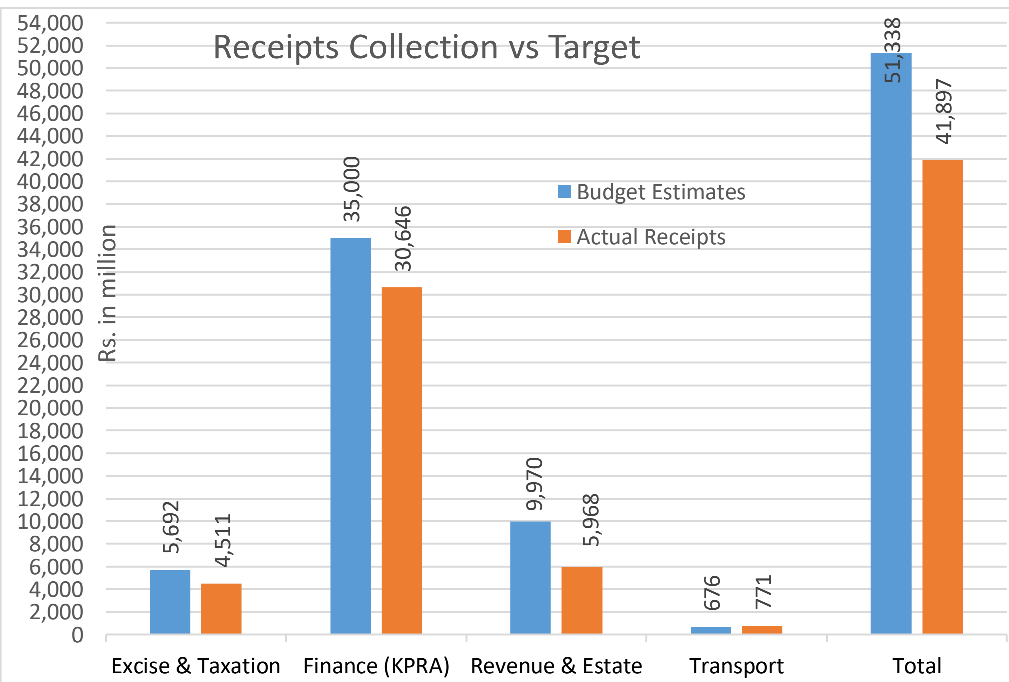
A comparison of budget estimates and actual receipts of each Department for the financial year 2022-23 is tabulated below:

(Rs. in million)

Department	Revenue Estimate 2022-23	Actual Receipts 2022-23	Variation Excess (+) Short (-)	Percentage of Variance
Excise, Taxation & Narcotics Control	5,692.00	4,511.22	-1,180.78	-20.74
Khyber Pakhtunkhwa Revenue Authority (KPRA)	35,000.00	30,646.12	-4,353.88	-12.44
Revenue & Estate	9,970.00	5,968.40	-4,001.60	-40.14
Transport & Mass Transit	676.00	770.99	94.99	14.05
Total:	**51,338.00**	**41,896.72**	**-9,441.28**	**-18.39**

The above table shows that Excise, Taxation & Narcotics Control Department, Khyber Pakhtunkhwa Revenue Authority and Revenue & Estate Department were unable to achieve their revenue targets. The shortfall of Revenue & Estate Department was 40 % which was a substantial amount. Only Transport Department surpassed its target by 14%.

The comparison of the budget estimates and actual receipts for the year 2022-23 is also depicted in the following bar chart:



(Data Source: Estimates of Receipts 2022-23 Vol-II Finance Deptt. KP & Finance Account KP 2022-23)

Three out of four tax collecting departments were unable to achieve their targets. It shows poor fiscal planning. It also indicates that proper survey was not carried out while preparing the budget estimates. Finance Department and tax collecting departments need to set revenue targets after detailed analysis, keeping in view of capacity and potential of departments responsible for tax collection.

Audit has highlighted certain procedural, systemic and regularity weaknesses within the tax collecting departments. Financial and administrative weaknesses of revenue collecting departments resulted in accumulation of a huge amount of arrears on account of Property Tax, Motor Vehicles Tax, Water Rates (Abiana) and Route Permit Fee. No concrete steps have been taken for recovery of these arrears. Property Tax from PESCO and Provincial Government share of Property Tax from most of the cantonment boards within the province was not recovered. No improvement has been noticed in Motor Vehicle Tax collection.

The tax collecting machinery of the province needs to revisit the entire operations process of tax collection and administration. This may lead to enhanced performance through a more systemic integrated planning and execution into tax administration.

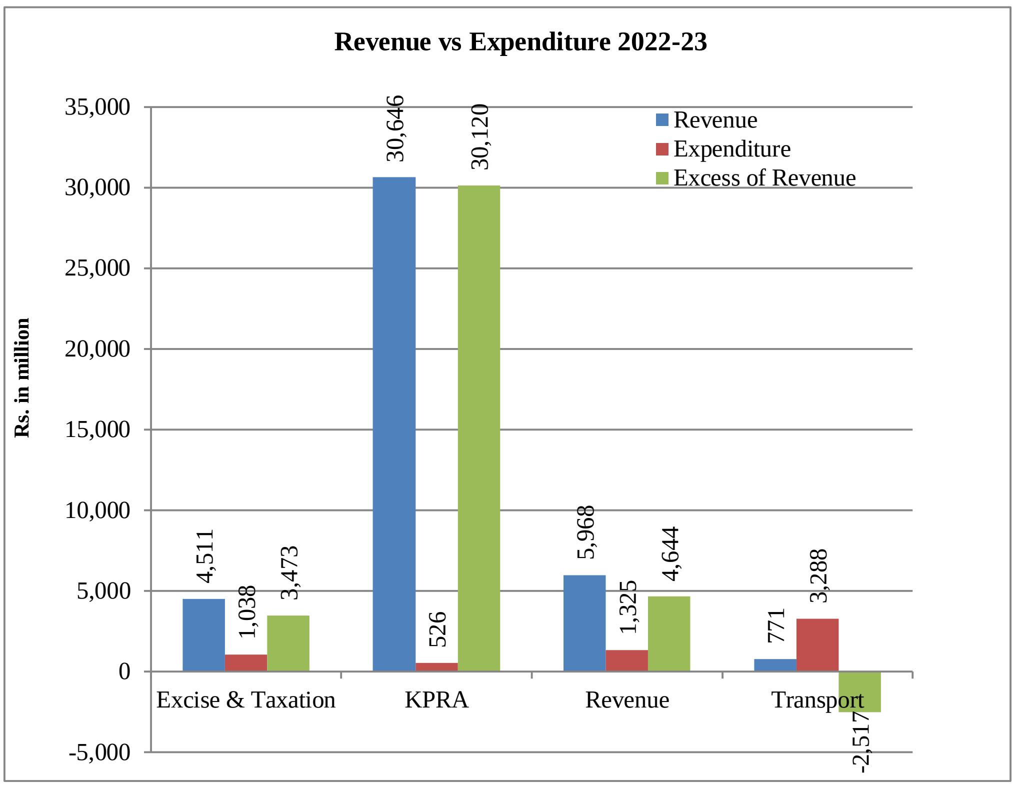
2. Revenue vs Expenditure 2022-23

A comparison of the revenue and expenditure of major revenue collecting departments i.e. Excise, Taxation & Narcotics Control, KPRA, Revenue & Estate and Transport Department for the financial year 2022-23 is given below in tabulated form:

(Rs. in million)

Sr. No.	Department	Revenue (2022-23)	Expenditure (2022-23)	Excess of Revenue over expenditure	Cost Benefit Ratio
1	Excise, Taxation & Narcotics Control	4,511.22	1,038.22	3,473.00	1:4
2	Khyber Pakhtunkhwa Revenue Authority (KPRA)	30,646.12	525.78	30,120.35	1:58
3	Revenue & Estate	5,968.40	1,324.65	4,643.75	1:4
4	Transport & Mass Transit	770.99	3,287.65	-2,516.67	1:0.2

The above data is depicted in bar chart below to have better understanding.



(Data Source: Finance Account and Appropriation Account of Govt. of KP 2022-23)

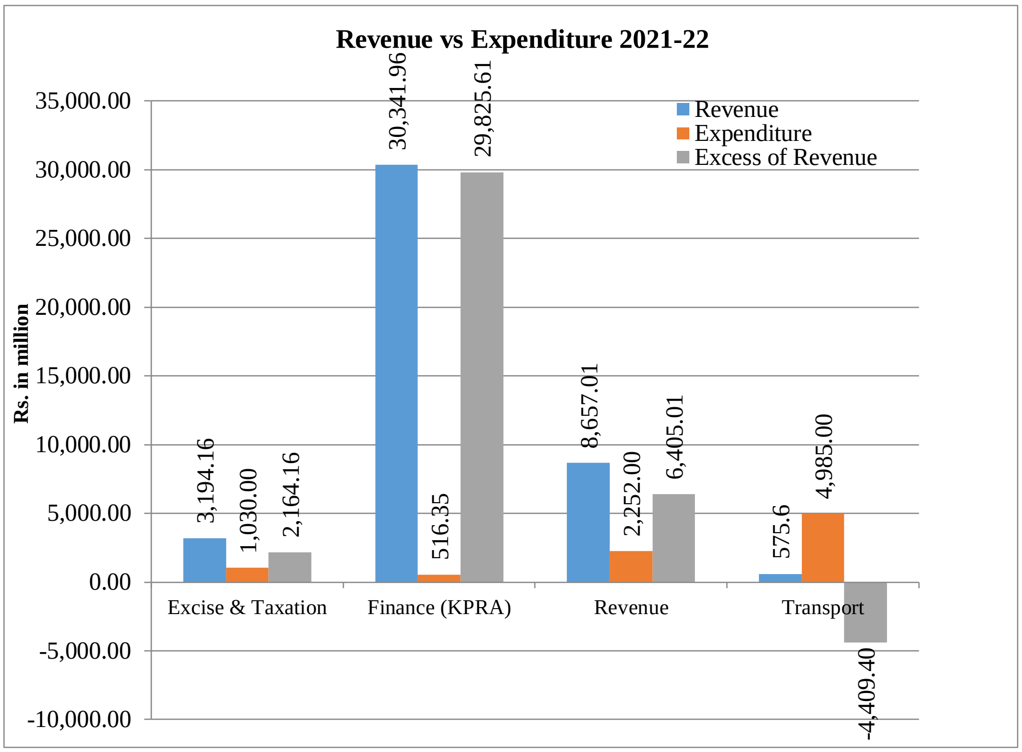
3. Revenue vs Expenditure 2021-22

A comparison of the revenue and expenditure of major revenue collecting departments i.e. Excise, Taxation & Narcotics Control, KPRA, Revenue & Estate and Transport Department for the financial year 2021-22 is given below in tabulated form:

(Rs. in million)

Sr. No.	Department	Revenue (2021-22)	Expenditure (2021-22)	Excess of Revenue over expenditure	Cost Benefit Ratio
1	Excise, Taxation & Narcotics Control	3,194.16	1,030.00	2,164.16	1:3
2	Khyber Pakhtunkhwa Revenue Authority	30,341.96	516.35	29,825.61	1:58
3	Revenue & Estate	8,657.01	2,252.00	6,405.01	1:3
4	Transport & Mass Transit	575.60	4,985.00	-4,409.40	1:0.1

The above data is depicted in bar chart below to have better understanding.



(Data Source: Finance Account and Appropriation Account of Govt. of KP 2021-22)

A comparison of the cost benefit ratios of the above departments for the financial years 2022-23 and 2021-22 show that actual receipts collected by these Departments slightly increased the benefits against the actual cost incurred on the function of these departments. However, Transport & Mass Transit Department is consistently spending more than its earnings. In case of KPRA, actual cost incurred on the function of the Authority slightly reduced the benefits.

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Chapter - 2

EXCISE, TAXATION AND NARCOTICS CONTROL DEPARTMENT

2.1 Introduction

The Excise, Taxation and Narcotics Control Department is primarily engaged in collection of various provincial taxes, duty, fees and cess items.

2.1 A) Main functions of Excise, Taxation & Narcotics Control Department

- Collection of Property Tax according to the assessment of property units.
- Assessment and collection of Motor Vehicle Registration Fee and Motor Vehicle Tax from the owners of vehicles.
- Issuance of Registration Marks and Certificates to Motor vehicles.
- Issuance of Duplicate Registration Certificates of the vehicles, Change of Ownership, Change of Engine Number, etc.
- Assessment and collection of tax on Professions, Trades, Calling and Employments.
- Assessment and collection of Hotel Tax.
- Assessment and collection of Tobacco Development Cess.
- Collection of License Fee from Real Estate Agents & Motor Vehicle Dealers
- Assessment and collection of Provincial Excise Duty.
- To seize Intoxicant Liquors, Narcotics and illegal/smuggled Vehicles.
- Collection of Advance Income Tax on behalf of Federal Government at the time of registration / transfer of a vehicle and collection of Motor Vehicle Tax respectively.

Table A: Audit Profile of Excise, Taxation & Narcotics Control Department

Sr. No.	Description	Total No.	Audited	Revenue Receipts Audited FY 2022-23 (Rs. in million)
1	Formations	32	05	1865.07

2.1 B) Comments on Budgeted Receipts (Variance Analysis)

During the financial year 2022-23, the Excise, Taxation & Narcotics Control Department collected revenue worth Rs. 4,511 million which was 79% of the budget estimates of Rs. 5,692 million.

A comparison of budget estimates and actual receipts for the year 2022-23 is tabulated below. The variation between the budget estimates and actual receipts is depicted in both absolute and percentage terms.

Table B: Variance Analysis of Excise, Taxation & Narcotics Control Department

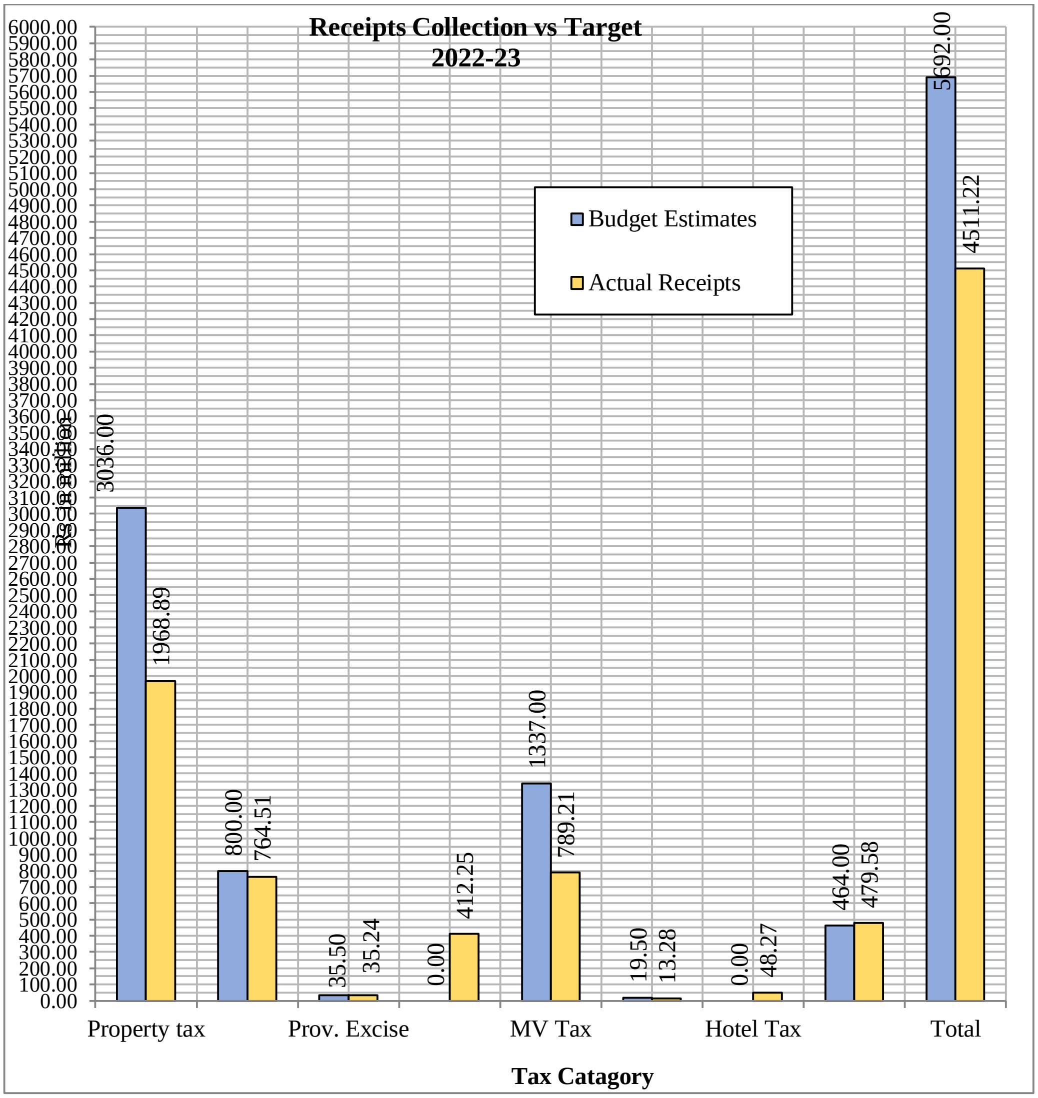
(Rs. in million)

Sr. No.	Category of Receipts	Head of Account	Budget Estimates 2022-23	Actual Receipts 2022-23	%age of Total Receipts	Excess (+) Short (-) (Col.5-4)	Variance %age
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
1	Property tax	B01301	3,036.00	1,968.89	43.64	-1,067.11	-35.148
2	Professional Tax	B016	800.00	764.51	16.95	-35.49	-4.4366
3	Provincial Excise Duty	B026	35.50	35.24	0.78	-0.26	-0.7265
4	Motor Vehicles Registration Fee	B02801	0	412.25	9.14	412.25	-
5	Motor Vehicle Tax (Token Tax)	B02803	1,337.00	789.21	17.49	-547.79	-40.972
6	Reg. Fee Real Estate/MV Dealers	B03053	19.50	13.28	0.29	-6.22	-31.917
7	Hotel Tax	B03056	0	48.27	1.07	48.27	-
8	Tobacco Development Cess	B03080	464.00	479.58	10.63	15.58	3.35695
Total :			**5,692.00**	**4,511.22**	**100.00**	**-1,180.78**	**-20.74**

(Data Source: Estimates of Receipts 2022-23 Vol-II Finance Deptt. KP & Finance Account KP 2022-23)

The above figures show that actual receipts were 21 % less than the estimates of receipts. It shows poor fiscal planning. It also indicates that proper survey/ research was not carried out while preparing the budget estimates. This issue needs to be looked into by the Department.

The following bar chart presents visual depiction of budget estimates and actual receipts of the Excise, Taxation & Narcotics Control Department.



Registration Fee on Motor Cars, Jeeps, Vans, and Pickups etc. having engine power up to 2500cc was reduced to Rs. 1 by the Government in 2021-22. However, MV Registration Fee on Motor Cars, Jeeps, Vans, Pickups etc. having engine power above 2500cc, Motorcycles, Trucks, Buses, and other commercially used vehicle was recoverable at the rate of 1 %. Revenue amounting to Rs. 355 million was collected under the head MV Registration Fee during the year. However, no revenue estimate was given for the aforementioned Fee which needs justification. Similarly Target for Hotel Tax was also not set by the Finance Department in Receipts Estimates for 2022-23 which also needs justification.

Table C: Receipts estimates and revised estimates for 2021-22 & 2022-23

The budgeted receipts estimates and revised estimates for the years 2021-22 & 2022-23 for Excise, Taxation & Narcotics Control Department are given below. In both years the department failed to achieve its targets.

(Rs. in million)

Year	Budget Estimates	Revised Estimate	Actual Receipts	Variation	Percentage of Variance
2021-22	5,655	5,361	3,194	-2,167	-40
2022-23	5,692	5,692	4,511	-1,181	-21

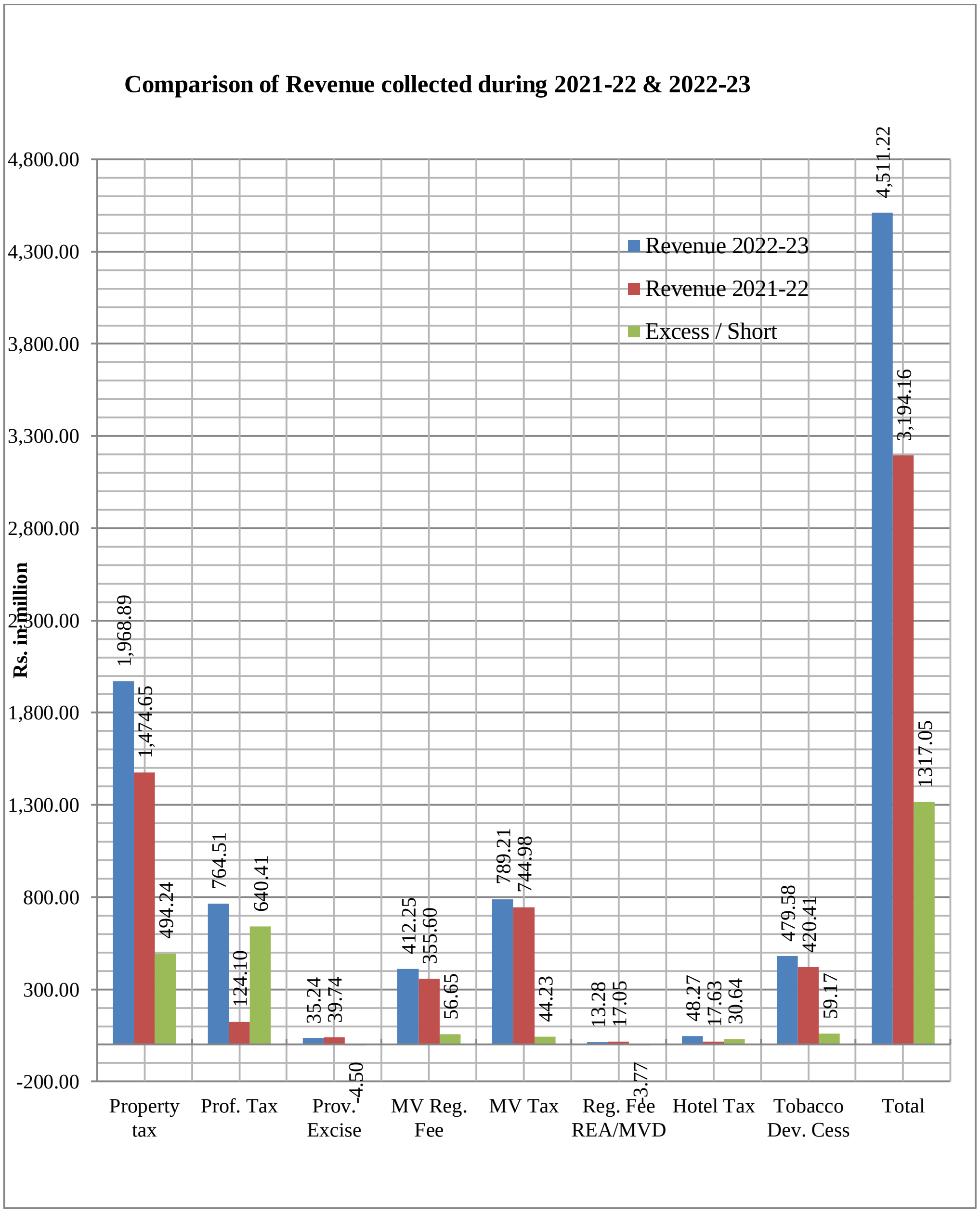
Table D: Comparison of Revenue collected during 2021-22 & 2022-23

A comparison of revenue collected during the financial years 2021-22 & 2022-23 is given below in tabulated form and bar chart:

(Rs. in million)

Sr. No.	Category of Receipts	Head of Account	Revenue Collected 2021-22	Revenue Collected 2022-23	Excess (+) Short (-)	Variance %age
1	Property Tax	B01301	1,474.65	1,968.89	494.24	33.52
2	Professional Tax	B01601	124.10	764.51	640.41	516.04
3	Provincial Excise Duty	B026	39.74	35.24	-4.50	-11.33
4	Motor Vehicles Registration Fee	B02801	355.60	412.25	56.65	15.93
5	Motor Vehicle Tax (Token Tax)	B02803	744.98	789.21	44.23	5.94
6	Reg. Fee Real Estate/MV Dealers	B03053	17.05	13.28	-3.77	-22.14
7	Hotel Tax	B03056	17.63	48.27	30.64	173.74
8	Tobacco Development Cess	B03080	420.41	479.58	59.17	14.07
Total :			**3,194.16**	**4,511.22**	**1,317.05**	**41.23**

The above data is depicted in bar chart below to have better understanding.



Comparison of the revenue collected during 2021-22 and 2022-23 shows that recovery of the revenue increased during 2022-23 in all heads of receipts except Provincial Excise Duty and Registration Fee of Real Estate Agents & Motor Vehicle Dealers. Overall revenue collected during 2022-23 was 41% more than 2021-22 which is a substantial increase and show good performance of the tax collecting authorities.

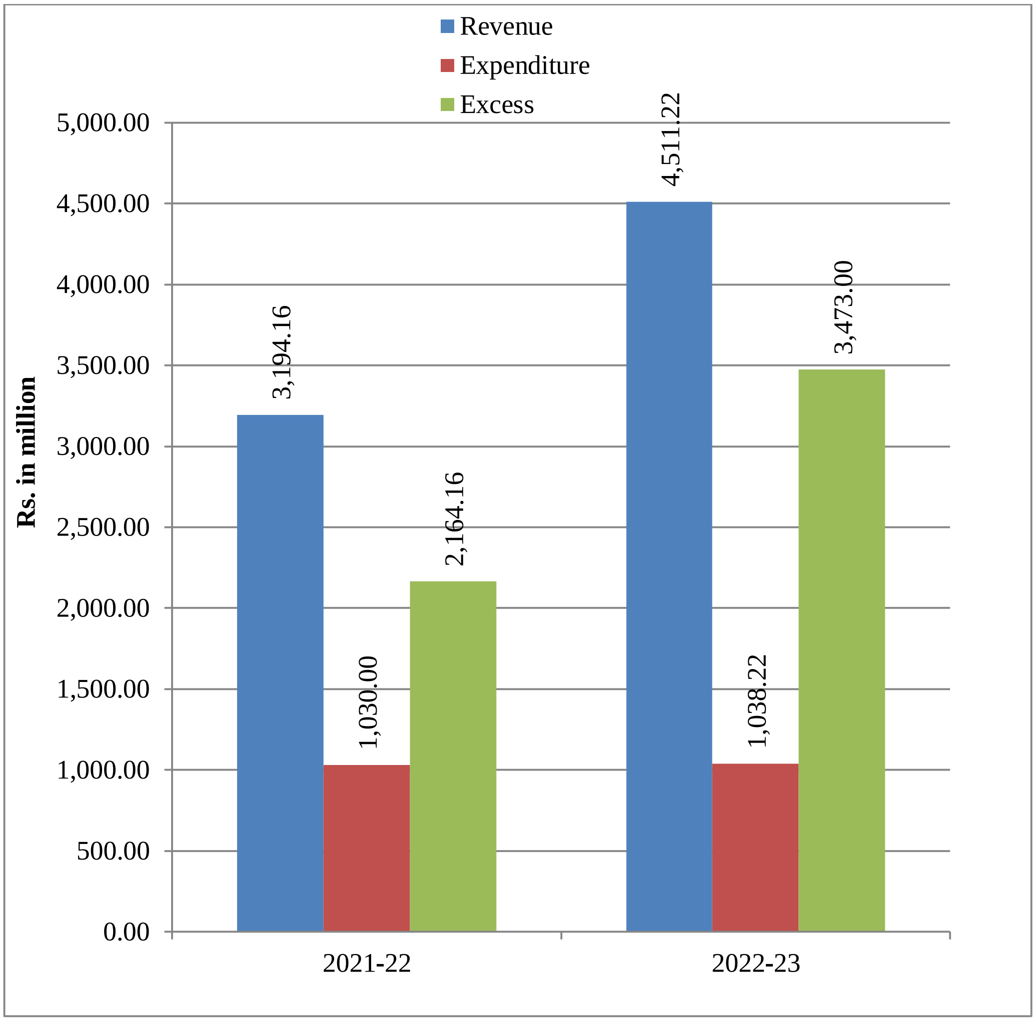
Table E: Comparison of Expenditure and Revenue for 2021-22 & 2022-23

A comparison of revenue and expenditure of the Excise, Taxation & Narcotics Control Department for the financial years 2022-23 and 2021-22 is given below in tabulated form and bar chart:

(Rs. in million)

Year	Revenue collected	Expenditure	Excess of Revenue over expenditure	Cost Benefit Ratio
2021-22	3,194.16	1,030.00	2,164.16	1:3.1
2022-23	4,511.22	1,038.22	3,473.00	1:4.35

The above data is depicted in bar chart below to have better understanding.



A comparison of the cost benefit ratios of the Excise & Taxation Department for the financial years 2021-22 and 2022-23 exhibits that receipts collected by the Department increased the benefits against the cost incurred on the function of the department.

2.1 C) Issues in the Excise, Taxation & Narcotics Control Department

A major issue in Excise, Taxation & Narcotics Control Department is non-recovery of Property Tax which resulted in accumulation of huge amount of arrears. Millions of rupees on account of Property Tax are outstanding against PESCO. Similarly in many cases Provincial Government share of Property Tax has also not been recovered from the Cantonment Boards in the Province. This is due to weak internal controls and in-efficiency of the department. Audit has raised many observations regarding this issue over the years but no concrete steps have been taken by the department for recovery of these arrears.

Another longstanding issue in Excise Department is non-recovery of Motor Vehicle Tax (Token Tax). As per record of every ETO a large number of Motor Vehicles are defaulters. According to Excise authorities, these vehicles are paying Motor Vehicle Tax in other Districts of the Khyber Pakhtunkhwa and in some cases in other provinces. However, the department has not developed any system to ascertain that whether these vehicles are actually paying tax and in which ETO or province. This issue is depriving the province a huge amount of revenue.

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 447.25 million were raised in this report during audit of Excise, Taxation & Narcotics Control Department. The pointed out amount also include arrears and observation relating to the previous year. The entire amount pointed out by the audit is recoverable. Summary of the audit observations classified by nature is as under:

Table F: Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement & misappropriation	-
3	Irregularities	-
A	Non/short-recoveries	447.25
4	Others	-
Total		**447.25**

2.3 Brief Comments on the Status of Compliance with PAC Directives

Table G: The status of compliance with PAC directives:

Sr. No.	Audit Report Year	Total Paras	Paras Discussed	Paras Settled	Paras Stand	Percentage of compliance	Remarks
1	2002-03	12	12	0	12	0 %	-
2	2003-04	15	15	3	12	20 %	-
3	2004-05	14	-	-	-	-	Yet to be discussed in PAC
4	2005-06	14	14	6	8	43 %	-
5	2006-07	15	-	-	-	-	Yet to be discussed in PAC
6	2007-08	15	-	-	-	-	-do-
7	2008-09	10	10	0	10	0 %	-
8	2009-10	10	10	3	7	30 %	-
9	2010-11	13	-	-	-	-	Yet to be discussed in PAC
10	2011-12	18	-	-	-	-	-do-
11	2012-13	10	10	2	8	20 %	-
12	2013-14	10	-	-	-	-	Yet to be discussed in PAC
13	2014-15	8	-	-	-	-	-do-
14	2015-16	9	-	-	-	-	-do-
15	2016-17	15	-	-	-	-	-do-
16	2017-18	11	-	-	-	-	-do-
17	2018-19	19	-	-	-	-	-do-
18	2019-20	10	-	-	-	-	-do-
19	2020-21	9	-	-	-	-	-do-
20	2021-22	8	-	-	-	-	-do-
21	2022-23	8	-	-	-	-	-do-
Total		**237**	**71**	**14**	**57**	**20 %**	

Compliance with the PAC directives is poor mainly because of the lack of pursuance by the Department. It is worth mentioning here that partial recoveries have been affected by the Department. However, paras would be considered for settlement once complete recoveries are affected and verified.

2.4 AUDIT PARAS

2.4.1 Non-realization of Property Tax-Rs. 131.29 million

According to Section 16 of the Urban Immovable Property Tax Act, 1958, any sum due on account of Property Tax which remains unpaid after the due date without sufficient cause to the satisfaction of the collector is required to be recovered as arrears of land revenue.

During the financial years 2021-22 & 2022-23, Excise & Taxation Offices in various districts did not recover Government revenue on account of Property Tax amounting to Rs. 131.29 million related to the years 2020-21 to 2022-23 . Detail of offices is given below:

Sr. No.	Excise and Taxation Office	PDP No./Year	Amount pointed out (Rs.)
1	ETO Mardan	145/2021-22	23,345,390
2	ETO Bannu	172/2021-22	2,079,548
3	ETO D.I.Khan	183/2021-22	4,035,408
4	ETO Haripur	222/2021-22	2,756,185
5	ETO Abbottabad	19/2022-23	6,224,481
6	ETO III, Peshawar	40/2022-23	58,185,477
7	ETO II, Peshawar	43/2022-23	18,181,622
8	ETO Mardan	64/2022-23	16,484,935
Total:			**131,293,046**

The loss occurred due to inefficiency of the department and weak internal controls.

When pointed out it was replied by the management that recovery would be made from the defaulters.

The loss was reported to the department in December 2022, January 2023 and January 2024. The department was requested to convene DAC meeting followed by the reminder dated 04-01-2024. However, the meeting was not convened till finalization of this Report.

Audit recommends prompt recovery of outstanding tax from defaulters.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23, 2021-22, 2020-21 and 2019-20 vide paras number 2.4.2, 10.4.2, 2.5.1 and 2.4.1 having financial impact of Rs. 538.01 million. Recurrence of same irregularity is a matter of serious concern.

2.4.2 Non-realization of Property Tax from Semi-Government Organization, Autonomous Bodies and Institution-Rs. 162.47 million

According to Sr. No.2 of Schedule-II to the Urban Immovable Property Tax Act 1958 as amended vide Khyber Pakhtunkhwa Finance Act 2022, Buildings and Lands acquired for the use by Government, Semi-Government, Non-Governmental Organizations, Development Financial Institutions, Corporate Bodies, Autonomous Bodies, Authorities, Boards, Private Limited Companies, Public Limited Companies, Public Sector Commercial Organizations, private commercial organizations or Banks shall be assessed and taxed at the rate of sixteen percent of the actual annual rent. In case building other than those exempted under section 4 of the Act, which are owned and occupied by such organizations, tax shall be levied on the assessed annual rental value of such buildings on the rate prescribed hereinbefore.

During the financial year 2022-23 Excise & Taxation Offices did not recover Property Tax from Semi-Government Organization, Autonomous Bodies, and Institutions etc. This caused non-realization of Property Tax amounting to Rs. 78.63 million as detailed below:

(Amount in Rupees)

Sr. No.	Excise and Taxation Office	PDP No./Year	Assessee	Amount pointed out
1	ETO Mardan	146/2021-22	PESCO	35,165,375
2	ETO Bannu	171/2021-22	PESCO	9,201,340
3	ETO D.I.Khan	186/2021-22	PESCO	2,788,161
4	ETO Haripur	223/2021-22	PESCO	267,516
5	ETO Abbottabad	18/2022-23	PESCO	12,485,232
6	ETO II, Peshawar	44/2022-23	PESCO	21,206,120
7	ETO Mardan	65/2022-23	PESCO	2,729,222
8	ETO Abbottabad	20/2022-23	District Council Abbottabad	430,501
9	ETO III, Peshawar	41/2022-23	Trade Development Authority of Pakistan, Pakistan Mineral Development Corporation, Peshawar Development Authority (PDA), BISE Peshawar, PESCO	68,612,570
10	ETO II, Peshawar	45/2022-23	National Highway Authority	5,125,941
11	ETO II, Peshawar	46/2022-23	Zarai Taraqiyati Bank	2,073,600
12	ETO II, Peshawar	47/2022-23	Occupants of Auqaf Properties	2,388,496
Total:				**162,474,074**

The lapse occurred due to non-enforcement of rules and resulted in loss to the government.

When pointed out it was replied by the management that efforts are underway for recovery of the amount.

The matter was reported to the department in December 2022, January 2023 and January 2024 with request to convene DAC meeting followed by the reminder dated 04-01-2024. However, the meeting was not convened till finalization of this Report.

Audit recommends recovery of the outstanding Property Tax.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23, 2021-22, 2020-21 & 2019-20 vide paras numbers 2.4.1, 2.4.4, 10.4.1, 10.4.6, 2.5.2 & 2.4.4 having financial impact of Rs. 1,085.69 million. Recurrence of same irregularity is a matter of serious concern.

2.4.3 Non-realization of 15% Provincial Government share of Property Tax from Cantonment Boards-Rs. 24.48 million

According to Presidential Order No.13 of 1979, dated 22.08.1979, fifteen percent share of net proceeds of Property Tax collected by a cantonment board within its limits is payable to the Provincial Government concerned.

During the financial years 2021-22 & 2022-23, under mentioned Excise & Taxation Offices did not realize an amount of Rs. 24.48 million on account of 15% Provincial Government share of Property Tax from the Cantonment Boards:

Sr. No.	Excise and Taxation Office	PDP No./Year	15% Prov. Govt. share recoverable for 2021-22 & 2022-23 (Rs.)
1	ETO Mardan	147/2021-22	1,000,000
2	ETO Bannu	179/2021-22	1,035,414
3	ETO D.I.Khan	185/2021-22	441,336
4	ETO Abbottabad	17/2022-23	22,000,000
Total			**24,476,750**

The lapse occurred due to non-enforcement of rules and resulted in loss to the Provincial Government exchequer.

When pointed out, it was replied by the management that the matter would be taken up with the cantonment board authorities for recovery of the Provincial Govt. share of Property Tax.

The matter was reported to the department in December 2022 and January 2024 with request to convene DAC meeting followed by the reminder dated 04-01-2024. However, the meeting was not convened till finalization of this Report.

Audit recommends prompt recovery of Provincial Government share of Property Tax from Cantonment Boards.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23, 2021-22, 2020-21 & 2019-20 vide paras numbers 2.4.3, 10.4.3, 2.5.4 & 2.4.3 having financial impact of Rs. 129.12 million. Recurrence of same irregularity is a matter of serious concern

2.4.4 Non-realization of Hotel Tax-Rs. 108.71 million

According to Section 4 of the NWFP Finance Ordinance, 2002 read with Section 7 of the Khyber Pakhtunkhwa Finance Act 2019 & 2021, there shall be levied and collected every year a tax on hotels, payable by the owner or management thereof at the rate of ten percent of the room rent per lodging unit per day available in the hotel concerned.

During audit of record in Excise & Taxation Office IV Peshawar for the financial year 2022-23, it was noticed that in certain cases Hotel Tax was assessed and entered into demand register but recovery was not made from the owner or management of hotels. This caused non realization of government revenue Rs.108,705,775 as detailed in the Annexure "A".

The lapse occurred due to non-enforcement of rules and resulted in loss to the government.

When pointed out, it was replied by the management that efforts would be made to recover the pointed out amount.

The matter was reported to the department in January 2024 with request to convene DAC meeting followed by the reminder dated 04-01-2024. However, the meeting was not convened till finalization of this Report.

Audit recommends prompt recovery of outstanding Government dues.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2021-22, 2020-21 & 2019-20 vide paras numbers 10.4.5, 2.5.3 & 2.4.2 having financial impact of Rs. 91.24 million. Recurrence of same irregularity is a matter of serious concern.

(PDP No. 49/2022-23)

2.4.5 Short realization of Tobacco Development Cess-Rs.9.56 million

Tobacco Development cess is levied under Section II of Khyber Pakhtunkhwa Finance Act, 1996 as amended vide Finance (third amendment) Ordinance 2003 and Khyber Pakhtunkhwa Finance Act, 2019. The Cess is to be collected directly from the tobacco factories on the basis of tobacco quota fixed for the factory by the Pakistan Tobacco Board in terms of Recovery of Tobacco Development Cess rules, 2004. In case of default in payment of cess or any part thereof by 31st May, the defaulter shall be liable to pay a penalty @ 25 % in addition to the cess due.

During the financial years 2021-22 & 2022-23, Excise & Taxation Officer Mardan did not fully recovered Tobacco Development Cess from Universal Tobacco Company by 31st May. This caused non realization of Tobacco Development Cess and penalty amounting to Rs. 9.56 million as detailed below:

Sr. No.	Excise and Taxation Office	PDP No./Year	Amount Recoverable (Rs.)
1	ETO Mardan	148/2021-22	7,312,500
2	-do-	66/2022-23	2,250,000
Total			**9,562,500**

Audit held that Cess and penalty was short recovered due to non-enforcement of rules and resulted in loss to the Government.

When pointed out, no reply was given by the management.

The matter was reported to the department in December 2022 and January 2024 with request to convene DAC meeting followed by the reminder dated 04-01-2024. However, the meeting was not convened till finalization of this Report.

Audit recommends immediate recovery of the pointed out Government revenue.

2.4.6 Non-realization of Professional Tax-Rs. 5.56 million

According to Section 7 of the Khyber Pakhtunkhwa Finance Act 1990 read with Section 3 of the Khyber Pakhtunkhwa Finance Act 2019, there shall be levied and collected a tax, for each financial year, from persons engaged in professions, trades, callings or employment, according to the rates specified in Appendix-II of the Khyber Pakhtunkhwa Finance Act, 2019.

During audit of record in Excise & Taxation Offices for the financial years 2021-22 & 2022-23, it was noticed that Professional Tax was assessed and brought into demand registers but yet not recovered from assesses in certain cases. This caused non-realization of Government revenue amounting to Rs. 5.56 million as detailed below:

(Amount in Rupees)

Sr. No.	Excise and Taxation Office	PDP No./Year	Amount Assessed	Amount Recovered	Balance Recoverable
1	ETO Bannu	174/2021-22	935,000	-	935,000
2	ETO D.I.Khan	184/2021-22	922,000	-	922,000
3	ETO Abbottabad	21/2022-23	1,075,000	-	1,075,000
4	ETO IV, Peshawar	50/2022-23	2,435,000	-	2,435,000
5	ETO Mardan	71/2022-23	196,000	-	196,000
Total			**5,563,000**	**-**	**5,563,000**

The lapse occurred due to non-enforcement of rules and resulted in loss to the government.

When pointed out, it was replied by the management that efforts would be made to recover the pointed out professional tax.

The matter was reported to the department in December 2022 and January 2024 with request to convene DAC meeting followed by the reminder dated 04-01-2024. However, the meeting was not convened till finalization of this Report.

Audit recommends prompt recovery of outstanding Government dues.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23, 2021-22, 2020-21 & 2019-20 vide paras numbers 2.4.6, 10.4.7, 2.5.5 & 2.4.8 having financial impact of Rs. 37.15 million. Recurrence of same irregularity is a matter of serious concern.

2.4.7 Non-realization of Motor Vehicle Tax-Rs. 5.18 million

According to Section 3 of the Motor Vehicles Taxation Act, 1958, Motor Vehicle Tax is leviable on every motor vehicle at specified rate. Failure to pay the tax within the stipulated period without sufficient cause attracts levy of penalty under Section 9 of the Act ibid. The unpaid tax along with penalty is recoverable as arrears of land revenue under section 11 of the Act ibid. Besides, registration of defaulting vehicle is also liable to be suspended or canceled under section 34 & 35 of the Motor Vehicles Ordinance, 1965.

During the financial years 2021-22 & 2022-23, Excise & Taxation Offices in the under mentioned Districts did not recover Motor Vehicle Tax amounting to Rs. 5.18 million as detailed below:.

Sr. No.	Excise and Taxation Office	PDP No./Year	Amount pointed out (Rs.)
1	ETO Mardan	149/2021-22	572,750
2	ETO Bannu	175/2021-22	506,686
3	ETO D.I.Khan	188/2021-22	3,270,125
4	ETO Haripur	224/2021-22	313,907
5	ETO Abbottabad	22/2022-23	169,262
6	ETO Mardan	67/2022-23	343,500
Total			**5,176,230**

The lapse occurred due to non-enforcement of rules and resulted in loss to the government exchequer.

When pointed out it was replied by the management that recovery would be made from the defaulters.

The loss was reported to the department in December 2022, January 2023 and January 2024. The department was requested to convene DAC meeting followed by the reminder dated 04-01-2024. However, the meeting was not convened till finalization of this report.

Audit recommends prompt recovery of outstanding tax from defaulters.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23, 2021-22, 2020-21 & 2019-20 vide paras numbers 2.4.5, 10.4.8, 2.5.9 & 2.4.10 having financial impact of Rs.111.91 million. Recurrence of same irregularity is a matter of serious concern.

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Chapter-3

KHYBER PAKHTUNKHWA
REVENUE AUTHORITY

3.1 Introduction

Khyber Pakhtunkhwa Revenue Authority (KPRA) was established through enactment of the Khyber Pakhtunkhwa Finance Act, 2013 in wake of 18th amendment in the Constitution of Islamic Republic of Pakistan. Its primary objective is to oversee and manage the collection of Sales Tax on Services (STS) within Khyber Pakhtunkhwa. In the year 2022, Government of Khyber Pakhtunkhwa introduced two new Acts, namely 'The Khyber Pakhtunkhwa Sales Tax on Services Act, 2022' and 'The Khyber Pakhtunkhwa Revenue Authority Act, 2022'. As a result, these Acts replaced 'The Khyber Pakhtunkhwa Finance Act, 2013'. This restructuring has led the KPRA to be governed exclusively by these Acts regarding Sales tax on Services. The KPRA is working under the administrative control of the Finance Department

3.1A). Main functions of the KPRA

- Administer and collect Sales Tax on services
- Collect Infrastructure Development Cess.
- Administer and collect such other duties, taxes and levies as are assigned to it.
- Implement with the approval of the government, tax administration reforms.
- Promote voluntary tax reforms.
- Implement policies and programs for awareness and facilitation of taxpayers, stake holders and employees in order to improve the performance of the authority.
- Conduct tax audits to ensure compliance with tax laws.
- Widen the tax base.

Table A: Audit Profile of Khyber Pakhtunkhwa Revenue Authority

Sr. No.	Description	Total No.	Audited	Revenue Receipts Audited FY 2022-23 (Rs. in million)
1	Formations	1	1	30,646.12

3.1 B). Comments on Budgeted Receipts (Variance Analysis)

During the financial year 2022-23, the Khyber Pakhtunkhwa Revenue Authority collected an amount of Rs. 30,646.12 million which was 87.56 % of the budget estimates of Rs. 35,000 million.

A comparison of budget estimates and actual receipts for the year 2022-23 is tabulated below. The variation between the budget estimates and actual receipts is depicted in both absolute and percentage terms.

Table B. Variance Analysis

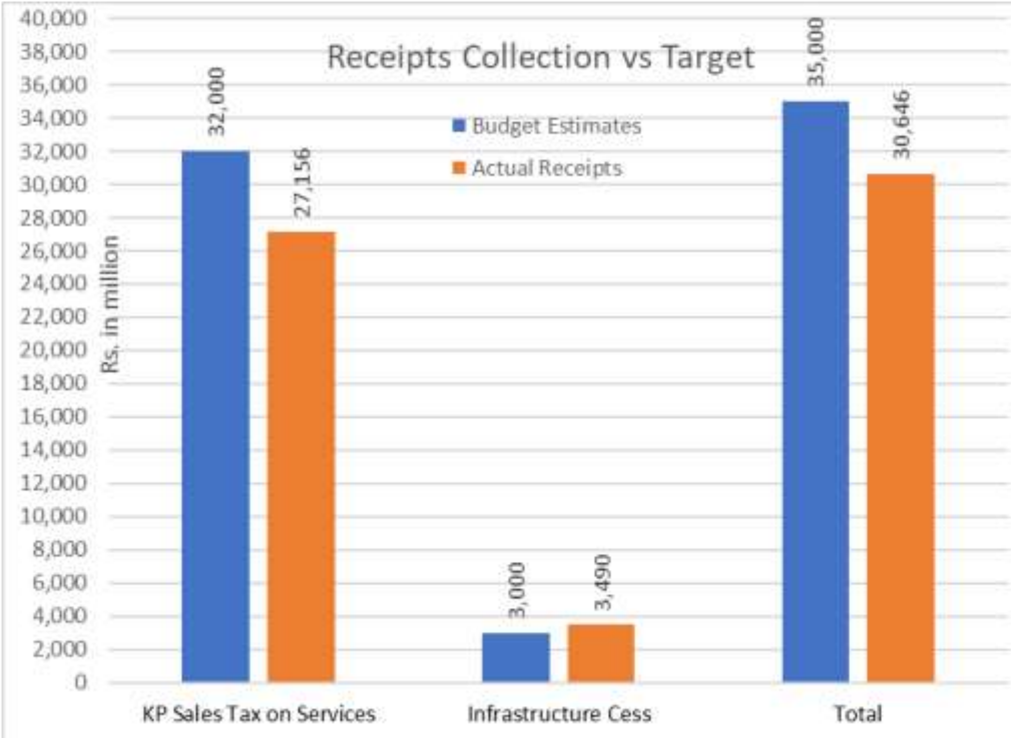
(Rs. in million)

Sr. No.	Category of Receipts	Head of Account	Budget Estimates 2022-23	Actual Receipts 2022-23	%age of Total Receipts	Excess (+) Short (-) (Col.5-4)	Variance %age
1	2	3	4	5	6	7	8
1	KP Sales Tax on Services	B02386	32,000.00	27,155.77	88.61	-4,844.23	-15.14
2	Infrastructure Cess	B03030	3,000.00	3,490.35	11.39	490.35	16.34
Total			**35,000.00**	**30,646.12**	**100.00**	**-4,353.88**	**-12.44**

(Data Source: Estimates of Receipts 2022-23 Vol-II Finance Deptt. KP & Finance Account KP 2022-23)

The above figures show that actual receipts were 12.44 % less than the estimates of receipts. The Authority was unable to achieve the target. The major reason of shortfall was non-transfer of Sales Tax to Government of Khyber Pakhtunkhwa by FBR on account of cross adjustment of input tax. This issue needs to be looked into by the higher authorities.

The following bar chart shows budget estimates and actual receipts of the Khyber Pakhtunkhwa Revenue Authority.



The budgeted receipts estimates and revised estimates for the years 2021-22 & 2022-23 of Khyber Pakhtunkhwa Revenue Authority are given below. In the year 2022-23, KPRA was unable to achieve the target.

Table C: Receipts estimates and revised estimates for 2021-22 & 2022-23

(Rs. in million)

Year	Budget Estimates	Revised Estimate	Actual Receipts	Variation	Percentage of Variance
2021-22	27,000.00	30,000.00	30,341.96	341.96	1.14
2022-23	35,000.00	35,000.00	30,646.12	-4,353.88	-12.44

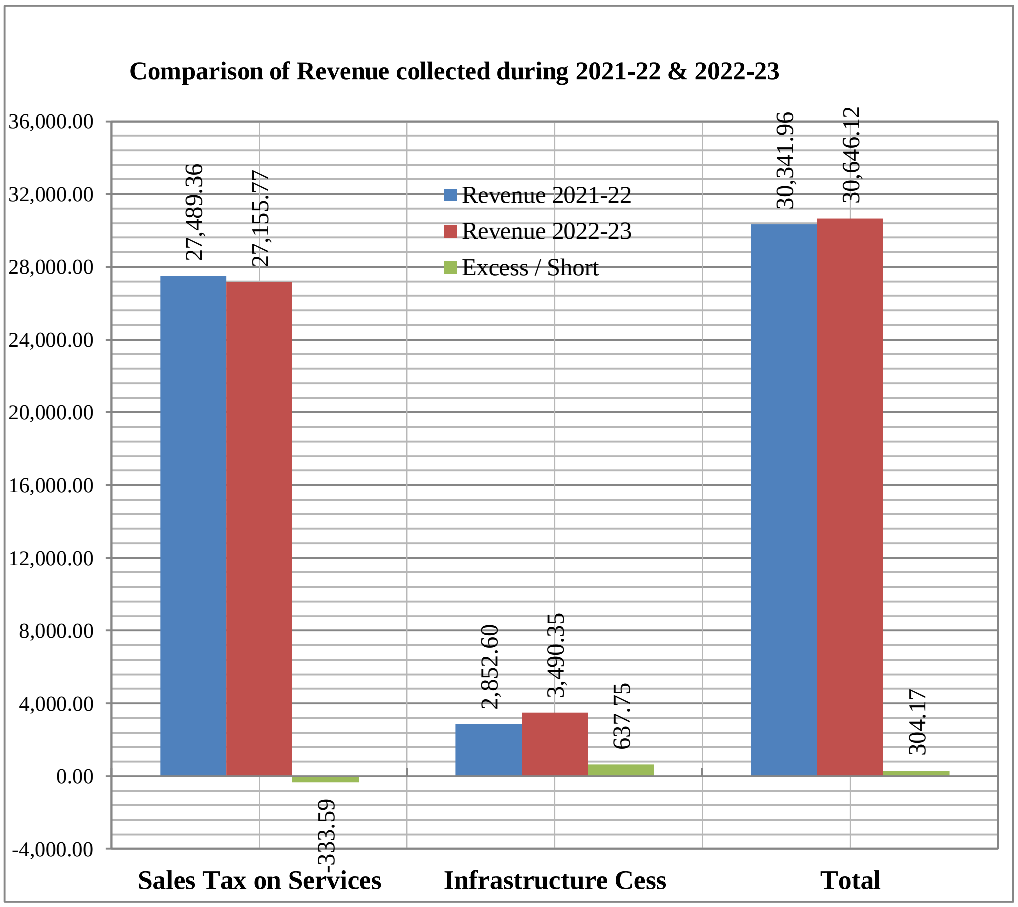
Table D: Comparison of Revenue collected during 2021-22 & 2022-23

A comparison of revenue collected during the financial years 2021-22 & 2022-23 is given below in tabulated form and bar chart:

(Rs. in million)

Sr. No.	Category of Receipts	Head of Account	Revenue Collected 2021-22	Revenue Collected 2022-23	Excess (+) Short (-)	Variance %age
1	KP Sales Tax on Services	B02386	27,489.36	27,155.77	-333.59	-1.21
2	Infrastructure Cess	B03030	2,852.60	3,490.35	637.75	22.36
Total :			30,341.96	30,646.12	304.17	1.00

The above data is depicted in bar chart below to have better understanding



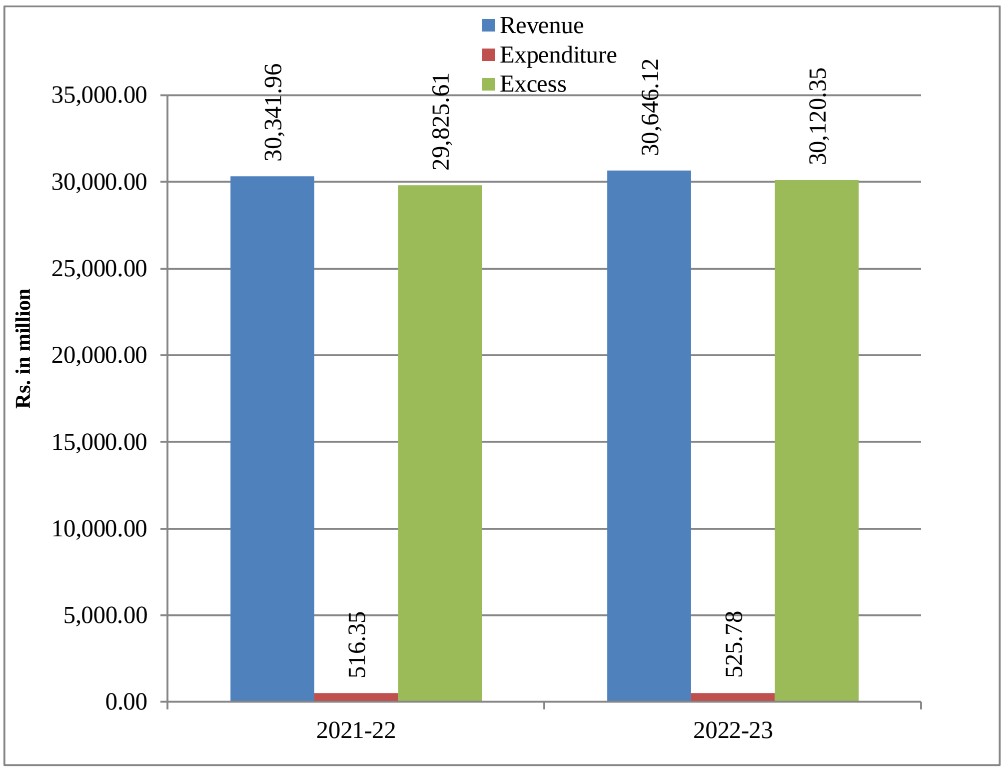
Comparison of the revenue collected during 2022-23 and 2021-22 shows not much difference between the total revenue recovered during the two years. Recovery of Sales Tax on services decreased slightly in 2022-23 whereas recovery of Infrastructure Cess increased during the current year. Overall revenue collected during 2022-23 was only 1% more than 2021-22 which was a negligible increase and needs attention of the KPRA authorities.

Table E: Comparison of Expenditure and Revenue for 2021-22 & 2022-23

A comparison of revenue and expenditure of the Excise, Taxation & Narcotics Control Department for the financial years 2021-22 & 2022-23 is given below in tabulated form and bar chart:

(Rs. in million)

Year	Revenue collected	Expenditure	Excess of Revenue over expenditure	Cost Benefit Ratio
2021-22	30,341.96	516.35	29,825.61	1:58
2022-23	30,646.12	525.78	30,120.35	1:58



A comparison of the cost benefit ratios of the KPRA for the financial years 2021-22 and 2022-23 shows that actual receipts collected by the Departments slightly reduced the benefits against the actual cost incurred on the function of the department. It shows poor financial planning and subsequent execution and follow-up in order to meet the budgetary targets.

3.1 C) Issues in the Khyber Pakhtunkhwa Revenue Authority

During receipts audit of the Khyber Pakhtunkhwa Revenue Authority it was observed that sales tax on services was not assessed or under assessed by certain registered service providers. Penalty on non and late filers of monthly returns of Sales Tax on services was also not imposed or recovered.

In some cases Sales Tax on services deposited by the registered persons in various branches of National Bank of Pakistan in Sindh, Punjab, Islamabad and Khyber Pakhtunkhwa was not transferred into the account of Government of Khyber Pakhtunkhwa despite the lapse of a considerable period. There are chances that this revenue might have been transferred into the accounts of Federal Government or other Provincial Governments.

It was observed that input tax adjustments were claimed by many registered persons in their monthly returns against purchase invoices issued by service providers but these invoices were not traceable in the monthly returns of those service providers. It seems that either these invoices were not issued by the services providers or sales made through these invoices were concealed to avoid payment of Sales Tax.

Another issue was that in some cases Sales Tax withheld by the withholding agents was not deposited into Government Treasury. Almost all withholding agents provide to KPRA only figures of the withheld tax without mentioning rate of tax and value of services on which tax was withheld. This inaccurate and unreliable data/information makes it difficult to cross match the withholding agents’ data with service providers’ data and chances of tax evasion could not be ruled out.

A huge amount of Sales tax assessed vide assessment orders against defaulter and pointed out by internal tax audit was not recovered despite the lapse of a considerable time.

Another important issue is that FBR is not carrying out reconciliation of the cross input tax adjustment in time which resulted in non-payment of a huge amount of tax to Government of KP.

3.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 15,680.68 million were raised in this report during audit of Khyber Pakhtunkhwa Revenue Authority for the financial years 2022-23 and 2021-22. Entire amount pointed out by the audit is recoverable. Summary of the audit observations classified by nature is as under:

Table D: Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement & misappropriation	-
3	Irregularities	-
A	Non/short-recoveries	13,838.87
B	Non/Short Assessment	2,841.81
4	Others	-
	Total	**15,680.68**

3.3 Brief Comments on the Status of Compliance with PAC Directives

Audit Paras on revenue receipts accounts of the Khyber Pakhtunkhwa Revenue Authority have not yet been discussed in PAC. Nevertheless, due to non-discussion of audit paras by PAC over the years, the impact of audit has ratcheted down and so have benefits for the citizens.

3.4 AUDIT PARAS

3.4.1 Non/Short assessment of Sales Tax on services Rs. 2,779.55 million

According to Sr. No. 14 of the Second Schedule of Finance Act 2021, Sales Tax on services provided by construction contractors, architects, civil engineers, land or property surveyors, construction consultants, designing and supervision consultants, is chargeable at the rate of 2% in case of Government funded construction projects including ADP/PSDP funded projects and construction of hydropower projects. As per Finance Act 2019 the rate of Sales Tax for such services was 15 % during 2020-21.

During audit of the Sales Tax on services record in KPRA for the financial years 2021-22 & 2022-23, it was noticed that China Gezhouba Group Co, China Gansu Co. & M.M. Pakistan Pvt. Ltd. provided services to WAPDA and SK Hydro Co. and charged sales tax on services at the rate of 1%. Audit held that rate of Sales Tax on services for category in which these companies fall was 2% in the year 2021-22 and 15% in the year 2020-21 for the government funded construction projects. Charging tax at the rate of 1% resulted in short assessment of Sales Tax on services. Furthermore, M/S CGGC-Descon JV provided services to WAPDA for construction of Mohmand Hydropower Project. Scrutiny of the monthly returns of M/S CGGC-Descon JV and withholding CPRs of WAPDA revealed that services worth Rs. 24.36 billion were provided to WAPDA during 2021-22 and 2022-23. However, Sales Tax on these services was neither paid by M/S CGGC-Descon JV nor withheld by the WAPDA. Detail of the aforementioned cases is given detailed below:

(Amount in Rupees)

Sr. No.	PDP No./ Year	Name of Service Providing Company	Amount Pointed Out
1	253/2021-22	China Gezhouba Group Company Ltd. (KNTN 3113338-0)	2,181,257,307
2	254/2021-22	China Gansu International Co. Ltd. (KNTN 7441411-4)	57,208,950
3	255/2021-22	M.M. Pakistan Pvt. Ltd. (KNTN 0817113-7)	53,981,844
4	75/2022-23	CGGC-Descon JV (NTN 5387927-5)	487,104,795
Total:			**2,779,552,896**

The lapse occurred due to non/short assessment of sales tax on services and resulted in loss to the government.

When pointed out it was replied by the management that case of China Gezhouba Group pertains to the regional Collectorate North and response would be provided once the observation is discussed with the relevant regional Office. In the cases China Gansu International Co. and M.M. Pakistan Pvt. Ltd, management stated that examination of the data is in process and response would be submitted once the analysis is completed. In case of CGGC-Descon JV, necessary action will be initiated as per law as soon as possible.

The matter was reported to the KPRA in June 2023 and January 2024. The KPRA was requested to convene DAC meeting followed by the reminder dated 01-01-2024. However, the meeting was not convened till finalization of this Report.

Audit recommends investigating the matter and recovery of Government revenue.

3.4.2 Loss due to non-imposition/recovery of penalty on non and late-filers of monthly returns of Sales Tax on services-Rs. 912.48 million

According to Sr. No. 3 of the table given in Section 53 of the Khyber Pakhtunkhwa Sales Tax on Services Act, 2022, where any person fails to furnish a return within due date as specified under Section 2(x)(ii) i.e. 18th day of the month following the end of the tax period, or such other date as the Management Committee may, by Notification in the official Gazette, specify, he shall be liable to a penalty of nine thousand rupees per tax period or a fraction thereof provided that if a return is filed within ten days of the due date, he shall pay a penalty of three hundred rupees for each day of default.

During audit of the Sales Tax on services record in KPRA for financial years 2021-22 & 2022-23, it was noticed that KPRA did not impose/recover penalty on registered persons who failed to file their monthly returns or filed after the due date, i.e. 15th day of the month following the end of the tax period as required under the Act. This caused non-realization of penalty Rs. 912.48 million as detailed below:

Sr. No.	PDP No./Year	Category	No. of cases	Amount Pointed Out (Rs.)
1	247/2021-22	Non-Filers	30,409	152,045,000
2	260/2021-22	Late-Filers	28,283	141,415,000
3	85/2022-23	Non-Filers	12,300	619,024,775
Total:			**70,992**	**912,484,775**

The lapse occurred due non-enforcement of the provisions of law and resulted in loss to the Government.

When pointed out it was replied by the management that the observation contains data which was relevant to all regional offices. Proper response would be provided once the data is examined and action will be taken as per law.

The matter was reported to the KPRA in June 2023 and January 2024 with request to convene DAC meeting followed by the reminder dated 01-01-2024. However, the meeting was not convened till finalization of this Report.

Audit recommends taking action for imposition and recovery of penalty from the non/late-filers of monthly returns of sales tax on services.

<u>Note:</u> The issue was also reported earlier in the Audit Reports for the Audit Years 2021-22 & 2019-20 vide paras numbers 11.4.3 & 3.4.1 having financial impact of Rs. 550.96 million. Recurrence of same irregularity is a matter of serious concern.

3.4.3 Loss due to non-transfer of Sales Tax on services into account of Government of Khyber Pakhtunkhwa-Rs. 391.94 million

According to Rule 7 of the Treasury Rules and Rule 26 of G.F.R, duty of the departmental Controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

During audit of the accounts record of KPRA for financial year 2021-22, while comparing bank branch wise report and computerized payment receipts with AG office data, it was noticed that an amount of Rs. 391.94 million deposited by the registered persons in various branches of National Bank of Pakistan in Sindh, Punjab, Islamabad and Khyber Pakhtunkhwa on account of KP Sales Tax on Services had not been transferred into the account of Government of Khyber Pakhtunkhwa despite the lapse of a considerable period.

The lapse occurred due to weak financial management and resulted in loss to the Provincial Government exchequer.

When pointed out it was replied by the management that record would be consulted and detailed reply would be submitted.

The matter was reported to the KPRA in June 2023 and requested to convene DAC meeting followed by the reminder dated 01-01-2024. However, the meeting was not convened till finalization of this Report.

Audit recommends that action be expedited for transfer of the pointed out amount into the account of Provincial Government.

<u>Note:</u> The issue was also reported earlier in the Audit Reports for the Audit Years 2021-22 & 2019-20 vide paras numbers 11.4.3 & 3.4.5 having financial impact of Rs. 71.66 million. Recurrence of same irregularity is a matter of serious concern.

(PDP No. 263/2021-22)

3.4.4 Loss due to unauthentic input tax adjustment by Pak Telecom Mobile Limited Rs. 449.95 million

According to Section 16(1), of the Khyber Pakhtunkhwa Sales Tax on Services Act, 2022, a person required to pay tax under this Act shall be entitled to deduct from the payable amount, the amount of tax payable or already paid by him to Government on the receipt of taxable services used exclusively in connection with taxable services provided by such person subject to the condition that he holds a true and valid tax invoice not older than six tax periods, showing the amount of tax earlier charged on the services so received; provided that the Management Committee may disallow or restrict such adjustment in case of any service or person or class of services or persons as it may deem appropriate.

During audit of the accounts record of KPRA for the financial year 2022-23, record of computerized monthly returns revealed that:

a) Pak Telecom Mobile Limited (NTN 1161581-8) received services from Huawei Technologies Pakistan Pvt. Ltd (NTN 1417959-8) during 2022-23 and input tax adjustment was claimed against these invoices. However, some of these invoices involving Sales Tax on services Rs. 238,962,414 were not disclosed in the monthly returns of Huawei Technologies. It seems that either these invoices were not issued by the Huawei Technologies or sales made through these invoices were concealed to avoid payment of Sales Tax. Detail of these invoices is given in the Annexure "B".

b) Pak Telecom Mobile Limited claimed input tax adjustments of Rs. 242,683,382 against the purchase invoices issued by Pakistan Telecommunication Company Limited (NTN 0801599-6) during the period from July 2022 to May 2023. However, as per monthly returns of the PTCL, services involving Sales Tax Rs. 31,693,998 were provided to Pak Telecom Mobile during the same period. There was a huge difference of Rs. 210,989,384 between the records of both companies. It seems that either these invoices were not issued by the PTCL or sales made through these invoices were concealed to avoid payment of Sales Tax on services. Detail of these invoices is given in the Annexure "C".

The lapse occurred due to unauthentic input adjustment by Pak Telecom Mobile Ltd or concealment of sales by Huawei Technologies and PTCL which resulted in loss of Rs. 449.95 million to government exchequer.

When pointed out it was replied by the management that necessary action as per relevant provision of law will be initiated very soon.

The irregularity was reported to the KPRA in January 2024 with request to convene DAC meeting. However, the meeting was not convened till finalization of this Report.

Audit recommends that matter may be investigated and Sales Tax be recovered from the concerned registered person(s).

(PDP No. 76 & 77/2022-23)

3.4.5 Loss due to non-imposition of Default Surcharge on late payment of Sales Tax on services-Rs. 168.48 million

According to Section 54 of the Khyber Pakhtunkhwa Sales Tax on Services Act, 2022, if a registered person does not pay the tax due or any part thereof, whether willfully or otherwise, on time or in the manner specified under this Act, rules or notifications or procedures issued there under, he shall, in addition to the tax due and any penalty under Section 53, pay default surcharge at the rate of twelve percent (12%) per annum amount of tax or charge or the amount of refund erroneously made.

During audit of record for the financial years 2021-22 & 2022-23, in the office of KPRA, it was noticed that certain registered persons did not pay the sales tax on services within due date i.e. 15th day of the month following the end of the tax period, as required under the Act ibid but no action had been initiated by the Authority against these registered persons regarding imposition of default surcharge on late payment of tax as detailed below:

Sr. No.	PDP No./Year	No. of Cases	Amount Pointed Out (Rs.)
1	248/2021-22	355	108,896,382
2	86/2022-23	283	59,581,944
Total		**638**	**168,478,326**

The lapse occurred due to non-implementation of the provision of Sales Tax on Services Act.

Non-imposition of default surcharge resulted in loss of Rs. 168.48 million to Government.

When pointed out it was replied by the management that proper response will be extended once the data is examined in totality.

The matter was reported to the KPRA in June 2023 and January 2024with request to convene DAC meeting followed by the reminder dated 01-01-2024. However, the meeting was not convened till finalization of this Report.

Audit recommends imposition and recovery of Default Surcharge on late payment of Sales Tax on services

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2019-20 vide para numbers 3.4.6 having financial impact of Rs. 20.93 million. Recurrence of same irregularity is a matter of serious concern.

3.4.6 Loss to Government due to non-disclosure of Debit Notes in the Sales Tax returns Rs. 162.33 million

According to Sr. No. 45 of KPRA Sales Tax on services Regulation 2017, where a registered person has issued a tax invoice for taxable service, and such service or part thereof has been canceled or where for any valid reason, the value of service or the amount of sales tax mentioned in the invoice needs to be revised, the service provider and service recipient shall be entitled to make corresponding adjustments against output tax and input tax respectively by issuing Credit and Debit Notes. The adjustments which lead to reduction in output tax or increase in input tax can only be made if the corresponding Debit Note or Credit Note is issued within 180 days of rendering of service.

During audit of the accounts record of KPRA for the financial years 2021-22 and 2022-23, scrutiny of the monthly sales tax on services returns of different taxpayers revealed that they had issued credit notes showing sales returns by the buyers or cancellation of the previous sales invoices. On cross examination of the buyer's returns it was observed that debit notes for the cancelled purchases had not been issued by the buying entities. Audit held that the seller reduced the tax liability by reducing the value of sales but the buyer after claiming input tax adjustment didn't cancel the transaction. On the contrary non-existence of the reciprocal debit note in the returns of buyer may also depict that the transaction of the credit note is not genuine. This resulted into loss of Rs. 162.33 million as pointed out below:

Sr. No.	PDP No./Year	Amount Pointed Out (Rs.)
1	269/2021-22	119,893,577
2	79/2022-23	42,432,378
Total		**162,325,955**

The lapse occurred due to non-observance of rules by the tax payers.

Non-disclosure of debit notes resulted in irregular adjustment of input tax and loss to the Government.

When pointed out it was replied by the management that they need few days' time to examine the matter and file detailed response.

The matter was reported to the KPRA in June 2023 and January 2024 and requested to convene DAC meeting followed by the reminder dated 01-01-2024. However, the meeting was not convened till finalization of this Report.

Audit recommends that matter may be investigated and the omission may either be justified or the pointed out Sales Tax be recovered from the registered persons.

3.4.7 Loss due to non-deposit of withheld Sales Tax by WAPDA Rs. 103.75 million

According to Rule 8 (3) of the Khyber Pakhtunkhwa Sales Tax on Services (Withholding) Regulation, 2020, withholding agents shall deposit withheld tax amount by the 15" day of the following month in which payment is made to the service provider.

During audit of the accounts record of KPRA for the financial year 2022-23, it was noticed that China Gezhouba Group Company Ltd. (NTN 3113338-0) and FC NWFP Security Services Pvt Ltd. (NTN 2919792-9) provided services to WAPDA during 2022-23. As per rules 100% Sales Tax on these services was withheld by WAPDA. However, Sales Tax Rs. 103,753,616 shown withheld by WAPDA, in the monthly Sales Tax returns of the above mentioned service providers for April and June 2023 was not found deposited into Government Treasury by WAPDA upto October 2023. Detail is given in the Annexure "D".

The lapse occurred due to non-observance of rules by WAPDA and resulted in loss of Rs. 103.75 million to government.

When pointed out it was replied by the management that that necessary action will be taken as per law.

The irregularity was reported to the KPRA in January 2024 with request to convene DAC meeting. However, the meeting was not convened till finalization of this Report.

Audit recommends early recovery of pointed out Sales Tax from WAPDA.

(PDP No. 78/2022-23)

3.4.8 Loss due to less withholding of sales tax on services from unregistered service provider Rs. 82.42 million

According to Regulation 5 of the Khyber Pakhtunkhwa Sales Tax on Services (Withholding) Regulation, 2020, services provided by persons either not registered with the KPRA or if registered, are inactive/non-active as per Active Taxpayers' List of the Authority as available on its official website shall be compulsorily liable to full withholding at applicable tax rates across the board.

During audit of the Sales Tax on services record in KPRA for financial years 2021-22 & 2022-23, it was noticed while scrutiny of the computerized data provided to Audit, that in certain cases withholding agents / registered persons did not withhold full amount of Sales Tax on services provided by unregistered persons. Only 50% or less than 50% Tax was withheld from unregistered persons which caused loss of Rs. 82.421 million as detailed below:

Sr. No.	PDP No./Year	Amount Pointed Out (Rs.)
1	249/2021-22	58,136,644

2	80/2022-23	24,285,072
Total		**82,421,716**

The irregularity occurred due to non-observance of rules by withholding agents and service providers and resulted in loss to the Government.

When pointed out it was replied by the management that proper response in this regard would be filed once the relevant data is examined and necessary action as per law will be initiated.

The matter was reported to the KPRA in June 2023 and January 2024 with request to convene DAC meeting followed by the reminder dated 01-01-2024. However, the meeting was not convened till finalization of this Report.

Audit recommends recovery of the pointed out amount.

3.4.9 Unauthentic withholding of Sales Tax Rs. 242.02 million due to non-declaration of services in monthly returns by Power Construction Corporation of China Limited

According to Section 39 of the Khyber Pakhtunkhwa Sales Tax on Services Act, 2022, every registered person shall furnish, not later than the due date, a true, correct and properly filled-up return in the prescribed form to the Management Committee or any other office through the computerized system or any other manner or mode as may be specified by the Management Committee, indicating the tax due and paid during a tax period and such other information, as may be specified.

During audit of the accounts record of KPRA for the financial year 2022-23, analysis of the withholding agents' data disclosed that WAPDA withheld Sales Tax amounting to Rs. 242.02 million on services provided by Power Construction Corporation of China (NTN 4207650-1). Scrutiny of the monthly Sales Tax returns of Power Construction Corporation revealed that these services were not declared in the returns submitted with KPRA. In fact the Company did not show any sales in its 11 months returns. Only in the return of October 2022, services worth Rs. 1,703.02 million were shown provided to WAPDA on which entire amount of Sales Tax Rs. 34.06 million @ 2% was shown withheld by WAPDA. However, this amount was also not traceable in the data provided by WAPDA. It is worth mentioning here that WAPDA did not provide to KPRA value of services and rate at which tax was withheld. Without declaration of sales in the monthly returns by M/S Power Construction Corporation and provision of detail by WAPDA, value of services provided and rate at which Sales Tax was charged and withheld by WAPDA could not be confirmed.

The lapse occurred due to non-disclosure of services in monthly returns by the company and resulted in unauthentic recovery / withholding of Sales Tax.

When pointed out it was replied by the management that observation noted. Further probe will be made.

The irregularity was reported to the KPRA in January 2024 with request to convene DAC meeting. However, the meeting was not convened till finalization of this Report.

Audit recommends that matter may be inquired into for facts findings and appropriate action.

(PDP No. 84/2022-23)

3.4.10 Loss due to non-deposit of withheld Sales Tax by PDA Rs. 64.74 million

According to Rule 8 (3) of the Khyber Pakhtunkhwa Sales Tax on Services (Withholding) Regulation, 2020, withholding agents shall deposit withheld tax amount by the 15" day of the following month in which payment is made to the service provider.

During audit of the accounts record of KPRA for the financial years 2021-22 & 2022-23, scrutiny of the monthly sales tax on services returns of MM Pakistan, Probuilt Construction and National Engineering Services Pakistan Pvt. Ltd revealed that they provided services to Peshawar Development Authority (PDA). PDA withheld Sales Tax on these services. However, on comparison of the said withheld tax in the returns of PDA, it was observed that PDA did not deposit this withheld tax into Government Treasury. Detail is given below:

Sr. No.	PDP No./Year	Service Provider	Tax Withheld but not deposited by PDA
1	256/2021-22	M.M. Pakistan Pvt. Ltd. (KNTN 0817113) Probuilt Construction Pvt. Ltd. (KNTN 7973835)	59,552,319
2	82/2022-23	M.M. Pakistan Pvt. Ltd. (KNTN 0817113) National Engineering Services Pakistan (KNTN 801470)	5,184,983
		Total	**64,737,302**

The lapse occurred due to non-observance of rules and resulted in non-deposit of Rs. 64.74 million into government exchequer.

When pointed out it was replied by the management that proper detailed response will be submitted once the data relevant to the observation is examined and analyzed.

The matter was reported to the KPRA in June 2023 and January 2024 with request to convene DAC meeting followed by the reminder dated 01-01-2024. However, the meeting was not convened till finalization of this Report.

Audit recommends investigating the matter and deposit of withheld tax into Government revenue.

3.4.11 Loss due to claiming unjustified exemption from Sales Tax on services Rs. 63.68 million

According to Sr. No. 14 of the Second Schedule of the Finance Act 2013 as amended vide Finance Act 2021, Sales Tax on services provided by construction contractors, architects, civil engineers, land or property surveyors, construction consultants, designing and supervision consultants, and allied or ancillary professions (Service code: 9815.3000) is chargeable at the rate of 2% without any input adjustment in case of Government funded construction projects including ADP/PSDP funded projects and construction of hydropower projects. In case of other than Government funded construction projects, the tax is chargeable at the rate of 5% without any input adjustment. The same clause provides further that some of the services will be exempt i.e. (i) construction work for industrial estates and under international agreements and foreign grants (ii) Residential construction for Naya Pakistan Housing Scheme (iii) ADP programs initiated or completed before 30th June 2021.

During audit of the Sales Tax on services record in KPRA for financial year 2021-22, it was noticed that some companies falling under service code 9815.3000 provided services to unregistered persons having no proper NTN. Sales Tax at the rate of 5% was applicable on these services but the companies declared these services exempt from tax. Exemption is allowed in certain contractual works on behalf of Government Departments and claiming exemption on the assumption that these unregistered procuring entities are Government Departments was not justified. It was further observed that M/S Natracon Technologies provided services to National Transmission and Dispatch Company but in certain cases 2% Sales Tax was not imposed. This caused non recovery of tax Rs. 63.68 million as detailed below:

(Amount in Rupees)

Sr. No.	PDP No./Year	Name of Company	Service Code	Amount Pointed Out
1	251/2021-22	Cemcom Pvt. Ltd. (KNTN 0660575-3) M Younas Builders (KNTN 5070595-4) M Younas Builders Pvt. Ltd. (KNTN 5414954-5)	9815.3000	59,850,709
2	252/2021-22	Natracon Technologies Pvt. Ltd. (KNTN 4371493-5)	9815.3000	3,825,509
Total:				**63,676,218**

The lapse occurred due claiming unjustified exemption and resulted in loss to the government.

When pointed out it was replied by the management that observation is based on huge number of transactions. Response would be provided once the details are examined in light of relevant provision of law

The matter was reported to the department in June 2023 and requested to convene DAC meeting followed by the reminder dated 01-01-2024. However, the meeting was not convened till finalization of this Report.

Audit recommends that the matter may be investigated and the omission may either be justified or the pointed out Sales Tax be recovered from the concerned registered person.

3.4.12 Short Assessment of Sales Tax on Other Telecommunication Services due to incorrect rate – Rs. 59.47 million

According to Sr. No. 4(n) of the Second Schedule of Finance Act 2021, Sales Tax on telecommunication and all other similar, allied, ancillary or auxiliary services was chargeable at the rate of 19.50%

During audit of Sales Tax on service record for the financial year 2021-22, in the office of KPRA, it was noticed while scrutiny of the monthly returns of Sales Tax on services of M/S Nokia Solutions & Networks Pakistan (Pvt) Limited (KNTN 2811966-5) that the Company had provided services falling under category of "Other Telecommunication Services" which were chargeable to sales tax at the rate of 19.5%. However, the tax was assessed at the rate of 15% which caused short assessment of Rs. 59,470,124 as detailed in the Annexure "E".

The lapse occurred due to applying incorrect rate of Sales Tax by the registered person and resulted in loss to the government.

When pointed out it was replied by the management that analysis is in process by corporate sector/wing of KPRA. Detail response would be provided after completion of the analysis in light of relevant provision of law.

The matter was reported to the department in June 2023 and requested to convene DAC meeting followed by the reminder dated 01-01-2024. However, the meeting was not convened till finalization of this Report.

Audit recommends that the omission may either be justified or pointed out amount may be recovered from the concerned service provider.

(PDP No. 259/2021-22)

3.4.13 Loss due to availing unauthorized exemption of Sales Tax on Services by Pak Qatar Family Takaful Limited Rs. 8.83 million

According to Sr. No.26 of the Second Schedule to the KP Finance Act, 2013 as amended vide KP Finance Act 2021 and KP Sales Tax on Services Act, 2022, "in case of health insurance services and services in respect of Government sponsored Sehat Card Plus program, the tax shall be charged at the rate of One Percent (1%) without any input tax adjustment. However, Finance

Department KP fully exempted Health insurance services including Sehat Card Plus Programme vide Sr. No. (b) of Notification No. BO (Rev-l1)/FD/3-2/2022 dated 10th August 2022.

During audit of the accounts record of KPRA for the financial year 2022-23, it was noticed while checking computerized monthly return of Pak Qatar Family Takaful Limited (NTN 2840091) that the company did not assess Sales Tax on insurance services provided to various clients during August 2021 to July 2022. Sales Tax was not exempt during this period on insurance services. This caused non recovery of Tax amounting to Rs. 8,830,264. Detail is given in the Annexure "F".

The lapse occurred due to availing undue exemption on services by the company and resulted in loss of Rs. 8.83 million to government.

When pointed out it was replied by the management that observation noted to the extent of period falling in year of audit and action will be taken for relevant period. Audit may revise its observation beyond their scope of the audit period. KPRA will take action on its part

The irregularity was reported to the KPRA in January 2024 with request to convene DAC meeting. However, the meeting was not convened till finalization of this Report.

Entire amount pointed out by Audit is recoverable. Audit recommends expeditious recovery from the concerned company.

(PDP No. 81/2022-23)

3.4.14 Loss due to non-disclosure/deposit of withheld Sales Tax on services Rs. 7.73 million

According to Rule 7 of the KPRA Sales Tax Withholding Regulations 2020, the persons who are registered with the Authority as regular taxpayer and are compliantly paying the Provincial tax on services at standard rate of 15% or higher rate shall be entitled to take admissible input tax adjustment in their monthly tax returns in case of services received by them from persons other than unregistered or inactive registered persons subjected to full withholding under these regulations.

During audit of the Sales Tax on services record in KPRA for the financial year 2021-22 it was noticed that M/S CMPAK and Pak Telecom claimed input tax adjustments on invoices issued by Engro Enfrashare. On comparison of Annexure A of the monthly returns of CMPAK and Pak Telecom with the Annexure C of monthly returns of Engro Enfrashare, it was observed that sales tax amounting to Rs 7,731,922 was withheld by the CMPAK and Pak Telecom from Engro Enfrashare but was not disclosed in their returns. Detail is given in the Annexure "G".

The loss occurred due to non-disclosure of withheld Sales Tax and resulted in loss of government revenue

When pointed out it was replied by the management that they needs time for examination and filing response.

The matter was reported to the KPRA in June 2023 and requested to convene DAC meeting followed by the reminder dated 01-01-2024. However, the meeting was not convened till finalization of this Report.

Audit recommends investigating the matter and recovery of the Government revenue.

(PDP No. 250/2021-22)

3.4.15 Non-imposition of penalty and default surcharge on FKC Logistics for tax fraud Rs. 3.37 million

According to Sr. No. 8 of the table given in Section 53 of the Khyber Pakhtunkhwa Sales Tax on Services Act, 2022, Where a person knowingly, intentionally, deliberately or fraudulently submits a false, fake, untrue or forged document to the Management Committee or any of officer of the Authority, such person shall be liable to pay a penalty of one hundred thousand rupees or one hundred percent of the tax payable for the tax period or periods to which the offence relates, whichever is higher. According to Section 54 of the Act ibid, if a registered person does not pay the tax due or any part thereof, whether willfully or otherwise, on time or in the manner specified under this Act, rules or notifications or procedures issued there under, he shall, in addition to the tax due and any penalty under section 53, pay default surcharge in case of tax fraud at the rate of 24% per annum, of the amount of tax evaded, till such time the entire liability, including the amount of default surcharge, is paid.

During audit of the Sales Tax on services record in KPRA for financial year 2022-23, it was noticed that M/S FKC Logistics, a Govt. carriage contractor produced fake exemption letter of Sales Tax on services to District Food Controller Malakand for taking exemption on transportation of wheat for Food Department in January and February 2023. An inquiry was initiated by the KPRA in this regard. In the inquiry, it was established that FKC Logistics has committed tax fraud involving Sales Tax Rs. 2,903,499. Amount of tax was recovered from the FKC Logistics but penalty and default surcharge were not imposed on the defaulter as detailed below:

Tax Period	Amount of Tax Evaded	Penalty @ 100% of the Tax	Default Surcharge @ 24% upto 22-11-2023	Total Amount Recoverable
February 2023	Rs. 2,903,499	Rs. 2,903,499	Rs. 464,560	Rs. 3,368,059

The lapse occurred due to non-enforcement of the provisions of Act and resulted in loss of government revenue.

When pointed out it was replied by the management that action will be taken as per law.

The matter was reported to the KPRA in January 2024 with request to convene DAC meeting. However, the meeting was not convened till finalization of this Report.

Audit recommends imposition / recovery of penalty and default surcharge from the concerned as per relevant provisions of law upto the date of payment of entire liability.

(PDP No. 83/2022-23)

3.4.16 Non/less withholding of Sales Tax on services by M/S China Gezhouba Group Company- Rs. 2.82 million

According to the Rule 5(v) of the Khyber Pakhtunkhwa Sales Tax on Services (Withholding) Regulation 2020, services liable to tax under the Act at reduced rate (less than the standard rate of 15%) shall be compulsory liable to full withholding at applicable rates.

During audit of the Sales Tax on services record in KPRA for financial year 2021-22, it was noticed that M/S China Gezhouba Group Company received services from various service providers whose services were taxed at reduced rates i.e. less than the standard rate of 15%. These services were liable to full withholding as per above rule. However, the Company being a withholding agent had not withheld or partially withheld the amount of Sales Tax on these services. This led to non/less withholding of sales tax Rs.2,816,120.

Audit held that the lapse occurred due to non-observance of rules and resulted in loss to the Government.

When pointed out it was replied by the management that they needs some time to evaluate the observation. Analysis is initiated and response would be submitted once reached to the conclusion.

The matter was reported to the KPRA in June 2023 and requested to convene DAC meeting followed by the reminder dated 01-01-2024. However, the meeting was not convened till finalization of this Report.

Audit recommends justification / recovery of the tax involved.

(PDP No. 257/2021-22)

3.4.17 Short Assessment of Sales Tax on Franchise Services due to application of incorrect rate – Rs. 2.79 million

According to Sr. No. 10 of the Second Schedule of Finance Act 2021, Sales Tax on Franchise Services (Service Code 9823.0000) was chargeable at the rate of 15%.

During audit of Sales Tax on service record for the financial year 2021-22, in the office of KPRA, it was noticed while scrutiny of the monthly returns of Sales Tax on services of M/S Gas & Oil Pakistan Limited (KNTN 3935947-6) that the company had provided services falling under category of "Franchise Services (9812.6390)" which were chargeable to Sales Tax at the rate of 15%. However, the Company assessed Tax at the rate of 10% which caused short assessment of Sales Tax Rs. 2,789,228. Detail is given in the Annexure "H".

The lapse occurred due to application of incorrect rate of Sales Tax by the Company and resulted in loss to the government.

When pointed out it was replied by the management that data relevant to the observation pertains to all regional offices. Detailed response would be submitted in few days' time.

The matter was reported to the department in June 2023 and requested to convene DAC meeting followed by the reminder dated 01-01-2024. However, the meeting was not convened till finalization of this Report.

Audit recommends that the omission may either be justified or pointed out amount may be recovered from the concerned service provider.

(PDP No. 258/2021-22)

3.4.18 Non-transfer of Sales Tax to Government of Khyber Pakhtunkhwa by FBR on account of cross adjustment of input tax Rs. 4,353 million

According to MOU between KPRA and FBR, within 30 days of the end of each quarter a joint committee of FBR and KPRA officers shall prepare a statement showing net effect of the cross adjustments of input tax made during the quarter and the party with positive balance will compensate the party with negative balance. Sales Tax is a value added tax in which a taxpayer is entitled to deduct the tax paid on input for providing taxable services, from the output tax payable on such services. KPRA allows input tax adjustment to its registered tax payers (paying sales tax on services) in their returns on account of sales tax (on goods) paid to FBR and vice versa.

During audit of record for the financial year 2022-3, in the office of KPRA, it was noticed that reconciliation of the cross adjustment of input tax for the financial years 2021-22 and 2022-23 was not finalized despite the lapse of a considerable time. As per summary of the working provided by the FBR, KPRA had sent a claim of Rs. 4,353 million to FBR on account of cross adjustment of input tax as mentioned below. However, this claim was not entertained by the FBR.

Sr. No.	Financial Year	Amount Receivable from FBR
1	2021-22	Rs. 3,944 million
2	2022-23	Rs. 409 million
Total		**Rs. 4,353 million**

The lapse occurred due to non-implementation of MOU provisions by FBR.

Non-transfer of Sales Tax by FBR to Khyber Pakhtunkhwa deprived the Provincial Government of huge amount of revenue.

When pointed out by Audit it was replied that KPRA is actively pursuing the case with FBR. Only delay in payment on part of FBR is involved.

The matter was reported to the KPRA in January 2024 with request to convene DAC meeting. However, the meeting was not convened till finalization of this Report.

Audit recommends that reconciliation of cross adjustment of input tax should be carried out with FBR on top priority basis to find out the actual amount of revenue recoverable from FBR besides making efforts for recovery of Provincial Government revenue.

(PDP No. 89/2022-23)

3.4.19 Non-realization of the Sales Tax on services assessed vide assessment orders against defaulter Rs. 3,857.78 million

According to section 27 of the Khyber Pakhtunkhwa Sales Tax on Services Act 2022 "Where on the basis of any information acquired during an audit, inquiry, inspection or otherwise, an officer of the Authority, not below the rank of Assistant Collector, is of the opinion that a registered person has not paid the tax due on taxable services, provided by him or has made short payment or a withholding agent fails to withhold the tax or withholds the same but fails to deposit the same in the prescribed time and manner, the officer shall determine the amount in default and make an assessment of the tax actually payable by that person.

During audit of the accounts record of KPRA for the financial year 2022-23, it was noticed that a huge amount of tax was recoverable from service providers and withholding agents in the light of assessment orders passed by the Authority. However, the defaulters did not deposit the same and an amount of Rs. 3,857,784,524 was not realized. Detail of these cases is given in the Annexure I.

The lapse occurred due to non-observance of rules and resulted in non-realization of government revenue.

When pointed out by Audit no reply was furnished by the management.

The irregularity was reported to the KPRA in January 2024 with request to convene DAC meeting. However, the meeting was not convened till finalization of this Report.

Audit recommends that action may be taken under the law against defaulters for expeditious recovery of the pointed out amount.

(PDP No. 87/2022-23)

3.4.20 Non-recovery of Sales Tax on services detected by the Internal Tax Audit Rs. 1,963.55 million

According to Rule 15 (3) of the Khyber Pakhtunkhwa Sales Tax on Services (Audit) Rules, 2019 the authorized officer or audit team, which has conducted the audit, shall be responsible to follow up the adjudication process at adjudicating stage, appeal stage and in courts if the registered person has gone for litigation prior to or after availing the remedies under the Act.

According to Rule 3(1) of the Khyber Pakhtunkhwa Sales Tax on Services Arrears (Recovery) Rules, 2019 where any arrears have become due for recovery either in consequence of adjudication order or otherwise, the Referring Officer may instead of referring the case to the Recovery Officer himself act as Recovery Officer and proceed to recover the arrears by invoking the provisions of Section 87 of the Act in sequential order or otherwise.

During audit of the Sales Tax on services record in KPRA for financial years 2021-22 & 2022-23, it was noticed that internal tax audit teams of KPRA detected an amount of Rs. 1,963.55 million on account of Sales Tax on services which was recoverable from the service providers / withholding agents in the light of internal audit findings. However, this detected amount of tax had not been recovered from the defaulters as detailed in the Annexure J.

Audit held that the lapse occurred due to non compliance of the provisions of law and a huge amount of government revenue remained unrecovered.

When pointed out it was replied by the management that show cause notice had already been issued and adjudication proceedings have been initiated in the case of PESCO. For the reaming cases, need some time for filing proper response.

The matter was reported to the department in June 2023 and January 2024 with request to convene DAC meeting followed by the reminder dated 01-01-2024. However, the meeting was not convened till finalization of this Report.

Audit recommends that action may be expedited towards adjudication and recovery of the pointed out Sales Tax on services.

(PDPs No. 267/2021-22 & 88/2022-23)

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Chapter - 4

REVENUE AND ESTATE DEPARTMENT

4.1 Introduction

The Board of Revenue was the successor of the office of the Financial Commissioner. It was originally constituted under the provisions of the West Pakistan Board of Revenue Act, 1957, which on dissolution of One Unit in 1970 became the Board of Revenue, Khyber Pakhtunkhwa.

The Revenue and Estate Department is the controlling authority in all matters connected with the administration of land, collection of Government dues including land taxes, land revenue, preparation of land records and other matters relating thereto. Senior Member Board of Revenue is incharge of the Department.

The Revenue and Estate Department is the custodian of the rights of the land holders and is the highest revenue court in the province with Appellate/Provisional jurisdiction against orders of subordinate revenue officers/courts including collectors. All Revenue Officers and Revenue Courts are subject to the general superintendence and control of the Revenue and Estate Department. The Department itself is subject to the administrative control of the Provincial Government.

4.1 A) Main functions of the Revenue & Estate Department

- Assessment and collection of Land Revenue, Agriculture Income Tax, Land Tax and Capital Value Tax on transfer of immovable property.
- Land surveys and record of rights, including restrictions over transfer of title.
- Laws regarding land tenure, relations between landlords and tenants, special remission of land revenue and remission under sliding scales.
- Compulsory acquisition of land, Land Acquisition Act and Rules made thereunder.
- Matters connected with the recruitment, training, pay, allowances, promotions, leave, postings and transfers of revenue staff.
- Registration of document including collection of Registration Fees.
- Stamps and Court Fees, Judicial and non-Judicial.
- Revenue Settlement and Re-assessment.
- Preparation of Gazetteers, Land Laws.
- Territorial adjustment and changes, Boundary Dispute, Land Commission.
- Land Settlement.

- Collection of Advance Income Tax on behalf of Federal Government on transfer of immovable property.

Table A: Audit Profile of Revenue & Estate Department

Sr. No.	Description	Total No.	Audited	Revenue Receipts Audited FY 2021-22 (Rs. in million)
1	Formations	160	8	434.57

4.1 B) Comments on Budgeted Receipts (Variance Analysis)

During the financial year 2022-23, Revenue & Estate Department, Government of Khyber Pakhtunkhwa collected an amount of Rs. 5,968 million which was only 60% of the budget estimates of Rs. 9.970 million.

A comparison of budget estimates and actual receipts for the year 2022-23 is tabulated below. The variation between the budget estimates and actual receipts is depicted in both absolute and percentage terms.

Table B: Variance Analysis of Revenue & Estate Department

(Rs. in million)

Sr. No.	Category of Receipts	Head of Account	Budget Estimates 2022-23	Actual Receipts 2022-23	%age of Total Receipts	Excess (+) Short (-) (Col.5-4)	Variance %age
1	2	3	4	5	6	7	8
1	Tax on Agriculture Income	B01175	114.00	92.77	1.55	-21.23	-18.63
2	Fee for Registering Documents	B01311, 12,20	86.00	76.74	1.29	-9.26	-10.77
3	Land Revenue	B014	4,400.00	1,578.65	26.45	-2,821.35	-64.12
4	Capital Value Tax	B017	0	1.93	0.03	1.93	-
5	Stamp Duty	B027	4,400.00	3,393.11	56.85	-1,006.89	-22.88
6	Water Rates (Abiana)	C03431	450.00	240.72	4.03	-209.28	-46.51
7	Others	C038	520.00	584.47	9.79	64.47	12.40
Total :			**9,970.00**	**5,968.40**	**100.00**	**-4,001.60**	**-40.14**

(Data Source: Estimates of Receipts 2022-23 Vol-II Finance Deptt. KP & Finance Account KP 2022-23)

The above figures highlight that actual receipts were 40% less than the budget estimates. The Board of Revenue could not achieve its revenue targets which shows poor fiscal planning. This needs to be looked into by the concerned revenue collecting authorities.

The following bar chart shows budget estimates and actual receipts of the Revenue and Estate Department.

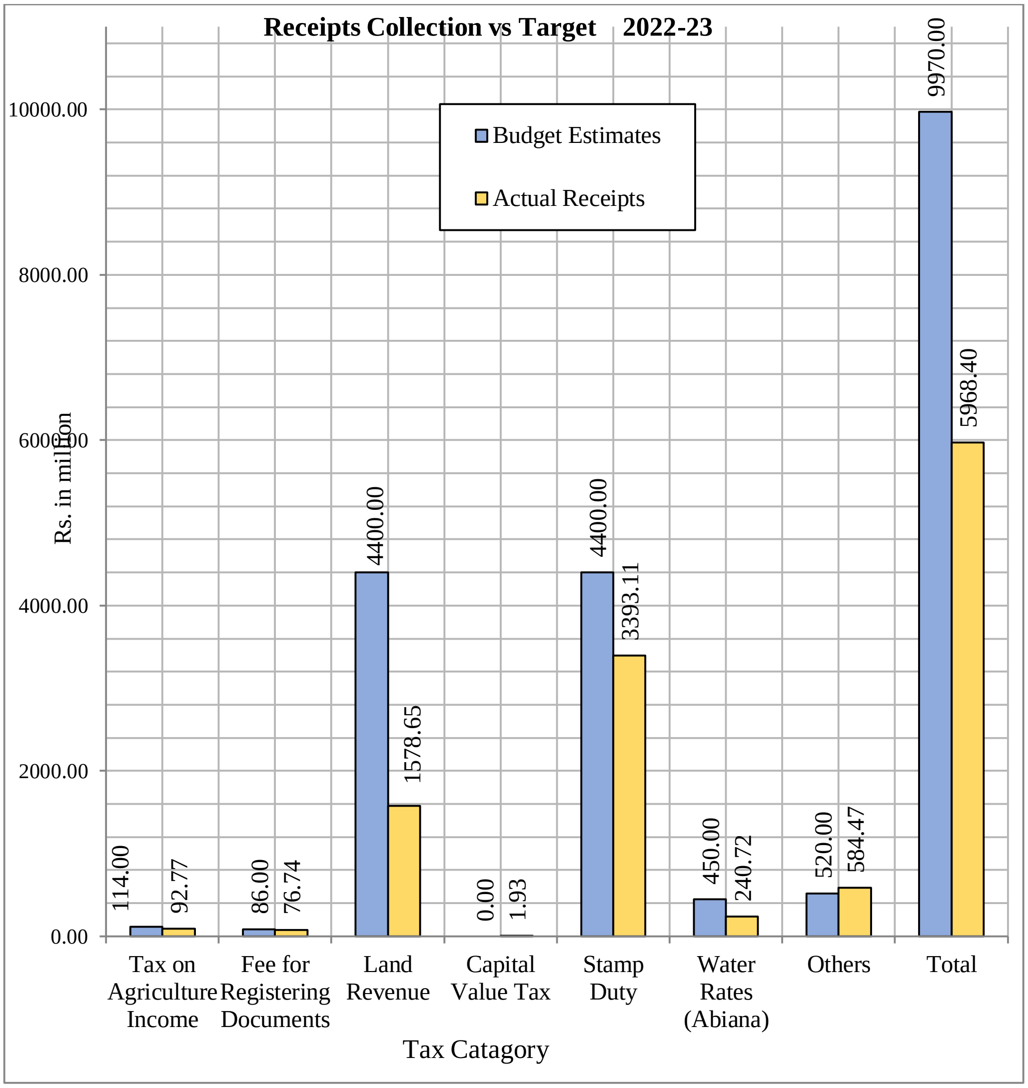


Table C: Receipts estimates and revised estimates for 2021-22 & 2022-23

The budgeted receipts estimates and revised estimates for the years 2021-22 & 2022-23 are illustrated below. Budget estimates in 2021-2 were revised downwards and department achieved this revised target. However, the department failed to achieve the target in 2022-23 and there was a shortfall of Rs. 4,002 million.

(Rs. in million)

Year	Budget Estimates	Revised Estimate	Actual Receipts	Variation	Percentage of Variance
2021-22	9,999	8,489	8,657	168	2

2022-23	9,970	9,970	5,968	-4,002	-40

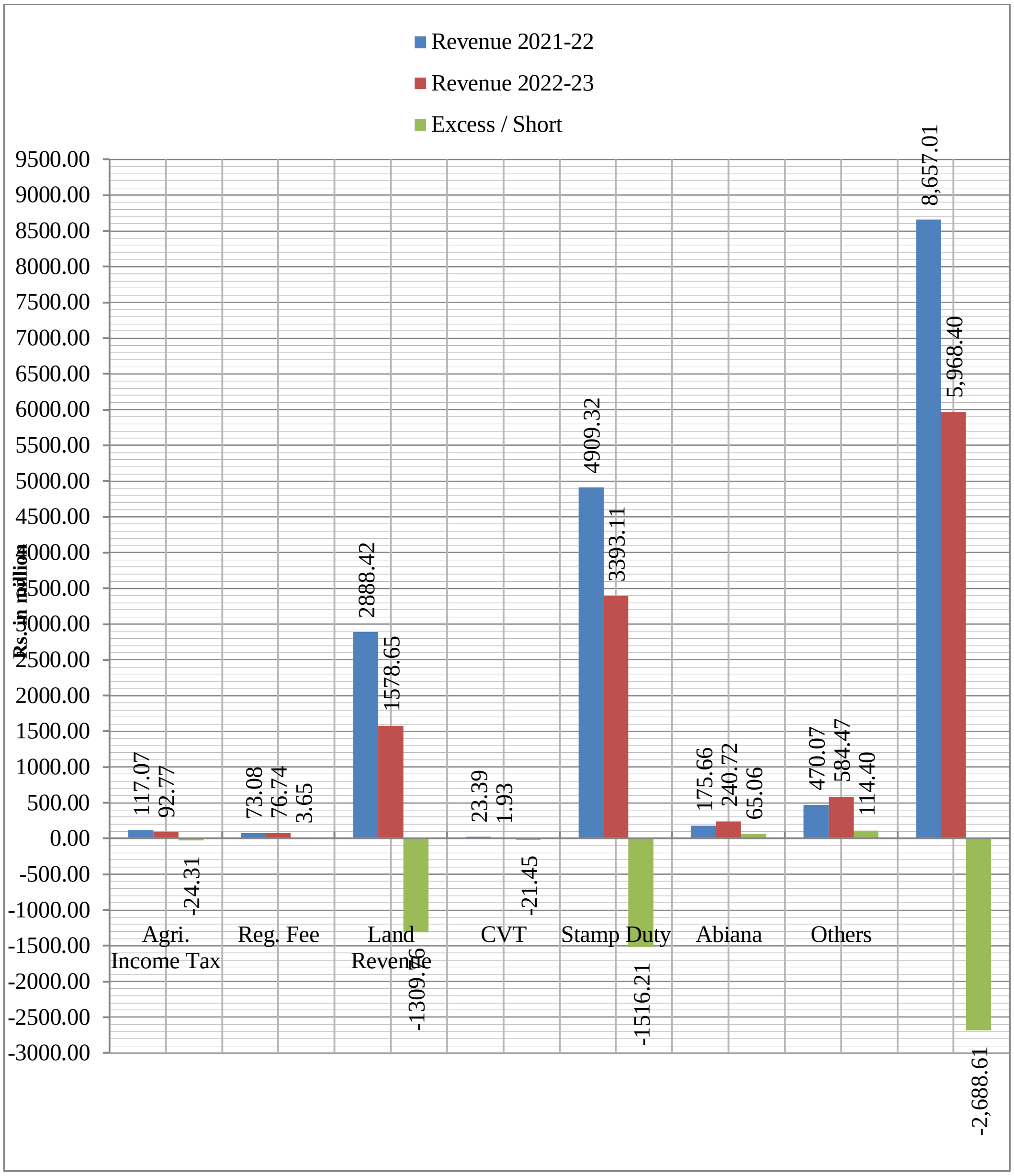
Table D: Comparison of Revenue collected during 2021-22 & 2022-23

A comparison of revenue collected during the financial years 2021-22 & 2022-23 is given below in tabulated form and bar chart:

(Rs. in million)

Sr. No.	Category of Receipts	Head of Account	Revenue Collected 2021-22	Revenue Collected 2022-23	Excess (+) Short (-)	Variance %age
1	Tax on Agriculture Income	B01175	117.07	92.77	-24.31	-20.76
2	Fee for Registering Documents	B01311, 12 & 20	73.08	76.74	3.65	5.00
3	Land Revenue	B014	2,888.42	1,578.65	-1,309.76	-45.35
4	Capital Value Tax	B01701	23.39	1.93	-21.45	-91.73
5	Stamp Duty	B027	4,909.32	3,393.11	-1,516.21	-30.88
6	Water Rates (Abiana)	C03431	175.66	240.72	65.06	37.04
7	Others	C03824	470.07	584.47	114.40	24.34
Total :			**8,657.01**	**5,968.40**	**-2,688.61**	**-31.06**

The above data is depicted in bar chart below to have better understanding.



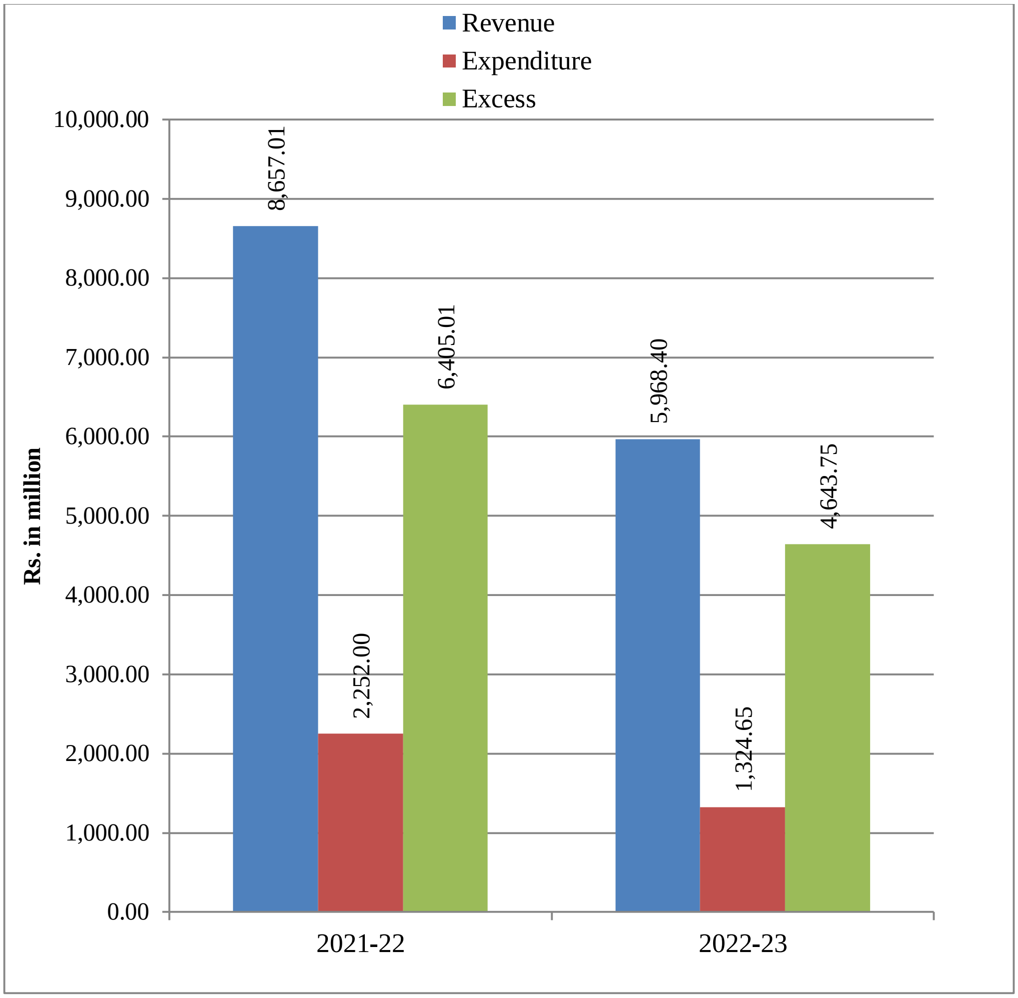
Comparison of the revenue collected during 2021-22 & 2022-23 shows that overall recovery of the revenue decreased by 31% during 2022-23. There was a decrease of 1,309.76 million in collection of Land Revenue and 1,516 million in Stamp Duty. This was a substantial decrease which shows poor fiscal planning and performance.

Table E: Comparison of Expenditure and Revenue for 2021-22 & 2022-23

A comparison of revenue and expenditure of the Revenue & Estate Department for the financial years 2021-22 & 2022-23 is given below in tabulated form and bar chart:

(Rs. in million)

Year	Revenue Collected	Expenditure	Excess of Revenue over expenditure	Cost Benefit Ratio
2021-22	8,657.01	2,252.00	6,405.01	1:3
2022-23	5,968.40	1,324.65	4,643.75	1:4



(Data Source: Finance Account & Appropriation Account KP 2022-23)

In the year 2022-23 both revenue and expenditure show a downward trend. However, comparison of the cost benefit ratios for the financial years 2021-22 and 2022-23 shows that receipts collected by the Departments moderately increased the benefits against the cost incurred on the function of the department.

4.1 C) Issues in the Revenue & Estate Department

Millions of rupees on account of Water Rates (Abiana) remained pending for recovery and the department has not taken concrete steps for recovery of this outstanding amount. Recurrence of typical irregularities like non-assessment and short assessment of government revenue on account of Mutation Fee, Stamp Duty and Advance Income Tax on transfer of immovable property continued as before. No remedial measures have been taken to check their recurrence.

4.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 315.05 million were raised in this report during audit of Revenue & Estate Department. The pointed out amount also include observations relating to 2021-22. The entire amount pointed out by the audit is recoverable. Summary of the audit observations classified by nature is as under:

Table F: Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	Non/short-recoveries	323.29
4	Others	-
Total		**323.29**

4.3 Brief Comments on the Status of Compliance with PAC Directives

Table G: The status of compliance with PAC directives:

Sr. No.	Audit Report Year	Total Paras	Paras Discussed	Paras Settled	Paras Stand	Percentage of compliance	Remarks
1	2002-03	5	5	2	3	40%	-
2	2003-04	4	4	3	1	75%	-
3	2004-05	5	-	-	-	-	Yet to be discussed in PAC
4	2005-06	6	-	-	-	-	-do-
5	2006-07	5	-	-	-	-	-do-
6	2007-08	12	12	10	2	83%	-

7	2008-09	13	13	7	6	54%	-
8	2009-10	4	-	-	-	-	Yet to be discussed in PAC
9	2010-11	6	-	-	-	-	-do-
10	2011-12	8	-	-	-	-	-do-
11	2012-13	5	5	2	3	40%	-
12	2013-14	6	-	-	-	-	Yet to be discussed in PAC
13	2014-15	5	-	-	-	-	-do-
14	2015-16	9	-	-	-	-	-do-
15	2016-17	7	-	-	-	-	-do-
16	2017-18	9	-	-	-	-	-do-
17	2018-19	9	-	-	-	-	-do-
18	2019-20	7	-	-	-	-	-do-
19	2020-21	8	-	-	-	-	-do-
20	2021-22	4	-	-	-	-	-do-
21	2022-23	15	-	-	-	-	-do-
Total		**125**	**39**	**24**	**15**	**62%**	

Compliance with the PAC directives is satisfactory. It is worth mentioning here that partial recoveries have been affected by the Department. However, paras would be considered for settlement once complete recoveries are affected and verified. Nevertheless, due to non-discussion of audit paras by PAC over the years, the impact of audit has ratcheted down and so have benefits for the citizens.

4.4 AUDIT PARAS

4.4.1 Non-recovery of Water Rates (Abiana)-Rs. 257.11 million

According to Section 45 of the Canal and Drainage Act 1873, any sum lawfully due and certified by the Divisional Canal Officer to be so due, which remains unpaid after the day on which it becomes due, shall be recovered as arrears of land revenue.

During the financial years 2021-22 and 2022-23, Revenue Offices under Deputy Commissioners of different districts did not initiate proceedings against the defaulters for recovery of outstanding Water Rates (Abiana) amounting to Rs. 257.11 million for the crops seasons of Rabi 2020-21 & Kharif 2021 as detailed below:

(Amount in Rs.)

Sr. No.	Name of Office	PDP No./Year	Amount pointed out
1	Tehsildar Swabi	163/2021-22	14,333,934
2	Tehsildar Charsadda	170/2021-22	21,425,132
3	Tehsildar D.I.Khan	218/2021-22	20,657,650
4	Naib Tehsildar Tehkal, Peshawar	229/2021-22	1,412,229
5	Tehsildar Mattni Peshawar	270/2021-22	1,685,284
6	Naib Tehsildar Chamkani Peshawar	276/2021-22	7,716,619
7	Tehsildar Badaber Peshawar	283/2021-22	6,065,485
8	Naib Tehsildar Dalazak Peshawar	295/2021-22	886,167
9	Tehsildar Takht Bhai Mardan	327/2021-22	31,973,605
10	Tehsildar Abbottabad	347/2021-22	65,642,953
11	Tehsildar Settlement Mansehra	353/2021-22	435,729
12	Naib Tehsildar Mathra Peshawar	359/2021-22	5,851,058
13	Tehsildar City, Peshawar	375/2021-22	204,243
14	Deputy Commissioner Buner	12/2022-23	68,472
15	Deputy Commissioner Abbottabad	31/2022-23	78,750,000
Total:			**257,108,560**

The lapse occurred due to non-enforcement of rules and in-efficiency of the department.

Non-realization of Water Rates resulted in loss to the government.

When pointed out, it was replied by the management that recovery would be effected after checking the record.

The matter was reported to the department during December 2022 to January 2024. In the DAC meetings held on 21-02-2023, 23-05-203, 18-07-2023, 08-08-2023 and 10-08-2023 directions were issued to recover the amount. However, no progress was reported till finalization of this report.

Audit recommends expeditious recovery of the outstanding Government dues.

4.4.2 Short-assessment/realization of Advance Income Tax on sale & purchase of immovable property-Rs. 49.48 million

According to Section 236C & 236K of the Income Tax Ordinance 2001 any person responsible for registering or attesting transfer of any immovable property shall at the time of registering or attesting transfer collect from the seller and purchaser an Advance Tax at the rate of 1% of the fair market value. Further, as per Rule-1 of Tenth Schedule to the Ordinance, tax from persons not appearing in the active taxpayers' list, shall be increased by hundred percent of the rate.

During the financial years 2021-22 and 2022-23 Revenue and Registration Office under Deputy Commissioners in different districts did not assess/ deposited Advance Tax on sale and purchase of immovable property in fifty-nine cases. This caused short assessment of Rs. 49.48 million. Detail is given in the Annexure K.

The lapse occurred due to non-observance of rules and resulted in loss to the government exchequer.

When pointed out by Audit it was replied by the management that detail reply will be furnished after scrutiny of the record.

The matter was reported to the department during December 2022 to January 2024. In the DAC meetings held on 21-02-2023, 23-05-203, 18-07-2023, 08-08-2023 and 10-08-2023 directions were issued to recover the amount and produce record to Audit for verification. An amount of Rs. 11.93 million was recovered and got verified from Audit. No further progress was reported till finalization of this report.

Audit recommends expeditious recovery of Government revenue.

(PDPs No. 140, 142, 159, 160, 165, 168, 210, 216, 230, 231, 232, 234, 236, 237, 271, 272, 274, 277, 279, 281, 284, 285, 287, 289, 291, 292, 293, 297, 307, 308, 312, 313, 322, 323, 325, 330, 331, 340, 342, 345, 346, 351, 356, 357, 358, 371, 372, 373, 374, 377, 379, 382, 384, 385 / 2021-22 & 14, 16, 33, 34 / 2022-23)

4.4.3 Short-assessment/realization of Mutation Fee- Rs.13.43 million

According to Sr. No. 8 of the Government of Khyber Pakhtunkhwa, Revenue & Estate Department Notification No. TOSD/Mutation Fee/2014/ 26365-402 dated 29-06-2018 Mutation Fee is recoverable at the rate of 2% of the value on transfer of property through a mode other than those mentioned at Sr. No 1 to 7 of the said Notification. Mutation fee was required to be charged on the recorded value of land transferred or on the value notified by the District Collector, whichever is high.

During the financial years 2021-22 and 2022-23, Revenue Offices under Deputy Commissioner in different districts calculated value of the land transferred at lower rates than the notified rates of District Collector. Further, Mutation Fee was not recovered on exchange of other than agriculture land. This caused short assessment of Mutation Fee Rs. 13.43 million as detailed in the Annexure “L”.

The lapse occurred due to non-observance of rules and resulted in loss to the government exchequer.

When pointed out by Audit it was replied by the management that reply would be furnished after consulting the record.

The matter was reported to the department during December 2022 to January 2024. In the DAC meetings held on 21-02-2023, 23-05-203, 18-07-2023, 08-08-2023 and 10-08-2023 directions were issued to recover the amount and produced record to Audit for verification. An amount of Rs. 0.16 million was got verified from Audit. No further progress was reported till finalization of this report.

Audit recommends expeditious recovery of the pointed out amount.

(PDPs No. 157, 58, 164, 167, 217, 273, 278, 280, 286, 290, 294, 324, 328, 344, 349, 350, 352, 360, 370, 383 / 2021-22 & 9, 10, 11 / 2022-23)

4.4.4 Short-assessment of Stamp Duty on transfer of immovable property-Rs. 3.27 million

According to Section 27-A of the Stamp Act, 1899, where any instrument chargeable with ad valorem duty under clause (b) of Article 23 or clause (b) of Article 31 of Schedule-I relates to land only or land with any building or structure thereon, the value of the land shall be calculated according to the valuation table notified by the collector in respect of land situated in the area or locality concerned.

During the financial years 2021-22 and 2022-23, Registration Offices under Deputy Commissioners in different districts calculated value of the land transferred at the rates lower than that notified by the District Collector. This caused short assessment of Stamp Duty amounting to Rs. 3.27 million as detailed below:

(Amount in Rs.)

Sr. No.	Name of Office	PDP No./ Year	Amount pointed out	Amount verified	Balance Recoverable
1	Sub Registrar Haripur	139/2021-22	831,626	60,700	770,926

2	Sub Registrar D.I.Khan	212/2021-22	64,899	14,226	50,673
3	Sub Registrar I, Peshawar	235/2021-22	1,082,009	0	1,082,009
4	Sub Registrar II, Peshawar	309/2021-22	168,133	0	168,133
5	Sub Registrar Bannu	311/2021-22	187,163	0	187,163
6	Sub Registrar Mardan	332/2021-22	164,804	0	164,804
7	Sub Registrar Abbottabad	341/2021-22	840,910	625,018	215,892
8	Sub Registrar Mansehra	378/2021-22	298,282	0	298,282
9	DC Battagram	15/2022-23	57,329	0	57,329
10	DC Abbottabad	35/2022-23	271,419	0	271,419
Total			**3,966,574**	**699,944**	**3,266,630**

The lapse occurred due to non-observance of rules and resulted in loss to the government exchequer.

When pointed out by Audit it was replied by the management that reply would be furnished after consulting the record.

The matter was reported to the department during December 2022 to January 2024. In the DAC meetings held on 21-02-2023, 23-05-203, 18-07-2023, 08-08-2023 and 10-08-2023 directions were issued to recover the amount and produced record to Audit for verification. An amount of Rs. 0.69 million was got verified from Audit. No further progress was reported till finalization of this report.

Audit recommends expeditious recovery of the pointed out amount.

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Chapter - 5

TRANSPORT & MASS TRANSIT DEPARTMENT

5.1 Introduction

5.1 A) Main functions of the Transport & Mass Transit Department

- Administration of Motor Vehicle Ordinance, 1965 and Rules framed thereunder.
- Administration of Directorate of Transport Khyber Pakhtunkhwa, Provincial Transport Authority, Regional Transport Authorities.
- Inspection & Certification of roadworthy vehicles.
- Formulation of Transport Policy & Planning.
- Updating of Highway Code.
- Review of Traffic Laws.
- Review of Traffic Safety Provisions.
- Monitoring and evaluation of Transport related projects.
- Issuance of route permits for stage carriages and contract carriages.
- Route Permits, fare/freights, matters relating to traffic speeds, loading, parking and halting places.
- Maintenance/Management of Public Bus Stands throughout the Province.
- Classification of routes for public service vehicles.
- Settlement of disputes among the Regional Transport Authorities.
- Settlement of terms and conditions for public service vehicles.
- Operation of Mass Transit system in Khyber Pakhtunkhwa.

Table A: Audit Profile of Transport & Mass Transit Department

Sr. No.	Description	Total No.	Audited	Revenue Receipts Audited FY 2021-22 (Rs. in million)
1	Formations	33	4	325.84

5.1 B) Comments on Budgeted Receipts (Variance Analysis)

During the financial year 2022-23, the Transport & Mass Transit Department, Government of Khyber Pakhtunkhwa collected an amount of Rs. 770.99 million which was 114% of the budget estimates of Rs. 676 million.

A comparison of budget estimates and actual receipts for the year 2022-23 is tabulated below. The variation between the budget estimates and actual receipts is depicted in both absolute and percentage terms.

Table B: Variance Analysis of Transport & Mass Transit Department

(Rs. in million)

Sr. No.	Category of Receipts	Head of Account	Budget Estimates 2022-23	Actual Receipts 2022-23	%age of Total Receipts	Short (-) Excess (+) (Col.5-4)	Variance %age
1	2	3	4	5	6	7	8
1	Receipt from bus and truck services	B02804	16.50	19.49	2.528	2.99	18.13
2	Motor Vehicles Fitness Certificate Fee	B02811	90.00	103.04	13.365	13.04	14.49
3	Motor Vehicles Route Permit Fee	B02812	360.00	349.23	45.296	-10.77	-2.99
4	Driving License Fee (LTV, HTV, PSV)	C0355A	209.50	299.23	38.811	89.73	42.83
Total :			**676.00**	**770.99**	**100.00**	**94.99**	**14.05**

(Data Source: Estimates of Receipts 2022-23 Vol-II Finance Deptt. KP & Finance Account KP 2022-23)

The above figures show that actual receipts were 14% more than the estimates of receipts. The Department achieved the overall revenue target but recovery of Route Permit Fee was 3% less than the estimates.

The following bar chart shows budget estimates, and actual receipts of the Transport & Mass Transit Department.

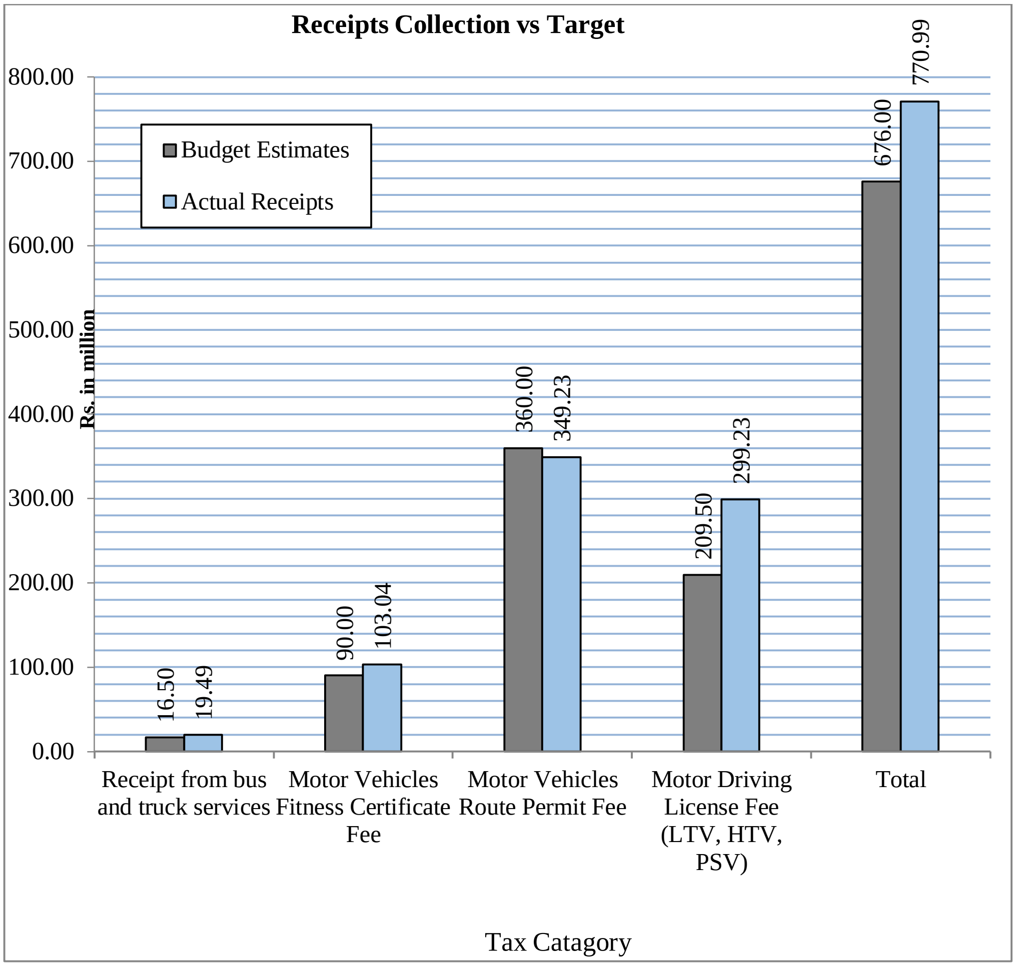


Table C: Receipts estimates and revised estimates for 2021-22 & 2022-23

The budgeted receipts estimates and revised estimates of Transport & Mass Transit Department for the years 2021-22 & 2022-23 are illustrated below. The department was unable to achieve the target during 2021-22.

(Rs. in million)

Year	Budget Estimates	Revised Estimate	Actual Receipts	Variation	Percentage of Variance
2021-22	640	640	576	-64	-10
2022-23	676	676	771	95	14

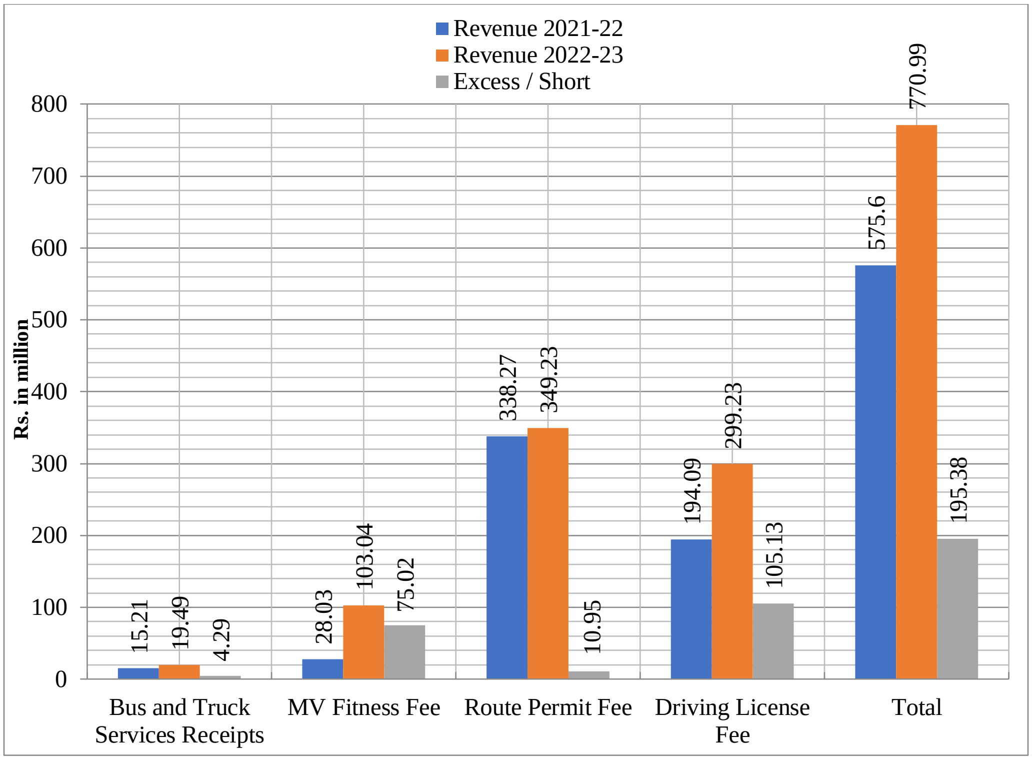
Table D: Comparison of Revenue collected during 2021-22 & 2022-23

A comparison of revenue collected during the financial years 2021-22 & 2022-23 is given below in tabulated form and bar chart:

(Rs. in million)

Sr. No.	Category of Receipts	Head of Account	Revenue Collected 2021-22	Revenue Collected 2022-23	Excess (+) Short (-)	Variance %age
1	Receipt from bus and truck services	B02804	15.21	19.49	4.29	28.19
2	Motor Vehicles Fitness Certificate Fee	B02811	28.03	103.04	75.02	267.64
3	Motor Vehicles Route Permit Fee	B02812	338.27	349.23	10.95	3.24
4	Motor Driving License Fee (LTV, HTV, PSV)	C0355A	194.09	299.23	105.13	54.17
Total :			**575.60**	**770.99**	**195.38**	**33.94**

The above data is depicted in bar chart below to have better understanding.



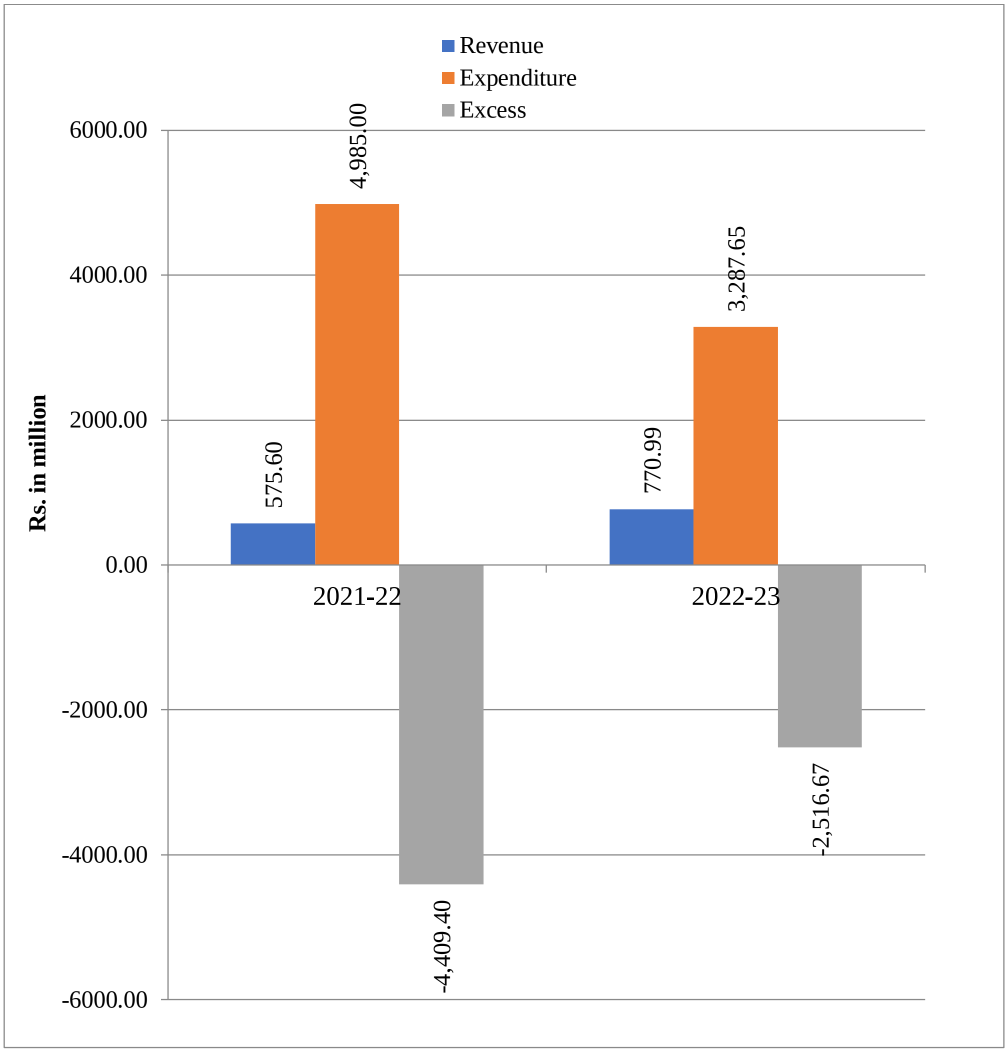
Comparison of the revenue collected during 2021-22 and 2022-23 shows that overall recovery of the revenue increased by 34% during 2022-23.

Table E: Comparison of Expenditure and Revenue for 2021-22 & 2022-23

A comparison of revenue and expenditure of the Transport & Mass Transit Department for the financial years 2021-22 and 2022-23 is given below in tabulated form and bar chart:

(Rs. in million)

Year	Revenue Collected	Expenditure	Excess of Revenue over expenditure	Cost Benefit Ratio
2021-22	575.60	4,985.00	-4,409.40	1:0.1
2022-23	770.99	3,287.65	-2,516.67	1:0.2



A comparison of the cost benefit ratios for the financial years 2021-22 and 2022-23 shows improvement in revenue collection as well as reduction in expenditure incurred in 2022-23. However, despite that the cost incurred on operational activities surpassed the revenue generated.

5.1 C) Issues in the Transport & Mass Transit Department

Non-recovery of Route Permit Fee resulted in accumulation of huge amount of arrears. This was due to weak internal controls and in-efficiency of the department. Audit has raised many observations regarding this issue over the years but no concrete steps have been taken by the department for recovery of these arrears. License Fee from Bus Stands, Goods forwarding Agencies and 3% share of Provincial Government due from local authorities (TMAs/MCs) on account of auction of bus stands has not been assessed and realized which resulted in loss to the Government.

5.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 17.38 million were raised in this report during audit of Transport & Mass Transit Department. The pointed out amount also include arrears and observation relating to the previous year. The entire amount pointed out by the audit is recoverable. Summary of the audit observations classified by nature is as under:

Table F: Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	Non/short-recoveries	17.38
4	Others	-
Total		**17.38**

5.3 Brief Comments on the Status of Compliance with PAC Directives

Table G: The status of compliance with PAC directives:

Sr. No.	Audit Report Year	Total Paras	Paras Discussed	Paras Settled	Paras Stand	Percentage of compliance	Remarks
1	2002-03	1	1	0	1	0%	-
2	2003-04	1	1	0	1	0%	-
3	2004-05	2	-	-	-	-	Yet to be discussed in PAC
4	2005-06	3	-	-	-	-	-do-
5	2006-07	2	-	-	-	-	-do-
6	2007-08	3	3	0	3	0%	-
7	2008-09	2	2	0	2	0%	-
8	2009-10	1	-	-	-	-	Yet to be discussed in PAC
9	2010-11	2	-	-	-	-	-do-
10	2011-12	3	-	-	-	-	-do-

11	2012-13	3	3	0	3	0%	-
12	2013-14	2	-	-	-	-	Yet to be discussed in PAC
13	2014-15	1	-	-	-	-	-do-
14	2015-16	2	-	-	-	-	-do-
15	2016-17	3	-	-	-	-	-do-
16	2017-18	3	-	-	-	-	-do-
17	2018-19	3	-	-	-	-	-do-
18	2019-20	3	-	-	-	-	-do-
19	2020-21	3	-	-	-	-	-do-
20	2021-22	1	-	-	-	-	-do-
21	2022-23	3	-	-	-	-	-do-
Total		**40**	**10**	**0**	**10**	**0%**	

Compliance with the PAC directives is very poor mainly because of the lack of pursuance by the Department. It is worth mentioning here that partial recoveries have been affected by the Department. However, paras would be considered for settlement once complete recoveries are affected and verified. Nevertheless, due to non-discussion of audit paras by PAC over the years, the impact of audit has ratcheted down and so have benefits for the citizens.

5.4 AUDIT PARAS

5.4.1 Loss due to non-realization of License renewal Fee -Rs. 8.23 million

According to Rules 197, 253 & 254 of Motor Vehicles Rules 1969, annual license renewal fee from motor vehicles' body building workshops, bus stands and goods forwarding agencies is recoverable at the rates fixed by the Transport Department.

During the financial years 2021-22 & 2022-23 Regional Transport Authorities did not realize license renewal fee from bus stands, goods forwarding agencies and motor vehicles' body building workshops which caused non realization of government revenue amounting to Rs. 8.23 million as detailed below:

Sr. No.	Secretary Transport Authority	AP No.	Amount pointed out (Rs.)
1	RTA Peshawar	197/2021-22	80,000
2	RTA D I Khan	317/2021-22	150,000
3	RTA D I Khan	318/2021-22	56,000
4	RTA D I Khan	319/2021-22	32,000
5	RTA Bannu	336/2021-22	585,000
6	RTA Bannu	337/2021-22	20,000
7	RTA Abbottabad	26/2022-23	1,300,000
8	RTA Abbottabad	29/2022-23	150,000
9	RTA Peshawar	55/2022-23	3,850,000
10	RTA Peshawar	57/2022-23	300,000
11	RTA Mardan	61/2022-23	1,560,000
12	RTA Mardan	63/2022-23	150,000
Total			**8,233,000**

The lapse occurred due to non-enforcement of rules and in-efficiency of the department and resulted in loss to government.

When pointed out, it was replied by the management that recovery of Government dues would be affected from the defaulters.

The matter was reported to the department during December 2022 to January 2024. The department was requested to convene DAC meeting followed by the reminder dated 04-01-2024. However, the meeting was not convened till finalization of this Report.

Audit recommends expeditious recovery of the license renewal fee from defaulters.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23, 2020-21 & 2019-20 vide paras number 4.4.3, 2.5.5 & 6.4.3 having financial impact of Rs. 4.69 million. Recurrence of same irregularity is a matter of serious concern.

5.4.2 Loss due to non-realization of Route Permit Fee and Penalty Rs. 8.02 million

Under Section 60 of the Motor Vehicles Ordinance 1965 read with Rules 71, 85 & 91 of the Motor Vehicles Rules 1969, route permit is issued for a specific period. The same is required to be got renewed one month before the expiry of its validity on payment of prescribed fee. In case of default exceeding three months, registration of the vehicle is liable to be suspended / cancelled under Section 34(1) (b) of the Motor Vehicles Ordinance 1965.

During the financial years 2021-22 & 2022-23, following Transport Authorities neither recovered Route Permit Fee & Penalty from the defaulters nor suspended/canceled registration of the defaulting vehicles. This caused non-realization of Government revenue amounting to Rs. 8.02 million as detailed below:

Sr. No.	Secretary Transport Authority	PDP No.	Amount pointed out (Rs.)
1	RTA Peshawar	196/2021-22	1,267,400
2	PTA Peshawar	240/2021-22	895,150
3	PTA Peshawar	241/2021-22	86,000
4	RTA D I Khan	316/2021-22	527,300
5	RTA Bannu	335/2021-22	228,300
6	RTA Abbottabad	28/2022-23	580,050
7	RTA Peshawar	54/2022-23	2,140,950
8	RTA Mardan	60/2022-23	1,357,000
9	PTA Peshawar	72/2022-23	640,950
10	PTA Peshawar	73/2022-23	298,800
Total			**8,021,900**

The lapse occurred due to non-enforcement of law and resulted in loss to the government exchequer.

When pointed out it was replied by the management that recovery would be made from the defaulters.

The matter was reported to the department during December 2022 to January 2024. The department was requested to convene DAC meeting followed by the reminder dated 04-01-2024. However, the meeting was not convened till finalization of this Report.

Audit recommends expeditious recovery of Government dues from defaulters.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23, 2021-22, 2020-21 & 2019-20 vide paras number 4.4.1, 23.4.10, 5.5.1 & 6.4.1 having financial impact of Rs. 15.72 million. Recurrence of same irregularity is a matter of serious concern.

5.4.3 Non-realization of 3% Provincial Government share from TMAs on account of auction of Bus Stand-Rs. 1.13 million

According to Rule 259(3c) of the Motor Vehicles Rules 1969, such additional sums not exceeding 3% of the gross receipts from fees as may be agreed between the RTA & the local authority (Municipal Committee) should be recovered from the concerned TMA and deposited into Provincial Government Treasury.

During the financial years 2021-22 & 2022-23, Regional Transport Authority Abbottabad did not recover 3% of the gross receipts of auction of Bus Stands from TMAs and MCs amounting to Rs. 1.13 million. Other Regional Transport Authorities mentioned below did not provide figures of 3% recoverable from local authorities:

Sr. No.	Secretary Transport Authority	PDP No./Year	Amount pointed out (Rs.)
1	RTA D I Khan	320/2021-22	Figures not provided
2	RTA Bannu	338/2021-22	Figures not provided
3	RTA Abbottabad	27/2022-23	1,129,065
4	RTA Peshawar	58/2022-23	Figures not provided
5	RTA Mardan	62/2022-23	Figures not provided

The lapse occurred due to non-observance of rules and resulted in loss to the provincial government.

When pointed out it was replied by the management that matter would be taken up with the concerned TMAs and progress would be intimated to Audit.

The matter was reported to the department during December 2022 to January 2024. The department was requested to convene DAC meeting followed by the reminder dated 04-01-2024. However, the meeting was not convened till finalization of this Report.

Audit recommends recovery of Provincial Government share from TMAs.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23 & 2019-20 vide paras number 4.4.2 & 6.4.2 having financial impact of Rs. 7.95 million. Recurrence of same irregularity is a matter of serious concern.

AUDIT REPORT

ON

THE ACCOUNTS OF

PROVINCIAL ZAKAT FUND

AND

DISTRICT ZAKAT COMMITTEES

KHYBER PAKHTUNKHWA

AUDIT YEAR 2023-24

AUDITOR-GENERAL OF PAKISTAN

PROVINCIAL ZAKAT FUND AND DISTRICT ZAKAT COMMITTEES KHYBER PAKHTUNKHWA

CHAPTER– 1 PROVINCIAL ZAKAT FUND

1.1 Introduction

A. Poverty Alleviation and Social Safety Division releases Zakat fund to Provincial Zakat Councils as per provincial share on population basis, after making direct lump sum releases to Gilgit Baltistan Zakat Fund (GBZF), Islamabad Capital Territory (ICT), natural calamities/emergency relief and others administrative/non-administrative, special Eid grants out of total budget. In addition to regular Zakat disbursement programmes, funds are also allocated on account of Educational Stipends.

Provincial Zakat Administration (PZA), Khyber Pakhtunkhwa releases funds to DZCs and the Provincial Level Health Institutions/hospitals in Khyber Pakhtunkhwa Province for onward disbursement amongst *mustahiqeen* (through Local Zakat Committees), *Deeni Madaris* and Educational Institutions (General and Technical Education) with the approval of PZC. The summary of auditable formations alongwith expenditure audited is as follows:

B. Comments on Budget & Accounts

Statement of accounts of the Provincial Zakat Fund Khyber Pakhtunkhwa for the financial years 2021-23 is as under:

(Rs. in millions)

Particulars	**FY 2021-22**	**FY 2022-23**
Opening Balance	289.834	568.223
Total Collections / Receipts	1,570.373	2,066.536
Total Available Funds	1,860.207	2,634.759
Disbursements Made	1,291.222	111.627
Closing Balance	568.223	2,523.132

A sum of Rs. 4,494.966 million was available with the Provincial Zakat Council, Khyber Pakhtunkhwa during the year 2021-23, out of which Rs. 1,402.849 million (31.21% of total) was released to the 32 DZCs and 14 PLHIs in the Khyber Pakhtunkhwa Province.

C. Audit profile of Provincial Zakat Administration, Khyber Pakhtunkhwa

(Rs. in millions)

Sr. No.	Description	Total Nos.	Audited	Expenditure audited FYs 2021-23
1	Formations	47	06	844.757

1.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 2,898.714 million were raised as a result of audit. This amount includes recoverable amount of Rs. 5.300 million as pointed out by the audit. Summary of audit observations classified by nature is as under:

(Rs. in millions)

Sr.No.	Classification	Amount
1	**Irregularities**	**2,812.000**
A	HR/ Employees related irregularities	-
B	Procurement related irregularities	-
C	Financial Management	2,812.000
2	**Value for money and service delivery issue**	**5.300**
3	**Others (Weak Internal Controls)**	**81.414**

1.3 Brief Comments on the Status of Compliance with PAC Directives

No PAC meeting has ever been held on the Audit Reports of Provincial/ District Zakat Funds. Audit recommends that Audit Reports of Provincial/ District Zakat Fund may be placed before the respective PACs regularly.

1.4 AUDIT PARAS

1.4.1 Non-utilization of Zakat Funds lying in Provincial Zakat Fund– Rs. 2,523 million

Section 8 of Khyber Pakhtunkhwa Zakat and Ushr Act 2011, specifies priority for utilization of Zakat as under:

a. Assistance to needy eligible to receive Zakat under Shariah;
b. Assistance to needy person affected by Natural Calamities;
c. Expenditure on collection, disbursement & Administration of Zakat;
d. Investment in any non-interest bearing instruments as is permitted under Shariah;
e. Any other purpose permitted by Shariah.

The Management of PZF ***Khyber Pakhtunkhwa*** Peshawar received budget amounting to Rs. 1,740 million for Financial Year 2022-23 from Central Zakat Fund and Zakat Collecting Agencies.

Audit observed that a sum of Rs. 2,523 million remained unutilized till 30.06.2023 in Account No. 03 of Provincial Zakat Fund (PZF) ***Khyber Pakhtunkhwa*** maintained with State Bank of Pakistan Peshawar.

Audit held that non-utilization of funds was not justified as the poor beneficiaries of the province were deprived from Zakat due to non-utilization of zakat funds. This also indicates that institutions responsible for disbursement of Zakat were not working optimally as per the requirements of the ***Khyber Pakhtunkhwa*** Zakat and Ushr Act, 2011.

The initial audit observation was issued on 06.09.2023. The management replied that the funds were not utilized because the Khyber Pakhtunkhwa Zakat Council did not exist, the apex body which deals with matters pertaining to Zakat funds. The previous Council completed its tenure on 04.11.2022, whereas Zakat funds for the FY 2022-23 were received at a very belated stage i.e. 08.03.2023 from the Federal Government.

The matter was discussed in DAC meeting held on 24.01.2023. The forum directed to refer the matter to ***Khyber Pakhtunkhwa*** Zakat Council for decision/action.

Audit recommends to fix the responsibility against the person(s) at fault. Moreover, adopt remedial measures and proper mechanism for disbursement of Zakat funds among the eligible beneficiaries in a timely manner.

{Para no. 1 of the AIR of PZF for the Audit Year 2023-24}

1.4.2 Non-investment of surplus / idle funds in non-interest bearing instruments – Rs. 289.00 million

Section 8(d) of Khyber Pakhtunkhwa Zakat and Ushr Act, 2011 provides that the moneys in a Zakat Fund including Ushr proceeds shall, *inter alia*, be utilized for investment in any non-interest bearing instruments as is permitted under Shariah.

Provincial Zakat Administration had a total available Zakat funds at its disposal during the financial year as Rs. 1,860.207 million.

Audit observed that an amount of Rs. 289.00 million remained available during the whole financial year with the administration of PZF, which was not invested in any non-interest bearing instruments.

Audit held that non-investment of surplus/idle funds resulted into loss to Zakat fund, which could otherwise be invested in non-interest bearing instruments, as permitted under Shariah, to increase the Zakat funds balances.

The initial audit observation was issued on 16.02.2023. The management replied that during this period management was not in a position to proceed without the consultation of Khyber Pakhtunkhwa Zakat Council which did not exist since November 2022.

The reply was not tenable, as investment in non-interest bearing instruments have not been made for a considerable period, resulting in losses in the form of profits.

The matter was discussed in the DAC meeting held on 24.01.2023. The forum directed to refer the matter to ***Khyber Pakhtunkhwa*** Zakat Council for decision/action.

Audit recommends that the surplus money in the Fund may be invested in accordance with the Zakat Act to earn profits on the investment.

{Para no. 7 of the AIR of PZF for the Audit Year 2022-23}

1.4.3 Irregular disbursement of Marriage Assistance in the accounts other than that of the beneficiaries account – Rs. 42.21 million

Para 5.5 of Khyber Pakhtunkhwa Zakat Disbursement Procedure states that Payment of Marriage Assistance will be made through a crossed cheque, drawn in the name of beneficiary only.

The management of Provincial Zakat Fund (PZF) Khyber Pakhtunkhwa released an amount of Rs. 133.80 million against different beneficiaries as Marriage Assistance during financial year 2021-22.

Audit observed that the payments were not released into the beneficiaries' own accounts, as depicted from Zakat Management Information System (ZMIS), which shows 1,407 cases of Marriage Assistance @ Rs. 30,000 each credited in 587 accounts only instead of respective 1407 accounts.

Details of all cases were provided to the management with the Audit and Inspection Report (AIR). However, a few cases on sample basis are given in **Annexure-II**.

Audit held that the payment of more than one cases of Marriage Assistance into single accounts was irregular and raised suspicions about the payments.

The initial audit observation was issued on 16.02.2023. The management replied that in majority of cases as reported by the DZOs, opening bank accounts had become an uphill task due to non-cooperation from the bank authority. Therefore, LZCs issued order/open cheques in such cases. One account number mentioned by Audit is the Account number of the concerned LZC. Moreover, department has proposed changes in the mode of disbursement along with other several changes in the existing Zakat & Ushr Act 2011. It is assured that the payment to the beneficiaries will be through biometric once the process is matured.

The reply was not tenable as it was a violation of Khyber Pakhtunkhwa Zakat Disbursement Procedure.

The matter was discussed in DAC meeting held on 24.01.2023. The forum directed to refer the matter to ***Khyber Pakhtunkhwa*** Zakat Council for decision/action.

Audit recommends that the matter may be thoroughly investigated and detailed findings along with record be shown to audit. Furthermore, payments of Marriage Assistance should only be made through cross cheques deposited into the beneficiaries' bank accounts.

{Para no. 3 of the AIR of PZF for the Audit Year 2022-23}

1.4.4 Irregular payment of Guzara Allowance – Rs. 19.740 million

Para 1.2 of Khyber Pakhtunkhwa Zakat Disbursement Procedure states that the KPZC while preparing budget for each FY will make allocation for Guzara Allowance. After approval of the Khyber Pakhtunkhwa Zakat & Ushr Council, PZA will release funds through crossed cheque under Guzara allowance to the DZCs for onward disbursement to the LZCs on population basis.

The management of Provincial Zakat Fund (PZF) Khyber Pakhtunkhwa released an amount of Rs. 758.988 million to different beneficiaries as *Guzara* Allowance during financial year 2021-22.

Audit observed as under:

i. 8 persons obtained Marriage Assistance twice each at the rate of Rs. 30,000 from the same or different LZCs during FY 2021-22. Details are provided in **Annexure-IIIA.**

ii. Guzara Allowance amounting to Rs. 108,000 was paid to 09 such beneficiaries who had not applied for Guzara allowance as their names were not found in applied list. Details are provided in **Annexure-IIIB**.

iii. Payment of Guzara Allowance was made to extra beneficiaries in 60 selected LZCs of 14 DZCs, with more than 10 extra cases on average amounting to Rs. 19.572 million. Details are provided in **Annexure-IIIC.**

Audit held that the irregular and unequal disbursement of Guzara Allowance amounting to Rs. 19.740 million resulted in depriving other deserving beneficiaries.

The initial audit observation was issued on 16.02.2023. The management replied that detailed response will be provided in the DAC.

The matter was discussed in DAC meeting held on 24.01.2023. The forum directed to refer the matter to ***Khyber Pakhtunkhwa*** Zakat Council for decision/action.

Audit recommends that matter may be inquired and appropriate action be taken accordingly.

{Para no. 5 of the AIR of PZF for the Audit Year 2022-23}

1.4.5 Irregular appointment of Chairmen Local Zakat Committees – Rs. 19.464 million

Section 15(4) of Khyber Pakhtunkhwa Zakat and Ushr Act 2011, states that a person who is a member of a team constituted for the selection of members of a Local Committee shall not be eligible to be a member of such Local Committee or a person who is a salaried employee of government or of a local authority otherwise than as Pesh Imam of a local mosque or a teacher of a local school, or of a corporation set up, owned or controlled by Government, shall not be eligible to be member of Local Committee.

The Zakat & Ushr Council and management of 32 DZCs constituted 4,119 Local Zakat Committees (LZCs) during the financial year 2020-21 for a period of 3 years.

Audit observed that 111 salaried employees of government were appointed as Chairmen LZCs and an amount of Rs. 19.464 million was disbursed by such LZCs during the financial year 2021-22.

Details are provided in **Annexure-IV**.

Audit held that appointment of 123 salaried employee of government as Chairmen LZCs constituted a violation of Zakat Act. Moreover, the performance of such LZCs was also affected due to lack of sufficient time to perform the functions of LZCs as such Chairmen were in service of government during same period.

The initial audit observation was issued on 16.02.2023. The management replied that tenure of LZCs has been expired. Code of conduct was in process to restrain such practice in future. In some LZCs, retired government employees (premature retirees) were appointed.

The matter was discussed in the DAC meeting held on 24.01.2023. The forum directed to refer the matter to ***Khyber Pakhtunkhwa*** Zakat Council for decision/action.

Audit recommends that matter may be investigated and appropriate action be taken accordingly. Moreover, salaried employees of the government may not be appointed as Chairmen of the LZCs as regulated under the Zakat and Ushr Act.

{Para no. 6 of the AIR of PZF for the Audit Year 2022-23}

1.4.6 Irregular disbursement of Zakat fund to serving/retired government employees - Rs. 5.30 million

Para 1.2 of Khyber Pakhtunkhwa Zakat Disbursement Procedure states that before certifying *istehqaq*, the beneficiary will furnish the declaration that he/she is not in receipt of financial assistance from any other poverty alleviation program of the government and that presently he/she possesses neither any source of income nor any employment to provide for the subsistence of himself/herself and his/her family.

The management of Provincial Zakat Fund (PZF) Khyber Pakhtunkhwa released an amount of Rs. 892.212 million to different beneficiaries as *Guzara* Allowance and Marriage Assistance during financial year 2021-22.

Audit observed that an amount of Rs. 5.298 million was paid to 419 beneficiaries. These 419 beneficiaries were either serving or retired government employees or were their dependents and were also registered as Zakat beneficiary with Zakat department.

Details are provided in **Annexure-V**.

Audit held that the payment of *Guzara* Allowance to government servants and to their dependents, who were non-*mustahiqeen*, was irregular and not justified.

The initial audit observation was issued on 16.02.2023. The management replied that concerned accounting offices have been contacted with a request to deduct the mentioned amount at the source. They had been further requested to deposit all the recovered amount in PZF. Moreover, Chairmen LZCs recommended that such government employees were no longer part of the Zakat system. However, progress of recovered amount from Accountant Office would be presented before the Departmental Accounts Committee (DAC).

The matter was discussed in the DAC meeting held on 24.01.2023. The forum directed to refer the matter to ***Khyber Pakhtunkhwa*** Zakat Council for decision/action.

Audit recommends initiating strict action against such delinquent LZCs who determined the *istehqaq* of non *mustahiqeen* besides taking appropriate action to block such beneficiaries in future and recovery of the amount paid.

{Para no. 2 of the AIR of PZF for the Audit Year 2022-23}

CHAPTER - 2 DISTRICT ZAKAT COMMITTEES

2.1 Introduction

A. Provincial Zakat Council/Administration, Khyber Pakhtunkhwa issues lump sum amount directly to 36 District Zakat Committees constituted in each District of Khyber Pakhtunkhwa on population basis. The DZC provides Zakat Funds to LZCs and various institutions for disbursement to *Mustahiqeen* under various regular and special Zakat programmes, like *Guzara* Allowance, Educational Stipend, *Deeni Madaris*, Health Care, Social Welfare/Rehabilitation and Marriage Assistance to unmarried *Mustahiq* women.

B. Comments on Budget & Accounts

A total amount of Rs. 1,740.876 million was released by Provincial Zakat Council Khyber Pakhtunkhwa to 33 Districts during the year 2022-23, out of which 06 Districts, as detailed below having total available budget of Rs. 1,320.431 million were audited, which was 76% of total formations.

(Rs. in millions)

r. No.	Name of District Zakat Committee	Financial Years	Opening Balance	Receipts	Total Available	Disbursement	Closing Balance
1	DZC Abbottabad	2017-22	7.480	343.998	351.478	347.94	3.538
2	DZC Battagram	2017-23	0.927	155.988	116.915	116.857	0.037
3	DZC Charsadda	2016-23	0	399.399	399.399	399.359	0.040
4	DZC Kohat	2020-23	4.474	276.444	280.918	280.155	0.763
5	DZC Shangla	2018-23	-	93.898	93.898	93.898	-
6	DZC Swat	2021-23	0.005	77.818	77.823	70.578	0.034

C. Audit Profile of District Zakat Committees, Khyber Pakhtunkhwa

(Rs. in millions)

Sr. No.	Description	Total Nos.	Audited	Expenditure audited FYs 2016-23
1	Formations	33	6	1,308.787

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 90.484 million were raised as a result of audit. This amount includes recoverable amount of Rs. 11.095 million as pointed out by the audit. Summary of audit observations classified by nature is as under:

(Rs. in millions)

Sr.No.	Classification	Amount
1	**Irregularities**	**7.141**
A	HR/ Employees related irregularities	-
B	Procurement related irregularities	-
C	Financial Management	7.141
2	**Value for money and service delivery issue**	**3.954**
3	**Others (Weak Internal Controls)**	**79.389**

2.3 Brief comments on the status of compliance with PAC Directives

No PAC meeting has been held since 2005 on the audit reports of District Zakat Committees. Audit recommends that audit reports of District Zakat Committees may be placed before the respective PAC regularly.

2.4 AUDIT PARAS

2.4.1 Payment of Guzara Allowance to beneficiaries other than those recommended in ZMIS / Change of beneficiaries - Rs. 37.308 million

As per instruction issued by Provincial Zakat Administration vide letter No.SO (ZBU)/ZRF/2018-19/Vol-II/1287-1337 dated 05-01-2021, that Verification of Credentials of Zakat Beneficiaries recommended by Local Zakat Committee, on the new procedures of screening and selection of Khyber Pakhtunkhwa Zakat Council (KPZC) in its 63rd meeting held on 01.12.2020 decides to carry out verification of credentials of *Mustahiqeen*-e-Zakat recommended by Local Zakat Committee to the District Zakat Committee will not be changed without any suitable reasons/decisions of whole Members of Local Zakat Committee by resolutions.

DZC Abbottabad provided data regarding selection of *Mustahiqeen*-e-Zakat for payment of *Guzara* through Zakat Management Informtion System (ZMIS). The selected beneficiaries were communicated to DZC and instructions were issued to LZCs by DZC for payment of *Guzara* Allowance to these selected beneficiaries. Later on, another list of beneficiaries was provided through ZMIS as a revised list.

Audit observed that the Local Zakat Committees of DZC Abbottabad disbursed *Guzara* Allowance amounting to Rs. 37.308 million to 3,109 beneficiaries during the financial year 2020-21 whose names were not available in the revised list provided in ZMIS.

Audit held that the payment of Zakat Fund to individuals not recommended by the Provincial Zakat administration or not on the ZMIS list resulted in depriving the Mustahiqeen of assistance from the Zakat Fund.

The initial audit observation was issued to the management of DZC Abbottabad on 23.12.2022. The management replied that the PZA head quarter directed to disburse the Guzara Allowance Fund. This Office issued Guzara Allowance Fund to the Chairman LZCs along with list of Mustahiqeen-e-Zakat through ZMIS programmer. After fifteen days IT department of ZMIS Program KPK changed the list of mustahaqeen Zakat. The DZC Abbottabad decided to consider previous list of mustahaqeen e Zakat whose payment was already released received from the Chairmen LZCs Minutes of the meeting held on 21.01.2022 of DZC Abbottabad.

The matter was discussed in DAC meeting held on 24.01.2023. The forum directed to refer the matter to ***Khyber Pakhtunkhwa*** Zakat Council for decision/action.

Audit recommends that the matter be investigated to fix responsibility and recover the amount.

{Para no. 9 of the AIR of DZC Abbottabad for the Audit Year 2022-23}

2.4.2 Payment in cash/through open cheques instead of crossed cheques on account of Marriage Assistance - Rs. 25.783 million

Para 5.5 of Zakat Disbursement Procedure regarding Marriage Assistance to unmarried mustahiq women states that payment will be made through a crossed cheque, drawn in the name of beneficiary only.

The Chairmen of LZCs of following DZCs disbursed Zakat Fund to beneficiaries during the years 2016-22.

Audit observed that disbursement of Zakat Fund amounting to Rs. 25.783 million was made in cash through open cheques instead of crossed cheques.

(Rs. in millions)

Sr. No.	DZC	Para No.	Amount
1	Abbottabad	06	1.840
2	Charsadda	05	3.253
3	Kohat	07	14.070
4	Shangla	02	6.620
	Total		**25.783**

Audit held that the cash payment through open cheque was irregular resulting in non-verifiable disbursement and chances of misuse cannot be ruled out.

The initial audit observations were issued to the management of resepetive DZCs.

The management of DZC Abbottabad replied that the cheques were either withdrawn in the Branch Account, or the bank issued open cheques.

The management of DZC Charsadda replied that the beneficiaries did not have individual bank accounts and the banks refused to open accounts for such meagre amounts and therefore, the Chairmen Local Zakat Committees were requested by the concerned beneficiaries to convert the same into order cheques. Moreover, all the concerned beneficiaries had acknowledged the receipt of Rs. 30,000 each.

The management of DZC Kohat replied that the bank branches were reluctant to open accounts for Zakat beneficiaries and were demanding deposits of Rs. 1,000 to Rs. 5,000 for account opening. Additionally, due to cultural restrictions in the rural areas, female were facing problems while opening accounts in the banks and undergoing biometric verification. The point has been noted for future consideration.

The management of DZC Shangla replied that all the chairmen of Local Zakat Committees in Shangla were instructed to disburse the marriage assistance through crossed cheques, drawn in the beneficiaries' own name.

The reply was not tenable as it violated the Zakat Disbursement Procedure.

The matter was discussed in the DAC meeting held on 24.01.2023. The forum directed to refer the matter to ***Khyber Pakhtunkhwa*** Zakat Council for decision/action.

Audit recommends that the matter be investigated for fixation of responsibility and verification of payment made to beneficiaries besides taking up the matter with SBP for easy and free opening of accounts for Zakat beneficiaries.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2021-22 vide para no. 2.4.2 having financial impact of Rs. 71.001 million. Recurrence of same irregularity is a matter of serious concern.

2.4.3 Withdrawal of Zakat Fund through self cheques in the name of Chairmen LZCs- Rs. 16.298 million

Section 9(3) of Khyber Pakhtunkhwa Zakat and Ushr Act, 2011 provides that a Local Committee may disburse or incur expenditure from the Local Zakat Fund as may be prescribed through crossed cheques or any mode prescribed and approved by the Zakat and Ushr Council.

The Chairmen of certain LZCs of DZC Abbottabad and Charsadda had withdrawn a sum of Rs. 16.298 million during the financial years 2016-22 from the accounts of Local Zakat Committees through self cheques.

(Rs. in millions)

Sr. No.	DZC	Para No.	Amount
1	Abbottabad	12	14.103
2	Charsadda	08	2.195
	Total		**16.298**

Audit held that withdrawal of the amount through self-cheques and disbursement through cash was not prescribed and approved by the Zakat and Ushr Council, resulting in irregular and unverifiable expenditure.

The initial audit observation was issued to the management of DZC Abbottabad and DZC Charsadda on 23.12.2022 and 12.09.2023 respectively.

The management replied that the Chairmen LZCs issued crossed cheques in the name of Manager of concerned bank branches for further transferring the amount into each Mustahiqeen-e-Zakat Bank.

The management of DZC Charsadda replied that the banks refused to withdraw the amount individually, and therefore, they withdrew the whole amount through self cheques, and disbursed it among the beneficiaries. The beneficiaries also acknowledged the receipt of payment.

The matter was discussed in the DAC meeting held on 24.01.2023. The forum directed that a Fact-Finding Inquiry may be conducted at Provincial Zakat Administration (PZA) level within one month.

Audit recommends implementation of DAC directives besides complete verification of payment made to beneficiaries.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2021-22 vide para no. 2.4.7 having financial impact of Rs. 3.15 million. Recurrence of same irregularity is a matter of serious concern.

2.4.4 Non-recovery/refund of amount lying with Technical Institutes - Rs. 7.141 million

A District Committee may make disbursements and transfer funds from District Zakat Fund to a Local Zakat Fund or to an institution or incur other administrative expenditure subject to such conditions as may be prescribed and may, whenever directed by the Zakat and Ushr Council, transfer any funds surplus to its need to the Provincial Zakat Fund. A Local Committee may disburse or incur expenditure from the Local Zakat Fund as may be prescribed through crossed cheques or any mode prescribed and approved by the Zakat and Ushr Council Provided that a Local Committee may, if so required by the Zakat and Ushr Council or the District Committee, transfer any funds surplus to its needs from the Local Zakat Fund to the Provincial Zakat Fund or, as the case may be, District Zakat Fund

District Zakat Committee (DZC) Charsadda and Shangla released Zakat Fund amounting to Rs. 7.141 million to Technical Educational Institutions during the financial year 2017-18.

Audit observed that a sum of Rs. 7.141 million is lying unutilized with Technical Institutes since long time which was not recovered.

(Rs. in millions)

Sr. No	DZC	Para No.	No. of Institutes	Amount
1	Charsadda	12	05	5.433
2	Shangla	09	02	1.708
	Total			**7.141**

Audit held that non-retrieval of funds was not justified and may lead to loss to Zakat Fund.

The initial audit observation was issued to the management of DZC Charsadda and DZC Shangla on 12.09.2023 and 07.11.2023 respectively.

The management of DZC Charsadda replied that 4 out of 5 colleges agreed to refund the subject amount. However, the principal of the Foot Wear Institute of Technology Charsadda asserted that they could not refund the amount as the institute had already spent Rs.134400 in making payments to the teachers and purchase of raw materials.

The management of DZC Shangla replied that Pioneer institute of Advanced Skills Sanila imparted technical education to Mustahiqee-e-Zakat students. Funds to the institution were banned by the Zakat head office, which after correspondence from DZC shangla, still had not been allowed to the institution from the joint account of DZO and head of the institution. The funds may be allowed to be released to the institution.

The matter was discussed in the DAC meeting held on 24.01.2023. The forum directed that the amount may be recovered and deposited in Provincial Zakat Fund under intimation to audit within one month.

Audit recommends implementation of DAC directive.

2.4.5 Irregular disbursement of Zakat Fund to serving/retired government employees - Rs. 3.954 million

Para 1.2 of Khyber Pakhtunkhwa Zakat Disbursement Procedure states that before certifying *istehqaq*, the beneficiary will furnish the declaration that he/she is not in receipt of financial assistance from any other poverty alleviation program of the government and that presently he/she possesses neither any source of income nor any employment to provide for the subsistence of himself/herself and his/her family.

The management of the following three District Zakat Committees (DZCs) paid Zakat Fund to different beneficiaries as *Guzara* Allowance during financial year 2016-22.

Audit observed that 964 beneficiaries were paid Rs. 3.954 million during financial years 2016-22. These beneficiaries were government servants or spouses of government servant and were also registered as Zakat beneficiary with Zakat department. Details are as follows:

(Rs. in millions)

Sr. No	DZC	Para No.	No. of Beneficiaries	Amount
1	Abbottabad	02	868	2.766
2	Charsadda	02	43	0.552
3	Kohat	03	53	0.636
	Total			**3.954**

Audit held that the payment of *Guzara* allowance to government servants or spouses of government servant was irregular and not justified.

The initial audit observations were issued to the management of respective DZCs.

The management of DZC Abbottabad replied that this office lacks the mechanism to check out the data of serving/retired Government Employees.

The management of DZC Charsadda replied that neither this office nor the Local Zakat Chairmen have the necessary software, mechanism, or the means to approach the office of Accountant General to find out the credentials of the concerned individuals. Moreover, in this regard, a letter had also been sent to the Assistant Administrator Audit to address the matter of recovery with the concerned authorities.

The management of DZC Kohat replied that the determination of istehqaq for the beneficiaries was carried out by the Chairmen of the LZCs concerned and was verified by the relevant Group secretaries, as demonstrated to the audit. Such an option was not provided in the Audit dashboard during the financial year 2020-21. The internal audit cell approved these beneficiaries in the Zakat Management Information System (ZMIS), and according to the selected list of beneficiaries generated by ZMIS, crossed cheques were issued to LZCs for onward payment to these selected beneficiaries.

The replies were not tenable, as Zakat funds were disbursed amongst ineligible beneficiaries.

The matter was discussed in the DAC meeting held on 24.01.2023. The forum directed that the matter be referred to ***Khyber Pakhtunkhwa*** Zakat Council for decision/action.

Audit recommends to initiate strict action against such delinquent LZCs who determined the *istehqaq* of non *mustahiqeen* besides taking appropriate action to block such beneficiaries in future and recovery of the amount paid.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2021-22 vide paras no. 1.4.2 and 2.4.8 having financial impact of Rs.12.432 million. Recurrence of same irregularity is a matter of serious concern.