CONSOLIDATED AUDIT REORT
OF
(GOVERNMENT OF PUNJAB)

FOR THE
AUDIT YEAR 2023-24

AUDITOR-GENERAL OF PAKISTAN

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PREFACE

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections 8 and 12 of the Auditor-General'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 (Punjab) is based on audits of the accounts of 19,599 entities of Government of the Punjab for the financial year 2022-23, conducted by 12 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 (PAO) in meetings of Departmental Accounts Committee (DAC) 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.

- Sd -
(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 19,599 formations working under different PAOs/Departments in Province of Punjab. Audit coverage relating to expenditure for the current audit year, under compliance audit category, comprises 1,018 formations having a total expenditure of Rs. 1,169.726 billion and receipts of Rs. 217.074 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. 354.824 billion was pointed out in this report. Recovery effected from January to December 2023 was Rs. 6.467 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 and related control mechanisms.

ii. Identifying key controls based on control system review and prior years' audit experience.

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

iv. Updating audit programmes for testing the selected risk conditions during the fieldwork.

v. Selecting auditable formations for the current year audit plan based on materiality and risk assessment considerations.

vi. Selecting samples to be tested during the fieldwork on predetermined sampling criteria which included selection of high-value items and other potentially important key items.

vii. Executing audit programmes on the selected samples during the fieldwork.

viii. Identifying instances of non-compliance with applicable rules and regulations.

ix. Performing cause and effect analysis for the identified instances of non-compliance and developing audit observations and recommendations.

x. Evaluating results of the audit and identifying systemic issues regarding internal controls weaknesses.

xi. Reporting the audit findings.

xii. Following up the decisions made by the competent forums on the audit findings.

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 at the instance of Audit in different cases.

iv) Identifying weaknesses in the systems and processes through holding of inquiries in cases involving violation of the rules and financial mismanagement by the management on the basis of audit recommendations.

v) 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 paras.

i) PDMA Punjab revised the compensation rates for payment to the affectees of natural calamities in the province of the Punjab in October, 2022.

ii) Punjab Emergency Service Department (Rescue 1122) framed and notified Punjab Emergency Service (Appointment and Condition of Service) Regulations 2022 along with schedule of posts vide notification No.1065/2022(PEDS) dated 03.09.2022.

iii) Environment Protection Department, Punjab prepared and notified "Punjab Environmental Protection (Smog Prevention and Control) Rules, 2023".

iv) Internal controls regarding procurements, pay & allowances, assets management, and IT operations were proposed to be strengthened. Through thematic audit review, broad policy level recommendations were made to the management for improving their service delivery and ensuring that maximum value was derived from the public funds.

v) Provincial Disaster Management Authority (PDMA), Sindh constituted a committee for carrying out physical verification of assets /stock and relief items held by the Authority.

vi) PDMA, Sindh initiated the process for re-constitution of Provincial Disaster Management Commission (PDMC) in Sindh province.

vii) PDMA, Sindh chalked out necessary details towards establishment of Disaster Risk Reduction (DRR) Wing.

viii) The Directorate of Mobile Diagnostic & Emergency Healthcare Services under Rehabilitation Department Sindh improved monitoring mechanism of mobile hospitals working in different districts of the Sindh province by constituting monitoring teams. Besides strengthening of contract agreement with the inclusion of performance guarantee and handing/taking over clauses in the agreement.

Audit findings and recommendations would have 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 PAO did not convene 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 and also be helpful 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 are:

i. Human Resource / Employment related irregularities – Rs. 914.357 Billion.

ii. Procurement and hiring of services related irregularities – Rs. 22.045 Billion.

iii. Internal Control and Performance related irregularities – Rs. 8.185 Billion.

iv. Management of Accounts with commercial banks – Rs. 5.797 Billion.

v. Financial management, Misappropriation and procedural irregularities – Rs. 46.365 Billion.

vi. Value of money, Public Service Delivery & Performance related issues – Rs. 3.286 Billion.

vii. Duties, taxes, assessment and claims related issues – Rs. 150.249 Billion.

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

AUDITOR-GENERAL OF PAKISTAN

PUBLIC SECTOR ENTERPRISES GOVERNMENT OF THE PUNJAB

Chapter 1

ENERGY DEPARTMENT

Introduction

Pakistan was currently facing an energy crisis and province of the Punjab, with over a 90 million population, was at worst hit. Punjab's power consumption was 68%, with a demand growth of 6-8% per annum. There was a demand-supply gap of 4000 MW. Punjab was facing both electricity and gas load shedding. The Energy Department was established on July 05, 2011. In response to the energy crisis, the Energy Department had a vision of fully tapping Punjab's indigenous energy potential, which was Hydropower, Solar, Biomass and Coal. The Department and its attached bodies were fully engaged with the Federal and international entities, and also encouraging the private sector to invest in the power sector.

Aim & Objective

- Legislation, policy formulation and sector planning,
- Development of a power policy for Punjab
- Standardization of Specifications in respect of electric appliances, machinery and installations
- Acquisition, revocation of amendment of Licenses of Electric Supply Undertaking and approval of loads
- Development of power generation by exploiting hydel, thermal and renewable energy resources
- Energy innovations
- Public private partnerships for energy production, conservation, efficiency and audit
- Award of power projects in Punjab to Pakistani and Foreign Private sector companies

Governing Laws

- The Electricity Act (Punjab Amendment) Ordinance, 1971
- The Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997
- Punjab Power Generation Policy, 2006 (Revised 2009)
- Punjab Power Development Board (PPDB) Act, 2011
- Punjab Electricity Duty Rules, 2012

Formations:-

Punjab Thermal Power (Pvt.) Limited

Punjab Power Development Company
Quaid-e-Azam Hydal Power (Pvt.) Limited
Quaid-e-Azam Solar Power (Pvt.) Limited
Quaid-e-Azam Thermal Power (Pvt.) Limited
(Rs in million)

Sr. No	Description	Total Nos	Audited	Expenditure audited FY 2022-23 (Rs)	Revenue/Receipt audited FY 2022-23(Rs)
1	Formations	5	3	135,386.31	156,803.02
2	Authorities/Autonomous Bodies etc. under the PAO				
3	Foreign Aided Projects (FAP)				

Classified Summary of Audited Observations

Audit observations amounting to Rs 32,218.866 million were raised as a result of this audit. This amount also includes recoverable of Rs 368.896 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs in million)

Sr. No	Classification	Amount (Rs)
1.	Non-Production of record	-
2.	Reported cases of fraud/Embezzlement and Mis-appropriation	-
3.	Irregularities	
a.	HR/employees related irregularities	71.393
b.	Procurement related irregularities	276.620
c.	Management of Accounts with Commercial Banks	-
4.	Value for money and service delivery issues	962.084
5.	Other	30,908.769

1.1 PUNJAB POWER DEVELOPMENT COMPANY LIMITED

1.1.1 Introduction

Punjab Power Development Company Limited is a public unlisted company, limited by shares, registered on January 15, 2008 under Section 2(1)(30) of the Companies Ordinance, 1984 under Irrigation & Power Department having 94 shares out of total 100 shares. The principal activities for which the Company has been set up include development of power generation projects on fast track basis in public sector by exploiting hydel, thermal and other renewable energy resources and making arrangements for operations and maintenance of all power projects.

The Company is governed by professionals from Public/Private Sector to ensure better co-ordination with stakeholders. It exclusively deals/interacts with the prospective investors both national and international to acquire funds for tapping energy potential of the Province.

1.1.2 Comments on Audited Accounts

The management failed to provide annual audited accounts for the year 2022-23 till December 31, 2023.

1.1.3 Compliance of PAC Directives

No PAC meetings for the years 2014-15 to 2022-23 has been convened so far.

1.1.4 Audit Paras

1.1.4.1 Irregular appointments of officers – Rs 71.393 million

According to judgment of Honorable Supreme Court of Pakistan dated January 19, 1993 in Human Right Case No 104 of 1992, any recruitment, whether adhoc or regular, without proper advertisement, shall be in violation of fundamental rules. Further, according to S&GAD SOR 1-10-1/2003 dated June 16, 2003, re-employment on contract beyond the age of superannuation in all cases requires approval of the Prime Minister and Chief Minister as the case may be.

During audit of Punjab Power Development Company Limited (PPDCL) for the years 2020-22, certain irregularities were observed in the appointment of three higher management officers. Detail is as under:

(Rs in million)

Name	Designation	Irregularity	Financial impact (Rs)
Mr. Muhammad Yaqoob	Advisor/GM (Hydel)	Without advertisement and approval of the Chief Minister (CM)	26.960

Mr. Ehsan-ul-Majeed Khan	GM (Procurement & Contracts)	Without approval of CM	29.726
Syed Farukh Ali Shah	CEO	Without Advertisement	14.707
Total			**71.393**

Due to weak internal controls, management failed to appointment the employees as per rules.

Audit is of the view that the management was required to recruit most suitable persons for the posts but overage persons were hired in a non-transparent manner, which was held irregular.

The matter was reported to the management and Principal Accounting Officer (PAO) on June 23, 2023. The management replied that the appointments was made with approval of Board of Directors to get benefits from multiple expertise.

DAC in its meeting held on September 11, 2023 directed the management to get the matter regularized from Finance Department.

Audit recommends compliance of DAC's directives.
(DP Nos: 19,20,32)

1.1.4.2 Irregular procurement of diving services on quotation basis - Rs 8.101 million

According to clause-12(2) of Punjab Procurement Rules 2014, any procurement exceeding three million rupees shall be advertised on the website of the Authority, the website of the procuring agency, if any, and in at least two national daily newspapers of wide circulation, one in English and one in Urdu.

During audit of PPDCL for the years 2020-22, it was observed that a sum of Rs 8.101 million was incurred on diving services on quotation basis/without following PPRA Rules, which was held irregular.

Lack of financial control by the management and violation of Punjab Procurement Rules 2014 was the cause of irregularity.

Audit is of the view that management was required to obtain competitive rates through tender whereas quotations were accepted.

The matter was reported to the management and PAO on June 23, 2023. The management did not give any specific reply with respect to hiring of diving services.

DAC in its meeting held on September 11, 2023 directed the management to provide evidence of tendering process. The management did not provide any proof till finalization of the report.

Audit recommends compliance of DAC’s directives.

1.1.4.3 Irregular award of contract for trash diversion mechanism – Rs 5.957 million

According to clause-13.4(a)(i)(ii) of Request for Proposal (RFP) of tender for diversion mechanism of Trash, required general experience was completion of at least one project during last five years and completion of one Engineering, Procurement and Construction (EPC) project during last ten years.

During audit of PPDCL for the years 2020-22, it was observed that a tender for trash diversion mechanism was advertised on June 21, 2021. In response of this, three firms submitted bids and only M/s Mian Hydro Construction Engineers was technically qualified, and the contract was awarded for Rs 5.957 million accordingly. The management made irregular technical evaluation and awarded contract to the said company without fulfilling the minimum requirement of completion of one project during last five years. Further, contractor could not provide evidence of experience of one EPC project executed after its registration with Registrar of Firms in 2015. Thus, contractor did not fulfill technical requirements of bidding documents. This resulted in irregular award of work valuing Rs 5.957 million.

Due to week internal controls and poor procurement management, the contract was awarded to a firm against the requisite experience.

Audit is of the view that management was required to observe the criteria of bidding documents but the same was not done.

The matter was reported to the management and PAO on June 23, 2023. The management replied that the work was awarded to the qualified bidder as per terms and reference of qualifications.

DAC in its meeting held on September 11, 2023 directed to provide record for verification but the same was not provided till finalization of this report.

Audit recommends compliance of DAC’s directives.

1.1.4.4 Loss due to inefficiency of EPC and O&M contractors – Rs 471.031 million

According to National Electric Power Regulatory Authority (NEPRA) approved reference tariff 2015, the annual benchmark generation of Marala Hydro Power Plant (MHPP) is 49.995 million KWh and Pakpattan Hydro Power Plant (PHPP) is 21.671 million KWh.

During audit of PPDCL for the years 2020-22, it was observed that the annual installed capacity of MHPP and PHPP was 66.009 million KWh and 24.364 million KWh respectively. NEPRA approved benchmark in reference tarrif less than the installed capacity keeping in view the uncertain events. However, the actual generation of both projects remained much lower than the installed as well as benchmark capacity. The main reason of the inefficiency was defect in design by EPC contractor of PHP project, which was pointed out by consultant for trash clean mechanism. Further, the Operation and Maintenance (O&M) contractor was required to utilize the plants at maximum capacity. The project was failed to achieve the benchmark of generation due to inefficiency. Resultantly, the management sustained loss of Rs 471.031 million. Detail is as under:

(Rs in million)

Plant	Period	Bench Mark Generation (KWh)	Generation in %age	Actual Generation KWh	Difference of KWh	Rate per KWh approved by NEPRA (Rs)	Loss due to less achievement of benchmark (Rs)
MHPP	July 2020 to June 2022	99,990,000	62.50%	62,493,741	37,496,259	7.6541	287.00
PHPP	July 2020 to June 2022	43,342,000	53.43%	23,156,541	20,185,459	9.117	184.031
	Total						**471.031**

Lack of over sight and poor management was the cause of irregularity.

Audit is of the view that the management was required to take up the matter with EPC and O&M contractors regarding inefficiency of plants, but did not to do so.

The matter was reported to the management and PAO on June 23, 2023. The management replied that the certain factors affecting efficiency of plant were beyond the control of management. The reply was not convincing as management failed to perform its duties efficiently.

DAC in its meeting held on September 11, 2023 directed to probe the matter through administrative department.

Audit recommends compliance of DAC's directives.
(DP Nos: 13,37)

1.1.4.5 Non-claiming/recovery of difference of tariff from GEPCO and MEPCO – Rs 237.376 million

According to Central Power Purchase Agency CPPA(G) decision dated November 15, 2019, full tariff should be allowed as per National Electric Power Regulatory Authority (NEPRA) approved tariffs, Rs 7.3855/KWh for Pakpattan Hydro Power (PHP) and Rs 8.7977/KWh for Marala Hydro Power (MHP) instead of the current partial tariff. PPDCL can claim the arrears for power generation under sale and purchase of electricity agreement for pre-COD sale from MHP and PHP for the differential between full tariff and pre-COD tariff.

During audit of PPDCL for the years 2020-22, it was observed that the management booked the difference of full and Pre-COD tariffs valuing Rs 237.376 million in its accounts. The management was raising invoices of MHP @ Rs 5.83/kwh and PHP @ Rs 4.77/kwh instead of @ Rs 8.7977/kwh and @ Rs 7.3855/kwh respectively. The management was unable to execute Energy Purchase Agreement (EPA) with Gujranwala Electric Power Company (GEPCO) & Multan Electric Power Company (MEPCO) as per decision of CPPA (G) due to which management could not claim full tariff.

Lack of pursuance on the part of management and Energy Department, Government of the Punjab was the cause of irregularity.

Audit is of the view that management was required to take up the matter with Ministry of Energy (Power Division) to direct GEPCO and MEPCO for signing of Energy Purchase Agreement (EPA) and claim arrears accordingly.

The matter was reported to the management and PAO on June 23, 2023. The management replied that EPA agreement with GEPCO has been signed whereas with MEPCO is in process. It was further added that PPDCL shall recover full tariff as soon as the EPA comes into force.

DAC in its meeting held on September 11, 2023 pended the para for recovery.

Audit recommends compliance of DAC's directives.

1.1.4.6 Non-recovery of insurance payment claims – Rs 72.708 million

According to Section 118 of the Insurance Ordinance, 2000, it shall be implied term of every contract of insurance that where payment on a policy issued by an insurer becomes due and the person entitled thereto has complied with all the requirements, including filing of complete papers, for claiming the payment, the Insurer shall, if he fails to make the payment within a period of ninety days from the date on which the payment becomes due or the date on which the claimant complies with the requirements, whichever is later, pay as liquidated damages.

During audit of PPDCL for the years 2020-22, it was observed that management lodged insurance claim of Rs 72.708 million of Turbine Gears No.2 of PHPP on August 24, 2021 to M/s National Insurance Company Limited (NICL) against insurance policy, which were pending for payment till close of audit.

Slackness and negligence on the part of management was the cause of irregularity.

Audit is of the view that the management was required to pursue the insurance claims with M/s NICL but same was not done despite lapse of considerable time.

The matter was reported to the management and PAO on June 23, 2023. The management replied that the matter for settlement of insurance claims were being pursued actively.

DAC in its meeting held on September 11, 2023 directed for an early realization of insurance claim.

Audit recommends compliance of DAC's directives.

1.1.4.7 Loss on account of insurance premium due to production less than benchmark - Rs 40.261 million

According to National Electric Power Regulatory Authority (NEPRA) approved reference tariff 2015, the benchmark generation of MHPP is 49.995 million KWh and PHPP is 21.671 million KWh.

During audit of PPDCL for the years 2020-22, it was observed that the management incurred insurance expenses of Rs 118.004 million for MHPP and PHPP. NEPRA allowed insurance component Rs 0.9630/ KWh for MHPP and Rs 0.7584/ KWh for PHPP. If both plants were operated on benchmark capacity, the whole insurance expenses could have been recovered. Due to less generation company could recover Rs 77.743 million insurance expenses and suffered loss of Rs 40.261 million (Rs 118.004 million – Rs 77.443 million). Detail is under:

(Rs in million)

Plant	Insurance period	insurance charges allowed per KWh	Bench Mark Generation (KWh)	Actual Generation (KWh)	Insurance to be recovered at bench mark generation (Rs)	Insurance recovered on actual generation (Rs)
1	**2**	**3**	**4**	**5**	**6 (4*3)**	**7 (5*3)**
MHPP	July 2020 to June 2022	0.9630	99,990,000	62.494,741	96.290	60.181
PHPP	July 2020 to June 2022	0.7584	43,342,000	23,156,541	32.870	17.562
	Total				**129.16**	**77.743**

Lack of project and financial management was the cause of irregularity.

Audit is of the view that management was required to affect recovery of extra payment of insurance premium from respective Distribution Companies (DISCOs) but same was not done.

The matter was reported to the management and PAO on June 23, 2023. The management replied that matter has been taken up with NEPRA for tariff true up and reimbursement of actual insurance premium paid.

DAC in its meeting held on September 11, 2023 directed to take up the matter with NEPRA for its realization at the earliest.

Audit recommends compliance of DAC's directives.

1.1.4.8 Loss due to payment of excess insurance premium than approved limit by NEPRA in tariff determination – Rs 13.551 million

According to Tariff Determination by NEPRA dated February 04, 2015 of Pakpattan Hydro Power Plant, the Authority had decided to allow to the petitioner, insurance during operations upto 1.35% of the allowed EPC cost, in accordance with the established benchmark.

During audit of PPDCL for the years 2020-22, it was observed that insurance coverage for Pakpattan Hydro Power Plant was paid excess than approved limited by NEPRA during tariff determination in 2015. This resulted in loss of Rs 13.551 million due to payment of excess insurance premium. Detail is as under:

(Rs in million)

Year	Approved EPC Cost (US$ in million)	Insurance component @1.35% of the EPC Cost (US$ in million/@ Rs 102.93)	Annual premium paid (Rs)	Excess %age	Excess insurance premium (Rs)
2019-20	11.827	16.434	18.079	0.14	1.645
2020-21	11.827	16.434	19.722	0.27	3.288
2021-22	11.827	16.434	19.886	0.28	3.452
2022-23	11.827	16.434	21.600	0.42	5.166
	70.962	**98.604**	**111.75**		**13.551**

Lack of pursuance on the part of management was the cause of irregularity.

Audit is of the view that the management was required to pursue with M/s NICL to keep the insurance component within limits approved by NEPRA and recover the difference from DISCOs.

The matter was reported to the management and PAO on June 23, 2023. The management replied that the difference of insurance premium would be realized as and when true up tariff is finalized.

DAC in its meeting held on September 11, 2023 directed the management to expedite the finalization of true up tariff.

Audit recommends compliance of DAC's directives.

1.1.4.9 Non-repayment of government loan – Rs 283.480 million

According to Article-I (1.1) (b) of the agreement signed between Punjab Power Development Company Limited and Secretary, Government of the Punjab Finance Department, if the payment is not made on the due dates in accordance to amortization schedules, penalty on the defaulted amount @ 4% per annum shall be paid by the company.

During audit of PPDCL for the years 2020-22, it was observed that a sum of Rs 283.480 million was received as seed money and operational expenses from Government of the Punjab with interest of 0.25% per annum from 2013 to 2017. First two loans were required to be repaid till 2020-21 and third till June 2022 but no repayment was made.

Poor financial management resulted in non-repayment of loan installments and expected imposition of penalty due to non-repayment of loan.

Audit is of the view that management was required to make repayment of loan in order to avoid default and imposition of 4% penalty.

The matter was reported to the management and PAO on June 23, 2023. The management replied that Finance Department has been requested for rescheduling of loan.

DAC in its meeting held on September 11, 2023 directed the management to get the loan re-scheduled from Finance Department at the earliest.

Audit recommends compliance of DAC's directives.

1.1.4.10 Payment of HR cost to O&M contractors without obtaining documentary evidence of hiring – Rs 123.447 million

According to RFP for O&M services for Power Project, eighty seven staff members having specific portfolios were to be hired for operation and maintenance of project.

During audit of PPDCL for the years 2020-22, it was observed that management paid salaries of operational staff to M/s Hydro Tech Pak (Private) Ltd and Al Fajar International, the O&M Contractors, without obtaining documentary evidence regarding hiring of staff according to portfolios given in RFP. This resulted in doubtful payment of HR cost worth Rs 123.447 million (Rs 21.507 million of M/s Hydro and Rs 101.940 million of M/s Al-Fajar).

Lack of financial management is the cause of irregularity.

Audit is of the view that the management was required to ensure that contractor hired same number of staff with relevant portfolio for which salary of staff was claimed.

The matter was reported to the management and PAO on June 23, 2023. The management replied that all payments were made as per agreements. The reply was not tenable as payment was being made without obtaining documentary evidence.

DAC in its meeting held on September 11, 2023 directed the management to provide detailed record pertaining to Human Resource hired by O&M contractors for verification. The same was not provided till finalization of this report.

Audit recommends compliance of DAC's directives.
(DP Nos: 31,54,58)

1.1.4.11 Non-payment of Workers Profit Participation Fund and Workers Welfare Fund – Rs 37.405 million

According to Section-3(1)(a) &(b) of Companies Profit (Workers Participation) Act 1968, every company shall establish a Workers Participation Fund @ 5% of its profits as soon as the accounts for the year are finalized but not later than nine months after close of that year. According to clause-4(1) of the Punjab Workers Welfare Fund Act, 2019, every establishment or part thereof, the total income of which in any year of account commencing on or after the date of closing of accounts is not less than rupees five hundred thousand, shall be liable to pay to the Fund in respect of 333that year a sum equal to two percent of its total income.

During audit of PPDCL for the years 2020-22, it was observed that provision of Workers Profit Participation Fund (WPPF) and Workers Welfare Fund (WWF) was being made in every year, which accumulated to Rs 37.405 million on June 2022. But the management neither established separate fund for WPPF nor made payment to WWF in violation of the above rules.

Lack of compliance of the Workers Profit Participation Fund and Workers Welfare Fund provisions was the cause of irregularity.

Audit is of the view that management was required to open fund account in respect of WPPF and make payment to WWF, which was not done.

The matter was reported to the management and PAO on June 23, 2023. The management replied that Human Resource (HR) Committee has recommended for establishment of fund, which will be placed before the Board of Directors (BoD) for approval in forthcoming meeting.

DAC in its meeting held on September 11, 2023 directed the management to place the matter before the BoD on priority basis.

Audit recommends compliance of DAC's directives.

1.1.4.12 Non-payment of social security contribution by the EPC contractors – Rs 16.195 million

According to clause 22.2.3(a) of the General Conditions of the Contract with the EPC Contractors of Marala, Pakpattan, Chianwali & Deg Outfall Hydro Power Plants, the contractor shall comply with all the relevant Labor Laws applicable to the Contractor's Personnel, including Laws relating to their employment, health, safety, welfare, immigration and emigration, and shall allow them all their legal rights. Further, according to PESSI Ordinance 1965, at the end of each month, the employer is required to pay social security contribution to PESSI @ 6% of wages of employees in case of numbers of employees.

During audit of PPDCL for the years 2020-22, it was observed that M/s SINOTEC-SHPE-SKAFS JV was awarded EPC contract of four power plants. The contractor was responsible to pay social security contribution of its employees deployed on these projects as per contract. But the management neither bothered to confirm contribution payment by the contractor nor deducted the same. This resulted into non-payment of social security contribution to PESSI valuing Rs 16.195 million.

Due to weak contract management, management failed to implement the contract in letter and spirit.

Audit is of the view that management was required to ask the contractors to provide documentary evidence regarding registration of labour employed in these projects and payment of social security contribution but no such documentary evidence was obtained by PPMU.

The matter was reported to the management and PAO on June 23, 2023. The management replied that this para does not relate to PPDCL and should be transferred to PPMU.

DAC in its meeting held on September 11, 2023 directed the management to submit revised reply after getting response from PPMU. The same was not provided till finalization of this report.

Audit recommends compliance of DAC's directives.

1.1.4.13 Loss to company due to auxiliary consumption in power generation beyond permissible limit – Rs 10.714 million

According to NEPRA Tariff determination dated February 04, 2015, February 12, 2015 for Pakpattan and Marala Hydro Power Plants respectively, the Auxiliary consumption of 1% was allowed by NEPRA. Further, according to Technical Specifications of O&M Contract of PHP with M/s Hydro Tech Pak (Pvt.) Ltd dated March 21, 2019, auxiliary consumption was to be 1% of total generation.

During audit of PPDCL for the years 2020-22, auxiliary consumption was observed 1.71% in MHPP and 4.4% in PHPP in power generation against the admissible limit of 1% for both Projects. Resultantly, the company had to sustain loss of Rs 10.714 million due to excess consumption. Detail is as under:

(Rs in million)

Plant	Period	Power Generated KWh	Auxiliary Consumption (KWh)	Auxiliary Permissible @ 1% (KWh)	Excess (KWh)	NEPRA Rate in Rs / KWh	Total (Rs)
MHPP	July 2020 to June 2022	62,493,741	1,068,803	624,937	443,866	7.6541	3.397
PHPP	July 2020 to June 2021	23,156,541	1,034,050	231,565	802,485	9.1177	7.317
	Total						**10.714**

Lack of oversight by the PPDCL management was the cause of irregularity.

Audit is of the view that management should have proper control over the activities of O&M Contractor but auxiliary consumption was being reported beyond limit.

The matter was reported to the management and PAO on June 23, 2023. The management replied that electricity requirement for maintenance activities during canal closure are met from the connecting grid station, which resulted this increase. The reply was not tenable as management was required to remain within the permissible limit of auxiliary consumption.

DAC in its meeting held on September 11, 2023 directed the management to take up the matter with NEPRA for revision of the limit.

Audit recommends compliance of DAC's directives.

1.1.4.14 Wasteful expenditure due to non-processing/ obtaining carbon credits under CDM – Rs 6.357 million

According to the Reference Tariff of Pakpattan Hydro Power Plant approved by NEPRA on February 04, 2015, the petitioner (PPDCL) shall process and obtain emissions / carbon credits expeditiously and credit the proceeds to the power purchaser as per the applicable Government policy and the terms and conditions agreed between the petitioner and the power purchaser.

During audit of PPDCL for the years 2020-22, it was observed that Punjab Power Management Units (PPMU) hired consultancy firm for capacity building and Clean Development Mechanism (CDM) of its five Hydro Power Projects costing Rs 6.357 million. The purpose of this consultancy agreement was to work out carbon credits in order to sell in market. However, management did not sell even single carbon credit under CDM since start of operations.

Lack of vigilance on the part of management was the cause of irregularity.

Audit is of the view that management was required to obtain carbon credits but no case was processed for obtaining carbon credits.

The matter was reported to the management and PAO on June 23, 2023. The management replied that this para does not relate to PPDCL and should be transferred to PPMU.

DAC in its meeting held on September 11, 2023 directed the management to submit revised reply after getting response from PPMU but the same was not provided till finalization of this report.

Audit recommends compliance of DAC's directives.

1.1.4.15 Non-rectification of leakage/ seepage through upstream breast walls of Pakpattan Power Plant by EPC Contractor and non- deduction of damages

According to 27.2 of the EPC Contract dated September 24, 2011 with M/s SINOTEC-SHPE-SKAFS JV of Pakpattan Hydropower Project (PHP), the defect liability period shall be five hundred and forty days (540-days) from the completion of facilities (or any part thereof) or one year from the date of operational acceptance of the Facilities (or any part thereof), whichever first occurs.

During audit of PPDCL for the years 2020-22, it was observed that the issue of concrete in the breast wall of PHP was found in August 2015, and it was decided to pour concrete in that area but issue was not resolved. During routine inspection of the Pakpattan Power Plant at different occasions, massive water seepage through upstream breast wall in machine hall and cable trench between both units was observed. The project was completed February 2017, but the issue was not resolved during EPC phase as well as defect liability period. This needed to be rectified on priority basis but same was not rectified by the EPC contractor till May, 2023.

Lack of professionalism on the part of consultant and lack of pursuance on the part of management was the cause of irregularity.

Audit is of the view that consultant was required to address the seepage issue at the breast wall of Trash Rack Area/ upstream breast wall of the power house but due to lack of professionalism the issue was not resolved.

The matter was reported to the management and PAO on June 23, 2023. The management replied that the management was fully aware of the issue and allocated budget in 2023-24 to conduct a study to identify the remedial measures. The reply was not tenable as issue pertained to EPC phase and it should have been rectified at the cost of EPC contractor.

DAC in its meeting held on September 11, 2023 directed the management to conclude the study and implement its recommendations under intimation to audit.

Audit recommends compliance of DAC's directives.

1.2 Punjab Thermal Power (Pvt.) Limited (PTPL)

1.2.1 Introduction

Punjab Thermal Power (Pvt.) Limited is a private limited company by shares incorporated under the aegis of Companies Ordinance, 1984 (now Companies Act 2017). The PTPL is owned by the Government of the Punjab through Energy Department. The objective of the company is to establish and maintain 1200 MW Re-Gasified Liquefied Natural Gas (RLNG) based Thermal Power Plants in Punjab within the stipulated timeline in view of intense power shortage. The land measuring 578-Kanals has been purchased for the project, whereas, Government of the Punjab already injected US$ 180 million as equity and expected to inject the remaining sum shortly.

1.2.2 Comments on Audited Accounts

1.2.2.1 The working results of the company for the year 2022-23 as compared to previous years are as under:

(Rs in million)

Particulars	**2022-23**	**% Inc/ (Dec)**	**2021-22**	**% Inc/ (Dec)**	**2020-21**
Revenue from contract with customer	21,346.763	-	-	-	-
Cost of Sales	22,773.635	-	-	-	-
Gross Profit/ (Loss)	(1,426.872)	-	-	-	-
Other Income	1,509.715	128.03	662.079	5.63	701.568
Administrative Expenses	469.064	67.11	280.692	4.82	267.78
(Loss)/ Profit from Operations	(386.221)	201.27	381.387	12.08	433.788
Finance Cost	1,283.000	2,3712.18	5.388	255.64	1.515
(Loss)/ Profit before Taxation	(1,669.221)	543.94	375.999	13.02	432.273
Taxation	220.940	3.48	228.895	0.44	227.898
(Loss)/ Profit for the year	(1,890.161)	1,384.91	147.104	28.02	204.375

(Source: Annual Audited Accounts for 2022-23)

Cost of sales of the company for the year 2022-23 was Rs 22,773.635 million against the revenue from contract Rs 21,346.763 million showing gross loss of Rs 1,426.872 million. The excess cost of sales needs justification.

1.2.2.2 Profit of the company was Rs 147.104 million in the year 2021-22 but decreased/ converted into loss valuing Rs 1,890.161 million in the year 2022-23 showing a decrease of 1,384.91% in profit which needs justification.

1.2.2.3 Finance cost increased to Rs 1,283.00 million in the year 2022-23 from Rs 5.388 million in the year 2021-22 showing an increase of 2,3712.18%. The reasons for huge increase in finance cost needs justification.

1.2.2.4 Long term deposits increased from Rs 11.092 million in the year 2021-22 to Rs 31.170 million in the year 2022-23 registering an increase of 181.01%. Abnormal increase in these deposits needs clarification including the detail of nature, purpose and markup if earned, approval of competent authority for categorizing these as non-current assets as no detail was provided in notes to the accounts.

1.2.2.5 Trade debts increased to Rs 19,308.357 million in the year 2022-23 against Nil in the year 2021-22. According to note 8.2 any late payments made by CPPA-G shall bear interest at a rate of three months KIBOR plus two percent per annum, calculated for the actual number of days for which the relevant amounts remain unpaid. Latest position of recovery along with detail of mark up on late payments may be provided.

1.2.2.6 Inventories increased to Rs 3,840.570 million in the year 2022-23 against Nil in the year 2021-22. This showed that huge amount was blocked at year end due to non-utilization of inventories and may cause loss due to obsolescence, damage or theft. Complete detail of these inventories including requirements, economic order quantity levels, approvals, method of procurement, suppliers, utilization and reasons for non-utilization till date may be provided in order to ensure that stock was procured as per genuine needs of the company.

1.2.2.7 Prepayments under the head advances, prepayments, deposits and other receivables increased from Rs 3.776 million in the year 2021-22 to Rs 7.241 million in the year 2022-23 registering an increase of 91.76%. Huge increase in these expenses along with detail of nature, to which these were given, approvals from competent authority, provision of relevant rules and latest position of recovery may be provided.

1.2.2.8 Advances to executives/ employees under the head advances, prepayments, deposits and other receivables increased from Rs 4.402 million in the year 2021-22 to Rs 14.411 million in the year 2022-23 registering an increase of 227%. Abnormal increase in these expenses along with detail of nature, to which these were given, approvals from competent authority, provision of relevant rules and latest position of recovery may be provided.

1.2.2.9 Sales tax receivable under the head advances, prepayments, deposits and other receivables increased from Rs 1,971.306 million in the year 2021-22 to Rs 2,712.727 million in the year 2022-23 registering an increase of 37.61%. Constant increase and non-recovery needs clarification. Efforts may be made for early recovery.

1.2.2.10 Receivable from Engineering, Procurement and Construction (EPC) contractor under the head advances, prepayments, deposits and other receivables increased to Rs 3,410.430 million in the year 2022-23 against a Nil in the year 2021-22. Latest position of recovery may be provided.

1.2.2.11 Receivable from CPPA-G against corporate taxes under the head advances, prepayments, deposits and other receivables increased to Rs 45.894 million in the year 2022-23 against a Nil in the year 2021-22. Latest position of recovery may be provided.

1.2.2.12 Other receivables under the head advances, prepayments, deposits and other receivables increased from Rs 0.257 million in the year 2021-22 to Rs 4.401 million registering an increase of 1,612.45%. Abnormal increase along with nature, detail to which these were given, approvals from competent authority, provision of rules and latest position of recovery may be provided.

1.2.2.13 Long term financing- secured increased from Rs 36,541.045 million in the year 2021-22 to Rs 74,588.042 million in the year 2022-23 registering an increase of 104.12%. Abnormal increase in long term liabilities needs justification along with detail of nature, requirement, approvals from competent authority, repayment schedule and actual details of repayments may be provided in order to ensure the genuineness of long term loan.

1.2.2.14 Staff retirement benefits increased from Rs 58.280 million in the year 2021-22 to Rs 94.530 million in the year 2022-23 registering an increase of 62.19%. Huge increase in liabilities despite the fact that average number of employees were same i.e. 81 in both years. This needs justification along with detail of specific funds/ plan assets available for payment of these liabilities.

1.2.2.15 Payable to contractors under the head trade and other payables increased to Rs 905.244 million in the year 2022-23 against a Nil value in the year 2021-22. Detail of these payable along with current position of payments may be provided.

1.2.2.16 Payable to consultants increased from Rs 42.101 million in the year 2021-22 to Rs 280.467 million in the year 2022-23 registering an increase of 566.18%. Reasons for such huge increase along with complete detail of the nature of services, method of hiring, approvals from competent authority, names of consultants and final disposal of cases may be provided.

1.2.2.17 Retention money payable increased from Rs 4,836.158 million in the year 2021-22 to Rs 6,524.051 million in the year 2022-23 registering an increase of 34.90%. Constant increase and non-refund of retention money needs clarification along with detailed breakup of contracts for which these funds were deposited with the company, parties to whom these were to be refunded, original date of refund, date on which these were actually refunded to the concerned parties and reasons for non-refund till date.

1.2.2.18 Provision for EPC related works/ equipment increased from Rs 14,661.193 million in the year 2021-22 to Rs 15,149.092 million in the year 2022-23 registering an increase of 3.33%. Constant increase in provision and non-payment of such huge amounts needs clarification along with complete detail of provisions made and actual payments made against these provisions and final treatment of outstanding amounts.

1.2.2.19 Accrued and other liabilities under the head trade and other payables increased from Rs 394.025 million in the year 2021-22 to Rs 1,220.670 million in the year 2022-23 registering an increase of 209.79%. Reasons for such huge increase in these liabilities along with complete detail of these liabilities booked and actual payments made against these and final fate of outstanding liabilities may be provided.

1.2.2.20 Short term borrowing increased to Rs 9,296.286 million in the year 2022-23 against Nil value in the year 2021-22. This was obtained to maintain working capital of the company and carries markup/ musharaka profit at the rate of three month KIBOR plus 2% per annum. Management is stressed to maintain working capital requirements through its own funds in order to avoid payments of markup and to make the company more sustainable.

1.2.2.21 Provision for taxation less payments increased from Rs 0.925 million in the year 2021-22 to Rs 4.828 million in the year 2022-23 registering an increase of 421.95%. Moreover, as per power policy 2015, the company has requested Private Power and Infrastructure Board (PPIB) and Ministry of Finance, GoP to make appropriate amendment in income tax laws. Reasons for such huge increase in provision for taxation including complete detail of nature, actual payment against these provisions and final fate of this provision may be provided along with current status of exemption matter and efforts made by the management for tax exemption.

1.2.2.22 Land under the head operating fixed assets increased to Rs 450.618 million in the year 2022-23 against a Nil value in the year 2021-22. Reasons for acquisition of land along with complete detail of land including need for land, its approval from competent authority, purpose, its subsequent utilization, land transfer title documents may be provided.

1.2.2.23 Vehicles amounting to Rs 12.340 million were acquired during the year 2022-23. Complete detail of vehicles including need for vehicles, purpose, approvals from competent forum, funds utilized, source of funds, allocation of vehicles may be provided.

1.2.2.24 Exchange loss under the head capital work in progress increased from Rs 1,736.642 million in the year 2021-22 to Rs 3,712.885 million in the year 2022-23 registering an increase of 113.79%. Reasons for constant increase in exchange loss along with detail of items against which this was booked, measures taken over the years to avoid the company from such losses may be provided.

1.2.2.25 O&M mobilization cost under the head capital work in progress increased from Rs 144.432 million in the year 2021-22 to Rs 1,648.460 million in the year 2022-23 registering an increase of 1,041.34%. Reasons for such huge increase along with complete detail including nature, purpose, approvals from competent authority, source of funds utilized may be provided.

1.2.2.26 Others under the head capital work in progress increased from Rs 9.080 million in the year 2021-22 to Rs 25.136 million in the year 2022-23 registering an increase of 176.83%. Reasons for such huge increase along with complete detail including nature, purpose, approvals from competent authority, source of funds utilized may be provided.

1.2.2.27 Rent, rate and taxes under the head administrative expenses increased to Rs 10.540 million in the year 2022-23 against a Nil value in the year 2021-22. Reasons for such huge increase along with complete detail including nature, purpose, approvals from competent authority, sources of funds and actual funds paid may be provided.

1.2.2.28 Office supplies and entertainment expenses under the head administrative expenses increased from Rs 8.721 million in the year 2021-22 to Rs 14.580 million in the year 2022-23 registering an increase of 67.18%. Huge increase needs justification along with complete detail of expenses including nature of expenses, requirement, approvals from competent authority, funds utilized and sources from which payments were made.

1.2.2.29 Travelling and lodging cost increased from Rs 7.920 million in the year 2021-22 to Rs 34.155 million in the year 2022-23 registering an increase of 331.25%. Abnormal increase in expenses needs clarification along with complete detail including nature, purpose, approvals, meetings attended, minutes and implementation of decisions.

1.2.2.30 Director's fee increased from Rs 5.550 million in the year 2021-22 to Rs 9.150 million in the year 2022-23 registering an increase of 64.86%. Abnormal increase in the fee along with complete detail including approved rates of fee, meetings attended, member wise schedule of meetings attended and fee paid, minutes of meetings and implementation status of decisions taken needs to be clarified.

1.2.2.31 Legal and professional charges under the head administrative expenses increased from Rs 14.019 million in the year 2021-22 to Rs 59.892 million in the year 2022-23 registering an increase of 327.22%. Reasons for such huge increase along with complete detail including list of cases, method adopted for hiring, list of experts hired, approvals from competent authority, funds incurred, sources of funds from which these payments were made, case wise disposal status may be provided.

1.2.2.32 Others under the head administrative expenses increased from Rs 0.964 million in the year 2021-22 to Rs 4.834 million in the year 2022-23 registering an increase of 401.45%. Reasons for abnormal increase in the expenses along with complete detail including nature, requirements, approvals from competent authority, funds utilized, sources of funds, purpose of these expenses and final outcome may be provided.

1.2.2.33 Reimbursement of expenses and others including retirement benefits increased from Rs 0.455 million and Rs 1.630 million in the year 2021-22 to Rs 1.592 million and Rs 3.773 million in the year 2022-23 respectively. Huge increase in these expenses needs clarification along with complete detail including nature, list of expenses, approvals from competent authority, purpose of expenses.

1.2.3 Compliance of PAC Directives

No PAC meeting for the years 2014-15 to 2022-23 has been convened so far.

1.3 Quaid-e-Azam Solar Power (Pvt.) Limited (QASPL)

1.3.1 Introduction

Quaid-e-Azam Solar Power (Private) Limited (QASPL) was incorporated as a private limited company under the Companies Ordinance 1984 (now Companies Act 2017) on September 16, 2013. The principal activity of the company is to build, own, operate and maintain a solar power plant having a total capacity of 100 MW in Lal Sohanra, Cholistan, Bahawalpur. The registered office of the company is situated at 3rd Floor, 83A-E1 Gulberg III, Main Boulevard, Lahore, Pakistan. The company achieved Commercial Operation Date (COD) on July 15, 2015. National Electric Power Regularity Authority (NEPRA) has granted generation license to the company, which is valid till December 30, 2039.

1.3.2 Comments on Audited Accounts

1.3.2.1 The working results of the company for the year 2022-23 as compared to the previous years are as under:-

(Rs in million)

	2022-23	**%Inc /(Dec)**	**2021-22**	**%Inc /(Dec)**	**2020-21**
Sales	4,796.364	20.14	3,992.264	11.80	3,570.84
Cost of sales	1,037.918	10.55	938.838	5.07	893.556
Gross profit	3,758.446	23.09	3,053.426	14.05	2,677.29
Administrative Expenses	159.982	21.35	131.83	49.34	88.273
Corporate Social Responsibility	4.116	5.12	4.338	-	-
Other Charges	117.317	132.38	50.486	42.95	88.492
Other income	643.856	263.92	176.923	50.07	354.313
Operating Profit	4,120.887	35.39	3,043.695	6.62	2,854.83
Finance cost	843.166	20.70	698.548	2.03	713.049
Profit before Taxation	3,277.721	39.77	2,345.147	9.50	2,141.78
Taxation	289.126	102.46	142.81	203.49	(137.989)

Profit for the year	2,988.59 5	35.70	2,202.33 7	9.91	2,003.80
Earning Per Share	7.844	35.71	5.78	9.89	5.26

(Source: Audited Annual Accounts)

As a result of meeting of dispute resolution committee held on Feb 08, 2021, 6.653 million Kwh units amounting to Rs 54.524 million (excluding sales tax) was booked and invoice raised during financial year 2020-21 but the same was not accepted by CPPA till close of financial year 2022-23. Reasons for non-acceptance of invoices by CPPA and current status thereof need to be shared with audit.

1.3.2.2 Long term finance decreased from Rs 3,701.800 million to Rs 2,180.088 million from 2021-22 to 2022-23 registering a decrease of 58.89%, whereas mark up on long term loan increased from Rs 678.146 million to Rs 827.516 million registering an increase of 22.03% . Disproportionate increase in finance cost despite reduction in long term finance needs justification.

1.3.2.3 Mark-up of energy invoices of Rs 82.903 million during the year 2022-23 represents amount against interest on late payments but the same was not invoiced till the close of financial year 2022-23. Reason for non-invoicing the agreed markup need to be shared with audit.

1.3.2.4 Corporate Social Responsibility reserves increased from Rs 195.462 million in 2021-22 to Rs 213.346 million in 2022-23 registering an increase of 9%. While spending under the head is just Rs 7.202 million which showed inefficiency on the part of management. Management needs to make comprehensive plan for effective utilization of funds and discharge its CSR responsibility.

1.3.2.5 Other charges of the company increased from 50.486 million in 2021-22 to Rs 117.317 million in financial year 2022-23 by registering the increase of 132.80%, which mainly due to loss in foreign exchange which increased from Rs 15.955 to Rs 54.516 million registering an increase of 242%. Management need to be vigilant and use hedging or other financial tactics as payment to foreign contractors and consultants is a routine matter in the company.

1.3.2.6 Legal and professional charges increased from Rs 1.800 million during the year 2021-22 to Rs 8.622 million during the year 2022-23 registering an increase of 377.78%. Abnormal increase in these expenses needs justification along with detail of method adopted for hiring of these legal consultants/ advisors.

1.3.2.7 In financial statements huge liabilities under contingencies and commitment was shown. These liabilities were due to dispute between company and PRA, Local Government Department and FBR. All these cases are subjudice and pending from 2017-18. Management is stressed upon to made efforts for early adjustments of these liabilities.

1.3.2.8 Consultancy charges under cost of sales increased from Rs 2.811 million in 2021-22 to Rs 4.356 million in 2022-23 registering an increase of 55%. No breakup of consultant was provided in the financial statement. List of consultant hired along with the type of consultancy and payment made to them need to be provided.

1.3.2.9 Chief executive of the company received bonus of Rs 4.099 million in 2022-23 as against of Rs 1.674 million in 2021-22 registering an increase of 145% while profit of company increased by just 36%. Not linking the bonus with profit and disproportionate increase in bonus needs justification along with approval from BoD.

1.3.2.10 While reviewing the compliance of Corporate Governance Rules 2013, it was found that company failed to comply with the rule 8(1), 8(2) and 22 during 2022-23. Justification for non-compliance of the mentioned rule and current status thereof need to be provided to audit.

1.3.3 Compliance of PAC Directives

No PAC meetings for the years 2014-15 to 2022-23 has been convened so far.

1.3.4 Audit Paras

1.3.4.1 Irregular award of contract in violation of PC-1 – Rs 229.273 million

According to clause11 of PC-1 of Provision of Electricity to Communities using Indigenous Resources that Solar System shall be procured installed commissioned and operated as a single package on International Competitive Bidding(ICB) process under PPRA Rules 2014. International firms having local partners may participate in bidding subject to their registration in SECP, BOI & PEC (which ever applicable as per Rules/ Policy)

During audit of Quaid-e-Azam Solar Power Private Limited (QASPL) for the year 2022-23, it was observed that PC-I for "Provision of Electricity to Communities using Indigenous Resources" was approved valuing Rs 250 million for energy solution of 05 districts (Rajanpur, Rahim Yar Khan, Muzaffargarh, Bahawalnagar & Multan) using indigenous resources to off grid villages of far-flung area. As per PC-I, the solar system was to be procured, installed, commissioned and operated as a single package on International Competitive Bidding (ICB) process under PPRA Rules 2014. But the management split the work into 6 packages and adopted National Bidding Process and ignored ICB/criteria as mentioned in PC-1 and awarded the contracts for Rs 229.273 million.

Due to weak internal controls, provisions of PC-I were violated.

Audit is of the view that the management was required to follow provisions of PC-1 regarding procurement/installation of solar system but same was not done.

The matter was reported to the management and PAO on October 30, 2023. The management replied that all the awards were made in a timely manner with wide competition. The reply of management was not convincing as management violated provision of PC-1

DAC in its meeting held on December 13, 2023 directed the management to refer the matter to Finance Department for condonation of the violation of PC-1.

Audit recommends compliance of DAC's directives.

1.3.4.2 Irregular hiring and excess payment to the consultants in violation of PC-I – Rs 22.442 million

According to management structure and manpower requirements of PC-Is of three projects, the consulting firm will be selected by the Consultant Selection Committee (CSC) as per PPRA Rules 2014 and Quality & Cost based selection method will be adapted for selection of consulting firm. The services of consulting firm shall be hired to assist QASPL in the project development activities like site visits, preparation of bidding documents, evaluation of bids, assistance in award of contract, post shipment inspection of the material and installation supervision of Contractor.

During audit of QASPL for the year 2022-23, it was observed that the consultancy assignment of various projects namely "Provision of Electricity to Communities using Indigenous Resources", "Solarization of Tube Wells in Punjab" and "Off-grid/Poor Grid Village Electrification in Punjab: through Solar Power" were falling within the purview of long term consultancy. However, the management hired consultants by splitting the work and through three (03) quotations. Therefore, expenditure incurred of Rs 22.442 million on consultancy was held irregular. Detail is in **Annex-4**

Due to weak internal controls provisions of PC-I were violated which resulted into irregular selection of consultants.

Audit is of the view that the management was required to hire one consultant for project through Consultant Selection Committee (as per PPRA Rules) by adopting quality & cost selection method, instead of breaking the project into different packages and selecting the consultant through quotation, but the same was not complied and avoided codal formalities as required under large term consultancy.

The matter was reported to the management and PAO on October 30, 2023. The management replied that the consultants were hired under PPRA Rule 46 –A by obtaining three quotations. Reply was not convincing as management split consultancy to avoid issuance of EOI and consultant firms should have been selected through Consultant Selection Committee by following quality and cost based method.

DAC in its meeting held on December 13, 2023 directed the management to refer the matter to Finance Department for condonation of the violation of PC-1.

Audit recommends compliance of DAC’s directives.

1.3.4.3 Irregular payment to the consultants in violation of PC-I – Rs 7.885 million and execution of projects without the approval of the BoD - Rs 259.797 million

According to PC-I clauses 13 (II) (iii) (vii) of the project “Converting three Cities of Punjab into Solar Smart Cities” services of reputed international consulting firm having relevant experience will be hired for project development activities, and the consulting firm should be selected through Consultant Selection Committee as per PPRA Rules 2014. Moreover, the individual project in each city will be finalized after detailed survey /feasibility and will be executed with the approval of Board of Directors.

During audit of QASPL for the year 2022-23, it was observed that PC-I, valuing Rs 300.00 million for project namely Converting Three Cities of Punjab into Solar Smart Cities (Multan, Mianwali and Gujranwala) was approved by the competent forum and executed by the QASPL. The management selected three consultants through quotations by splitting the project into two packages to avoid tender and award consultancy work for Rs 7.885 million. Moreover, the individual project in each city was required to be finalized after detailed survey and feasibility with the approval of BoD but the two projects valuing Rs 259.797 million were executed without the approval of Board of Directors.

Weak internal controls resulted into selection of consultants and execution of projects in violation of PC-I.

Audit is of the view that the management was required to hire the International consultant through Consultant Selection Committee as per PPRA Rules 2014 by adopting Quality & Cost based method. Similarly, approval of Board of Directors was required to finalize project location/premises in each city.

The matter was reported to the management and PAO on October 30, 2023. The management replied that short term local consultants were hired according to PPRA Rules. The reply of the management was not convincing as consultants were hired in violation of PC-1 as selection was to be made through Consultant Selection Committee by following quality and cost based method and each project in a city was not finalized by BoD.

DAC in its meeting held on December 13, 2023 directed the management to refer the matter to Finance Department for condonation .

Audit recommends compliance of DAC’s directives.

1.3.4.4 Loss due to unjustified rejection of lowest evaluated bid – Rs 10.847 million

According to Rule 55 of PPRA Rules, 2014, the bidder with the lowest evaluated bid, if not in conflict with any other law, shall be awarded the procurement contract within the original or extended bid validity period and as per rule 55 (A)if one complying bid is received, the procuring agency may award the contract to the bidder.

During audit of QASPL for the year 2022-23, it was observed that the management carried out pre- qualification for the procurement of solar system for development projects. The management issued bidding documents to pre-qualified firms on September 09, 2021 for project- Indigenous Resources. Letters of Interest (LoI) were issued for submission of bids for packages 1 to 6. M/s Zonergy submitted bids of Rs 36.334 million for each package and remained lowest bidder. Management awarded the contracts of package 2 and package 3 to M/s Zonergy due to participation of two bidders and scraped the bidding process of remaining four packages due to receipt of single bid. Management called the bids again from same pre-qualified bidders and due to this, project cost was increased to Rs 10.847 million (from Rs 145.339 million to Rs 156.186 million) as calculated below:

(Rs in million)

Indigenous Resources Project	Contractor Name	Contract price (Rs)	Zonergy offer in previous bid (Rs)	Difference/ Loss (Rs)
Package 1	M/s Zonergy	39.100	36.335	2.765
Package 4	M/s Sky Blue	38.973	36.335	2.639
Package 5	M/s Sky Blue	39.124	36.335	2.789
Package 6	M/s Zonergy	38.989	36.335	2.654
Total		**156.186**	**145.34**	**10.847**

Due to imprudent decision, cost of procurement increased to Rs 10.847 million.

Audit is of the view that the management should have accepted lowest evaluated bid as management earlier carried out pre-qualification and chance of more competition was rare.

The matter was reported to management and PAO on November 14, 2023. The management replied that decision to go for re-bidding was taken in compliance with the directions received from the Board of Directors. Reply was not tenable as BoD directed to re-advertise. Contrary to that the management sought financial bids again from already pre-qualified bidders rather than re-advertising.

DAC in its meeting held on December 13, 2023 directed the management to refer the matter to PPRA for clarification whether the management was required to call retender from open market or to call financial proposals from same pre-qualified bidders.

Audit recommends compliance of DAC's directives.

1.4 Quaid-e-Azam Thermal Power Company Limited (QATPL)

1.4.1 Introduction

Quaid-e-Azam Thermal Power (Private) Limited (QATPL) is a Private Company Limited by shares incorporated under the aegis of Companies Ordinance, 1984. The QATPL is owned by the Government of the Punjab. The objective of the company is to establish and maintain 1180 MW Re-Gasified Liquefied Natural Gas (RLNG) based Thermal Power Plants in Punjab within the stipulated timeline keeping in view the sever power shortage. The first Thermal Power Plant in this regard has been planned to be installed at Bhikki, District Sheikhupura.

1.4.2 Comments on Audited Accounts

1.4.2.1 The working results of the company for the year 2022-23 as compared with the previous years are as under:

(Rs in million)

Particulars	**2022-23**	**% Inc/ (Dec)**	**2021-22**	**% Inc/ (Dec)**	**2020-21**
Sales	139,329.99	(3.43)	144,280.41	82.78	78,935.02
Cost of Sales	115,611.87	(2.82)	118,964.29	82.49	65,187.83
Gross Profit	23,718.12	(6.31)	25,316.12	84.15	13,747.19
Administrative expenses	729.75	124.93	324.44	(1.92)	330.78
Other expenses	5,000.86	(49.96)	9,992.98	1,373.82	678.034
Other operating income	11,544.39	109.16	5,519.48	57.21	3,510.96
Finance cost	11,623.18	50.13	7,742.09	14.91	6,737.71
Profit/ (Loss) before taxation	17,908.72	40.17	12,776.09	34.32	9,511.62
Taxation	259.77	3.70	250.49	(26.73)	341.882
Profit/ (Loss) after taxation	17,648.95	40.90	12,525.60	36.60	9,169.74

(Source: Audited Accounts)

Administrative expenses increased from Rs 324.44 million for the year 2021-22 as compared to Rs 729.75 million in the year 2022-23 showing an increase of 124.93% which was mainly due to increase in legal and professional expense which increased from Rs 4.502 million in the year 2021-22 to Rs 308.52 million in the year 2022-23 registering an increase of 6,753%. Expenditure was incurred to defend the case in London Court filed by the SNGPL. Reasons for inclusion of such absurd clause in the agreement between two Public Sector Companies needs to be justified.

1.4.2.2 Other expenses increased from Rs 678.03 million for the year 2020-21 to Rs 9,992.98 million in the year 2021-22 showing an increase of 1,373.82%. The Abnormal increase in other expenses needs to be justified.

1.4.2.3 Stock in trade (High Speed Diesel) increased from Rs 2,469.174 million for the year 2021-22) to Rs 5,254.393 million for the year 2022-23 registering an increase of 112.80% despite the reduction in the sales of the company. The huge increase in stock in trade resulted into unnecessary blockage of funds and hence needs justification along with complete record of its proper utilization.

1.4.2.4 Trade receivables (Note-11.6) with aging of due above 60 days increased from Rs 19.833 million (F.Y 2021-22) to Rs 26.979 million (F.Y 2022-23) which shows inefficiency and weak financial and working capital management. Vigorous efforts may be made for early recovery of trade debtors as these piled up to Rs 79.554 million (F.Y 2022-23) from Rs 68.535 million (F.Y 2021-22).

1.4.2.5 Provision for taxation under Current liabilities increased from nil to Rs 646.638 million in the year 2022-23. This huge increase in provision for taxation needs justification along with latest position of the provision whether it is paid or otherwise.

1.4.2.6 Receivables amounting to Rs 895.694 million for the year 2021-22 were written off as bad debts, which relate to the disallowed portion of invoices by CPPA-G on account of non-acceptance of part load factor. Instead of taking up the matter to arbitrator, management written off the amount which needs justification.

1.4.2.7 Loss on disposal of fixed assets amounting to Rs 247.690 million for the year 2021-22 was booked. Complete detail of these assets and their disposal record may be provided for clarification and justification.

1.4.2.8 Prepayments increased from Rs 171.250 million (F.Y 2021-22) to Rs 1,608.264 million registering an increase of 839.13%. Complete breakup of these prepayment and abnormal increase in prepayments needs to be provided.

1.4.2.9 Sales tax receivable amounting to Rs 1,079.298 million as on June 30, 2023 was refundable from FBR. The case for refund of the said amount was decided in favor of the company as on Sep 15, 2020 but claim could not be realized till date. Management should take up the matter on competent forum for early settlement.

1.4.2.10 Receivables from SNGPL amounting to Rs 3,265.223 million and CPPA-G Rs 4,687.674 million is recoverable as on June 30, 2023. The amounts remained stagnant in the Financial Statements of June 30, 2022 and June 30, 2023. Strenuous efforts may be made for early recovery of this huge amount.

1.4.2.11 Company created a huge provision against Corporate Social Responsibility of Rs 15.985 million for the year 2022-23 as compared to Rs 0 in the year 2021-22. Reasons for creation of huge provision and services performed therein needs to be explained.

1.4.2.12 An amount of Rs 16.75 million on account of claim of input tax for the year 2022-23 was subjudice before the Honorable Lahore High Court. Efforts may be made for early adjustment.

1.4.2.13 Mark-up on delayed payments increased from Rs 1,355.08 million in the year 2021-22 to Rs 3,199.417 million in the year 2022-23 registering an increase of 136%. Increase in markup payment despite adequate balances in cash and bank needs justification.

1.4.3 Compliance of PAC Directives

No PAC meeting for the years 2014-15 to 2022-23 has been convened so far.

1.4.4 Audit Paras

1.4.4.1 Loss due to deduction of capacity payments by CPPA - Rs 127.157 million

According to clause 9.1 (c)(ii) of the Power Purchase Agreement, the power purchaser shall pay to the company, the capacity price for each KW of the prevailing tested capacity then unavailable during any period during which the complex is undergoing: a forced outage or partial forced outage notified by the company not later than one (l) hour prior to the relevant hour or a maintenance outage notified by the company.

During audit of Quaid-e-Azam Thermal Power Limited (QATPL) for the year 2022-23, it was observed that the company was entitled to receive capacity payments for the whole year even for scheduled and forced outages if these remain within the allowance provided by CPPA. However, outages of the plant went beyond the permissible limits which resulted in deductions of capacity payments of several months by CPPA amounting to Rs 127.157 million on the grounds of partial/forced outages. Detail is in **Annex-5**.

Due to weak operational management of plant, deductions of capacity payments are being made by power purchaser.

Audit is of the view that due to weak internal controls and frequent outages the company sustained loss.

The matter was reported to the management and PAO on December 04, 2023. The management replied that CPPA has been approving our capacity payments while adjusting it against available forced outage allowance since COD but suddenly since December 2022, CPPA has changed this practice and started capacity deductions against Failure to Achieve Dispatch Level (FADL) events. The company has already taken up this point with CPPA-G in Operating Committee & Sub-Committee meetings and is currently under discussion as per PPA provision. The reply was not convincing as the matter regarding adjustments of deduction of capacity payments is pended at CPPA.

DAC in its meeting held on December 29, 2023 directed the management to pursue the recovery of capacity payments.

Audit recommends compliance of DAC's directives.

1.4.4.2 Non-recovery of delayed payment interest from CPPA - Rs 10,392.379 million

According to clause 9.6 of the Power Purchase Agreement, the Power Purchaser shall pay the Company the amount shown on an invoice on or before the thirtieth (30th) day following the day the invoice is received by the Power Purchaser. Late payments by either party of amounts due or payable under this Agreement shall bear interest at a rate per annum equal to the Delayed Payment Rate i.e. Kibor + 2%.

During audit of QATPL for the year 2022-23, it was observed that the management issued various invoices of energy, capacity and pass through items. As per agreement, CPPA was required to pay the invoices within 30 days but it failed to make payment within the prescribed time. The amount of delayed payment of interest on receivable from CPPA accumulated to Rs 10,392.379 million for the year 2022-23. Detail is in **Annex-6**.

Weak financial management and non-expediting the recovery resulted into delayed payment of interest from CPPA.

Audit is of the view that the management was required to make efforts for the recovery of interest income charged as other income, from CPPA-G but no efforts were made for the recovery of the interest income.

The matter was reported to the management and PAO on December 04, 2023. The management replied that it is practice of CPPA-G that they release funds to IPPs primarily from overdue invoices relating to Energy Purchase Price (EPP) and Capacity Purchase Price (CPP) and delayed payment interest is at their low priority due to lean collection of funds. The reply was not convincing as the management failed the recover the outstanding amount under delayed payment interest.

DAC in its meeting held on December 29, 2023 directed the management to make strenuous efforts to recover the delayed payment interest amount.

Audit recommends compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 2.3.4.7 having financial impact of Rs 10,161.212 million. Recurrence of same irregularity is a matter of serious concern.

1.4.4.3 Loss due to award of arbitration against the company - Rs 9,554.423 million

As per clause 3.6 of the Gas Supply Agreement (GSA) dated July 22, 2016 between Sui Northern Gas Pipelines Limited and QATPL for supply of Re-liquefied Natural Gas (RLNG) and subject to other provisions of the Gas Supply Agreement (GSA), during a month the company shall take and if not taken, pay for the unutilized portion of Firm Gas Allocation (FGA), Take or Pay (ToP) arrangements.

During audit of QATPL for the year 2022-23, it was observed that SNGPL raised a claim of Rs 5,506.746 million regarding take or pay invoices for supply of RLNG to the Bhikki Power Plant in June 2018. The reason behind these Take or Pay (ToP) claims was delay in the Commercial Operation Date (COD) from December 24, 2017 to May 20, 2018 due to excessive vibration at GT 1 & 2. SNGPL continued to raise invoices under ToP clause after COD which accumulated to Rs 4,739.286 million. QATPL decided to take the matter to London Court of International Arbitration (LCIA) under Section-18.3 of the GSA. London Court of International Arbitration decided the case against the QATPL on August 02, 2022, which resulted substantial financial impact of Rs 9,554.423 million. Detail is in **Annex-7.**

It is also necessary to mention here that management also incurred Rs 100.281 million on account of expert, legal and court fees due to retention of arbitrator in London. The said fee could be saved by retention of local arbitrator, which was pointed out by audit in the previous ARPSE 2022-23 vide Para No. 2.3.4.3.

Due to weak contract management, commercial operations were not started. Further, after take or pay claims continued to accumulate after COD due to weak operational management.

Audit is of the view that the management was required to charge pre-COD claim from EPC contractor and avoid any further claim by rationalizing gas demand and utilization.

The matter was reported to the management and PAO on December 04, 2023. The management replied that the minimum take or pay liability has been waived off in all GPP's GSA and PPA by the ECC in its decision dated April 14, 2021. However, SNGPL has not been agreeing so far to execute addendums. The reply was not convincing as the management did not take up the matter with EPC contractor regarding recovery imposed by SNGPL on account of take or pay which was attributed to delay in commercial operation date.

DAC in its meeting held on December 29, 2023 directed the management to pursue case vigorously.

Audit recommends compliance of DAC’s directives.

1.4.4.4 Loss due to non-payment against insurance component since COD - Rs 1,324.816 million

According to para 24.2 of reference tariff approved by NEPRA on April 14 2016, QATPL is allowed to claim insurance component at Rs 0.0574 per kilowatt hour.

During audit of QATPL for the year 2022-23, it was observed that CPPA-G disallowed insurance component from capacity invoices since COD i.e. May 20, 2018. As per reference tariff, QATPL is eligible to receive insurance component being part of capacity portion but CPPA-G is refusing on plea that it will allow this portion after true up of tariff. However, Power Purchase Agreement enabled the company to invoice/ receive these payments on monthly basis but due to non-acceptance of invoices, company was sustaining a huge loss in shape of actual amount as well as delayed payment charges of Rs 1,324.816 million. Detail is in **Annex-8**.

Due to non-taking up matter with NEPRA, company was deprived off from legitimate revenue since COD.

Audit is of the view that the management should have taken up this matter with NEPRA and CPPA on immediate basis as it is facing serious liquidity issue. However, issue has not been resolved till date due to reasons best known to the management.

The matter was reported to the management and PAO on December 04, 2023. The management replied that the tariff true up decision has been announced by NEPRA and indexation decision of insurance component is awaited from NEPRA after which the adjustment / differential will be made by CPPA-G accordingly. The reply was not convincing as it failed to recover insurance claims since COD due to which it sustained interest loss.

DAC in its meeting held on December 29, 2023 directed the management to pursue the matter of recovery of insurance component alongwith interest thereon and kept the para pended till decision of NEPRA.

Audit recommends compliance of DAC’s directives.

1.4.4.5 Excess payment of insurance premium in violation of NEPRA approved tariff - Rs 923.06 million

According to para 2.4 of NEPRA true up decision dated January 03, 2023, the authority decided to allow 1% of EPC cost as Insurance during operations which worked out to be Rs 520.29 million.

During audit of QATPL for the year 2022-23, it was observed that the management got the plant & equipment insured from M/s NICL. The total insurance premium for the year paid was Rs 1,444.036 million against approved in tariff of Rs 520.29 million. Hence, an amount of Rs 923.06 million
(Rs 1,444.036 million – Rs 520.29 million) was paid beyond NEPRA approved limit. The management did not initiate concrete measures to resolve the issue. Due to excess payment of insurance premium, QATPL was sustaining recurring loss.

Due to weak financial management, the company sustained heavy loss.

Audit is of the view that insurance premium was paid to M/s NICL over and above the NEPRA approved tariff which was held irregular and unjustified.

The matter was reported to the management and PAO on December 04, 2023. The management replied that QATPL raised the matter of excess insurance premium on various fora i.e. NICL, NEPRA, CPPA-G, PPIB & Ministry of Commerce but no response received. The reply was not convincing as management failed to resolve the issue to date.

DAC in its meeting held on December 29, 2023 directed the management to seek guidance from PPRA for hiring the services of other Insurance companies in the presence of NICL Ordinance 2000. DAC also directed the management to take up the matter proactively with NEPRA for reimbursement of insurance expenses as per actual payment through parent department.

Audit recommends compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 2.3.4.5 having financial impact of Rs 2,684.00 million. Recurrence of same irregularity is a matter of serious concern.

1.4.4.6 Imposition of fine due to delayed synchronization of plant with National Grid - Rs 20.00 million

According to section 14B(4) of the NEPRA Act, in the case of a generation facility connecting directly or indirectly to the transmission facilities of the national grid company, the licensee shall make the generation facility available to the national grid company for the safe, reliable, non-discriminatory, economic dispatch and operation of the national transmission grid and connected facilities.

During audit of QATPL for the year 2022-23, it was observed that the power system breakdown occurred on January 09, 2021 at 11:40 PM due to which whole country went into darkness and the system was completely restored on January 10, 2021 after 20 hours (approximately). As per

National Power Construction (NPCC) record, the supply at QATPL bus bar was restored at 09:13 AM on January 10, 2021 and it was instructed by NPCC through notice to synchronized its first unit at 10:43 AM on January 10, 2021. However, the licensee had synchronized its first unit at 12:14 AM on January 11, 2021 after lapse of almost 13 hours, thereby, prima facie, the licensee failed to comply with the NPCC's instructions as per terms & conditions in timely manner which severely hampered the restoration process of power system. NEPRA issued show cause notice to QATPL dated May 20, 2022 under relevant Rules and Regulations. After giving the opportunity of hearing to licensee, NEPRA did not satisfy and impose a penalty of Rs 20.00 million on QATPL.

Due to weak operational management, the plant was not synchronized with national grid within the given time.

Audit is of the view that the plant could not be synchronized with national grid in time which resulted into imposition of time and loss to the company.

The matter was reported to the management and PAO on December 04, 2023. The management replied that QATPL filed an appeal against this order in the Appellate Tribunal of NEPRA. The reply of the management is not convincing as it failed to satisfy the Regulatory Authority on late synchronization of plant.

DAC in its meeting held on December 29, 2023 directed the management to pursue the case vigorously and kept the para pended till decision.

Audit recommends compliance of DAC’s directives.

1.4.4.7 Revenue loss due to excess auxiliary consumption of electricity at complex – Rs 50.747 million

According to section 2.9 (a)(iii) of the Power Purchase Agreement, for the period commencing on the Commercial Operations Date (COD) and ending on expiry of the term, the contract capacity shall be 1,156,675 KW, as may be revised at the time of COD, a maximum three percent (3%) auxiliary consumption is allowed.

During audit of QATPL for the year 2022-23, it was observed that auxiliary consumption of the complex was beyond the maximum allowed limit 3% during the month of July 2022 and July 2023. Operations and Maintenance of the plant is being carried out by M/s HEI-HRL since inception and responsibility to run the complex in efficient and economical way rests with it. However, O&M contractor and management dealt it leniently that resulted into revenue loss of Rs 50.747 million. The detail of excess consumption is as under.

(Rs in million)

Sr. No	Month	Gross Production KWh	Allowed Aux. Consumption @ 3% KWh	Actual Aux. Consumption KWh	Excess Consumption KWh	Tariff Rs per KWh	Revenue loss on excess consumption (Rs)
1	July-22	289,181,240	8,675,437	9,754,440	1,079,003	25.23	27.227
2	July-23	427,310,000	12,819,300	13,889,500	1,070,200	21.98	23.520
Total							**50.747**

Due to weak operational management, auxiliary consumption of electricity increased beyond allowed consumption limit.

Audit is of the view that management should have remained vigilant and overseen the work of O&M Contractor to keep auxiliary consumption within limits. Further, O&M contractor should be held responsible but no action was taken by the management in this regard.

The matter was reported to the management and PAO on December 04, 2023. The management replied that as per the referred section of PPA, allowed Aux. Consumption @3% KWh is subject to complex operations at base load capacity i.e. 1163.123 MW and whenever Plant will operate at part load its auxiliary consumption of generation increases. The reply was not convincing as the said clause of agreement did not provide segregation of base load and full load.

DAC in its meeting held on December 29, 2023 directed the management to provide record for verification. Management provided month wise net electric output in KWh and stated that auxiliary consumption increased due to operation of plant at lower load. Audit observed that auxiliary consumption remained within the prescribed limit except the months pointed out by audit. This showed that auxiliary consumption was not linked with part load as replied by the management.

Audit recommends compliance of DAC's directives.

1.4.4.8 Loss due to disallowing various components in true up tariff - Rs 7,857.61 million

According to NEPRA True Up Tariff decision dated January 03, 2023, certain component i.e. EPC-off shore, interest during construction, O&M mobilization and training were disallowed.

During audit of QATPL for the year 2022-23, it was observed that NEPRA approved reference tariff on April 14, 2016. As per reference tariff, different cost components were allowed with certain conditions and limits. Plant started commercial operations on May 20, 2018. Later on, management filed petition for adjustment of relevant components of tariff on June 10, 2020. After detailed scrutiny of record, NEPRA decided the COD tariff on January 03, 2023 by reducing/ disallowing certain cost components. As a result, company suffered a loss of Rs 7,857.6 million. Detail is as under:

(Rs in million)

Sr. No.	Particulars	Amount Claimed (Rs)	Amount Allowed (Rs)	Amount (Rs)
1	EPC-Offshore	49,409.52	45,073.77	4,335.75
2	Land cost	101.85	80.85	21.00
3	Admin Expenses	714.57	711.06	3.51
4	O&M mobilization and Training	607.95	326.75	281.19
5	Insurance during Construction	626.81	444.43	182.38
6	Testing & Commissioning	157.11	-	157.11
7	Financing Fee and Charges	2,188.99	1,895.08	293.91
8	Interest During Construction	4,492.49	1,909.08	2,583.42
Total				**7,858.61**

Due to weak financial management, cost of various components exceeded the approved limit.

Audit is of the view that management was required to keep the costs within allowable limits so that they can be claimed at the time of true up. However, management failed to adjust the actual expenditures which is held irregular.

The matter was reported to the management and PAO on December 04, 2023. The management replied that company has filed a review petition with NEPRA and an appeal in the NEPRA appellate tribunal against these deductions. The reply was not convincing as the management either failed to prove its stance before NEPRA or claimed excess cost.

DAC in its meeting held on December 29, 2023 directed the management to pursue the matter vigorously with NEPRA for early decision of appeal.

Audit recommends compliance of DAC's directives.

Chapter-2

Higher Education Department

Introduction

Higher Education Department, (HED) is responsible for education, learning and related services for students, as well as Faculty/teaching & non-teaching staff, serving in Public and Private Institutions in the province of Punjab. Its aim is to achieve a highly educated society; where educational opportunities are equally available for all young people in Pakistan, no matter what their social, ethnic, and cultural background or family circumstances are. To promote development of an enlightened and prospering Punjab by reinforcing knowledge economy along with a focus on equitable and quality learning. The realization of the higher education department's vision of "enlightened and prospering Punjab by reinforcing knowledge economy" rests on the shift from access to quality which is evident from the key initiatives it has taken in recent past. Improving quality of teaching, research and innovation, enhancing creativity and entrepreneurship and promoting equity, access, social cohesion and responsible citizenship.

Objectives

The basic aim of HED is not only to cater the educational needs of the target population i.e. the students, but also broaden their vision and mental horizon in order to equip them to deal better with the academic and economic challenges of the modern world. The realization of the higher education department's vision of "enlightened and prospering Punjab by reinforcing knowledge economy" rests on the shift from access to quality, and for realization of this vision the department has outlined following objectives:

Functions

The department of Higher Education Punjab has administrative and financial control of the multi-tier Higher Education sector in the Punjab. It manages more than 750 colleges with general as well as specific programs in 37 districts of the province. It also supervises 09 Boards of Intermediate and Secondary Education, 25 Public Sector Universities and 26 Autonomous Educational Professional Institutions of Higher Education, Commerce Colleges.

Governing Laws

- Ali Institute of Education Lahore Act, 2010
- Forman Christian College Act, 2004
- Global Institute Lahore Act, 2011
- Imperial College of Business Studies Lahore Ordinance, 2002

- Institute of Management Sciences Lahore Ordinance, 2002
- Institute of Southern Punjab Multan Act, 2010
- Lahore School of Economics Act, 1997
- National College of Business Administration & Economics Lahore Ordinance, 2002
- Punjab Kinnaird College for Women Lahore Ordinance, 2002

Formations:-

Punjab Education Endowment Fund
Lahore Knowledge Park Company

(Rs in million)

Sr. No	Description	Total Nos	Audited	Expenditure audited FY 2022-23 (Rs)	Revenue/Receipt audited FY 2022-23 (Rs)
1	Formations	2	1	133.26	163.20
2	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
3	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audited Observations

Audit observations amounting to Rs 69.129 million were raised as a result of this audit. Summary of the audit observations classified by nature is as under:

(Rs in million)

Sr. 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	15.989
c.	Management of Accounts with Commercial Banks	-
4.	Value for money and service delivery issues	-
5.	Other	53.140

2.1 Punjab Education Endowment Fund (PEEF)

2.1.1 Introduction

The Punjab Educational Endowment Fund (PEEF) is a non-profit organization incorporated in Pakistan on December 31, 2008 as a Guarantee Limited Company under Section 42 of the Companies Ordinance, 1984. The company was established with initial seed money of Rs 2,000.00 million by Government of the Punjab which has been enhanced to Rs 13,500 million in financial year 2015-16. According to Board of Directors decision dated February 10, 2009, the amount lying in Endowment Fund was invested for one year and after expiry of period of year, the amount was reinvested.

The main objective of the company is to provide equitable opportunities of education to under privileged but talented boys and girls especially from the southern districts of the province to bring them at par with more fortunate ones and to create a critical mass of talented youth for the development of society.

2.1.2 Comments on Audited Accounts

2.1.2.1 The working results of the PEEF for the year 2022-23 as compared to previous years are as under:

(Rs in million)

	2022-23	**%Inc /(Dec)**	**2021-22**	**%Inc /(Dec)**	**2020-21**
Income					
Interest income	2,307.65	75.07	1,318.131	4.70	1,259.00
Grant related to income recognized	619.58	(54.86)	1,372.615	45	946.114
Grant related to assets recognized	-		0.110	(75)	0.448
Other income	3.57	18.60	3.01	(62.87)	8.107
Grant/Donations	-		-	-	0.010
Total	**2,930.79**	8.79	**2,693.866**	**21.69**	**2,213.682**
Expenditure					
Program cost	1,676.69	(16.82)	2,015.706	(7.188)	2,171.820
Salaries & benefits	121.98	9.38	111.515	(0.93)	112.561
Admn & general expenses	44.41	39.21	31.899	(11.31)	35.968

Finance cost	2.78	(33.01)	4.15	(20.19)	5.199
Total	**1,845.86**	(14.67)	**2,163.27**	**(6.978)**	**2,325.55**
Excess of (expenditure over income)/ income over expenditure	1,084.93	104.47	530.596	(375)	(111.668)
Pre measurement loss on defined benefits obligations	(4.17)	(19.19)	(5.160)	108.23	2.478
Total comprehensive income for the year	**1,080.76**	**106.48**	**525.43**	**(360.32)**	**(114.146)**

(Source: Audited Annual Accounts)

Total inflow increased by 8.8% to Rs 2,930.783 million in the year from Rs 2,693.866 million in the year 2021-22. However amount of scholarship disbursed (program cost) decreased by 16.55% from Rs 1,991.23 million in 2021-22 to Rs 1,661.59 million in 2022-23. Decrease in Scholarships needs justification. Similarly PHD level foreign Scholarship also decreased to 09 no scholarship in 2023 from 18 Nos. scholarships in 2022 which also need justification.

2.1.2.2 Land valuing Rs 24.511 million was allocated/ transferred by Government of the Punjab. Management incurred Rs 3.320 million for design during the year 2021-22. However, no change in capital work in progress was observed during 2022-2023. Non-utilization of land needs justification.

2.1.2.3 Tax refund increased to Rs 23.178 million in the year 2022-23 from Rs 0.704 million in 2021-22 registering an increase of 3192.33%. As the company is registered under section-42, exemption of income tax should have been obtained to avoid taxation. Reason for non-obtaining tax exemption needs explanation and refund should be recovered at earliest.

2.1.2.4 Other liability shown as amount of Rs 7.470 million in 2022-23 as compared to Nil in 2021-22. The break up/ detail was not shown in accounts. Justification & schedule of this head may be provided.

2.1.2.5 Foundation paid meeting fee amounting to Rs 3.10 million to members of BoD during 2022-23 as compared to Nil 2021-22, out of which Rs 0.320 million paid to Chief Executive. Approval and legal grounds for the payment of meeting fee paid to the Directors and Chief Executive may be provided.

2.1.2.6 As per rule 4(4) of Corporate Governance Rule, 2013 it was required that chairman will be elected by the BoD except where post is filled by the government. The company failed to comply with the said rule. The reasons for non-appointment of chairman need clarification.

2.1.2.7 Scholarship payable increased from Rs 439.56 million in the year 2021-22 to Rs 581.39 million in the year 2022-23 registering an increase of 32.27%. Early and timely disbursement of scholarship is stressed upon management so that the needy students could be able to attain the benefit of scholarship.

2.1.2.8 Company cash and bank balance increased from Rs 2,322.15 million in the year 2021-22 to Rs 3,030.74 million in the year 2022-23 registering an increase of 30.52%. Company needs to compute its working capital requirement and invest additional funds in short term investment to get a better rate of return. The reasons for non-investing funds in short term investment need justification.

2.1.3 Compliance of PAC Directives

No PAC meeting for the years 2014-15 to 2022-23 has been convened so far.

2.2 Lahore Knowledge Park Company (LKPC)

2.2.1 Introduction

The Lahore Knowledge Park Company (LKPC) was established by the Government of the Punjab to strategize, plan, undertake and oversee the development of knowledge & growth parks. The Lahore Knowledge Park is the company's inaugural and flagship project. LKPC operates under independent Board of Directors, which is comprised of members from Government, Academia and the Industry. It was incorporated in October, 2014 as a not-for-profit, large scale public sector company, registered under Section 42 of the Companies Ordinance, 1984. LKPC is owned by the Higher Education Department, Government of the Punjab. The Company was given possession of a piece of land measuring 802 acres situated at Rakh Dera Chal by Higher Education Department, Government of the Punjab on Bedian Road, Lahore which is the site of the Lahore Knowledge Park.

2.2.2 Comments on Audited Accounts

2.2.3 The management failed to provide annual audited accounts for the years 2018-19 to 2022-23 by December 31, 2023.

2.2.4 Compliance of PAC Directives

PAC meetings for the years 2014-15 to 2022-23 were not convened.

2.2.5 Audit Paras

2.2.4.1 Irregular engagement of individual consultants under short consultancy - Rs 11.160 million

According to the rule-2(1)(ab) of Punjab Procurement Rules 2014, 'short consultancy' means consultancy where the cost of consultancy does not exceed two million rupees for individual consultant and five million rupees for consulting firms and duration of the short consultancies for an individual consultant shall not exceed six months.

During audit of Lahore Knowledge Park Company (LKPC) for the years 2018-2023, it was observed that management appointed four consultants under short term consultancy for six months by collecting three quotations in January 2023. On completion of their contract period i.e. six months, the management again hired them for another six months to accommodate them in violation of PPRA Rules. As the cost of consultancy exceeded two million rupees and period of consultancy was beyond six months hence engagement of individual consultants was held irregular and payment of Rs 11.160 million.

Due to weak internal controls the consultants were hired for another period of six months.

Audit is of the view that management was required to hire consultants by strictly following the PPRA Rules but the same was not done to extend undue favor.

The matter was reported to the management and PAO on October 04, 2023. The management replied that upon joining of regular CEO LKPC, the Board assigned various tasks and assignments with the expectation to be completed at a fast pace, hence the CEO made the appointments. The reply was not convincing as management appointed individual consultants under short term consultancy for six months by collecting three quotations.

The DAC in its meeting held on January 12, 2024 directed the management to produce the work scope/ job descriptions and evidence of re-hiring process of the same consultants for verification to audit. The management did not provide the record till finalization of report.

Audit recommends compliance of DAC's directives.

2.2.4.2 Irregular hiring of Chartered Accountant firms without concurrence of Auditor-General of Pakistan – Rs 4.829 million

In accordance with the provisions of Sub section (2) of Section 15 of the Auditor-General's (Functions, Powers and Terms and Conditions of service) Ordinance, 2001 Auditor-General of Pakistan issued guidelines for appointment of Chartered Accountants firms vide letter No 05/61-AR-111/c/2001 (PF) dated January 02, 2002, in case of appointment of Chartered Accountant Firms by autonomous bodies, the concurrence from office of AGP for the same was required to be obtained by the autonomous bodies.

During audit of LKPC for the years 2017-2023, it was observed that the management appointed chartered Accountant firms for audit of the company during the period 2015-2023 without consultation with Auditor-General of Pakistan and paid an amount of Rs 4.829 million as audit fee. Detail of payment of Chartered Accountant firms. Detail is as under:

(Rs in million)

Audit Year	Payment Date	Name of Audit Firm	Amount (Rs)
2015-16	25.08.2017	Grant Thornton	0.100
2016-17	09.03.2018	EY Ford Rhodes	0.700
2017-18	14.01.2020	EY Ford Rhodes	0.770
2018-19	05.11.2020	EY Ford Rhodes	0.780
2019-20	11.06.2021	EY Ford Rhodes	0.780
2020-21	24.11.2021	EY Ford Rhodes	0.900
2021-22	-	Rehman Sarfraz Rahim	0.399

2022-23	-	Rehman Sarfraz Rahim	0.400
Total			**4.829**

Due to weak internal controls the instructions of the AGP could not be complied.

Audit is of the view that negligence on the part of the management resulted into irregular hiring of Chartered Accountant Firm.

The matter was reported to the management and PAO on October 04, 2023. The management replied that Chartered Accountant Firms for the audit of LKPC were hired after completing all codal formalities of the Punjab Procurement Rules, 2014. The reply was not convincing as the management was required to get the concurrence of the AGP before appointment of Chartered Accountant firms.

DAC in its meeting held on January 12, 2024 directed the management to pursue the case for ex-post facto approval from Auditor-General of Pakistan.

Audit recommends compliance of DAC's directives.

2.2.4.3 Wasteful expenditure due to non-achievement of objectives of the company - Rs 938.980 million

According to Memorandum of Association of LKPC "the primary objective of the Company is to develop, maintain and operate Knowledge Park at the place as required by the Government".

During audit of LKPC for the year 2017-23, it was observed that Company owns 852 acres of land on Bedian Road, Lahore intended for the development of a Knowledge Park to attract foreign investors and universities to establish campuses in Pakistan. The statement of conditions required foreign investors to reinvest their profits within the same institution, preventing them from taking profits back to their home country. The restriction discouraged foreign investors from investing in Pakistan. Additionally, investors were obliged to complete the campus within three years, but due to inadequate infrastructure such as roads and sewerage system, the conditions were not favorable for potential invest to Rs The offered lease period of a maximum of 33 years also failed to attract top universities and reputed institutions due to unfavorable terms and conditions. The LKPC incurred an expenditure of Rs 938.980 million during the years 2014-2023, without any productive work except the award of contract to M/s Infrastructure Development Authority of the Punjab (IDAP) for the construction of boundary wall on September 14, 2017, which was still to be completed.

Due to defective planning, the organization failed to achieve its objectives.

Audit is of the view that the discriminatory terms and conditions outlined in the statement prevented any investor from expressing interest in coming to Pakistan and investing. Consequently, this situation led to the management's failure in accomplishing the company's objectives.

The matter was reported to the management and PAO on October 04, 2023. The management replied that there were certain clauses that need to be revised for attracting international / private sector investments, the Government of the Punjab notified a committee vide notification dated November 22, 2017 to review the issues and way forward of the LKPC. The reply is not convincing as due to defective statement of conditions, LKPC failed to attack foreign investor and did not achieved the objectives.

DAC in its meeting held on January 12, 2024 directed the management to probe the matter at Administrative Department level within 30 days and to request the HED for early constitution of the Board.

Audit recommends compliance of DAC's directives.

2.2.4.4 Non-adherence to standard bidding documents resulting into increase in cost – Rs 53.14 million

According to clause 43.1 of Standard Bidding Documents (SBD) issued by Pakistan Engineering Council, the whole of the Works and, if applicable, any Section required to be completed within a particular time as stated in the Appendix to Tender, shall be completed, in accordance with the provisions of Clause 48, within the time stated in the Appendix to Tender for the whole of the Works or the Section (as the case may be), calculated from the Commencement Date, or such extended time as may be allowed under Clause 44.

During audit of LKPC for the years 2017-2023, it was observed that the management entered into an agreement with M/s IDAP for the purpose of execution of the Civil Works of the project (Package-I) on September 14, 2017. The total project cost was determined, approved and fixed as Rs 751 million. There was no clause regarding timelines of the project included in the agreement and the same was left open ended. The absence of timeframes and LD clauses in the agreement favored the executing agency, leading to an increase in estimated project costs to Rs 804 million by December 31, 2020, with an additional claim of Rs 53.140 million.

The delay and increased costs were a result of not adopting the Standard Form of Bidding Documents and omitting the completion time from the agreement.

Audit is of the view that had the management followed SBD, incorporated timelines of the project and LD clauses in the agreement, the project could have been completed in a short period within approved cost.

The matter was reported to the management and PAO on October 04, 2023. The management replied that court cases caused a delay in the completion of civil works, therefore, the delay in completion of civil works is not the failure of the contractor, thus, LD charges / penalty to contractor may not be imposed. The reply is not convincing as no time limit was defined in the contract and no provision for imposition of LD was included in the contract.

DAC in its meeting held on January 12, 2024 directed the management to probe the matter at Administrative Department level within 30 days and fix responsibility for defective agreement with IDAP.

Audit recommends compliance of DAC’s directives.

Industries, Commerce, Investment and Skills Development Department

Introduction

The Industries, Commerce and Investment Department 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. The Government of the Punjab is keen on creating a business-friendly investment climate in line with the federal government policies and present the Province of Punjab as an attractive investment destination for the entrepreneurs/investors.

Purpose/ Objectives

The department works with the vision to encourage & promote Industry including Cottage Industry for sustainable growth, credit facilitation including micro financing, facilitation in trade and business, availability of skilled manpower, consumer protection and co-ordination in price control.

The mission of the department is to create prosperity by strengthening the competitiveness of Punjab business environment, promoting trade by all means including competitive and efficient export supply chain and investment climate that helps develop the private sector, and addressing issues related to fair trade and compliance with international trade regime.

The major objectives of the department are:

- Promotion of industry & investment in the province
- Advocacy and implementation of trade & investment policies of the Federal/ Provincial Governments
- Liaison with private sector, trade bodies and trade associations
- Creation of awareness about WTO related trade laws & standards
- Improve product competitiveness and export supply chains
- Conduct research and provide technical expertise to private sector
- Regulate prices of essential commodities

Governing Laws

- Industrial Statistics Act, 1942
- Land Acquisition Act, 1894
- Partnership Act, 1932
- Price Control and Prevention of Profiteering and Hoarding Act, 1977
- Protection of Economic Reforms Act 1992
- Punjab Consumer Protection Act 2005
- Punjab Industrial Development Board Act, 1973
- Punjab Small Industries Corporation Act, 1973
- Punjab Technical Education and Vocational Training Authority Act 2010

Ordinance

- Apprenticeship Ordinance, 1962
- Companies Ordinance 1984 (now Companies Act 2017)
- Punjab Board of Technical Education Ordinance, 1962
- Punjab Industries (Control on Establishment and Enlargement) Ordinance, 1963

Formations:-

- Faisalabad Industrial Estate Development and Management Company (FIEDMC)
- Punjab Board of Investment and Trade
- Punjab Industrial Development Board (Defunct)
- Punjab Industrial Estate Development and Management Company (PIEDMC)
- Punjab Model Bazaars Management Company (PMBMC)
- Punjab Small Industries Corporation (PSIC)
- Government Printing Press, Lahore
- Government Printing Press, Bahawalpur

Audit Profile of Industries, Commerce, Investment and Skills Development Department
(Rs in million)

Sr. No	Description	Total Nos	Audited	Expenditure audited FY 2022-23 (Rs)	Revenue/Receipt audited FY 2022-23 (Rs)
1.	Formations	04	-	-	-
2.	Authorities/Autonomous Bodies etc. under the PAO	05	02	543.99	443.84
3.	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 132.186 million were raised as a result of this audit. This amount also includes recoverable of Rs 10.692 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of the Audit Observations
(Rs in million)

Sr. 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	4.611
4.	Value for money and service delivery issues	114.845
5.	Other	12.730

3.1 Punjab Industrial Estate Development and Management Company (PIEDMC)

3.1.1 Introduction

Punjab Industrial Estates Development and Management Company ("the Company") was incorporated in Pakistan on September 18, 2003 as a public company limited by guarantee, licensed as a non-profit organization under Section 42 of the Companies Ordinance, 1984. The Company is owned by the Government of the Punjab. The principal activity of the Company is to develop new industrial estates together with updating the existing industrial estates as may be assigned by the Government of the Punjab. The registered office of the Company is situated at Commercial Area (North) Sundar Industrial Estate, Raiwind Road, Lahore.

The Company is managing Quaid e Azam Industrial Estate (QIE) in Lahore and Multan Industrial Estate - Phase I (MIE I) in Multan while it is currently developing, Sundar Industrial Estate (SIE) in Lahore, Multan Industrial Estate - Phase II (MIE II) in Multan, Rahim Yar Khan Industrial Estate in Rahim Yar Khan, Bhalwal Industrial Estate in Bhalwal, Vehari Industrial Estate in Vehari and Quaid-e-Azam Apparel Park in Sheikhupura.

3.1.2 Comments on Audited Accounts

3.1.2.1 The management failed to provide annual audited accounts for the years 2022-23 by December 2023.

3.1.2.2 The working results of the Company for the year 2021-22 as compared to previous years are as under:

(Rs in million)

	2021-22	% Inc/ (Dec)	2020-21	% Inc/ (Dec)	2019-20 (Restated)	% Inc/ (Dec)	2019-20
Incomes							
Income from sale of plots	(81.022)	-	183.870	(61.742)	480.609	(58.602)	1,160.940
Fees	273.462	(26.163)	370.359	317.796	88.646	-	88.646
Operations, maintenance and allied service billing	474.589	10.598	429.110	10.455	388.495	-	388.495
Return on Bank Deposit & Investments	807.049	73.182	466.012	(2.914)	479.998	-	-
Income from electricity supply	76.559	11.891	68.423	(8.652)	74.904	(98.924)	6,958.200
Rental income	34.967	(1.002)	35.321	24.541	28.361	-	-

Amortization of deferred income/grant	19.428	(11.133)	21.862	1.940	21.446	644.136	2.882
Construction and supervision services	-	-	-	-	-	-	27.982
Other income	47.715	(70.147)	159.831	15.282	138.643	(82.273)	782.092
Total	**1,652.747**	**(4.729)**	**1,734.788**	**1.980**	**1,701.101**	**(81.921)**	**9,409.230**
Expenditures							
Estate maintenance expenses/Development expenditure	59.043	122.041	26.591	60.797	16.537	0.012	16.535
Infrastructure maintenance expenses	472.233	9.342	431.888	19.254	362.159	-	
Administrative expenses	426.176	(16.882)	512.738	54.295	332.311	-	332.311
Selling expenses	29.486	18.499	24.883	6.616	23.339	(0.004)	23.340
Finance cost	1.297	(81.725)	7.097	109.413	3.389	(98.893)	306.040
Cost of sales	-	-	-	-	-	-	849.923
Construction and supervision cost of QASP	-	-	-	-	-	-	27.982
Operations, maintenance and allied service billing	-	-	-	-	-	-	362.160
Electricity	-	-	-	-	-	-	6910.820
Total	**988.235**	**(1.491)**	**1003.197**	**-**	**737.735**	**(91.644)**	**8829.120**
Net surplus for the year	**664.512**	**(9.169)**	**731.591**	**(24.059)**	**963.366**	**66.063**	**580.120**
Actuarial gain/(loss) on re-measurement of post-employment benefit	(68.655)	-	10.151	**267.125**	2.765	**-**	(2.765)
Total comprehensive income for the year	**595.857**	**(19.668)**	**741.742**	**(23.226)**	**966.131**	**67.339**	**577.350**

(Source: Annual Audited Accounts for 2020-21 & 2021-22

The company's overall income dropped from Rs 1,734.788 million in 2020-21 to Rs 1,652.747 million in 2021-22. Specifically, the income from sales of plots went negative by Rs 81.022 million. This indicates that during 2021-22, the management made payments for returned plots that were initially sold in previous years. This situation requires further explanation and justification as company failed to perform its core function.

3.1.2.3 The return on bank deposits & investments surged from Rs 466.012 million in 2020-21 to Rs 807.049 million in 2021-22, marking a notable 73% increase. This increase suggests a management shift towards relying more on income from bank deposits rather than income from plot sales, which had declined from Rs 183.871 million to a negative of Rs 81.021. It indicated that loans received from the Government for various development projects at a 0.25% markup were invested in bank deposits at higher rates, contributing significantly to operational inefficiency.

3.1.2.4 The amount for bad debts written off increased from 0.114 million in 2020-21 to Rs 11.508 million in 2021-22, marking a staggering increase of 2000%. This significant rise indicates a weak recovery mechanism. Reason for such huge increase and needs improvement by conversion of receivables into receipts within a short period.

3.1.2.5 The accumulated default surcharge due to delays in repayment on Government loans rose from Rs 366.962 million in 2020-21 to Rs 520.620 million in 2021-22, marking a 42% increase. Urgent efforts are required from the management to pursue the waiver of this surcharge/penalty at the earliest possible opportunity.

3.1.2.6 Estate maintenance expense increased from Rs 26.591 million in 2020-21 to Rs 59.043 million in 2021-22 registering an increase of 122%. On the other hand sales receipts were negative in 2021-22. This situation demands immediately curtailment of expenses and increase in income from sale of plots

3.1.2.7 Marketing and promotion expenses increased from Rs 7.850 million in 2022-21 to Rs 13.442 million in 2021-22 registering the increase of 71% while income from the sale of plots was stood negative at Rs (81.022) million in 2021-22. The justification of increase in marketing expenses despite negativity in income from sale of plot needs to be explained.

3.1.2.8 Trade and other payables, inclusive of creditors, escalated from Rs 964.003 million in 2020-21 to Rs 1,829.182 million, marking a substantial 90% increase. Underlying reasons for this significant increase need to be explained despite availability of sufficient funds.

3.1.2.9 Trade receivables includes electricity bills receivables increased from Rs 1,066.476 million in 2020-21 to Rs 1,789.729 million in 2021-22 registering an increase of 68%. Similarly provision for doubtful debts stood as 701.400 million as on June 30, 2023. Strenuous efforts needs to be made for the recovery the amount from the receivable to avoid bad debts.

3.1.2.10 Title of land measuring area 667 acres in Multan Industrial Estate Phase II, 483 acres in Bahawalpur Industrial Estate, 200 acres in Vehari Industrial Estate, 130.11 acres in Chunian

Industrial Estate and 390.75 acres in Bhalwal Industrial Estate had not been transferred in the name of the company. Efforts need to be made by the management to transfer the ownership in the name of the company.

3.1.2.11 Accounts/financial statements for the year 2019-20 have been restated at finalization of next year accounts 2020-21 after January 2023. During restatement under retrospective effect land held for development and resale was decreased by Rs 83.868 million, income due to sale of plot increased by 177.444 and accumulated reserves decreased by Rs 72.882. Reasons for restatement of accounts along with justification thereof need to be shared with audit.

3.1.3 Compliance of PAC Directives

No PAC meeting for the years 2014-15 to 2022-23 has been convened so far.

3.2 Punjab Government Printing Press, Bahawalpur

3.2.1 Introduction

Punjab Government Printing Press, Bahawalpur is rendering printing services to government departments in the province of Punjab.

3.2.2 Comments on Audited Accounts

3.2.2.1 The management failed to submit the annual audited accounts for the years 2008-09 to 2022-23 by December 31, 2023.

3.2.3 Compliance of PAC Directives

No PAC meeting for the years 2014-15 to 2022-23 has been convened so far.

3.2.4 Audit Paras

3.2.4.1 Loss due to non-charging of revised rates - Rs 2.038 million

According to notification No. SO (B&A) 1-14/2021-22(NTR) dated September 15, 2022, the rates of printing labour and binding labour were revised by the Industries Department.

During audit of Punjab Government Printing Press, Bahawalpur for the years 2019-23, it was observed that management charged old rates instead of new rates during the year 2022-23. Further, the cost of plates used for printing of various jobs was also not included in the total cost. Financial impact of these omissions is given as under:-

(Rs in million)

Sr No.	Description	Hours consumed	New rate per hour (Rs)	Old rate per hour (Rs)	Difference of rate less charged (Rs)	Amount (Rs)
	A	**B**	**C**	**D**	**E (C-D)**	**F (B*E)**
1	Printing hours	2,435	120	90	30	0.073
2	Binding hours	35,255	70	40	30	1.057
3	Cost of printing plates					
	Description	Per unit cost		No. of printing plates used		
	Printing plates	Rs 883		1,028		0.908
Total						**2.038**

Due to weak internal controls and lack of effective communication between head office and printing press Bahawalpur, the actual rates were not charged and hence resulted into loss of Rs 2.038 million.

Audit is of the view that calculation of cost of a job/ work order was one of the core components and should have been calculated including actual expenditures incurred but the same was not observed.

The matter was reported to the management and PAO on October 30, 2023. The management replied that rate were revised in July, 2022 and July, 2023 and there was no loss to the Government. The reply was not tenable as new rates were not charged by the management, which caused loss.

DAC in its meeting held on January 12, 2024 directed the management to recover the rate differential.

Audit recommends compliance of DAC's directives.

3.3 Punjab Government Printing Press, Lahore

3.3.1 Introduction

Punjab Government Printing Press, Lahore is rendering printing services to government departments in the province of Punjab since 1914.

3.3.2 Comments on Audited Accounts

1.3.2.1 The management was failed to submit the annual audited accounts for the years 2007-08 to 2022-23 by December 31, 2023.

3.3.3 Compliance of PAC Directives

No PAC meeting for the years 2014-15 to 2022-23 has been convened so far.

3.3.4 Audit Paras

3.3.4.1 Irregular receipt of security deposit from pre-qualified printers in shape of defense saving certificates – Rs 4.611 million

According to sr. no. 8 of the terms and conditions of application form for pre-qualification, after inspection of the press, that applicant should furnish a pay order for Rs 50,000 as security (refundable) in the name of the Superintendent, Government Printing Press, Lahore "A" Class approved printers and security of Rs 25,000 pay order refundable in the name of the Superintendent, Government Printing Press, Lahore for "B" Class approved Printers.

During audit of Printing Press, Lahore for the years 2019-23, it was observed that management retained security from the contractors and pre-qualified printers in the shape of defense saving certificates contrary to the terms and conditions of pre-qualification. Audit scrutinized these defense saving certificates and it was revealed that these certificates were issued in the name of contractors/ suppliers instead of Government Printing Press which means that no security deposit valuing Rs 4.611 million was available.

Due to weak internal controls, terms and conditions of pre-qualification were violated.

Audit is of the view that due care and diligence was not exercised resulting into violation of terms and conditions of pre-qualification. Non-obtaining of security in requisite shape, is a serious lapse at the part of management.

The matter was reported to the management and PAO on October 30, 2023. The management replied that retention of security in the shape of saving certificate was a safest way to safeguard the government interest. The reply was not convincing as it was against the terms and conditions of pre-qualification. Moreover, in case of any default management cannot encash Defense Saving Certificates as they are in the name of contractor.

DAC in its meeting held on January 12, 2023 directed the management to get the matter regularized from Finance Department besides obtaining security in shape of pay order/CDR.

Audit recommends compliance of DAC's directives.

3.3.4.2 Irregular issuance of NOCs resulted into loss due to non-execution of jobs - Rs 114.845 million

According to clause 3.1, Chapter-III of Government printing and stationary manual 1960 the other Government departments are restricted for printing & binding work done except through the superintendent / works manager in whose jurisdiction his office fall or under his advice.

During audit of Printing Press, Lahore for the years 2019-23, it was observed that management issued NOC to different Government departments on the plea that four color printing facility was not available. During scrutiny of record it was revealed that in a number of cases NOC was issued for two color printing, although this facility was available in-house. Audit has noted that printing jobs having value of Rs 114.845 million were not executed in-house and NOCs were issued.

Weak internal controls and insincere efforts of the management, the Department was deprived off revenue generation opportunity amounting to Rs 114.845 million.

Audit is of the view that printing of different jobs is the primary function of the management but above mentioned jobs were not executed in-house and NOCs were issued to the respective departments for getting their printing work from private presses.

The matter was reported to the management and PAO on October 30, 2023. The management replied that four colour printing was not possible for which upgradation of press was requested. The reply was not convincing as NOCs were issued despite having in-house capacity.

DAC in its meeting held on January 12, 2023 directed the management to form a policy for issuance of NOC with the approval of administrative department.

Audit recommends compliance of DAC's directives.

3.3.4.3 Loss due to non-recovery of printing charges – Rs 10.692 million

According to office order dated July 07, 1996 issued by the Controller, Printing & Stationary Department Punjab, rates were fixed for printing of notifications in official gazette of Punjab which were Rs 3,477 per page of the official Gazette.

During audit of Printing Press, Lahore for the years 2019-23, it was noted that Rs 3,477 per page was fixed for printing of official notifications. Scrutiny of record revealed that two departments i.e. Law Department and Provincial Assembly Secretariat were not paying the charges. An amount of Rs 10.692 million (approx.) was recoverable from these departments.

Due to weak internal controls and management practices printing charges could not be billed and recovered from Law Department and Provincial Assembly Secretariat.

Audit is of the view that due diligence was not exercised while running the affairs of Printing Press Lahore resulting into loss to the department.

The matter was reported to the management and PAO on October 30, 2023. The management replied that bills regarding printing of Gazette Notification sent to both the departments for payment amounting to Rs 38.331 million. The reply was not tenable as huge amount of Rs 38.331 million could not be realized due to non-billing since long.

DAC in its meeting held on January 12, 2024 kept the para pending with the directions to effect recovery.

Audit recommends compliance of DAC’s directives.

Chapter-4

Irrigation Department

Introduction

Irrigated agriculture is the major determinant of economic growth potential as it accounts for 26 % of the GDP and caters for over 40 % of the province's work force. Over 9% of agricultural output in Punjab comes from farmlands irrigated by one of the largest contiguous irrigation systems in the world. The colossal irrigation conveyance network is serving 21 million acres (8.4 million hectare) cultivable command area with cropping intensities generally exceeding 120%. Water is a critical resource for sustainable economic development of Pakistan and in this respective irrigated agriculture is of great importance in the socio-economic life of the country. Punjab Irrigation Department has a long term vision for Irrigation Sector to provide adequate, equitable and reliable irrigation supplies to the cultivable lands of Punjab aiming at enhanced agricultural productivity with focus on broad based institutional reforms.

(Rs in million)

Sr.No	Description	Total Nos	Audited	Expenditure audited FY 2022-23 (Rs)	Revenue/Receipt audited FY 2022-23 (Rs)
1	Formations	1	-	-	-
2	Authorities/Autonomous Bodies etc. under the PAO	1	1	327.22	35.31
3	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 108.684 million were raised as a result of this audit. Summary of the audit observations classified by nature is as under:

(Rs in million)

Sr.No	Classification	Amount (Rs)
1.	Non-Production of record	-
2.	Reported cases of fraud/Embezzlement and Mis-appropriation	-
3.	Irregularities	
a.	HR/employees related irregularities	-

b.	Procurement related irregularities	102.146
c.	Management of Accounts with Commercial Banks	-
4.	Value for money and service delivery issues	-
5.	Other	6.538

Mughalpura Irrigation Workshop (MIW)

4.1.1 Introduction

Irrigation Workshops Division, Mughalpura, Lahore was established in 1942 for the purpose of manufacturing and installation of gates, hoists machinery at river head works and canal regulators.

4.1.2 Comments on Audited Accounts

The management failed to provide annual audited accounts of the Workshop for the year 2011-12 to 2022-23 by December 31, 2023

4.1.3 Compliance of PAC Directives

Audit Report	Total Paras	Compliance received	Compliance not received	Percentage of compliance
1985-86	24	21	3	88%
1986-87	19	12	7	63%
1988-89	18	15	3	83%
2001-02	1	0	1	0%
2006-07	3	1	2	33%
2009-10	3	0	3	0 %
Total	**92**	**73**	**19**	**79%**

Although overall percentage of compliance of PAC directives was 79% but the compliance for the 2001-02 and 2009-10 was 0%, which needs improvement.

4.1.4 Audit Paras

4.1.4.1 Irregular payment to employees for purchase of material from local shopkeepers through cash memos – Rs 17.407 million

According to rule-12(1) of Punjab Procurement Rules 2014 "a procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority". Further Rule 8," a procuring agency shall, within one month from the commencement of a financial year, devise annual planning for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources".

During audit of Mughalpura Irrigation Workshop (MIW) for the years 2018-23, it was observed that management purchased similar nature of material into piece meal from local market and payment valuing Rs 17.407 million paid was to the employees through advance payment/hand receipt. Hence, this procurement considered irregular by audit. Further, it was also noted that a consolidated amount was withdrawn from Treasurer Office through self cheque in favour of XEN MIW and an advance was paid to the employees who produced Cash memo bill (a hand written bill having consecutive serial numbers in most of the cases) from a local shopkeeper on consecutive dates for adjustment. Hence, an amount of Rs 17.407 million paid to employees on the basis of cash memo bill was considered irregular by audit.

Due to weak internal controls and non-observance of PPRA Rules, the said exercise was made by the management.

Audit is of the view that payment of Rs 17.407 million in violation of PPRA Rules was irregular.

The matter was reported to the management and PAO on October 11, 2023. The management replied that payment was made to different sub engineers against passed vouchers in observation of the PPRA Rules. The reply was not tenable as PPRA Rules were not observed.

DAC in its meeting held on December 07, 2023 did not accept the contention of the management and showed serious concern on this practice and directed that matter be probed through Administrative Department within 60 days for fixing responsibility.

Audit recommends compliance of DAC's directives.

4.1.4.2 Irregular procurement of material into piece meal through quotations in violation of PPRA Rules – Rs 39.419 million

According to rule-12(1) of Punjab Procurement Rules 2014 "a procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority". According to rule 8,"a procuring agency shall, within one month from the commencement of a financial year, devise annual planning for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources". According to rule 15, " a procuring agency may procure goods, services or works through framework contract in order to ensure uniformity in the procurement".

During audit of MIW for the years 2018-23, it was observed that management purchased similar nature of material (electrodes, grinders, grinders disks, manila ropes and plates) into piece meal from local market through quotation and paid Rs 39.419 million in violation of PPRA Rules which was held irregular.

Due to weak internal controls and non exercising of due diligence practice the said procurement valuing Rs 39.419 million was made in violation of PPRA Rules.

Audit is of the view that purchase of similar nature of material into piece meal valuing Rs 39.419 million through quotation showed violation of PPRA Rules.

The matter was reported to the management and PAO on October 11, 2023. The management replied that the procurement was carried out in view of the need and requirement of job from time to time. The reply was not tenable as piece meal purchase of material was made in violation of PPRA Rules.

DAC in its meeting held on December 07, 2023 did not accept the contention of the management and directed the management to get the said procurement regularized from Finance Department.

Audit recommends compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2019-20 vide para number 6.1.4.2 having financial impact of Rs 16.021 million. Recurrence of same irregularity is a matter of serious concern.

4.1.4.3 Irregular procurement of electrodes and oxygen gas cylinder without press advertisement – Rs 9.129 million

According to rule-12(2) of Punjab Procurement Rules 2014 "any procurement exceeding three million rupees shall be advertised on the website of the Authority, the website of the procuring agency, if any, and in at least two national daily newspapers of wide circulation, one in English and one in Urdu".

During audit of MIW for the years 2018-23, it was observed that the management procured M.S electrodes and oxygen gas cylinder valuing Rs 9.129 million during 2020-21 through quotations without giving press advertisement in violation of PPRA Rules. Hence, these procurements considered irregular by audit. Detail is as under:

(Rs in million)

Sr. No.	Detail of Material	Date	Amount (Rs)
1	M.S Electrodes	2020-21	4.807
2	Oxygen Cylinder	2020-21	4.322
Total			**9.129**

Due to weak internal controls, procurement of Rs 9.129 million was made in violation of PPRA Rules.

Audit is of the view that the said procurement was made by splitting only to avoid tender procedure.

The matter was reported to the management and PAO on October 11, 2023. The management replied that the said material was procured on day to day basis from Government contractors. The reply was not tenable because at the time of approval of engineering estimates total quantity of required material was worked out. In case the estimated cost of material crossed the PPRA Rules limit then rule 12(1) or rule 12(2) of PPRA Rules were to be followed.

DAC in its meeting held on December 07, 2023 did not accept the viewpoint of the management and directed to investigate the matter through Administrative Department within 60 days and fix responsibility.

Audit recommends compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2019-20 vide para number 6.1.4.3 having financial impact of Rs 9.812 million. Recurrence of same irregularity is a matter of serious concern.

4.1.4.4 Irregular procurement of POL from different suppliers without press advertisement – Rs 36.191 million

According to rule-12(2) of Punjab Procurement Rules 2014 "any procurement exceeding three million rupees shall be advertised on the website of the Authority, the website of the procuring agency, if any, and in at least two national daily newspapers of wide circulation, one in English and one in Urdu".

During audit of MIW for the years 2018-23, it was revealed that the management procured POL valuing Rs 36.191 million from different suppliers during 2018-19, 2019-20 & 2020-21 without giving press advertisement in violation of PPRA Rules. Hence, this procurement considered irregular by audit.

Due to weak internal controls and non-following of due diligence exercise the said procurement of Rs 36.191 million was made by in violation of PPRA Rules.

Audit is of the view that non-observance of PPRA Rules indicated a serious lapse on the part of the management.

The matter was reported to the management and PAO on October 11, 2023. The management replied that the procurement of POL was made from approved dealers according to estimates for completion of different jobs. The reply was not convincing because during verification, audit demanded the authorization letter for bulk supply of POL issued by distribution company in favour of dealers from whom POL was procured. No such record was provided by the management.

DAC in its meeting held on December 07, 2023 showed its concern and directed the management to probe the matter under Administrative Department and fix responsibility.

Audit recommends compliance of DAC's directives.

4.1.4.5 Huge expenditure incurred on repair & maintenance of vehicles & generators – Rs 6.538 million

As per Rule-2.10 of the Punjab Financial Rules 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.

During audit of MIW for the years 2018-23, it was observed that management paid a huge expenditure of Rs 6.538 million on repair & maintenance of vehicles and generators during the years 2018-19, 2019-20 & 2020-21. It was also noted that most of the expenditures were of recurrence in nature and met through hand receipt/advance issued to the employees. Hence, considered unjustified.

Due to weak internal controls and weak administrative management an huge expenditure of Rs 6.538 million incurred on repair & maintenance.

Audit is of the view that recurrence of huge expenditures incurred on repair and maintenance of vehicle needed inquired.

The matter was reported to the management and PAO on October 11, 2023. The management replied that to keep the vehicles functional and ready for inspection of sites all over the Punjab, above repair & maintenance cost on vehicles was incurred. The reply was not tenable because during 2018-19 to 2020-21 management could not acquire a single job.

DAC in its meeting held on December 07, 2023 showed its concern and directed that the matter be probed under the Administrative Department for fixing responsibility.

Audit recommends compliance of DAC's directives.

Labour and Human Resource Department

Introduction

Labour & Human Resource Department Punjab is established under the Punjab Government Rules of Business, 1974.

The mission is to "Promote the Welfare and Protecting the Rights of Labour Force and Workmen".

Purpose/ Objectives

The main objective of Labour & Human Resource Department is essentially concerned with the promotion of healthy labour management and Industrial Relations for greater socio-economic progress and development, protects the rights of workmen & labour force, lays equal stress on their housing, health, safety and protection in order to make them more committed to their work, prevention of Child & Bonded Labour keeping in view the national and international standards and effective control over weights and measures.

The Government of the Punjab established the Punjab Employees Social Security Institution and Punjab Social Security Health Management Company governed by Bonded Labour System (Abolition) Act, 1992, Companies Profits (Workers Participation) Act, 1968, Disabled Persons, (Employment And Rehabilitation) Ordinance, 1981, Employees' Cost Of Living (Relief) Act, 1973, Employment (Record Of Services) Act, 1951, Essential Personnel (Registration) Ordinance, 1948, Factories Act, 1934, Industrial Statistics Act, 1942, Minimum Wages Ordinance, 1961, Payment Of Wages Act, 1936, Provincial Employees' Social Security Ordinance, 1965, Punjab Employees Special Allowance (Payment) Act, 1988, Punjab Fair Price Shops (Factories) Ordinance, 1971, Punjab Industrial Relations Act 2010, Punjab Maternity Benefit Ordinance, 1958, Punjab Prohibition Of Child Labour At Brick Kilns Act 2016, Punjab Restriction On Employment Of Children Act 2016, Road Transport Workers Ordinance, 1961, The Industrial And Commercial Employment (Standing Orders) Ordinance, 1968, The Provincial Employees' Social Security Ordinance, 1965, West Pakistan Industrial And Commercial Employment (Standing Orders) Ordinance, 1968, West Pakistan Maternity Benefit Ordinance, 1958, West Pakistan Minimum Wages For Unskilled Workers Ordinance, 1969, West Pakistan Shops And Establishments Ordinance, 1969, Workers Children (Education) Ordinance, 1972, Workers Welfare Fund Ordinance, 1971, Workmen Compensation Act, 1923, The Punjab Domestic Workers Act 2019, The Punjab Occupational Health and Safety Act 2019.

Formations:

- Punjab Employees Social Security Institution
- Punjab Social Security Health Management Company.

Audit Profile of Labour and Human Resource Department

(Rs in million)

Sr. No.	Description	Total Nos.	Audited	Expenditure audited FY 2021-22 (Rs)	Revenue/Receipt audited FY 2021-22 (Rs)
1	Formations	1	-	-	-

2	Authorities/Autonomous Bodies etc. under the PAO	1	1	11,569.01	18,385.42
3	Foreign Aided Projects (FAP)	-	-	-	-

Summary of Audit Observations

Audit observations amounting to Rs 1,268.731 million were raised as a result of this audit. This amount also includes recoverable of Rs 270.612 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of the Audit Observations

(Rs in million)

Sr. 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	52.112
c.	Management of Accounts with Commercial Banks	-
4.	Value for money and service delivery issues	1,170.578
5.	Other	46.041

5.1 Punjab Employees Social Security Institution (PESSI)

5.1.1 Introduction

Punjab Employees Social Security Institution (PESSI) was established in 1965 under the Provincial Social Security Ordinance, 1965. It has 10 major hospitals, 5 mini hospitals, 37 injury treatment centers, 128 dispensaries and 84 medical posts in the province for the provision of health facilities to the employees of notified units. Objective of the institution is introduction of a scheme of social security for providing benefit to secured workers and their dependents in the event of sickness, maternity, employment injury or death.

5.1.2 Comments on Audited Accounts

The management failed to provide annual audited accounts for the years 2012-13 to 2022-23 by December 31, 2023.

5.1.3 Compliance of PAC Directives

Audit Report	Total Paras	Compliance received	Compliance not received	Percentage of compliance
1985-86 to 1998-99	4	4	0	100%
1999-00	1	0	1	0%
2000-01	9	5	4	56%
2001-02	1	0	1	0%
2006-07	13	13	0	100%
2009-10	7	1	6	14%
2010-11	10	0	10	0%
2011-12	20	0	20	0%
Total	**65**	**23**	**42**	**35%**

Overall compliance is 35% which is not satisfactory and need special attention of PAO.

5.1.4 Audit Paras

5.1.4.1 Irregular award of contract of construction work of Social Security Medical Directorate at Sargodha – Rs 22.124 million

According to rules-25(3&4) of PPRA, any information that becomes necessary for bidding or for bid evaluation, after the invitation to bid or issue of the bidding documents to the prospective bidders, shall be provided in a timely manner and on equal opportunity basis. Where any change becomes essential in the procurement process, such change shall be made in a manner similar to that of the original advertisement. Further, according to rule 59(c)(iv) of Punjab Public Procurement Rules 2014, repeat orders not exceeding fifteen percent of the original procurement.

During audit of Punjab Social Security Institution for the year 2022-23, it was observed that the management floated a tender on June 21, 2021 for construction of Social Security Medial Directorate at Sargodha. The management issued work order for Rs 22.124 million. During the excavation of work of the project, it was observed that the water table of the proposed site is just four feet below the surface level. Due to bearing capacity of the soil was found very weak and structure of the building was rejected on this type of surface and scope was structure changed from Bricks to RCC structure. The amount of work was enhanced to Rs 39.30 million which was 77% excess of the original work. Due to the change in scope of work, a revised tender should be advertised for obtaining competitive rates as per rules.

Due to weak internal controls, management awarded work of enhanced scope without tender and granted undue benefits to the contractor.

Audit is of the view that management should have floated the revised tender due to change in scope and amount.

The matter was reported to the management and PAO on December 11, 2023. The management replied that the contractor was immediately deputed to commence the construction work at site due to ongoing litigation in the High Court vide WP No.65143/2019. The reply of the management is not convincing as the writ petition was filed in 2019 by Mr. Waqar a Sheikh. Work was awarded in September 15, 2021 and work started in Feb 2022 which negate the instance of the emergency.

DAC in its meeting held on January 22, 2024 directed the management to provide decision of the BoG regarding award of contract to the contractor without advertisement. The management provided the record which did not support its stance.

Audit recommends compliance of DAC's directives.

5.1.4.2 Un-justified procurement of Air Fluidized therapy bed without demand and need – Rs 29.988 million

According to para-71 of the Staff Instructions (Volume-I) of PESSI, it is the duty of every member of the staff of institution to safeguard the money or other property of the Institution by cooperating in the strict observance of the instructions which follow, particularly those which are designed to act as safeguard against error and fraud.

During audit of PESSI, Lahore for the year 2022-23, it was observed that the management procured two Air Fluidized Therapy Beds vide supply order dated March 03, 2022 for Rs 29.988 million (Euro 149,691) from M/s Clinical Life Inc, Lahore for SS Hospital Shahdara. At the time of delivery to the Hospital for utilization of beds, the management of the he concerned hospital informed the Head Office that they were not demanded said beds. The matter was placed before the Governing Body of PESSI in its 158th meeting held on Nov 11, 2022 and decided to conduct a fact finding report regarding procurement of Air Fluidized Beds without need/demand. As per fact finding report that there was no arrangement of proper unit/utilized burn care before the purchase of said beds and no demand of beds from SSH Shahdara was found. The beds are still at store of PESSI and unutilized, but no responsibility was fixed against the person (s) at fault. Thus, management procured beds of Rs 29.988 million without demand/need.

Due to weak internal management procured beds without any need.

Audit is of the view that management should fix the responsibility on the person (s) at fault.

The matter was reported to the management and PAO on December 11, 2023. The management replied that before establishment of 8-10 bedded Burn Unit the beds will be placed in the Surgical-ICU. The reply was not convincing as the beds were purchased without any demand and need.

DAC in its meeting held on January 22, 2024 directed the management to make road map for construction of burn unit and utilization of beds.

Audit recommends compliance of DAC’s directives.

5.1.4.3 Non implementation of HMIS at PESSI Hospitals after completion of the contract - Rs 650.00 million

According to Project Document signed between PESSI and PITB regarding implementation of HMIS at sixteen Hospitals of PESSI, HMIS will be implemented in the hospitals in a period of two years in two phases. The gestation of this project will be from November 2021 to October 2023.

During audit of PESSI, Lahore for the year 2022-23, it was observed that Governing Body of the PESSI in its 152nd meeting held on August 31, 2021 accorded administrative approval for implementation of Health Management Information System (HMIS) at 16-Hospitals within two years from Nov 2021 to October 2023 with tentative cost of Rs 650 million. PESSI management contacted PITB and signed agreement on Dec 27, 2021 with PITB for implementation of HMIS at hospitals for Rs 650 million. The gestation period of the project was completed but only four (4) modules are functional out of thirty (30) modules.

Audit is of the view that management must have taken up the issue with PITB higher authorities as the project period is completed but implementation is remained unsatisfactory and incomplete.

The matter was reported to the management and PAO on December 11, 2023. The management replied that gestation period of the project has been extended upto April 30, 2024. The reply was not convincing as the HMIS was not implemented.

DAC in its meeting held on January 22, 2024 directed the management to implement the HMIS at PESSI hospitals.

Audit recommends compliance of DAC's directives.

5.1.4.4 Loss due to non-recovery from employers despite deciding the case under Section-57 in favor of PESSI – Rs 162.586 million

Any person aggrieved by a decision of the Institution under section 57 or on a review under section 58 may appeal to the appropriate Social Security Court.

During audit of PESSI, Lahore for the year 2022-23, it was observed that some employers made appeal to Commissioner U/S 57 of PESSI Ordinance, 1965 against the social security contribution claimed by the PESSI management. The cases were decided during 2022-23 in favor of PESSI. These employers neither filed review appeal U/S 58 nor made appeal U/S 59 to Social Security Court. Thus, the PESSI management was required to recover the amount of social security contribution in light of decision U/S 57 of PESSI Ordinance but the same was not recovered so far resulted loss of Rs 162.586 million to the Institution. Detail is in A**nnex-9**.

Audit is of the view that the management should recovered the amount on priority basis from the employers after decision U/S 57 but no efforts was made by management resulted non-recovery of social security contribution.

The matter was reported to the management and PAO on December 11, 2023. The management replied that an amount of Rs 6.430 million has been recovered out of Rs 169.017 million. the reply was not convincing as the whole amount must be recovered.

DAC in its meeting held on January 22, 2024 directed the management to recover the remaining amount.

Audit recommends compliance of DAC's directives.

5.1.4.5 Loss due to non-recovery of contribution under the Land Revenue Act – Rs 138.538 million

According to clause-23 of PESSI Ordinance, 1965, the amount of the contributions due, together with the increase provided for under sub-section (1), may be recovered as arrears of land-revenue.

During audit of PESSI Directorates of Social Security Lahore (City & South), Faisalabad (North) and Gujranwala for the years 2022-23, it was observed that the number of units were proceeded as per Land Revenue Act valuing Rs 141.854 million and only Rs 3.315 million recovered as detailed below:

(Rs in million)

Sr. No.	Name of directorate	No of cases proceeded under LRA current year	Amount Involved (Rs)	Amount recovered (Rs)	Amount Pending (Rs)
1.	Faisalabad (North)	29	14.912	0.279	14.632
2.	Gujranwala	27	27.763	0.471	27.292
3.	Lahore (City)	19	19.734	2.565	17.169
4.	Lahore (South)	18	79.445	0	79.445
	Total	**93**	**141.854**	**3.315**	**138.538**

This resulted in increase in arrears and in number of cases proceeded against under Land Revenue Act.

Audit is of the view that non-pursuance of the provisions of Land Revenue Act is the cause of loss and this irregularity.

The matter was reported to the management and PAO on December 11, 2023. The management replied that that Directorates are continuously making efforts to recover the amount of current as well as previous arrears. The reply was not convincing as under the Land Revenue Act management was required to make efforts for recovery.

DAC in its meeting held on January 22, 2024 directed the management to recover the amount.

Audit recommends compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2020-21 vide para number 5.1.4.4 having financial impact of Rs 13.543 million. Recurrence of same irregularity is a matter of serious concern.

5.1.4.6 Loss due to less receipt of dues from the University of Lahore - Rs 78.94 million

According to agreements executed between the University of Lahore with SSH Multan Road Lahore and with SSH Gujranwala on Feb 09, 2022 and May 16, 2022 respectively, the University shall pay 5% of tuition fee, honorarium to consultant of the Hospitals, contribution to SS Hospitals in the form of medical equipment. Nonpayment in this behalf shall be considered a valid ground for the termination of the agreement.

During audit of PESSI Social Security Hospital, Multan Road, Lahore and Gujranwala for the period 2022-23, it was observed that University of Lahore was bound to pay certain payment to hospitals as per agreements mentioned above. The university of Lahore did not pay of Rs 78.94 million to the PESSI hospitals. Detail is as under:

(Rs in million)

Sr. No.	**Clause of agreement**	**Amount to be paid as per agreements (Rs)**		**Amount actually received (Rs)**		**Difference of Receipt (Rs)**		**Total Non/Less Receipt (Rs)**
		Lahore Hospital	**Gujranwala Hospital**	**Lahore Hospital**	**Gujranwala Hospital**	**Lahore Hospital**	**Gujranwala Hospital**	
0	**1**	**2**	**3**	**4**	**5**	**6 (2-4)**	**7 (3-5)**	**8 (6+7)**
1	University shall pay 5% tuition fee (annual/ semester fee) of the Hospitals	19.817	1.950	5.543	0.243	14.274	1.701	15.975
2	University shall pay honorarium of the consultants of the Hospitals	Paid as per agreement	2.700	Paid as per agreement	1.035	0	3.735	3.735
3	University shall made contributi	80.50	12.50	33.70	0	46.73	12.50	59.23

	on in the form of medical equipment							
Total								**78.94**

Due to weak internal controls, management failed to recover the certain amounts from the university.

Audit is of the view that management should have received the amount as per agreement from the university.

The matter was reported to the management and PAO on December 11, 2023. The management replied that the an amount of Rs 33.77 million received against medical equipment and recovery of the remaining dues are being pursue. The reply was not convincing as the management was required to recover all dues as per agreements.

DAC in its meeting held on January 22, 2024 directed the management to recover the remaining amount from University of Lahore.

Audit recommends compliance of DAC's directives.
(DP Nos: 461,462,464,470)

5.1.4.7 Non-payment of Punjab Sales Tax to Punjab Revenue Authority - Rs 46.041 million

According to section 14 (3) of Punjab Sales Tax Act 2012,where a person or class of persons is required to collect full or part of the tax on the provision of any taxable service or class of taxable services and either fails to collect the tax or having collected the tax, fails to deposit the tax in the Government treasury, such person or class of persons shall be personally liable to pay the amount of tax to the Government in the prescribed manner.

During audit of PESSI, Lahore for the year 2022-23, it was observed that the Punjab Revenue Authority issued show cause notice dated August 24, 2023 to PESSI on account of management received taxable services for the financial year/periods from July 01, 2020 to June 30, 2021. Whereas it has been explicitly specified that PESSI was required to withhold/deduct and deposit the Punjab Sales tax but failed to make payment of Punjab Sales tax due on taxable services received for the said tax periods. As per the record available from PRA, PESSI have received taxable services of Rs 630.346 million during the tax period mentioned above but failed to deposit the amount of sales tax of Rs 46.041 million.

Due to weak financial controls, management failed to hold/deduct the sales tax as per rules.

Audit is of the view that management should recover the amount of Sales tax being withholding agent of PRA.

The matter was reported to the management and PAO on December 11, 2023. The management replied that that PESSI is going to be file an appeal against said recovery order which is under process. The reply was not convincing as the management was required to recover the tax as per rules.

DAC in its meeting held on January 22, 2024 directed the management to resolve the issue with tax authorities.

Audit recommends compliance of DAC's directives.

5.1.4.8 Loss due to non-pursuance for recovery of social security contribution from the units since long - Rs 6.732 million

According to rule-71 of the Staff Instruction Volume-I of PESSI, it is the duty of every member of the staff of institution to safeguard the money or other property of the Institution by cooperating in the strict observance of the instructions which follow, particularly those which are designed to act as safeguard against error and fraud.

During audit of PESSI Social Security Directorate City, Lahore for the period 2022-23, it was observed that the files of the certain units maintained at Directorate office showed that management did not pursue the recovery of Rs 6.732 million outstanding against the unit on account of social security contribution since long. Detail is in **Annex-10**

Due to weak internal controls a huge amount of the contribution is still recoverable, but management did not pursue nor taken any effort to recover the said amount.

Audit is of the view that management must have made efforts to recover the long outstanding dues from the units.

The matter was reported to the management and PAO on December 11, 2023. The management replied that recovery of the contribution is pursuing regularly under the rules. The reply was not convincing as the dues are old but still recoverable.

DAC in its meeting held on January 22, 2024 directed the management to recover the long outstanding dues.

Audit recommends compliance of DAC's directives.

5.1.4.9 Loss due to non-recovery of contribution from newly registered units – Rs 4.162 million

According to clause 66 (1b&f) of PESSI Ordinance, 1965, if any person fails to pay any contribution which under this Ordinance he is liable to pay or he is guilty of any contravention of, or non-compliance with, any of the requirements of this Ordinance or the rules or the regulations, he shall, be punished with imprisonment which may extend to three months, or with fine or with both.

During audit of PESSI, Lahore for the period 2022-23, it was observed that the management of different Directorates registered new units under the Ordinance and issued notices for recovery on account of Social Security Contribution of Rs 7.560 million. The amount of Rs 3.398 million recovered leaving a balance of Rs 4.162 million. The management failed to recover this amount due to which PESSI suffered loss. The detail is as under:-

(Rs in million)

Name of Directorate	**Amount Not recovered (Rs)**
Lahore South	0.093
Lahore City	1.626
Faisalabad North	0.664
Faisalabad West	1.779
Total	**4.162**

Due to weak operational controls, management suffered loss on account of non recovery of contribution from newly registered units.

Audit is of the view that the management should have contacted with the employers for recovery receipt of said amount and in case of non-recovery, legal action should have been taken for recovery of said amount but nothing was made.

The matter was reported to the management and PAO on December 11, 2023. The management replied that recovery of the contribution is pursuing regularly under the rules. The reply was not convincing as the dues are old but still recoverable.

DAC in its meeting held on January 22, 2024 directed the management to recover the dues.

Audit recommends compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2021-22 vide para number 5.1.4.8 having financial impact of Rs 6.768 million. Recurrence of same irregularity is a matter of serious concern.

5.1.4.10 Loss due to non-recovery of medical expenses from State Life Insurance Company under Sehat Sahulat Card - Rs 1.734 million

According to clause-3.1 of agreement executed between SSH Multan Road Lahore (Provider) and State Life Insurance Company executed on April 28, 2022, the provider will be reimbursed for services rendered as per the agreement against a package rate treatment fee schedule.

During audit of PESSI Social Security Hospital, Multan Road, Lahore, Gujranwala and Faisalabad for the period 2022-23, it was observed that management of hospitals claimed medical expenses for Rs 6.11 million, Rs 1.977 million and Rs 0.678 million respectively from the State Life Insurance Company (SLIC) from time to time as per policy. The amount of Rs 1.252 million, 0.368 million and Rs 0.114 million is still outstanding of the medical claims of hospitals against SLIC.

Due to weak internal controls management failed to recover the dues Rs 1.734 million from the insurance company.

Audit is of the view that management failed to claim the medical expenses from the SLIC as per agreement.

The matter was reported to the management and PAO on December 11, 2023. The management replied that recovery of the dues was being pursued. The reply was not convincing as the dues were still recoverable.

DAC in its meeting held on January 22, 2024 directed the management to recover the long outstanding dues.

Audit recommends compliance of DAC's directives.

5.1.4.11 Loss due to less recovery of electricity cost from the residents of the hospital colony - Rs 2.014 million

According to rule-71 of the Staff Instructions(Volume-I) of PESSI, it is the duty of every member of the staff of institution to safeguard the money or other property of the Institution by cooperating in the strict observance of the instructions which follow, particularly those which are designed to act as safeguard against error and fraud.

During audit of PESSI Social Security Hospital, Multan Road, Lahore for the period 2022-23, it was observed that Hospital has 29-residences for the officers and officials. All residents used electricity from the hospital and paid bills through sub electricity meters installed at each residence by the hospital authorities. The calculation of the units for charging of electricity cost revealed that management added KWh and KVARh units for obtaining average unit cost which is incorrect due to which less unit cost charged to the residence. As per LESCO billing only KWh units considered for billing purpose instead of KVARh units. Thus, management suffered a loss of Rs 2.014 million due to less charging of unit cost from the residents of the colony. Detail as **Annex-11.**

Due to weak financial management, hospital suffered loss due to less charging of electricity cost to the residents of the hospital.

Audit is of the view that management should have charged as per unit cost of the LESCO billing.

The matter was reported to the management and PAO on December 11, 2023. The management replied that a Committee consisting of DMS (General) and concerned Clerk for billing has been constituted to probe the matter, which has recommended that it has been done due to wrong calculation of electricity bills, however, the recovery from the concerned quarters is in process.

DAC in its meeting held on January 22, 2024 directed the management to recover the amount at the earliest and install separate electricity meters for the residences.

Audit recommends compliance of DAC's directives.

5.1.4.12 Loss due to non-recovery of contribution from employers – Rs 2.22 million

According to clause 66 (1b&f) of PESSI Ordinance, 1965, if any person fails to pay any contribution which under this Ordinance he is liable to pay or is guilty of any contravention of, or non-compliance with, any of the requirements of this Ordinance or the rules or the regulations, he shall, be punished with imprisonment which may extend to three months, or with fine or with both.

During audit of PESSI, Lahore for the year 2022-23, it was observed that the management of different Directorates of Social Security received cheques from employers on account of Social Security Contribution. When these cheques were presented in banks, 83-cheques valuing Rs 2.22 million were declared as dishonoured due to non-availability of funds. Thus, management suffered loss due to non-encashment of cheques provided by employers.

Due to weak financial controls, management suffered a loss on account of dishonoured cheques.

Audit is of the view that the management should have contacted with the employers for recovery of said amount and in case of non-recovery, legal action should have been taken for recovery of said amount but nothing was made.

The matter was reported to the management and PAO on December 11, 2023. The management replied that recovery from the concerned units is in process.

DAC in its meeting held on January 22, 2024 directed the management to recover the amount of dishonoured cheques.

Audit recommends compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2021-22 vide para number 5.1.4.5 having financial impact of Rs 76.062 million. Recurrence of same irregularity is a matter of serious concern.

5.1.4.13 Loss due to non-recovery of upper wage ceiling from employer despite dismissal of appeal by High Court – Rs 123.652 million

According to rule-71 of the Staff Instructions(Volume-I) of PESSI, it is the duty of every member of the staff of institution to safeguard the money or other property of the Institution by cooperating in the strict observance of the instructions which follow, particularly those which are designed to act as safeguard against error and fraud.

During audit of PESSI, Lahore for the year 2022-23, it was observed that some employers were not observing the minimum wage rate announced by the Government of the Punjab for calculation and payment of social security contribution. These units filed intra court appeals against the levy of minimum wage rate ceiling for calculation of social security contribution and the honorable court granted stay orders against the notifications. The Lahore High Court dismissed the appeal against the demand of social security contribution on the basis of minimum wage rate on Jan 19, 2022. Despite dismissal of appeal by Lahore High Court social security contribution valuing Rs 123.652 million was not recovered by the management till to date as detailed below:

(Rs in million)

Sr. No.	**No of employers**	**Amount (Rs)**
1	M/s Abdul Rehman Corporation	9.459
2	M/s Cresent Textile Mills	111.060
3	M/s RafhanMaiz Products	3.133
	Total	**123.652**

Due to weak internal controls management failed to recover the amount from the employers after decision of the court.

Audit is of the view that due to non-compliance of provisions of the social security ordinance, minimum wage rate announced by Government of the Punjab by employers was the cause of irregularity.

The matter was reported to the management and PAO on December 11, 2023. The management replied that M/s Rafhan Maiz Product, M/s. Abdul Rehman Corporation and M/s. Crescent Textile Mills have filed complaint under section 57 of PESS Ordinance 1965, therefore, the matter regarding recovery of contribution shall be taken up after the decision of learned Adjudicating Officer. The reply was not convincing as the court has been decided in the favor of PESSI then the PESSI Adjudicating officer must be decided at the earliest and recovered the dues from the employers

DAC in its meeting held on January 22, 2024 directed the management to pursue the matter vigorously for early recovery of outstanding dues from the employers.

Audit recommends compliance of DAC's directives.

Chapter-5

Livestock & Dairy Development Department

Introduction

Livestock is a rising sector as its contribution to the national economy is growing continuously. Apart from this, livestock is an active employer of thousands of landless poor, subsistence and semi-subsistence small farmer families. In short, livestock and its products are directly linked to the economy of small and medium-sized farmers. It is a major source of active food and adds significantly to the health, nutrition, and wellbeing of rural as well as urban consumers. Despite the critical importance of the subjected sector, its achievements, problems, and future prospects are not emphasized in the overall developmental plans. In a country like Pakistan, data regarding livestock is not readily available and is mostly scattered. Livestock and Dairy Development Department, Punjab is rendering different services to the livestock sector of the province through its infrastructure network in the field. In addition to the efforts being done at the government level, more focus is required to promote the livestock sector on market-oriented and demand-driven basis both in the public and private sectors for socio-economic uplift of the rural masses for achieving the ultimate goal of poverty alleviation.

Vision

Sustainable development in the livestock sector to ensure food security, enhanced competitiveness, quality life of stakeholders with exportable surpluses

Mission

To support livestock development in a policy environment that enables farmers to realize the dividends of livestock farming by smartly deploying public investments in core public goods, and inducing private capital/initiative in the sector for poverty alleviation, food security and generation of exportable surpluses

New Initiatives

The department is working on the following new initiatives:

- Kissan Livestock Baithak
- Genetic Improvement of Non-Descript Cattle in Punjab
- Establishment of Double Shift Veterinary Hospitals
- Provision of Ultra sonography facilities at Divisional Veterinary Hospitals
- Approval of Dog Population Control Policy
- TNVR Project
- Animal Nutrition Enhancement through Provision of Silage making machines to the farmers
- Establishment of New CVDs and MVDs
- Up-gradation of Civil Veterinary Hospitals and Diagnostic Labs at Divisional level
- Formulation of Livestock Policy, 2021
- Establishment of disease free zones/compartments for FMD
- Initiation of Punjab Animal Health Rules
- Development of gene pool for robust breed improvement

Audit Profile of Livestock & Dairy Development Department

(Rs in million)

Sr. No	Description	Total Nos	Audited	Expenditure audited FY 2022-23 (Rs)	Revenue/Receipt audited FY 2022-23 (Rs)
1.	Formations	02	01	217.99	240.97
2.	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
3.	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 974.618 million were raised as a result of this audit. Summary of the audit observations classified by nature is as under:

Overview of the Audit Observations

(Rs in million)

Sr. No	Classification	Amount (Rs)
1.	Non-production of record	-
2.	Reported cases of fraud/Embezzlement and Misappropriation	-
3.	Irregularities	
a.	HR/employees related irregularities	10.432
b.	Procurement related irregularities	1.605
c.	Management of Accounts with Commercial Banks	-
4.	Value for money and service delivery issues	560.052
5.	Other	402.529

6.1 Punjab Agriculture and Meat Company

6.1.1 Introduction

Punjab Agriculture & Meat Company (former Lahore Meat Company) is a Government of the Punjab owned, non-profit R&D organization, duly incorporated and registered under Section 42 of Companies Ordinance, 1984 (now Companies Act 2017). The Company is aimed at formalizing horticulture and meat sector through interventions at each tier of value chain i.e. production, processing and marketing (inland &export) under compliance of international qualify standards for human consumption.

6.1.2 Comments on Audited Accounts:

6.1.2.1 The working results of the company for the year 2021-22 as compared to the previous years are given under:

(Rs in million)

Particulars	**2021-22**	**%Inc /(Dec)**	**2020-21**	**%Inc /(Dec)**	**2019-20**	**%Inc /(Dec)**	**2018-19**
Income							
Grant income	0	-	0		0	-	0
Operating income	182.89	0.67	181.67	13.99	159.37	(9.99)	177.06
Other income	12.88	10.65	11.64	8.58	10.72	(40.90)	18.14
Total	**195.77**	**1.27**	**193.31**	**13.65**	**170.09**	**(12.86)**	**195.20**
Expenditure							
Operating expenses	146.02	(20.74)	184.23	(19.65)	229.28	(7.48)	247.81
Administrative expenses	44.39	(1.47)	45.05	6.25	42.40	0.45	42.21
Finance cost	0.01	(95.24)	0.21	(27.59)	0.29	866.67	0.03
Provision for taxation	0	-	0	-	0	-	0
Surplus/ (deficit) for the year	5.35	-	(36.18)	(64.49)	(101.89)	7.42	(94.85)
Total comprehensive income/ (loss) for the year	5.03	-	(34.02)	(66.39)	(101.21)	6.59	(94.95)

(Source: Annual Audited Accounts for the years 2016-17 to 2021-22)

As at the reporting date June 30, 2022 Company's general fund is negative by Rs 623.17 million and its current liabilities exceed its current assets by Rs 1,583.74 million. These conditions along-with other matters may cast significant doubt about the company's ability to continue as a going concern. Management may devise a comprehensive business plan to make the company viable in future.

6.1.2.2 Financial Statements for the year 2021-22 states that provision for markup on long term loans amounting to Rs 18.13 million has not been recorded in the books of account in view of the company's request to the Government of the Punjab to convert these loans into equity or grant with waiver of mark up. Management is stressed to make efforts for early conversion of loans into equity/ grant or to recognize the amount of mark up in the books of account.

6.1.2.3 Financial Statements for the year 2021-22 indicates that no provision in respect of claim of return on amount due to Mashad Meat Industrial Complex (MMIC) has been made in the books of account. MMIC is claiming markup at the rate of 5% per annum from the year 2015. Non-settlement of matter with the party and non-recognition of amount of markup in the books of accounts needs immediate attention of the management.

6.1.2.4 Store, spares and loose tools increased from Rs 3.343 million in the year 2020-21 to Rs 4.899 million in the year 2021-22 registering an increase of 46.55%. Increase in stores, spares and loose tools along with detail of requirement for procurement and its subsequent utilization needs clarification as no note was given in the financial statements.

6.1.2.5 Advances to staff for expenses valuing Rs 0.709 million and Rs 1.010 million were given during the years 2020-21 and 2021-22 respectively. Complete detail of advances including relevant provisions allowing the management to give advances to staff for expenses, detail of expenses incurred and latest position may be provided.

6.1.2.6 Other receivables include an amount of Rs 29.474 million receivable on account of income tax refunds/ advance income tax as on June 30, 2022. The company is established as not for profit organization and is exempted from tax. Management should make serious efforts for early recovery of tax refunds.

6.1.2.7 Trade and other payables decreased from Rs 276.941 million in the year 2020-21 to Rs 274.107 million in the year 2021-22 registering a decrease of 1.02% only. This shows that management could not pay off its liabilities timely which needs justification.

6.1.2.8 Other income for the year 2020-21 includes an amount of Rs 3.910 million as balance written back on termination of lease. Complete detail of this balance including the nature, history and approval from competent authority may be provided for ensuring the authenticity.

6.1.2.9 Stores, spares and loose tools consumed under the head operating expenses increased from Rs 8.506 million in the year 2020-21 to Rs 15.466 million in the year 2021-22 registering an increase of 81.82%. Huge increase in these expenses needs clarification along with complete detail including nature, approval, requirement and consumption of these tools.

6.1.2.10 An amount of Rs 1.026 million was incurred in respect of legal and professional expenses in the year 2020-21. Huge amount was incurred which needs justification including detail of method adopted for hiring of experts, requirement for hiring and disposal of cases.

6.1.2.11 An amount of Rs 4.793 was shown as additions under the head machinery and equipment in the year 2018-19. Complete detail of procurement including requisition raised by the concerned department, its approval, mechanism adopted for procurement and its utilization may be provided.

6.1.2.12 Other receivables include an amount of Rs 4.964 million as receivable from subsidiary company in the year 2017-18. Latest position of recovery may be provided.

6.1.3 Compliance of PAC Directives:

PAC meetings for the years 2015-16 to 2022-23 were not convened.

6.1.4 Audit Paras

6.1.4.1 Irregular appointment after attaining the age of superannuation - Rs 10.432 million

According to Para 2(I)(ii) of Services and General Administration Department (S&GAD), Government of the Punjab letter No. SOR-I-10-1/2003 dated June 06, 2003, no department or authority shall re-employ or move a summary to the Chief Minister for re-employment of a retired Government servant (superannuation) without placing the case before the Provincial Re-employment Board/ Committee.

During audit of Punjab Agriculture and Meat Company (PAMCO) for the years 2018-23, it was observed that Mr. Tajamal Hussain, a retired Livestock officer having age of 61 years was appointed as Manager Admin initially for a period of three years in 2015 and subsequently promoted for the post of Manager Operations and then as Senior Manager Operations. The case of hiring the said employee after the age of superannuation was not sent to the Provincial Re-employment Board/ Committee for onward submission to the Chief Minister for final approval. Hence, appointment, promotion and payment of pay and allowances of Rs 10.432 million were considered irregular.

Weak internal controls, and non-observance of rules caused the irregularity.

Audit is of the view that management violated the Government policy/orders while re-employment of Government retired persons who attained the age of superannuation.

The matter was reported to the management and PAO on September 13, 2023. The management replied that there was no restriction to hire any public or private sector retired person as per Articles of Association/ HR manual of the company. The reply was not convincing as necessary approval from Provincial Re-employment Board/ committee and Chief Minister was required.

DAC in its meeting held on January 10, 2024 directed the management to refer the matter to Punjab Finance Department for its regularization.

Audit recommends compliance of DAC's directives.

6.1.4.2 Irregular appointment of external auditors without concurrence of Auditor-General of Pakistan - Rs 1.605 million

According to Auditor-General of Pakistan's office letter No 05/61-AR-111/c/2001 (PF) dated 2nd January 2002, dated October 21, 2021 and dated October 17, 2022, in case of appointment of Chartered Accountant Firms by Government owned/ controlled bodies or companies, a reference is required to be forwarded through controlling ministry/ department to Auditor-General's office for concurrence.

During audit of PAMCO for the years 2018-2023, it was observed that company appointed Chartered Accountant firms for audit of the accounts of the company. It was noted that the said Chartered Accountant firms were hired without concurrence from office of the Auditor-General of Pakistan. Thus, the payment of Rs 1.605 million to the firm is held irregular.

Due to weak internal controls, the instructions of AGP were not followed.

Audit is of the view that services of external auditors should have been hired after obtaining concurrence from Auditor-General of Pakistan office but the same was not obtained.

The matter was reported to the management and PAO on September 13, 2023. The management replied that case shall be submitted for ex-post facto approval of the Auditor-General of Pakistan through administrative department. In future the case will also be submitted to AGP for obtaining prior concurrence regarding the appointment of the external auditor. The reply was not convincing as prior concurrence of worthy AGP should have been obtained for appointment of external auditors.

DAC in its meeting held on January 10, 2024 directed the management to get ex-post facto approval from AGP.

Audit recommends compliance of DAC's directives.

6.1.4.3 Non-development of mechanism to curb illegal slaughtering resulted into less utilization of plant capacity - Rs 467.828 million

According to clause-V (19&20) of Memorandum of Association (MoA), the objectives of the company were to take over the charge of all existing slaughter houses in Punjab from local/ district government to construct/improve/operate them on modern lines and to seek the powers from district governments/local governments/authorized agencies to curb the illegal slaughtering/un-hygienic practices of animals in Punjab.

During audit of PAMCO for the years 2018-23, it was observed that illegal slaughtering issue was discussed in 35th meeting of BoD held on October 06, 2016. The house was apprised that company was facing financial distress due to insufficient action against the illegal slaughtering. It was decided that the said issue shall be discussed in next meeting to determine as to which government entity is responsible for taking measures/ action to curb illegal slaughtering but no action was found to have been taken. Moreover, two independent slaughtering lines each for beef and mutton having capacity of 132,000 and 1,584,000 animals per annum were installed whereas capacity utilization was 52,055 and 851,234 animals respectively in 2022-23. Consequently, company suffered operational losses of Rs 467.828 million during the years 2017-18 to 2022-23.

Non-development of mechanism to curb illegal slaughtering caused less utilization of plant capacity and operational losses.

Audit is of the view that management must have developed a mechanism to curb illegal slaughtering in order to fully utilize the plant and operational facilities.

The matter was reported to the management and PAO on September 13, 2023. The management replied that the matter of illegal slaughtering is currently under active consideration of the BoD and the Administrative Department. The reply was not convincing as no sincere efforts were found to have been taken to curb illegal slaughtering for utilization of plant at full capacity.

DAC in its meeting held on January 10, 2024 directed the management to devise a comprehensive mechanism in order to take up the matter with concerned authorities.

Audit recommends compliance of DAC's directives.
(DP Nos: 247,248)

6.1.4.4 Wasteful expenditure due to non-utilization of cold store items and boilers - Rs 92.224 million

Para-2(a&d) of Pakistan Civil Aviation Authority's letter dated July 23, 2021, conveyed that lease agreement with M/s PAMCO regarding establishment of cold storage facility at Allama Iqbal International Airport (AIIA) Lahore has been terminated w.e.f. April 01, 2021 and allowed to relocate the movable/portable machinery/ equipment from AIIAP Lahore to PAMCO premises. Moreover, clause-33 of Memorandum of Association states that management shall take such actions as considered necessary to raise the status or to promote the efficiency of the company.

During audit of PAMCO for the years 2018-23, it was observed that a cold store facility installed at Lahore Airport was dismantled and its assets were shifted to slaughter house for extension in cooling system on January 01, 2022. Similarly, two boilers were installed for heating requirements of the project as well as to steam the blood powder plant during January, 2013. These boilers remained operational at minimum level upto April, 2019 and since then boilers and Furnace Oil were lying idle. The detail of unutilized assets is given hereunder:

(Rs in million)

	Cold storage facility	Description	Amount (Rs)
A	Plant, Machinery & Equipment	Cold storage equipment	39.965
		Electrical Works	14.126
		Racking system	1.022
		Crown Stacker	1.772
	Furniture & Fixtures	Signage	0.270
Total (A)			**57.156**
B	**Boiler**		
	Plant & Machinery	Boilers	31.784
		Furnace Oil (18,661 liters* Rs 176 per ltr)	3.284
Total (B)			**35.068**
G.Total (A+B)			**92.224**

Non-utilization of cold store facility and boilers is an indicative of weak internal controls and managerial failure.

Audit is of the view that sincere efforts should be made to utilize the cold store facility and to make the boilers operational.

The matter was reported to the management and PAO on September 13, 2023. The management replied that cold store facility and boilers would be viable on increase of animals supply that link with the issue of illegal slaughtering. The reply was not convincing as no concrete steps were taken to curb illegal slaughtering.

DAC in its meeting held on January 10, 2024, directed the management to make a comprehensive plan for utilization dismantled store items.

Audit recommends compliance of DAC's directives.

(DP Nos: 235,239)

6.1.4.5 Illegal occupation of land by Cattle Market Company and non-initiation of claim for land usage rental - Rs 6,520.00 million

According to agenda item No. 02 of 56th meeting of BoD dated May 30, 2023, the house empowered the BoD Procurement committee to finalize formal claim on behalf of PAMCO, seeking rental charges for utilization of land from Punjab Cattle Market Management and Development Company to be forwarded through Livestock Department, Government of the Punjab.

During audit of PAMCO for the years 2018-23, it was observed that a piece of land i.e. 437 kanal out of 716 Kanal was diverted/ reallocated to Cattle Market Company by the DCO, Lahore without knowledge and consent of PAMCO on August 16, 2012. The matter was discussed in detail by the BoD in its 56th meeting held on May 30, 2023 and decided to seek expert opinion from Board of Revenue and Law Department, Government of the Punjab and authorize BoD Procurement Committee to initiate communication with Local Government & Community Development Department as well as City District Government and finalize a formal claim of Rs 6,520.00 million from Cattle Market Company on account of land usage charges. Despite passing of more than 10 years, the company neither obtained possession of land nor received land usage charges of Rs 6,520.00 million.

Due to managerial failure, neither possession of the land could be obtained nor claim for its usage charges was initiated.

Audit is of the view that sincere efforts should have been made by the management for early vacation of the land and also recovery of land rental charges but no fruitful progress was made till date.

The matter was reported to the management and PAO on September 13, 2023. The management replied that the matter will be presented before the BoD upon re-constitution of the regular board for its consideration. The reply was not convincing as more than 10 years have been passed but neither rental claim of Rs 6,520 million could be realized nor took possession of land.

DAC in its meeting held on January 10, 2024 kept the para pending till receipt of claim for land usage.

Audit recommends compliance of DAC's directives.

6.1.4.6 Irregular appointment of Chairman as CEO

According to rule 4(1)(c) of the Corporate Governance Rules 2013, the office of the chairman shall be separate, and his responsibilities distinct, from those of the chief executive. The chairman has a responsibility to lead the Board and ensure its effective functioning and continuous development, he shall not be involved in day to day operations of the Public Sector Company.

During audit of PAMCO for the years 2018-23, it was observed that the charge of CEO was assigned to the Chairman by the Board as a stop gap arrangement. The charge of CEO was approved by the Board in its 37th meeting held on May 26, 2017 yet the representative of Finance

Department highlighted this violation which was also endorsed by one of the other members. The Chairman continued to hold the charge for the post upto four years in violation of the rules and hence considered irregular.

Due to weak internal controls the instructions of CGR could not be followed.

Audit is of the view that the management must have followed the instructions as referred above.

The matter was reported to the management and PAO on September 13, 2023. The management replied that the positions of Chairman and CEO have been separated since May, 2019 and services as CEO were rendered on honorary basis. The reply was not convincing as charge of CEO was given to the chairman in violation of Corporate Governance Rules.

DAC in its meeting held on January 10, 2024, directed the management to submit detailed reply to audit and regularize expenditure from relevant authority.

Audit recommends compliance of DAC's directives

6.1.4.7 Irregular payments to Chairman holding charge as CEO - Rs 7.235 million

According to rule 4(1)(c) of the Corporate Governance Rules 2013, the office of the chairman shall be separate, and his responsibilities distinct, from those of the chief executive. The chairman has a responsibility to lead the Board and ensure its effective functioning and continuous development, he shall not be involved in day to day operations of the Public Sector Company.

During audit of PAMCO for the years 2018-23, it was observed that the charge of CEO was assigned to the Chairman as a stop gap arrangement by the Board in its 37th meeting held on May 26, 2017 in violation of Corporate Governance Rules. The Chairman of the Board continued to hold the charge of CEO for a period of almost four years and enjoyed the facilities of a vehicle, driver, reimbursement of fuel, mobile phone and Daily allowance equal to BPS-20. Thus, the assigning of charge of CEO and payment of Rs 7.235 million was held irregular in audit.

Due to weak managerial controls, the irregularity was occurred.

Audit is of the view that instructions of corporate governance rules must have been followed by the management to avoid the said violation.

The matter was reported to management and PAO on October 20,2023. The management replied that position of Chairman and CEO had been separated since May 2019. The Chairman served as CEO on honorary basis and perks & benefits were approved by Board of Directors in its meeting held on June 20,2014. The reply was not convincing as charge was assigned in violation of CGRs.

DAC in its meeting held on January 10, 2024 directed the management to get the expenditure regularized from Finance Department.

Audit recommends compliance of DAC's directive.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2018-19 vide para number 6.1.4.2 having financial impact of Rs 1.787 million. Recurrence of same irregularity is a matter of serious concern.

6.1.4.8 Non-refund of income tax credit from tax authorities - Rs 29.488 million

According to section 100 (C) read with section 2(36) of Income Tax Ordinance 2001, PAMCO being a Non-Profit Organization was allowed a tax credit equal to one hundred percent of tax payable under any provisions of this Ordinance including minimum and final taxes in respect of incomes.

During audit of PAMCO for the years 2018-23, it was observed that an amount of Rs 29.488 million was shown as income tax refund in the financial statements for the year 2022-23. The company was registered as non-profit organization under section 42 of Companies Act, 2017. It was noted that no action was taken to claim refundable amount. Thus, a sum of Rs 29.488 million was blocked due to non-claiming of income tax refund.

Audit is of the view that sincere efforts should have been made for early refund of income tax amount as company was facing financial issues.

The matter was reported to management and PAO on October 20, 2023. The management replied that matter was under active consideration of BoD and appropriate decision would be made for including provision for accounting treatment to expense out under proper guidance of tax advisor. The reply was not convincing as management failed to get exemption or to claim refund in time.

DAC in its meeting held on January 10, 2024 directed the management to refer the matter to Federal Board of Revenue (FBR) for claiming refund to seek exemption at the earliest.

Audit recommends compliance of DAC's directive

6.1.4.9 Non-payment of partner's share along with markup - Rs 365.806 million

According to agenda item No. 02 of 42nd meeting of BoD held on October 09, 2018, the house constituted a committee to resolve the issue payables on account of MMIC to Iran for its share in the partnership.

During audit of PAMCO for the years 2018-23, it was observed that Mashhad Meat Industrial Complex (MMIC), Iran invested Rs 261.290 million for purchase of machinery to establish a slaughter house under a partnership deed dated January 07, 2015. The management's failure to fulfill its obligations resulted into termination of partnership deed. The MMIC, Iran requested for repayment of its share along with markup @ 5% per annum w.e.f. 2015. The management constituted a committee in October, 2018 to devise a mechanism to resolve the issue. Neither, the matter was resolved nor the payment along with markup was made to the said party despite a lapse of a considerable time. Thus, due to non-payment of Rs 365.806 million (Rs 261.290 million + Rs 104.516 million markup), the liability of the company had increased.

Audit is of the view that repayment of loans and markup should have been made within stipulated time.

The matter was reported to management and PAO on October 20,2023. The management replied that Board of Directors decided to allocate 100 million from resources of company for said payment and remaining funds would be provided by Government of the Punjab. The reply was not convincing as management did not obtain funds from Government to repay the loan.

DAC in its meeting held on January 10, 2024 directed the management to make arrangement for early payment of this liability in order to avoid further accumulation.

Audit recommends compliance of DAC's directive.

Local Government & Community Development Department

Introduction

The Local Government and Community Development Department (LG&CDD) has been assigned the responsibility to implement Punjab Local Government Act (PLGA) 2022 to achieve the stated objectives of the Government. Moreover, the LG&CD Department has an over-seeing role to ensure that the local governments perform their functions within the provincial framework and adhere to the federal and provincial laws. The Local Government and Community Development Department (LG&CDD) was created to respond to the specific needs of the mega cities and largely urban districts of Punjab for good governance.

LG&CDD is working with a mission to assist and guide local governments in creating an environment for autonomous and responsible decision-making. This will improve service delivery in the social sectors and boost socio-economic development of the local area.

Aims & Objectives

The major functions and responsibilities of Local Government & Community Development Department are:

- Provide, manage, operate, maintain and improve the municipal infrastructure and services
- Manage properties and assets vested in local governments
- Enforcement of municipal laws and regulations
- Levy local taxes/fees to generate income
- Frame bye-laws to regulate municipal services
- Take cognizance of municipal offences and enforcement
- Exercise general powers and procedures as are enumerated in Eighth Schedule
- Perform functions within the provincial framework

Governing Laws

- [Governing Laws]
- [Rules]
- [Policies]
- [Model Bye-Laws]

Attached Departments

- Punjab Local Government Board
- The Walled City of Lahore Authority
- Punjab Municipal Development Fund Company
- Solid Waste Management Companies
- Cattle Market Management Companies
- Punjab Shehr-e-Khamoshan Authority
- Faisalabad Parking Company

(Rs in million)

Sr. No	Description	Total Nos	Audited	Expenditure audited FY 2022-23 (Rs)	Revenue/Receipt audited FY 2022-23 (Rs)
1	Formations	04	02	328.41	368.01
2	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
3	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audited Observations

Audit observations amounting to Rs 1,416.527 million were raised as a result of this audit. This amount also includes recoverable of Rs 205.399 million as pointed out by the audit Summary of the audit observations classified by nature is as under:

(Rs in million)

Sr. No	Classification	Amount (Rs)
1.	Non-Production of record	-
2.	Reported cases of fraud/Embezzlement and Misappropriation	-
3.	Irregularities	
a.	HR/employees related irregularities	80.590
b.	Procurement related irregularities	4.932
c.	Management of Accounts with Commercial Banks	360.899
4.	Value for money and service delivery issues	205.399

5.	Other	764.707

7.1 Punjab Municipal Development Fund Company (PMDFC)

7.1.1 Introduction

Punjab Municipal Development Fund Company (PMDFC) is a limited guarantee Company having no share capital which was incorporated on October 8, 1998 under section 42 of the Companies Ordinance 1984 (now Companies Act 2017) vide license No. CO 42/JR/3198 dated September 30, 1998 granted by the Securities and Exchange Commission of Pakistan. PMDFC is a non-profit organization jointly funded by the Government of the Punjab and International Bank for Reconstruction and Development (IBRD). The principal objective of the company is to support the Local Government of the Punjab in improving the quality of life of the inhabitants, to assist the Local Governments in building capacities for better fiscal and service delivery management, to provide matching grants to Local Governments for the construction, rehabilitation, and expansion of infrastructure, capacity building and for such purpose to act and/or provide consultants for evaluation of projects, monitoring of finances and advising Local Governments for their institution reforms including improving the fiscal efficiency, cost recovery, rationalization of spending, administrative reforms and future growth.

7.1.2 Comments on Audited Accounts

The company failed to provide annual audited accounts for the year 2022-23 by December 31, 2023.

7.1.3 Compliance of PAC Directives

No PAC meeting has been convened upto December 31, 2023.

7.1.4 Audit Paras

7.1.4.1 Irregular appointments of the officers and payment – Rs 62.406 million

The terms and conditions mentioned in PC-I and HR Manual of the company are binding upon the management. The management made certain appointments in violation of the above. The detail is given in the table.

During audit of Punjab Municipal Development Fund Company (PMDFC) for the years 2017-23, it was observed that management appointed the officers against the rules as detailed below:

(Rs in million)

S#	Rules	Irregularity	Financial Impact (Rs)
1	According to HR Manual of PMDFC and Annex 07 of PC-I of PCP Project, maximum age required is 50 and 55 years for the post of GM(ID) and SPO(IS) respectively.	Mr. Mahmood Masud Tammana having age of 59 years was appointed as GM(ID)/SPO (IS) in September 2023 in violation of the age criteria mentioned in HR Manual as well as PC-I.	5.429
2	According to Annex 07 at S# 12 of PC-I of PCP Project maximum age limit was of 63 years for the post of SPO(Infrastructure).	Mr. Muhammad Ashiq Ch. was inducted in PCP project as Senior Program Officer (Infrastructure Development) at the age of 80 years in 2019.	24.901
3	According to Annex-02-IPF-Cost Detail (P-74 to 76) of approved PC-I of the PCP, descriptions of slots/designations of Central Management Team.	The management appointed 08 officers against post title as (i) Senior Program Officer (E&SM), (ii) Deputy Program Officer(E&S), (iii) Program Officer (ID), (iv) Deputy Program Officer (ID) and (v) Deputy Program Officer (IT) which were not included in approved PC-I of the PCP during the period from April 2020 to August 2023.	31.571
4	According to judgment of supreme court of Pakistan dated January 19, 1993 in Human Rights Case No.104	Mr. Noman Ijaz was appointed as Accounts Officer on November 13, 2001	0.505

	of 1992, recruitments, both Adhoc and regular, without publicly and properly advertising the vacancies, is violation of fundamental rights.	without advertising the vacancy in print media.	
	Total		**62.406**

Due to weak internal controls, the management appointed these officers against the rules.

Audit is of the view that the management should observe the rules during their appointments.

The matter was reported to the management and PAO on December 04, 2023. The management replied that officers were appointed/hired as per prevailing rules and regulations. The reply was not convincing as the officers were appointed/hired in violation of certain rules and regulations as mentioned above.

DAC in its meeting held on January 22, 2024 directed the management to get the PC-I revised from PDWP in order to bring the appointment in line with provisioning of PC-I for irregularities at Sr. # 1 to 3. While for Sr. # 4, DAC directed the management to get the case of appointment regularized from Finance Department.

Audit recommends compliance of DAC's directives.

(DP Nos: 533,535,543,544)

7.1.4.2 Irregular payment of salaries and allowances to the employees - Rs 18.184 million

According to Finance Department letter dated August 20, 2018, the cases for increase in salaries & allowances of autonomous bodies mentioned in First Schedule of Punjab Government Rules of Business 2011 may be sent to Finance Department for advice. Further, Annex-2 of PC-I determined the range of salary for the employees.

During audit of PMDFC for the years 2017-23, it was observed that management increased salaries and allowances of its employees against the rules. The detail is as under:

(Rs in million)

Sr. No	Rules	Irregularity	Financial Impact (Rs)
1	According to Finance Department letter dated August 20, 2018, the cases	The company falls at Serial No 27 of Rules of Business 2011 GoPb so the management was required to	11.609

	for increase in salaries & allowances of autonomous bodies mentioned in First Schedule of Punjab Government Rules of Business 2011 may be sent to Finance Department for advice.	refer the matter of increase in salary w.e.f. December 01, 2022 to Finance Department for advice but needful was not done.	
2	According to Annex-II PC-I of Punjab Cities Program, the pay of the Project Director was fixed from Rs 450,000 to 500,000 with 10% annual increase upto 05 years.	Syed Zahid Aziz was appointed as Project Director at monthly salary of Rs 800,000 to 1,137,500 P.M during the period 11.11.2022 to 30.09.2023.	6.575
Total			**18.184**

Due to weak internal controls, the management paid salary against the rules.

Audit is of the view that the management should observe the rules prior payments of salaries and allowances to the employees.

The matter was reported to the management and PAO on December 04, 2023. The management replied that the salaries and allowances were given to the employees after approval of the Board of Directors being a competent forum. The reply was not convincing as the management must be given the salaries and allowances as per instructions of Finance Department and provisions given in the PC-I.

DAC in its meeting held on January 22, 2024 directed the management to revise the PC-I from PDWP and refer the case to Finance Department for advice.

Audit recommends compliance of DAC's directives.
(DP Nos: 529,530)

7.1.4.3 Irregular withdrawal of funds from Assan Assignment Account and transfer to Company's operational bank accounts - Rs 341.554 million

According to clause-XV of Assan Assignment Account Procedure issued by Controller General of Accounts vide circular dated October 26, 2020, cash withdrawal or transfer of funds to any bank account is not allowed except employees related deductions like pension contribution, provident fund and GP fund etc. These deductions shall be made as per rules/policy guidelines/procedure of the relevant offices. Payment shall be made only through crossed cheques to contractors, vendors, suppliers, employees, etc.

During audit of PMDFC for the years 2017-23, it was observed that management operated Assan Assignment Account in National Bank of Pakistan, Main Branch, Lahore with title as "Punjab City Program-Local Government & Community Development Department". The management was required to operate this account according to the above referred laid down procedures. However, the management withdrew funds of Rs 341.554 million from assignment account to its company's bank account.

Due to weak financial controls, management withdrew amount against the procedure mentioned above.

Audit is of the view that the management must have followed the laid down procedure in letter and spirit.

The matter was reported to the management and PAO on December 04, 2023. The management replied that it is practically impossible to issue separate cheques of salaries for approximately 150 employees whereas cheque books of assignment account contained 100 leaves The reply was not convincing because cash withdrawal or transfer of funds to any bank account is not allowed as per above criteria.

DAC in its meeting held on January 22, 2024 directed the management to stop transfer of funds in company's bank account immediately and get the previous withdrawal of funds regularized from Finance Department.

Audit recommends compliance of DAC's directives.

7.1.4.4 Un-justified expenditure of company's vehicles charged to PCP accounts - Rs 15.603 million

According to Annex- 2 – regarding Investment Project Finance of PC-I of PCP, 02 Nos. Hiace Wagon, 01 No. of 1300cc Vehicle and 03 Nos. of 1000cc vehicles were approved.

During audit of PMDFC for the years 2017-2023, it was observed that the management incurred an expenditure of Rs 15.603 million on seven vehicles which were purchased by the company for its own operation. The expenditures of the said vehicles were required to be charged to Company's account instead PCP project. The vehicle wise expenditure is in **Annex-12**.

Due to weak financial controls of the management expenditure of PMDFC vehicles were charged to the PCP project.

Audit is of the view that the expenditure incurred on vehicles which were not the project vehicles was not justified and they should be charged to the Company's Accounts which was not done.

The matter was reported to the management and PAO on December 04, 2023. The management replied that PC-I had allocated provision for usage of existing vehicles of PMDFC for PCP. The reply was not convincing as only two vehicles of PMDFC were to be utilized for PCP, whereas the cost of POL and maintenance of seven vehicles was charged to PCP.

DAC in its meeting held on January 22, 2024 directed the management to get approval from the BoD for utilization of existing two vehicles of PMDFC for PCP and to get the excess expenditures for other vehicles regularized from Finance Department.

Audit recommends compliance of DAC's directives.

7.1.4.5 Poor performance of management in execution of project

According to Project Appraisal Documents of Punjab City Program dated May 04, 2018. The implementation program was from July 01, 2018 to March 31, 2023 (05 Years) with program financing of $ 236 million.

During Audit of PMDFC for the years 2017-23, it was observed that the Government of the Punjab took a loan of 200 million US Dollar equal to Pakistan Rs 30,580 million from the World Bank for Punjab cities Program. The management of the company failed to execute the work of this project. The project was to be completed within 5 years upto March 31, 2023 whereas the management could utilize the funds up-to 20% in window-1 and 65% in window-2 due to which the company had to pay markup & services charges of Rs 1,055.140 million to World Bank on excess withdrawal of funds upto June 30, 2023. The detail regarding receipt and utilization of funds is as under:

(Rs in million)

Windows	**Financial Years**	**Amount Received (Rs)**	**Utilized amount(Rs)**	**%age of Spent**	**%age of unspent**
MCs-PBGs (Window-1)	2019-23	22,850.97	4,522.87	20%	80%
PMDFC-IPF (Window-2)		1,904.95	1,239.2	65%	35%

Due to weak internal controls the management failed to carry out the work of this project efficiently and effectively.

Audit is of the view that the management was required to carry out the work as per approved PC-I.

The matter was reported to the management and PAO on December 04, 2023. The management replied that PC-1 was forwarded in May 2018 and approved on November 18, 2019. It took one and a half years for approval and keeping in view the facts, World Bank granted the extension of time till March, 2025. The reply was not convincing as the management could not complete the project within approved time frame.

DAC in its meeting held on January 22, 2024, directed the management to provide the overall updated progress of the program with respect to the time management and utilization of resources along with inquiry report to audit. The management did not provide record pertaining to progress of the project and inquiry report till finalization of this report.

Audit recommends compliance of DAC's directives.

7.1.4.6 Non-utilization of funds allocated for Institutional Strengthening & Technical Assistance - Rs 402.290 million

According to approved budget 2021-22 and 2022-23, an amount of Rs 458.165 million was allocated under the head Institutional Strengthening & Technical Assistance (IS&TA).

During audit of PMDFC for the years 2017-23, it was observed from the record that sufficient funds were available as per budget estimates of PCP for the years 2021-22 and 2022-23. The management has allocated Rs 458.165 million in annual budget for the years 2021-22 and 2022-23 but only utilized Rs 55.875 million i.e. 12.20% of total budget till June 30, 2023. The details is as under:

(Rs in million)

S#	Financial Year	Activities	Funds Available (Rs)	Budget (Rs)	Actual Exp. (Rs)	Un-utilized Amount (Rs)
1	**2**	**3**	**4**	**5**	**6**	**7 (5-6)**
01.	2021-22	IS & TA of Provincial Dept. and Agencies	689.862	86.204	14.140	72.064
02.	2022-23		1,255.952	371.961	41.735	330.226
		Total	**1,949.814**	**458.165**	**55.875**	**402.290**

Source Budget for the year 2023-24 and 2022-23

Due to weak administrative controls management could not perform the activities as planned and Rs 402.290 million remains unspent/unutilized.

Audit is of the view that the non-utilization/blockage of funds was also the reason of delay in completion of the project.

The matter was reported to the management and PAO on December 04, 2023. The management replied that PC-I for Technical Assistance and Institutional Strengthening was approved by PDWP on November 15, 2022 and Administrative Approval was accorded on December 05, 2022. The scope and cost was revised and funds were being utilized accordingly. The reply was not convincing as the management had incurred only meager amount of Rs 55.875 million of funds upto June 30, 2023.

DAC in its meeting held on January 22, 2024 directed the management that the component wise progress of the IS & TA program along with its updated utilization be intimated to Audit for verification. The management did not provide record for verification to audit till finalization of this report.

Audit recommends compliance of DAC's directives.

7.1.4.7 Excess cost incurred for supervision of Municipal Committees from the approved cost of PC-I - Rs 320.896 million

According to Annex 2-IPF-cost-detail under the sub-head (3) of PC-I, consultancy for design and resident supervision of P for R of Technical Assistance & Institutional Strengthening (TA&IS) of MCs an amount of Rs 793.51 was approved.

During audit of PMDFC for the years 2017-23, it was observed that management hired four consultancy firms for detailed design and supervision of 16 MCs for implementation of Punjab City Program amounting to Rs 1,114.406 million. The approved cost for consultancy was Rs 793.51 million in PC-I. Thus, the project incurred extra cost of Rs 320.896 million as worked out below:

(Rs in million)

Head of accounts	**Approved as per PC-I (Rs)**	**Contract Cost of 05 Packages (Rs)**	**Excess Cost of Contracts (Rs)**
1	**2**	**3**	**4 (3-2)**
Consultancies for design and resident supervision of P for R projects.	793.531	1,114.406	320.896

Due to week administrative controls, the management failed to execute the work within the approved cost of PC-I.

Audit is of the view that signing of contract over and above the approved cost of revised PC-I of PCP will increase the financial burden on the PCP-Project.

The matter was reported to the management and PAO on December 04, 2023. The management replied that variation of cost will be regularized upon the revision of PC-I of PCP. The management has accepted the point of view of Audit.

DAC in its meeting held on January 22, 2024 directed the management to revise the cost of consultancy in PC-I of PCP and get it approved from PDWP.

Audit recommends compliance of DAC's directives.

7.2 Faisalabad Parking Company (FPC) Limited

7.2.1 Introduction

Faisalabad Parking Company Limited was registered under section 32 of the Companies' Ordinance, 1984(now Companies Act, 2017). City District Government Faisalabad (CDGF) established an incorporate Public Company Limited to provide sustainable, efficient and affordable parking services for the citizens of Faisalabad. A limb of CDGF and a profit oriented public company limited by shares. As per agreement signed on December 19, 2014 the 1st Party (CDGF & TMAs) will get 75% share and 2nd Party (FPC) will get 25% share as service charges. The tenure of the agreement is 25 years unless terminated by the BoD. If the parties are unable to decide a dispute within 3 months, the dispute shall be finally settled by the Secretary LG&CD, Punjab.

7.2.2 Comments on Audited Accounts

The company failed to provide annual audited accounts for the years 2017-18 to 2022-23 by December 31, 2023.

7.2.3 Compliance of PAC Directives

No PAC was convened since establishment of the company.

7.2.4 Audit Paras

7.2.4.1 Irregular award of contract for printing of parking tickets - Rs 3.723 million

According to clause 3.4 of Tender Documents for printing of parking tickets, bidder must be registered and active tax payer with sales tax & income tax department, copy of the same should be attached with the tender, otherwise firm will not be allowed to participate in the tender.

During audit of Faisalabad Parking Company (FPC) for the years 2018-23, it was observed that management invited bids for printing of parking tickets during the year 2019-20, 2021-22 & 2022-23. It was noticed that M/s Anwar Traders (2019-20) & M/s Shani Enterprises (2021-22 & 2022-23) were qualified in technical evaluation and awarded the contract being lowest bidders, but the firms were not registered with Federal Board of Revenue (FBR). The management declared the firms as qualified and allowed to participate in the bidding process in violation of above rule and extended undue favour. The detail of payment is as under:

(Rs in million)

Name of Firms	Payment made during 2019-20,

	2021-22 & 2022-23 (Rs)
M/s Anwar Traders	1.192
M/s Shani Enterprises	2.531
Total	**3.723**

Due to weak internal controls and non-observance of clauses of tender documents, an irregular payment was made.

Audit is of the view that the management should have not allowed the firms to participate in bidding process which were not registered with FBR as required under the rules.

The matter was reported to the management and PAO on October 30, 2023. The management replied that contract was awarded to the lowest bidders and 10 marks for not providing GST was not given to the vendor, but even than they qualified and secured the minimum marks. The reply was not convincing as it was mandatory for the vendors to be registered with sales tax department.

DAC in its meeting held on December 12, 2023, directed the management to probe the matter through Administrative Department for fixing responsibility.

Audit recommends compliance of DAC's directives.

7.2.4.2 Irregular award of work in violation of PPRA Rules - Rs 1.209 million

According to rule 12(1) a procuring agency shall advertise procurement of more than [two] hundred thousand rupees and up to the limit of [three] million rupees on the website of the Authority in the manner and format specified by regulations but if deemed in public interest, the procuring agency may also advertise the procurement in at least one national daily newspaper.

During audit of FPC for the years 2018-23, it was observed that the management paid an amount of Rs 1.209 million to M/s Butt enterprises against the development work at Centre Point Plaza site. The scrutiny of record revealed that entire work was done by M/s Butt Enterprises on quotation basis by splitting the work. Detail is as under:

(Rs in million)

Date	Voucher No	Description of Work	Amount (Rs)
10.01.2023	1-0004	Ceiling & Paneling of Cabins	0.155
13.01.2023	1-0008	Raising of cabins, rebuild of floor installation of roofs of 3 cabins	0.196
01.02.2023	0045	Old tyres erected on side walls	0.143
18.02.2023	2-0030	Fixing of kerb stone	0.195

28.02.2023	2-0052	Painting of 3 cabins, electric work etc.	0.181
19.05.2023	5-0034	Lane marking	0.164
27.06.2023	0018	Water disposal pump	0.174
Total			**1.209**

Due to weak internal controls an irregular payment of Rs 1.209 million was made.

Audit is of the view that management was required to account for the proposed development work for the financial year and float one tender without splitting the work to get competitive rates. However, the same was ignored.

The matter was reported to the management and PAO on October 30, 2023. The management replied that FPC published tenders multiple times on July 25, 2022, August 16, 2022 and October 01, 2022 at PPRA website for development work of Center Point Plaza but not a single firm / vendor submitted proposal till the last date. So, it was decided by the management that said development work may be done through quotations basis to avoid further delay. The reply was not convincing as PPRA Rules were violated.

DAC in its meeting held on December 12, 2023, directed the management to get the case regularized from Finance Department through Administrative Department.

Audit recommends compliance of DAC's directives.

7.2.4.3 Irregular retention of FPC funds in lesser interest bearing accounts - Rs 19.345 million

According to Finance Department letter dated January 11, 2019 markup rates offered by the BOP may be compared with all Public / Private banks having minimum long term "AA" at the time of placement of funds.

During audit of FPC for the years 2018-2023, it was observed that the management did not obtain the competitive markup rates from other banks and kept funds of Rs 23.860 million in current account and Rs 154.742 million in Islamic saving account maintained at BOP. This resulted into markup loss of Rs 19.345 million. Detail is as under:

(Rs in million)

No of bank account	Type of bank account	Cumulative closing balance 2019-2023 (Rs)	Closing Balance June 30, 2023(Rs)	Closing Balance June 30, 2022(Rs)	Closing Balance June 30, 2021(Rs)	Closing Balance June 30, 2020(Rs)	Closing Balance June 30, 2019(Rs)

5010028797500018	Current Account	23.860	16.58	5.78	1.23	0.03	0.24
5010028797500015	Islamic Saving Account	21.158	4.60	4.36	4.224	4.097	3.88
5010028797500026	Islamic Saving Account	57.206	19.21	21.45	9.357	4.515	2.674
5010028797500037	Islamic Saving Account	76.378	22.24	21.00	13.665	8.268	11.205
Total		**178.602**	**62.64**	**52.59**	**28.48**	**16.91**	**18.00**
Average rate of interest received	-	-	4.50%	6.00%	6.53 %	7.04 %	5.62%
KIBOR	-	-	22%	14.5%	13.00%	12.50%	12.00%
Loss sustained		-	10.962	4.470	1.842	0.923	1.148
	Total loss						**19.345**

Due to weak financial management, the company sustained a loss of markup income.

Audit is of the view that the company should have obtained the profit rates from different banks but the same was not done which resulted into loss.

The matter was reported to the management and PAO on October 30, 2023. The management replied that FPC was not aware of the instructions of the Finance Department dated January 11, 2019 and now efforts are made to place the company funds after obtaining competitive rates from the other AA rated banks. The reply is not convincing as the Finance Department instructions were very clear.

DAC in its meeting held on December 12, 2023, directed the management to invest the surplus funds in the bank offering highest mark-up rates after matching rates with the BoP. DAC further directed that the matter regarding loss of mark-up due to retention of funds at lesser rates shall be placed before the Board for fixing responsibility.

Audit recommends compliance of DAC's directives.

7.2.4.4 Non-payment of EOBI of field staff / daily wagers - Rs 12.945 million

Under section 9 of Employees Old Age Benefit Act, 1974 (EOBI), contribution shall be payable every month by the employer to the institution in respect of every person in his insurable employment, at the rate of 6% of his wags in the prescribed manner.

During audit of FPC for the years 2018-23, it was observed that on the average more than 200 daily paid workers were engaged by the company at their 40 sites for the collection of the parking fee, but the EOBI of only 26 to 32 workers were deposited. Thus, an amount of Rs 12.945 million was not / less deposited to EOBI authorities during the period from 2018-2023.

Due to weak internal controls, management failed to pay mandatory contributions to EOBI.

Audit is of the view that FPC failed to deposit required contribution to EOBI, which was against the rules.

The matter was reported to the management and PAO on October 30, 2023. The management replied that FPC got registered with EOBI in 2015 with 15 regular employees. Keeping in view the nature of work, company engaged its parking attendants on Daily Wage basis that's why the FPC could not register all of their daily wage workers with EOBI. The reply was not convincing as FPC paid EOBI contribution of only 26-32 employees as against the staff of 200 to 250 employees.

DAC in its meeting held on December 12, 2023, directed the management to formulate a policy for registration of daily wages employees, and got all the employee registered at the earliest.

Audit recommends compliance of DAC's directives.

7.2.4.5 Non recovery of parking dues from PHA - Rs 5.509 million

As per clause 3.1 of the agreement executed between FPC and Parks and Horticulture Authority (PHA), all the operating expenses regarding parking management shall be incurred by FPC and PHA will pay an amount of Rs 215,000 to FPCL on monthly basis against the expense incurred by them.

During audit of FPC for the years 2018-23, it was observed that management could not recover parking dues from PHA since inception of the agreement February 01, 2018 till June 30, 2020. An amount of Rs 5.509 million was accumulated despite the fact that FPC had incurred considerable expenditures on the site for development, purchase of CCTV cameras and deployment of staff. The management of FPC extended the contract for another one year despite the fact that PHA was not paying its dues.

Due to weak financial and internal controls, FPC failed to realize their outstanding dues.

Audit is of the view that instead of pursuing the recovery of outstanding dues, management extended contract for another year.

The matter was reported to the management and PAO on October 30, 2023. The management replied that efforts were being made to recover the outstanding amount. The reply was not convincing as FPC failed to recover the outstanding amount from PHA since January, 2018.

DAC in its meeting held on December 12, 2023, directed the management to recover the amount from PHA without further delay.

Audit recommends compliance of DAC's directives.

7.2.4.6 Loss of revenue due to illegally operated sites by District Bar Association - Rs 12.973 million

According to clause 7.2.1 of the management and administration agreement of parking facilities in CDGF, Faisalabad Parking Company shall perform all the day to day management and administration of the Parking Facilities including collection of parking fee/ or fine, controlling and monitoring existing procedures, process, actions, activities, operations, schemes, plans, programs in respect of every CDGF/ TMAs property directly or indirectly related to parking zones, parking areas, parking bays.

During audit of FPC for the years 2018-23, it was observed that four (04) parking sites falling under the jurisdiction of the company were being run by private contractors under the shelter of District Bar Association (DBA) w.e.f September 2018 (02 sites) and March 2020 (02 sites). The company was collecting a handsome amount of Rs 12.973 million prior to the illegal occupation by District Bar Association.

Due to weak internal controls, management failed to take over possession of its sites.

Audit is of the view that the management should have made concrete efforts to resolve the issue but the same was not done. This showed weak managerial and internal controls.

The matter was reported to the management and PAO on October 30, 2023. The management replied that FPC is trying to recover the possession of the parking stands from DBA. Reply was not convincing as no efforts were made to take over the parking stands from the DBA.

DAC in its meeting held on December 12, 2023, directed the management to arrange a formal meeting with the DBA and place the matter before the Board of Directors for taking remedial action.

Audit recommends compliance of DAC's directives.

7.2.4.7 Loss due to non-recovery of parking fee from the employees - Rs 199.89 million

According to clause 5 (a) of Corporate Governance Rules 2013 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.

During audit of FPC for the year 2018-23, it was observed that various complaints were received on Pakistan Citizens Portal regarding overcharging, hiding of parking fee and misconduct by the FPC operational staff. The allegations were proved in internal inquiry held by Revenue Department on December 23, 2021. Despite clear cut evidence of the overcharging, malpractices and revenue leakage neither any action was taken against the concerned officials. FPC has over forty parking sites which sustained annual loss of revenue to the tune of Rs 199.89 million as per details given below:

(Rs in million)

Year	**Average number of sites**	**Average leakage per day (Rs)**	**Annual loss of revenue (Rs)**
0	**1**	**2**	**3** **(1*2*365 days)**
2018-2019	38	2,826	39.20
2019-2020	36	2,826	37.56
2020-2021	39	2,826	41.23
2021-2022	40	2,826	39.34
2022-2023	42	2,826	42.56
Total			**199.89**

Due to weak internal controls the company failed to stop the leakage of revenue and its subsequent recovery from the concerned employees.

The matter was reported to the management and PAO on October 30, 2023. The management replied that Department consistently monitored day-to-day parking activities to identify any irregularities and took swift action to rectify them. The reply was not convincing as no criminal action had been taken against the employees.

DAC in its meeting held on December 12, 2023 directed the management to terminate the services of Mr. Mubashir Nazir, Parking assistant with immediate effect. DAC further directed to probe the matter of overcharging at all sites through Administrative department and submit report within 30 days.

Audit recommends compliance of DAC's directives.

Mines and Minerals Department

Introduction

Prior to 2002, Mines & Minerals Department was functioning in the Directorate of Industries & Mineral Development Department since 1964. The independent Department of Mines & Minerals was created in 2002 by the implementation of National Mineral Policy.

Purpose/ Objectives

It is to mention that National Mineral Policy 1995 acts as a guideline for formulating the present polices of the Provincial Department of Mines & Minerals. Mines & Minerals Department is responsible for:

Legislation, policy formulation and planning for:

- Grant, surveys, prospecting, exploration and development of mineral resources.
- Collection of rents, royalties and fees from the concessionaires.
- Rehabilitation of affected mining areas/sites, implementation, monitoring and control of environment standards, infrastructure development in mining areas.
- Collect, store and dissemination of mineral data, digitization of mineral/mining data.
- Mines and minerals development.
- Welfare of mine workers
- Marketing of minerals
- Safety of mines, oil and gas fields and their workers
- Training and skill development.
- Labour laws and rules for mine workers
- Governmental functions of:–
- Punjab Mineral Development Corporation.
- Mines Labour Welfare Organization.
- Punjab Mineral Company.
- Budget, accounts and audit matters
- Purchase of stores and capital goods for the department.
- Service matters except those entrusted to Services and General Administration Department.

Governing Laws

- Punjab Mining Concession Rules, 2002
- Coal Mines Pithead Bath Rules, 1946
- Coal Mines Regulations, 1926
- Consolidates Mines Rules, 1952

- Excise Duty on Minerals (Labour Welfare) Punjab Rules, 1971
- Metal liferous Mines Regulations, 1926
- Mines Creche Rules, 1946
- Mining Board Rules, 1951
- Punjab Coal Mines Rescue Rules, 1988
- The Punjab Miners Training Institutions Regulations, 1999
- The Punjab Mining Staff and Workers Training Regulations, 1999

Formations:

- Punjab Mineral Development Corporation
- Punjab Mineral Company (Private) Limited

Audit profile of Mines and Minerals Department

(Rs in million)

Sr. No	Description	Total Nos	Audited	Expenditure audited FY 2022-23 (Rs)	Revenue/Receipt audited FY 2022-23 (Rs)
1	Formations	01	-	-	-
2	Authorities/Autonomous Bodies etc. under the PAO	01	01	697.09	903.34
3	Foreign Aided Projects (FAP)				

Classified Summary of Audit Observations

Audit observations amounting to Rs 392.810 million were raised as a result of this audit. This amount also includes recoverable of Rs 12.620 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of the Audit Observations

(Rs in million)

Sr. No	**Classification**	**Amount (Rs)**
1.	Non-Production of record	-
2.	Reported cases of fraud/Embezzlement and Misappropriation	-
3.	Irregularities	
a.	HR/employees related irregularities	121.500
b.	Procurement related irregularities	25.072
c.	Management of Accounts with Commercial Banks	7.010
4.	Value for money and service delivery issues	23.576
5.	Other	215.652

8.1 Punjab Mineral Development Corporation (PUNJMIN)

8.1.1 Introduction

The Corporation was established under the Punjab Mineral Development Corporation Act, 1975 for the purpose of promoting mineral development in the province of the Punjab.

The main objectives of the corporation is to draw up schemes with the objects confined to the province of the Punjab, for development, surveying, exploring, mining, industrial exploration, purchase and sale, import and export of mineral and development of infrastructure in the areas selected by the corporation and approved by Government of the Punjab.

8.1.2 Comments on Audited Accounts

The management failed to provide annual audited accounts for the years 2018-19 to 2022-23 till December 31, 2023.

8.1.3 Compliance of PAC Directives:

Audit Report	**Total Paras**	**Compliance received**	**Compliance not received**	**Percentage of compliance**
1985-86	59	53	6	90%
1986-87	53	50	3	94%
1987-88	66	58	8	88%
1988-89	27	23	4	85%
1989-90 to 1993-94	313	313	0	100%
1994-95	57	56	1	98%
1995-96	40	38	2	95%
1996-97	21	17	4	81%
1997-98	40	35	5	88%
2006-07	8	8	0	100%
2009-10	10	5	5	50 %
2012-13	9	3	6	33 %
Total	**703**	**659**	**44**	**94%**

Although overall percentage of compliance of PAC directives was 94% but the compliance for the 2009-10 and 2012-13 was only 50% and 33%, which needs improvement.

8.1.4 Audit Paras

8.1.4.1 Irregular payment of bonus prior to finalization of accounts and determination of profit – Rs 27.871 million

According to PUNJMIN's BoD decision in its 38th meeting held on December 19, 1989 circulated vide office order dated June 24, 1990 bonus shall only be paid in case of profit.

During audit of Punjab Mineral Development Corporation (PUNJMIN) for the years 2020-22, it was observed that the management paid an amount of Rs 27.871 million to the employees as bonus prior to finalization of accounts and determination of profit, which was a pre requisite.

Due to weak internal controls the irregularity was occurred.

Audit is of the view that management should have given the bonus to the employees as per policy.

The matter was reported to the management and PAO on August 03, 2023. The management replied that the general direction and administration of the corporation and its affairs shall vest in the Board which may exercise all powers and do all acts which may be exercised or done by the corporation". The reply was not convincing as the bonus was admissible only after final determination of profits of the corporation.

DAC in its meeting held on December 28, 2023 directed the management to get the accounts finalized by external audit in order to determine actual profit of the organization and to recover the bonus amount from employees in case of determination of loss.

Audit recommends compliance of DAC's directives.
(DP Nos: 105,116,120)

8.1.4.2 Irregular cash withdrawal from bank by opening cross cheques - Rs 10.431 million

According to section-10 of Income Tax Ordinance 2017, all payments exceeding Rs 20,000 should be made / routed through banking channel in the shape of cross cheques.

During audit of PUNJMIN for the years 2020-22, it was observed that the management frequently opened cross cheques worth Rs 10.431 million and got them cashed by an employee named Mr. Khalil-ur-Rehman, in violation of the provisions of the Income Tax ordinance 2001, which was held irregular in audit.

Due to weak internal controls and non-adherence of provisions of the Income Tax Ordinance 2001, payment of Rs 10.431 million was held irregular.

Audit is of the view that the management violated the provisions of the Income Tax Ordinance.

The matter was reported to the management and PAO on August 03, 2023. The management replied that Mr. Khalil Ur Rehman, Office Assistant was authorized to deal with all matters of banks for smooth operations of the corporation. The reply was not convincing as cheques were opened as a matter of routine against the rules and provisions of the Ordinance.

DAC in its meeting held on December 28, 2023 directed that a detailed probe into the matter shall be conducted by administrative department within 30 days to determine facts and fix responsibility against the person (s) responsible.

Audit recommends compliance of DAC's directives.

8.1.4.3 Irregular appointment in non-transparent manner - Rs 30.240 million

As per judgment of Supreme Court of Pakistan dated January 19, 1993 in human right case # 104 of 1992, recruitment, both adhoc and regular, without publicly and properly advertising the vacancies is violation of fundamental rules. As such no post could be filled in without proper advertisement, even on adhoc or contract basis.

During audit of PUNJMIN for the years 2020-22, it was observed that the management appointed 63 employees ranging from BPS 1 to BPS 15 without advertisement of the post in violation of the Supreme Court instructions as mentioned above. The detail is given below:

(Rs in million)

S.No	Place of duty	No of employees	Date of appointment	Approx. Pay& Allowance (2021-22) (Rs)
1	Head office	3	May 2022	1.440
2	Khewara project	14	2006-2017	6.720

3	Mainwala Project	06	2017-2022	2.88
4	Khushab project	27	2015-2022	12.960
5	Daindot project	02	2013-2016	0.960
6	Quaidabad Project	11	2015-2022	5.280
		63		**30.240**

Due to weak internal controls, the violation was occurred.

Audit is of the view that the action of the management for hiring employees by ignoring the orders of the supreme court was held irregular.

The matter was reported to the management and PAO on May 29, 2023. The management replied that all the contingent paid staff was hired for direly needed posts within the budgetary provision. The reply was not convincing as the employees were hired in non-transparent manner.

DAC in its meeting held on December 28, 2023 directed the management to get the matter regularized from Finance Department and adopt transparent procedure for hiring in future.

Audit recommends compliance of DAC's directives.

8.1.4.4 Unjustified/irregular payment of special increments to selected employees with retrospective effect - Rs 48.889 million

According to Finance Department letter dated August 20, 2018, "the cases for post creation & up-gradation, increase in salaries & allowances, recruitment criteria, or any other matter having financial implications may be sent to Finance Department for advice by all the autonomous bodies".

During audit of PUNJMIN for the year 2020-22 , it was observed that management granted special increments to selected employees retrospectively without seeking prior currency from Finance Department as per the instructions cited above. Further, in the absence of any performance indicators for the extra ordinary performance, the payment of special increment was not justified. The special / additional increments were allowed to the staff of the project which were running in continuous loss due to low production. The detail is given as under:

(Rs in million)

S.No	Year	Number of Additional Increments granted	Recurring Financial impact of Additional Increments (Rs)

1.	**2017 to 2021**	**-**	**9.585**
1.	2020-2021	Two	4.470
2.	2021-2022	Two	13.997
3.	2022-2023 July to Dec. 2023	Two	20.837
		Total	**48.889**

Due to weak financial controls, unjustified payments were made.

Audit is of the view that payment of additional increments without gauging extra ordinary performance and without concurrence of Finance Department was not justified.

The matter was reported to the management and PAO on May 29, 2023. The management replied that Ex-Managing Director, granted special increments to PUNJMIN employees on the basis of his personal evaluation. The reply was not convincing as the financial benefits were given without the concurrence of Finance Department.

DAC in its meeting held on December 28, 2023 directed the management to get the expenditure regularize from Finance Department and to produce evidence for extra ordinary services rendered by the officers.

Audit recommends compliance of DAC's directives.
(DP Nos: 113,136)

8.1.4.5 Irregular payment of monetization allowance to Managing Director - Rs 2.781 million

As per Finance Department letter dated December 13, 2016, the officer was entitled for company owned and maintained vehicle or payment of monetization allowance in lieu of provision of official vehicle

During audit of PUNJMIN for the years 2020-22, it was observed that Mr. Shahzad Rafi Managing Director took the charge on May 26, 2017. While examining the payroll, it was observed that during the period from August 01, 2020 to December 31, 2022 the officer enjoyed both the facilities i.e. retention of two vehicles of corporation as well as monetization allowance for his official and private use. The officer received monetization allowance of Rs 2.781 million (Rs 95,910 x 29 months).

Due to weak internal controls, the officer received monetization allowance against the rules.

Audit is of the view that as per Finance Department instructions, the officer was not entitled to get monetization allowance because he was using official vehicles.

The matter was reported to the management and PAO on May 29, 2023. The management admitted the contention of audit and agreed that the officer was not entitled for monetization allowance. Hence, the over payment needs to be recovered.

DAC in its meeting held on December 28, 2023 directed the management to recover the monetization allowance from Ex- Managing Director at the earliest and get it verified from audit.

Audit recommends compliance of DAC's directives.

8.1.4.6 Irregular payment to M.D on revision of pay without the approval of the Finance Department – Rs 1.288 million

According to Finance Department letter dated August 20, 2018, "the cases for post creation & up-gradation, increase in salaries & allowances, recruitment criteria, or any other matter having financial implications may be sent to Finance Department for advice by all the autonomous bodies".

During audit of PUNJMIN for the years 2020-22, it was observed that Mr. Shahzad Rafi was appointed as Managing Director in PUNJMIN on May 26, 2017 in MP-I scale for a period of three years as approved by Finance Department. The basic pay was fixed for Rs 289,300 per month. However, Government of the Punjab in 2022 revised pay scales of the Government employees. The management without taking advise from Finance Department increased the Basic pay of the officer by Rs 257,681 (i.e. 48% of the existing basic pay) w.e.f July 01, 2022. The management took up the matter with the Finance Department on October 10, 2022 for clarification. The clarification from the Finance Department are still awaited till close of the audit. Thus, an amount of Rs 1,288,405 was paid to the officer during the period from July 01, 2022 to November 28, 2023 without the approval of the Finance Department. Detail is as under:

(Rs in million)

Period of increase	**Monthly increase in Basic pay**	**Monthly increase (Rs)**	**Total over payment (Rs)**
1-07-2022 to 28-11-2023	48%	0.258	1.288

Due to non-weak internal controls, an irregular payment was made to the officer.

Audit is of the view that due to non-consultation with Finance Department resulted into irregular payment made to the officer.

The matter was reported to the management in August 03, 2023. The management replied that government did not issue revised MP-I pay package. The pay package was to be revised by Selection Board of the Government, but the pay was revised on the directions of Ex-MD. The reply was not convincing as the increase was allowed by Ex. M.D himself without the approval of the Finance Department.

DAC in its meeting held on December 28, 2023 directed the management to refer the case to Finance Department for advice/clarification regarding revision of MP scales and to recover the undue payment in case of adverse advice from Finance Department.

Audit recommends compliance of DAC's directives.

8.1.4.7 Irregular payment of the cost of increased price of explosive against the provisions of the contract - Rs 15.202 million

According to clause-16 of raising and lifting contract of salt with raising contractor, salt mining the explosive material i.e. gun powder used for exploration in excavation by the contractor with his own resources, but if contractor wants PUNJMIN provide explosive material to contractor and will adjust actual cost of explosive from the contractor's bill. Any increase in the cost of explosive is the sole responsibility of the contractor.

During audit of PUNJMIN, Project office Khewara, for the years 2020-22, it was observed that the cost of explosive increased from Rs 125 per Kgs to Rs 345 per Kgs. The increase in cost was to be borne by the contractor but the same was paid by the PUNJMIN and booked the same as subsidy to contractor in its books of accounts. As a result an amount of Rs 15.202 million was paid irregularly in contravention of the above provision of contract.

Due to weak contract management, irregular payment was made.

Audit is of the view that there was no provision of subsidy in the contract and the favour given to the contractor was held irregular.

The matter was reported to the management and PAO on August 03, 2023. The management replied that explosive material was purchased by PUNJMIN and supplied to the Raising Contractor for excavation of Rock Salt. The cost of explosive was charged from bills of Raising Contractor. PUNJMIN was supplying the explosive material to raising contractors @ Rs 125/- per KG. The reply was not convincing as according to clause 16 of the raising & lifting contract any increase in the cost of explosive is the sole responsibility of the contractor.

DAC in its meeting held on December 28, 2023 directed the management to place the matter before Board of Directors for approval/regularization of previous payment and to follow the agreement clause in future.

Audit recommends compliance of DAC's directives.

8.1.4.8 Non transparent purchase of explosive from unauthorized supplier - Rs 9.870 million

According to rule 12 of the Public Procurement Rules, a procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority in the manner and format specified by regulations but if deemed in public interest, the procuring agency may also advertise the procurement in at least one national daily newspaper.

During audit of PUNJMIN Khushab project for the years 2020-22, it was observed that the management frequently purchased explosives from unregistered suppliers M/s Shah Bohot Mining Services and M/s Zagham Abbas without advertisement, which resulted into non transparent purchase of Rs 9.870 million.

Due to weak internal controls the irregularity was occurred.

Audit is of the view that the management failed to advertise the procurement to get the benefit of competitive rates.

The matter was reported to the management and PAO on August 03, 2023. The management replied that M/s Shah Bohot Mining Services is not registered in sales tax as well as income tax and it provided the explosive on condition that PUNJMIN will not deduct income tax and also that it will not deposit the sale tax in account of PUNJMIN. The reply was not convincing as explosives were purchased in a non- transparent manner and neither income tax nor GST was deducted from the supplier.

DAC in its meeting held on December 28, 2023 directed the management to place the matter before Board of Directors for ex-post facto approval of previous purchase and to follow rules in future.

Audit recommends compliance of DAC's directives.

8.1.4.9 Loss due to wastage of old stock of coal - Rs 13.284 million

According to clause 3 & 4 of lifting contract, the contractor is bound to lift the coal according to the given weekly schedule and in case of failure the contractor is bound to deposit the amount of remaining / uplifted quantity and lift the quantity within three days. In case of non-lifting his security will be forfeited and contract terminated.

During audit of PUNJMIN for the years 2020-22, it was observed that a quantity of 800 M.Ton of coal stock valuing Rs 7.20 million was lying unsold since 2014 at Khushab project which decayed over the period and became unsellable. In Dandot project, a quantity of 703 M.Ton of coal valuing Rs 6.084 million caught fire as the contractor failed to lift the extracted quantity within three days. The stock at both sites got wasted because the contractors failed to lift the coal stock timely.

Due to weak operational controls, a huge quantity of coal was lying unsold.

Audit is of the view that due to non-lifting of coal stock and inordinate delay, organization sustained loss of Rs 13.284 million.

The matter was reported to the management and PAO on August 03, 2023. The management replied that coal being produced from Padhrar coal project was genetically of inferior quality. After excavation and dumping at stock yard its quality further deteriorates day by day due to environmental behavior like rains, sunlight, heat etc. The reply was not convincing as the management was required to sell the stock well in time to avoid quality deterioration.

DAC in its meeting held on December 28, 2023 directed the management to hold technical probe under administrative department, to determine the facts about delay and decay losses and to fix responsibility against the person (s) responsible within 30 days.

Audit recommends compliance of DAC's directives.
(DP Nos: 114,124)

8.1.4.10 Loss due to inaccurate measurement of Salt - Rs 10.292 million

As per rule 2.10 (a) (i) of Punjab Financial Rules, same vigilance should be exercised in respect of expenditure incurred from government revenues as a person of ordinary prudence would exercise in respect of the expenditure from his own money.

During audit of PUNJMIN Khewara Project for the years 2020-22, it was observed that management was using faulty weigh bridge having an error percentage of 2.31% less measurement. This fact was evident from the invoices of M/s ICI Khewara and M/s Sitara Chemical. During the audit period, a quantity of 277,769 M.Tone edible salt was sold in the open market by measuring inaccurate weigh scale. Audit has assessed that a quantity of 6,417 M.ton (277,769 x 2.31%) valuing Rs 10.292 million was lifted by the buyers without paying any price due to less measurement by the faulty weigh bridge.

Due to weak internal controls the irregularity was occurred.

Audit is of the view that due to negligence on the part of management, the Corporation sustained a loss.

The matter was reported to the management and PAO on August 03, 2023. The management replied that PUNJMIN received the payment of Rock Salt at the weighment statement generated by the weighbridges of chemical industries. PUNJMIN reconciled the weights of its own weighbridges with the weighbridges of other chemical industries. The reply was not tenable as the salt was sold in the open market at a quantity less than actual.

DAC in its meeting held on December 28, 2023 directed that a detailed probe into the matter shall be conducted by administrative department within 30 days to determine facts and fix responsibility against the person (s) responsible

Audit recommends compliance of DAC's directives.

8.1.4.11 Loss due to non-recovery from excavation contractors - Rs 10.044 million

According to rule 2.10 (a) (i) of Punjab Financial Rules, same vigilance should be exercised in respect of expenditure incurred from government revenues as a person of ordinary prudence would exercise in respect of the expenditure from his own money.

During audit of PUNJMIN for the years 2020-22, it was observed that the management of Khushab failed to recover outstanding dues from the contractors on account of use of electricity and other allied facilities from running bills. An amount of Rs 10.044 million was receivables. Details is as under:

(Rs in million)

S.No	Name of contractor	Amount outstanding (Rs)	Outstanding since
1.	M/s Pir Stone	5.110	2020-2021
2.	M/s M S D	0.519	2020-2021
3.	M/s Javed Iqbal PCP 4	1.900	2020-2021
4.	M/s MKSA Enterprises	2.515	2020-2021
Total		**10.044**	

Due to weak internal controls and loose financial managements the project sustained a loss.

The matter was reported to the management and PAO on August 03, 2023. The management replied that recovery from the contractors are in process. The reply was not convincing as considerable time lapsed but no recovery was made.

DAC in its meeting held on December 28, 2023 directed the management to recover the amount at the earliest and get it verified from Audit.

Audit recommends compliance of DAC's directives.

8.1.4.12 Irregular sale of Burxite to M/s MKSA enterprises without agreement - Rs 9.850 million

According to rule-2.33 of Public Financial Rules Volume-I, every Government servant 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.

During audit of PUNJMIN Khushab Project for the years 2020-22, it was observed that the project management sold Burxite to M/s MKSA enterprises in non-transparent manner without any agreement. The Project Manager himself fixed the rate of Rs 750, 600 and 150 per M. Ton. Thus, the sale of Burxite of Rs 9.850 million was made in a selective manner.

Due to weak internal controls and loose financial management, the stock was sold in an irregular manner.

Audit is of the view that management granted undue favour to vendor by awarding contract without advertisement.

The matter was reported to the management and PAO in August 03, 2023. The management replied that the quality of our bauxite is very low and its seam is genetically irregular and available in small pockets. Therefore, no major/local party is ready to purchase bauxite. The reply was not convincing as the stocks were sold in a non-transparent manner.

DAC in its meeting held on December 28, 2023 directed the management to place the matter before Board of Directors for ex-post facto approval of previous practice and to adopt tender process in future.

Audit recommends compliance of DAC’s directives.

8.1.4.13 Non recovery on account of supply of Gypsum - Rs 2.576 million

According to clause of clause-XI of sale agreement, the payment shall be made within 30 days from the date of delivery of the goods.

During audit of PUNJMIN Khushab project for the years 2020-22, it was observed that an amount of Rs 2.576 million was recoverable from different Cement Companies on account of supply of Gypsum since 2018-2019. Detail is as under:

(Rs in million)

S.No	Name of Parties	As on June 30,2022 (Rs)	Outstanding since
1	M/s Askari Cement	0.339	2018-2019
2	M/s Javadia Cement	0.327	2018-2019
3	M/s Gharibawal Cement	0.241	2018-2019
4	M/s Ravi Glass legal case	1.109	2018-2019
5	M/s Ideal Enterprises	0.560	2018-2019
	Total	**2.576**	

Due to weak financial controls, management failed to recover their old outstanding dues since long.

The matter was reported to the management and PAO on August 03, 2023. The management replied that efforts were being made to recover the outstanding amount. The reply was not convincing as the management failed to recover the old outstanding amount since long.

DAC in its meeting held on December 28, 2023 directed the management to recover the amount at the earliest and get it verified from Audit.

Audit recommends compliance of DAC's directives.

8.1.4.14 Shortage of stores, spares and loose tools – Rs 29.685 million

Auditor-General of Pakistan vide letter dated August 19, 2016 issued instructions to all field offices to ensure proper maintenance of assets record during audit process of each entity.

During audit of PUNJMIN for the years 2020-22, it was observed that management did not conduct annual physical verification of Stores, Spares and fixed assets on annual basis to ensure the physical existence of corporation assets. The external auditors since 2014-2015 repeatedly pointed out the deficiency and qualified their report. However, in February, 2021 the management engaged M/s Sheikh & Chaudhri Chartered Accountant for physical verification of PUNJMIN fixed assets, stock, spares and stores as appearing in the books of account as on June 30, 2020. The firm submitted its report on February 09, 2022 and pointed out following shortages as per detailed given below:

(Rs in million)

S.No	Name of Project	Description	Location	Amount of Spare & stores not available at site (Rs)
1.	Head Office and its allied projects	Stock, stores & spares	H.O and projects	24.962
2.	Khushab project	Stores & Spares	Khushab	1.067
3.	Padhara project	Stores & Spares	Padhara	1.060
4.	Dondot Coal Project	Fixed assets	Padhara	2.596
	Total			**29.685**

Due to weak internal controls, management failed to protect its assets.

Audit is of the view that management failed to ensure safety and physical presence of spares and stores worth of Rs 29.685 million.

The matter was reported to the management and PAO on May 23, 2023. The management replied that proper incorporation of disposal of assets having written down value as nil will be done from the accumulated reserves as per rules & regulations. The reply was not convincing as the shortage of stores was pointed out during the year 2014-2015. In January 2021, the shortages were also confirmed by independent Chartered Accountant firm but no action was taken by the management.

DAC in its meeting held on December 28, 2023 directed the management to complete the external audit of corporation and get the qualifications removed.

Audit recommends compliance of DAC's directives.

8.1.4.15 Irregular retention of contractor's security in the company's main account - Rs 7.010 million

According to section 217(2) of the Companies Act 2017, the money so received shall be kept in a special bank account maintained by a Company with a Scheduled bank.

During audit of PUNJMIN for the years 2020-22, it was observed that the management retained an amount of Rs 7.010 million pertaining to the securities of contractors in its main operational account in violation of the provision of the Companies Act 2017.

Audit is of the view that weak financial management resulted into violation of provisions of section 217 of the Companies Act 2017.

The matter was reported to the management and PAO on May 29, 2023. The management replied that corporation retained amount pertaining to the securities of contractors under head of security payable and their individual ledger also maintained accordingly. The reply is not convincing as separate bank account was not opened in compliance of section 217.

DAC in its meeting held on December 28, 2023 directed the management to open separate account for security deposits in compliance of section 217 and got the record verified from audit.

Audit recommends compliance of DAC's directives.

8.1.4.16 Non imposition of late payment charges due to defective agreement with suppliers - Rs 59.456 million

According to clause XI of the agreement executed with M/s Ittehad Chemicals, the party is bound to made payment to PUNJMIN within thirty days from the issuance of invoice.

During audit of PUNJMIN Khewara project for the years 2020-22, it was observed that the management made an agreement with M/s Ittehad Chemicals, M/s Sitara Chemicals and M/s ICI Soda Khewara for the sale of industrial salt. The buyers failed to make payment with in stipulated time and caused delay of considerable time. It was further observed that there was no clause regarding penalty for late payment in the contract. Details of outstanding receivables as under:

(Rs in million)

Name of Party	Balance 30-06-2019 (Rs)	Balance 30-06-2020(Rs)	Balance 30-06-2021(Rs)	Balance 30-06-2022(Rs)
Ittehad Chemical	7.522	10.713	6.242	21.606
Sitara chemical	7.20	10.737	3.653	20.200
ICI Soda	7.397	20.496	13.715	17.740
Total	**22.119**	**41.946**	**23.610**	**59.546**

Due to defective agreement, the corporation failed to receive payments in time.

Audit is of the view that due to non-existence of the penalty clause regarding delayed payment, a considerable amount had been blocked by the above companies.

The matter was reported to the management and PAO on May 29, 2023. The management replied that long term and continuous profitable business relations with the said consumer industries since decades, penalty clause was not included in the agreements. The reply was not convincing as defective agreement was made and did not include the late payment clause.

DAC in its meeting held on December 28, 2023 directed the management to fix responsibility for the lapse and to insert penalty clause in the agreements for future.

Audit recommends compliance of DAC's directives.

8.1.4.17 Loss due to non-deduction of sales tax on excavation services – Rs 104.041 million

According to serial No. 28 of Punjab Sales Tax on service Act 2012, services provided in respect of mining of minerals, oil & gas including related surveys and allied activities will be charged @ of 16%.

During audit of PUNJMIN for the years 2020-22, it was observed that the management hired the services of various excavation contractors for mining of minerals during the period but did not deduct PST from the payment bills of the contractors. A notice dated March 31, 2023 was issued by PRA to management about filing of monthly withholding of PST on services. The PRA again issued a show cause notice to the management on April 20, 2023 for non-compliance of the matter. This reflected that the management neither deducted nor deposited of sales tax on services worth Rs 104.041 million, which caused loss to the government ex-chequer. The detail is given as under:

(Rs in million)

Name of Project	**Name of Project**	**Total sales (Rs)**	**16% PST on Services (Rs)**
Padhrar Coal	2020-21	82.563	13.210
	2021-22	137.477	21.996
Dandot Coal	2020-21	31.582	5.053
	2021-22	11.01	1.760
Qaidabad Salt	2020-21	33.773	5.404
	2021-22	36.501	5.840
Marmandi Salt	2020-21	69.240	11.078
	2021-22	146.629	23.461
Mian Mitha Salt	2020-21	10.279	1.645
	2021-22	10.172	1.627
Khushab Bauxite	2020-21	7.822	1.251
	2021-22	4.619	0.739
Silica Sand Mianwali	2021-21	10.702	1.712
	2021-22	2.335	0.374
Gypsum Mianwali	2021-22	23.993	3.839
	2021-22	31.569	5.051
Total PST on Services			**104.04**

Due to weak financial control, the irregularity was occurred.

Audit is of the view that management should have deducted the PST on services as per rules and must have deposited the same in the account of Punjab Revenue Authority.

The matter was reported to the management and PAO on May 29, 2023. The management replied that corporation was in process of registration with Punjab Revenue Authority which was likely to be completed in September, 2023. The reply was not convincing as the matter was yet to settled with the PRA authorities and the amount was still payable.

DAC in its meeting held on December 28, 2023 directed the management to pursue the matter with PRA and pay the due amount of PST at the earliest.

Audit recommends compliance of DAC's directives.

Planning and Development Department

Introduction

The Planning and Development Department, Government of the Punjab, is the principal planning organization at the provincial level. It coordinates and monitors development programs and activities of various departments of the provincial government. The department also prepares an overall Medium Term Development Framework (MTDF) of developmental activities in the province. The Medium Term Development Framework lays down the developmental activities to be carried out in the province in various sectors of the provincial economy. In this manner, the Planning & Development Department is one of the main actors in the growth of the economic potential of the province.

The mandate of the Planning and Development Department includes provision of technical support and coordination to various Government departments in their planning activities. The department is also the main government agency working with foreign donors in the province.

Purpose/ Objectives

The main objectives of the department are as follows:

- Assessment of the material and human resources of the province
- Formulation of long and short term plans
- Recommendations concerning prevailing economic conditions, economic policies or measures
- Examination of such economic problems as may be referred to it for advice
- Coordination of all economic activities in the provincial government

Governing Laws

Punjab Information Technology Board Ordinance 1999.

Formations:

Punjab Skill Development Fund
Punjab Information Technology Board
Urban Sector Planning and Management Service Unit
Engineering Consultancy Services of Punjab
Punjab Skills Development Authority

Audit profile of Planning and Development Department

(Rs in million)

Sr. No	Description	Total Nos	Audited	Expenditure audited FY 2022-23 (Rs)	Revenue/Receipt audited FY 2022-23 (Rs)
1	Formations	03	01	1,194.81	1,297.06
2	Authorities/Autonomous Bodies etc. under the PAO	02	01	3,023.92	3,127.52
3	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 3,597.902 million were raised as a result of this audit. This amount also includes recoverable of Rs 5.537 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of the Audit Observations

(Rs in million)

Sr. No	Classification	Amount (Rs)
1.	Non-Production of record	-
2.	Reported cases of fraud/Embezzlement and Misappropriation	-
3.	Irregularities	
a.	HR/employees related irregularities	26.824
b.	Procurement related irregularities	761.119
c.	Management of Accounts with Commercial Banks	1,067.862
4.	Value for money and service delivery issues	112.525
5.	Other	1,629.572

9.1 Punjab Information Technology Board (PITB)

9.1.1 Introduction

The Punjab Information Technology Board (PITB) was established under an ordinance of Governor of the Punjab dated March 27, 1999. The principal objective of the Board is to develop information technology as a major sphere of economic activity and promote its use in public and private sectors for increasing efficiency and competitiveness.

9.1.2 Comments on Audited Accounts

The management failed to provide annual audited accounts for the years 2017-18 to 2022-23 by December 31, 2023.

9.1.3 Compliance of PAC Directives

Audit Report	Total Paras	Compliance received	Compliance not received	Percentage of compliance
2006-07	05	05	0	100%
2010-11	01	01	0	100%
2012-13	08	05	03	62.5%
2013-14	12	06	06	50%
2019-20	13	02	11	15%
Total	**39**	**19**	**20**	**49%**

Overall compliance is 49%, which needs to be improved and requires special attention of PAO.

9.1.4 Audit Paras

9.1.4.1 Irregular appointment of staff having irrelevant qualification and experience – Rs 19.248 million

According to PITB Resource requisition form and PC-I, qualification required for Business Development Assistant was minimum 16 years with a degree in Project Management/ Computer science/ Computer engineering/ IT/ Software engineering or related from a reputed HEC recognized local or foreign institution. Further, as per PC-I of E-Abiana, two year experience was required for software engineer.

During audit of Punjab Information Technology Board (PITB) for the years 2021-23, it was observed that management hired staff on various projects having irrelevant qualification and experience resulted into irregular payment of Rs 19.248 million. Detail is in **Annex-13.**

Due to lack of internal controls and poor HR management, person(s) with irrelevant qualification and experience was selected.

Audit is of the view that management was required to hire a person having relevant qualification and experience but the same was not done.

The matter was reported to the management and PAO on October 23, 2023. The management replied that all the employees were hired after fulfilling all codal formalities. The reply was not convincing as employees having irrelevant qualification and experience were recruited.

DAC in its meeting held on January 24, 2024, directed the management to provide the record for verification to audit. The management did not provide the record till finalization of this report.

Audit recommends compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2015-16, 2019-2020 and 2022-23 vide para numbers 12.1.4.2, 10.1.4.2 and 10.1.4.4 having financial impact of Rs 4.86 million, Rs 59.548 million and Rs 5.563 million respectively. Recurrence of same irregularity is a matter of serious concern.

9.1.4.2 Irregular drawl of funds from Assan Assignment Accounts - Rs 1,067.862 million

According to Procedure-1 (xv) of Assan Assignment Account Procedure, 2020 applicable w.e.f October 26, 2020, cash withdrawal or transfer of funds to any bank account is not allowed except employees related deductions like pensions contributions, provident fund and GP Fund etc. These deductions shall be made as per Rules/Policy Guidelines/Procedure of the relevant offices. Payment shall be made only through crossed cheque to contractors, vendors, suppliers, employees, etc.

During audit of PITB for the years 2021-23, it was observed that management drew an amount of Rs 326.397 million from Assan Assignment Account (AAA) No. 1173752998 for non-development grants and amount of Rs 741.465 million from Assan Assignment Account (AAA) No. 1173753004 for development grants to its commercial Bank Accounts and transferred to its commercial Bank Accounts. This situation showed that management drawn excess amount from the assignment account in its commercial account which was against the above procedure. Detail is in **Annex-14.**

Due to weak financial controls a huge amount was drawn without need.

Audit is of the view that the above said excess transfer of amount from AAA to Commercial Bank of PITB showed objectionable financial practice as it by-passed the annual budgeting framework of Government of Pakistan.

The matter was reported to the management and PAO on October 23, 2023. The management replied that out of Rs 741.464 million, around 89% of funds i.e. Rs 657.766 million were transferred for disbursement of salaries to staff apart from its contractual staff. The reply was not convincing as the amount of salaries to staff can be withdrawn through cross cheques/advice to bank against the employees as per procedure of AAA.

DAC in its meeting held on January 24, 2024, directed the management to refer the case to Finance Department for advice.

Audit recommends compliance of DAC's directives.

(DP Nos: 352,354)

9.1.4.3 Non-achievement of targeted trainings and non-reconciliation of sponsorship fee with universities - Rs 19.824 million

As per PC-I of National Freelance Training Program (NFTP), the main objectives of this initiative are to establish twenty (20) physical training centers across Pakistan, target to train 22,960 candidates. Further, sponsorship funds for up to 300 candidates will be transferred in advance to public partner universities. Reconciliation of funds will be carried out between partner university and project before each subsequent cohort according to number of graduates.

During audit of PITB for the years 2021-23, it was observed that management of PITB start execution of the project NFTP which is sponsoring by the Ministry of Information Technology & Telecommunication, Pakistan in August 2019 with the target to complete the trainings of 22,960 students upto June 2022 through Public Universities across Pakistan. Only 9,821 students trained against target of 22,960 upto June 30,2023 which show poor performance on the part of PITB.

Further, management given advance against student fee to the partners universities as per agreement but did not train the students till to date and fee of Rs 19.824 million are still pending against the universities which needs justification. Detail is in **Annex-15.**

Due to weak project and financial management, the management failed to achieve the trainees targets as per provision of PC-I.

Audit is of the view that PITB did not achieve the targets of trainings despite giving full financial resources to the universities.

The matter was reported to the management and PAO on October 23, 2023. The management replied that the NFTP project was largely effected initially by Covid in 2020 and then by the flood in year 2022 specially in areas of Sindh and Baluchistan which caused hindrance in achieving targets. The reply was not convincing as the management was required to achieve target of 22,960 upto June 2022 but lapse of one and half year, only 11,837 students trained against enrolled 13,650 students. Further, as per data of students provided, 1,451-students fee pending against universities.

DAC in its meeting held on January 24, 2024, directed the management to recover the amount of sponsorship from the University who refused to conduct training and achieve the targets as per revised PC-1.

Audit recommends compliance of DAC’s directives.

(DP Nos: 334,335)

9.1.4.4 Revenue loss due to non-implementation of exit strategy for E-Khidmat Markaz - Rs 850.00 million

According to clause-15 regarding Exit Strategy of PC-1, during the 3rd and 4th revision of the project E-Khidmat Markaz, it was proposed to make said project self-sustainable after completion of the project, fee charging model may be adopted under which a minimal fee will be charged to citizens against the services obtained and revenue would also be generated through marketing campaigns.

During audit of PITB for the years 2021-23, it was observed that PITB management executed project "E-Khidmat Markaz" to provide 30+ services and established Ten (10) Facilitation Centers in the Province of Punjab after incurring cost of Rs 1,529.518 million and incurring more than 400 million annually for operation of centres. The said project was completed in June 2019 and management should have charged fee as per exit strategy but management did not to do so and suffered revenue loss as under:

(Rs in million)

Year	**Potential Income (Rs)**
2019-20	175
2020-21	198
2021-22	224
2022-23	253
Total	**850**

Due to weak operational controls, management failed to get the revenue against the services rendered to the general public.

Audit is of the view that management should be taken steps to charge the fee to the customers for exit strategy which were recommended by DG M&E and also proposed in PC-I as the government incurred huge expenses annually.

The matter was reported to the management and PAO on October 23, 2023. The management replied that the project aims to establish a self-sustainable model, and the CFSCS are anticipated to become fully operational in the near future.

DAC in its meeting held on January 24, 2024, directed the management to implement the PC-I provisions pertaining to exit strategy in letter and spirit.

Audit recommends compliance of DAC's directives.

9.1.4.5 Undue/unnecessary expenditure from grant due to non-operation of Facilitation Centre, Chakwal on self-sustainable model – Rs 15.955 million

According to clause-17 and 17.1 regarding Exit Strategy of PC-1 (2nd Revision) of Facilitation Centre Chakwal, the project will completely run on its self-sustainability model after the completion of the project. As per self-sustainability model, Centre would handle 9,216-

customers/month and run at break event point if management charged per customer fee Rs 66.09, Rs 88.12 and Rs 132.2 at 100%, 75% and 50% capacity respectively.

During audit of PITB for the years 2021-23, it was observed that the management executed project Citizen Facilitation and Service Centre at Chakwal to provide 30+ services after incurring cost of Rs 79.575 million. The said project started its operations in May 2022 and as per exit strategy management was required to charge fee to run its operations. The management of PITB did not charge any fee and received the grant of Rs 16.699 million from government and incurred expenditure of Rs 15.955 million unnecessarily from the grant to run the Centre.

Due to weak project management, PITB failed to implement the PC-I in letter and spirit.

Audit is of the view that management should have taken steps to charge the fee to the customers to make the center sustainable as recommended in PC-I.

The matter was reported to the management and PAO on October 23, 2023. The management replied that the project aims to establish a self-sustainable model, and the CFSCS are anticipated to become fully operational in the near future.

DAC in its meeting held on January 24, 2024, directed the management to implement the PC-I provisions pertaining to exit strategy in letter and spirit.

Audit recommends compliance of DAC's directives.

9.1.4.6 Loss to government due to non-charging of Punjab Sales Tax on IT services - Rs 11.536 million

According to Sr. No. 22 of 2nd schedule of Punjab Sales Tax on Services Act 2012 under taxable services, five percent tax imposed on IT based services.

During audit of PITB for the years 2021-23, it was observed that management provided different IT services to clients which were not funded by the government and have own source of income but no PST was charged by the PITB which caused loss to the government exchequer of Rs 11.033 million. The detail is as under:

(Rs in million)

Name of Project (2021-23)	**Name of Beneficiaries**	**Expenditures 2021-22 (Rs)**	**Expenditures 2022-23(Rs)**	**Total (Rs)**	**5% PST (Rs)**
Implementation of HIMS at PESSI	PESSI	57.102	163.573	220.675	11.034
WASA Complaint	WASA	4.354	5.692	10.046	0.502

Management System					
Total					**11.536**

Due to weak financial management responsibilities of tax was not discharged as per rules.

Audit is of the view that management should have charged the PST on provision of services provided as per Act mentioned above.

The matter was reported to the management and PAO on October 23, 2023. The management replied that funds were utilized for payment against procurements made on behalf of Client departments to execute the IT component and for the purchase of hardware for client department on which relevant taxes were withheld and deposited. Suggestions of the audit is well taken and PITB will charge PST on services to Private sector /autonomous bodies. The reply was not convincing as the management was required to charge PST against the IT services as per rules.

DAC in its meeting held on January 24, 2024, directed the management to refer the para to Finance Department for advice.

Audit recommends compliance of DAC's directives.

9.1.4.7 Underutilization of E-Khidmat Marakaz despite incurring full operational cost annually - Rs 412.475 million

As per detailed footfall analysis performed by the Director General Monitoring & Evaluation of Planning and Development Board, Government of the Punjab in its evaluation report issued on August 2019 on Project Establishment of Citizen Facilitation and Service Centers (E-Khidmat Markaz) that the year wise footfall and its growth rate shown that each centre will provide 436,670-Nos different services to the general public in a year. Further, the minimum capacity of the center is 768-customers per day which become 240,384-customers per year excluding holidays.

During audit of PITB for the years 2021-23, it was observed that PITB management is running 10-facilitation centers in the Province of Punjab and incurred expenditures of Rs 317.224 million in 2021-22 and Rs 412.475 million in 2022-23 to provide 30+ services including main i.e. Birth, Character, Child Registration, Death, Domicile and Family Registration certificates, issuance of FARD, Property Registry, E-Stamp Paper and Driving license etc. The services provided data for the year 2022-23 of each center revealed that not a single centre maintained footfall growth rate and all the centers also did not utilize its minimum capacity. Detail is as under:

Facilitation Centre	**Minimum Capacity (Nos)**	**2022-23**		**2021-22**	
		No of Delivered Services (Nos)	**%age of Minimum Capacity Utilization**	**No of Delivered Services (Nos)**	**%age of Minimum Capacity Utilization**

Bahawalpur	240,384	208,800	87%	100,374	42%
DG Khan	240,384	153,529	64%	33,691	14%
Faisalabad	240,384	198,136	82%	123,341	51%
Gujranwala	240,384	131,910	55%	60,737	25%
Lahore ASTP	240,384	225,919	94%	152,417	63%
Lahore Town Hall	240,384	85,665	36%	55,621	23%
Multan	240,384	205,343	85%	105,570	44%
Rawalpindi	240,384	136,338	57%	97,529	41%
Sahiwal	240,384	126,220	53%	54,408	23%
Sargodha	240,384	204,289	85%	129,133	54%
Total	**2,403,840**	**1,676,149**	**70%**	**912,821**	**38%**

Due to weak operational controls, management failed to deliver the services to the general public upto mark.

Audit is of the view that management should take steps for utilization of E-Khidmat Marakaz upto capacity as the government incurred huge expenses.

The matter was reported to the management and PAO on October 23, 2023. The management replied that when assessing the annual turnaround of delivered services to citizens at all CFSCs across Punjab, a substantial increase in effectiveness is consistently observed over time. The reply was not convincing as the centres did not achieve minimum capacity utilization.

DAC in its meeting held on January 24, 2024, directed the management to take efforts for maximum utilization of centres.

9.1.4.8 Un-necessary procurement of UPS for PESSI Hospitals - Rs 4.922 million

As per Hardware distribution plan of HMIS PESSI Project, the Desktop Computers with UPS were required upto June 2023 for PESSI Hospitals.

During audit of PITB for the years 2021-23, it was observed that management purchased 1217-UPSs at the Rs 12,850 from M/s Makkays on March 20, 2023. On the other hand, management purchased 834-Nos Desktop Computers at Rs 103,500 each on May 30, 2023 against the demand of 1217-Nos. The equipment were distributed to the PESSI hospitals upto June 2023. 383-Nos Desktop Computers were not procured till to date but the UPS of the same quantity were purchased in March 2023. Thus, management procured 383-UPS for Rs 4.922 million without any need and expired of warranty without use.

Due to poor operational management an unnecessary procurement was made.

Audit is of the view that management should procured UPS according to requirement of desktop computers to avoid unnecessary procurement.

The matter was reported to the management and PAO on October 23, 2023. The management replied that the responsibility lies with sponsoring department for not releasing the due funds timely and holding the implementation as PITB is executing agency. The reply was not convincing as the PITB purchased the hardware on the behalf of the PESSI as executing agency and was required to watch the proper utilization/need of the hardware.

DAC in its meeting held on January 24, 2024, directed the management to resolve the issue with PESSI.

Audit recommends compliance of DAC's directives.

9.1.4.9 Non expansion of the E-Rozgar program to the private Sector

As per decision of 1st meeting of steering committee held on June 08, 2022 regarding exit strategy for project titled E-Rozgar Training Program, PITB to explore viable options with interested private sector institutes with a revenue generation model for using E-Rozgar's name as its brand value provided that the standards of training are strictly adhere and a process of check and balance in place.

During audit of PITB for the years 2021-23, it was observed that PITB executing the E-Rozgar Program and as per decision of the committee on exit strategy, PITB was required to initiate the expansion of program through private sector with a revenue generation model. This amount can be utilized or adjusted by creating a revolving fund. The same was not done.

Due to weak project management, management failed to implement the exit strategy of the project.

Audit is of the view that management should have implemented the decision of the committee to expand the project to private sector to earn revenue.

The matter was reported to the management and PAO on October 23, 2023. The management replied that in accordance with the minutes of the 1st steering committee, feasible alternatives were explored via revenue generation model in collaboration with private sector entities. However, this model underwent updates in subsequent steering committee meetings and eventually it was decided that expansion with public/private sector would be implemented through a franchise-based model. The reply was not convincing one and half year has been elapsed but management did not start the self-sustainable model through private universities as per instructions of the steering committee held on June 08, 2022.

DAC in its meeting held on January 24, 2024 directed the management to extend the program to the private sector.

Audit recommends compliance of DAC's directives.

9.2 Punjab Skills Development Fund (PSDF)

9.2.1 Introduction

Punjab Skills Development Fund (PSDF) was incorporated on October 11, 2010 under Companies Ordinance 1984 (now Companies Act 2017). It is sponsored by the Government of the Punjab and funded by the Department of International Development, UK. The registered office of the company is situated in Lahore. The company is a funding organization which acts as a financer of skills development / vocational training projects and intends to stimulate the market for skills development.

9.2.2 Comments on Audited Accounts

9.2.2.1 The working results of the Fund for the year 2022-23 as compared to the previous years are given as under: -

(Rs in million)

	2022-23	**%Inc /(Dec)**	**2021-22**	**%Inc /(Dec)**	**2020-21**
Income					
Grant Income	1176.61	53.05	768.79	(71.57)	2,704.51
Amortization of deferred contribution-Capital Assets	16.222	(31.44)	23.66	(5.47)	25.03
Management fee (Other Income)	17.224	28.35	13.42	44	9.32
Income from Placement Services	7.47	38.59	5.39	(33.04)	8.05
Profit on bank deposits	79.54	705.88	9.87	2.37	7.98
Total	**1297.06**	**57.96**	**821.124**	**(70.09)**	**2,745.57**
Expenditure					
Punjab Skills Development Project (PSDP)	-	-	-	(100)	28.79
Skills Development Program (SDP) – Training	-	-	186.81	(92.53)	2,501.8
Skills Development Program (SDP) - Technical Assistance	-	-	18.04	(86.80)	136.71
Evidence Generation & Design Program (EGDP)	71.70	206.93	23.36	246.07	6.75
Skilling Youth for Income Generation (SYIG)	1,024.31	90.23	538.450	-	-
Self-Sustainable Initiative	33.48	156.04	13.076	100	0
Finance cost	0.083	(60.48)	0.21	21.56	0.17
Total			**779.94**	**(70.83)**	**2,674.22**

Surplus of income over expenditure	**102.25**	**148.24**	**41.19**	**(48.94)**	**80.68**
Accumulated fund	**341.004**	**40.94**	**241.955**	**17.31**	**206.250**

(Source: Annual Audited Accounts for 2022-23)

The surplus of income over expenditure increased to Rs 102.25 million in the year 2022-23 from Rs 41.19 million in the year 2021-22 showing an increase of 148.24%. This was mainly increased due to huge increase in profit on bank deposits which increased from Rs 9.87 million in the year 2021-22 to Rs 79.54 million in the year 2022-23. On the other hand, Income from placement services and management fee could be increased at minimal level i.e. from Rs 5.39 million in 2021-22 to Rs 7.47 million in 2022-23 & from Rs 13.42 million to Rs 17.22 million respectively. Income from bank deposits does not contribute to the operational/ regular income. Management should make efforts to achieve substantial increase in operational income as in case of non-funding from different donors may create liquidity and going concern problems for the organization in future.

9.2.2.2 Accumulated fund of the company increased to Rs 241.96 million as on June 30, 2022 from Rs 206.250 million as on June 30, 2021 and further increased to Rs 341.003 million as on June 30, 2023. This showed constant increase in accumulated fund which requires management attention to devise a policy/ framework for proper utilization of the fund instead of its accumulation.

9.2.2.3 Deferred grants for capital assets under non-current liabilities reduced to Rs 52.61 million (FY 2022-23) from Rs 67.20 million (FY 2021-22) showing a decrease of 21.71% only. Non-utilization of these funds needs clarification.

9.2.2.4 Other receivable for SDF Program which increased to Rs 106.27 million in the year 2022-23 from Rs 9.95 million in the year 2021-22 registered an increase of 968.04%. This huge increase needs explanation along with updated position of the recovery.

9.2.2.5 Short term investments reduced to Nil (FY 2022-23) from Rs 100.00 million (FY 2021-22) showing a decrease of 100% despite availability of sufficient cash and bank balance of Rs 1,111.55 million as on July 01, 2022. This shows weak financial management of the funds which deprived the company from generating profit on bank deposits.

9.2.2.6 Expenditure under Self Sustainable Initiative increased to Rs 33.48 million in the year 2022-23 from Rs 13.08 million in the year 2021-22 showing an increase of 155.96%. This was mainly due to increase in salaries and travelling and conveyance expenses. This huge increase needs explanation despite the fact that average number of employees reduced to 60 from 73.

9.2.2.7 Excess expenditures over receipt amounting to Rs 10.57 million, Rs 13.66 million and Rs 2.98 million under the projects of EGDP, SYIG and KSIP were incurred during the year 2022-23. This needs explanation as expenditures should have been incurred keeping in view the availability of funds.

9.2.2.8 Under the project SYIG, funds amounting to Rs 7.23 million could not be utilized and lapsed during the year 2022-23. This shows inefficient management of funds as these were withdrawn but could not be utilized during the year.

9.2.2.9 Expenditure on account of research activities increased to Rs 67.05 million (FY 2022-23) from Rs 16.63 million (FY 2021-22) showing an increase of 303.19%. This huge increase needs to be explained along with complete detail of activities done and their impact on the project.

9.2.2.10 Meeting fee paid to the Board of Directors increased to Rs 4.43 million (FY 2022-23) from Rs 2.38 million (FY 2021-22) showing an increase of 86.13%. This huge increase needs to be explained along with complete detail of meeting and expenses incurred.

9.2.2.11 Honorarium paid to the executives increased to Rs 6.09 million (FY 2022-23) from Nil (FY 2021-22). Huge payment on account of honorarium needs justification along with provision of complete detail of employees, their KPIs, achievements, inclusion of this amount in the annual budget, approvals of the honorarium from the competent forum.

9.2.3 Compliance of PAC Directives

No PAC meeting for the years 2014-15 to 2021-22 has been convened so far.

9.2.4 Audit Paras

9.2.4.1 Irregular appointment of the employees – Rs 7.576 million

According to the advertisement dated October 30, 2020, December 15, 2020 published in the Daily Jang Lahore. Following was the criteria required for appointment against different posts.

Sr. No.	Position	Education	Experience
1.	Communication specialist Grade 3	Bachelor's degree (16 years) or Master's degree in communication/ Marketing/Social science or any relevant	A minimum of 4 years or above relevant experience with reputed organization.

		discipline from an HEC recognized university.	
2.	Associate Monitoring & Evaluation Grade 3	Bachelor's degree (16 years) or Master's degree from an HEC recognized university in economics/ Marketing/Social science or any relevant discipline.	2 years or above of relevant experience with bachelor's degree (16 years) OR 1 year or above with Master's degree.
3.	Specialist Risk Assurance Grade-3	Qualified from a recognized professional body of Accountant/ Audit/ CIA/ ACCA/CPA/ CA/ ACMA/ will be preferred.	A minimum of 4 years or above of relevant experience with reputed organization.

During audit of Punjab Skills Development Fund for the years 2020-22, it was revealed that management made appointments of different officers on contractual basis in violation of the advertised criteria as detailed below:

(Rs in million)

S #	Name	Designation	Observation	Amount (Rs)
1.	Maria Shahid	Management Associate Business Development & Partnerships-Grade-3	✓ Irrelevant qualification. ✓ Inadequate experience. ✓ She had a degree from foreign university but the same was not verified from HEC.	3.594
2.	Junaid Ali Waseer	Associate Monitoring & Evaluation	✓ Irrelevant qualification. ✓ Experience was not relevant.	1.077
3.	Iqra Sarfraz	Associate Monitoring & Evaluation	✓ Last date of application submission was 30.10.2020 but she was issued appointment letter on 30.09.2020 and her	0.359

			reference check was done on 28.10.2020. It means she was appointed prior to the advertisement. ✓ Irrelevant qualification.	
4.	Muhammad Sheharyar Basra	Specialist Risk Assurance	✓ Deficient qualification. ✓ Deficient experience.	2.547
Total				**7.576**

Weak internal controls in HR management led to the irregular appointment of employees.

Audit is of the view that management violated its own advertised criteria and extended undue favor to the candidates which resulted into irregular appointments and payment of pay and allowances amounting to Rs 7.576 million.

The matter was reported to the management and PAO on September 07, 2023 followed by subsequent reminders but no reply was received. DAC meeting was not convened by PAO despite requests by audit till finalization of this report.

Audit recommends the management to state the reason (s) for appointment in violation of the advertised criteria besides fixing responsibility.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2020-21 vide para number 8.2.4.4 having financial impact of Rs 63.62 million. Recurrence of same irregularity is a matter of serious concern.

9.2.4.2 Non transparent hiring of Training Service Providers without press advertisement under cost sharing scheme – Rs 176.497 million

According to Rule-4 of PSDF Procurement Rules 2016, the fund, while making any procurement shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the fund and the procurement process is results-driven, efficient and economical. Further, Rule-60(1) of PSDF Procurement Rules 2016, fund may advertise an open invitation for prequalification of training service providers.

During audit of PSDF for the years 2020-22, it was revealed that management hired 40 TSPs for conducting 56 training programmes/trades into 395 classes. These TSPs were hired without press advertisement in violation of Punjab Procurement Rules / PSDF Procurement Rules and management paid Rs 176.497 million. Detail is in **Annex-16.**

Due to weak internal controls and non observance of Procurement rules management paid Rs 176.497 million to the few selected TSPs which was considered irregular.

Audit is of the view that hiring of above mentioned TSPs without press advertisement indicates negligence on the part of the management.

The matter was reported to the management and PAO on September 07, 2023 followed by subsequent reminders but no reply was received. DAC meeting was not convened by PAO despite requests by audit till finalization of this report.

Audit recommends the management to justify the reason for hiring of TSPs without press advertisement in violation of Procurement rules.

9.2.4.3 Irregular hiring of Training Service Providers without publishing expression of interest –Rs 381.941 million

According to Rule-44 (c) of Punjab PPRA Rules 2014, for selection of consultants, the procuring agency shall publicly advertise invitation of consultants, expressions of interest and their short-listing. Further Rule-47(1), a request for expression of interest shall be advertised in accordance with the provisions of Rules 12 and 13.

During audit of PSDF for the years 2020-22, it was observed that management hired different Training Service Providers (TSPs) by adopting the procedure of hiring of short-term consultants in various training schemes under the project Skills for Youth Income generation (SYIG). During scrutiny it was found that following TSPs were hired without publishing/advertising of Expression of Interest in violation of Punjab PPRA Rules 2014. The management directly floated Request For Proposals (RFPs) and awarded contracts valuing Rs 381.941 million. The detail is given as under:

(Rs in million)

Sr. No.	Name of Schemes	Amount (Rs)
1.	Skills for Jobs 2022 Hospitality	40.084
2.	Skills for Jobs 2022 Light Engineering	49.493
3.	Skills for Job 2022 (Textile, Construction & ICT)	292.364
	Total	**381.941**

Due to weak controls, non observance of PPRA Rules 2014 and non exercising of due diligence, hiring of above mentioned TSPs considered irregular.

Audit is of the view that hiring of above mentioned TSPs by awarding contract without EOIs is held irregular.

The matter was reported to the management and PAO on September 07, 2023 followed by subsequent reminders but no reply was received. DAC meeting was not convened by PAO despite requests by audit till finalization of this report.

Audit recommends the management to fix responsibility for the violation of PPRA Rules.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2017-18 vide para number 11.3.4.3 having financial impact of Rs 6.046 million. Recurrence of same irregularity is a matter of serious concern.

9.2.4.4 Irregular award of contract of consultancy to OPML consultant – Rs 82.565 million

According to clause 5.2 of Request for Proposal document, It is mandatory for the consulting firm and its consortium firms and any subject matters experts associated with this assignment to complete an online course, before the submission of the proposal against the RFP, on Prevention of Sexual Exploitation and Abuse (PSEA) – a UNICEF course designed to raise awareness of UN's zero tolerance of workplace harassment, sexual harassment and abuse authority to be eligible for this procurement. Further According to rule 36(4)(iii) that the PSDF shall evaluate the whole proposal in accordance with the evaluation criteria and the lowest evaluated bid shall be accepted.

During audit of PSDF for the years 2020-22, it was observed that management hired Oxford Policy Management Pakistan (OPM) Pvt. Limited as consultant under the UNICEF project. When the evaluation of bidding documents was checked, it was found that undue favor was granted by awarding contract to bidder which did not fulfill the minimum score criteria of 312. This resulted into irregular award of contract amounting to Rs 82.565 million. Detail is in **Annex-17**.

Due to poor procurement process a technically disqualified bidder was granted a consultancy contract.

Audit is of the view that management remained negligent throughout the evaluation process and granted contract of consultancy to a technically disqualified consultant.

The matter was reported to the management and PAO on September 07, 2023 followed by subsequent reminders but no reply was received. DAC meeting was not convened by PAO despite requests by audit till finalization of this report.

Audit recommends the management to justify the reason (s) for selection of disqualified consultant besides fixing responsibility.

9.2.4.5 Irregular hiring of services of M/s Abacus ELS – Rs 26.984 million

According to Rule-4 of PSDF Procurement Rules 2016, while making any procurement shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the fund and the procurement process is results-driven, efficient and economical.

During audit of PSDF for the years 2020-22, it was observed that management hired M/s Abacus ELS for HR outsourcing services at 4.4% service charges per month. When financial documents were observed, manipulation in the financial proposal was observed. The detail is as under:

i. Financial Bid signed by the M/s Abacus ELS was September 24, 2019 but according to tender, the bid was received on August 23, 2019 which showed that documents was signed after submitting the bidding documents.
ii. All the pages of financial bid were printed on Abacus letter head but the page in which rate was mentioned with a separate format and PSDF logo was also present on the page made the documents dubious.
iii. M/s Abacus ELS mentioned in Table of Contents of Financial bid that cost of services offered was at page-4 but the same was found at page-6 in file with a different formatting.

Due to poor procurement management, PSDF hired the services of M/s Abacus ELS.

Audit is of the view that management must have followed transparent hiring process.

The matter was reported to the management and PAO on September 07, 2023 followed by subsequent reminders but no reply was received. DAC meeting was not convened by PAO despite requests by audit till finalization of this report.

Audit recommends the management to justify the reasons regarding hiring of M/s Abacus ELS in non-transparent manner besides fixing responsibility.

9.2.4.6 Irregular hiring of non-eligible TSPs for training of Grooming and Makeup Artist - Rs 8.712 million

According to Code-B.1.1 of eligibility requirements for organization under Employable Skills for Females in Beauty Care Industry 2017 Scheme, organization must have legal status certificate for incorporation.

During audit of PSDF for the years 2020-22, it was observed that the services of M/s Expression Sign Beauty Hut for training of Makeup Artist under the scheme of Skills for Females in Beauty

Care Industry 2017. M/s Expression Sign Beauty Hut had no legal status, but management hired the services for training of Grooming and Makeup Artist and paid Rs 8.712 million.

Due to weak internal controls, management failed to fulfill the requirements of criteria during selection of TSP.

Audit is of the view that management granted undue benefit to the TSP by violating the basic criteria.

The matter was reported to the management and PAO on September 07, 2023 followed by subsequent reminders but no reply was received. DAC meeting was not convened by PAO despite requests by audit till finalization of this report.

Audit recommends the management to inquire the matter regarding selection of non-eligible TSP and fix the responsibility on the person (s) at fault.

9.2.4.7 Irregular hiring of consultant for Study on Women Employment Trends in Urban Areas – Rs 6.290 million

According to Rule-4 of Punjab PPRA Rules 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

During audit of PSDF for the years 2020-22, it was observed that management hired the services of EY Ford Rhodes for conducting study on women employment trends in urban areas at Rs 6.290 million by adopting Quality and Cost based selection method. While scrutiny of hiring files showed that management extended undue favor to it by rejecting M/s GAT consulting (Pvt.) Ltd despite the fact that both were technically qualified and M/s GAT consulting (Pvt.) Ltd quoted Rs 3.989 million compared to the financial offer of Rs 9.780 million by the EY Ford Rhodes. Instances where undue favor was granted are detailed below;

i. As per work portion, the bidder needs to submit the staffing detail. EY Ford Rhodes submitted the staff detail and management awarded it 7 marks and same type of detail was submitted by the M/s GAT but it was awarded only 4 marks. No cogent reason was recorded in writing for granting less marks to M/s GAT.
ii. Further, as per work portion the bidder was required to submit the timelines for each milestone. Both the firms submitted the same work plan but management granted 5 marks to the M/s EY and 3 marks to the M/s GAT. Again no cogent reason was recorded in writing for granting less numbers to M/s GAT.

Due to poor bid evaluation, the management suffered a loss of Rs 2.301 million by granting consultancy at higher cost.

Audit is of the view that management was required to evaluate both firms on the same yardstick.

The matter was reported to the management and PAO on September 07, 2023 followed by subsequent reminders but no reply was received. DAC meeting was not convened by PAO despite requests by audit till finalization of this report.

Audit recommends the management to justify the reason (s) for not exercising merit while awarding marks to both the firms besides fixing responsibility.

<u>Note:</u> The issue was also reported earlier in the Audit Report for Audit Year 2019-20 vide para number 10.2.4.2 having financial impact of Rs 11.500 million. Recurrence of same irregularity is a matter of serious concern.

9.2.4.8 Undue expenditure for monitoring services due to non implementation of biometric attendance system – Rs 63.352 million

According to point 10/13 of Request for Proposals floated for different training schemes under the heading of verification, PSDF has introduced a new monitoring mechanism for trainers and trainees regarding registration, attendance, uniforms and wags receiving etc. through bio metric device. The number of devices which must be procured before start of the classes for each location by the training service provider who is awarded business.

During audit of PSDF for the years 2020-22, it was observed that Skills Development Program (SDP) and Skills for Youth Income generation (SYIG) programs are executed by the management. The management floated several RFPs for hiring of TSPs and adoption of historical monitoring system by hiring of third party monitoring instead of new monitoring mechanism of attendance mentioned in RFP. Management paid Rs 63.352 million against old monitoring system's cost. Detail is as under:

(Rs in million)

Sr. No.	Programme	Particulars	Amount (Rs)
1	SYIG	Third Party Monitoring Cost – TPM	8.986
2	SDP	Third Party Monitoring Cost – TPM	54.366
		Total	**63.352**

Due to weak controls and contract management, the management failed to adopt monitoring mechanism of attendance of trainees to avoid monitoring cost of Rs 63.352 million.

Audit is of the view that payment was made to the third party that can be saved by adopting new monitoring mechanism.

The matter was reported to the management and PAO on September 07, 2023 followed by subsequent reminders but no reply was received. DAC meeting was not convened by PAO despite requests by audit till finalization of this report.

Audit recommends the management to justify the reason for non adopting the real time attendance monitoring mechanism.

9.2.4.9 Wasteful payment to TSPs for non-functional classes – Rs 23.812 million

According to clause 6.1 of Vocational Training Contract signed between PSDF and Training Service Provider, 70% of total contract price as specified in Appendix A will be divided by the number of months and will be paid monthly on the basis of eligible actual enrolment, satisfactory attendance and performance of the trainees.

During audit of PSDF for the year 2020-22, it was revealed that management signed agreements with different TSPs to provide training under different trades. The management paid Rs 23.812 million against 117-nonfunctional classes whose students neither appeared in the exams nor their job placement was made. Hence, management made wasteful payment against non functional classes. Detail is in **Annex-18**.

Due to weak internal controls, weak monitoring mechanism and non-observance of business rules, management paid to different TSPs for non-functional classes.

Audit is of the view that payment gone wasted for non functional classes. Management failed to get outcomes of huge expenditures.

The matter was reported to the management and PAO on September 07, 2023 followed by subsequent reminders but no reply was received. DAC meeting was not convened by PAO despite requests by audit till finalization of this report.

Audit recommends the management to justify the reason for payment of Rs 23.812 million for non-functional classes without getting any outcomes.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2019-20 vide para number 10.2.4.6 having financial impact of Rs 2.108 million. Recurrence of same irregularity is a matter of serious concern.

9.2.4.10 Weak execution/curtailment of training programme in few districts – Rs 1,697.184 million

According to Project Document of Skill Development Programme, Punjab Skills Development Fund will expand its operations from existing 14 districts to all of the 36 districts of Punjab and will prepare an expansion plan to guide its operations in the new districts of Punjab.

During audit of PSDF for the years 2020-22, it was revealed that management executed various trainings under two Programmes namely Skills for Development & Skills for Youth Income Generation Programme. Both programmes were initiated for all districts of the Punjab Province but trainings were executed in few districts instead of overall Punjab. The management paid an amount of Rs 1,697.184 million to different TSPs for conducting these trainings for a limited population which indicated weak execution of Programmes. Detail is in **Annex-19**.

Due to weak project management and non-exercising of due diligence practice management failed to achieve the main objective of Programs.

Audit is of the view that failure in coverage of above-mentioned training Programs all over the Punjab was negligence on the part of the management.

The matter was reported to the management and PAO on September 07, 2023 followed by subsequent reminders but no reply was received. DAC meeting was not convened by PAO despite requests by audit till finalization of this report.

Audit recommends the management to justify the reasons for failure in coverage of training Programs in all over the Punjab.

9.2.4.11 Irregular hiring of civil contractor and call centre agent for electronic technicians and E-commerce trainings – Rs 94.01 million

According to para-10 of pre-qualification document of Round-6 of Industrial Training Program-2018, industries/establishments may apply for pre-qualification of a trade/course from any sector of the economy in-line with its core business.

During audit of PSDF for the years 2020-22, it was observed that management hired the services of M/s Warriach Builders as Training Services Provider which is registered with Pakistan Engineering Council (PEC) as Civil Contractor in Category-C and as per registration their core business is irrigation work and general civil work. The said builder provided the trainings in such trades i.e. Scaffolding, GIS Surveyor, Steel Fixer, Safety Inspector, Plumber Cum Solar water heating technician, Electrical/Electronics technician, Aluminum Fabricator, Auto CAD, Close Circuit TV (CCTV) Technician and elevator Technician which did not fall in their core business as per their registration. Further, M/s Pearl Comm Mobiles Plus registered with Pakistan Software Export Board (PSEB) as a Call Centre but they provided training as TSP in different trades i.e. Web Designed & Development, E-commerce, Mobile Application Development. Management paid an amount of Rs 94.01 million to the said contractors.

Due to weak internal controls, management failed to fulfill the requirements of criteria during selection of TSPs.

Audit is of the view that management granted undue benefit to the certain TSPs by violating the basic criteria i.e. core business which is held irregular.

The matter was reported to the management and PAO on September 07, 2023 followed by subsequent reminders but no reply was received. DAC meeting was not convened by PAO despite requests by audit till finalization of this report.

Audit recommends the management to inquire the matter and fix the responsibility on the person (s) at fault.

9.2.4.12 Poor outcome of skills for self-employment scheme – Rs 51.057 million

According to section-2 of Data Sheet of Request for Proposal, training provider has to commit minimum 50% of self-employment. Training provider must provide required linkages of trained persons with the local market, vendors and facilitate trainees for self-employment opportunities.

During audit of PSDF for the years 2020-22, it was observed that management floated request for proposal on October 01, 2020 for 07-different trades under self-employment scheme. Under this scheme management paid Rs 51.057 million to the TSPs and could train only 809-trainees against target of 2000-trainees. Out of trained 809, only 123 trainees could be employed which was only 15% of the trained trainees against 50% commitment.

Due to weak design framework, weak follow up procedure and non-observance of business rules management paid Rs 51.057 million against 15% employment instead of 50% employment commitment as per program.

Audit is of the view that achieving 15% of employment reflects inefficiency on the part of the management. It is also indicated failure of the scheme even after incurrence of huge Government funds.

The matter was reported to the management and PAO on September 07, 2023 followed by subsequent reminders but no reply was received. DAC meeting was not convened by PAO despite requests by audit till finalization of this report.

Audit recommends the management to justify the reason to achieve only 15% of the target.

9.2.4.13 Infructuous expenditures incurred on dropout trainees – Rs 39.914 million

According to rule-4 of Business Rules of PSDF with TSPs, if class > 1 moth Trainee will be considered as marginal if not found in all visits of any given month. Further, rule-5 sated that trainee marked absent in two consecutive months during Third Party Monitoring visits with course duration > 1 month (Dropout).

During audit of PSDF for the years 2020-22, it was observed that PSDF management made payment of Rs 39.914 million to the different TSPs on account of 8,454-Nos dropout trainees. The trainees were selected for Skills Development Programme (SDP) and Skilling for Youth Income Generation (SYIG) but they did not complete their training. Thus, audit considered Rs 39.914 million paid to the TSPs against the dropout trainees was infructuous because no fruitful results were gained against said expenditure.

Due to weak contract management and monitoring mechanism payment was made to TSPs without getting fruitful results.

Audit is of the view that expenditures incurred without achieving objectives resulted into wastage of funds.

The matter was reported to the management and PAO on September 07, 2023 followed by subsequent reminders but no reply was received. DAC meeting was not convened by PAO despite requests by audit till finalization of this report.

Audit recommends the management to justify the reason for incurring of infructuous expenditures on dropout trainees.

9.2.4.14 Fake payment to TSPs for job placement of trainees confirmed telephonically - Rs 32.297 million

According to Data Sheet of Request for proposal of different schemes under SDP and SYIG, Training Service Providers (TSPs) has to commit minimum 30% employment commitment. Training Providers (Consulting Firms) would be required to establish and maintain a proper placement cell at the institute. The placement cell will be required to establish linkages of trained persons with the employers/recruitment agencies and place the trained personnel on jobs.

During audit of PSDF for the years 2020-22, it was observed that management paid an amount of Rs 32.297 million to TSPs on account of job placement of 5,195-trainees after telephonic verification under SDP and SYIG schemes. Audit selected 115-trainees of different trades and called them for verification of job placement by TSPs. Nineteen (19) trainees did not attend the call, only Twenty-Seven (27) trainees confirmed for job placement and the remaining 69-trainees who attend call (72% of 96 trainees 115-19) informed that they were not referred for any job by concerned TSPs and they were still jobless. Thus, management paid huge amount of Rs 32.297 million to TSPs without obtaining any solid proof of job placement to the trainees. Detail is in **Annex-20.**

Due to weak internal controls, management failed to fulfill the requirements of the criteria for job placement before payment to TSPs.

Audit is of the view that management granted undue benefit to the TSPs by violating the criteria which leads to fake payment to TSPs.

The matter was reported to the management and PAO on September 07, 2023 followed by subsequent reminders but no reply was received. DAC meeting was not convened by PAO despite requests by audit till finalization of this report.

Audit recommends the management to inquire the matter regarding payment to TSPs for job placement of trainees without authentication.

9.2.4.15 Irregular payment to the TSP involved in forged activity – Rs 18.923 million

According to rule 5(5) of Corporate Governance Rules 2019, "The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders".

During audit of PSDF for the years 2020-22, it was revealed that PSDF management hired M/s House of Profession for conducting two training classes i.e. E-commerce and Web-development and enrolled 25 trainees in each class. The said TSP was checked physically and it was found that only 10 students were present at the time of visit. When students were interviewed they did not possess any knowledge of the course despite the fact that it was the 2nd last day of course. The same situation was found during visit of Web-development course. On the basis of these observations, it was transpired that all the payment made to the said TSP valuing Rs 18.923 million was irregular. Detail is in **Annex-21.**

Due to weak project management, and non-exercising of due diligence, PSDF management paid to the institute which was involved in forged activity.

Audit is of the view that the said expenditure was made without exercise due diligence.

The matter was reported to the management and PAO on September 07, 2023 followed by subsequent reminders but no reply was received. DAC meeting was not convened by PAO despite requests by audit till finalization of this report.

Audit recommends the management to justify the matter in view of fixing responsibility besides recovery.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2019-20 vide para number 10.2.4.1 having financial impact of Rs 68.511 million. Recurrence of same irregularity is a matter of serious concern.

9.2.4.16 Irregular/unjustified increase in consultancy cost – Rs 10.769 million

According to clause 1.8 of Request for Proposal document, proposal (technical as well financial) must remain valid 120 days after the submission date.

During audit of PSDF for the years 2020-22, it was found that management hired Oxford Policy Management Pakistan (Pvt.) Limited (OPML) as a consultancy firm to carry out research activity for United Nations Children's Fund (UNICEF) project. Initially, the financial proposal was submitted for Rs 76.714 million which was negotiated and finalized on Rs 71.796 million based on modified Scope of Work. But later on, OPML refused to accept the agreed price of Rs 71.796 million and requested for 15% increase in price. PSDF accepted the request of OPML and cost increased to Rs 82.565 million (Rs 71.796 million + Rs 10. 769 million) against the RFP.

Due to poor financial management undue increased cost was paid to the consultant.

Audit is of the view that management extended undue favor to OPML by increasing the price of consultancy.

The matter was reported to the management and PAO on September 07, 2023 followed by subsequent reminders but no reply was received. DAC meeting was not convened by PAO despite requests by audit till finalization of this report.

Audit recommends the management to justify the reason (s) for increase in price within the validity period besides fixing responsibility.

9.2.4.17 Irregular award of training services contracts to TSPs against unregistered trades - Rs 10.881 million

According to Data Sheet of request for proposal of different schemes under SDP and SYIG, Training Service Providers (TSPs) must be registered/affiliated/accredited with any TVET body or regulatory authority.

During audit of PSDF for the years 2020-22, it was observed that M/s Centre of Excellence in networking and IT, M/s Infinite Technologies and Vocational Centre, M/s Rawalpindi Institute of Technology registered with NTB for certain trades for training services. The said TSPs were hired by the PSDF for the training in Trades i.e. NVC Level 2 in ICT (Computer business Management /IT Office Assistant), Computer Hardware Technician, Domestic Tailoring, Telecom Technician (Line & Mobile), Fashion Designing, Tile Fixing & Cutting, Home Appliance Repair which were not registered with any authority as per requirement of eligible criteria. Management paid an amount of Rs 10.881 million for the training of 25 unregistered trades which was held irregular. Detail in **Annex-22.**

Due to weak internal controls, management failed to fulfill the requirements of criteria during selection of TSP.

Audit is of the view that management granted undue benefit to certain TSPs by violating the basic criteria i.e. registration of trades which was held irregular in audit.

The matter was reported to the management and PAO on September 07, 2023 followed by subsequent reminders but no reply was received. DAC meeting was not convened by PAO despite requests by audit till finalization of this report.

Audit recommends the management to state the reason (s) for selection of non-eligible TSPs in violation of the criteria besides fixing responsibility.

9.2.4.18 Hiring of Training Service Providers on bogus registration certificate -Rs 30.935 million

According to Data Sheet of Request for proposal of different schemes under SDP and SYIG, Training Service Providers (TSPs) must be registered/affiliated/accredited with any TVET body or regulatory authority.

During audit of PSDF for the years 2020-22, it was observed that management hired the services of M/s Centre of Excellence in Networking and IT and M/s Rawalpindi Institute of Technology, Rawalpindi on the basis of registration of National Training Bureau, Islamabad. The scrutiny of the registration certificates of the said institutes that signature of Mr. Zaheer Ahmad, Deputy Director (TT&C,NTB) on the registration certificates were different from other certificates issued by the same officer to the other institutes/organizations. This raised questions of the genuineness of the certificate. The management paid an amount of Rs 30.935 million to the following TSPs on the basis of in-genuine registration certificate.

(Rs in million)

Name of TSP	**Amount (Rs)**
Centre of Excellence in Networking and IT, Rawalpindi	10.721
Rawalpindi Institute of Technology, Rawalpindi	20.214
Total	**30.935**

Due to weak internal controls, management failed to verify the registration certificates from the concerned authorities.

Audit is of the view that management granted undue benefit to certain TSPs at the cost of government exchequer.

The matter was reported to the management and PAO on September 07, 2023 followed by subsequent reminders but no reply was received. DAC meeting was not convened by PAO despite requests by audit till finalization of this report.

Audit recommends the management to state the reason (s) for hiring of TSPs on bogus registration certificates besides fixing responsibility.

9.2.4.19 Irregular hiring of Training Service Providers - Rs 67.249 million

According to Para-xxii of Term of References (TORs) of National Training Bureau, institute entering into MOU or agreement with any other NGO/Department etc. of the basis of NTB's affiliation/registration, they will be bound to get approval from NTB, otherwise affiliation/registration will be considered a cancelled.

During audit of PSDF for the years 2020-22, it was observed that management hired the services of certain TSPs which were registered with National Training Bureau (NTB) for the training of specific trades. TSPs registration certificates indicated that they are registered only for training of NTB's allocated trades but the TSPs used the same certificate for conducting trainings of PSDF. NTB did not allow the TSPs to conduct the training for PSDF as per TORs mentioned above but management hired the services of the TSPs without approval of the NTB and paid an amount of Rs 67.249 million. Detail is in **Annex-23.**

Due to weak internal controls, management failed to hire the TSPs which was approved by the NTB as per requirements.

Audit is of the view that management granted undue benefit to the certain TSPs by violating the basic criteria.

The matter was reported to the management and PAO on September 07, 2023 followed by subsequent reminders but no reply was received. DAC meeting was not convened by PAO despite requests by audit till finalization of this report.

Audit recommends the management to state the reason (s) for hiring of un registered TSPs on in violation of criteria besides fixing responsibility.

9.2.4.20 Non recovery of training fee from the TSPs - Rs 5.537 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, 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 handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During audit of PSDF for the years 2020-22, it was observed that management hired the services of various TSPs for training under Skills Development Programme (SDP) which was closed on

June 30, 2021. An amount of Rs 5.537 million receivables shown against the 24-TSPs upto to June 30, 2022. Detail is in **Annex-24.**

Audit is of the view that management granted undue benefit to certain TSPs at the cost of government exchequer.

The matter was reported to the management and PAO on September 07, 2023 followed by subsequent reminders but no reply was received. DAC meeting was not convened by PAO despite requests by audit till finalization of this report.

Audit recommends the management to state the reason (s) for non recovery of training fee from TSPs.

9.2.4.21 Irregular payment to debarred TSP for training of different trades - Rs 37.557 million

According to clause-22 of Vocational Training Contract made on September 6, 2017 between PSDF (Party-A) and M/s Hasnain Tanveer Associates (Party-B), Party-B shall not assign the contract in whole or in part and cannot sub-contract any of its obligations under this contract without prior permission in writing of Party-A.

During audit of PSDF for the years 2020-22, it was observed that M/s Hasnain Tanveer Associates was involved in subletting of training contract to third party against the contract clause referred above. The matter was inquired by the Audit Risk and Compliance Department of PSDF and it was proved that the said TSP sub-contracted the training which was a violation of business rules of PSDF. Despite this an amount of Rs 37.557 million was paid to the said TSP from February to April 2021 which was a serious lapse by the management.

Due to weak internal controls, management failed to stop the further payment after violation of contract was proved.

Audit is of the view that management granted undue benefit to the TSP which is held irregular in audit.

The matter was reported to the management and PAO on September 07, 2023 followed by subsequent reminders but no reply was received. DAC meeting was not convened by PAO despite requests by audit till finalization of this report.

Audit recommends the management to state the reason (s) for payment made to the accused TSP besides fixing responsibility.

9.2.4.22 Over payment on account of salaries and other benefits from the SYIG programme – Rs 19.222 million

According to Clause-12 (b) of PC-I of Skilling Youth for Income generation (SYIG) programme, the human resource cost will be maintained at 11% and manpower will be adjusted accordingly.

During audit of PSDF for the year 2020-22, it was revealed that PC-I of Skilling Youth for Income generation (SYIG) was approved by PDWP on September 17, 2021 at a total cost of Rs 9,900 million with gestation period of 5 years (Sept 2021 to Aug 2026). Government of the Punjab released an amount of Rs 463.757 million in first year for execution of SYIG Programme. The management incurred expenditure of Rs 538.449 million including salaries and other benefits of Rs 78.451 million. The proportion of salaries over total expenditure was 14.56% against approved limit of 11% cost of Rs 59.229 million. It showed a trend of over payment of salaries valuing Rs 19.222 million against approved limit.

Due to weak financial management an over payment of salaries expenditures of Rs 19.222 million i.e. 14.56% against the approved limit of 11%.

Audit is of the view that management failed to observed the approved limit even at the initial stage of the project and over payment of salaries of Rs 19.222 million which was held irregular by audit.

The matter was reported to the management and PAO on September 07, 2023 followed by subsequent reminders but no reply was received. DAC meeting was not convened by PAO despite requests by audit till finalization of this report.

Audit recommends the management to state the reason (s) for over spending on salaries and other benefits from the permissible limit of PC-I.

Chapter-9

Population Welfare Department

Introduction

The province of Punjab with an estimated population of over 103 million (2016) is facing the challenge to address issues like economic development and poverty reduction. While accommodating more than 50 percent of the total population with 26 percent of the land area of the country, it receives the major impact of rapid population increase. Population density at present is estimated at 490 persons/sq. km. Such a heavy load, in the backdrop of low socio-economic indicators, not only dilutes the results of development efforts, but it also creates an unacceptable level of demand on limited resources to meet the requirements of the additional population. Generating more resources for improving living conditions thus becomes a difficult task. In the past, high population growth has significantly added to the community living below the poverty line. Based on present growth patterns the population of Punjab is expected to double after 36 years. It is feared that the economy would not be able to sustain this growth, and no improvement in the quality of life seems possible even under the most favorable assumptions. The present population trend is, therefore, a matter of deep concern.

Goals

The Population Welfare Department Punjab has outlined its goals as follows:

- Stabilize population growth as an essential requirement for promoting sustainable development with equitable distribution through vigorous implementation of inter-sectoral strategies
- Reduce fertility to contain population momentum by improving access to quality of reproductive health care through integrated service delivery
- Facilitate and guide relevant sectors to achieve SDG objectives related to universal access to reproductive health care services aimed at promoting general welfare of population

Purpose/ Objectives

Moreover, the Department has stemmed its objectives which are:

- Lower wanted family size to 2.5 by 2020 through an effective population communication and education program focusing on small family size and its relationship with human welfare and environmental security
- Actively promote three Healthy Timing and Spacing of Pregnancy messages to reach out to all women by 2020

- Ensure necessary contraceptive security at all service delivery outlets for 2015-2020
- Achieve a fertility level of 3.3 births per woman by 2020
- Universal access to safe and quality family planning and reproductive health services to the most remote and far-flung areas of the Province by 2025
- Raise contraceptive prevalence rate to 60 percent by 2030
- Strive expeditiously to attain replacement level fertility of 2.1 births by 2030

Audit Profile of Population Welfare Department

(Rs in million)

Sr. No	Description	Total Nos	Audited	Expenditure audited FY 2019-20 (Rs)	Revenue/Receipt audited FY 2019-20 (Rs)
1	Formations	1	-	-	-
2	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
3	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs NIL were raised as a result of this audit. This amount also includes recoverable sum of Rs NIL as pointed out by the audit.

Overview of the Audit Observations

(Rs in million)

Sr. 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	-
5.	Other	-

*This also includes the expenditure of various projects

10.1 Punjab Population Innovation Fund (PPIF)

10.1.1 Introduction

Punjab Population Innovation Fund (PPIF) is a non-profit, public sector company, established to render financial and technical assistance to innovative projects for population planning and improving access and generating demand for family planning services. A sustainable growth in population is essential for equitable and inclusive economic growth and social development.

The principal objective of the company is to support the government of the Punjab in improving the quality of life of the people of Punjab, particularly the vulnerable and marginalized areas and sections of the population, by assisting service delivery organization in the public, non-government and private sectors to improve access, and the quality of family planning services in Punjab.

10.1.2 Comments on Audited Accounts

10.1.2.1 Working results of the Company for the year 2022-23 as compared to previous years are as under:-

(Rs in million)

	2022-23	**% Inc / (Dec)**	**2021-22**	**% Inc / (Dec)**	**2020-21**
Grant income	490.452	161.467	187.577	(10.287)	209.085
Other Income	114.414	365.173	24.596	605.565	3.486
Total	**604.865**	**185.081**	**212.173**	(0.20)	**212.571**
Program expenses	585.760	198.590	196.175	(2.726)	201.672
Admin Expenses	19.078	25.488	15.203	65.178	9.204
Bank charges	0.026	85.714	0.014	16.667	0.012
Finance Cost	0	0	0.781	(53.595)	1.683
Total	**604.865**	**185.081**	**212.173**	(0.20)	**212.571**

(Source: Annual Audited Accounts for 2022-23)

As per financial statement, opening balance of Rs 571.221 million was available under head grants related to income and Rs 500 million was received during 2022-23. Management utilized only Rs 490.111 million during the year 2022-23 leaving a balance of Rs 581.11. Project wise detail of targets and grant received there against and the reasons for non-utilization of grant needs explanation.

10.1.2.2 Other income increase from Rs 24.59 million in 2021-22 to Rs 114.41 million in 2022-23 registering an increase of 365%. This mainly include markup on short term deposit and saving account. It showed that instead of supporting company's objectives, the management is piling up the funds in bank account which needs justification.

10.1.2.3 Mobilization advance showed an opening balance of Rs 167.546 million in 2022-23 while only Rs 50.202 million adjusted during the year and closing balance stood at Rs 125.257 million as on June 30, 2023. The advance was given at the rate of 20% to the implementation partners for project implementation. Non-adjustment of mobilization advance during the year needs justification.

10.1.2.4 Advertisement/awareness campaign and seminars expenses were also increased from Rs 15.617 million in 2021-22 to Rs 37.272 million registering a staggering increase of 138.32% which needs justification out of which Rs 1.300 million was paid to the consultant for conducting awareness session related to population control. Detail of session conducted and hiring procedure of consultant need to be shared with audit.

10.1.2.5 Under the head program cost, rent rates and taxes valuing Rs 1.354 million were in 2021-22 while Rs 8.335 million were incurred in 2022-23 registering an increase of 515.58%. Provide the detail of rent, rate and taxes for which the payment was made along with the rent assessment from excise and taxation department.

10.1.2.6 Administrative expenses increased from Rs 15.20 million in 2021-22 to Rs 19.08 million in 2022-23 registering a increase of 25.50%. This was mainly due to increase in Board meeting fee which increased from Rs 3.710 million in 2021-22 to Rs 5.380 million registering an increase of 45%. Explain the reason for increase in Board meeting fee that either the increase is due to increase in Nos. of Board meeting or increase in Board meeting fees. Approval and member wise breakup of meeting fees needs to be shared with audit.

10.1.2.7 Trade and other payables under the head current liabilities increased from Rs 78.448 million in 2021-22 to Rs 206.684 million in 2022-23 registering an increase of 163.47%. Company has huge balances in cash, bank and short term investment. Reason for piling up liability in the presence of sufficient funds in the company needs justification.

10.1.3 Compliance of PAC Directives

No PAC meeting for the years 2014-15 to 2019-20 has been convened so far.

School Education Department

Introduction

The school education department of Government of the Punjab is responsible for provision of basic education related facilities, planning and monitoring of basic education and staff development related activities of the province.

Purpose/ Objectives

The main functions performed by the School Education Department are:

- Legislation, Policy Formulation and Planning in the areas of Primary education, Elementary education, Secondary and Higher Secondary education
- Maintaining Standards of Education by Formulating the curricula and syllabi up to class XII and Production and publication of text books for class I to XII
- Monitoring and Evaluation System which includes Distribution of free textbooks, Development schemes, Presence of teaching and non-teaching staff, Updation of online-access information and Redressal of public complaints.
- Promotion of Quality Education by means of Punjab education assessment system, Student assessment and terminal examination of Grade-V and VIII elementary education through Punjab Examination Commission, Grant of scholarships and Production and distribution of educational and scientific films
- Staff Development by way of Pre-service and in-service teachers training and Continuous Professional Development (CPD)

In addition to above the following other functions were also performed by the department:

- Regulatory policy concerning private sector schools
- Children libraries and libraries affiliated with Children Library Complex
- Promotion of sports in schools
- Provision of compulsory and free education to all of age 5-16 years
- The matters relating to the Punjab Danish Schools and Centers of Excellence
- To promote quality education through public-private partnership through Punjab Education Foundation
- The matters relating the Punjab Teachers' Foundation
- Budget, accounts and audit matters
- Purchase of stores and capital goods for the department
- Service matters except those entrusted to Services and General Administration Department

Governing Laws

Administration of the following laws and the rules framed there-under was also the responsibility of School education Departments:

- Charitable Endowments Act 1890 (VI of 1890)
- The Punjab Departmental Inquiries (Powers) Act, 1958
- The Punjab Government Educational and Training Institutions Ordinance 1960
- The Punjab Textbook Board Ordinance, 1962
- The West Pakistan Publication of Textbooks (Regulations and Control) Ordinance, 1970.
- The Punjab Local Councils High Schools (Taking Over) Ordinance 1970
- The Privately Managed Schools and Colleges (Taking Over) Regulation 1972
- Punjab Private Educational Institutions (Promotions & Regulations) Ordinance 1984
- Punjab Compulsory Primary Education Act 1994
- Punjab Education Foundation Act 2004.
- Punjab Danish Schools & Centre of Excellence Authority Act 2010
- The Punjab Examination Commission Act 2010 (XI of 2010).
- The Punjab Curriculum and Textbook Board Act 2015 (VI of 2015)]
- Matters incidental and ancillary to the above subjects

Presently a lot of educational institutes and District Education Authorities are under the administrative control of School Education Department. However the following entities are under the audit jurisdiction of Directorate of Commercial audit Lahore.

Formations:

- Punjab Education Foundation
- Punjab Teacher Foundation
- Punjab Education Initiatives Management Authority
- Punjab Curriculum Text Book Board

Audit Profile of School Education Department

(Rs in million)

Sr. No	Description	Total Nos	Audited	Expenditure audited FY 2021-22 (Rs)	Revenue/Receipt audited FY 2021-22 (Rs)
1	Formations	-	-	-	-
2	Authorities/Autonomous Bodies etc. under the PAO	04	02	18,005.74	13,636.77
3	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 5,135.285 million were raised as a result of this audit. This amount also includes recoverable of Rs 32.056 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of the Audit Observations

(Rs in million)

Sr. No	Classification	Amount (Rs)
1.	Non-Production of record	-
2.	Reported cases of fraud/Embezzlement and Misappropriation	-
3.	Irregularities	
a.	HR/employees related irregularities	15.698
b.	Procurement related irregularities	344.371
c.	Management of Accounts with Commercial Banks	-
4.	Value for money and service delivery issues	4,772.716
5.	Other	2.500

11.1 Punjab Curriculum and Textbook Board (PCTB)

11.1.1 Introduction

Punjab Curriculum & Textbook Board has a vision of nation-building through quality textbook, prepared on the basis of a culture of innovation, which seeks to stimulate the learning of the students and teaching passion of the teachers. It strives to broaden the horizons of learning in order to produce minds, alive to the responsibilities and challenges of life, and also capable of meeting them.

11.1.2 Comments on Audited Accounts

The management failed to provide annual audited accounts for the years 2017-18 to 2022-23 by December 31, 2023.

11.1.3 Compliance of PAC Directives

PAC meeting for the years 2014-15 to 2022-23 were not convened.

11.1.4 Audit Paras

11.1.4.1 Irregular appointments of contingent paid staff – Rs 15.698 million

According to clause 4 (xii) of S&GAD Notification dated January 29, 2021 regarding Policy for Work charged/Contingent paid and daily wage employees, hiring of work charged, daily wages and contingent paid employees shall be made sparingly and only in the case of genuine and dire needs. In the process of hiring, the concept of equal job opportunity for all citizens and transparency shall be ensured.

During audit of Punjab Curriculum & Textbook Board (PCTB) for the year 2021-22, it was observed that the management hired 54-employees across various positions on contingent paid/daily wage basis, disregarding the directives issued by the Government. Examination of the personal files of these employees unveiled that their appointments were made without any requisition from the relevant department and without following any competitive selection process.

Due to weak HR management the irregularity occurred.

Audit is of the view that 54 employees were appointed without following the Government Instructions leading to undue favoritism and irregular salary payments amounting to Rs 15.698 million.

The matter was reported to the management and PAO on June 23, 2023. The management replied that the hiring was based on transparent manner and no contingent paid staff was hired on reference basis. The reply was not tenable as the process of hiring was not made as per instructions of the Government.

DAC in its meeting held on September 26, 2023, directed to provide evidence at the competitive hiring process to audit besides regularization from Finance within three days i.e. before finalization of minutes of DAC. The management failed to comply of DAC directives till finalization of this report.

Audit recommends compliance of DAC’s directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2019-20 vide para number 12.1.4.10 having financial impact of Rs 3.400 million. Recurrence of same irregularity is a matter of serious concern.

11.1.4.2 Loss due to procurement of paper on higher rates as compared to prevailing market rates – Rs 297.440 million

According to clause 2.10 of PFRs, same vigilance should be exercised in respect of expenditure incurred from Government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of PCTB for the year 2021-22, it was noted that the management had awarded two separate contracts for the acquisition of 68 grams cream woven paper intended for single textbooks. Upon scrutiny of the records, it was found that the publishers or printers who secured the contract for Primer/Jacket procurement were using paper with identical specifications. As part of the bidding process, the publishers were required to furnish invoices from paper mills alongside their bids. Upon examination of these documents and the attached invoices from paper mills, it was revealed that the publishers had purchased the same paper at an average cost of Rs 92,420 per ton. However, PCTB acquired this paper at a significantly higher rate of Rs 146,500 per ton. Consequently, the PCTB incurred an excessive amount of 297.440 million on the procurement of 5,500 metric tons of paper during the same period.

Due to weak internal controls, management incurred huge expenses on procurement of papers.

Audit is of the view that the management should procure the paper keeping in view the prevailing market rates to ensure the protection of the Government's financial resources.

The matter was reported to the management and PAO on June 23, 2023. The management replied that it is unfortunate fact that the publishers/printers who were awarded contract for procurement of Primer/Jacket received underpriced invoices from mills in order to evade taxation. Therefore, said rate could not be considered equivalent to market. The reply was not tenable as no proof was provided by the management in support of their reply.

DAC in its meeting held on September 26, 2023, directed the management to refer the case to Federal Board of Revenue (FBR) to take action against concerned evaders.

Audit recommends compliance of DAC's directives.

11.1.4.3 Irregular incurrence of expenditure in violation of PPRA Rules - Rs 24.901 million

According to Rule-9 of the Punjab Procurement Rules 2014, procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The procuring agency shall advertise in advance annual requirements for procurement on the website of the Authority as well as on its website.

During audit of PCTB for the year 2021-22, it was observed that management incurred an amount of Rs 24.901 million on account of repair and maintenance of building, purchase of furniture and miscellaneous stationery items by splitting the demand in violation of procurement rules.

Due to weak procurement management, the irregularity was occurred.

Audit is of the view that had the work and procurement for the year was planned properly and was done through one time open tendering process, resultantly the benefit of economical competitive bidding could have been achieved. Thus the above stated procurement and repair work were held irregular.

The matter was reported to the management and PAO on June 23, 2023. The management replied that all the procurements were made under the limit of Rs 200,000 by collecting three quotations. The reply was not tenable as the procurement was made in piece meal in order to avoid the tendering process.

DAC in its meeting held on September 26, 2023, directed to refer the case to Finance Department for regularization of expenditure on account of purchase of goods in piece meal.

Audit recommends compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2019-20 and 2021-22 vide para number 12.1.4.9, 12.1.4.27 and 11.1.4.7 having financial impact of Rs 3.700 million, Rs 1.143 million and Rs 7.141 million respectively. Recurrence of same irregularity is a matter of serious concern.

11.1.4.4 Irregular hiring of individual consultants under short consultancy beyond six months – Rs 12.812 million

According to the rule-2(1)(ab) of Punjab Procurement Rules 2014, 'short consultancy' means consultancy where the cost of consultancy does not exceed one million rupees for individual consultant and five million rupees for consulting firms and duration of the short consultancies for an individual consultant shall not exceed six months.

During audit of PCTB for the year 2021-22, it was observed that management appointed individual consultants for its short-term assignments. However, some individual consultants remained appointed for more than six months by obtaining three quotations. Later on, management re-hired/extended agreement with same individual consultants for same assignments without advertisement in violation of PPRA Rules. As the period of consultancy was beyond six months hence engagement and payment of Rs 12.812 million to individual consultants was held irregular.

Due to weak internal controls, management failed to implement PPRA Rules in letter and spirit.

Audit is of the view that provision of PPRA Rules regarding short consultancy was misused. Management should review all the cases of individual consultancy in light of PPRA Rules and decide the fate accordingly.

The matter was reported to the management and PAO on June 23, 2023. The management replied that the consultant was hired by following PPRA Rules for six months duration. Due to requirement of additional services, the consultants were re-hired after completing competitive procedure. The reply was not tenable as no process of rehiring was followed as per PPRA Rules and the same consultants were engaged again for another term.

DAC in its meeting held on September 26, 2023, directed the management to provide evidence of rehiring process of consultant to audit before finalization of minutes of the meeting. The management failed to provide re-hiring process to audit till finalization of this report.

Audit recommends compliance of DAC's directives.

11.1.4.5 Irregular splitting of the procurement for development of Insaaf Academy – Rs 9.218 million

According to Rule-9 of the Punjab Procurement Rules 2014, procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The procuring agency shall advertise in advance annual requirements for procurement on the website of the Authority as well as on its website.

During audit of PCTB for the year 2021-22, it was observed that management incurred an amount of Rs 9.218 million on account of Development of Insaaf Academy by splitting the work in two pieces in order to avoid tendering process. The work of renovation and procurements made thereon amounting to Rs 9.218 million were held irregular as due to non-advertisement, organization was deprived of competitive bidding.

Due to weak internal controls, management failed to implement PPRA Rules in letter and spirit.

Audit is of the view that award of work/procurement should have been made with open competitive bidding process as required under PPRA Rules.

The matter was reported to the management and PAO on June 23, 2023. The management replied that all procurements were made by PCTB through procurement committee which was approved by the BoG and notified by the Director Admin. The reply was not tenable as the procurement was made in violation of PPRA Rules.

DAC in its meeting held on September 26, 2023, directed the management to refer the case to Finance Department for regularization of expenditure on account of purchase of goods in piece meal and to avoid such practice in future.

Audit recommends compliance of DAC's directives.

11.1.4.6 Irregular disbursement of premier / jacket books and non-recovery of dues from Government departments - Rs 4,722.101 million

As per chapter-2 clause 10 of contract act 1872, all agreements are contracts if they are made by the free consent of parties competent to contract, for a lawful consideration and with a lawful object, and are not hereby expressly declared to be void.

During audit of PCTB for the year 2021-22, it was observed that management of the PCTB, got the books printed from the private publishers / printers on behalf of Provincial Government and other Government entities. These books were later on, handed over to various Government Department and entities. The PCTB then billed an invoice for recovery of production cost and Management and Manuscript Cost (MMC) as per rules. However, an amount of Rs 4,722.101 million was still receivable from these Government Department / entities despite the facts that PCTB had delivered these text books at their required destination. It was also observed that Programme Monitoring & Implementation Unit (PMIU) did not pay a single penny on account of MMC fee to the PCTB since many years. It was also worth mentioning here that PCTB supplying these books to PMIU and other Government Departments without execution of any formal contract agreement and determination of terms and conditions of such supply & payments.

Due to weak financial controls, management failed to recover the cost of books from the clients.

Audit is of the view that MMC was the main source of income of the PCTB. Due to non existence of written agreement amongst the parties, the Board needed to revisit existing practice.

The matter was reported to the management and PAO on June 23, 2023. The management replied that the PCTB has been reminding PMIU repeatedly for provision of payment against MMC, however, the PMIU could not make payment in this regard.

DAC in its meeting held on September 26, 2023 directed the management to take up the matter with PMIU through administrative department for early recovery of outstanding amount.

Audit recommends compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2019-20 and 2021-22 vide para numbers 12.1.4.20 and 11.1.4.4 having financial impact of Rs 978.843 million and Rs 1,025.50 million respectively. Recurrence of same irregularity is a matter of serious concern.

11.1.4.7 Non recovery / adjustment of advances granted against expenses - Rs 32.056 million

According to rule 2.2 of PFR-Vol-I, a simple cash book should be kept in every office receiving or disbursing money on behalf of Government regularly or frequently for recording all transactions of moneys received by Government Servants in their official capacity. The cash book should be closed regularly and completely checked.

During audit of PCTB for the year 2021-22, it was observed that the management granted loans and advances to its employees for various expenses. However, the staff had neither returned nor adjusted the loans amounting to Rs 32.056 million by the end of the financial year.

Due to poor financial management, a huge amount remained unadjusted till to date.

Audit is of the view that temporary advances granted against expenses must be adjusted at the end of each year.

The matter was reported to the management and PAO on June 23, 2023. The management replied that PCTB has adjusted Rs 11.146 million whereas PCTB has issued final notices for recovery of remaining Rs 21.734 million to the employees. The reply was not tenable as the management failed to recover/adjust the whole amount.

DAC in its meeting held on September 26, 2023, directed the management that the advance amount of Rs 32.880 million be recovered/adjusted from concerned within 30 days.

Audit recommends compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2019-20 vide para number 12.1.4.7 having financial impact of Rs 4.453 million. Recurrence of same irregularity is a matter of serious concern.

11.2 Punjab Education Foundation

11.2.1 Introduction

Punjab Education Foundation (PEF) was established as a corporate body under Punjab Education Foundation Act 1991, to promote education especially in rural areas. The Foundation was restructured under Punjab Education Foundation Act 2004. It is funded by grant from Federal and Provincial Governments, Local Bodies, donations and interest income from investment of funds. Main functions of the Foundation are to;

i. Provide financial assistance for the establishment, expansion and improvement of educational institutions and allied projects.
ii. Provide incentives to students, teachers and educational institutions.
iii. Promote public private partnership relating to education.
iv. Provide technical assistance to educational institutions.
v. Assist educational institutions, capacity building including training of teachers etc.

11.2.2 Comments on Audited Accounts

11.2.2.1 The Foundation failed to provide the annual audited accounts for the year 2020-21 and 2022-23 by December 31, 2023.

11.2.2.2 Working results of the Foundation for the year 2019-20 as compared to previous years are as under:-

(Rs in million)

Particulars	**2019-20**	**% Inc/ (Dec)**	**2018-19**	**% Inc/ (Dec)**	**2017-18**
Income					
Amortization of deferred credits	17,446.538	(8.17)	18,999.619	5.55	17,999.848
Other income	898.996	88.30	477.419	35.14	353.284
Total income	**18,345.535**	**(5.81)**	**19,477.038**	6.12	**18,353.132**
Expenditure					
Program expenditure	16,780.702	(8.70)	18,380.684	2.14	17,995.883
Human Resource cost	574.973	11.37	516.264	14.71	450.056
Administrative and general expenses	90.827	(11.41)	102.530	5.09	97.564
Finance charges	0.024	(27.27)	0.033	(99.83)	19.180
Other expenses	0.011	(89.72)	0.107	(95.84)	2.575
Total expenses	**17,446.538**	**(8.17)**	**18,999.619**	2.34	**18,565.258**

Surplus/(deficit) before taxation	898.996	88.30	477.419	-	(212.127)

(Source: Annual Audited Accounts for the year 2019-20)

Cash and bank balances increased to Rs 4,533.199 million in 2019-20 from Rs 208.643 million in 2018-19 registering an increase of 2073%. It was found that management placed these funds in savings accounts. Management is stressed upon to calculate its working capital requirement and invest funds in short term investment to get better rate of return. Reason (s) may be explained for non-investment of funds in TDR

11.2.2.3 Foundation stock for text book was increased to Rs 558.077 million in 2019-20 from Rs 14.102 million in 2018-19 registering an increase of 3857%. As the scope of foundation remain same. Reason for such extra ordinary increase in text book stock along with the PEF partner school to whom these books disbursed need to be shared with audit.

11.2.2.4 Foundation advance tax receivable stood at Rs 5.625 million during 2019-20 and 2018-19. No movement during the year was found. Management is stressed upon to take the matter with FBR for early adjustment of advance tax.

11.2.2.5 Unamortized grant in aid increased to Rs 1,789.394 million in 2019-20 from Rs 758.307 million in 2018-19 registering an increase of 136%. It showed that company failed to achieve the conditions for amortization of grant in aid. Reason for non-amortization of grant in aid and plan for amortization of grant need to be shared with audit.

11.2.2.6 The foundation established funds related to Gratuity, pension, general provident fund and benevolent fund for the benefit of its employees. The liability under the fund increased to Rs 428.169 million in 2019-20 from Rs 365.335 million in 2018-19 registering an increase of 17%. However, to meet the obligation company placed funds in fund related account with balances just Rs 27.674 million in 2019-20 and Rs 30.798 million in 2018-19. The income from such funds were taken to other income of the foundation. Management is stressed upon to match the liability with the assets of the said fund and establish trust for sustainability of these funds.

11.2.3 Compliance of PAC Directives

Audit Report	Total Paras	Compliance received	Compliance not received	Percentage of compliance
1994-95	1	1	0	100%
1995-96	7	6	1	86%
1996-97 to 1999-00	17	17	0	100%
2000-01	3	1	2	33%
2001-02	2	2	0	100%

2005-06	4	0	4	0%
2006-07	5	5	0	100%
2009-10	2	2	0	100%
2010-11	6	3	3	50 %
2011-12	14	0	14	0%
2012-13	14	6	8	43%
2013-14	14	14	0	100%
Total	**89**	**57**	**32**	**64 %**

The overall compliance of PAC directive was not satisfactory. The same needs to be improve by the PAO.

11.3 Punjab Teachers Foundation

11.3.1 Introduction:

Punjab Teachers Foundation was formed in 1990 vide Notification No.SOWF-III-34/90 under the sub-section (1) of Section 5 of The Charitable Endowments Act 1890 for the benefit of serving and retired teachers of Government of the Punjab Education Department. Foundation issues scholarships and grants for the study at schools, and colleges. The charitable Foundation (PTF) helps out to the teachers' community with the different schemes. The welfare is conducted through health care, Financial Assistance/ medical facilities and cash awards to teachers on the basis of good results in government schools and colleges.

11.3.2 Comments on Audited Accounts

The management failed to provide annual audited accounts for the years 2017-18 to 2022-23 by December 31, 2023.

11.3.3 Compliance of PAC Directives

PAC meeting for the years 2014-15 to 2022-23 were not convened.

11.3.4 Audit Paras

11.3.4.1 Less utilization of funds against Hepatitis-C Patients – Rs 18.560 million

According to Notification No.SOWF-III-3-4/90 dated February 27, 1990, Punjab Teachers Foundation (PTF) was established with the core objective to help out the teacher's community with the different welfare schemes of health care, financial assistance and medical facilities.

During audit of Punjab Teachers Foundation for the years 2015-22, it was observed that the Committee of Administration sanctioned an amount of Rs 22.000 million over the past five fiscal years (2015-16 to 2019-20) for the "Financial Assistance Scheme to the patients of Hepatitis-C." However, only Rs 3.440 million of this allocation could be utilized. Further, probe into the matter revealed that applications were invited in November to December each year, rather than at the commencement of the financial year. Consequently, a substantial amount of Rs 18.560 million remained underutilized due to the delayed initiation of the application process.

Due to weak internal and managerial controls were the cause of less utilization of allocated funds for the welfare of teachers.

Audit is of the view that benefits of scheme should be passed on to the deserving class by adopting the modern means of communication.

The matter was reported to the management and PAO on June 23, 2023. The management replied that modern means of communication were adopted and SED was taken in loop. Reply was not convincing as funds could not be utilized as allocated by the Committee of Administration.

DAC meeting held on September 19, 2023 directed that a strategy/ comprehensive business plan may be devised and then forwarded to the Administrative Department for its approval.

Audit recommends the compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2013-14 vide para number 2.2.3.2 having financial impact of Rs 97.80 million. Recurrence of same irregularity is a matter of serious concern.

11.3.4.2 Loss of revenue due to non-utilization of land – Rs 2.500 million

According to PAC–II directions dated December 22, 2017, the Principal Accounting Officer (PAO) was to ensure the utilization of agricultural land. Further, probe into the matter revealed that the funds could be received from the Finance Department.

During audit of PTF for the years 2015-22, it was observed that designated land remained unutilized, despite a lapse of more than six years since the issuance of directives by PAC – II. Further probe into the matter revealed that implementation of the project was under process due to non-release of funds from the Finance Department. Consequently, the land remains unutilized despite the issuance of directives by PAC-II.

Due to weak managerial controls, land could not be utilized.

Audit is of the view that compliance of PAC-II directives was required to be implemented in letter and spirit.

The matter was reported to the management and PAO on June 23, 2023. The management replied that the matter was kept pending till the approval of Punjab Teaching Faculty Welfare Foundation Act. Audit contended that compliance of PAC directives may be implemented immediately.

DAC meeting held on September 19, 2023 directed the management to prepare a comprehensive plan for utilization of land and then forward it to the Administrative Department for inclusion in Annual Development Program (ADP) schemes.

Audit recommends the compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2013-14 vide para number 2.2.3.3 having financial impact of Rs 1.50 million. Recurrence of same irregularity is a matter of serious concern.

Specialized Healthcare and Medical Education Department

Introduction

Specialized Healthcare & Medical Education Department delivers quality healthcare services to the community through an efficient and effective service delivery system that is accessible, equitable, culturally acceptable, affordable and sustainable. Specialized Healthcare & Medical Education Department aims to improve the health and quality of life of all, particularly women and children, through access to essential health services. Specialized Healthcare & Medical Education Department strives to reform and strengthen the critical aspects of the health systems.

Aim & Objectives

- Provide and deliver a basic package of quality essential health care services
- Develop and manage competent and committed health care providers
- Generate reliable health information to manage and evaluate health services
- Adopt appropriate health technology to deliver quality services
- Finance the costs of providing basic health care to all
- Reform the health administration to make it accountable to the public

Governing Laws

Pakistan College of Physician & Surgeons Ordinance, 1962
Eye Surgery (Restriction) Ordinance, 1960
Medical and Dental Council Ordinance, 1962
Pharmacy Act, 1967
Punjab Health Foundation Act, 1992
Mental Health Ordinance for Pakistan, 2001
University Of Health Sciences Lahore Ordinance, 2002

Formations:

Punjab Pharmacy Council
Punjab Health Foundation
Punjab Health Initiative Management Company

(Rs in million)

Sr.No	Description	Total Nos	Audited	Expenditure audited FY 2022-23 (Rs)	Revenue/Receipt audited FY 2022-23 (Rs)
1	Formations	01	-	-	-
2	Authorities/Autonomous Bodies etc. under the PAO	03	01	87.43	96.10
3	Foreign Aided Projects (FAP)				

Classified Summary of Audit Observations

Audit observations amounting to Rs 27.526 million were raised as a result of this audit. This amount also includes recoverable of Rs 6.571 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs in million)

Sr.No	Classification	Amount (Rs)
1.	Non-Production of record	-
2.	Reported cases of fraud/Embezzlement and Mis-appropriation	-
3.	Irregularities	
a.	HR/employees related irregularities	20.955
b.	Procurement related irregularities	-
c.	Management of Accounts with Commercial Banks	-
4.	Value for money and service delivery issues	-
5.	Other	6.571

12.1 Punjab Health Initiative Management Company

12.1.1 Introduction

Punjab Health Initiative Management Company was incorporated on February 07, 2015 as a company limited by guarantee and not having share capital under Section 42 of the Companies Ordinance 1984 (now Companies Act 2017). The company has been registered with the Registrar Joint Stock Company, City District Government Lahore.

The principal objective of the company is management of special initiatives in health sector including improving universal health coverage/insurance for the benefit of people living across province of Punjab. The registered office of the Company is situated at H-42/D-E-1, Ghalib Road, Gulberg-III, Lahore.

12.1.2 Comments on Audited Accounts

12.1.2.1 The working results of the company for the year ended June 30, 2023 as compared to the previous years are as under:

(Rs in million)

	2022-23	**% Inc/ (Dec)**	**2021-22**	**% Inc/ (Dec)**	**2020-21**
Income					
Grant related to income	120,053.714	126.34	53,041.44	446.832	9,699.761
Grant related to assets	6.610	115.31	3.07	(25.630)	4.128
Unspent Insurance Premium	-	-	-	(100.000)	1,146.380
Other income	854.744	12.06	762.769	672.338	98.761
Total Income	**120,915.068**		**53,807.28**	**391.434**	**10,949.030**
Expenditure:					
Program cost	120,672.963	124.96	53,640.99	395.756	10,820.044
Salaries and other benefits	183.089	48.30	123.461	30.587	94.543
Other operating expenses	55.440	30.82	42.378	28.278	33.036
Finance cost	0.015	37.61	0.0109	(98.682)	0.827

Total expenditure	120,911.507	-	53,806.84	391.456	**10,948.450**
Surplus/ (deficit) for the year	3.562	-	0.442	(23.793)	0.580

(Source: Annual Audited Accounts for 2022-23)

Cash and bank balance stood at Rs 2,057.321 million as on June 30, 2023. These funds were placed in saving account carrying interest @ 12.25% to 19.5%. Company failed to compute its working capital requirement. However, audit computed the working capital requirement which was Rs 28.957 million (Rs 51,791.351- 51,762.393). It showed the inefficiency for handling funds on the part of management. Management need to fix responsibility and compute its working capital requirement for 2023-24 and invest surplus funds in TDRs to get better return on its funds.

12.1.2.2 Company purchased vehicles for Rs 28.236 million during 2022-23. Explain the reason (s) that whether company purchased these vehicle after need assessment. Approval from the austerity company needs to be shared with the audit.

12.1.2.3 Special Claims of insurance premium for Sehat Sahulat Program increased from Nil in 2021-22 to Rs 562.426 million in 2022-23. Breakup of the said amount and justification for such increase needs to be shared with audit.

12.1.2.4 The advertisement and publicity expenses increased from 132.085 million in 2021-22 to Rs 205.514 million in 2022-23 registering an increase of 55.59%. These expenses were required to be incurred in the beginning of a program but this increase during the year 2022-23 need justification.

12.1.2.5 Insurance premium for Sehat Sahulat Program increase from Rs 52,367.43 million in 2021-22 to Rs 119,666.03 million in 2022-23 registering an increase of 128.51%. If per person insurance premium was fixed then the factors causing the increase of 128.51% needs clarification.

12.1.2.6 Profit on bank account increased from Rs 762.769 million in 2021-22 to Rs 854.502 million 2022-23 registering an increase of 12% while bank balances increased from Rs 1,200.610 million in 2021-22 to Rs 2,057.321 million 2022-23 registering an increase of 71%. Reason for disproportionate increase in profit needs justification.

12.1.2.7 Creditors against services were increased from Rs 24.133 million in 2021-22 to Rs 249.771 million in 2022-23 registering an increase of 934.93 %. Piling up of liability despite availability of surplus funds needs justification.

12.1.2.8 Unspent premium under the head current assets was receivable from State Life Insurance Corporation (SLIC) stood at Rs 886.409 million during 2022-23. As per the terms of contract the payment of any unspent premium to the company was dependent on continuation of business for three years and acknowledgment of same by the SLIC. This amount was calculated for the period Oct 21, 2016 to May 15, 2021. No adjustment was made during 2022-23. State the reason (s) for non-adjustment of said amount along with the acknowledgment of SLIC for acceptance of such claim.

12.1.3 Compliance of PAC Directives

No PAC meeting for the years 2014-15 to 2019-20 has been convened so far.

12.2 Punjab Health Foundation

12.2.1 Introduction

Punjab Health Foundation (PHF) is a corporate body established under Punjab Health Foundation Act 1992. The objectives of the Foundation are to:-

i. Provide loans to doctors for setting up clinics
ii. Provide loans to health institutions for promotion of health services
iii. Establish health institutions and allied projects.

12.2.2 Comments on Audited Accounts

12.2.2.1 The Foundation failed to submit the annual audited accounts for the year 2014-15 to 2022-23 but not received till to December 31, 2023 .

12.2.3 Compliance of PAC Directives

Sr. No.	Years	Total Paras	Compliance Received	Compliance Not Received	%age of compliance
1	1999-00	3	1	2	33%
2	2000-01	10	5	5	50%
3	2001-02	5	4	1	80%
4	2006-07	9	6	3	66%
5	2009-10	5	5	-	100%
Total		**32**	**21**	**53**	**80%**

The compliance with PAC directives in the Health Department for the years 1999-2000, 2000-01, 2006-07 was not satisfactory and requires special attention of the PAO.

12.2.4 Audit Paras

12.2.4.1 Irregular payment of annual increments, special PHF allowance to the contract employees – Rs 11.066 million

According to clause XIII Pay Package of contract appointment policy 2004, where appointment is made on pay package other than the pay & allowances prescribed under the National Pay Scales. Annual increment, shall not be allowed unless specifically provided in the pay scale. Furthermore, any special relief given to the regular employees shall not be admissible.

During audit of Punjab Health Foundation (PHF) for the years 2020-2022, it was observed that the foundation had appointed twenty-eight (28) employees on contract basis during the period from June 2018 to August 2020. As per terms and conditions of the contract appointment policy the employees were hired on market based salary and no increase or any allowance was allowed during the contract period. Contrary to that management of PHF allowed their contract employees annual increment @10% and Special PHF allowance against the spirit of contract employment policy 2004. An amount of Rs 11.066 million was paid to PHF contract employees as per details given below:

(Rs in million)

Year	**10% Annual Increments (Rs)**	**Special PHF allowance (Rs)**	**Amount (Rs)**
2020-2021	2.292	NIL	2.292
2021-2022	3.229	NIL	3.229
2022-2023	3.385	2.160	5.545
Total			**11.066**

Due to weak financial management, an irregular payment was made to contract employees.

Audit is of the view that due to violation of Contract Appointment Policy, an undue increment / increase was granted to contract employees, which should be stopped immediately and over payment be recovered from the concerned employees.

The matter was reported to the management and PAO on October 25, 2023. The management replied that the appointment of employees on a contract basis during the period from June 2018 to August 2020 was carried out with due approval from the competent authorities. The reply was not convincing as the said employees were appointed on pay package other than the pay & allowances prescribed under the National Pay Scales.

DAC in its meeting held on January 16, 2023 directed the management to get the matter regularized from Finance Department.

Audit recommends the compliance of DAC's directives.

12.2.4.2 Irregular appointment of Senior Manager Project Development - Rs 9.889 million

As per rule 2.33 of the Punjab Financial Rules, every Government servant 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 servant to the extent to which it may be shown that he contributes to the loss by his own action or negligence.

During audit of PHF for the years 2020-22, it was observed that Mr. Syed Jaffar Mehdi was appointed as Senior Manager Project Development on February 22, 2018, and was terminated from PHF service on November 30, 2020 on account of misconduct and concealment of facts. The officer was previously terminated from Department of Primary & Secondary Health Care Department on June 08, 2017 on account of misconduct and inefficiency. Hence, payment of Rs 9.888 million during the period from December 2017 to November 2020 was held irregular.

Due to weak internal controls, verification of credentials and previous employment record was not made.

Audit is of the view that management has not ensured due diligence while making the appointment of officer.

The matter was reported to the management and PAO on October 25, 2023. The management replied that the candidate has provided experience certificate of previous employment which shows his satisfactory employment history. The reply was not convincing as no verification of previous service history was made before appointment.

DAC in its meeting held on January 16, 2023 directed the management to produce original record regarding appointment and subsequent termination to audit for verification.

Audit recommends the compliance of DAC's directives.

12.2.4.3 Non recovery from doctors due to mis-utilization of loan – Rs 6.571 million

According to Rule 10(1) of the Punjab Health Foundation (Provision of Grants/loans and Lease of Land) Rules 1993, the assistance provided by the foundation shall be utilized only for the purpose for which it has been made available and the assets raised through such assistance shall not be used for any other purpose.

During audit of PHF for the years 2020-22, it was observed that the management disbursed loan to 12 doctors under Scheme 3. These doctors did not utilize the loan for the purpose for which it was granted. The field inspection teams of PHF confirmed the mis-utilization of loans to the tune of Rs 6.571 million. Detail is in **Annex-25.**

Due to weak monitoring mechanism, management failed to recover mutualized loan.

Audit is of the view that the management was required to properly monitor the loanees regarding utilization of loan but same was not done.

The matter was reported to the management and PAO on October 25, 2023. The management replied that recovery wing has been conducting meetings with concern authorities to recover the penalty from loanees. The reply was not convincing as no recovery was made despite laps of considerable time a very meager amount was recovered.

DAC in its meeting held on January 16, 2023 directed the management to pursue the recovery cases and take appropriate action for mis-utilization of loans.

Audit recommends the compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2020-21 vide para number 11.2.4.6 having financial impact of Rs 6.256 million. Recurrence of same irregularity is a matter of serious concern.

12.2.4.4 Non auction of properties despite issuance of recovery certificates from Revenue Department - Rs 26.480 million

According to Rule-11 of the Punjab Health Foundation (Provision of Grants/loans and Lease of Land) Rules 1993, in case any recipient does not repay the loan according to the agreed repayment schedule and other terms and conditions of the contract, the Foundation may, in addition to any other action, forfeit the securities.

During audit of PHF for the years 2020-22, it was observed that recovery certificates had been issued against several defaulters from revenue department. As per procedure, the properties of said loanees should have been auctioned through revenue department to recover the dues of PHF as arrear of land revenue, however said properties had not been auctioned since long. Detail is in **Annex-26.**

Due to weak financial management, the properties could not be auctioned till date resulting into blockage of funds.

Audit is of the view that management should take up the matter as top priority so that the said amount could be recovered and utilized.

The matter was reported to the management and PAO on October 25, 2023. The management replied that recovery wing was arranging monthly meetings with concerned authorities to recover the defaulted amount from loanees. The reply was not convincing as amount could not be recovered despite issuance of recovery certificates by revenue department.

DAC in its meeting held on January 16, 2023 directed the management to pursue the matter with Revenue Department for early recovery through administrative department.

Audit recommends the compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2013-14 vide para number 4.1.4.2 having financial impact of Rs 7.80 million. Recurrence of same irregularity is a matter of serious concern.

12.2.4.5 Loss due to non-completion of the ERP Project by the vendor and non-imposition of penalty - Rs 4.514 million

According to clause-6 of the contract for procurement of ERP, loaning system and implementation services between M/s Abacus Consulting and PHF, the estimated duration of the contract was 120 days as mentioned in clause-3.19 of the contract documents. Further, according to clause-3.20, payments will be made by PHF against the invoice raised by the vendor by following the procedure in vogue against each milestone completed.

During audit of PHF for the years 2020-22, it was observed that BoD in its 26th meeting held on November 09, 2018 approved the implementation of ERP system for processing of loans, finance and accounts management, asset management, payroll and receivable management. M/s Abacus Consulting quoted lowest rate of Rs 3.570 million for ERP system. The management entered into contract with vendor on December 02, 2019 with a completion period of 120 days upto April 01, 2020. The management of PHF made a payment of Rs 4.515 million to the consultant but the system could not be implemented till date. Further, the ERP system and respective licenses had expired due to non payment of license fee even before implementation of the system .

Due to weak contract and financial management, ERP system could not be implemented despite payment of huge funds.

Audit is of the view that the management was required to get the system implemented within stipulated timelines which was not done.

The matter was reported to the management and PAO on October 25, 2023. The management replied that numerous meetings were conducted with the vendor but the consultant was of the view that certain changes were required in data base which were not part of original scope. The reply was not convincing as management failed to work out actual requirement of data before entering into contract.

DAC in its meeting held on January 16, 2023 directed the management to probe the matter within 30 days and place the matter before BoD regarding poor planning by IT team and non-formation of deliverables before making payment.

Audit recommends the compliance of DAC's directives.

12.2.4.6 Non forfeiture of securities of the defaulter loanees – Rs 1.768 million

According to Rule-11 of the Punjab Health Foundation (Provision of Grants/loans and Lease of Land) Rules 1993, in case any recipient does not repay the loan according to the agreed repayment schedule and other terms and conditions of the contract, the Foundation may, in addition to any other action, forfeit the securities.

During audit of PHF for the years 2020-22, it was observed that various doctors failed to repay loan installments on due dates. Management issue several notices to these doctors but failed to take strict action i.e. forfeiture of securities. As a result, an amount of Rs 1.768 could not be recovered.

Due to weak financial management, loan amount could not be recovered till date.

Audit is of the view that the management was required to forfeit the securities of the defaulters but same was not done despite lapse of considerable time.

The matter was reported to the management and PAO on October 25, 2023. The management replied that efforts are being made to recover the outstanding dues. The reply was not convincing as PHF failed to recover the outstanding amount despite lapse of considerable time.

DAC in its meeting held on January 16, 2023 directed the management to pursue recovery case and place the matter for amendment in provisions of PHF Act to made the Foundation self-reliant in forfeiture of securities before BoD in order to resolve the issue once for all.

Audit recommends the compliance of DAC's directives.

Technical Education and Vocational Training Authority (TEVTA)
Introduction

Technical Education and Vocational Training Authority, (TEVTA) is a corporate body established under the Punjab Technical Education and Vocational Training Authority Ordinance, 1999.

Purpose/ Objectives

The principal objectives of the Authority are to administer, coordinate, supervise and provide guidelines for smooth functioning of Polytechnics Colleges and Technical & Vocational Training Centers etc. In pursuance of the TEVTA Ordinance all the Polytechnics Colleges and Technical & Vocational Training Centers etc. under the administrative control of various Government departments including Service and Training Centers of Punjab Small Industries Corporation (PSIC) transferred to TEVTA on June 5, 1999 or thereafter.

Audit Profile of Technical Education and Vocational Training Authority

(Rs in million)

Sr. No	Description	Total Nos	Audited	Expenditure audited FY 2021-22 (Rs)	Revenue/Receipt audited FY 2021-22 (Rs)
1	Formations	-	-	-	-
2	Authorities/Autonomous Bodies etc. under the PAO	01	01	13,635.04	12,242.33
3	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 255.551 million were raised as a result of this audit. Summary of the audit observations classified by nature is as under:

Overview of the Audit Observations

(Rs in million)

Sr. No	Classification	Amount (Rs)
1.	Non-Production of record	-
2.	Reported cases of fraud/Embezzlement and Misappropriation	57.734
3.	Irregularities	
a.	HR/employees related irregularities	42.870
b.	Procurement related irregularities	36.332
c.	Management of Accounts with Commercial Banks	-
4.	Value for money and service delivery issues	-
5.	Other	118.615

13.1 Technical Education and Vocational Training Authority (TEVTA)

13.1.1 Introduction

Technical Education and Vocational Training Authority, (TEVTA) is a corporate body established under the Punjab Technical Education and Vocational Training Authority Ordinance, 1999. The principal activity of the Authority is to administer, coordinate, supervise and provide guidelines for smooth functioning of Polytechnics & Commercial Training Institutes/Colleges and Technical & Vocational Training Centers etc. In pursuance of the TEVTA Ordinance all the Polytechnics & Commercial Training Institutes/Colleges and Technical & Vocational Training Centers etc. under the administrative control of various Government departments including Service and Training Centers of Punjab Small Industries Corporation (PSIC) were transferred to TEVTA on June 5, 1999 or thereafter.

13.1.2 Comments on Audited Accounts

The management failed to provide the annual audited accounts for the years 2017-18 to 2022-23 by December 31, 2023.

13.1.3 Compliance of PAC Directives

Audit Report	Total Paras	Compliance received	Compliance not received	Percentage of compliance
2006-07	6	2	4	33%
2009-10	3	1	2	33%
2011-12	23	08	15	35%
2012-13	21	5	16	23%
2013-14	41	10	31	24%
2016-17	01	01	0	100%
Total	**31**	**9**	**22**	**29%**

Overall compliance of the PAC directives was only 29 % which was very poor and need special attention of PAO.

13.1.4 Audit Paras

13.1.4.1 Non-recovery of proven irregularities and embezzlement – Rs 57.734 million

According to clause-1 of the TEVTA Financial Guidelines dated: September 07, 2018, in incurring and sanctioning expenditure from the Government Fund, the following fundamental canons of financial propriety shall be observed. Same vigilance should be exercised in respect of expenditure incurred from Government revenues, as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of Technical Education & Vocational Training Authority (TEVTA), Head Office, Lahore for the year 2022-23, it was observed that various irregularities, poor administration, gross negligence, financial loss, cash embezzlement and corruption in handling of financial matters were proved against employees of different colleges, institutions i.e. GCT, Muzaffargarh, GCT Multan, GSTC, Mughalpura, GTTC Isa Khel and GCT Bahawalpur. Hence, an amount of Rs 57.734 million stands recoverable from employees. Detail is in **Annex-27.**

Due to poor managerial and financial controls, the recovery of embezzled amount of Rs 57.734 million could not be effected completely which showed lack of internal control over the field offices.

Audit is of the view that when the embezzlement proved against the accused then the recovery must have been made from them by the management but the same was not done.

The matter was reported to the management and PAO on December 14, 2023. The management replied that 53 number of inquiry cases were pointed out in the audit para. Out of these, 44 cases have already been finalized whereas 9 cases are still in process. Major penalties involving recoveries were awarded in only 11 cases. The recoveries are under process.

DAC in its meeting held on January 12, 2024, directed the management to expedite the recovery and get it verify from audit.

Audit recommends the compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2021-22 vide para number 15.1.4.2 having financial impact of Rs 17.574 million and in the Audit Report for Audit Year 2014-15 vide para number 11.1.4.1 having financial impact of Rs 2.40 million. Recurrence of same irregularity is a matter of serious concern.

13.1.4.2 Undue payment in the name of employees at TEVTA Secretariat –Rs 33.779 million

According to clause-1 of the TEVTA Financial Guidelines dated: September 07, 2018, in incurring and sanctioning expenditure from the Government Fund, the fundamental canons of financial propriety shall be observed and same vigilance should be exercised in respect of expenditure incurred from Government revenues, as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of TEVTA for the year 2022-23, it was observed that huge payment was made under the head advances against expenses to employees. When vouchers of the said head were checked it was found that management issued cheques in favor of three employees instead of the supplier(s). An amount of Rs 33.779 million was made to the following employees:

Sr No.	Name of employees	Designation
1	Muhammad Safdar	Caretaker
2	Muhammad Ashfaq	Admin staff
3	Muhammad Umair	Admin staff

When adjustment of these vouchers were checked, it was found that no requisition of work, work estimate and inspection reports of work done was attached with the vouchers. However, invoices of unregister/ unauthentic supplier were submitted to adjust their advance. No reconciliation was made by the management to settle the advance as an amount of Rs 4.558 remained unsettled till the close of financial period.

Weak internal controls and poor financial management resulted into undue payment.

Audit is of the view that the management needs to stop such practice at once. As huge payment at the disposal of employees and their adjustment via unregistered and unauthentic supplier invoices created doubts about the embezzlement of Government funds which needs to be investigated.

The matter was reported to the management and PAO on December 14, 2023. The management replied that due to paucity of time and to meet timelines for completion of work, advance payments were solicited. The reply of the management is not tenable as paucity of time is not a reason for ignorance of codal formalities.

DAC in its meeting held on January 12, 2024, directed the management to hold a fact finding enquiry for incurring of expenditure by issuing cheque in the name of employees and verify the adjustment of advance from audit.

Audit recommends the compliance of DAC's directives.

13.1.4.3 Irregular hiring of visiting faculty having irrelevant qualification and without merit list – Rs 3.255 million

According to clause (C) TEVTA Service Regulation, the qualification criteria for distribution of marks is given as under:

Area for Marks	Qualification	Additional Qualification	Experience	Interview	**Total**
Maximum Marks	50	10	10	30	**100**

During audit of TEVTA Government Technical Training Institute, Khanewal road, Multan for the year 2022-23, it was observed that the management hired visiting faculty for regular and short courses. While scrutiny of their personal files revealed that management extended undue favor to the hired staff because many of them have irrelevant qualification and person with relevant qualification was ignore. Further, all recruitment was made purely on interview basis not following the above mentioned criteria which made all recruitment irregular. Further, some staff with relevant qualification was hired in other institutes without following the criteria mentioned above. Hence, hiring of visiting staff and payment made to them Rs 3.255 million is considered irregular. Detail is in **Annex-28.**

Poor recruitment process and bad intentions on the part of management resulted into hiring of staff without following proper procedure.

Audit is of the view that the management was required to hire staff by following laid down procedure in the TSR and select the one having higher qualification.

The matter was reported to the management and PAO on December 14, 2023. The management replied that the candidate was hired after fulfilling all the formalities i.e. advertisement, short listing, interview and considering qualification of selected candidate. The reply was not convincing as merit list prepared by the management was not as per the TEVTA Service Regulations.

DAC in its meeting held on January 12, 2024, directed the management to verify from the record that TEVTA Service Regulation criteria was followed and grounds on which other candidates were rejected. The management did not provide the record to audit for verification till finalization of this report.

Audit recommends the compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2021-22 vide para number 15.1.4.8 having financial impact of Rs 2.356 million. Recurrence of same irregularity is a matter of serious concern.

13.1.4.4 Loss due to non-deduction of conveyance charges and house repair & maintenance charges – Rs 2.920 million

According to Finance Department notification dated December 04, 2012, it is clarified that the employees who are residing in the residential colonies situated within the work premises are not entitled to the facility of Conveyance Allowance. Further, repair and maintenance charges needs to be deducted @ 5% of basic salary of the employees.

During audit of TEVTA, Government College of Technology, Multan for the year 2022-23, it was observed that 82 accommodations were present in the staff colony at GCT, Multan. When allotment file of residents were checked it was found that deduction was not made as required under the rule. Conveyance allowance was being deducted from monthly salary of TEVTA employees only but said deduction was not being made against civil employees. Further, 5% deduction was required to be made from the employees as repair charges and in case accommodation was allotted above the scale than amount was deducted @ 10%. But deduction of Rs 2.920 million was also not made as per rules. The detail of employees whose conveyance allowance was not deducted is in **Annex-29.**

Due to poor internal controls, the authority sustained loss.

Audit is of the view that due to non-deduction of conveyance allowance and less recovery of house maintenance charges TEVTA sustained loss.

The matter was reported to the management and PAO on December 14, 2023. The management replied that the matter was taken up with the District Account office 2014 but they did not deduct this allowance which seems it was justified in the eyes of District Account office Multan. The reply was not convincing as no concrete efforts were made by the management for deduction of conveyance allowance. Further accommodations were merged without any notification from building department.

DAC in its meeting held on January 12, 2024 directed the management to get it notified from building department for merger of quarter and effect recovery pointed out by the audit.

Audit recommends the compliance of DAC's directives.

13.1.4.5 Unjustified payment of POL to employees having motor bikes without entitlement – Rs 2.916 million

According to TEVTA Service Regulations, no mechanism is present for allotment of motor bikes to employees.

During audit of TEVTA, Lahore for the year 2022-23, it was observed that the management allotted 44 motor bikes to its employees having fuel limit of 25 to 45 liters each. In response, duty slips/log book was demanded from the management but the same was not provided till the completion of audit which indicated that these bikes were issued to staff who are using it for their personal consumption and no such provision was found in the service regulations. Hence, payment made to fuel agency amounting to Rs 2.916 million (12*200*(45*4 + 35*1 +25*40)) in the form of petrol bills during 2022-23 were considered unjustified.

Due to poor internal controls, employees of TEVTA availed the facility of vehicle and fuel without deducting their conveyance allowance which was a serious lapse on the part of TEVTA.

Audit is of the view that the management was required to devise a mechanism to allocate motor bikes to its employees which was not done.

The matter was reported to the management and PAO on December 14, 2023. The management informed that theses bikes are not meant for personal mobility but for the performance of official chores. The reply of the management is not convincing as no log book of motor bikes was maintained as required for pool vehicles and these bikes were not parked at office after official hours.

DAC in its meeting held on January 12, 2024 directed the management to share detail of allotment of motor bikes and develop a mechanism for issuance of motor bikes besides recovery of conveyance allowance.

Audit recommends the compliance of DAC's directives.

13.1.4.6 Irregular procurement of buses against the technical specifications of approved PC-I - Rs 30.500 million

According to approved PC-I for establishment of Government Polytechnic Institute Tranda Muhammad Pannah, 02 Hino buses were to be purchased with 72 seating capacity.

During audit of TEVTA for the year 2022-23, it was observed that the management was to procure 02 Hino buses for the Government Polytechnic Institute Tranda Muhammad Pannah with the seating capacity of 72. Whereas, the management procured the buses with the seating capacity of 63+1 against the technical specifications approved in PC-I. Hence, the procurement was held irregular in audit.

Due to weak managerial and procurement internal controls, the buses were procured against the approved PC-I provision.

Audit is of the view that the management must have procured the buses in accordance with the technical specifications of approved PC-I. But the same was not done.

The matter was reported to the management and PAO on December 14, 2023. The management informed that 72-seater bus is not manufactured in Pakistan and it contacted Hino and Isuzu for confirmation. The reply was not convincing as management was required to procure buses as per the specification mentioned in the PC-I.

DAC in its meeting held on January 12, 2024 directed the management to revise PC-I.

Audit recommends the compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2018-19 vide para number 15.1.4.9 having financial impact of Rs 6.350 million. Recurrence of same irregularity is a matter of serious concern.

13.1.4.7 Irregular award of work in violation of technical specifications - Rs 5.832 million

According to bidding documents of metal cutting band saw, the required technical specifications were as blade size 27x0.9x3280 mm, number of steps 04 and blade speed 25 to 95 meter per minute.

During audit of TEVTA for the year 2022-23, it was observed that the management carried out the technical evaluation of bidders on December 30, 2021 for procurement of metal cutting band saw. Total three bidders were technically qualified. The management accepted the technical bid of M/s Salman Enterprises with the technical specifications less than required. The technical specifications offered by the other two bidders were better than the required specifications. The management awarded the contract of Rs 5.832 million to M/s Salman Enterprises on February 04, 2022 with the technical specification less than required as detailed below:

Description of item	Specification required	Specification accepted	Remarks
Metal cutting band saw	blade size 27x0.9x3280 mm	blade size 27x0.9x2725 mm	Less than required
	number of steps 04	number of steps 02	Less than required
	blade speed 25 to 95 mpm	blade speed 36 to 72 mpm	Less than required

Due to weak internal controls, the management procured the metal cutting band saw against the technical specifications.

Audit is of the view that the management must have procured the metal cutting band saw as per technical specifications approved in bidding documents. But the same was not done.

The matter was reported to the management and PAO on December 14, 2023. The management replied that a committee of 03 technical experts was constituted to carry out the evaluation of specification offered in the proposal and accepted the proposal. The reply was not convincing as acceptance of less than required specification is not justified.

DAC in its meeting held on January 12, 2024 directed the management to enquire reasons for deviation from the advertised technical criteria.

Audit recommends the compliance of DAC's directives.

13.1.4.8 Wasteful expenditures by Placement Wing on futile activities –Rs 60.783 million

According to clause 5 (h) of TEVTA Act 2010, the Authority may take initiative for placement of trainees or graduates and provide career counselling and job search services to the students and alumni.

During audit of TEVTA, Lahore for the year 2022-23, it was observed that the management established Placement Wing at head office under the supervision of DG (placement) and also nominate District placement officers at each district as well as institute placement officers at institute level. The management spent huge amount of Rs 60.783 million on the placement wing besides salaries of the staff but the performance of the Placement Wing was just an eye wash. When audit required the documents showing performance of placement wing, only print of application dashboard was shared with the audit without any supporting evidence. When it was asked that how many placements were made by the placement wings then it was told that Placement Wing performed other activities apart from placement which included career counseling, job fair, industrial visit etc. No concrete efforts were made with reference to the placement of students hence all expenditure is wasteful.

Due to lack of accountability of the Placement Wing, poor placement of trainees was made.

Audit is the view that the management was required to follow its Act by true letter and spirit and made the placement wings effective and efficient which was not done.

The matter was reported to the management and PAO on December 14, 2023. The management replied that different initiatives were taken for placement of TEVTA trainees and graduates beside placement of 7000 graduate. The reply was not tenable as no evidence of placement was shared with audit.

DAC in its meeting dated January 12, 2024 directed the management to provide documentary evidence in support of management contention. The management did not provide record to audit for verification till finalization of this report.

Audit recommends the compliance of DAC's directives.

13.1.4.9 Deficit sustained by TEVTA in second shift classes –Rs 45.998 million

According to clause 13 of second shift policy 2012, 60% of the funds of second shift will be used for salary expenditure, 20% of development activities and 20% on non-salary expenditure. Further, according to clause 9, in case of break even, remuneration to teaching as well as admin staff will be paid as per proportionate payment of remuneration.

During audit of TEVTA, Lahore for the year 2022-23, it was observed that the management allowed second shift classes admission for Diploma of Associate Engineer (DAE) in the Government College of Technology (GCTs). While scrutiny the financials of second shift it was found that the management sustained a deficit of Rs 45.998 million during 2021-22 in execution of second shift classes in contravention to the clause 9 of the policy. Management compensate this deficit by the saving of second shift from the previous years. As per the policy no such saving is allowed and college had to spend 20% of the funds on development activities but college instead of pursuing the policy of second shift saved this amount for meeting the future salary expenditures which is a clear violation. Deficit sustained in second shift policy is calculated as below:

(Rs in million)

Head of Account	Amount (Rs)
Income	182.175
Expenses	228.173
Deficit	**45.998**

Due to non-adherence to the second shift policy, the authority was running its second shift classes at a deficit of Rs 45.998 million and not spending its funds on development purposes.

Audit is of the view that the management was required to spend its funds as per the approved policy and made payment to the teaching and admin staff in proportionate manner to achieve breakeven point in the second shift but the same was not done resulted into deficit to the authority.

The matter was reported to the management and PAO on December 14, 2023. The management replied that the loss pointed out by audit was merely the excess of expenditure incurred during the year over the income generated during the year. Reply was not convincing as management had to run second shift on breakeven and allocate the funds as per the approved policy.

DAC in its meeting dated January 12, 2024 directed the management to get the record verify from audit showing the breakeven of second shift.

Audit recommends the compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2018-19 vide para number 15.1.4.5 having financial impact of Rs 17.529 million. Recurrence of same irregularity is a matter of serious concern.

13.1.4.10 Unjustified/ wasteful retention of Weaving and Finishing Institute Shahdara –Rs 8.109 million

According to clause-1 of the TEVTA Financial Guidelines dated September 07, 2018, in incurring and sanctioning expenditure from the Government Fund, the following fundamental canons of financial propriety shall be observed and same vigilance should be exercised in respect of expenditure incurred from Government revenues, as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of TEVTA for the year 2022-23, in Government Weaving and Finishing Institute (GWFI), Shahdara Lahore it was observed that the institute owns 100 kanals of land with 35 staff members and a staff colony. When the output of the institute was demanded then the following detail was provided.

Sr. No.	Trade	Year	Nos. of pass out students
1	Finishing Technology (1st year)	2020-21 2021-22 2022-23	18 18 24
2	Finishing Technology (2nd year)	2020-21 2021-22 2022-23	14 16 18

The condition of GWFI was also deplorable and the machine present in the institute remained idle since long. The location of the institute is prime and could be used for other productive purpose. Management spent Rs 8.109 million on the said institute besides the government infrastructure during 2022-23 just trained 42 Nos. of students (Rs 193,000 per student) which was unjustified and wastage of government resources by spending unwisely.

Poor value for money for government funds and lack of planning at Secretariat level led to unwise spending of government money.

Audit is of the view that the management was required either to close the above institute or upgrade it to provide weaving training to student.

The matter was reported to the management and PAO on December 14, 2023. The management replied that revamping/rehabilitation plan to start new technologies was under process to make the institute viable.

DAC in its meeting dated January 12, 2024 directed the management to made effort for making the institute viable.

Audit recommends the compliance of DAC's directives.

13.1.4.11 Wasteful expenditure due to non-installation/ utilization of car hydraulic lifts - Rs 3.725 million

According to clause-1 of the TEVTA Financial Guidelines dated September 07, 2018, in incurring and sanctioning expenditure from the Government Fund, the fundamental canons of financial propriety shall be observed and same vigilance should be exercised in respect of expenditure incurred from Government revenues, as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of TEVTA for the year 2021-22, it was observed that the management signed contract with M/s Al Waqas Associates on January 13, 2021 for procurement of 25 car hydraulic lifts amounting to Rs 11.642 million. The car hydraulic lifts were delivered by the contractor but were not installed due to non-availability of space even after lapse of two years since the delivery of the said lifts. It was responsibility of the management as a pre-requisite to make space available for installation of car hydraulic lifts. The lifts are getting obsolete without utilization. At following institutions the lifts were not installed which resulted into wasteful expenditure of Rs 3.725 million. The detail is as under:

(Rs in million)

Sr. No.	Name of institute	No. of car hydraulic lifts delivered	Unit cost (Rs)	Total cost (Rs)
1.	GTTC Kharian	02	465,660	0.931
2.	GTTI Bhalwal	02	465,660	0.931
3.	GTTI Chakwal	02	465,660	0.931
4.	GTTI Chishtian	02	465,660	0.932
Total				**3.725**

Due to weak internal controls and assets management, the car hydraulic lifts were not installed/ utilized which resulted into wasteful expenditure.

Audit is of the view that the management must have installed/ utilized the car hydraulic lifts to avoid wastage of resources.

The matter was reported to the management and PAO on December 14, 2023. The management replied that one car hydraulic lift was installed in GTTI Chishtian and remaining five will be shifted to other institutes. The reply was not tenable as management was unable to utilize all the procured car hydraulic lift.

DAC in its meeting dated January 12, 2024 directed to probe the matter for procurement of car hydraulic lift without effective planning.

Audit recommends the compliance of DAC’s directives

Tourism Department

Introduction

Our youth has grown in the information age, so it has more potential to bring change in the society. The youth should be provided with processes, programs and strategies to harness its potentials. So, in October 2011, new Department comprising on Youth Affairs, Sports, Archaeology Department of Tourist Services & Tourism was created. Our vision is to empower and strengthen the youth through fostering holistic sports activities and also preserving, restoring and developing cultural heritage and tourist sites all over Punjab.

Tourism

The Tourism Development Corporation of Punjab plays a crucial role in coordinating and supplementing the efforts of the Government in strengthening promotional and marketing efforts, catalyzing private investment and in providing trained manpower resources. TDCP has Tourist offices at various places in Punjab, which are responsible for providing information service to tourists, tourism promotion and marketing in their respective areas.

Formations:-

Tourism Development Corporation Punjab (TDCP)

(Rs in million)

Sr. No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23 (Rs)	Revenue/Receipt audited FY 2022-23 (Rs)
1	Formations	01	01	590.40	666.55
2	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
3	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 85.461 million were raised as a result of this audit. This amount also includes recoverable of Rs 1.926 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs in million)

Sr. No.	Classification	Amount (Rs)
1.	Non-production of record	-
2.	Reported cases of fraud/Embezzlement and Misappropriation	-
3.	Irregularities	
a.	HR/employees related irregularities	5.250
b.	Procurement related irregularities	3.789
c.	Management of Accounts with Commercial Banks	-
4.	Value for money and service delivery issues	1.926
5.	Other	74.496

14.1 Tourism Development Corporation of Punjab Limited (TDCP)

14.1.1 Introduction

Tourism Development Corporation of Punjab Limited (TDCP) is under the administrative control of Tourism & Resort Development Department. TDCP was established on December 10, 1986 as a Public Sector Company under the Companies Ordinance 1984 (now Companies Act 2017). The objective of the company is to promote tourism in the province. The company has Patriata chair lift and cable car system at Murree, tourism resorts and tourism information centers.

14.1.2 Comments on Audited Accounts

14.1.2.1 The management failed to provide annual audited accounts for the years 2022-23 by December 2023.

14.1.2.2 The working results of the company for the year 2021-22 as compared to previous years are as under:

(Rs in million)

	2021-22	% Inc/ (Dec)	2020-21	% Inc/ (Dec)	2019-20	% Inc/ (Dec)	2018-19
Incomes	646.603	24.07	521.155	57.25	331.414	(30.52)	477.022
Direct expenses	328.699	14.93	285.992	4.71	273.122	(11.16)	307.436
Publicity and promotion expense	88.777	14.30	77.671	18.87	65.341	8.22	60.377
Net income from promotion activities	229.128	45.49	157.492	-	(7.049)	(106.45)	109.209
Development and feasibility study expenses	3.642	21.64	2.994	110.85	1.420	(89.37)	13.358
Administrative and general expenses	167.726	18.19	141.910	5.70	134.253	0.93	133.010
Operating Profit/ (loss)	57.760	358.85	12.588	-	(142.721)	284.08	(37.159)
Other operating income	19.945	119.54	9.085	(38.92)	14.873	7.14	13.882
(Loss)/ profit before taxation	77.705	258.53	21.673	(116.95)	(127.848)	449.25	(23.277)
Finance cost	1.557	298.21	0.391	585.96	0.057	(55.12)	0.127
(Loss)/ profit before taxation	76.148	257.82	21.281	(116.64)	(127.906)	446.51	(23.404)
Taxation	9.033	(6.15)	9.625	25.92	7.644	87.31	4.081

(Loss)/ profit after taxation	67.115	475.85	11.655	(108.60)	(135.550)	393.18	(27.485)
Accumulated Losses	395.842	(13.55)	457.899	(0.86)	461.877	45.42	317.606

(Source: Annual Audited Accounts for 2020-21 & 2021-22

Company has accumulated losses of Rs 395.842 million, net cash flows from operations of the company were negative of Rs 108.443 million and equity of the company has become negative by Rs 395.692 million as on 30 June 2022. It created doubt about the going concern of the company. Management is stressed upon to take measure to reduce its accumulated losses to make it sustainable.

14.1.2.3 Government of the Punjab has given the approval for the conversion of loan of Rs 467.639 million into equity. For this company needs to enhance its authorized capital from Rs 10.00 million to Rs 500.00 million. But the legal formalities with SECP for conversion of loan have not yet been started. The conversion of loan into equity is necessary for sustainable operations of the company. Management need to made vigorous effort for finalization of terms with the SECP.

14.1.2.4 Settlement charges was Nil in 2020-21 and Rs 8.892 million in 2021-22. This amount indicated the security deposit of M/s crystal safety. The court ordered the company to pay the security deposit and profit on the amount to the supplier. Detail of legal case and reason for non-referring the case to the higher forum needs justification.

14.1.2.5 Development and feasibility study expenses increased from Rs 2.994 million in 2020-21 to Rs 3.642 million in 2021-22 registering an increase of 22%. However, no such development expenses capitalized during the period. Breakup of feasibility and development expenses incurred during the period and outcome of such feasibility needs to be provided.

14.1.2.6 Building on freehold land includes infrastructure having book value of Rs 12.125 million developed at Chattar Bagh resort. The said resort was obtained from on lease in 1988 from Zilla Councl Rawalpindi. After the expiry of lease agreement on 31st Oct, 2003, the Zilla council refused to extend the lease period and got the possession of said resort from the company. The case is now subjudice before the arbitrator. The management is stressed upon to get the lease asset back as the same was shown in work in progress since long.

14.1.2.7 Corporation current ratio was 5.5: 1 against a standard of 2:1. It showed that corporation struck its funds in current assets having poor return on assets. Company need to review its current assets to meet the standard requirement and divert its funds towards long term assets.

14.1.2.8 Receivable of the corporation increased to Rs 45.581 million in 2021-22 from Rs 1.824 million in 2020-21 registering an increase 2400% while bad debts of the company increased from

Rs 2.085 million in 2020-21 to Rs 6.254 million in 2021-22 registering an increase of 200%. Staggering increase in receivable and bad debts needs justification. Further, party wise breakup of bad debts need to be share with the audit.

14.1.2.9 While reviewing the different projects of the TDCP it was found that the corporation failed to achieve even the breakeven point for its project. Financial highlights of different projects is as under;

i. Income from tourist bus service was Rs 20.497 million while expenses against the income was Rs 37.818 million registering a loss of Rs 17.321 (84.5% of income) during 2021-22 while the position was more worst in 2020-21 as the income was just Rs 8.636 million and expenses was Rs 35.409 million registering a staggering loss of Rs 26.773 (310% of income).
ii. Income from Institute of Tourism and Hotel Management (ITHM) was Rs 8.142 million while expenses against the income was Rs 21.092 million registering a loss of Rs 12.95 million (159% of income) during 2021-22 while the position was not even better in 2020-21 as the income was just Rs 8.425 million and expenses was Rs 22.361 million registering a loss of Rs 13.936 million (165% of income).
iii. Income from School Tourism Services was Rs 2.290 million while expenses against the income was Rs 60.546 million registering an exponential loss of Rs 58.256 million during 2021-22 while the position was more worst in 2020-21 as the income was just Rs 0.490 million and expenses was Rs 53.263 million registering a staggering loss of Rs 52.773 million.
iv. Income from Adventure expenses was Rs 0.381 million while expenses against the income was Rs 6.143 million registering a staggering loss of Rs 5.762 million during 2021-22 while the position was also not better in 2020-21 as the income was Rs 0.207 million and expenses was Rs 4.663 million registering a loss of Rs 4.456 million.

Company need to review the financials of above mentioned projects and made plans to run this on at least breakeven level. Complete sustainability plan need to be shared with audit.

14.1.3 Compliance of PAC Directives

Audit Report	**Total Paras**	**Compliance received**	**Compliance not received**	**Percentage of compliance**
1985-86 to 1986-87	8	8	0	100%
1987-88	8	6	2	75%
1988-89 to 1989-90	32	32	0	100%
1990-91	18	15	3	83%

1991-92	8	8	0	100%
1992-93	13	12	1	92%
1993-94	6	6	0	100%
1994-95	5	1	4	20%
1995-96 to 1997-98	11	11	0	100%
1998-99	5	2	3	40%
1999-00	3	1	2	33%
2000-01	2	2	0	100%
2001-02	3	2	1	67%
2006-07	4	4	0	100%
2009-10	12	6	6	50%
2010-11	02	0	02	0%
2011-12	17	08	09	47%
Total	**138**	**116**	**22**	**84%**

The overall compliance of PAC directives in respect of Tourism Department was 84%, which needs to be improved by PAO.

14.1.4 Audit Paras

14.1.4.1 Irregular appointment/ extension of consultant as contract employee - Rs 5.250 million

According to para-VIII (iv) of Contract Appointment Policy-2004, no person shall be appointed without advertisement and in violation of any procedural formalities laid down in the policy.

During audit of Tourism Development Corporation of Punjab (TDCP) for the year 2021-22, it was observed that a Social Media Consultant was working in the company who was hired in 2013 at Rs 40,000 per month under short consultancy mode of Punjab Procurement Rules, 2014. He was granted extension in consultancy contract against the rules. Further, the management appointed him on contract for one year at monthly salary of Rs 75,000 without any advertisement. Later, his contract was extended on January 13, 2023 for another year. Hence, the payment of Rs 5.250 million to employee was irregular and unjustified. Detail is as under:

(Rs in million)

Appointment Mode	From	To	No. of months served	Pay per month (Rs)	Amount (Rs)
Consultant	23.12.2013	05.07.2021	90	40,000	3.600
	05.07.2021	20.01.2022	06	75,000	0.450
	20.01.2022	19.01.2023	12	75,000	0.900

Contract employee	20.01.2023	31.05.2023	04	75,000	0.300
Total					**5.25**

Due to weak internal controls, management failed to implement the PPRA Rules in letter and spirit.

Audit is of the view that extension of short term consultancy, appointment of consultant as contract employee without advertisement and subsequent extension of that contract were done in violation of contract appointment policy and PPRA Rules.

The matter was reported to the management and PAO on June 23, 2023. The management replied that Mr. Usman Qureshi has been working since last six years in TDCP. The BoD decided to convert his consultancy into contract mode. Audit contended that this contract appointment was made in violation of contract appointment policy.

DAC in its meeting held on October 05, 2023 directed the management to seek advice from Finance Department.

Audit recommends the compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2019-20 vide para number 17.1.4.3 having financial impact of Rs 4.860 million. Recurrence of same irregularity is a matter of serious concern.

14.1.4.2 Irregular procurement of goods and services on World Tourism Day - Rs 3.789 million

According to Rule-22 of Punjab Procurement Rules, 2014, "save as otherwise provided hereinafter, the procuring agencies shall use open competitive bidding or publication of request for tender as the principal method of procurement for the procurement of goods, services and works".

During audit of TDCP for the year 2021-22, it was observed that management was celebrating World Tourism Day every year. Further, management decided to celebrate the same on September 27, 2021 at Hiran Minar Sheikhupura. For this event, various goods and services were procured including lighting at venue, cultural performances, sitting arrangement, food and transportation on quotation basis instead of open tendering as per PPRA Rules. Detail is as under:

(Rs in million)

Sr. #	Item	Amount (Rs)
01	Lighting/Advertisement at the venue	0.948
02	Qawali/ Performers	0.279
03	Smoke machine Banners	0.416
04	Dinner Expense	0.815

05	Others	1.331
Total		**3.789**

Lack of financial management was the cause of irregularity.

Audit is of the view that management procured services/ products in violation of PPRA Rules which was held irregular and unjustified.

The matter was reported to the management and PAO on June 23, 2023. The management replied that due to shortage of time, all the arrangements for the event were made in emergency. Audit contended that TDCP celebrate this day every year and it should plan it well before the time.

DAC in its meeting held on October 05, 202 directed the management to obtain advice from Finance Department.

Audit recommends the compliance of DAC's directives.

14.1.4.3 Loss due to non-recovery of lease income and missing items from Ex-lessee - Rs 1.926 million

According to clause-3 of lease agreement dated November 20, 2015 executed between TDCP (lessor) and M/s Arbab Traders (lessee) for Lal Sohanra Resort, lessee was required to pay rent in advance through post dated cheques on the 7th date of first month of every quarter. Any dishonored cheque shall be treated as unpaid lease and subject to additional surcharge @ 10% and followed by legal action.

During audit of TDCP for the year 2021-22, it was observed that management leased out Lal Sohanra Resort to M/s Arbab Traders on November 20, 2015 for a period of five years. In 2019, it was found that lessee was not operating the resort as per terms of agreement and not paying the dues in time. Lessee failed to pay the lease amount despite various notices and finally management terminated the contract on May 19, 2020. The accumulated amount of lease was Rs 1.411 million at the time of termination of agreement. Further, after getting the possession of resort, management found that various items were also missing. This resulted in loss due to non-recovery of lease income valuing Rs 1.800 million (approx.) and missing items from ex-lessee.

Due to weak financial controls, management failed to recover the dues from the contractors.

Audit is of the view that management must have taken all necessary measures to recover both amounts from the lessee along with initiation of process for blacklisting of contractor.

The matter was reported to the management and PAO on June 23, 2023. The management replied that FIR was registered on February 20, 2020 and black listing process started.

DAC in its meeting held on October 05, 2023 directed the management to file recovery suit against the ex-lessee.

Audit recommends the compliance of DAC's directives.

14.1.4.4 Loss due to delay in outsourcing different facilities - Rs 56.696 million

According to meeting of BoD held on January 20, 2022, Board unanimously allowed the management to go ahead with outsourcing contract and sign outsourcing agreement with bidders who have matched the estimated rent amount mentioned in the advertisement.

During audit of TDCP for the year 2021-22, it was observed that management invited bids for outsourcing of fourteen (14) resorts and recreational facilities vide advertisements dated September 09, 2021 and September 14, 2021. In response to these invitations, bids of few facilities were below reserved price. The management negotiated with highest bidder and he agreed to match the offer price with reserved price. After completing the process, management presented the matter before Board and it unanimously approved the same and allowed the management to proceed for outsourcing contract. Since then, no agreements were made with successful bidder, which caused a huge revenue loss of Rs 56.696 million to company in shape of lease income. Detail is in **Annex-30.**

Due to weak internal controls, management failed to implement the decision of the BoD.

Audit is of the view that company was already relying heavily on Government grants/ loans for its survival and willingly losing potential sources of revenue which was held irregular and unjustified.

The matter was reported to the management and PAO on June 23, 2023. The management replied that the outsourcing process was delayed due to revision of outsourcing policy. Audit contended that there was no specific restriction in this policy for outsourcing.

DAC in its meeting held on October 05, 2023 directed the management to provide latest status of outsourcing process of these tourist sites. But no documentary evidence of latest status could be provided till finalization of this report.

Audit recommends the compliance of DAC's directives.

<u>Note:</u> The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 16.1.4.5 having financial impact of Rs 2.309 million. Recurrence of same irregularity is a matter of serious concern.

14.1.4.5 Loss due to illegal possession of TDCP land by residents at Shershah Multan - Rs 17.800 million

According to Memorandum dated May 31, 1987 of Colonies Department, Government of the Punjab transferred free of cost state land measuring 14-Kanal and 3-Marlas to Tourism Department for the construction of Tourist Resort at Shershah Bridge, Multan. The transfer of land against Tourism Department was also shown in the Fard-e-Milkiyat.

During audit of TDCP for the year 2021-22, it was observed that a piece of land measuring 14-Kanal and 03-Marlas was transferred by Government to TDCP during 1987. Out of this, management allotted 3-Kanals for patrolling police post. In 2020, it was found that people of nearby area illegally built houses on remaining land. TDCP regional management took the matter with revenue staff and could only get back the possession of 2-Kanals and 3-Marlas. Remaining 8-Kanals and 18-Marlas was still under the illegal possession of local people. The minimum value of land estimated by audit was Rs 17.800 million (178 marlas * Rs 100,000).

Due to lack of administrative control, the assets of the company were not safeguarded which resulted into encroachment of land.

Audit is of the view that due to inefficient and improper management of resources, public exchequer sustained a loss.

The matter was reported to the management and PAO on June 23, 2023. The management replied that district government had agreed to provide alternate land. Audit contended that no serious efforts were made for allotment of alternate land and protection of already allotted land.

DAC in its meeting held on October 05, 2023 directed the management to pursue the case vigorously and pended the para till allotment of alternate land.

Audit recommends the compliance of DAC's directives.

14.1.4.6 Non-approval of budget from BoD in violation of Public Sector Companies (Corporate Governance) Rules 2013

According to Rule-7 (1) and (2) (a) of the Corporate Governance Rules 2013, significant issues shall be placed before the Board for its information and consideration, in order to formalize and strengthen the corporate decision-making process. Including annual business plans, cash flow projections, forecasts and long term plans; budgets including capital, manpower and expenditure budgets, along with variance analyses.

During audit of TDCP for the year 2021-22, it was observed that management incurred Rs 459.728 million throughout the year by the order of the Managing Director. As per rule mentioned above the annual budget shall be placed before the BoD but management incurred expenditure throughout the year without approval of the BoD. This practice of the company manifested that the financial matters were being run solely by the Managing Director without approval of the BoD.

Due to weak internal controls, management failed to implement the Corporate Governance Rules.

Audit is of the view that the management should have got budget approved from BoD before commencement of every financial year.

The matter was reported to the management and PAO on June 23, 2023. The management replied that the annual budget is being placed before BoD for approval.

DAC in its meeting held on October 05, 2023 directed the management to get expenditure regularized from Finance Department.

Audit recommends the compliance of DAC's directives.

Transport Department

Introduction

Transport Department was established in 1987, earlier it was a Cell in the S&GAD under the supervision of the Additional Chief Secretary Government of the Punjab. The establishment of Transport Department is headed by Secretary (BS-20) with Two Additional Secretaries, three Deputy Sectaries and six Section officers. Vision of transport department is to provide Citizen-centric, Sustainable & Growth Oriented Integrated Transport System.

Functions of Transport Department are:

- Legislation, transport policy and planning.
- Plan, design, operate, regulate and establish Mass transit system in the province
- 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.
- Inspection and checking of Public Service Vehicles.
- Payment of compensation in accident cases of Private/Public sectors and allied matters.
- Policy regarding student's concession and Nationalization of Road Transport.

Formation:-

- Lahore Transport Company (LTC)
- Punjab Road Transport Corporation (Defunct)

(Rs in million)

Sr. No.	**Description**	**Total Nos**	**Audited**	**Expenditure audited FY 2021-22 (Rs)**	**Revenue/Receipt audited FY 2021-22 (Rs)**
1	Formations	01	01	397.23	163.19
2	Authorities/Autonomous Bodies etc. under the PAO	01	-	-	-
3	Foreign Aided Projects	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 1,041.469 million were raised as a result of this audit. Summary of the audit observations classified by nature is as under:

(Rs in million)

Sr. No.	Classification	Amount (Rs)
1.	Non-production of record	-
2.	Reported cases of fraud/Embezzlement and Misappropriation	-
3.	Irregularities	
a.	HR/employees related irregularities	-
b.	Procurement related irregularities	3.864
c.	Management of Accounts with Commercial Banks	-
4.	Value for money and service delivery issues	-
5.	Other	1,037.605

15.1 Punjab Transport Company (PTC), Lahore

15.1.1 Introduction

Punjab Transport Company (“the company”) (formerly-Lahore Transport Company) was incorporated in Pakistan after approval from Punjab assembly on April 07, 2009 as a company limited by guarantee and not having share capital under section 42 of the repealed Companies Ordinance 1984 (now Companies Act 2017) (repealed with the enactment of the Companies Act 2017). The registered office of the company is situated at Liberty Market Noor Jehan Road Block D-1 Gulberg III, Lahore, Pakistan. The company has been registered with the Registrar Joint Stock Companies, City District Government Lahore vide No.RP/4895-L/S/09/476 dated April 07, 2009.

The principal objective of the company is to undertake or engage in such activities which provide safe affordable, reliable and efficient transport services for the general public in the city of Lahore.

15.1.2 Comments on audited accounts:

The management failed to provide annual audited accounts for the years 2017-18 to 2022-23 by December 31, 2023.

15.1.3 Compliance of PAC Directives

Audit Report	Total Paras	Compliance received	Compliance not received	Percentage of compliance
2016-17	15	05	10	33%
Total	15	05	10	33%

The overall compliance of PAC directives was very poor which needs to be improved by PAO.

15.1.4 Audit Paras

15.1.4.1 Unjustified award of contract beyond merit – Rs 3.864 million

According to clause-xi and xiii of technical evaluation requirement for transport services, the contractors were required to submit the details of vehicles owned alongwith list of staff.

During audit of Punjab Transport Company (PTC) for the years 2020-23, it was observed that management prequalified three contractors for provision of transport facility. In January 2020, the management called quotations from these prequalified contractors. All three were declared technically qualified. The contract was awarded to M/s NG being the lowest bidder @ Rs 18,100 per day per coaster. In February 2020, quotation were again called from all three for provision of transport in PSL matches. Two contractors M/s Overland United and M/s Bajwa Brothers were declared technically non-responsive and M/s NG was awarded being the only technically responsive bidder @ Rs 25,000 per coaster per day. It is pertinent to mention here that both the contractors were prequalified after an extensive exercise and evaluation. The process of declaring two contractors technically non responsive and awarding of contract at higher rates resulting into loss of Rs 3.864 million.

Due to weak internal controls and ineffective contract management, one contractor was declared technically responsive.

Audit is of the view that management awarded contract to M/s NG Tourism at much higher rates declaring already pre-qualified contractors as technically non responsive.

The matter was reported to the management and PAO on September 15, 2023. The management replied that the other two bidders could not submit requisite documents at the time of quotations. The reply was not convincing as bidders were pre-qualified after scrutiny of all the requisite documents. Secondly rate was increased from Rs 18,100 to Rs 25,000 in one month.

DAC in its meeting held on January 10, 2024 directed to probe the matter at Administrative Department level.

Audit recommends compliance of DAC’s directives.

15.1.4.2 Non-transfer of title of land in company’s name – Rs 807.500 million

According to Rule 21(6)(a) of Corporate Governance Rules 2013, the BoD shall establish an audit committee who shall determine appropriate measures to safeguard the assets of the company.

During audit of PTC for the years 2020-23, it was observed that the company was in possession of land valuing Rs 807.500 million but the title of land was not in its name. The management tried to get the title of the land transferred in its name but it was transpired that Khasra Numbers of the land in possession were different from those in the documents. Resultantly, the matter regarding transfer to title of land valuing Rs 807.500 million (807.50 marlas @ Rs 1.00 million per marla approx.) in the name of the company was pending.

Due to poor internal controls and weak management, the correct title of land was not established despite having possession.

Audit is of the view that management was not exercising due care and diligence while running the affairs of the company which resulted into defective title of its land assets. Non-ensuring the correct title of land assets was considered a serious lapse on the part of management.

The matter was reported to the management and PAO on September 15, 2023. The management admitted the facts and informed that matter was pending with relevant authorities.

DAC in its meeting held on January 12, 2024 directed the management to pursue the matter with relevant authorities and court cases in order to get a clear title of lands.

Audit recommends compliance of DAC's directives.

15.1.4.3 Irregular retention of unutilized subsidies – Rs 219.068 million

According to section 23(2) of the PFM Act, 2019, the principal accounting officers shall submit a certificate on half yearly basis that he has not transferred public moneys for investment or deposit from government account to any other bank account.

During audit of PTC for the years 2020-23, it was observed that Rs 219.068 million was appearing in the books of accounts as subsidy payable. Further detail of these subsidies was as under;

i.	Operational subsidy	Rs 149.015 million
ii.	Capital subsidy	Rs 63.750 million
iii.	Refurbishment subsidy	Rs 6.303 million

In order to find out the root cause of these un-utilized and payable subsidies, audit demanded the detailed record but management negated to provide the same.

Audit is of the view that management violated the financial discipline by retaining un-utilized balance instead of returning it to the Government.

The matter was reported to the management and PAO on September 15, 2023. The management replied that after July 2019, PTC did not demand any subsidy. Old balances were kept which will be used in future. The reply was not convincing as retention of subsidy amount was irregular.

DAC in its meeting held on January 10, 2024 directed the management to hold an internal fact finding inquiry and place it before BoD and administrative department.

Audit recommends compliance of DAC's directives.

15.1.4.4 Irregular retention of contractor's security in the company main account - Rs 5.252 million

According to section 217(2) of the Companies Act 2017, the money so received shall be kept in a special bank account maintained by a Company with a Scheduled bank.

During audit of PTC for the years 2020-23, it was observed that the management of PTC retained an amount of Rs 5.252 million pertaining to the securities of contractors under head performance guarantee as on June 30, 2023 in their main account in violation of the provision of the Companies Act 2017, which is held irregular in audit.

Due to weak internal controls the compliance of section 217 of Companies Act 2017 was not made.

Audit is of the view that management violated the provision of section 217 of the Companies Act 2017 by retaining their contractor's security in the main account instead of separate account which needs to be justified.

The matter was reported to the management and PAO on September 15, 2023. The management committed to open separate account after approval of BoD.

DAC in its meeting held on January 12, 2024 kept the para pending till compliance of Companies Act.

Audit recommends compliance of DAC's directives.

15.1.4.5 Loss due to theft of equipment at bus shelters and Non-recovery of insurance claims – Rs 4.033 million

According to Rule 21(6)(a) of Corporate Governance Rules 2013, the BoD shall establish an audit committee who shall determine appropriate measures to safeguard the assets of the company.

During audit of PTC for the years 2020-23, it was observed that management got insured its bus shelters from M/s United Insurance. During the audit period, 33 theft instances were noted in which management booked a loss of Rs 2.385 million against which recovery from insurance company was not shown to audit. Moreover, 20 insurance claims valuing Rs 1.648 million were pending.

Due to weak internal controls, the assets of the company were not properly safeguarded.

Audit is of the view that due care and diligence was not exercised and management has not taken proper steps to safe guard the assets of the company.

The matter was reported to the management and PAO on September 15, 2023. The management replied that the initiatives taken to reduce theft cases and also efforts made to recover pending insurance claims. The reply was not convincing as huge cases of theft occurred.

DAC in its meeting held on January 10, 2024 directed the management to probe the matter and effect recovery.

Audit recommends compliance of DAC's directives.

15.1.4.6 Loss of revenue income due to non-operation of bus terminals – Rs 1.752 million

According to order dated November 19, 2014 of District Coordination Officer, Lahore, the rights for use of urban/public transport related infrastructure services were handed over to Lahore Transport Company which included wagon stands, rickshaw/taxi stands, halting points and road wise bus stops.

During audit of PTC for the years 2020-23, it was observed that City District Government handed over six bus terminals and wagon stations to LTC now PTC for operations vide order dated November 19, 2014. Audit asked about the income generated from the operation of these Bus terminal /wagon stations. Management verbally informed that only two terminals are operative which are Railway Stations and Bhatti Chowk. No income was generated by PTC, however, operations were run locally by unknown persons and no information was available of their income. Audit has assessed that annual income generation potential of one terminal was Rs 1.752 million (24 wagon buses x 365 x Rs 200 per day).

Audit is of the view that management did not exercise due care and diligence while running the affairs of the company resulting into loss of potential revenue income.

The matter was reported to the management and PAO on September 15, 2023. The management replied that they have no legal right to use the transport related infrastructure for income generation and committed revenue generation after approvals from competent forums. The reply was not convincing as ‘Rights for use’ of transport related infrastructure was handed over by city district government to PTC in 2014.

DAC in its meeting held on January 10, 2024 directed to probe the matter at Administrative Department level within thirty (30) days.

Audit recommends compliance of DAC’s directives.

Impact Audit Report on Skills Development Programme of PSDF

16.1 Introduction

The impact audit of Skills Development Programme (SDP) was carried out to determine whether the desired impact or outcome of the Programme was achieved, and whether the desired outcome/impact was caused by the Programme intervention rather than by any rival causes.

The Skills Development Programme was executed by Punjab Skills Development Fund (PSDF) which is a not-for-profit company set up by Government of the Punjab and the United Kingdom's Department for International Development (DFID) in 2010. The purpose of PSDF is to shape the future and well-being of poor and vulnerable youth by giving them access to skills training of the highest standard so that they can improve their ability to find work, progress in their current employment, or develop a new enterprise. Initially, PSDF worked in four districts of Southern Punjab but since 2016, the operations have been scaled up to all districts, expanding the reach of PSDF's interventions. PSDF works with an extensive network of training partners that are engaged to provide training based on schemes, focused on specific trades and targets.

In Pakistan, government skill Programmes have faced challenges. To address this, the Punjab Skills Development Fund (PSDF) introduced a grant-based funding model for training providers, to impart effective training to underprivileged youth in the province and to encourage more private sector participation in skill development.

16.2 Overview of Skills Development Programme (SDP)

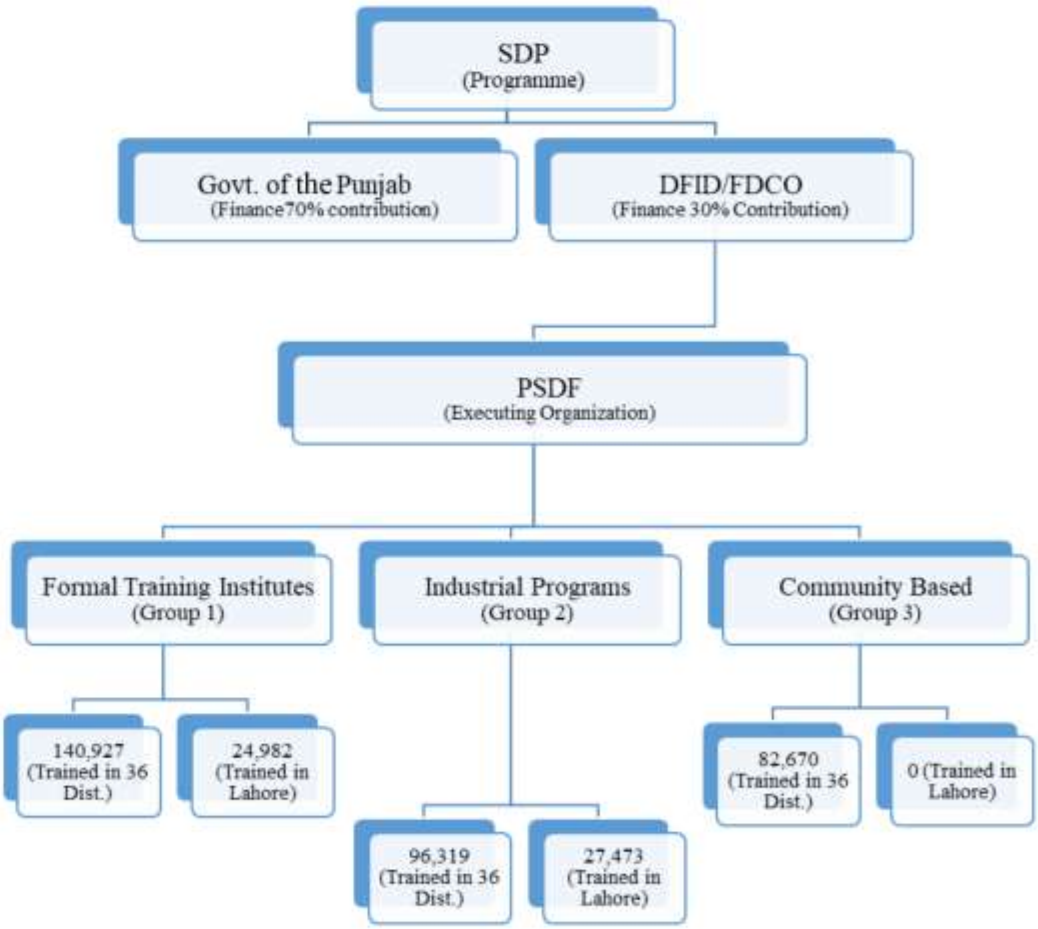
The Skills Development Programme (SDP), launched in 2016, was implemented by PSDF an independent, not-for-profit company established by Department for International Development (DFID) and the Government of the Punjab. The scope of the Skills Development Programme (SDP) covers all 36 districts of the province. Its objective is to provide technical and vocational skills to unskilled, poor youth enabling them to get employment in relevant field of work, or to generate self-employment through entrepreneurial skills.

Owing to the fact that women in Pakistan remain disadvantaged in terms of labour force participation, with the country ranking at 153 out of 156 on the World Economic Forum's Global Gender Gap Index 2021, the programme focused on delivering skills training to women in particular. Moreover, other disadvantaged segments of the population (including minorities, transgender people, and persons with disabilities), were also intended to be included in the target population of this programme, with the objective to help them gain decent employment. The following table and organogram show further details about SDP.

Programme Target	Geographic focus	Start of Programme	End of Programme	Programme duration

330,000 graduates (40% females)	36 districts of Punjab	August 2016	June 2021	5 years

Organogram and Training Group



16.2.1 Objectives of SDP:

The main objectives of the SDP programme as envisaged in project documents can be summarized as under:

- To train poor and vulnerable
- To improve skills level, in order to facilitate increased incomes for poor people by providing them with the technical and vocational skills, with special focus on skill enhancement of women
- To facilitate in getting employment by providing link between skill set and relevant job market
- To enable youth to seek self-employment
- To develop a competitive skills training market that offers market oriented training opportunities for the poor and vulnerable, particularly women
- To establish PSDF as an effective, self-sustainable fund

In order to achieve these objectives, certain training programmes were developed. A brief of these programmes is given as under:

16.2.2 SDP Training Programmes

SDP was executed by PSDF and was funded by DFID and Government of the Punjab (30% and 70% respectively) with a target to train 330,000 graduates, 40% of them being females. The Programme was launched in August 2016 and implemented its various training programmes and schemes till completion on June 30, 2021.

Three main training programmes under SDP were as follows:

i. Industry Driven Programmes (IDP)

PSDF developed Industry Driven Programmes to attract businesses across all sectors, and to train the youth according to their skill needs. In these programmes, businesses had the flexibility to design the training coursework and teaching materials, select trainers to teach the course and conduct the course at their own facility or in partnership with other training providers. It was envisioned that once the youth was trained by businesses within the industry, its prospects of finding sustainable employment would increase significantly.

Formal Training Institutes (FTI)

To enter the technical and vocational training space, PSDF developed Formal Training Programmes for existing vocational training institutes. Under these programmes, Formal Training Institutes (FTIs) partnered with PSDF to implement existing training programmes. PSDF provided funding for these trainings to make them bigger & better and assesses them on strict quality assurance standards. Vocational training institutes operating in the market could access funds for training through a transparent and competitive bidding process. The programmes were open to both existing and new institutes as well as public and private sector entities.

ii. Community Based Programmes (CBP)

In addition to demand driven and market relevant skills trainings through industry and training institutes, PSDF also developed various Community Based Programmes to provide access to high quality skills training in semi-urban and rural communities. One of the objectives of such programmes was to make skills training easily accessible by the rural communities by taking training to their doorstep. These programmes were meant to target people between the ages 29 to 40, particularly rural females, agricultural and livestock farmers. The trainings focused on improving farming techniques for better productivity and income improvement. Female training was a large component of Community Based Programmes at PSDF. These programmes operated on 'work from home' model and trainings helped generate commercial opportunities and incomes.

Total Trainee Population of the SDP across Punjab

Training Programme	Male	Female	Transgender	Total
Formal Training Institutes	92,602	48,324	1	140,927
Industry Driven Programmes	56787	39,506	26	96,319
Community Based Trainings	21,814	60,856	0	82,670
Total	171,203	148,686	27	319,916
Percentage share	53.51%	46.48%	0.01%	100%

16.3 Objectives of Impact/Outcome Audit

The main objective of this impact audit included examination and evaluation of data regarding SDP and to assess the extent to which desired outcomes or impacts were achieved due to the Programme interventions. The Audit further aimed to assess how far the results of the programme were worth the cost.

16.4 Audit Scope and Methodology

a. Scope

The scope of Impact audit was to examine the causal relationship between Programme objectives, activities undertaken and their wider impact on employment &income of the poor and vulnerable trainee population. The following model reflects logical flow of inputs, activities, outputs, outcomes and intended impact of this Programme:

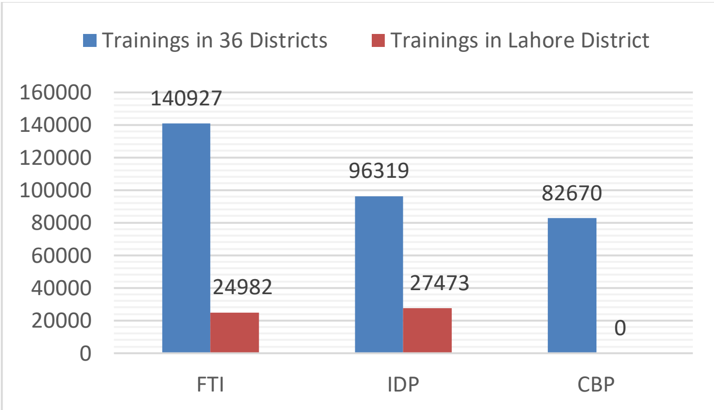
Inputs	Activities	Output	Outcomes	Impact
Programme Funds	Feasibility Study/ Scope	Trainings Successfully imparted	Job opportunities for poor and vulnerable youth	Skilled young Human Resource
Programme Guidelines (DFID)	Selection of Trades Training Clusters	Poor youth trained	Competitive market for private skills training provider	Income increase
Human Resource	Selection of TSPs	Graduate trainees got jobs	Making PSDF self-sustainable	Improved living standard
Man hours	Monitoring/ Supervision of Trainings	Self-employment capabilities of trainees increased	Improved social and economic status	Women empowerment
Liasion with Stakeholders	Data collection & Maintenance			
	Disbursement of funds			

For the purpose of this audit the terms audit of outcomes and impact audit are used interchangeably. As the scope of this Audit activity was focused on the last two columns of the above chart. Since the Programme has many desired outcomes and impacts, the Audit team considered employment status of the trainees as a fundamental touchstone to assess effectiveness of the Programme. Therefore, Industry Driven Programme and Formal Training Institutes were relevant to the specific focus of audit.

Scope limitation

Certain scope limitations were faced during impact assessment of the Programme. First, the Programme was spread over all 36 districts of Punjab; however, the mandate of this audit activity was limited to the Lahore district only. The following graph shows the proportion of trainings conducted in Lahore district in comparison to overall scope of the Programme.

Proportion of trainings conducted in Lahore District in comparison to over all 36 Districts



Owing to this limitation, a group of training cluster named as Community Based Programmes (CBP) could not be assessed. This cluster included different trainings in Agriculture and Livestock sector but in Lahore district no such trainings were conducted due to its urban nature. Secondly, audit team encountered barriers while approaching the female trainees due to the conservative cultural approach. Due to this limitation, the objective of increased women employment and hence their empowerment could not be evaluated in quantitative terms. Another key limitation was availability of pre- and post-intervention data on incomes or job acquisition of the sample of population studied for this analysis. Reliance was therefore made on questionnaire-based responses.

b. Methodology

Due to lack of data and limitations of design, the following two techniques were employed to assess the impact on Treatment Group:

i. Pre-Post Analysis
ii. Post- Group Comparison

The audit team analyzed "Condition With" and "Condition Without" using survey and data analysis. The Condition With implies analysis of 'treatment group' i.e. those who underwent the skills training under Industry Driven Programme and Formal Training Institutes.

For Condition Without, under post group comparison, those persons were considered who were enrolled or selected for the training but did not join. This ensured that control group was similar to in its characteristics to the treatment group. Questionnaires were administered to samples of respondents selected from both treatment and control groups.

For pre-post analysis questionnaires asked from those who underwent the training (treatment group) questions regarding the nature of their employment prior to and after undergoing training under the SDP.

It was also asked from control and treatment group persons whether they had undergone any other skill enhancement training through some other Programme or on their own. This was done to exclude the rival cause of skill enhancement through any other Programme.

The Audit team selected a sample number of trainees and developed a questionnaire for them to conduct telephonic survey/interview. The survey was designed to assess whether the training helped the trainees find a job or not by asking them if they were employed before the training or they were successful in finding a job only due to receiving the respective training under SDP.

c. Sampling

Samples were randomly selected from treatment and control group. Trainee data of 52,455participants of training across Lahore, was extracted from Master Survey Report & Trainee Survey Report provided by the PSDF management. Total sample size for survey consisted of 508 participants out of which only 330 participants responded. For control group a separate sample comprising 100 persons was selected. There were a total of 18,359 persons who were registered for the training but dropped out before completion of the training programme.

16.5 Programme Impact Assessment:

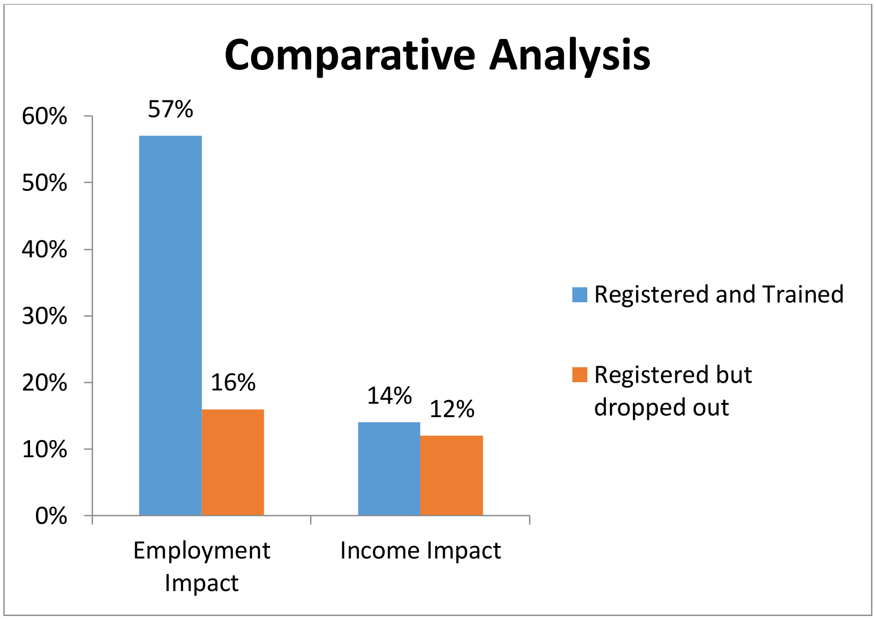
a. Overall Impact Assessment

A telephonic survey/interview was conducted over 508 trainees out of which 330 responded to it. 152 (46%) trainees told that they were doing a job even before/without receiving training under SDP. Out of remaining 178 respondents, 101 (57%) replied that they were able to get a job as a result of SDP training while 77 (43%) told that they could not get any job despite getting trained under SDP.

In pre-post comparison, amongst those who got the job 57% responded that prior to this training they were unemployed, and 14% (21 out of 152 trainees) had an employment that paid less than their current job.

For post-group comparison, a sample of 100 candidates who were registered for training but dropped out before completion was administered questionnaire as control group. Out of those interviewed, only 16% were employed and only 12% had similar income as those in treatment group.

Thus, a greater 41% of candidates (difference of 57% and 16%) from treatment group had employment compared to the control group and 2% (difference of 14% and 12%) of them had increased income . The following graph shows comparative analysis of income and employment impact on both groups:



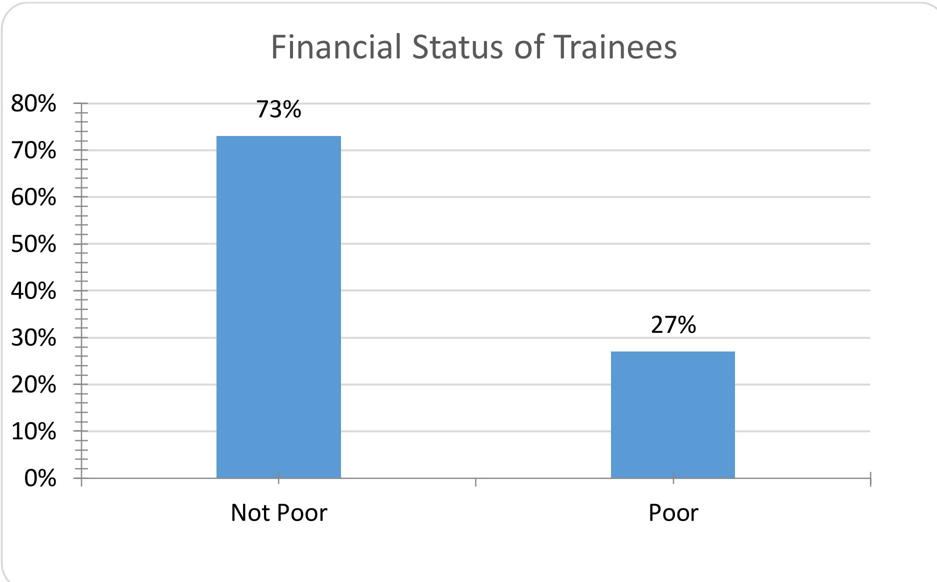
16.6 Key Findings:

16.6.1 Failure to attain desired results in connecting graduates with income generating opportunities (Employment and Career Impact)

Out of the total surveyed trainees, constituting a response rate of 65% with 330 participants, 43% stated that they did not get any job, 57% (101 trainees) responded that they got a job after receiving SDP training. Out of these 57% trainees, 64% (65 trainees) stated that they were doing such job which was not related to their field of training. This situation suggested two possible scenarios: either the trainees encountered challenges in securing suitable employment opportunities related to their training, or the training Programmes lacked the usefulness to facilitate job placements. This propounded that the investments made in these training initiatives had not yielded the intended outcomes. The resources allocated towards these training endeavors appeared to have been underutilized or potentially wasted, as the anticipated link between training, employment in the relevant field, and income improvement had not materialized.

16.6.2 Flawed selection/enrollment of trainees

As per the Business Rules (Industrial Training Programme & Formal Training Institutes), selection/enrollment of vulnerable trainees should be made in line with BISP poverty score. During the survey, 73% of the respondents revealed that they did not fall within the poor and vulnerable population category, defined as families earning less than 30,000 at the time of their training. The SDP was focused on the poor & vulnerable population of the Punjab. But during the interviews, it was found that some trainees didn't actually belong to this group. It seemed that they were included just to fill up the class. Consequently, non-committed and financially self-sufficient trainees were included at the expense of public funds, which ultimately went to waste, as these individuals lacked the motivation to seek employment after completing the training.

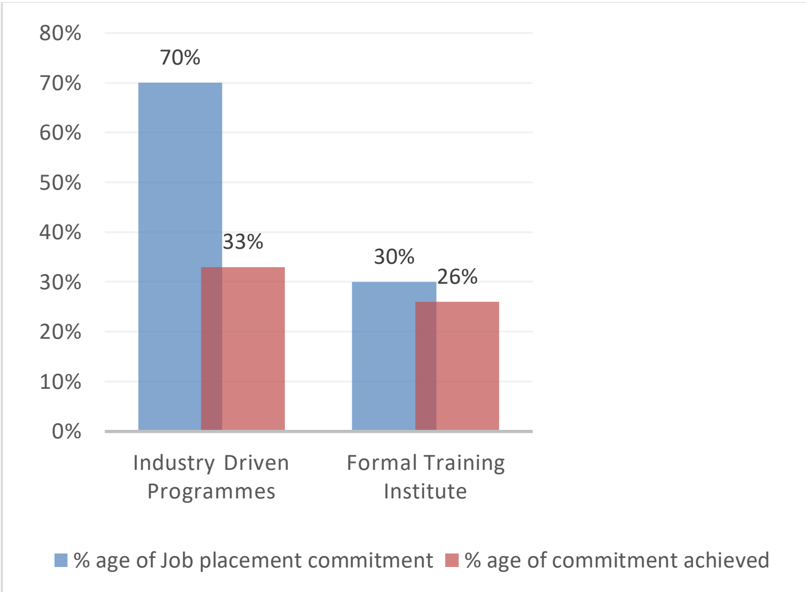


16.6.3 Non-implementation of real time attendance indicating weak monitoring mechanism

The management opted to outsource the monitoring system to a third-party entity, which conducted bi-monthly visits to verify the attendance of the trainees. The non-implementation of real-time attendance tracking systems severely impacted the efficacy of the monitoring mechanism. Without real-time attendance data, the ability to oversee and manage trainee attendance, work hours, and task allocation had been compromised. The organization faced challenges in ensuring timely interventions, resource optimization, and the establishment of an accountable and responsive work environment. The telephonic survey conducted by audit team revealed that 2% of the graduate trainees were clueless above having received any such training under SDP. Further, the Trainee Survey Report provided by PSDF management showed that 13% of the trainees failed to pass the final examination. This reflects the enrollment of such individuals who were not fully committed to training. It also presented a convenient opportunity for Training Service Providers (TSPs) to fulfill their quota by showcasing the necessary number of trainees and collecting fees from PSDF, potentially prioritizing quantity over quality in training delivery.

16.6.4 Shortfall in achieving job placement target by TSPs

As per the contractual agreements, Training Service Providers (TSPs) failed to facilitate job placements for the committed percentage of trainees as shown in the graph given below:



Despite the contractual obligations, the TSPs fell short of achieving the stipulated percentage of trainees in all three training clusters: only 33% and 26% job placement target could be achieved against the committed target of 70% and 30% in IDP and FTI respectively. This inability to meet the agreed-upon placement quotas raised concerns about the TSPs' capacity to effectively transition trained individuals into suitable employment opportunities, possibly signaling limitations or shortcomings within the job placement strategies implemented by these providers.

16.6.5 Violation of criteria of SDP in enrolment of DAE qualified students

As per the Vocational Training Contract between PSDF and Training Service Providers (TSPs) and Business Rules, individuals enrolled in the DAE Programme or registered under PBTE are not eligible for PSDF-funded courses. However, in the survey, 3.6% of the trainees reported that they had completed their DAE before enrollment in the SDP training. This situation highlighted a weak monitoring mechanism, indicating failure to screen and prevent the enrollment of ineligible candidates. As a result, resources were potentially wasted by providing training to individuals who were not eligible as per the agreement, raising concerns about the effective utilization of resources and the need for a more robust enrollment monitoring system.

16.6.6 Non-achievement of desired objective to create a competitive market of private skills training providers

Throughout the SDP period, PSDF collaborated with 80 Formal Training Institutes (FTIs) in Lahore. Among them, a sample of 22 FTIs (27.50%) was examined, revealing that all of them had ceased their operations. The failure to achieve the targeted goal of establishing a competitive market among private skills training providers during the skills development Programme's tenure was evident. While funding was readily available and accessible to Training Service Providers (TSPs), a surge in their numbers was observed, relying significantly on government grants to sustain their operations. However, following the Programme's closure, a marked decline emerged as a considerable number of TSPs ceased operations. The sudden decrease after the Programme ended showed that many TSPs relied too much on funding from PSDF and couldn't keep going without ongoing help from the government.

16.6.7 Failure to make PSDF self-sustainable fund

One of the main goals of the skills development Programme was to ensure that the PSDF became financially self-sustaining. However, despite efforts, the management fell short of this objective. Over the life of the Programme, PSDF had generated only Rs 151 million in revenue through managing and executing various innovative Programmes. The management couldn't achieve the target of making the PSDF self-sufficient, and it continued to depend on financial support from the government. This situation reflected a significant gap between the Programme's aspirations and its actual outcomes. The inability to establish self-sustainability pointed to underlying challenges or limitations in the strategies implemented, potentially impacting the long-term viability and independence of the fund.

16.6.8 No follow-up mechanism regarding trainee job placement after closure of training Programme

After the closure of SDP, there was a notable absence of a follow-up mechanism concerning job placements for the trainees. This lack of a structured follow-up system resulted in a concerning gap in monitoring the employment status or career progress of the trained individuals. Without a robust follow-up mechanism, assessing the effectiveness of the training in securing employment opportunities or tracking the career trajectories of the trainees became challenging. Consequently, the absence of such a system diminished the Programme’s ability to gauge its impact on trainees' professional lives and impeded the identification of areas for potential improvement in future training endeavors.

16.6.9 No mechanism developed regarding relevance of job placement according to training

According to the data provided by the management on job placements secured by TSPs for trainees as per the contract, a total of 5,229 job placements were recorded. Within this number, 133 trainees (3%) were employed in jobs entirely unrelated to their training. The Training Service Providers (TSPs) were supposed to help the trainees get jobs according to their agreement. However, it was observed that in some situations, the job placements weren't in the same field where the trainees gained their skills. Instead, they were placed in fields that weren't related to what they learned during their training. This mismatch in areas of job placements raised concerns because it meant that some trainees ended up working in areas that didn't match the skills they acquired through their training Programmes.

16.6.10 Retention of TSPs having poor performance evaluation in previous trainings

The third-party monitoring conducted the performance evaluation of 157 Training Service Providers (TSPs), revealing that 48 TSPs (31%) scored below 50% (signifying poor performance) in a particular period. Despite this, several underperforming TSPs were permitted to participate in the bidding process once more and were awarded contracts again. This suggested that the PSDF overlooked the significance of TSP performance, ultimately leading to the production of trainees with inadequate skill levels.

16.7 Conclusion:

To recapitulate, this report is an effort to highlight major shortcomings in employment outcomes, monitoring mechanisms, market sustainability, and enrollment integrity, ultimately undermining the Programme's impact on securing suitable employment and increasing income levels of the targeted poor population. Despite achieving 97% of the targeted trainee number (319,928 out of 330,000), the Programme fell short of leaving significant footprint regarding employment outcome. The Impact audit revealed planning and execution lapses within the SDP impeding its ability to positively impact the lives of the poor and vulnerable, which was its primary objective. The findings underscore missed opportunities and operational deficiencies that hampered the Programme's ability to bring in significant change in youth employment graph as a result of the SDP trainings in the province. With substantial budget and scale, the Programme could have delivered more favorable outcomes if the management had addressed the identified issues during execution.

16.8 Recommendations:

The Programme stands completed and the shortcomings pointed out in this report cannot be completely addressed at this stage. However, the audit team has endeavored to suggest the following recommendations which would serve as guidelines for addressing key risk areas and improving impact of any such initiative in future.

- **Creation of Income Opportunities:**

PSDF management should create income-boosting strategies for graduates, including entrepreneurship training, microfinance aid, or job placement aid in lucrative sectors. It should foster better collaborations between public and private sectors for job placements, internships and apprenticeships by reinforcing the connection between training and private sector job opportunities.

- **Adherence To Enrolment Eligibility Criteria:**

The management should enforce strict adherence to eligibility criteria for trainee enrollment, preventing the inclusion of individuals who do not meet the poverty or vulnerable population criteria outlined in the Programme guidelines so that the actual purpose of the Programme would be achieved.

- **Implementation of Real-Time Attendance Monitoring System:**

A robust real-time attendance tracking system should be implemented to enhance monitoring efficiency. This would enable better oversight of trainee engagement, aiding in identifying irregularities promptly and limit trainee drop out.

- **Adoption of Job Placement Strategy:**

As part of job placement strategy, a comprehensive market demand survey should be conducted during planning phase of SDP training clusters/trades. Also, an effective follow-up mechanism should be developed post-training Programme closure to track trainee job placements. This would facilitate evaluation of the effectiveness of the trainings in securing relevant employment opportunities.

- **Improvement in TSP Selection Criteria:**

The management should strengthen the selection criteria for Training Service Providers to ensure that they align with the Programme's objectives. This should include performance evaluations from previous training sessions before re-awarding contracts.

- **Financial Self-Sustainability:**

The management should devise strategies to steer the PSDF towards financial self-sustainability, reducing reliance on continuous government funding. This can be done by exploring alternative revenue streams and attaining operational efficiencies.

AUDIT REPORT

ON

THE ACCOUNTS OF

CLIMATE CHANGE, ENVIRONMENTANDDISASTER MANAGEMENT ORGANIZATIONS

OF GOVERNMENT OFTHE PUNJAB

AUDIT YEAR 2023-24

CLIMATE CHANGE, ENVIRONMENTANDDISASTER MANAGEMENT ORGANIZATIONS OF GOVERNMENT OF THE PUNJAB

Chapter-1

Provincial Disaster Management AuthorityPunjaband

District Disaster Management Authorities

1.1 Introduction

A. An Act No. XXIV of 2010 called National Disaster Management Act was promulgated for establishment of National Disaster Management Authority by the Parliament. In compliance of Section 15 of Act, the Provincial government of Punjab established Provincial Disaster Management Authority, Punjab to deal with natural disasters and calamites in the province and take measures for prevention and mitigation of natural disasters.

For the purpose of relief measures and expenses, a fund was created called Provincial Disaster Management Fund (PDMF). The Provincial Government makes provisions for the said fund in the annual budgetso that PDMAcarry out activities and programs to cope with disaster emergencies. The Authority has established District Disaster Management Authority in each district of Punjab headed by Deputy Commissioner.

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

(Rs. in million)

Financial Year	**Budget**	**Expenditure**	**Savings**
2022-23	10,895.963	9,362.301	1,533.662

Source: budget and expenditure statements

C. **Sectoral Analysis**

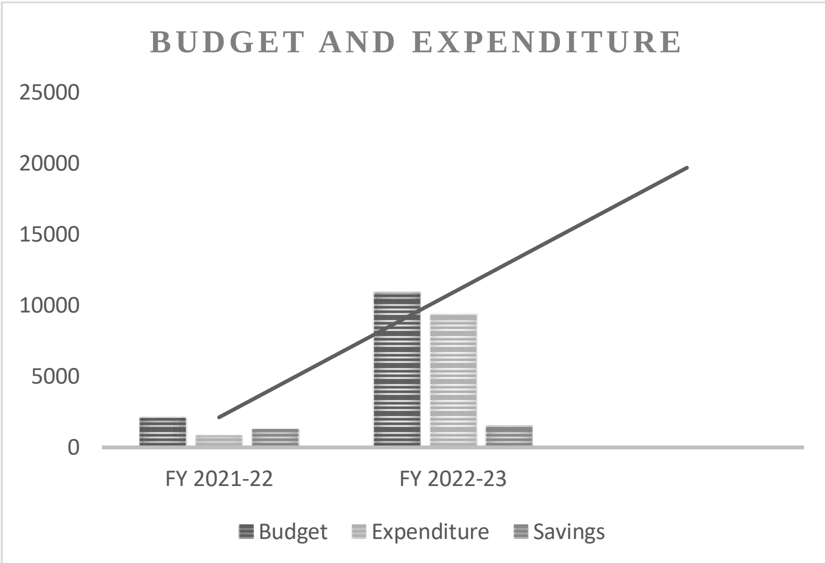
The detail of the total budget and expenditure of PDMA and DDMAs for Financial Year 2021-22 and 2022-23 is tabulated below:

(Rs. in million)

Financial Year	**Budget**	**Expenditure**	**Savings**
2021-22	2,120.381	823.250	1,297.131
2022-23	10895.9633	9362.301	1533.662

Source: budget and expenditure statements

Graphical representation of budget utilization and unspent balances is reflected in chart on next page.



The Provincial Disaster Management Authority (PDMA) Punjab specializes in mitigation, preparedness and an organized response to disasters. PDMA also acts as the coordinating authority, which articulates the coordination mechanism between key provincial departments. In case of emergencies, the PDMA works closely with District Governments to organize initial and subsequent assessment of disaster affected areas and determine the course of action to ensure long-term rehabilitation of the affected population. The District Disaster Management Authority is the district planning, coordinating and implementing body for disaster management in the district.

An overview of the activities of PDMA, Punjab indicates that the Agency mainly concentrated on post disaster activities once the disaster occurs. The focus on mitigation and disaster risk reduction measures to reduce the impact of disasters in the province was rather on a lower side. District Disaster Management Authorities are functioning in all district of Punjab headed by Deputy Commissioner, however no separate organizational setup of DDMA have been established in the province. No separate accounts of the funds received from PDMA are being maintained by Deputy Commissioners/DDMAs and it was not possible for audit to segregate the relief related expenditure incurred by Deputy Commissioners in the capacity of head of respective DDMAs.

Province of the Punjab witnessed unexpected exceptionally heavy rains during monsoon season 2022 which resulted floods in many areas of the Punjab.These exceptionally heavy rains caused flash flooding in hill torrents of DG Khan, Rajanpur and Mianwali districts of the Punjab. Four tehsils of Dera Ghazi Khan (DG Khan, Taunsa Sharif, Kot Chutta, Koh-e-Suleman), three (03) tehsils in district Rajanpur (Rajanpur, Jampur and Rojhan) and one tehsil in district Mianwali (Eisakhail) were affected badly. The Government of the Punjab declared these eight tehsils as calamity affected areas.

PDMA managed the disaster on war footing basis. On the directions of Chief Minister, Punjab, a bank account titled *"Chief Minister's Flood Relief Fund 2022" was opened*to receive donations for flood 2022.NDMA, also agreed to assist the province by making death compensation payments out of Federal funds in calamity affected areas.

PDMA upon directions of Provincial Cabinet, engaged Bank of Punjab (BoP) through Service Level Agreement for disbursement of house damaged and injured ex-gratia assistance to flood affectees after verification from NADRA. PDMA Punjab distributed the following relief items to the flood affectees 2022:

(Rs. in million)

Sr. No.	Item	Quantity	Amount
1	Food Hampers Procured	39,500	233.078
2	Food Hampers (donations)	2700	0
3	Tent	22,250	327.210
4	OBMs	60	26.466
5	Light Stands	100	14.340
6	Atta	6000	11.730
7	Mosquito Net	10,000	5.700
Total			**618.524**

In addition,PDMA expended an amount of Rs. 94.919 million to carry out Print & Electronic media campaign for general public to take precautionary measures to save the lives, cattle and houses etc. Further, PDMA spent an amount of Rs. 7,472.359 million on compensation payments in respect of injured and house damages affectees of flood 2022.

The Federal Government, throughNDMA also released cheques amounting to Rs. 130 million on account of death compensation to the legal heirs of flood 2022 affectees.These cheques were duly disbursed amongst the victims through Districts Administration.DDMAs also paiddeath and injured compensations and procured relief items during the financial year 2022-23 for flood 2022 affectees.

Table-I Audit Profile of PDMAs & DDMAsPunjab

(Rs. in million)

Sr. No.	Description	Total Nos.	Audited	Expenditure Audited FY 2022-23
1.	Formations	22 (including PDMA and DDMAs)	14 (which include main entity PDMA and 13 DDMAs)	9,362.301
2.	Assignment Accounts (excluding FAP)	-	-	-
3.	Authorities/ Autonomous Bodies/ companies etc. under the PAO	-	-	-
4.	Foreign Aided Projects (FAP)	-	-	-

1.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.11,587.072 million have been raised in this report ***pertaining to PDMA Punjab and 13DDMAs of district Lahore***, Faisalabad, Sahiwal, Gujranwala, Sargodha, Rawalpindi, Mianwali, Bahawalpur, Multan, Layyah, Muzaffargarh, Dera Ghazi Khan and Rajanpur.***Recoveries amounting to***Rs.170.085millionhave been ***pointed out in the auditobservations***. 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**	**2,290.848**
A	Procurement	1,089.150
B	HR / Internal Controls Weaknesses	1,201.698
2.	**Public Service Delivery / Performance**	**16.000**
3.	**Financial Management**	**9,280.224**

1.3 Brief Comments on the Status of Compliance with PAC Directives

The Directorate General Audit (CC&E) started auditing and reporting Disaster Management related departments of Punjab since financial year 2016-17. No Audit Report has been discussed in PAC meeting so far.

1.4 AUDIT PARAS

Procurement

1.4.1 Irregular expenditure on procurement of rescue and relief items-Rs. 389.290 million

According to Para 3 (o)(2)(d) of National Disaster Management Authority (NDMA) guidelines on stocking, maintenance and supply of relief & rescue items, the short listing of vendors must be done in every financial year. Each vendor may be categorized in short listing as Category A, B, C etc. based upon his capacity of manufacture / supply, as evidenced by respective production capacity / supply capacity, financial strength, past experience, quality of product etc. However, where respective government's procurement rules do not allow such an arrangement then concerned Disaster Management Authority should follow their respective government's procurement rules and regulations.

Provincial Disaster Management Authority (PDMA) Punjab incurred an expenditure amounting to Rs. 389.290 millionduring the financial year 2022-23 on various procurements madeon emergency basis without open competition. Details are attached at **Annexure-II**.

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

i. Contrary to the guidelines, PDMA had not pre-qualified and short-listed the vendors for the financial year 2022-23through open tendering process. Due to prior non-pre-qualification, procurement in aftermath of flood 2022 was made under emergency rules without open competition and tendering process.

ii. PDMA earlier in a procurement committee meeting held on 30.03.2022, had decided to pre-qualify firms for various items. However, despite the decision, prequalification of suppliers was not carried out resulting in procurements through quotations method without resorting to open competition for obtaining competitive and most economical rates.

Audit held that procurement made in violation of rules and guidelines resulted in non-transparent and irregular procurement.

Initial audit observation was issued on 03.08.2023. The management replied thatSMBR/Relief Commissioner, Punjab, being competent authority invoked emergency clause under Section 59 of PPRA Rules 2014.

The reply of the management was not satisfactory as procurement was made in violation of rules and guidelines.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedto provide complete relevant record to audit for verification.

The record was not provided till finalization of this report.

Audit recommends that PDMA may strictly follow the notified guidelines and ensure prequalification of suppliers so as to obtain most economical and competitive rates for procurement of relief items.

(Para No. 25 of AIR 2022-23 PDMA Punjab)

1.4.2 Irregular procurement of relief items from non-prequalified vendors-Rs.309.011million

According to Para 3 (o)(2)(d) of National Disaster Management Authority (NDMA) guidelines on stocking, maintenance and supply of relief & rescue items, short listing of vendors must be done in every financial year. Each vendor may be categorized in short listing as Category A, B, C etc. based upon his capacity of manufacture / supply, as evidenced by respective production capacity / supply capacity, financial strength, past experience, quality of product etc.

Further, according to Rule 55 of Punjab Procurement Rules 2014, the bidder with the lowest evaluated bid, if not in conflict with any other law, shall be awarded the procurement contract.

District Disaster Management Authority (DDMA)/ Deputy Commissioner (DC) Rajanpur prequalified a bidder “M/s New Fresh Well Traders, Rajanpur” on 09.06.2022 for procurement of relief items during the financial year 2022-23. DDMA expended an amount of Rs. 326.065 million on procurement of relief items from different vendors in the aftermath of flood 2022 out of which procurement of Rs. 309.011 million was made from different non-prequalified vendors. Details are attached at **Annexure-III.**

During audit of DDMA/DC Rajanpur for the financial year 2022-2023 it was observed as under:

i. DDMA procured relief items fromnon-prequalified firms instead of the prequalified firm “M/s New Fresh Well Traders, Rajanpur”.

ii. The management during discussion held that relief items were not procured from “M/s New Fresh Well Traders, Rajanpurdue to inability of prequalified supplier to provide items. However, record related to issuance of work orders to prequalified vendor for different items and regret on part of the vendor was not available/provided.

iii. The documents regarding selection of subsequent vendors i.e., quotations, comparative statement, negotiations with vendors, requirement of relief items, approvals of competent authority were not available on record.

iv. Procurement from remaining vendors despite availability of prequalified firm and M/s Sandhu Brothers who agreed to supply on prequalified firm’s agreed rates was irregular.

v. Emergency/urgency was not invoked and notified by DDMA.

vi. The officers in category II and III were authorized to sanction expenditure against the detail objects in the budget estimates not exceeding the limit of Rs. 2 million and 1.5 million respectively. Hence, sanction of amount beyond the delegated financial powers was irregular.

Audit held that procurement from non-prequalified suppliers/vendors despite availability of prequalified firms was irregular and contrary to the rules and guidelines which led the whole prequalification process wasteful and resulted in loss to the public exchequer.

Initial audit observation was issued on 16.09.2023. The management replied that prequalified vendor regretted to continue his services due to delayed payments and cumbersome verification process.

The reply of the management was not satisfactory as procurement was made in violation of rules.

DAC meeting was held on 22nd to 24th November, 2023. The forum directed DDMA to provide complete relevant record to audit for verification. However, the relevant record was not provided till finalization of this report.

Audit recommends that management may fix responsibility on the person(s) at fault.

(Para No. 1 of AIR 2022-23 DDMA Rajanpur)

1.4.3 Irregular procurement of relief items for affectees of flood 2022- Rs. 162.767 million

According to Rule 14 of Punjab Procurement Rules 2014, the response time shall not 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.

Further, according to Rule 59 of Punjab Procurement Rules 2014, a procuring agency may engage in negotiated tendering with one or more contractors with or without prior publication of a procurement notification, for reasons of extreme urgency brought about by events unforeseeable by the procuring agency, the time limits laid down for open and limited bidding methods cannot be met, however, the circumstances invoked to justify extreme urgency must not be attributable to the procuring agency.

District Disaster Management Authority (DDMA)/ Deputy Commissioner (DC) Dera Ghazi (DG) floated a tender in daily “Ausaf” on 30.06.2022 for prequalification of vendors for procurement of relief items for the financial year 2022-23. The last date for submission of bids was 05.07.2022. Later on, the procurement of relief items in the aftermath of flood 2022 amounting to Rs. 162.767 million was made on emergency basis without prequalification process. Details are attached at **Annexure-IV**.

During audit of DDMA/DC Dera Ghazi Khan for the financial year 2022-2023, it was observed as under:

i. The record relating to issuance and submission of bid documents was not available.

ii. Procurement amounting to Rs. 162.767 million was made without prequalification and without open competitive bidding process

iii. The advertisement was neitherpublished in one English newspaper noruploaded on PPRA website. Only 6 days response time was given for preparation and submission of bids.

iv. Urgency was invoked by the DC under Rule 59 (d) of PPRA in which negotiation was required to be made with one or more contractors. However, direct contracting was made by obtaining one quotation. The record regarding obtaining at least three quotations for each item and negotiation with vendors was not available/provided.

v. The officers in category II and III could sanction expenditure against the detailed objects in the budget estimates not exceeding the limit of Rs. 2 million and 1.5 million respectively. Hence, sanction of amount beyond the delegated financial powers was irregular.

Audit held that procurement was made in violation of PPRA rules which stands irregular and unjustified.

Initial audit observation was issued on 09.09.2023. The management replied thatBoard of Revenue Government of the Punjabdeclared 4 tehsils of the DG Khan District as Calamity Affected Areasdue to severe flood emergency.Hence, all procurements were made in emergency situation.

The reply of the management was not satisfactory as procurement was made in violation of rules and guidelines.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedDDMA to refer the matter to Finance Department Punjab for regularization as per rules.

Audit recommends to implement the DAC decision.

(Para No. 3 of AIR 2022-23 DDMA DG Khan)

1.4.4 Irregular procurement of food hampers for flood affectees 2022- Rs. 49.650 million

According to Para 3 (o)(2)(d) of National Disaster Management Authority (NDMA) guidelines on stocking, maintenance and supply of relief & rescue items, short listing of vendors must be done in every financial year. Each vendor may be categorized in short listing as Category A, B, C etc. based upon his capacity of manufacture / supply, as evidenced by respective production capacity / supply capacity, financial strength, past experience, quality of product etc. However, where respective government's procurement rules do not allow such an arrangement then concerned Disaster Management Authority should follow their respective government's procurement rules and regulations.

Further, according to Rule 55 of Punjab Procurement Rules 2014, the bidder with the lowest evaluated bid, if not in conflict with any other law, shall be awarded the procurement contract.

District Disaster Management Authority (DDMA)/ Deputy Commissioner (DC) Rajanpur paid an amount of Rs. 49.650 million to M/s Green Land Multan for procurement of 10,000 food hampers in the aftermath of flood 2022.

During audit of DDMA/DC Rajanpur for the financial year 2022-2023, it was observed that the supplier M/s Green Land Multan was neither selected nor work order was issued to the supplier by DDMA Rajanpur. It was mentioned on record that bill was received from Commissioner office Multan and vendor was hired by DC Multan upon the direction of senior officers. However, the record related to selection process of the supplierwasneither provided by

DDMA Rajanpur nor by DDMA Multan. Further, demand/requisition of food hampers by DDMA Rajanpur from Commissioner/ DC Multan was also not available/provided.

Audit held that procurement was made in violation of PPRA rules which stands irregular and unjustified.

Initial audit observation was issued on 16.09.2023. The management replied that worthy Chief Secretary Punjab telephonically directed the Commissioner Multan Division to procure food hampers and send to the DC Rajanpur immediately for distribution among the flood affectees. Procurement process was completed by DC Multan.

The reply of the management was not satisfactory as procurement was made in violation of rules and guidelines.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedto provide the complete relevant procurement record to audit for verification.

The relevant record was not provided till finalization of this report.

Audit recommends that management may fix responsibility on the person(s) at faultbesides taking corrective measures.

(Para No. 3 of AIR 2022-23 DDMA Rajanpur)

1.4.5 Irregular award of contract of food hampers- Rs. 47.270 million

According bid evaluation criteria, 30marks were fixed for packing capability. The packing capability of the bidder would be evaluated by number of relevant warehouses owned or leased by the bidder. The committee will visit the identified place for verification. 40 marks were fixed for the relevant experience of the bidder for similar nature projects (preferably provision of food hampers/food) undertaken with public and renowned SECP registered private entities for last three years.

Further, according to clause 9.1and 18.1.3 of the bidding document tender security will be 5 % of the financial bid in shape of demand draft/CDR from AA rating bank. The successful bidder shall submit performance guarantee equal to 10 % of the contract value issued by AA rating scheduled bank.

Provincial Disaster Management Authority (PDMA) Punjab awarded a contract to M/s Global Associates for provision of food hampers and incurred an expenditure amounting toRs. 47.270 million during FY 2022-23.

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

i. The tender was uploaded on 19.07.2022 and the bidder attached a copy of lease agreement for warehouse which was signed on 30.07.2022 w.e.f. 01.08.2022. This revealed that the agreement was signed after the publishing of tender only to fulfill the bidding requirements. However, 20 marks were awarded for warehouses and packing capability without physical verification of the warehouse as required in the bidding document.

ii. 37.5 marks given for relevant past experience were not in line with the relevant experience record provided by the bidder. Further, SECP registration was not checked with regard to projects undertaken with private firms. Moreover, only work orders were considered for past experience without obtaining and confirmation of evidence of successful completion of the claimed contracts/projects.

iii. The tender security equivalent to 5% of financial bid and performance guarantee equivalent to 10 % of the contract price were not obtained from the suppliers.

Audit held thatprocurement inviolation of ruleswas irregular.

Initial audit observation was issued on 03.08.2023.The management replied that award of contract for provision of food hampers was made after fulfilling all codalformalities.

The reply was not acceptable as audit observations were not addressed.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedthe management to submit revised reply and provide complete relevant record to audit for verification.

The relevant record was not provided till finalization of this report.

Audit recommends that the matter may be probed and responsibility be fixed on the person (s) at fault.

(Para No. 17 of AIR 2022-23 PDMA Punjab)

1.4.6 Mis- procurement of relief items- Rs. 33.257 million

According to Rule 12(2) of Punjab Procurement Rules 2014, any procurement exceeding two million rupees shall be advertised on the website of the Authority, the website of the procuring agency, if any, and in at least two national daily newspapers of wide circulation, one in English and one in Urdu.

District Disaster Management Authority (DDMA)/ Deputy Commissioner (DC) Layyah floated a tender in a newspaper daily “Dunya” on 17.05.2022 for prequalification of vendors for the financial year 2022-23 for procurement of food hampers and cooked food. Accordingly, DDMA selected M/s Mahmood Traders being the lowest evaluated bidder and incurred expenditure of Rs. 33.257 million on procurement of food hampers and cooked food. Details are at as under:

(Rs. in million)

Sr. No.	Items	Amount
1	Food hampers	10.304
2	Cooked food	22.953
Total		**33.257**

During audit of DDMA/DC Layyah for the financial year 2022-2023, it was observed as under:

i. The tender was neither floated in one English newspaper nor uploaded on PPRA website.

ii. The officers in Category II and III could sanction expenditure against the detailed objects in the budget estimates not exceeding the limit of Rs. 2 million and 1.5 million respectively. Hence, sanction of expenditure beyond the delegated powers was irregular.

Audit held that procurement was made in violation of PPRA rules which stands irregular and unjustified.

Initial audit observation was issued on 24.08.2023. The management replied that tender was published in Newspapers through DG Public Relations (PR), Punjab.

The reply of the management was not satisfactory as procurement was made in violation of rules.

DAC meeting was held on22nd to 24th November, 2023. The forumdirected to refer the matter to Finance department for regularization with regard to PPRA violation and for clarification with regard to sanctioning of expenditure beyond the financial powers.

Audit recommends implementation of the DAC decision.

(Para No. 3 of AIR 2022-23 DDMA Layyah)

1.4.7 Loss due to procurement at higher rates- Rs. 29.996 million

According to Para 3 (o)(2)(d) of National Disaster Management Authority (NDMA) guidelines on stocking, maintenance and supply of relief & rescue items, short listing of vendors must be done in every financial year. Each vendor may be categorized in short listing as Category A, B, C etc. based upon his capacity of manufacture / supply.

District Disaster Management Authority (DDMA)/ Deputy Commissioner (DC) Rajanpur incurred an expenditure amounting to Rs. 250.474 million on procurement of relief items food from different vendors in the aftermath of flood 2022. The DDMA had prequalified a bidder “M/s New Fresh Well Traders, Rajanpur”for procurement of relief items during the financial year 2022-23.

During audit of DDMA/DC Rajanpur for the financial year 2022-2023, it was observed that the prequalified bidder M/s New Fresh Well Traders, Rajanpur supplied 3500 food hampers and cooked food at agreed rates. Later on, another vendor “M/s Sandhu Brothers Sadiqabad” also agreed to supply the food hampers, cooked foodand vehicles at the same rates and had supplied 6000 ordered food hampers and first consignment of cooked food and vehicleson agreed rates.However, subsequently, some food hampers, cooked foodand vehicles were procured/hired from M/s Sandhu Brothers Sadiqabad and other vendors at higher rates as compared to the pre-qualified rates which resulted in loss of Rs.29.996 million. Details are at **Annexure-V.**

Audit held that procurement at higher rates resulted in loss of Rs. 29.996 million to the government.

Initial audit observations were issued on 16.09.2023. The management replied that prequalified vendor regretted to continue his contract at the peak of the flood season. Hence, M/S Sandhu Brothers was hired. Food hampers were procured and prepared according to the specifications.

The reply of the management was not satisfactory as procurement was made at higher rates as compared to the rates finalized after the prequalification process.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedto provide the relevant record that procurement form other vendors was not made at higher rates than prequalified vendors. However, relevant record was not provided till finalization of this report.

Audit recommends that management may inquire the matter to fix the responsibility and make the loss good.

(Para No. 4, 5, 7 of AIR 2022-23 DDMA Rajanpur)

1.4.8 Irregular procurement of ‘light stands’ by PDMA- Rs. 14.340 million

According to Rule 12 of Punjab Procurement Rules 2014, any procurement exceeding three million rupees shall be advertised on the website of the Authority, the website of the procuring agency, if any, and in at least two national daily newspapers of wide circulation, one in English and one in Urdu.

Further, according to bid evaluation criteria, 50 marks were fixed for financial soundness and 50 were fixed for relevant experience.Clause 3 of Special Conditions of Contact provides that successful bidder shall submit performance guarantee equal to 10 % of the contract value from a scheduled bank on the prescribed format.

Provincial Disaster Management Authority (PDMA) Punjab awarded a contract to M/s Solution Links for provision of light stands and incurred an expenditure amounting to Rs. 14.340 million during FY 2022-23.

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

i. The advertisement was published in a regional Urdu newspaper paper “The Leader” instead of a national daily newspaper and was also not published in one English newspaper as required under the rules.

ii. The technical committee incorrectly evaluated the bids and assigned 40 marks for financial soundness and 60 for relevant experience instead of 50-50 marksspecifiedin bid evaluation criteria.

iii. Performance guarantee equivalent to 10 % of the contract price was not obtained.

iv. The management procured the item ‘lightstands’in August 2022, however, the same were laying in PDMA unutilizedstore till 30th June, 2023.

Audit held that procurement was made in violation of PPRA rules and bid evaluation criteria which stands irregular and unjustified.

Initial audit observation was issued on 03.08.2023. The management replied thatperformance guarantee should not exceed 10% as per the rule 56 of PPRA. Therefore, PDMA demanded 2% performance guarantee which was deposited by the vendor.Light stands are deployed as per requirement for emergency operation with the approval of competent authority.

The reply of the management was not satisfactory as evaluation criteria was changed after issuance of bidding documents which led to favor to the selected bidder. Further, performance guarantee was also not obtained as required under the contract.

DAC meeting was held on 22nd to 24th November, 2023. The forumdirectedthe management to refer the matter to Finance Department Punjab for regularization as per rules.

Audit recommends that inquiry proceeding may be initiated to fix the responsibility for the lapses and violations, besides necessary correction action.

(Para No. 18 of AIR 2022-23 PDMA Punjab)

1.4.9 Mis-procurement of relief items for flood relief 2022- Rs. 13.185 million

According to Rule 14 of Punjab Procurement Rules 2014, the response time shall not 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.

Further, according to bidding documents, single stage two envelope procedure will be adopted. The procuring agency shall evaluate the technical bid in a manner prescribed in advance, without reference to the price.

District Disaster Management Authority (DDMA) / Deputy Commissioner (DC) Mianwali floated tender in daily "Nawa-e-Waqt" dated 01.06.2022 for pre-qualification of vendors for procurement of relief items. The last date for submission of bids was 06.06.2022. The date was enhanced upto 22.06.2022 through a corrigendum.Accordingly, procurement of Rs. 13.185 million was made during the financial year 2022-23.

During audit of DDMA/DC Mianwali for the financial year 2022-2023, it was observed as under:

i. The tender was neither floated in one English newspaper nor uploaded on PPRA website as required under the rules.
ii. The corrigendum was not published in any newspaper. Hence, response time was less than 15 days.
iii. As per technical bid evaluation sheets, M/s Pakistan Traders secured 51 % weighted marks, M/s SM Traders secured 52.5% marks and M/s Shama Traders secured 54.75 % marks. However, bid evaluation criteria, method of marking and qualifying marks was not prescribed in the bidding documents, hence irregular.
iv. The officers in Category II and III could sanction expenditure against the detailed objects in the budget estimates not exceeding the limit of Rs. 2 million and 1.5 million respectively. Hence, sanction of amount beyond delegated powers was irregular.

Audit held that procurement was made in violation of PPRA rules which was mis-procurement and hence irregular.

Initial audit observation was issued on 18.08.2023. The management replied that tender and corrigendum were published in all newspapers.

The reply of the management was not satisfactory as the evidence was not provided. Moreover, the DDMA did not responded on the other observations in the para.

DAC meeting was held from22nd to 24th November, 2023. The forumdirected PDMA/DDMA to provide complete relevant record to audit for verification. However, the relevant record was not provided till finalization of this report.

Audit recommends that inquiry proceeding may be initiated to fix the responsibility for the lapses. Moreover, sanction may be obtained from the prescribed authority.

(Para No. 5 of AIR 2022-23 DDMA Mianwali)

1.4.10 Irregular procurement of animal feed/ wanda and undue favor to the vendors-Rs. 9.953 million

According to Rule 13 of Punjab Procurement Rules 2014, any procurement exceeding three million rupees shall be advertised on the website of the Authority, the website of the procuring agency, if any, and in at least two national daily newspapers of wide circulation, one in English and one in Urdu.

Further, according to Live Stock and Dairy Development Department Punjab letter dated 15.08.2022 and Buffalo Research Institute notification dated 14.07.2022, all the Deputy Commissioners in Punjab were directed to procure the wanda from M/s ICI Pakistan ltd. selected for production and supply of Anmol wanda for flood effected areas throughout Punjab during the financial year 2022-23.

District Disaster Management Authority (DDMA) / Deputy Commissioner (DC) Rajanpurand Mianwali incurred an expenditure amounting to Rs. 9.953 million on procurement of animal wanda and feed from different suppliers during the financial year 2022-23 in the aftermath of flood 2022. Details are at **Annexure-VI.**

During audit of DDMA/DC Rajanpur and Mianwalifor the financial year 2022-23, it was observed that Live Stock and Dairy Development Department Punjab directed to procure wanda from M/s ICI Pakistan Ltd. selected for production and supply of Anmol wanda for flood effected areas throughout Punjab. However, the DDMA made procurement from other vendors. Further, procurement was made through quotation basis instead of open competitive bidding in violation of PPRA Rules

Audit held that procurement in violation of PPRA rules and instructions resulted in undue favour to the contractors**.**

Initial audit observations were issued in the month of August and September, 2023. The management replied that order was placed to ICI Pakistan which was to be received after a certain time period. Due to urgency of the situation, some wanda was locally purchased.

The reply of the management was not satisfactory as procurement was made in violation of rules.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedand directed PDMA/DDMA to provide complete relevant record to audit for verification. However, the relevant record was not provided till finalization of the report.

Audit recommends that management may fix responsibility besides initiating corrective measures.

(Para No. 13, 6 of AIR 2022-23 DDMA Rajanpur, Mianwali)

1.4.11 Irregular hiring of services of District Disaster Management Coordinators-Rs. 9.758 million

According to Rule 2(ab) of Punjab Procurement Rules 2014, short consultancy means consultancy where the cost of consultancy does not exceed two million rupees for individual consultant and five million rupees for consulting firms and duration of the short consultancies for an individual consultant shall not exceed six months.

Further, according to Rule 40 of Punjab Procurement Rules 2014, every procuring agency, for the selection of consultant, except for short consultancies, shall set up a Consultant Selection Committee.

District Disaster Management Authorities (DDMAs) of District Multan, Muzaffargarh, Layyah and Gujranwala hired individual consultants as District Disaster Management Coordinators (DDMC) for initial period of six monthsextended for another period of 6 months and paid an amount of Rs. 9.758 million. Details are at **Annexure-VII**.

During audit of DDMAs/ DCs of district Multan, Muzaffargarh, Layyah and Gujranwala for the financial year 2022-2023, it was observed as under:

i. The sanctioned posts and requirements of DDMCs were not available on record.
ii. Consultant Selection Committee comprising nominees of the Planning and Development Department and Finance Department was not constituted for hiring of consultant and no technical and financial evaluation was carried out for selection of the consultants.
iii. The individuals were hired directly without any advertisement and competition process.
iv. TORs and cost estimates for the assignments were not formulated.
v. Qualification and experience requirements were not pre-defined and checked.
vi. The completion of deliverables report was not prepared and submitted by the consultant and checked by any authority before making payment.

Audit held that appointments/hiring in violation of rules and procedures stands irregular.

Initial audit observation was issued in the month of August and September, 2023. The management replied that PDMA, Punjab Lahore had instructed DDMAs for selection of suitable candidate as individual/consultants.

The reply of the management was not satisfactory as consultancy services were hired in violation of rules.

DAC meeting was held on 22nd to 24th November, 2023. The forum directed to refer the matter to Finance Department for regularization as per rules.

Audit recommends implementation of DAC decision.

(Para No. 4, 7, 4, 4 of AIR 2022-23 DDMA Multan, Muzaffargarh, Layyah, Gujranwala)

1.4.12 Irregular hiring of consultants- Rs. 7.852 million

According to Rule 4 of Punjab Procurement Rules 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

Provincial Disaster Management Authority (PDMA) Punjab appointed 08 different consultants under the regular budget head "payment to others for services rendered" and paid an amount of 7.852 million during the financial year 2022-23.

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

i. The requirement of various consultants was not got approved from the Principal Accounting Officer.

ii. Consultant Selection Committee comprising representatives of Planning and Development Department and Finance Department was not constituted and technical and financial evaluations were not made.

iii. TORs and cost estimates for the assignmentswere notprepared and got approved. Moreover, qualification and experience requirements were not pre-defined and checked.

iv. The completion of deliverables report was not prepared and submitted by the consultant and checked by any authority before making payment.Consultant wise specific discrepancies observed are placed at **Annexure-VIII.**

Audit held that hiring of consultant in violation of PPRA rules and procedures was irregular.

Initial audit observation was issued on 03.08.2023. The management replied that all the consultants were de-hired in the light of audit observation.

The reply of the management was not satisfactory as the hiring was made in violation of rules.

DAC meeting was held on 22nd to 24th November, 2023. The forum directed to refer the matter to Finance Department for regularization as per rules.

Audit recommends implementation of the DAC decision.

(Para No. 28 of AIR 2022-23 PDMA Punjab)

1.4.13 Discrepancies observed in hiring of transportation services- Rs.7.840 million

According to Rule 12 of Punjab Procurement Rules 2014, any procurement exceeding three million rupees shall be advertised on the website of the Authority, the website of the procuring agency, if any, and in at least two national daily newspapers of wide circulation, one in English and one in Urdu.

Further, according to Para 3 (o)(2)(d) of National Disaster Management Authority (NDMA) guidelines on stocking, maintenance and supply of relief & rescue items, short listing of vendors must be done in every financial year. Each vendor may be categorized in short listing as Category A, B, C etc. based upon his capacity of manufacture / supply.

District Disaster Management Authority (DDMA)/ Deputy Commissioner (DC)Multan paid an amount of Rs.7.840 million to M/s Khan Motors Workshop on account of hiring of vehicles for transportation of relief goods to district Rajanpur during the financial year2022-23.

During audit of DDMA/DC Multan for the financial year 2022-2023, it was observed as under:

i. The transportation services were hired by Secretary Regional Transport Authority (RTA) Multan on quotation basis instead of open competitive bidding. Further, copies of work order and agreement with the vendor were not available on record.

ii. Payment was made by DC office directly to the vendor instead of release to RTA. Further, payment was required to be made by RTA instead of DDMA.

iii. DDMA Multan had not procured any relief items, hence, expenditure on transportation of relief goods to district Rajanpur was not justified.

iv. The type of vehicle was neither mentioned on the quotations nor on the invoices. Dates were also not mentioned on quotations and bill/invoices and GST/PST invoices were also not issued by the vendor.

v. The details of items transported, place of loading/unloading, distance covered, delivery challan/receipts of stock items and rate per Kilometerwere not mentioned.

vi. Stamp duty @ 0.25% amounting to Rs. 19,600 was not deducted from the vendor.

Audit held that procurement was made in violation of PPRA rules which was unjustified.Besides, the authenticity of expenditure could not be confirmed due to non-availability of record.

Initial audit observation was issued on 31.08.2023. The management replied thathiring of transportation services was made in urgency by invoking emergency clauseunder clause 59 d(iii) of PPRA Rules.

The reply of the management was not satisfactory as procurement was made in violation of rules.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedto submit revised reply and provide relevant documents to audit for verification. However, relevant record was not provided to audit till finalization of this report.

Audit recommends the implementation of DAC decision.

(Para No. 5 of AIR 2022-23 DDMA Multan)

1.4.14 Irregular procurement of relief items for flood affectees- Rs. 4.974 million

According to Para 3 (o)(2)(d) of National Disaster Management Authority (NDMA) guidelines on stocking, maintenance and supply of relief & rescue items, short listing of vendors must be done in every financial year. Each vendor may be categorized in short listing as Category A, B, C etc. based upon his capacity of manufacture / supply, as evidenced by respective production capacity / supply capacity, financial strength, past experience, quality of product etc.

District Disaster Management Authority (DDMA)/ Deputy Commissioner (DC) Bahawalpur incurred an expenditure amounting to Rs.4.974 million for relief activities related to heatwave and drought situation in Cholistan desert during the financial year 2021-22. The procurement was made on emergency/urgency basis through quotations. Details are as under:

(Rs. in million)

Sr. No.	Name of Vendor/supplier	Particulars	Amount
1	M/s Zulqurnain Traders	Provision of cook food, hiring to tentage and purchase of water tanks, drinking water and panaflexes	3.006

2	M/s Zulqurnain Traders	Cooked food for officials, water tanks and drinking water	1.167
3	M/s Bilal trader	Repair of machinery and vehicles	0.046
4	M/s Ulfat Petroleum Yazman	Provision of POL	0.755
Total			**4.974**

During audit of DDMA/DC Bahawalpur for the financial year 2021-2023, it was observed that prequalification process was not done as required and procurements was made on urgency basis without open competitive bidding process. Further, approval regarding invoking urgency/emergency was not granted by the Principal Accounting Officer/ Senior Member Board of Revenue.

Audit held that procurement made in violation of rules was irregular resulting in loss to Government.

Initial audit observation was issued on 19.09.2023. The management replied that procurement was made on emergency basis to make arrangements for drought situation in Cholistan and DCbeing DDO was competent to invoke the urgency / emergency.

The reply of the management was not satisfactory as prequalification was not done as required. Further, emergency was not invoked by the competent authority.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedto provide complete record to audit for verification. However, the relevant record was not provided till finalization of this report.

Audit recommends implementation of DAC decision.

(Para No. 1 of AIR 2022-23 DDMA Bahawalpur)

1.4.15 Irregular procurement of tents- Rs. 4.931 million

According to Rule 9 of Punjab Procurement Rules 2014, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned.

Further, according to Para 3 (o)(2)(d) of National Disaster Management Authority (NDMA) guidelines on stocking, maintenance and supply of relief & rescue items, short listing of vendors must be done in every financial year. Each vendor may be categorized in short listing as Category A, B, C etc. based upon his capacity of manufacture / supply.

District Disaster Management Authority (DDMA)/ Deputy Commissioner (DC) Muzaffargarh incurred an expenditure amounting to Rs. 4.931 million on procurement of 425 tents for flood 2022 affectees during the financial year 2022-23 on quotation basis. Details are as under:

(Rs. in million)

Sr. No.	Name of vendor	Amount
1	M/s Imran Hamid & Company	2.198
2	M/s Ahsan Enterprises	1.313
3	M/s Executive Marquee	1.420
Total		**4.931**

During audit of DDMA/DC Muzaffargarh for the financial year 2022-2023 it was observed as under:

i. The annual planning and prequalification were not made in violation of PPRA Rules and NDMA guidelines.

ii. DDMA floated a tender in the newspaper on 20.05.2022 for prequalification of vendors for relief items for the financial year 2022-23, however, tents were not included in the tendering process and procured on quotation basis instead of open competitive bidding.

iii. PDMA was required to arrange the tents for DDMA either from its warehouse or from non-flood affected DDMAs/ Districts of Punjab. Hence, procurement of tents by DDMA Muzaffargarh was not justified.

Audit held that procurement was made in violation of PPRA rules and NDMA guidelines which stands irregular and unjustified.

Initial audit observation was issued on 26.08.2023. The management replied thatprocurement was made in light of the directions of SMBR / Relief Commissioner, to avoid any untoward situation during flood.

The reply of the management was not satisfactory as procurement was made in violation of rules.

DAC meeting was held on22nd to 24th November, 2023. The forumdirected DDMA to refer the matter to Finance Department for regularization as per rules.

Audit recommends implementation of DAC decision.

(Para No. 3 of AIR 2022-23 DDMA Muzaffargarh)

1.4.16 Mis-procurement on account of printing and publication- Rs. 2.076 million

According to Rule 12(2) of Punjab Procurement Rules 2014, any procurement exceeding two million rupees shall be advertised on the website of the Authority, the website of the procuring agency, if any, and in at least two national daily newspapers of wide circulation, one in English and one in Urdu.

Provincial Disaster Management Authority (PDMA) Punjab incurred an expenditure amounting to Rs. 2.076 million on account of printing and publication during the financial year 2022-23. PDMA requested Government Printing Press, Lahore for printing work. The Press refused to undertake the job due to other urgent work of various government departments and non-availability of scanning system and classified printing facility. The Printing Press Department recommended M/s Arshad Enterprises along with rates. PDMA accordingly issued work order to the supplier/printer.

During audit of PDMA Punjab for the financial year 2022-23, it was observed that the Printing Press Department instead of giving Non-Objection Certificate (NOC), recommended a private vendor M/s Arshad Enterprises along with rates. PDMA was required to proceed for printing work as per PPRArules through open competitive bidding instead of direct contracting with private vendor.

Audit held that procurement in violation of PPRA rules resulted in undue favor to the contractor**.**

Initial audit observation was issued on 03.08.2023. The management replied thatprinting and publication work of the PDMA was assigned/requested to Government Printing Press. Government Press regretted due to rush ofwork and recommended a private firm having best printing capabilities.

The reply of the management was not satisfactory as printing work was done in violation of procurement rules.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedPDMA to refer the matter to Finance Department Punjab for regularization as per rules.

Audit recommends implementation of the DAC decision.

(Para No. 8 of AIR 2022-23 PDMA Punjab)

HR / Internal Controls Weaknesses

1.4.17 Non-reconciliation of releases and relief items provided toDDMAs- Rs. 1,164.545 million

According to Para 3 (w) of National Disaster Management Authority (NDMA) guidelines on stocking, maintenance and supply of relief & rescue items, on closure of relief camps, if possible, all usable relief equipment / stores i.e. tents, generators, de watering pumps etc. may be retrieved, serviced, maintained and stored back for future use. The tents and shelters issued to individuals residing outside relief camps may preferably be taken back. Proper record should be maintained so that the household should not be given tents repeatedly in subsequent years. Similarly, in case the PDMAs/SDMA/GBDMA/FDMA have to return certain rescue and relief stores to NDMA, the collection point and time frame will be intimated through a letter from NDMA according to the ground situation.

Provincial Disaster Management Authority (PDMA) Punjab transferred an amount of Rs. 1,164.545 million to District Disaster Management Authorities (DDMAs) in Punjab during the financial year 2022-23. Further, various relief goods / items were also transferred to the DDMAs. Details are at **Annexure-IX.**

During audit of PDMA Punjab for the FY 2022-23, it was observed that reconciliation of released amount along with relief items issued to DDMAs was not carried out. PDMA released funds to different districts on lump-sum basis without any need assessment and without obtaining their demands. Further, the expenditure statements, details of expenditure and details of relief assets received and purchased were not obtained from the DDMAs.

Audit held that in the absence of reconciliation and tracking of funds and relief items, the PDMA was not in a position to review the expenditure incurred by DDMAs as well as items distributed among the affectees.

Initial audit observation was issued on 03.08.2023. The management replied that reconciliationwas carried out with DDMAs.

The reply of the management was not satisfactory as documentary evidence in support of reply was not provided.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedPDMA to carry out complete reconciliation and report/record be shared with audit authorities. However, the relevant record was not provided to audit for verification till finalization of this report.

Audit recommends implementation of the DAC decision.

(Para No. 33 of AIR 2022-23 PDMA Punjab)

1.4.18 Un-verifiable distribution of relief items among the flood affectees 2022-Rs. 439.231 million

According to Rule 15.4(a) and 15.5 of Punjab Financial Rules, Volume-I, all materials received should be examined, counted, measured and weighed, as a case may be, when delivery is taken and they should be kept in charge of a responsible Government servant. The receiving Government servant should also be required to give a certificate that he has actually received the materials and recorded them in his appropriate stock registers. When materials are issued a written acknowledgement should be obtained from the person to whom they are ordered to be delivered or dispatched and when materials are issued from stock for departmental use, manufacture or sale, etc., the Government servant in charge of the stores should see that an indent in PFR Form 26 has been made by a properly authorized person.

District Disaster Management Authorities (DDMAs) of District Mianwali, Layyah, Muzaffargarh, Dera Ghazi Khan and Rajanpur incurred an expenditureamounting toRs. 439.231 million during the financial year 2022-23 on procurement of food hampers, cooked food and animal wanda/feed for the flood affectees in the aftermath of flood 2022. Details are at **Annexure-X**.

During audit of above mentioned DDMAs/DCs for the financial year 2022-23, it was observed that the relief items were procured and consumed/distributedwithout maintaining proper consumption record. The date wise consumption record of the items supplied at rescue centers and other affected individuals was not maintained and produced to audit team.

It was further observed that camp wise record of affectees' in/out on daily basis duly verified by official deputed on camps was not maintained and linked with distribution/consumption of cooked food and food hampers. Animal feed/ wanda requirement of each person as per number of animals was also not available on record. Similarly,different items were received from various organizations and distributed among affectees, however, distribution record of these items was also not maintained. Details are at**Annexure-XI**.

Audit held thatnon-maintenance of consumption and distributionrecord of the costly relief items was not justified andpossibility of misuse, wastage and loss of relief items could not be ruled out. This also led to unverifiable distribution of relief items.

Initial audit observations were issued in the month of August and September, 2023. The management replied that record of consumption was maintained as per policy.

The reply of the management was not satisfactory as consumption and distribution of relief items to the affectees was not verifiable due to non-maintenance of supporting record.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedDDMA to constitute a two-member committee to check and verify the consumption record to be properly linked with the expenditure in line with audit observation. The committee will prepare the report and recommendations. The report will be shared with audit authorities along with consumption record duly linked with the incurred expenditure.

Audit recommends implementation of the DAC decision.

(Para No. 7,5,5,7,11 of AIR 2022-23 DDMA Mianwali, Layyah, Muzaffargarh, Dera Ghazi Khan and Rajanpur)

1.4.19 Irregular expenditure incurred out of Provincial Disaster Management Fund- Rs. 231.273 million

According to Section 30 of National Disaster Management Act 2010, the Provincial Government shall, immediately establish for the purposes of this Act a fund to be call the Provincial Disaster Management Fund (PDMF). The PDMF shall be administered by the Provincial Authority towards meeting the expense for emergency preparedness, response, mitigation, relief and reconstruction in the province. According to Section 47 of the Act ibid, the Federal Government and Provincial Government may, by notification in the official gazette, make rules for carrying out the purposes of this Act.

Further, according to Para 14.2.3 of Accounting Policies and Procedures Manual (APPM), no authority shall incur expenditure from the public account unless it is sanctioned under the governing act, order or the regulation for the particular trust account or special deposit account.

Provincial Disaster Management Authority (PDMA) Punjab incurred an expenditure amounting to Rs. 231.273 million out of Punjab Provincial Disaster Management Fund account during the financial year 2022-23.

During audit of PDMA Punjab for the financial year 2022-23, it was observed that PDMA established PDMF in 2019 with the approval of Finance Department. However, accounting procedures and rules/regulations to operate the Fund Account were not formulated. Hence, incurrence of expenditure in the absence of approved accounting procedures and rules/regulations was irregular.

Audit further observed that all of Authority's operational expenditure was being met out of Punjab Government's annual budgetary allocation through its assigned cost center and Aasan Assignment Account. The PDMA unauthorizedly incurred expenditure from PDMF, on those heads of accounts for which regular budget was already provided. An expenditure of Rs. 28.835 million was incurred under the head of "Food" out of NDMF, whereas, regular budget of Rs. 45.355 million under this head was lapsed. Similarly, expenditure of Rs. 195.891 million was incurred under the head of “Cost of other stores” out of NDMF, whereas, regular budget of Rs. 41.984 million under this head was lapsed.

Audit held that incurrence of expenditure out of PDMF without having accounting procedure/rules/regulationsand use of Fund for non-specified purposes was irregular.

Initial audit observation was issued on03.08.2023. The management replied that Provincial Disaster Management Fund is used with the guidelines issued by the government from time to time. However, section 30(iv) of National Disaster Management Act, 2010 allow emergency expenditures from PDMF.

The reply of the management was not satisfactoryas accounting procedure and regulations to operate the PDMF were not prepared and notified as required.

DAC meeting was held on 22nd to 24th November, 2023. The forum directed PDMA to submit revised reply along with documentary evidences. However, the relevant documents were not provided till finalization of this report.

Audit recommends that accounting procedure and regulations to operate the PDMF may be prepared in consultation with Controller General of Accounts and get approved from Finance Department and Auditor General of Pakistan. Moreover, PDMF may be used for specified purposes only and not for meeting operational expenditure of the Authority.

(Para No. 12 of AIR 2022-23 PDMA Punjab)

1.4.20 Sanction of compensation payments beyond financial powers-Rs. 208.200 million

According to Punjab Delegation of Financial Powers Rules, 2016, the officers in category II and III may sanction expenditure upto Rs 0.1 million and Rs. 0.05 million respectively, under the head compensation payable to any individual under law or rules or judgement of courts.

District Disaster Management Authorities (DDMAs)/ Deputy Commissioners (DC) of District Lahore, Gujranwala, Mianwali, Sargodha, Layyah, Multan, Faisalabad and Dera Ghazi Khan paid an amount of Rs.208.200 million during the financial year 2022-23 on account of death compensations and house damages compensations.

During audit of above mentioned DDMA/ DCs for the financial years 2022-2023, it was observed that DCs being category II or III officer had the power to sanction compensation payment of upto Rs. 0.1 million. Whereas, death compensations @ Rs 800,000 per individual and house damages compensations @ Rs.400,000 and Rs. 200,000 per house were sanctioned in violation of the delegation of powers.

Audit held that compensations payments sanctioned beyond the delegated financial powers was irregular.

Initial audit observation was issued in the month of August and September, 2023.The management replied that as per directions of the Chief Minister Punjab, compensation payments were made by the DCs being Administrative incharge of the district.

The reply of the management was not satisfactory as expenditure wassanctioned beyond the delegated financial powers.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedto take up the matter with Finance Department Punjab for clarification.

Audit recommends implementation of the DAC decision.

(Para No. 15,3,13,11,12,5,10,14 of AIR 2022-23 DDMA Lahore, Gujranwala, Mianwali, Sargodha, Layyah, Multan, Faisalabad and Dera Ghazi Khan)

1.4.21 Un-verifiable expenditure on POL and hiring of vehicles and excavator for rescue/ relief activities- Rs. 93.491 million

According to Rule 2.33 of Punjab Financial Rules, Vol-I, every Government servant should realise 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 servant to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

District Disaster Management Authority (DDMA)/ Deputy Commissioner (DC) Rajanpur and Dera Ghazi Khan incurred an expenditure amounting to Rs. 82.998 million and Rs. 10.493 million respectively during the financial year 2022-23 on account of hiring of vehicles and excavator and POL charges for rescue and relief activities in the aftermath of flood 2022. Details are at **Annexure-XII.**

During audit of DDMA/DC Rajanpur and Dera Ghazi Khanfor the financial year 2022-23 it was observed as under:

i. The invoices/bills of the vendors were not accompanied with relevant record and most of the invoices were without dates.
ii. The number and categoryof vehicles, registration no, rent per day and locations were not mentioned
iii. Logbooks and movement register for running of vehicles and consumption of POL were not prepared.
iv. Logbooks for running of excavator and location of working and authentication of work record by Department was not available.

v. The bills were not authenticated and verified by any deputed supervisory officer as per duty rosters.
vi. Transportation of relief items to different location and relief camps on daily basis duly linked with office orders/instructions were not available.
vii. In DDMA Dera Ghazi Khan, agreement was not made with the service provider; hence, it was not clear whether POL was to be borne by the vendor or employer.

Audit held that due to weak internal controls and improper record, the expenditure was not verifiable.

Initial audit observations were issued in the month of September, 2023. The management replied that invoices of the vendors were available. Logbooks were prepared and attached with the record. The bills were verified by the field staff as well as the concerned Assistant Commissioners.

The reply of the management was not satisfactory as relevant record duly linked with expenditure and running of vehicles each day was not maintained and made available to the audit team.

DAC meeting was held on 22nd to 24th November, 2023. The forumdirectedDDMA to constitute a two members committee to check and verify the consumption record to be properly linked with the expenditure in line with audit observation. The committee will prepare the report and recommendations. The report will be shared with audit authorities along with consumption record duly linked with the incurred expenditure.

Audit recommends implementation of the DAC decision.

(Para No. 19, 10 of AIR 2022-23 DDMA Rajanpur&DG Khan)

1.4.22 Irregular expenditure on account of damaged assessment surveyfor flood 2022- Rs. 72.983 million

According to Rule 2.20 of Punjab Financial Rules, Vol-I, as a general rule every payment, including repayment of money previously lodged with Government, for whatever purpose, must be supported by a voucher setting forth full and clear particulars of the claim.

District Disaster Management Authority (DDMA)/ Deputy Commissioner (DC) Dera Ghazi Khanand Rajanpur incurred an expenditure of Rs. 44.169 million and 28.814 million respectively during the financial year 2022-23 on account of hiring of vehicles,POL for hired vehicles and hiring of tentage for damaged assessment survey teams in the aftermath of flood 2022. Details are at **Annexure-XIII and XIV**.

During audit of DDMA/DC Dera Ghazi Khan and Rajanpurfor the financial year 2022-23, It was observed as under:

i. The record of damaged assessment survey with regard to nomination of survey teams, location wise deployment, start/end date of survey was not attached /provided.

ii. The agreement was not made with the service provider; hence, it was not clear whether POL was to be borne by the vendor or employer.

iii. The invoices/bills of the vendor were not supported by relevant record.Neither the rent per day nor vehicle number was mentioned.

iv. The bills were not authenticated and verified by field damaged assessment survey teams and any deputed supervisory officer as per duty rosters.

v. Logbooks and movement register for running of vehicles and consumption of POL were not prepared.

Audit held that due to improper maintenance of record, the expenditure was unverifiable.

Initial audit observation was issued on 09.09.2023. The management replied that all material/vehicles were hired as per requirement fordamages assessment survey.

The reply of the management was not satisfactory as proper record was not maintained to authenticate the expenditure.

DAC meeting was held on 22nd to 24th November, 2023. The forumdirectedDDMA to constitute a two members committee to check and verify the consumption record to be properly linked with the expenditure in line with audit observation. The committee will prepare the report and recommendations. The report will be shared with audit authorities along with consumption record duly linked with the incurred expenditure.

Audit recommends implementation of the DAC decision.

(Para No. 9, 18 of AIR 2022-23 DDMA DG Khan, DDMA Rajanpur)

1.4.23 Irregular payments to the government employees instead of issuance of cheques to the concerned vendors / suppliers - Rs. 46.571 million

According to Para 4.3.1.1 of Accounting Policies and Procedures Manual (APPM), all expenditures apart from inter-government transfers, certain salaries payments, certain pension payments and those met from imprest account, will be paid through cheque.

District Disaster Management Authority (DDMA)/ Deputy Commissioner (DC) Rajanpur issued cheques amounting to Rs. 46.571 million in the name of Assistant Commissioners (AC) during the financial year 2022-23 for flood relief activities in the aftermath of flood 2022.

During audit of DDMA/DC Rajanpur for the financial year 2022-2023, it was observed that ACs of different Tehsils of Rajanpur forwarded various bills of the vendors to DDMA Rajanpur. DDMA issued cheques of the net amount (after deduction of taxes) in the name of ACs instead of issuance of cross cheques to the vendors concerned. Details are at **Annexure-XV**.

Audit held that issuance payment to the government employees instead of vendors through cross cheque was irregular.

Initial audit observation was issued on 16.09.2023.The management replied that all the ACs concerned made payment to the venders through cheques.

The reply of the management was not acceptable as cheques were issued in the name of employees instead of concerned vendors.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedto refer the matter to Finance Department Punjab for regularization as per rules.

Audit recommends that all payments may be made directly to the suppliers / vendors through cross cheques in future.

(Para No. 9 of AIR 2022-23 DDMA Rajanpur)

1.4.24 Double payment to the affectees on account of death compensations- Rs.46.00 million

According to Provincial Disaster Management Authority (PDMA) Punjab letter No. DC (36)-2022/CR-I/411 dated 04.10.2022, following rates of compensation payments were applicable w.e.f. 15.06.2022:

i. Loss of life for each person died @ Rs. 1,000,000
ii. Permanent disability @ Rs.300,000,
iii. Critical injury @ Rs.100,000
iv. Minor injured @ Rs. 40,000.
v. Damage houses @ Rs.50,000 to 400,000

vi. Loss of cattle heads @ Rs.5,000 to 75,000

District Disaster Management Authorities (DDMAs) of District Lahore, Gujranwala, Mianwali, Multan, and Dera Ghazi Khan paid an amount of Rs.46.00 million during the financial year 2022-23 to the legal heirs/next of kins of 54 deceased persons who had expired during flood 2022.

During audit of above mentioned DDMAs/ DCs for the financial years 2022-2023, it was observed that NDMA released cheques amounting to Rs. 1.00 million each to 54 legal hears/ Next of Kins for death compensation against each death case. In addition to NDMA payments, the DDMAs also paid an amount of Rs. 46.00 million to these legal hears of the deceased persons which resulted in double payment to the same affectees. Details are at**Annexure-XVI**.

Audit held that duplicate payments to same individuals was irregular which indicated weakcoordination among the relief agencies resulting inloss to the Government.

Initial audit observationswere issued in the month of August and September, 2023.The management replied that DDMA had not made double payment from grant/funds released by Finance department Punjab but the second payment was released by NDMA out of Federal funds.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedto take up the matter with Finance Department Punjab for clarification.

Audit recommends implementation of the DAC decision.

(Para No. 1,1,1,1,1 of AIR 2022-23 DDMA Lahore, Gujranwala, Mianwali, Multan, and Dera Ghazi Khan)

1.4.25 Non-obtaining of vouched account in respect of advances- Rs. 28.630 million

According to Rule 213(5) of General Financial Rules Vol-I, advances made for public expenditure will be held under objection until a detailed account duly supported by vouchers is furnished in adjustment of them.

Provincial Disaster Management Authority (PDMA) Punjab released an amount of Rs.28.630 million on account of repair work of flood relief equipment to HQs Engineers 4 Corps Lahore during the financial year 2022-23. Details are at **Annexure-XVII**.

During audit of PDMA Punjab for the financial year 2022-23, it was observed that PDMA released the amount in advance for repair work of flood relief equipmentto Engineers Corps Lahore. However, detailed vouched accounts containing the payment vouchers and sanctions etc.were not obtained to adjust the advance.

Audit held that non-obtaining of vouched accounts was not justified and violation of rules which resulted into non-verification of expenditure.

Initial audit observation was issued on03.08.2023. The management replied that PDMA has requested to concerned authorities for provision of vouched accounts.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedPDMA to obtain the vouched accounts and examine and verify the same to ascertain that releases were spent as per rules and regulations by the spending entities. Moreover, un-spent amount, if any, be recovered and adjustment be made in the accounts accordingly and a certificate to this effect be provided to audit authorities.

Audit recommends implementation ofthe DAC decision.

(Para No. 21 of AIR 2022-23 PDMA Punjab)

1.4.26 Unauthorized cash withdrawals - Rs. 9.037 million

According to Para 4.3.1.1 of Accounting Policies and Procedures Manual (APPM), all expenditures apart from inter-government transfers, certain salaries payments, certain pension payments and those met from imprest account, will be paid through cheque.

District Disaster Management Authority (DDMA)/ Deputy Commissioner (DC) Rajanpur issued cheques amounting to Rs. 46.570 million in the name of Assistant Commissioners for flood relief activities in the aftermath of flood 2022.

During audit of DDMA/DC Rajanpur for the financial year 2022-2023, it was observed that an amount of Rs. 9.037 million was withdrawn as cash from the bank accounts of the Assistant Commissioners (ACs) maintained with the National Bank of Pakistan. Details are as under:

(Rs. in million)

Sr. No.	Particulars	Bank Account No.	Inst. No.	Dated	Amount
1	AC Rajanpur	4035794666	61722105	17.07.2023	0.865
2			61722102	17.07.2023	5.409
3	AC Jampur	4106989419	4767702	11.01.2023	0.054
4			4767707	14.04.2023	0.068
5			4767703	30.05.2023	0.006
6			4767708	30.05.2023	0.008
7			204767712	27.06.2023	2.627
Total					9.037

Audit held that cash withdrawals from the bank account was un-authorized.

Initial audit observation was issued on 16.09.2023.The management replied that all payments were made to vendors by the concerned ACs and payment record is available.

The reply of the management was not satisfactory as cash was irregularly withdrawn from the bank accounts of the ACs.

DAC meeting was held on22nd to 24th November, 2023. The forumdirected to provide the complete relevant record to audit for verification.

The relevant record was not provided till finalization of this report.

Audit recommends that matter may be inquired and outcome be shared with audit authorities.

(Para No. 10 of AIR 2022-23 DDMA Rajanpur)

1.4.27 Irregular payment of pending liabilities on account of COVID-19- Rs. 7.171 million

According to Rule 2.31(a) of Punjab Financial Rules Volume I, no claim against Government not preferred within six months of its becoming due can be paid without the sanction of the Accountant-General.

Further, according to Rule 17.17 of Rules ibid, the Disbursing Officer shall maintain a register of liabilities in P.F.R. Form No. 27 and under no circumstances may charges incurred be allowed to stand over to be paid from the grant of another year.

District Disaster Management Authority (DDMA) Multan paid an amount of Rs.7.171 million during the financial year 2022-23 on account of COVID-19 pending liabilities of the financial year 2019-20. Details are at **Annexure-XVIII**.

During audit of DDMAMultan for the financial years 2022-2023, it was observed as under:

i. The register of liabilities was not maintained by DDMA as required.

ii. The reasons for pile-up of liabilities and non-clearance in FY 2019-20, 2020-21 and 2021-22 were not mentioned.

iii. Proof regarding submission of bills by M/s Khan Rent a Car to DDMA and non-payment thereof in 2020 was not available in record.

iv. The formal approval of the competent authority regarding hiring of vehicles and transportation of suspects were not available in record.

v. The sanction of the Accountant-General was not obtained and time barred limitations were not considered before payment.

Audit held that payment made in violation of rules and without fulfilling codal requirement was irregular.

Initial audit observation was issued on 31.08.2023. The management replied that liabilities were pile up due to non-availability of funds. The suppliers / contractors logged a writ petition in the Lahore High Court Multan Bench Multan regarding non-payment of pending liabilities. The payments were made to concern on the directions of Honorable court.

The reply of the management was not satisfactory as payment was made in violation of rules.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedto refer the matter to Finance Department Punjab for regularization as per rules.

Audit recommends implementation ofthe DAC decision.

(Para No. 16 of AIR 2022-23 DDMA Multan)

1.4.28 Irregular expenditure on hiring of transportation services- Rs. 5.168 million

According to Rule 2.33 of Punjab Financial Rules Vol-1, every government servant 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.

Further, according to Rule 4 of Punjab Procurement Rules 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process efficient and economical.

District Disaster Management Authority (DDMA) Multan paid an amount of Rs. 5.168 million to M/s Khan Rent a Car during the financial year 2022-23. The vehicles were hired in the month of May, 2020 for transportation of Covid suspects from Multan Airport to quarantine centers and quarantine center to home towns in different cities of Pakistan. Details are at **Annexure-XIX**.

During audit of DDMA/ DC Multan for the financial year 2022-2023, it was observed as under:

i. The procurement was made on quotation basis on plea of urgency. However, the relevant record regarding declaration of emergency and urgency was not available.

ii. The quotations were arranged from vendors not registered with Income tax, GST and PST authorities in violation of rules.Neither contract agreement was signed with vendors nor work orders were issued.

iii. The bills of the vendor were without any date and PST/GST invoices were not provided by the vendor.

iv. The number of patients/suspects transported from Airport to Quarantine center and from Quarantine center to their home town as per each vehicle were not mentioned and also not linked with authentic record of quarantine centers.

v. The status of firms regarding active / non active tax payer was not available.

vi. Stamp duty amounting to Rs.12,920 (5,167,800*0.25%) was not deducted.

Audit held that expenditure in violation of rules and without fulfilling codal requirement was irregular.

Initial audit observation was issued on 31.08.2023. The management replied that PDMA had declared emergency in all over Punjab in connection with Covid-19. Therefore, expenditure was incurred on quotations basis. The number of patients / suspects transported were available on record as well as on dashboard of Health Department and PDMA / DDMA.

The reply of the management was not satisfactory as documentary evidence was not provided.

DAC meeting was held on 22nd to 24th November, 2023. The forum directed DDMA to constitute a two members committee to check and verify the consumption record to be properly linked with the expenditure. The outcome of findings be shared with audit authorities for verification.

Audit recommends implementation of the DAC decision.

(Para No. 17 of AIR 2022-23 DDMA Multan)

1.4.29 Unverifiable expenditure due to non-availability of payment vouchers and other details- Rs. 4.763 million

According to Rule 2.20 of Punjab Financial Rules, Vol-I, as a general rule every payment, including repayment of money previously lodged with Government, for whatever purpose, must be supported by a voucher setting forth full and clear particulars of the claim.

According to Rule 2.33 of Punjab Financial Rules, Vol-I, every Government servant should realise 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 servant to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

District Disaster Management Authority (DDMA)/ Deputy Commissioner (DC) Rajanpurpaid an amount of Rs. 4.763 million to M/s Al-Arfat Banquet Hall Multan vide cheque No. 196876 dated 24.11.2022 during the financial year 2022-23 for procurement of food hampers in the aftermath of flood 2022.

During audit of DDMA/DC Rajanpur for the financial year 2022-23, it was observed that payment vouchers and relevant file was not provided to audit despite requests.

Audit held that non-availability/ non-provision of record rendered the payment unverifiable.

Initial audit observation was issued on 16.09.2023. The management replied that the voucher and relevant file was handed over by the then district Nazir to the Additional Deputy Commissioner Revenue for completion of relevant record which was not returned back.

The reply of the management was not satisfactoryas the record was neither provided during audit nor provided along with the working paper for DAC meeting.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedto probe the matter and report be shared with audit authorities, besides provision of voucher and relevant record.

Audit recommends implementation of the DAC decision

(Para No. 20 of AIR 2022-23 DDMA Rajanpur)

1.4.30 Irregular deposit of Income Tax out of government budget instead of withholding form the vendors- Rs. 4.652 million

According to Section 153 of Income Tax Ordinance 2001, withholding tax @ 4.5% on procurement of goods and 10% on all type of services should be deducted at source. The rate of tax will be double if the vendor is not on Active Taxpayer List (ATL).

Further, according to Rule 2.10 of the Punjab Financial Rules (PFR) Vol-1, same vigilance should be exercised in respect of expenditure incurred from Government revenues, as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

District Disaster Management Authority (DDMA)/ Deputy Commissioner (DC) Dera Ghazi (DG) Khan and Rajanpur incurred an expenditure amounting to Rs. 170.188 million andRs.

51.884 million respectively during the financial year 2022-23 on procurement of relief items in the aftermath of flood 2022.

During audit of DDMA/DC DG Khan and Rajanpurfor the financial year 2022-23, it was observed that DDMAs deposited Income Tax amountingto Rs.2.418 million into Government Treasury out of Government released budget without deduction/withholding of the same from the vendors. Details are as under:

(Rs. in million)

Sr. No.	**Particulars**	**Cheque No.**	**Date**	**Amount**
1	DDMA Dera Gazi Khan	401570	13.09.2022	0.127
2	DDMA Dera Gazi Khan	353548	21.12.2022	1.775
3	DDMA Dera Gazi Khan	353557	21.12.2022	0.516
4	DDMA Rajanpur	196887	24.01.2023	2.234
Total				**4.652**

Audit held that non-deduction of Income Tax from the vendors and deposition of the same from own budget releases was irregular.

Initial audit observations were issued in September, 2023. The management replied that all taxes were deposited into government treasury.

The reply of the management was not satisfactory as tax was not deducted/ withheld from the vendors but deposited from own budget.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedDDMA to refer the matter to Finance Department Punjab for advice and regularization as per rules.

Audit recommends implementation of the DAC decision.

(Para No. 5, 16 of AIR 2022-23 DDMA DG Khan, Rajanpur)

1.4.31 Unauthorized drawl of Executive Allowance- Rs. 3.328million

According to Finance Department Notification dated 27.04.2021, executive allowance was admissible to all officers posted by Services & General Administration Department (S&GAD) against duly notified cadre strength.

Provincial Disaster Management Authority (PDMA) Punjab requisitioned the services of Mr. Hameed Ullah Malik Assistant Professor (BS-19), Institute of Agricultural Sciences, University of the Punjab. Accordingly, S&GAD vide notification dated 29.07.2020 placed the services of the officer at the disposal of PDMA on deputation basis as Director (BS-19), subject to upgradation of the Post of Deputy Director (B-18) to Director (B-19) as personal to the officer.

Finance Department vide letter dated 19.01.2021 conveyed its concurrence to upgrade the post as personal to Mr. Hameed Ullah Malik. The officer accordingly joined PDMA on 21.12.2020.

During audit of PDMA Punjab for the FY 2022-23, it was observed that neither the post was notified by S&GAD as en-cadred post nor approval from Finance Department was obtained. Hence, drawl of executive allowance was inadmissible.

It was also observed that PDMA had referred the matter to Finance Department Punjab for advice about admissibility of executive allowance. Finance Department Punjab vide letter date 29.11.2022 intimated that the officer was not eligible for grant of executive allowance, as he was posted against a non-cadred post upgraded to B-19. PDMA stopped the payment of executive allowance w.e.f. 01.11.2022. However, previous payment amounting to Rs. 3.328 million was not recovered.

Audit held that payment on account of the executive allowance against non-en-cadred post was irregular which resulted in loss of Rs. 3.328 to the government.

Initial audit observation was issued in the month of 03.08.2023. The management replied that inadmissible payment had been stopped and recovery proceeding had been initiated.

The reply of the management was not satisfactory as documentary evidence in support of reply was not provided.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedto recover the complete amount and record be shared with audit authorities.

Audit recommends implementation of DAC decision.

(Para No. 42 of AIR 2022-23 PDMA Punjab)

1.4.32 Excess payment on account of house damaged compensations-Rs. 1.2 million

According to Provincial Disaster Management Authority (PDMA) Punjab letter No. DC (36)-2022/CR-I/411 dated 04.10.2022, following rates of compensation payments were applicable w.e.f. 15.06.2022:

i. Loss of life for each person died @ Rs. 1,000,000
ii. Permanent disability @ Rs.300,000,
iii. Critical injury @ Rs.100,000
iv. Minor injured @ Rs. 40,000.
v. Kacha house fully damaged @Rs.200,000
vi. Pakka house fully damaged @ Rs. 400,000
vii. Loss of cattle heads @ Rs.5,000 to 75,000

District Disaster Management Authority (DDMA)/ Deputy Commissioner (DC)Mianwali paid an amount of Rs. 2.4 million to 06 affecteesat the rate of Rs. 400,000 eachunder category of "Paka house fully damaged". Details are at **Annexure-XX**.

During audit of DDMA/DC Mianwali for the financial year 2022-2023, it was observed that as per survey proforma,Kacha houses of these 6 affectees were fully damaged which were required to be paid @ Rs. 200,000 each. Hence, payment at higher rates resulted in over payment of Rs. 1.2 million to the affectees.

Audit held that excess payment resulted in loss to the government.

Initial audit observation was issued on 18.08.2023. The management replied that a committee for re-survey was constituted and payment was made on its recommendation.

The reply of the management was not satisfactoryas no documentary evidence in support of reply was provided.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedto provide complete relevant record to audit for verification.

The relevant record was not provided for verification till finalization of this report.

Audit recommends that responsibility may be fixed on the person(s) at fault besides recovery of the overpaid amount.

(Para No. 14 of AIR 2022-23 DDMA Mianwali)

1.4.33 Un-verifiable issuance and non-retrieval of tents after flood season

According to Rule 15.4(a) and 15.5 of Punjab Financial Rules, Vol-I, all materials received should be examined, counted, measured and weighed, as a case may be, when delivery is taken and they should be kept in charge of a responsible Government servant. The receiving Government servant should also be required to give a certificate that he has actually received the materials and recorded them in his appropriate stock registers. When materials are issued a written acknowledgement should be obtained from the person to whom they are ordered to be delivered or dispatched.

Further, according to Para 3(w) of NDMA guidelines on stocking, maintenance and supply of relief & rescue items, on closure of relief camps, if possible, all usable relief equipment / stores i.e., tents, generators, de watering pumps etc. may be retrieved, serviced, maintained and stored back for future use. The tents and shelters issued to individuals residing outside relief camps may preferably be taken back. Proper record should be maintained so that the household should not be given tents repeatedly in subsequent years. If last issued tents are worn out then new one be issued only, on return of old one.

Disaster Management Authorities (DDMAs) / Deputy Commissioners (DC) of District Mianwali, Layyah, Dera Ghazi Khan, Muzaffargarh and Rajanpur issued 38,987 tents to different individuals in the aftermath of flood 2022 during the financial year 2022-23.

During audit of above mentioned DDMAs/ DCs for the financial year 2022-23, it was observed as under:

i. The tents were issued to different individuals during flood season 2022. However, the acquittance roll was not maintained. Therecord related to date wise issuance, copies of CNIC, proof of complete/partial house damage was not maintained.Distribution of tents to individuals was not linked with damage of houses.

ii. The tents were not retrieved back by the Authority from the affectees.

iii. 718 tents were available with AC Rojhan (district Rajanpur) as closing balance however, these tents not returned back to DDMA warehouse.

Audit held that in the absence of proper issuance/consumption record and non-retrieval, chances of duplicate issuance in each year to the same individual could not be ruled out.

Initial audit observations were issued in the months of August and September, 2023.The management replied that all material was issued after proper verification and record keeping. However, the working has been started for early retrieval of the items which were used during flood.

The reply of the management was not satisfactory asproper consumption record was not maintained.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedDDMA to constitute a two members committee to check and verify the consumption record to be properly linked with the expenditure in line with audit observation. The committee will prepare the report and recommendations. The report will be shared with audit authorities along with consumption record duly linked with the incurred expenditure.

Audit recommends implementation of the DAC decision.

(Para No. 8,7,8, 9,22, of AIR 2022-23 DDMA Mianwali, Layyah, Dera Ghazi Khn, MuzaffargarhandRajanpur)

1.4.34 Deficiencies in stockpiling and improper maintenance of record related to relief items

According to Rule 15.4(a) and 15.5 of Punjab Financial Rules, Vol-I, all materials received should be examined, counted, measured and weighed, as a case may be, when delivery is taken and they should be kept in charge of a responsible Government servant. The receiving Government servant should also be required to give a certificate that he has actually received the materials and recorded them in his appropriate stock registers. When materials are issued a written acknowledgement should be obtained from the person to whom they are ordered to be delivered or dispatched and when materials are issued from stock for departmental use, manufacture or sale, etc., the Government servant in charge of the stores should see that an indent in PFR Form 26 has been made by a properly authorized person.

District Disaster Management Authority (DDMA)/ Deputy Commissioner (DC) Dera Ghazi Khan, Rajanpur and Layyah procured various relief items in the aftermath of flood 2022 during the financial year 2022-23. DDMAs also received different relief items from various Government organizations and philanthropists for issuance to the flood affectees.

During audit of DDMA/ DC Dera Ghazi Khan, Rajanpur and Layyah for the financial year 2022-23, it was observed that disaster relief stock record was not maintained properly. Audit observed as under:

i. Stock registers were not maintained and only some statements were entered on a simple register. Hence, stock procured by DDMAs itself, received from other organizations and issued to the affectees was not taken on charge.

ii. Indents /requisitions and acknowledgements record was not maintained.

iii. The record of relief items received from philanthropists was not available/maintained

iv. In DDMA DG Khan, some stock items were shown received in less/excess quantity than actually dispatched by NDMA, PDMA Punjab and DDMA procurement Wing. Details are at **Annexure-XXI**.

v. In DDMA DG Khan, the relief items' issuance record revealed differences among DDMA issuance record, AC's statements and detailed individual affectees wise statements. Details are at **Annexure-XXII**.

vi. In DDMA Rajanpur, opening balances of all relief items was nil which was not linked with previous years procurement and receipts. Further, some stock items were shown received in less/excess quantity than dispatched by NDMA, PDMA Punjab and DDMA procurement Wing. Details are at **Annexure-XXIII**.

vii. In DDMA Rajanpur, the relief items' issuance record revealed differences among DDMA issuance record and detailed individual affectees wise statements. Details are at **Annexure-XXIV.**

viii. In DDMA Layyah, some stock items were shown received in less/excess quantity than dispatched by PDMA. Details are at **Annexure-XXV.**

Audit held that due to non-maintenance of record of receipts and issuance of relief items on the stock register, the distribution to flood affectees was not verifiable. In absence of proper record and differences in quantities dispatched, quantities received and quantities issued, the chances of misappropriation could not be ruled out.

Initial audit observations were issued in the months of August and September, 2023. The management replied that all relevant record regarding procurement & distribution has been prepared/ maintained properly.

The reply of the management was not satisfactoryas proper linked record was not maintained.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedDDMA to prepare and maintain proper stock register as per rules. The stock register along with complete record be provided to audit for verification.

The relevant record was not provided till finalization of the report.

Audit recommends that management may look into the matter and take corrective measures.

(Para No. 12, 21, 6 of AIR 2022-23 DDMA DG Khan, Rajanpur, Layyah)

1.4.35 Non-conducting of internal audit of PDMA Punjab and DDMAs

According to Para 5.5.1.1 of Manual of Accounting Principles (MAP), there will be an internal audit officer for each centralized accounting entity and each self-accounting entity. Further, according to Government of Punjab instructions issued, vide notification No. SOE-II (P&D) 1-15/07 dated 2nd February, 2007, the Internal Auditor of the department shall exercise all budgetary and financial controls under the framed rules and the best practices prescribed by the Government.

Provincial Disaster Management Authority (PDMA) Punjab and District Disaster Management Authorities (DDMAs) were required to conduct internal audit for the financial year 2022-23.

During audit of PDMA Punjaband DDMAs of District Lahore, Gujranwala, Mianwali, Sargodha, Layyah, Muzaffargarh, Multan, Bahawalpur, Dera Ghazi Khan, Rajanpur, Faisalabad, Sahiwal and Rawalpindi for the financial year 2022-23, it was observed that internal audit of the entities was not carried out.

Audit held that non preparation of internal audit reports may lead to instances of mis-appropriation.

Initial audit observation was issued in the month of August, 2023. The management replied that the payments to the vendors are being made after conducting proper pre-audit by the internal audit wing. All the store items purchased are duly entered in the stock registers kept in the warehouses.

The reply of the management was not satisfactory as internal audit was not conducted as required under the rules.

DAC meeting was held on22nd to 24th November, 2023. The forumdirected that internal audit be carried out on regular basis as per rules and reportsbe shared with audit authorities.

Audit recommends implementation of the DAC decision.

(Para No. 3, 14,10,20,9,18,17,15,7,21,26,8,11, 6 of AIR 2022-23 PDMA Punjab and District DisasterManagement Authorities (DDMAs) of District Lahore, Gujranwala, Mianwali, Sargodha, Layyah, Muzaffargarh, Multan, Bahawalpur, Dera Ghazi Khan, Rajanpur, Faisalabad, Sahiwal and Rawalpindi)

1.4.36 Non-conducting of physical verification of assets / stocks and relief items

According to Rule 15.16 of Punjab Financial Rules Vol-1, the physical verification of stock / store should be conducted once in a year and a report also be prepared in which it is shown that items are to be condemned, to be written off, repairable of working in government condition. A certificate regarding physical verification as no discrepancy is noticed also be recorded by the officer who conducted physical verification.

Provincial Disaster Management Authority (PDMA), Punjab and District Disaster Management Authorities (DDMAs) of District Lahore, Gujranwala, Mianwali, Sargodha, Layyah, Muzaffargarh, Multan, Bahawalpur, Dera Ghazi Khan, Rajanpur, Faisalabad, Sahiwal and Rawalpindi were requested to provide annual physical verification reports for the financial year 2022-23.

During audit of PDMA Punjab and above mentioned DDMAs for the financial year 2022-23, it was observed that the Authorities had not undertaken the 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 and against the rules as physical verification of stocks was extremely important for organizations like PDMA/DDMA which were constantly engaged in procurement, storing and distribution of relief and other item to multiple agencies and users.

Initial audit observation was issued in the month of August, 2023. The management replied that physical verification of stores is conducted by the inspection committee on every bill when stock is received in the stores.

The reply of the management was not satisfactory as physical verification was not conducted as required under the rules.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedthat physical verification of complete relief store /stock items be conducted as required under the rules and report be shared with audit authorities.

Audit recommends that physical verification of assets and all relief items may be carried out as provided in rules to point out any discrepancy / shortcoming and report of the same be produced to Audit authorities for scrutiny and review.

<u>Note:</u> The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.4.10. Recurrence of same issue / irregularity is a matter of serious concern.

(Para No. 4, 10,6,15,5, 13, 12, 10 2, 16,25,4,7,5 of AIR 2022-23 PDMA Punjab and District Disaster Management Authorities (DDMAs) of District Lahore, Gujranwala, Mianwali, Sargodha, Layyah, Muzaffargarh, Multan, Bahawalpur, Dera Ghazi Khan, Rajanpur, Faisalabad, Sahiwal and Rawalpindi)

<u>Public Service Delivery / Performance</u>

1.4.37 Non-convening of Provincial Disaster Management Commission (PDMC) meetings

According to Section 13 of National Disaster Management Act 2010, each Provincial Government shall establish a Provincial Disaster Management Commission for the Province. Further, according to Section 14 of National Disaster Management Act, 2010, subject to the provisions of this Act, Provincial Commission shall have the responsibility for laying down policies and plans for disaster management in the province.

The Provincial Disaster Management Authority (PDMA) works under the umbrella of Provincial Disaster Management Commission (PDMC). National Disaster Management Act prescribes the powers and functions of PDMC as under:

i. Lay down the Provincial Disaster Management policy
ii. Approve DM plans
iii. Review the implementation of the plans
iv. Oversee the provision of funds for mitigation and preparedness measures
v. Review development plans of the different departments

During audit of Provincial Disaster Management Authority (PDMA) Punjab for the financial year 2022-23, it was observed that despite the crucial importance of PDMC as a monitoring and evaluation body for all disaster management activities performed under PDMA, the forum of PDMC was non-functional and not a single meeting was convened since inception.

Audit held that non-convening of PDMC meetings was violation of the Act and resulted into non-discharge of the roles and responsibilities as envisaged in the National Disaster Management Act 2010.

Initial audit observation was issued on 03.08.2023. The management replied that Chief Minister, Punjab vide notification dated 12.07.2017 constituted Cabinet Committee on Floods. Later on, after the outbreak of Locust and Covid-19, the Committee was renamed as Cabinet Committee on Disaster Management under the chairmanship of Minister for Disaster Management on 25th September, 2019 with the mandate to review all stages of Disaster Management spectrum for all potential disasters in Punjab. Hence, the Cabinet Committee on Disaster Management, instead of PDMC, has become the relevant forum to perform the functions as per specific needs of the Province of Punjab.

The reply of the management was not tenable as Cabinet Committee on Disaster Management cannot replace the PDMC as provided in the Act.

DAC meeting was held on22nd to 24th November, 2023. The forum directed PDMA to make effort to also convene PDMC meetings as Cabinet Committee on Disaster Management cannot replace the PDMC as provided in the Act.

Audit recommends that PDMC may be made functional to perform / discharge the role and responsibilities as mentioned in the NDMA Act, 2010.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2021-22 vide para number 2.4.23. Recurrence of same issue / irregularity is a matter of serious concern.

(Para No. 1 of AIR 2022-23 PDMA Punjab)

1.4.38 Non-formulation of guidelines for preparation of District Disaster Management Plans at district levels

According to Section 20(2)(f) of National Disaster Management Act 2010, district authority may lay down guidelines for preparation of disaster management plans by the departments of the Government at the districts level and local authorities in the district.

District Disaster Management Authorities (DDMAs)/ Deputy Commissioners (DCs) were required to lay down guidelines for preparation for disaster management plans.

During audit of DDMAs/ DCs of District Lahore, Gujranwala, Mianwali, Sargodha, Layyah, Muzaffargarh, Multan, Bahawalpur, Dera Ghazi Khan, Rajanpur, Faisalabad, Sahiwal and Rawalpindi for the financial year 2022-2023, it was observed that neither guidelines for preparation of disaster management plans were formulated nor circulated by district authorities to other government departments at the district level.

Audit held that non preparation of guidelines by DDMAs resulted into non-identification of mitigation and response measures by the district departments to cope with disasters.

Initial audit observations were issued in the month of August, 2023. The management replied that DDMAswere adhering to the standard template for the District Disaster Management Plan (DDMP) provided by the Provincial Disaster Management Authority (PDMA), Punjab. All the relevant information and data outlined in the DDMP template have been incorporated. The instructions were issued to the concerned departments during DDMA meetings to provide the required data in accordance with the DDMP standard template.

The reply of the management was not tenable as the required guidelines were not formulated and notified to deal with disasters occurring in the districts.

DAC meeting was held on22nd to 24th November, 2023. The forumdirected PDMA to issue directions to all DDMAs to formulate and notify the guidelines for preparation of District Disaster Management Plan (DDMP) in line with the provisions of the Act and circulate the same to all concerning departments of the districts.

Audit recommends that implementation of the DAC decision.

(Para No. 11, 7,17,6,15,14,12,4,18,28,5,8,7 of AIR 2022-23 DDMAs of District Lahore, Gujranwala,Mianwali, Sargodha, Layyah, Muzaffargarh, Multan, Bahawalpur, Dera Ghazi Khan, Rajanpur, Faisalabad, Sahiwal and Rawalpindi)

1.4.39 Non-payment of death compensations to the affectees of flood/monsoon rain 2022 – Rs. 16 million

According to Provincial Disaster Management Authority (PDMA) Punjab letter No. DC(36)-2022/CR-I/411 dated 04.10.2022, following rates of compensation payments were applicable w.e.f. 15.06.222:

i. Loss of life for each person died @ Rs. 1,000,000
ii. Permanent disability @ Rs.300,000
iii. Critical injury @ Rs.100,000
iv. Minor injured @ Rs. 40,000.
v. Damage houses @ Rs.50,000 to 400,000
vi. Loss of cattle heads @ Rs.5,000 to 75,000

District Disaster Management Authorities (DDMAs) / Deputy Commissioner (DC) of district Sahiwal, Rawalpindi, Muzaffargarh and Layyah forwarded various death compensation claims to PDMA Punjab for onward submission to National Disaster Management Authority (NDMA) during financial year 2022-23.

During audit of DDMA / DC Sahiwal, Rawalpindi, Muzaffargarh and Layyah districts for the financial years 2020-2023, it was observed that death compensation cases were forwarded to PDMA after the flood 2022, for issuance of cheques in the name of affectees. However, payment amounting to Rs. 16 million to 16 affectees was not released till close of financial year i.e.30th June, 2023. The details are as under:

(Rs. in million)

Sr. No.	Name of DDMA	Pending cases of death compensations	Amount
1	Sahiwal	1	1
2	Rawalpindi	3	3
3	Muzaffargarh	11	11
4	Layyah	1	1
Total		**16**	**16**

Audit held thatnon-payment of death compensation was against the policy and negligence on the part of management as it negated the very purpose of the compensation policy of the government.

Initial audit observations were issued in the month of August and September,2023. The management replied that the delay was occurred due to procedural formalities and non-issuance of cheques by NDMA and the matter is taken up with PDMA for advice and guidance.

DAC meeting was held on 22nd to 24th November, 2023. The forumdirected PDMA/DDMA to make payment to the genuine affectees after confirmation of legitimacy through conducting necessary survey and verification as per government policy.

Audit recommends implementation of the DAC decision.

(Para No. 6, 2, 1, 2 of AIR 2022-23, DDMA Sahiwal and Rawalpindi,Muzaffargarh, Layyah)

1.4.40 Non-preparation and submission of annual reportsby DDMAs to Provincial Government

According to Section 41(2) of National Disaster Management Act 2010, District Authority shall prepare once every year, in such form and at such time as may be prescribed by rules, an annual report giving a true and full account of its activities during the previous year and copies thereof shall be forwarded to the Provincial Government which shall lay it before the Provincial Assembly.

District Disaster Management Authority (DDMA) / Deputy Commissioner (DC) Rawalpindi was required to prepare an annual report and submit to Provincial Government

During audit of DDMA/ DC Rawalpindi for the financial years 2022-2023, it was observed that DDMA had not prepared the annual report giving a true and full account of its activities during the previous year for submission to the Provincial Government to be laid before the Provincial Assembly.

Audit held that non-preparation of annual report by the District Authoritywas unjustified and was violation of the National Disaster Management Act 2010. The same situation was also observed in other DDMAs which were audited during Audit Year 2023-24.

Initial audit observation was issued on 04.10.2023. The management replied that matter is related to Rescue 1122 and necessary instructions have been issued.

The reply of the management was not satisfactory as the report wasrequired to be prepared and submitted by DDMA.

DAC meeting was held on22nd to 24th November, 2023. The forumdirected PDMA to devise and circulate a uniform template/format for preparation of annual report by each DDMA giving a true and full account of its activities during the previous year in line with the provisions of the Act.

Audit recommends implementation of DAC decision within one month.

(Para No. 11 of AIR 2022-23 DDMA Rawalpindi)

Financial Management

1.4.41 Un-justified debit transactions / cash transfers from Chief Minister's Flood Relief Fund account- Rs. 4,126. 051 million

According to Rule 2.33 of Punjab Financial Rules Vol-1, every government servant 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.

Provincial Disaster Management Authority (PDMA) Punjab was maintaining a bank account bearing No. 6010159451200028 titled "CM Flood relief Fund 2022" with the Bank of Punjab.

During audit of PDMA Punjab for the FY 2022-23, it was observed from the bank statement that an amount of Rs. 4,126.051 million was debited through some transactions for which no record and details were available with PDMA. Neither the payment was authorized by PDMA nor the cheques against these transactions were not issued by the Authority. Details are at **Annexure-XXVI**.

Audit held that debit transactions without any record in PDMA office and non-reconciliation was unjustified and irregular.

Initial audit observation was issued on 03.08.2023. The management replied that highlighted debit transactionswere being sorted out and correspondence has been madewith the bank.

The reply was not tenable as the matter was not sorted out despite lapse of considerable time.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedPDMA to take up the matter with bank.

Audit recommends that management may look into the matter and take corrective measures.

(Para No. 40 of AIR 2022-23 PDMA Punjab)

1.4.42 Non-refund of unspent balances of the projects to Government and non-closure of bank accounts- Rs. 2,739.206 million

According to Para 14.3 of Punjab Budget Manual 2008, all savings or unspent funds shall be surrendered / reported to Government through statement of excesses and surrenders, so that balances may be transferred / distributed to other needy departments of the Government to avoid the lapse of appropriations.

Provincial Disaster Management Authority (PDMA) Punjab was maintaining 07 bank accounts with scheduled banks for various projects. An amount of Rs. 2,739.206 million was laying as closing balance as on 30th June, 2023 in these accounts out of which one account was dormant since 2021. Details are at **Annexure-XXVII**.

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

i. The funds were neither utilized nor surrendered since FY 2016-17. The funds were provided by Provincial Government for certain specific purposes/projects and unspent funds were required to be refunded to government after completion of the projects as PDMA was maintaining a Provincial Disaster Management Fund (PDMF) account since 2019.

ii. The bank accounts bearing 3058218102 maintained with NBP regarding Prime Minister's Kissan Package 2015 was dormant since 2021. The PDMA vide letter dated 12.08.2021 requested NBP to activate the account. NBP vide its letter dated 12.08.2021 replied that matter may be taken up with Finance Department to obtain approval for continuation otherwise NBP is constrained to close the account and surrender the balance amount to SBP. However, the matter was not taken again after 2021 and the account remained dormant.

Audit held that non-refund of unspent funds of the specific projects was irregular and resulted in blockage of funds.Further, non-activation of the dormant account was a matter of grave concern and put the government interest at stake.

Initial audit observation was issued on 03.08.2023. The management replied that matter has been taken up with Finance Department for advice.

The reply of the management was not satisfactory as the matter was pending since long.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedPDMA to pursue the matter with Finance Department Punjab.

Audit recommends implementation of the DAC decision.

(Para No. 24 of AIR 2022-23 PDMA Punjab)

1.4.43 Non-surrender of unspent balances resulted into lapse of funds- Rs. 1,786.124 million

According to Para 14.3 of Punjab Budget Manual 2008, all savings or unspent funds shall be surrendered / reported to Government through statement of excesses and surrenders, so that balances may be transferred / distributed to other needy departments of the Government to avoid the lapse of appropriations.

The Government of Punjab released budget to Provincial Disaster Management Authority (PDMA) and District Disaster Management Authorities (DDMAs) of District Lahore, Gujranwala, Mianwali, Sargodha, Layyah, Muzaffargarh, Multan, Bahawalpur, Dera Ghazi Khan, Rajanpur, Faisalabad, Sahiwal and Rawalpindi to meet the operating expenditure under LQ 4277- Relief Measures and Grant No. PC 21027during the financial year 2022-23.

During audit of PDMA Punjab and above-mentioned DDMAs for the financial year 2022-23, it was observed that the funds were not utilized fully and efficiently and the unspent balances amounting to Rs. 1,786.124 million were not reported to Government for the purpose of surrender before the close of financial year. Details are at **Annexure-XXVIII**.

Audit held that non-surrender of savings and lapse of released budget allocation resulted in blockage of fundsresulting in weak financial discipline.

Initial audit observation was issued in the month of August, 2023.The management replied that funds were not surrendered for any possible disaster.

The reply of the management was not satisfactory as unutilized funds were required to be surrendered to avoid lapse of funds.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedto refer the matter to Finance Department Punjab for regularization as per rules.

Audit recommends that responsibility may be fixed for inefficient utilization and non-surrender of funds in time on the person (s) at fault besides regularization.

(Para No. 13, 5,5,4,1,11,11, 9, 1, 13, 23, 1,1,4 of AIR 2022-23 PDMA Punjab and District Disaster Management Authorities (DDMAs) of District Lahore, Gujranwala, Mianwali, Sargodha, Layyah, Muzaffargarh, Multan, Bahawalpur, Dera Ghazi Khan, Rajanpur, Faisalabad, Sahiwal and Rawalpindi)

1.4.44 Non-deposit of earned profits into Government Treasury- Rs. 524.256 million

According to Rule 26 of General Financial Rules Volume-I, subject to any special arrangement that may be authorized by competent authority with respect to any particular class of receipts it is the duty of the departmental controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

Provincial Disaster Management Authority (PDMA) Punjab was maintaining five (05) profit bearing accounts with scheduled banks. Profit amounting to Rs. 524.256 million was earned on these bank accounts during financial year 2022-23.

During audit of PDMA Punjab for the financial year 2022-23, it was observed that profit earned on bank accounts amounting to Rs. 524.256 million was not deposited into Government treasury.

Audit held that non-deposit of profit earned by PDMA Punjab on bank accounts was not justified and against the rules.

Initial audit observation was issued on 03.08.2023. The management replied that matter has been taken up with Finance Department for advice.

The reply of the management was not satisfactory as the matter was pending since long.

DAC meeting was held on22nd to 24th November, 2023.The forumdirected PDMA to pursue the matter with Finance Department, Punjab.

Audit recommends that the earned profit may be deposited into Government treasury within one month time.

(Para No. 7 of AIR 2022-23 PDMA Punjab)

1.4.45 Loss due to non/less deduction of Government taxes- Rs. 71.382 million

According to Section 153 of income Tax Ordinance 2001, withholding tax @ 4.5% on procurement of goods and 10% on all type of services should be deducted at source. The rate of tax will be double if the vendor is not on Active Taxpayer List (ATL).

Further, according to Sr. No.1 of the Second Schedule of the Punjab Sales Tax on Services Act 2012, sales tax @16% is applicable on Services provided by hotels, motels, guest houses, marriage halls including pandal and shamiana services, catering services (including all ancillary/allied services such as floral or other decoration, furnishing of space). As per Sr. No.11& 27, sales tax @16% is applicable on services provided by restaurants including cafes, food parlors, coffee houses, food huts, and similar cooked, prepared or ready-to-eat food service outlets etc. and services provided by security agency respectively.

District Disaster Management Authorities (DDMAs)/ Deputy Commissioners of District Dera Ghazi Khan, Layyah, Mianwali, and Rajanpur incurred an expenditure ofRs. 399.828 million on procurement of various goods and services for relief activities in the aftermath of flood 2022during the financial year 2022-23.

During audit of above mentioned DDMAs/ DCs for the financial year 2022-23, it was observed that government taxes amounting to Rs. 71.382 million were either not deducted or less deducted from the suppliers. Further, proof of vendors being on ATL was also not available on record. Details are at **Annexure-XXIX.**

Audit held that non-deduction andless deduction of Government taxes from the vendors resulted in loss of Rs. 71.382 million to the government exchequer.

Initial audit observations were issued in the month of August and September, 2023. The management replied that all taxes havebeen deducted properly from bills of the contractors.

The reply of the management was not satisfactory as government taxes were either not deducted or less deducted from the suppliers.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedto recover the government taxes from the suppliers concerned and deposited into government treasury.

Audit recommendsthat responsibility may be fixed on persons at fault,besides recovery of government taxes from the suppliers.

(Para No. 4,9,11, 14 of AIR 2022-23 DDMA DG Khan, Layyah, Mianwali, and Rajanpur)

1.4.46 Irregularities inrelease of funds forpending liability of financial year 2015-16- Rs. 14.926 million

According to Rule 17.18 of Punjab Financial Rules Volume-I, under no circumstances may charges incurred be allowed to stand over to be paid from the grant of another year. If possible, expenditure should be postponed till the preparation of a new budget has given opportunity of making provision, and till the sanction of that budget has supplied means; but on no account may charges be actually incurred in one year and thrown on the grant of another year.

Further, according to Para 4.2.14.1 of Accounting Policies and Procedures Manual (APPM), only those claims against the government raised within six months of their becoming due can be presented without prior authority from the Accountant General.

Provincial Disaster Management Authority (PDMA) Punjab released an amount ofRs. 14.926 million during financial year 2022-23 to DC office Mandi Bahauddin for clearance of pending liabilities of a vendor for the period of 2015-16**.**

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

i. The approval of Finance Department and Accountant General was not obtained regarding clearance of about 6 year's old pending liability.

ii. Finance Department vide letter dated 07.06.2016 directed to probe the matter for redressal of grievances of the applicant regarding non-payment, under intimation to this office as well as Chief Minister office Punjab. However, the action was not taken.

iii. The PDMA vide letter dated 07.10.2022 had sought advice from Finance Department regarding validity of the claim and legality of release of funds. Finance Department vide its letter dated 25.10.2022 advised the Administrative Department to refer the matter to the Departmental Scrutiny Committee for its consideration and recommendations. However, the case was not presented and considered in Departmental Scrutiny Committee of the Administrative Department before release of funds.

iv. The DC office Mandi Bahauddin incurred expenditure during FY 2015-16 without open competition by declaring emergency, without having valid grounds and competency as per rules.

Audit held that release of funds for clearance of pending liability in violation of rules and instructions was irregular.

Initial audit observation was issued on 03.08.2023. The management replied that the pending liability was cleared during 2022-2023 due to paucity of funds. The Finance Department was requested to release the funds through 2nd statement of excess and surrender but no funds were provided during financial year 2015-16.

The reply of the management was not satisfactoryas pending liability was cleared in violation of rules.

DAC meeting was held on22nd to 24th November, 2023. The forumdirectedto refer the matter to Finance Department Punjab for regularization as per rules.

Audit recommends that matter may be probed and report be shared with Audit authorities.

(Para No. 16 of AIR 2022-23 PDMA Punjab)

1.4.47 Non-deduction of Government taxes from payments to DGPR in respect of advertisement services- Rs. 14.459 million

According to Section 153(1)(b) of the Income Tax Ordinance 2001, income tax at the rate of 1.5% shall be deducted from payments in respect of electronic and print media for advertising services.

Further, according to Rule 7 of Punjab Sales Tax on Services (Withholding) Rules 2015, a withholding agent who receives advertisement services provided by a person based in Pakistan or abroad shall deduct the whole amount of sales tax as mentioned in the invoice issued by the service provider.

Provincial Disaster Management Authority (PDMA)Punjab released payments amounting to Rs. 94.560 million to Directorate General Public Relations (DGPR) in respect of advertisement services for media campaign during the FY 2022.23. An amount of Rs.13.041 million was included in the bills on account of Punjab Sales Tax on Services.

During audit of PDMA for the financial years 2022-23, it was observed that Income Tax and Punjab Sales Tax on Services amounting to Rs.14.459 million was not withheld/deducted from the payments made on account of advertisement services. Details are as under:

(Rs. in million)

Sr. No.	Description	Amount
1	Income tax (94,559,954*1.5%)	1.418
2	Punjab Sales Tax on Services	13.041
Total		**14.459**

Audit held that non-deduction of Government Taxes resulted in loss to governmentrevenues.

Initial audit observation was issued on 03.08.2023. The management replied that the payment was made to DGPRfor making further payment to vendors/media agencies. The deduction of Income Tax and PST was responsibility of the office of the DGPR.

The reply of the management was not satisfactory as payment was charged to the PDMA budget. The DGPR was a facilitating agent for floating advertisement in the media.

DAC meeting was held on22nd to 24th November, 2023. The forumdirected PDMA to obtain proof of deposit of taxes in government treasury from DGPR office, reconcile and share with audit authorities. In future, all payment to DGPR be released after deduction of due taxes.

Audit recommends implementation of the DAC decision.

(Para No. 22 of AIR 2022-23 PDMA Punjab)

1.4.48 Non-deposit of withheld government taxes into Government Treasury- Rs. 3.720 million

According to Section 153 of income Tax Ordinance 2001, Income Tax @10% on all type of services shall be deducted at source.

Further, according to Sr. No.1 of the Second Schedule of the Punjab Sales Tax on Services Act 2012, Sales Tax @16% is applicable on Services provided by hotels, motels, guest houses, marriage halls including pandal and shamiana services, catering services (including all ancillary/allied services such as floral or other decoration, furnishing of space). As per Sr. No.11 & 27 of the Second Schedule, Sales Tax @16% is applicable on services provided by restaurants including cafes, food parlors, coffee houses, food huts, and similar cooked, prepared or ready-to-eat food service outlets etc. and services provided by security agency respectively.

District Disaster Management Authority (DDMA)/ Deputy Commissioner (DC) Muzaffargarh deducted/withheld an amount of Rs. 3.720 million from various suppliers during the financial year 2022-23 against procurements made for flood relief2022.

During audit of DDMA/DC Muzaffargarh for the financial year 2022-23, it was observed that various government taxes amounting to Rs. 3.720 million were deducted from the suppliers, however, the deducted amount was not deposited into Government Treasury. Details are at **Annexure-XXX**.

Audit held that non-deposit of taxes resulted in loss of Rs. 3.720 million to the government revenues.

Initial audit observation was issued on 26.08.2023. The management replied that matter is under correspondence with PDMA for guidance.

DAC meeting was held on 22nd to 24th November, 2023. The forum directed that all withheld government taxes be immediately deposited into Government treasury.

Audit recommends that responsibility may be fixed besides depositing the deduced taxes into Government Treasury.

(Para No. 6 of AIR 2022-23 DDMA Muzaffargarh)

1.4.49 Non-preparation of Annual Financial Statements by PDMAPunjab

According to Para 3.3.14.1 of Accounting Polices and Procedure Manual (APPM), an annual statement of expenditures against budget (appropriation), referred to as the Annual Appropriation Accounts, is to be prepared and published by the Provincial Accountant General. All the self-accounting entities shall prepare and publish their own Annual Appropriation Accounts, duly certified by the DG Audit.

Provincial Disaster Management Authority (PDMA) Punjab was required to prepare annual financial statements for the financial year 2022-23.

During audit of PDMA Punjab for the financial year 2022-23, it was observed that PDMA, Punjab was maintaining 9 different bank accounts. One Aasan Assignment account, one Provincial Disaster Management Fund (PDMF) account, two CM Punjab funds accounts for Corona and flood relief and 5 other accounts were maintained with the scheduled banks. PDMA was incurring expenditure out of these accounts in addition to regular budget allocations expended through AG office. However, Annual Financial Statements were not being prepared.

Audit held that Annual Financial Statements are a formal record of the financial activities and position of the entity. The objective of financial statements is to provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users. Moreover, financial position of the entity could not be certified without preparation of Financial Statements and submission of the same to the DG Audit.

Initial audit observation was issued on 03.08.2023. The management replied that Disaster Management Department is not a self-accounting entity, as all the payments are made either through the office of the Accountant General, Punjab or Treasury Office, Lahore. It is pertinent to mention here that vouched accounts of the disbursements through Treasury Office are regularly furnished to the office of the Accountant General, Punjab for pre-audit and accounting purposes.

The reply of the management was not acceptable as PDMA in addition to regular AG office transactions, was also operating an assignment account and a Fund account and PAO was responsible for pre-audit and accounting function.

DAC meeting was held on 22nd to 24th November, 2023. The forum directed PDMA to prepare annual financial statements.

Audit recommends that Annual Financial Statements may be prepared by the entity for each financial year.

(Para No. 38 of AIR 2022-23 PDMA Punjab)

2.3.4.1 *Punjab Emergency Service Department (Rescue 1122)*

2.1 Introduction

A. Punjab Emergency Service Department (Rescue 1122) was established under the Punjab Emergency Service Act, 2006 for professional management of emergencies such as road traffic accidents, building collapses, hazardous material incidents, fires and disasters. The mission of the department is ‘Development of Safer Communities through establishment of an effective system for Emergency Preparedness, Response and Prevention’. The stated objective of the Service is ‘Establishment of an emergency service for the purpose of maintaining a state of preparedness to deal with emergencies, to provide timely response, rescue and emergency medical treatment to the persons affected by emergencies and recommending measures to be taken by related organizations to avoid emergencies.

B. Comments on Budget & Accounts of the audited formations of Rescue 1122 (Variance Analysis)

(Rs. in million)

Financial Year	Budget	Expenditure	Savings
2022-23	950.315	766.166	184.149

Source: budget and expenditure statements

C. **Sectoral Analysis**

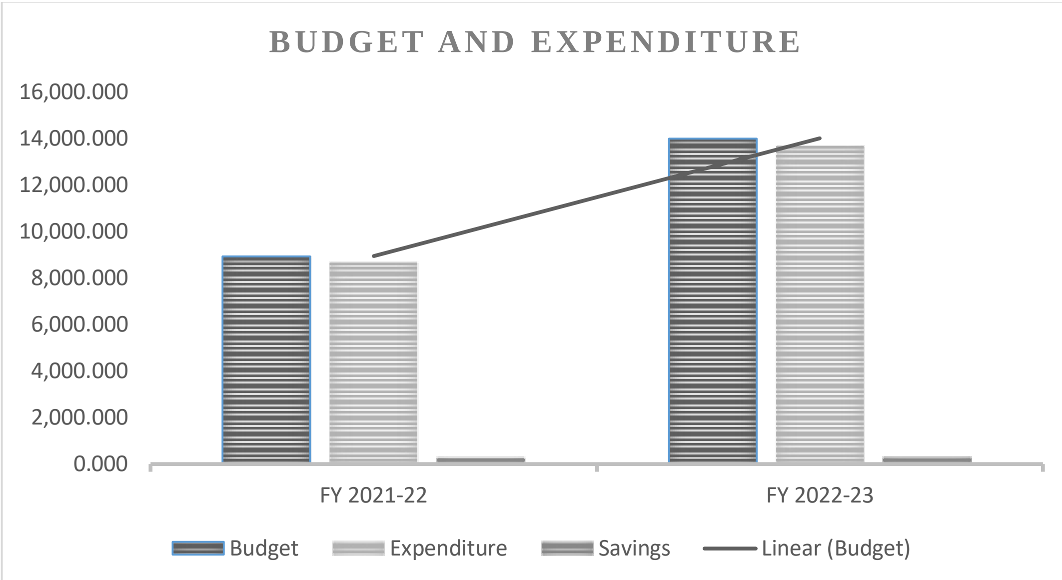
The detail of the total budget allocation and expenditure of Rescue 1122 Punjab for FY 2021-22 and 2022-23 is tabulated below:

(Rs. in million)

Financial Year	Budget	Expenditure	Savings
2021-22	8,931.837	8,674.798	257.040
2022-23	13,996.285	13,690.369	305.916
Percentage (%) increase in FY 2022-23 as compared to FY 2021-22	56.70 %	57.82%	-

Source: budget and expenditure statements1

The trend analysis reflects 56.70% increase in budgetary allocation during FY 2022-23. The main reason of increase in budget allocations was expansion of rescue services in wider geographic span through penetration at tehsil levels. The following chart portrays the increase in budget and expenditure:



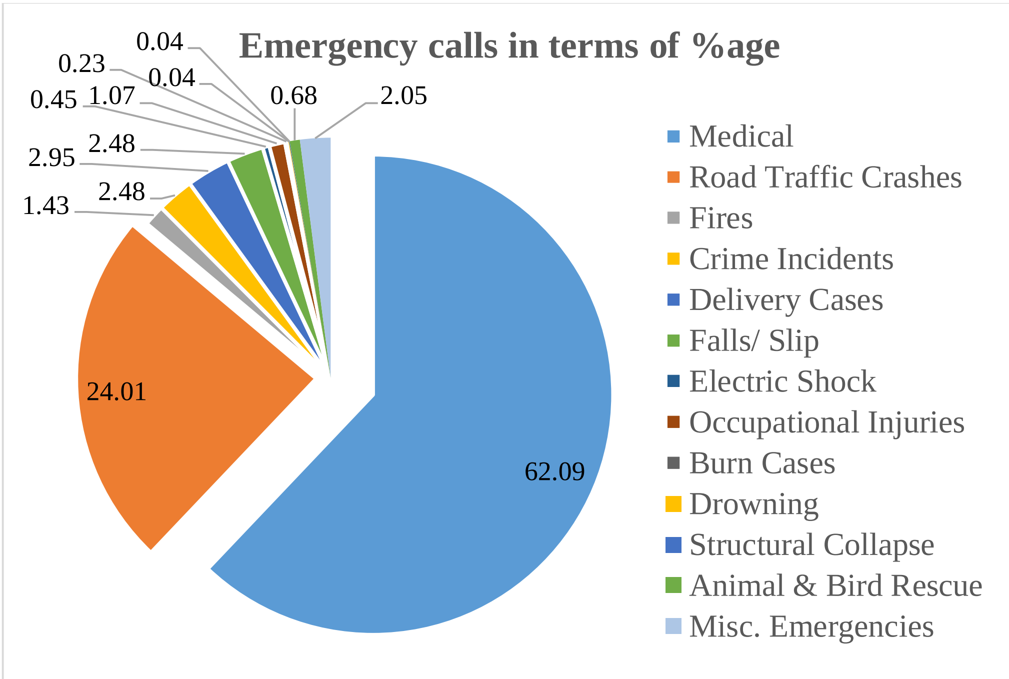
Establishment of Rescue 1122 Service was necessitated after failure of repeated attempts to revitalize and modernize the old organizations mandated for emergency management. Presently, Punjab Emergency Service Department (Rescue 1122) is the leading emergency humanitarian service in Punjab with infrastructure in all 36 districts of the province. As a result of the performance of Rescue 1122 during emergencies and disasters in recent years, it has also been notified as the Disaster Response Force by the Provincial Disaster Management Authority (PDMA) and Government of the Punjab. The major services provided by Punjab Emergency Service (Rescue 1122) include Ambulance Service, Rescue Service, Fire Service, Community Safety, Fire Safety & Prevention, Road Safety, Community Emergency Response Teams (CERTs), Safety Education and Emergency Training of Citizens.The organization is also providing technical assistance to other provinces.

The statistics of different type of emergencies attended by the Department on average numbers per day is as under:

Nature of Emergencies	**No.**	**Minor**	**Serious**	**Dead**
Medical	2909	819	1842	107
Road Traffic Crashes	1125	559	631	11
Fires	67	2	2	0
Crime Incidents	116	25	93	5
Delivery Cases	138	3	129	0
Falls/ Slip	116	33	77	1
Electric Shock	21	7	11	1
Occupational Injuries	50	25	23	0
Burn Cases	11	2	9	0
Drowning	2	0	0	2
Structural Collapse	2	1	2	0
Animal & Bird Rescue	32	0	0	0
Misc. Emergencies	96	43	34	3
Total	**4685**	**1519**	**2853**	**131**

Source: web site of Rescue 1122

Different emergencies in terms of percentage are as under:



Section (7)(d)(f) of Punjab Emergency Services Act 2006, provides that Punjab Emergency Council shall review and analyze statistics relating to all emergency incidents, accidents and disasters and the actions which have been taken by the service and make recommendations to the Government for the prevention and mitigation of hazards endangering public safety. Further as per section (5)(j) of Punjab Emergency Services Act 2006, the Rescue Service shall collect, compile, maintain and analyze emergency response data and statistics relating to emergencies and to use it for research and prevention of such emergencies. However, it was noted that analysis of data of the calls was not made by the Rescue-1122 for research and prevention of such emergencies in future, resulting in non-formulation of recommendations to the Government.

As per the Punjab Emergency Service Act 2006, the Council of Rescue-1122 Punjab shall meet at least once within three (03) months to lay down the policies and issue directions for efficient, effective and expeditious actions in dealing with emergencies etc. However, since promulgation of the Act, the Council held only seven (7) meetings which are far below the required minimum sixty-eight (68) meetings.

Table-I Audit Profile of PunjabEmergency Service Department (Rescue 1122)

(Rs. in million)

Sr. No.	**Description**	**Total Nos.**	**Audited**	**Expenditure audited FY 2021-22**

1.	Formations/sub-offices	53 (1122 Hqs and district/tehsil offices)	1 (Rescue Hqs where major expenditure was incurred)	766.166
2.	Assignment Accounts (excluding FAP)	-	-	-
3.	Authorities/ Autonomous Bodies/ companies etc. under the PAO	-	-	-
4.	Foreign Aided Projects (FAP)	-	-	-

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 179.088 million ***were raised pertaining to Rescue 1122 Punjab***. R***ecoveries amounting to*** Rs. 2.353 million***have 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**	**179.088**
A	Procurement	174.166
B	HR / Internal Controls Weaknesses	4.922
2.	**Public Service Delivery / Performance**	**0.000**

2.3 Brief Comments on the Status of Compliance with PAC Directives

The Directorate General Audit (CC&E) started auditing and reporting Rescue 1122 since financial year 2016-17. No Audit Report has been discussed in PAC meeting so far.

2.4 AUDIT PARAS

<u>Procurement</u>

2.4.1 Non-delivery of equipment by the suppliers despite advance payments resulting in loss to government- Rs. 86.552 million

According to clause (8) of purchase order, in case of violation (s) of any clause of purchase order, bidding documents and PPRA rules, the Department may initiate all or any of the following actions:

a. Suspension or cancellation of purchase order
b. Forfeiture of security (ies)
c. Initiation of blacklisting proceedings
d. Any other measure available as per law

Punjab Emergency Service Department (Rescue 1122 Hqs) made payment amounting to Rs. 86.552million during the financial year 2022-23 for procurement of solar systems (3KVA), mobile phones, computers and printers.

During audit of Rescue 1122 (Hqs) Punjab for the financial year 2022-23, it was observed that work orders were issued to vendors under different ADP schemes with a fix delivery period i.e. 50 days, 70 days and 120 days, however, the items were not delivered within the specified period. The firms submitted an S.R.O on 19.05.2022 issued by Ministry of Commerce, regarding restriction on imports mentioning that consignment was held-up at different ports across the country due to restrictions on imports. However, complete consignment of mobile phones and other IT equipment was not received till date of audit i.e. August, 2023. Details are at **Annexure-XXXI**.

Audit held that non-provision of items within agreed period and extended time period was violation of contract agreement resulting in loss to government.

Initial audit observation was issued on 02.08.2023. The management replied that Government had imposed restrictions on imports which affect the delivery schedule. Hence, extension in delivery period was granted to respective firms. However, the partial supplies were received up to the extended period. The remaining supplies were delayed on the part of firms for which final notices have been served to the firms for delivery otherwise action would be taken against the firms as per rules and TORs of the Purchase Orders.

The reply of the management was not acceptable as the extension was granted after expiry of the contract period and delivery was still under process.

DAC meeting was held on17.11.2023. The forum directed that a fact-finding inquiry be conducted and report be shared with audit within 30 days.

Audit recommends implementation of the DAC decision.

(AIR Para No.19 of Punjab Emergency Service Department Rescue-1122 FY 2022-23)

2.4.2 Irregular procurement of medicines / medical equipmentwithout inspection / verification from Health Department- Rs. 79.390 million

According to Sr No. 11 of the purchase orders dated, 21,03.2022, 19.04.2023, 20,01.2023, and 16.02.2023. the inspection shall be carried by the nominees of the Directorate General of the Health Services.

Punjab Emergency Service Department (Rescue-1122 Hqs) incurred an expenditure amounting to Rs. 142.067 million on medicines / medical equipments from various suppliers / vendors during the financial year 2022-23.

During audit of Rescue 1122 (Hqs) Punjab for the financial year 2022-2323, 07 bills valuing Rs. 79.390 million were selected as sample for audit scrutiny. It was observed that bills were accepted and paid without verification / inspection from Health Department which was mandatory. Details are at **Annexure-XXXII**.

Audit held that acceptance of medicines and medical equipment without mandatory inspection was violation of the terms agreed in the purchase orders.

Initial audit observation was issued on 31.07.2023. The management replied that inspection committee of the PESD has carried out the inspection andfound satisfactory in accordance with the condition No. 5 of the contract agreement.

The reply was not tenable as terms set forth in purchase orders were not adhered.

DAC meeting was held on17.11.2023. The forum directed that a fact-finding inquiry be conducted and report be shared with audit within 30 days.

Audit recommends implementation of the DAC decision.

(AIR Para No.15 of Punjab Emergency Service Department (Rescue-1122) FY 2022-23)

2.4.3 Irregular payment without open competitive bidding- Rs. 5.048 million

According to Rule 9 of Punjab Procurement Rules 2014, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned.

Further, according to Rule 12 of Punjab Procurement Rules 2014, a procuring agency shall advertise procurement of more than 0.2 million rupees and up to the limit of 3 million rupees on the website of the Authority in the manner and format specified by regulations but if deemed in public interest, the procuring agency may also advertise the procurement in at least one national daily newspaper.

Punjab Emergency Service Department (Rescue 1122 Hqs)incurred an expenditure amounting to Rs. 5.048 million on purchase of different items under various heads.

During audit of Rescue-1122 (Hqs) Punjab for the financial year 2022-23, it was observed that an amount of Rs.5.048 million was incurred against the supplies from various suppliers by way of splitting and without advertisement in violation of PPRA rules. Details are at **Annexure-XXXIII**.

Audit held that violation of procurement rules 2014 resulted in mis-procurement and deprived the government from competitive rates through open competition.

Initial audit observation was issued on 02.08.2023. The management replied that purchases were made on different dates as and when required.

Reply of the management was not acceptable because the expenditure was incurred by way of splitting through piecemeal without annual procurement planning.

DAC meeting was held on 17.11.2023. The forum directed the department that expenditure involved may be got regularized from Finance Department and internal controls be strengthened to avoid similar recurrence in future.

Audit recommends that expenditure involved may be regularized from Finance Department.

(AIR Para No.29 of Punjab Emergency Service Department (Rescue-1122) FY 2022-23)

2.4.4 Procurement of furniture items prior to construction of emergency rescue service station-Rs 3.176 million

According to rule 2.10(b)(5) of the Punjab Financial Rules Vol-1that no money is withdrawn from the treasury unless it is required for immediate disbursement.

Punjab Emergency Service Department (Rescue 1122 Hqs) procured furnitureamounting to Rs. 3.176 million from M/s Fine Wood Works during the financial year 2022-23for Establishment of Rescue Service stations under different (ADP) schemes.

During audit of Rescue 1122 (Hqs) Punjab for the financial year 2022-23, it was observed that furniture was issued to various emergency rescue service stations, whereas the construction work of these stations was still under progress.

Audit held that early procurement and issuance of furniture without completion of construction work of rescue service stations under different ADP schemesresulted in blockade of government money as well as deterioration of the purchased items.

Initial audit observation was issued on 02.08.2023. The management replied thatthe procurement process for furniture items was initiated as the construction work of most of the stations was completed or near to completion.

Reply of the management was not cogent as furniture was procured before completion of construction work of rescue buildings.

DAC meeting was held on17.11.2023. The forum directed to conduct a fact-finding inquiry to fix the responsibility on the person (s) at fault and report be shared with audit within 30 days.

Audit recommends implementation of the DAC decision.

(AIR Para No.20 of Punjab Emergency Service Department Rescue-1122 FY 2022-23)

HR / Internal Controls Weaknesses

2.4.5 Non-deduction of Income Tax from suppliers- Rs. 2.353 million

According to Section 153 (1) of Income Tax Ordinance 2001, every person making a payment in full or part including a payment by way of advance to a resident person shall at the time of making the payment deduct income tax from the gross amount payable at the rate specified in Division III of Part III of the First Schedule.

Punjab Emergency Service Department (Rescue 1122 Hqs) incurred an expenditure amounting to Rs. 15.526 million under various heads of accounts during the financial year 2022-23.

During audit of Rescue 1122 (Hqs) Punjab for the financial years 2022-23, it was observed that procurement of machinery, hardware and medicine was made from suppliers, however, income tax was not deducted. Details are at **Annexure XXXIV**.

Audit held that non-deduction of income tax from suppliers resulted in loss to the government revenues.

Initial audit observation was issued on 02.08.2023. The management replied that the goods supplied were imported in the name of vender and supplied in the same condition and taxes were deducted at the time of import. Further, some suppliers were manufacturer of drugs and FBR had issued exemption certificatesfor supply of own manufactured goods.

Reply of the management was not cogent as documentary evidence in support of replywas not provided.

DAC meeting was held on17.11.2023. The forumdirected that relevant record i.e. GDs forms / bill of entries etc. be provided to audit for verification within 15 days.

However, relevant record was not provided till finalization of this report.

Audit recommends implementation of the DAC decision.

(AIR Para No.23 of Punjab Emergency Service Department (Rescue-1122) FY 2022-23

2.4.6 Non-preparation of PC-V of the completed development schemes

According to Planning Commission Proforma revised in 2005, PC-V proforma is to be furnished by 31st July of each year for 5 years after completion of Project indicating Projects operational results during the last financial year.

PunjabEmergency Service Department (Rescue 1122 Hqs) have 02 completed projects on account of establishment of Rescue 1122 station since last 05 years.

During audit of Rescue 1122 (Hqs) Punjab for the financial year 2022-23it was observed thatPC-V of the completed projects as required under rules were not prepared as detailed below:

(Rs. in million)

Sr. No.	Name of schemes	Completion date as per PC-1	Actual date of completion	Cost
1	Strengthening of Emergency Service Academy, Lahore	January, 2018	June, 2020	460.663
2	Establishment of Rescue Office 1122 at Khudian district Kasur	June, 2019	April, 2019	20.613

Audit held that non-preparation of PC-V was violation of policy guidelines of the planning commission. Moreover, the extent of achievement of annual targets, planned and actual recurring cost, planned and actual manpower and planned & actual benefits to the economy etc. could not be ascertained without preparation of PC-V.

Initial audit observation was issued on 31.07.2023. The management replied that Department conducts annual operational monitoring of projects resultsafter implementation of emergency services projects through Provincial Monitoring Cell (PMC) established at Headquarters.

DAC meeting was held on17.11.2023. The forum directed to ensure compliance and outcome of the same be shared with audit authorities for verification.

Audit recommends that the PC-Vmay be prepared and furnished to Planning Commission as required.

(AIR Para No.13 of Punjab Emergency Service Department Rescue 1122 FY 202223)

2.4.7 Excess payment over and above the PC-I cost- Rs. 2.569 million

According to Sr. No. 3(III) of PC-I of strengthening of Emergency Services in all Districts of Punjab (ADP 2021-22, G-No.6885), UPS (1KVA) per unit cost was Rs. 22,000 and total cost of 330 units was Rs. 7,260,000.

Punjab Emergency Service Department (Rescue 1122 Hqs) issued a purchase order amounting to Rs. 9.829 million to M/s Paradigm Soft on 27.04.2022 for procurement of 330 units of (1 KVA) UPS for computers during the financial year 2022-23.

During audit of Rescue 1122 (Hqs) Punjab for the financial year 2022-23, it was observed that 330 UPS(1 KVA) were procured at the rate of Rs.29,786 per unit.Hence an amount of Rs. 2.569 million (330*7,786= 2,569,380) was expended beyond the provision of PC-1. Further, all UPS were not issued and still lying in the warehouse as construction work of ADP scheme for Strengthening of Emergency Services in all Districts of Punjab was still in progress.

Audit held that procurement made over and above the approved cost was the violation of PC-I and tantamount to undue favor to supplier.

Initial audit observation was issued on 02.08.2023. The management replied that the lowest offered price was competitive to market and economical. Moreover, the increase in offered price as compared to the price of PC-1 was only due to high inflation during 2022-2023.

Reply was not satisfactory as expenditure was incurred beyond the provision of PC-1. Further, procurement was made without need assessment which resulted in blockage of government funds.

DAC meeting was held on 17.11.2023. The forum directed the department to revise the PC-I and share with audit authorities.

Audit recommends implementation of the DAC decision.

(AIR Para No.18 of Punjab Emergency Service Department (Rescue 1122) FY 2022-23)

2.4.8 Non-auction of unserviceable stock resulting in wastage of government money

According to Rule (15) of Punjab Emergency Service Financial Rules 2007, the Service shall have condemnation committee for recommending the condemnation of an equipment, vehicles or stores in use of the service, on periodical basis for timely replacement and disposal of discarded stores through auction.

Further, according to Rule 13(3) of Punjab Emergency Service Financial Rules 2007, the Service may handover a vehicle which is being replaced to Government hospital for less robust use or may dispose it of in accordance with the instruction of the Government.

Punjab Emergency Service Department (Rescue 1122 Hqs) held 1,101 unserviceable items / stock and 29 vehicles during the financial year 2022-23.

During audit of Rescue 1122 (Hqs) for the financial years 2022-23 it was observed that the condemnation committee recommended vehicles for auction on 15.03.2023. However, unserviceable vehicles and other store items were not auctioned.

Audit held that non-auction of the condemned ambulances and other store items resulted in loss to the government as well as further deterioration and depreciationof the unserviceable items and vehicles.

Initial audit observation was issued on 31.07.2023. The management replied that auction process for 72 vehicles was successfully accomplished on 15.03.2023 in which 29 vehicles did not fetch any bid higher than the reserve price determined by Motor Vehicle Examiner. A new auction process is under way after re-evaluation of reserve prices of these 29 vehicles from Motor Vehicle Examiner.

DAC meeting was held on17.11.2023. The forumdirected to auction the unserviceable stock at the earliest.

Audit recommends implementation of the DAC decision.

(AIR Para No.12 of Punjab Emergency Service Department Rescue-1122 FY 2022-23)

2.4.9 Non-conducting of quarterly inspections

According toRule 14(4) of Punjab Emergency Service Financial Rules, 2007, the officer in-charge of the stores shall carry out a quarterly inspection to verify the quantity and conditions of vehicles, equipments and stores maintained by at each district or wing of the Service. The officer shall submit the report of inspection to the Director General.

Punjab Emergency Service Department (Rescue 1122 Hqs) procured176,131 items of medical equipments, stationery and other stores amounting toRs. 178.549 million during financial year 2022-23. Details are attached at **Annexure-XXXV.**

During audit of Rescue-1122 (Hqs)Punjab for the financial year 2022-23, it was observed that quarterly inspection was not carried out to verify thequantity and conditions of equipment and stores maintained by each district and wing of the Service.

Audit held that withoutquarterly inspection of stock and stores, the quantity and quality of items could not be verified. Further, the chance of theft could not be ruled out.

Initial audit observation was issued on 02.08.2023. The management replied thatmost of these items were received in May and June 2023 and issued to Districts / field offices of PESDafter inspection. The physical verification of these items shall be conducted in coming months for financial year 2023-24 and the report will be shared with audit.

DAC meeting was held on17.11.2023. The forum directed the department to constitute a committee to probe the matter and results be shared with audit authorities.

Audit recommends implementation of the DAC decision.

(AIR Para No.09 of Punjab Emergency Service Department Rescue-1122 FY 2022-23)

Public Service Delivery / Performance

2.4.10 Non-convening of meetings of Punjab Emergency Rescue Council (Rescue-1122)in accordance with the Act

According to clause (6) of Punjab Emergency Rescue Service Act, 2006 notified on 19th June, 2006, there shall be Council of the Rescue-1122 Punjab headed by Chairman (Chief Minister of Punjab) and the Council shall meet at least once within three (03) months to lay down the policy and issue directions for efficient, effective and expeditious actions in dealing with emergencies etc.

Punjab Emergency Service Department (Rescue-1122Hqs) was required to convene meetings of Punjab Emergency Rescue Council as required under the Act.

During audit of Rescue-1122 (Hqs) Punjab for the financial year 2022-23, it was observed that the Punjab Emergency Rescue Council meetings were not convened during the year.Further, it was also observed that since promulgation ofthe Punjab Emergency Rescue Service Act, 2006, only seven (07) meetings of Council were held which were far below the required minimum Sixty-eight (68) meetings.

Audit heldthat non-convening of Council meetings was violation of the Act resulting into lack of strategic direction for the organization.

Initial audit observation was issued on 31.07.2023 and 02.08.2023 for response of the management. The management replied that so far, 07 meetings of the Council had been convened and the last meeting was held on 03.03.2022. Further, Summary for the Chief Minister/ Chairman Punjab Emergency Council for convening the 8th Council meeting was initiated by the Secretary PESD on 29.12.2022 which is still not convened.

DAC meeting was held on17.11.2023. The management apprised the forum that Summary for the Chief Minister/ Chairman of Punjab Emergency Council was initiated on dated 29.12.2022 and 03.01.2023 during financial year 2022-23. However, the Provincial Assembly was dissolved on 14.01.2023 therefore Council meeting could not be convened. The forum directedto stand the para till convening of Council meeting in accordance with Act.

Audit recommends that meetings of the Rescue 1122 Council may be convened for prescribing policies and providing strategic directionsfor efficient, effective and expeditious actions in dealing with emergencies in the province.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 1.4.1. Recurrence of same issue / irregularity is a matter of serious concern.

. (AIR Para No.03 of Punjab Emergency Service Department Rescue-1122 FY 2022-23)

Chapter-3

Environmental Protection Agency, Punjab

3.1 Introduction

A. Environmental Pollution Control Organization (EPCO) was created in the year 1975 as a nucleus organization in the Public Health Engineering Department (PHED), Punjab to ensure control, reduction and elimination of pollution in Punjab. EPCO focused on some areas of the environment but detailed work and follow up was not possible due to its limited scope.

On December 31, 1983, under the Pakistan Environmental Protection Ordinance, a provision was made for the establishment of Provincial Environmental Protection Agency. In 1985, the Federal Government was requested to delegate powers of the Agency to the Housing Physical and Environmental Planning (HP&EP) Department. On July 1, 1987, Environmental Protection Agency (EPA), Punjab was formed. Punjab was the first province where an EPA was created in the best interest of citizens. The staff of the existing Directorate of EPCO was transferred to EPA, Punjab.

On December 31, 1996, a separate administrative unit, Environment Protection Department (EPD) was formed under the Government of the Punjab. EPA Punjab was then detached from the HP&EP Department and now works as functional unit under the EPD, Punjab.

After 18th Amendment in the Constitution of Islamic Republic of Pakistan 1973, the subject of Environment was devolved to the provinces. Punjab province enacted the Punjab Environmental Protection Act, 1997 and framed rules and regulations for carrying out the purposes of the Act. Presently, the Environmental Protection Agency Punjab is an attached department working under administrative control of Environment Protection Department.

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

(Rs. in million)

Financial Year	Budget	Expenditure	Savings
2022-23	870.023	624.912	245.111
Source: budget and expenditure statements			

C. **Sectoral Analysis**

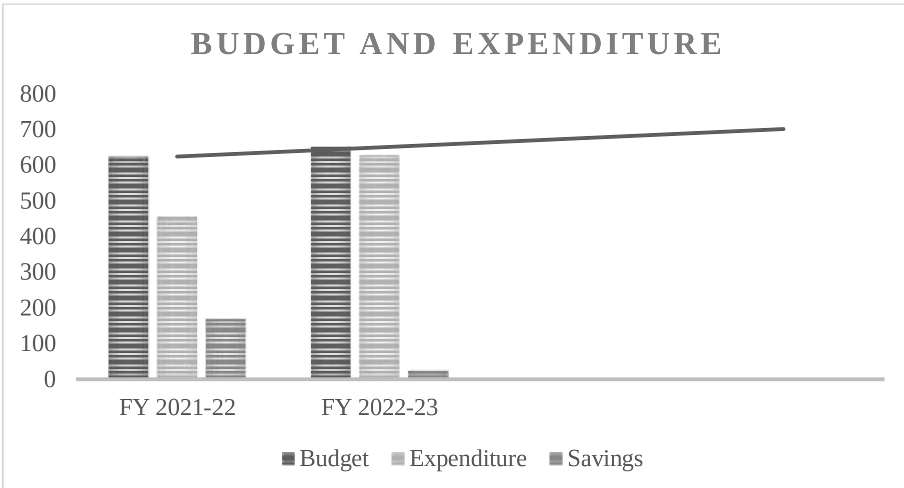
The detail of the total budget and expenditure of Environment Protection Department for current year and previous year is tabulated below:

(Rs. in million)

Source: budget and expenditure statements

Financial Year	Budget	Expenditure	Savings
2021-22	624.941	455.638	169.303
2022-23	870.023	624.912	245.111

Graphical representation of budget utilization and unspent balances is reflected in chart as under:



Strategic Interventions by the Agency:

- Implementation of interventions under World Bank funded Punjab Green Development Programme (PGDP)
- Enhanced environmental quality monitoring systems for Punjab Air, Surface and Ground water resources by establishing air and water quality monitoring station in Punjab.
- Restructuring and capacity building of Environment Protection Department (EPD) to effectively enforce the regulatory framework and environment protection.
- Establishment of Environmental laboratories at DG Khan and Bahawalpur to strengthen the environmental monitoring in south Punjab.
- Establishment of Environmental Endowment Fund/Provincial Sustainable Development Fund (PSDF) for promoting green investments in the province, which is also reflected as Environmental Endowment Fund (EEF) under PGDP.

Based on the findings of this report and previous audit reports, it appears that Punjab Environmental Protection Agency has not been able to fully achieve its objectives as were conceived since inception and effective environmental protection in the province remains an issue.

EPA Punjab is required to take concrete steps and improve its monitoring mechanism and strengthen the existing enforcement regime. Further, lack of coordination between EPA (Hqs) and District offices has also led to increased cases of non-compliance of environmental laws. EPA is required to put in place a proper coordination/mechanism between the Headquarters and the regional offices for smooth functioning and implementation of EPA Act and Regulations in letter and spirit for the betterment of the environment in the province.

2.3.4.2 Table-I Audit Profile of Environment Protection Department Punjab

(Rs. in million)

Sr. No.	**Description**	**Total Nos**	**Audited**	**Expenditure audited FY 2021-22**
1.	Formations	47 (EPA and its regional offices)	02 including main EPA)	624.912
2.	Assignment Accounts (excluding FAP)	-	-	-
3.	Authorities/Autonomous Bodies/ companies etc. under the PAO	-	-	-
4.	Foreign Aided Project (FAP)	01	01	2,746.880

3.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.476.368million have been raised in this report pertaining to Environmental Protection Agency (EPA) Punjab. 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.	**Financial Management**	**466.563**
2.	**Irregularities**	**9.805**
A	Procurement	9.805
B	Internal Controls Weaknesses	0

3.3 Brief Comments on the Status of Compliance with PAC Directives

The Directorate General Audit (CC&E) started auditing and reportingEnvironmental Protection Department and EPA Punjab since financial year 2016-17. No Audit Report has been discussed in PAC meeting so far.

3.4 AUDIT PARAS

Financial Management

3.4.1 Unauthorized transfer of funds from Assignment Account to commercial bank and non-surrender of unspent balances- Rs. 464.366 million

According to Assignment Account Procedure circulated vide Controller General of Accounts letter No. 136/CGA/A.A./Rp-2018(LC) dated 26.10.2020, cash withdrawal or transfer of funds to any bank is not allowed. The PAO shall submit a certificate to the Finance Department on half yearly basis that public money is not transferred from Assignment Account to any other bank account.

Further, according to Para 14.3 of Punjab Budget Manual, all savings or unspent funds shall be surrendered / reported to Govt. through statement of excesses and surrenders, so that balances may be transferred / distributed to other needy departments of the Government to avoid the lapse of appropriations.

Punjab Small Industries Corporation (PSIC) an implementing agency of Punjab Green Development Programme (PGDP) under Environment Protection Departmentmaintained ASAAN Assignment Account No. 1173856153" in the name of Managing Director Punjab Small Industries Corporation.The Finance Department had released an amount ofRs. 464.336 million under two development schemesduring the financial year 2022-23.

During audit of Program Delivery Unit of PSIC(under FAP audit of PGDP)for the financial year 2022-23, it was observed that the department unauthorizedly transferredfunds amounting to Rs. 464.336 million from Assignment Account to Bank of Punjab (BOP) in violation of the notified procedure.

It was further observed that an expenditure of Rs. 34.364million was incurred up to June, 2023 and balance amount of Rs. 429.972 million was not surrendered and remained parked in the commercial Bank. Details are at **Annexure-XXXVI.**

Audit held that transfer of fundsfrom assignment account to commercial account,besides, non-surrendering of unspent funds was violation of rules.

The audit observation was issued on 07.11.2023. The management replied that PSIC opened commercial Bank account of both schemes in Bank of Punjab with the approval of Finance Department. However, PSIC would ensure approval from Finance Department for advance withdrawal of funds.Further, gestation period of the scheme was going tobe expired in June, 2023; therefore,funds were transferred into commercial bank account of the scheme.

The reply of the management was not acceptable as the entity was not authorized to transfer funds from Assignment account to commercial bank and retain unspent balances at the year end.

DAC meeting was held on 10.01.2024. The forum directed that management to take up the matter with Finance Department, Punjab for opinion and regularization.

Audit recommends that the management may retrieve the funds from Bank of Punjab and return to the Finance Department.

(Para 4.3.1, 4.3.2 of PGDP- PSIC FY 2022-23)

3.4.2 Expenditure incurred without budgetary allocation- Rs. 2.197 million

According to Para 4.5.4.4 of Accounting Policies and Procedures Manual, the approving officer shall ensure that the account to which the voucher is to be charged is correct and is shown on the face of each voucher.

Environment Protection Agency (EPA), Punjab incurred an expenditure amounting toRs. 2.197 million on different activities including repair of machinery and hardware, purchase of office stationery and other miscellaneous items during the financial years 2021-23.

During audit of EPA Punjab for the financial years 2021-23, it was observed as under:

i. Procurement of computer hardware, furniture & fixture was made under the head of other miscellaneous A03970 instead of relevant head of account.
ii. Expenditure on repair of hardware was made from repair of machinery.
iii. Purchase of furniture & fixture was made from cost of other store. (A03955)
iv. Purchase of machinery was made under the head of stationary (A03901) instead of relevant head of accounts.i,e. A09601.

Audit held thatexpenditure was incurred under wrong heads of accounts due to non-availability of budget in actual heads which resulted in misclassification and expenditure without budgetary allocations.

Initial Audit observation was issued on 18.08.2023. The management replied that expenditure was made under proper heads.

The reply was not satisfactory as expenditure was incurred without budgetary provision in the relevant and specified heads.

DAC meeting was held on17.11.2023. The forum directedto regularize the case from Finance Department, Punjab.

Audit recommends implementation of the DAC decision.

(AIR Para No.20 of AIR EPA,DD Lab & DG Env Lahore FY 2021-23)

<u>Procurement</u>

3.4.3 Irregular procurement through splitting of expenditure- Rs. 9.805 million

According to Rule 9 of Punjab Procurement Rules 2014, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned.

Further, according to Rule 12 of Punjab Procurement Rules 2014, a procuring agency shall advertise procurement of more than 0.2 million rupees and up to the limit of 3 million rupees on the website of the Authority in the manner and format specified by regulations but if deemed in public interest, the procuring agency may also advertise the procurement in at least one national daily newspaper.

Environment Protection Agency (EPA), Punjab incurred an expenditure amounting toRs. 9.805 million on purchase of different types of items under various heads of accounts during the financial years 2021-23

During audit of EPA, Punjab for the financial years 2021-23, it was observed that the expenditure was incurred against the supplies from various suppliers by way of splitting of expenditure and without advertisement and open competition in violation of PPRA rules.Details are at**Annexure-XXXVII.**

Audit held that violation of procurement rules 2014 resulted in mis-procurement and deprived the government from competitive rates through open competition.

Initial Audit observation was issued on 18.08.2023. The management replied that procurements were made on need basis and as per available budget.

DAC meeting was held on 17.11.2023. The forum directed that the expenditure involved should be regularized from competent forum. Further, EPA should strengthen internal controls to avoid similar recurrence in future.

Audit recommends implementation of the DAC decision.

(AIR Para No.21 of AIR EPA, DD Lab & DG Env Lahore FY 2021-23)

<u>HR / Internal Controls Weaknesses</u>

3.4.4 Inordinate delay in granting of Environmental approvals by EPA (IEE and EIA)

According to Section 12(4) of Punjab Environmental Protection Act 1997, the Provincial Agency shall communicate approval or otherwise within a period of four months from the date of the initial environmental examination or environmental impact assessment is filed complete in all respects in accordance with the prescribed procedure, failing which the initial environmental examination or, as the case may be, the environmental impact assessment shall be deemed approved, to the extent to which it does not contravene the provisions of this Act and the rules and regulations made thereunder.

Environmental Protection Agency Punjab (Hqs) approved 199 cases of EIAs and District Environmental Office Lahore approved 66 cases of cases of IEEs during the financial year 2021-23.

During audit of Environment Protection Agency (Hqs) and District Environment Office Lahore for the financial years 2021-23, a sample of 20 approved cases of EIAs and 12 approved cases of IEEs wereselected on a test check basis. It was observed that approval of 18 out of 20 cases of EIAs and 08 out of 12 cases of IEEswas abnormally delayed and approvals were not issued within the required due dates. Details are at **Annexure-XXXVIII**.

Audit held that delayed processing and non-issuance of approvals within the specified time was a violation of Punjab Environmental Protection Act 1997 resulting into operation of activities in the absence of necessary environmental approval.

Initial Audit observation was issued on 18.08.2023. The management replied that delay was occurred due to non-submission of essential documentation by the proponents.

DAC meeting was held on17.11.2023. The forumdirectedthat EPA Punjab should devise a strategy keeping in view the available resources to fast track the processing of environmental approvals and their issuance within the specified period in the act.

Audit recommends implementation of the DAC decision.

(AIR Para No.07 of AIR EPA,DD Lab & DG Env Lahore FY 2021-23)

3.4.5 Non-monitoring of essential conditions stipulated in the environmental approvals granted by EPA

According to environmental approvals issued to 5 different proponents, there were certain conditions to be fulfilled during operational phase of the projects.

Environmental Protection Agency, Punjab issued conditional environmental approval to 5 different proponents for the applied projects.

During audit of EPA Punjab for the financial years 2021-23, it was observed that EPA Punjab had not monitored the compliance of the conditions of environmental approvals and proponents failed to comply with the conditions. Details are at **Annexure-XXXIX.**

Audit held that non-monitoring by EPA resulted in violation of conditions of environmental approval having serious implications for environment in the province.

Initial Audit observation was issued on 18.08.2023. The management replied thatstatus of implementation of environmental approval’s conditionswill be monitored.

DAC meeting was held on17.11.2023.The forumdirected that necessary steps should be taken for monitoring of the conditions set forth while issuance of approvals.

Audit recommends implementation of the DAC decision.

(AIR Para No.03, 04, 05 of AIR EPA,DD Lab & DG Env Lahore FY 2021-23)

3.4.6 Non-conducting of site inspection visits and delay in visits of ongoing projects

According to Regulation 17(1) of Punjab Environmental Protection Agency Review of Initial Environmental Examination and Environmental Impact Assessment Regulations 2022, for the purpose of verification of any matter relating to review or to conditions of approval of an initial environmental examination or environmental impact assessment prior to, during, or after the commencement of construction or operation of a project, duly authorized staff of the agency shall be entitled to enter and inspect a project site, factory building and plant and equipment installed therein.

Environmental Protection Agency Punjab had registered 878 cases of EIAs and 1,155 cases of IEEs during the financial years 2021-23.

During audit of EPA Punjab and District Environment Office Lahore for the financial years 2021-23, a sample of 45 under process and approved cases was taken and it was observed that EPA had not carried out site inspections in 20 cases. Further, in all approved cases of IEEs and EIAs, the site inspection was made after lapse of a considerable time.

Audit held that non-conducting of site inspection of under process cases and inordinate delays insite inspection of approved cases was violation of the regulations resulting in unchecked activities by the proponents.

Initial Audit observation was issued on 18.08.2023. The management replied that site inspection will be expedited in due course of time.

DAC meeting was held on17.11.2023. The forum directed that site inspection / visits should be made according to time frame.

Audit recommends implementation of the DAC decision.

(AIR Para No.12 of AIR EPA,DD Lab & DG Env Lahore FY 2021-23)

3.4.7 Inaction by EPA against the liquid waste and air polluters in the province

According to Section 11 of Punjab Environmental Protection Act 1997, certain discharges or Emissions / effluents or waste/pollutants are prohibited which are in excess of Punjab Environmental Quality Standards. Those contravenes or fails to comply with the provision may be levied a pollution charge.

Environment Protection Agency, Punjab received 633 Lab test cases of liquid wasteand air pollution during financial years 2021-2023. As per lab reports, 122 cases were declared as unfit and were referred to P&C Section of EPA for further necessary action against violators.

During audit of EPA Punjab (Deputy Director Environment Lab), Lahore for the financial years 2021-23, it was observed that 73 unfit cases of liquid waste and 49 unfit cases of air pollution were referred to P&C Section of EPA, however, after lapse of considerable time neither any action was taken nor any fine was imposed on the polluters. Details are at **Annexure-XL**.

Audit held that non-imposition of penalty was unjustified and violation of EPA Act, 1997.

Initial Audit observation was issued on 18.08.2023. The management replied that cases are in process for initiating actions against the violators as per law.

DAC meeting was held on 17.11.2023. The forum directed that management should take action against polluters and results be shared with Audit authorities.

Audit recommends implementation ofthe DAC decision.

(AIR Para No.17 of AIR EPA,DD Lab & DG Env Lahore FY 2021-23)

3.4.8 Non-finalization of preliminary scrutiny of EIAs & IEEs cases within specified time period

According to Regulation 8(1) of Punjab Environmental Protection Agency Review of Initial Environmental Examination and Environmental Impact Assessment Regulations 2022, the Agency within 10 working days of filing of Initial Environmental Examination and Environmental Impact Assessment, shall:

a) Confirm that the initial environmental examination or environmental impact assessment is complete for the purposes of initiation of the review process; or

b) Require the proponent to submit such additional information as may be required; or

c) Return the initial environmental examination or environmental impact assessment to the proponent clearly listing the contents requiring further study and discussion.

Further, according to Rule 8(2) of Punjab Environmental Protection Agency Review of Initial Environmental Examination and Environmental Impact Assessment Regulations 2022, in case the proponent fails to submit the required documents or conduct further study or discussion after three notices served to him by the agency, with a gap not less than seven days, his application shall be closed and he shall be required to submit a fresh application for approval.

Environmental Protection Agency, Punjab had 816 under process cases of IEEs out of which 153 cases pertained to District Environment office Lahore. Similarly, there were 663 under process cases for EIAs during the financial year 2021-23.In order to review the cases, Audit picked up a sample of 33 cases of EIAs and IEEs. Details are at **Annexure-XLI.**

During audit of EPA Punjab and District Office Lahore for the financial years 2021-23, it was observed that preliminary scrutiny was not made within 10 days. In 11 cases, EPA had not issued first notice and in remaining 22 cases subsequent notices for submission of missing documents. Further, EPA Punjab had not taken any action against the proponent for non-submission of required documents.

Audit held that inordinate delay in preliminary scrutiny and non-submission of required documents by the proponents was the violation of the Regulations.

Initial Audit observation was issued on 18.08.2023. The management replied that proponents failed to submit the complete required documentations.

The reply was not satisfactory as EPA had not served the notices in time for submission of required information by the proponents.

DAC meeting was held on17.11.2023. The forum directed that Management should take corrective measures to comply with the timeline given in the Regulations.

Audit recommends implementation of the DAC decision.

(AIR Para No.11 of AIR EPA,DD Lab & DG Env Lahore FY 2021-23)

3.4.9 Non-formulation of rules/regulations for projects/units established before promulgation of the EPA Act

According to Section 12(1) of Punjab Environmental Protection Act 1997, no proponent of a project shall commence construction or operation unless he has filed with the agency an initial environmental examination or, where the project is likely to cause an adverse environmental effect, an environmental impact assessment, and has obtained approval in respect thereof.

Environment Protection Agency, Punjab was established in 1987 for protection, rehabilitation and improvement of the environment as well as prevention and control of pollution and promotion of sustainable development.

During audit of EPA Punjab forthe financial year 2021-23, it was observed that obtaining environmental approval was mandatory for the units established after promulgation of the Act. However, no provision existed in the Act for the units which were established before 1997 for filing of IEE/EIA/Checklist and obtaining environmental approval.

Audit held that no rules/regulation were framed to govern the units which were established and operationalized before promulgation of the Act of 1997.

Initial Audit observation was issued on 18.08.2023. The managementreplied that matter will be taken up and discussed at appropriate level.

DAC meeting was held on17.11.2023. The forum directed to take up matter with Law Department for guidance.

Audit recommends implementation of the DAC decision.

(AIR Para No.13 of AIR EPA,DD Lab & DG Env Lahore FY 2021-23)

3.4.10 Non-registration of environmental consultants leading to unauthentic environmental approvals

According to Regulation (3) of Punjab Environmental Protection (Registration of Environmental Consultants) Regulations, 2017, from such dateas may be notified by the Government in official gazettewhich shall not be later than one calendar, the agency shall not accept an environmental assessment under Section 12 of the Act, unless it is prepared by a consultant validly register with the Agency under regulation 7.

Further, according to Regulation 14 of Punjab Environmental Protection (Registration of Environmental Consultants) Regulations, 2017, the Secretary shall with the approval of the Minister, through a notification in the official gazette, prescribe guideline to define detailed procedure for registration of consultants, applicable fee, renewal of registration, certificate of practice, accreditation of individual consultants and professionals engaged by consulting firms, their work under the regulations and ancillary matters.

Environmental Protection Agency, Punjab registered 1,115 cases of IEEs and 878 cases of EIAs for issuance of environmental approvalsduring financial year 2021-23. The proponents submitted these cases through different environmental consultants.

During audit of EPA Punjab for the financial years 2021-23, it was observed that guidelines/ mechanism to define detailed procedure for registration of consultants were not formulated even afterlapse of considerable time of more than 6 years. Hence, not a single environmental consultant was registered with EPA.

Audit held that non-framing of guidelines and non-registration of environmental consultants was against the regulations which may led to preparation of IEEs and EIAs cases by non-professionals resulting in unauthentic environmental approvals by the EPA.

Initial Audit observation was issued on 18.08.2023. The management replied that guidelines will be prepared in due course of time.

The reply was not acceptable as non-preparation of guidelines and non-registration of consultants was pending since long.

DAC meeting was held on17.11.2023. The forumdirectedthat Environmental Consultants should be registered in order to define a standardized criterion.

Audit recommends that guidelines may be formulated and environmental consultants be registered in order to define a standardized criterion.

(AIR Para No.01 of AIR EPA,DD Lab & DG Env Lahore FY 2021-23)

Chapter-4

Impact Audit

Impact Audit of 'Motorbike Ambulance Service (MAS) Initiative in Rawalpindi District'

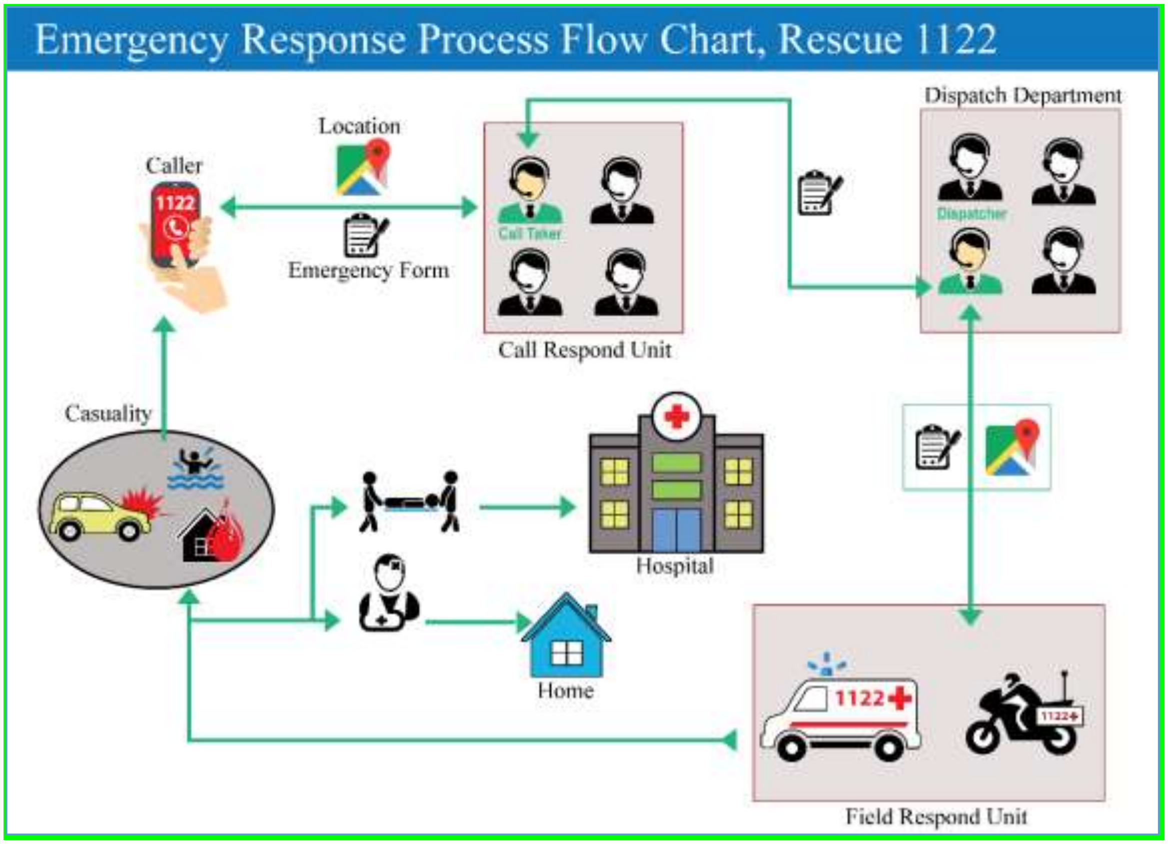
1. Introduction:

Impact audits are aimed at determining impact of initiatives or programs. Specifically, impact audit focuses on determining the outcome results attributable to an initiative, defined as a new program or recent change to an existing program. It answers cause and effect questions about the outcome results auditable to an initiative by separating other contributing factors or variables, and what is the adequacy of the results. The Directorate General Audit (Climate Change and Environment) had planned the impact audit of Motorbike Ambulance Service (MAS) initiative in Rawalpindi District in the Audit Plan 2023-24 of the Field Audit office (FAO).

Background

Prior to 2004, Pakistan did not have an organized Emergency Rescue System. Given the dire need for a professional and responsive emergency response system, Rescue 1122 was launched in the District of Lahore, Punjab in 2004. Subsequently the Service was extended to all districts and tehsils of Punjab Province. Over the past few years, it has achieved an average response time of seven minutes to the emergency call, comparable to that of developed nations. After the success of the Lahore Pilot Project launched in 2004, Rescue 1122 started expanding to the remaining Districts of Punjab and other provinces of Pakistan. Till 2017, the rescue service was provided through the conventional ambulance service and as per the data of the department, Punjab Emergency Service Department (Rescue 1122) had rescued over 12 million victims of accidents and disasters by providing timely response and professional emergency services[1]. The Emergency Response Flow Chart of Rescue 1122 is as under:

[1] Website "https://www.rescue.gov.pk/", accessed on 26.05.2023.



Over the time, traffic congestion and number of traffic accidents in major cities of Punjab necessitated the Service to review the best practices being followed by other major cities of the World to improve the emergency response in narrow streets and congested areas as timely response to emergencies so as to significantly improve survival rate amongst injured and medical patients. This led to introduction of new initiative in shape of launching the Motorbike Ambulance Service (MAS) in 2017.

Role of the Project

Motorbike Ambulance Service (MAS) is an innovative and effective way to provide emergency medical care to the patients in need. In areas where traffic congestion is a major problem or in situations where traditional ambulances cannot access, motorbike ambulances are a great solution. They are small, agile, and can easily navigate through congested areas and reach the destination quickly. In addition to their practicality and efficiency, motorbike ambulance services are also cost-effective. They are less expensive to operate and maintain as compared to traditional ambulances, which is cost effective for organizations with limited budget and resources. Following socio-economic benefits of the Motorbike Ambulance Service were conceived at the time of introduction of the initiative:

a) Reduction of average emergency response time.
b) Saving of resources in shape of saved use of conventional Ambulances.
c) Increased survival rate of victims due to swift response and timely access to narrow streets/ congested areas
d) Equipped to allow onsite Emergency Management
e) Robustness, versatility and simple maintenance

2. Overview of the Initiative:

The MAS (Phase-I) was initiated in 2017 in Punjab from non-development component of budget through SNE (Statement of New Expenditure). The phase-II of the initiative was executed in August 2020 through a PC-I titled "Motorbike Ambulance Service for Remaining 27 Districts of Punjab". During Phase-I, the Motorbike Ambulance Service (MAS) was started in all nine Divisional Headquarters of Punjab.

The deliverable of the project included to provide swift response to emergencies, ensure optimal utilization of resources in case of minor emergencies and to create a sense of safety amongst the citizen.

MAS was conceived with the following main objectives:

i) Provide swift response to accidents and emergencies and reduce response time during the peak rush hours and in narrow streets and congested areas.

ii) Ensure optimal utilization of resources in case of handling of minor emergencies by conventional ambulances.

iii) Create a sense of safety amongst citizens by ensuring swift and timely response in case of medical emergencies.

3. Scope & Methodology

Scope

The scope of the impact audit assignment extended to examining the impact of MAS initiative in Rawalpindi district (District Emergency Office, Rawalpindi). The impact audit covered the period one year before the initiative i.e. 2017 and period after the initiative i.e. 2019 to determine the impact of the intervention.

Impact audit focused on examining MAS in the following ways:

i) Analyzing reduction in response time upon introduction of initiative and consequent impact on service delivery.

ii) Analyzing the economy achieved in provision of emergency services after the initiative.

iii) Assessing the rate of increase/decrease in number of emergencies dealt after introduction of MAS.

iv) Analyzing the impact on service delivery and safety resulting from MAS initiative by citizen feedback through structured questionnaires.

Methodology

The data was gathered by applying procedures like inquiries from the management; document review; analysis of monitoring reports; citizen feedback and collection, interpretation and analysis of primary and secondary data. In order to verify and quantify the impact of MAS initiative following methodology was adopted to see it with condition and without condition.

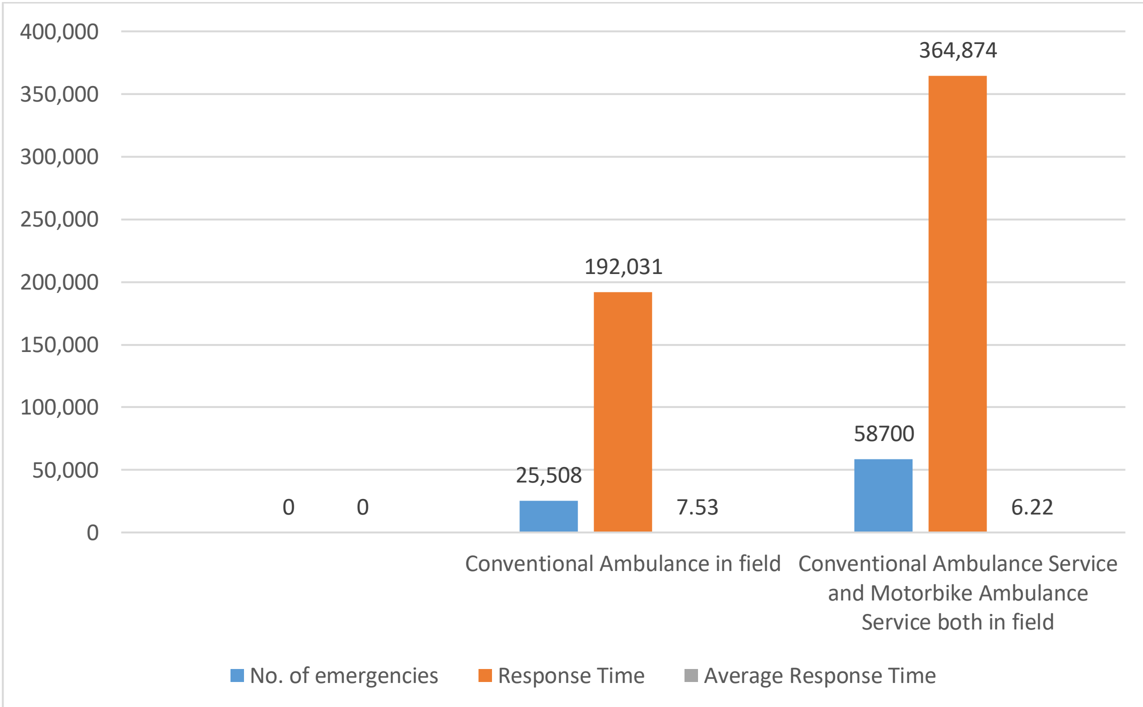
Sr. No.	Aspect	Without Condition	With Condition
1.	Reduction in response time and consequent impact on service delivery.	Response time of 7 to 9 minutes before the initiative i.e. prior to 2017.	Reduction in response time after the initiative i.e. 2019.
2.	Economy achieved in provision of emergency services after the initiative.	Average running cost of ambulance before initiative year i.e. 2017.	Average running cost of MAS after initiative year i.e. 2019.
3.	Expansion in scope/nature of emergency services after MAS.	Scope/nature of emergencies dealt one year before initiative year i.e. 2017.	Scope/nature of emergencies dealt one year after initiative year i.e. 2019.
4.	Overall impact on service delivery and safety resulting from MAS initiative.		Feedback of citizens about service delivery and safety (Year 2022).

4. Findings

4.1 Reduction in response time and consequent impact on service delivery:

Year	**Condition**	**Ambulance Type**	**No. of emergencies (entries)**	**Response Time (in minutes)**	**Average Response Time (in minutes)**
2017	Motorbike Ambulance Service not in place	Conventional Ambulance in field	25,508	192,031	7.53
2019	Motorbike Ambulance Service in place	Conventional Ambulance Service and Motorbike Ambulance Service both in field	27,864 + 30,836 = 58,700	364,874	6.22
Average response time of Conventional Ambulance Service during year 2019 was 7.40 (206,206 / 27,864)					
Average response time of Motorbike Ambulance Service during year 2019 was 5.15 (158,668 / 30,836)					

The graphical representation of data is as under:

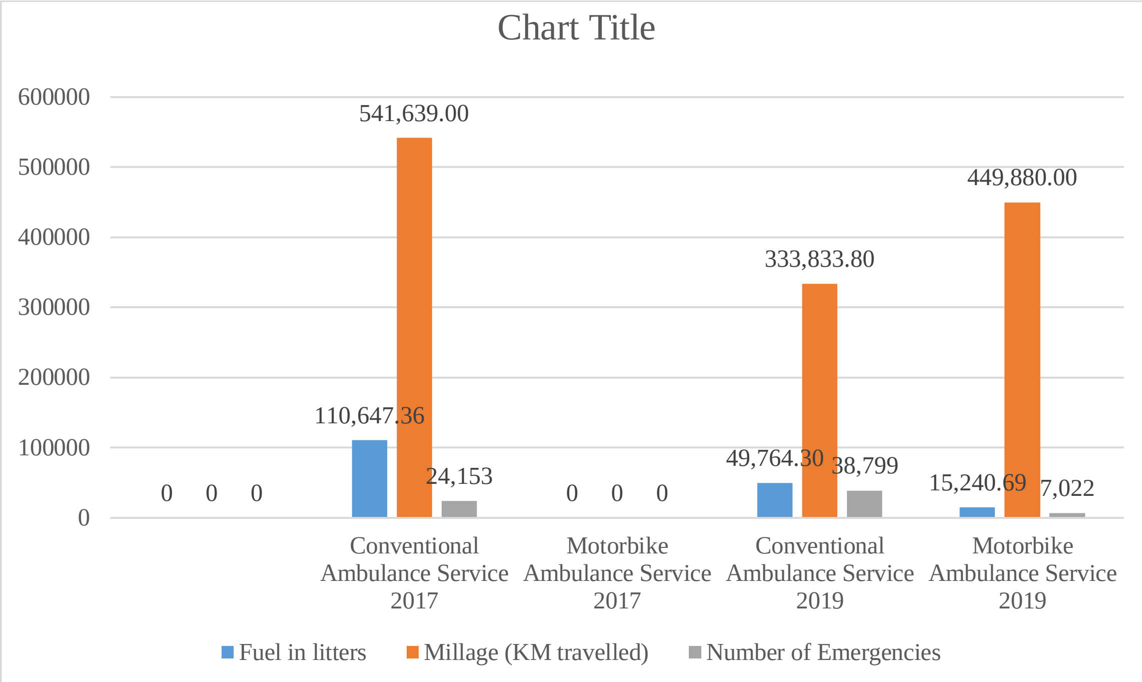


- **Condition with:** Tests / analysis showed 6.22 average response time in year 2019 after the introduction of the initiative.
- **Condition without:** Response time of Conventional Ambulance Services was 7.53 during 2017 i.e. before the initiative.
- **Impact:** The average response time was reduced in year 2019 by 1.31 minutes after the introduction of Motorbike Ambulance Service. Moreover, average response time of Conventional Ambulance Services during year 2019 was 7.40 minutes, while average response time of Motorbike Ambulance Services during year 2019 was 5.15 minutes.

4.2 Economy achieved in provision of emergency services after the initiative:

Service	Year	Fuel consumed (liters)	Millage (KMs)	Number of Emergencies
Conventional Ambulance Service	2017	110,647	541,639	24,153
Motorbike Ambulance Service	2017	Not in place		
Total		**110,647**	**541,639**	**24,153**
Conventional Ambulance Service	2019	49,764	333,834	38,799
Motorbike Ambulance Service	2019	15,241	449,880	7,022
Total		**65,005**	**783,714**	**45,821**
Reduction in fuel consumption in 2019 as compared to 2017		45,642 liters (110,647-65,005)		
Increase in millage (KM travelled) in 2019 as compared to 2017		242,075 KMs (783,714-541,639)		
Increase in number of emergencies dealt in 2019 as compared to 2017		21,668 emergencies (45,821-24,153)		
Share of Motorbike Ambulance Service	2019	23% (15,241/65,005)	57% (449,880/783,714)	15% (7,022/45,821)
Share of Conventional Ambulance Service	2019	77% (49,764/65,005)	43% (333,834/783,714)	85% (38,799/45,821)

Graphical representation of the data is as under:



- **Condition with:**Tests / analysis showed that 65,005liters of fuel was consumed, 783,714KM travelled and 45,821 number of emergencies were dealt in year 2019 after the introduction of the initiative.
- **Condition without:**During year 2017, conventional ambulances consumed 110,647 liters of fuel and travelled 541,639 KM. Further in year 2017 conventional ambulances dealt 24,153 number of emergencies.
- **Impact:**Results showedthat with introduction of Motorbike Ambulance Service in year 2019, Rescue Emergency Service 1122 Rawalpindi, not only achieved economy in fuel but also registered significant improvement in efficiency and effectiveness as compared to base year i.e. 2017 as under:

i. 41% less fuel was consumed
ii. 45% more millage covered / travelled.
iii. 89.71% increase in number of emergencies dealt in provision of emergency services.

4.3 Expansion in scope/nature of emergency services after Motorbike Ambulance Service:

Service	Year	Nature of Emergencies											
		Bomb / Blast	**Building Collapses**	**Crime**	**Cylinder Blast /**	**Drownin**	**Fall from**	**Fire**	**Train Accident**	**Medical**	**Misc.**	**RTA**	**Total**
Conventional Ambulance Service	2017	16	6	760	1	16	-	898	-	12,085	1,855	8,516	**24,153**
Motorbike Ambulance Service	2017	-	-	-	-	-	-	-	-	-	-	-	-
Conventional Ambulance Service	2019	25	19	1,093	-	31	1,446	1,206	-	20,829	2,292	11,858	**38,799**
Motorbike Ambulance Service	2019	-	-	100	1	1	248	15	-	2,571	252	3,834	**7,022**

- **Condition with:** Nature / category of emergencies dealt after introducing Motorbike Ambulance Service remained the same.
- **Condition without:** During the year 2017, 11 categories of emergencies were being dealt by Rescue 1122 Rawalpindi.
- **Impact:** No impact. Scope / nature of emergency services before and after introduction of Motorbike Ambulance Service remained same

4.4 Overall impact on service delivery and safety resulting from Motorbike Ambulance Service initiative:

A survey was conducted in order to get the feedback of citizens about service delivery and sense of safety achieved after the introduction of the initiative. For this purpose, a survey questionnaire was designed to get the feedback of citizens who had met an emergency in the year 2022which was dealt by Motorbike Ambulance Service. Asystematic sample of 200 entries (every 45th entry) of emergencies was selected from the data of 9,026 entries compiled by DEO 1122 Rawalpindi. The beneficiaries of the Service were interviewed telephonically for getting the feedback. Details are as under:

Total calls made	**Calls not received**	**Call received but was dropped**	**Calls received but recipient was not victim**	**Calls 'not responding'**	**Calls received & answered**
200	72	20	21	37	50

The following questions were asked from the 50 beneficiaries who had received the calls and answered the questions.

Q. No.	**Question**	**Responses**		**Response %**	
		Yes	**No**	**Yes**	**No**
1	Was call received by Rescue 1122 promptly and understood your problem or not?	48	2	96 %	4 %
2	What was the approx. response time of Motorbike Ambulance?	Average response time of all responses combined was 5.06 minutes			
3	Was emergency kit available in the Motorbike Ambulance?	50	0	100 %	-
4	Was your emergency / problem resolved/addressed?	50	0	100 %	-
5	Has the service quality and safety of Rescue 1122 increased after the introduction of Motorbike Ambulance Service?	49	1	98 %	2 %

6	Were you satisfied with Motorbike Ambulance Emergency Rescue Service?	49	1		98 %	2 %	
7	If satisfied, please rate the service	Very satisfied	Satisfied	Partially satisfied	Very satisfied	Satisfied	Partially satisfied
		32	12	6	64%	24 %	12%

The results of the survey indicate that out of selected sample population, the Motorbike Ambulance Service had resolved/addressed 100 % emergencies with a 98% satisfaction towards quality of service and safety aspects. Moreover, the average response time for attending the emergencies was 5.06 minutes per emergency. The results also indicate that 64% of beneficiaries were‘very satisfied’ with the service, while 24 % were ‘satisfied’.

5. Conclusion

The introduction of the Motorbike Ambulance Service initiative in 2019 in Rawalpindi District aimed to provide a swift and timely response to emergencies, surpassing the performance of the conventional ambulance service. This initiative resulted into reduction of the average emergency response time by 1.31 minutes during the year 2019 as compared to 2017 as analyzed by the audit team from the data provided by Rescue 1122.

The analysis of the data also revealed that in 2019 the Motorbike Ambulance Service shared only 15% of the total emergencies in Rawalpindi District, which appears to be on a lower side given the anticipated advantages associated with the initiatives. However, the initiative demonstrated significant accomplishments in terms of economizing fuel consumption and enhancing efficiency in mileage (kilometers traveled) compared to the baseline year of 2017 when the initiative was not in place. Furthermore, the survey carried out by the audit team showed that the initiative successfully installed a sense of safety among the general population and contributed to the overall outreach of the Service. Nonetheless, there is a need to establish a data quality assurance mechanism to ensure the internal consistency and completeness of recorded data, as data accuracy is crucial for accurately monitoring and evaluating the effectiveness of the initiative in future years for reforming the Service and introducing new dimensions for better service deliver.

AUDIT REPORT

ON

THE ACCOUNTS OF

DISTRICT EDUCATION AUTHORITIES

OF 19 DISTRICTS OF PUNJAB

(NORTH)

DISTRICT EDUCATION AUTHORITIES OF 19 DISTRICTS OF PUNJAB (NORTH)

CHAPTER 1

PUBLIC FINANCIAL MANAGEMENT

Introduction

DEAs were established on 01.01.2017 under Punjab Local Government (PLG) Act 2013 in thirty-six (36) districts of Punjab. The purpose was to provide better education facilities to the local community. DEAs are corporate bodies having perpetual succession and a common seal, with power to acquire / hold property and enter into any contract and may sue and be sued in their names.

As per Section 17(6) of PLG Act 2013, the Chairman and the CEO shall be personally responsible to ensure that business of the Authority is conducted proficiently, in accordance with law and to promote the objectives of the Authority. As per Section 92(3) of PLG Act 2013, the CEO shall be the PAO and shall perform such functions as are mentioned in this Act. The major functions of DEA are as under:

- to establish, manage and supervise the primary, elementary, secondary and higher secondary schools, adult literacy and non-formal basic education, special education institutions of the government in the district;
- to ensure free and compulsory education for children of the age from five to sixteen years as required under Article 25-A of Constitution;
- to undertake student's assessment and examinations, ranking of schools on terminal examination results and targets, promotion of co-curricular activities, sports, scouting, girl guide, red crescent, award of scholarships and conduct of science fairs in government and private schools;
- to approve the budget of the Authority and allocate funds to educational institutions;
- to plan, execute and monitor all development schemes of educational institutions working under the Authority, provided that the Authority may outsource its development works to other agencies or School Councils, and
- to constitute Schools Management Council (SMC) which may monitor academic activities.

Resource Mobilization

DEAs of Punjab, like previous year, relied on the share / grants received through Provincial Finance Commission (PFC) during FY 2022-23 to meet the administrative and operating expenses. The table given below shows that out of total receipts of DEAs, PFC share consisted of 96% during FY 2022-23 as compared to 99% during FY 2021-22.

Rs in million

Description	**2022-23**		**2021-22**	
	Amount	**%**	**Amount**	**%**
Tax Revenue	-6.053	0.003	5.620	0.003
Non-Tax Revenue • Share of PFC / Grants	189,083.827	95.774	165,248.836	98.763
• Other receipts	8,349.295	4.229	2,064.003	1.234
Total	**197,427.069**		**167,318.459**	

Source: Financial statements for the FY 2022-23 and FY 2021-22

An overall view of budget and expenditure for the FY 2022-23 is given in the table below, whereas, district wise detail of budget and expenditure is placed at **Annexure-B**.

Rs in million

Description	**Original Grant**	**Suppl. Grant**	**Surrender**	**Final Grant**	**Actual Exp.**	**Savings (-) Excess (+)**
Salary	205,694.967	12,561.636	30,116.223	188,140.380	181,950.017	-6,190.363
Non-Salary	6,828.177	1,100.833	2,410.470	5,518.540	3,979.567	-1,538.973

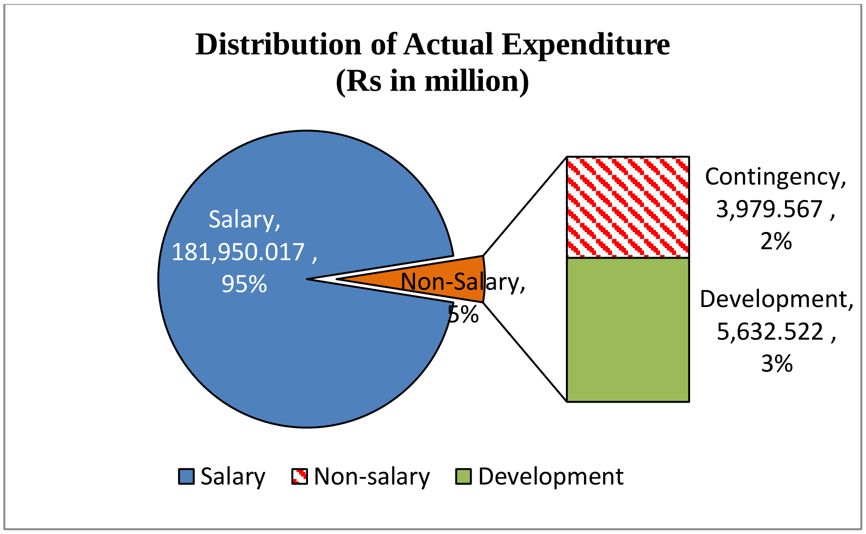
Development	4,495.254	3,332.621	673.429	7,154.446	5,632.522	-1,521.924
Total	**217,018.398**	**16,995.09**	**33,200.122**	**200,813.366**	**191,562.106**	**-9,251.260**

Source: Appropriation accounts for the FY 2022-23

The surrender of budget in excess of supplementary grants and overall savings of Rs 9,251.260 million, which comes to 5% of final grant, showed that supplementary grants were provided without considering actual demands during the FY 2022-23.

Audit also noticed that material payments were made from A/C-V of DEAs without valid authorization by a duly authorized Administrator during FY 2022-23. Administrators were appointed vide notification No. SOR(LG)38-5/2014 dated 01.01.2017 under Section 30(3) of the PLG Act 2013. However, the period of appointment under above notification lapsed on 31-12-2018.

The breakup of total expenditure incurred by DEAs is illustrated in the following graph. Major portion of expenditure was incurred on salary which was 95% of the total expenditure, whereas, development and contingency expenditure was 3% and 2% of the total expenditure, respectively.



Out of total non-salary expenditure of Rs 9,612.089 million, an amount of Rs 2,458.055 million (26%) was incurred during the month of June 2023 indicating weak financial management.

Revenue receipts of DEAs fell short of the budgeted targets. Unpredictability of PFC shares and other grants coupled with capacity issues of budget and finance wings of DEAs forced the management to prepare unjustified and unrealistic estimates of receipts.

Revenue expenditure constituted 97% of the total expenditure incurred by DEAs during FY 2022-23. Salary expenditure, comprising pay & allowances, pension contribution, financial assistance and leave encashment was 98% of total revenue expenditure, whereas, non-salary expenditure was 2%.

The DEAs raised accruals by retaining an amount of Rs 98.387 million on account of General Provident Fund, Group Insurance, Benevolent Fund, Income Tax and General Sales Tax (GST) during the FY 2022-23. This practice overstated the cash closing balance of DEAs as given in the following table.

Rs in million

Reported cash closing balance as on 30.06.2023	**Liabilities**	**Actual cash closing balance**
5,096.530	98.387	4,998.143

Source: Financial statements for the FY 2022-23 and FY 2021-22

Appropriation accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual revenue and capital expenditure on various specified services vis-à-vis those authorized by the Administrator. Appropriation accounts, thus, facilitate in managing and budgetary provisions, therefore, these are complementary to the finance accounts.

Audit of appropriation accounts seeks to ascertain whether the expenditure actually incurred under the grant/head of account is within the authorization and also spent on the purposes authorized. It also ascertains whether the expenditure so incurred is in conformity with the laws, relevant rules, regulations and instructions. During financial attest audit of appropriation accounts and financial statements of DEAs for the FY 2022-23, audit emphasized on the following matters:

a) DEA Gujranwala transferred development funds of Rs 70.953 million without any receipt to A/C-I and again released Rs 95.864 million.

b) DEA Narowal and Sialkot made payments of Rs 109.010 million to the DDOs instead of issuance of cheques in favor of vendors.

c) DEA Hafizabad transferred funds of Rs 3.182 million to A/C-I instead of retaining in A/C-V in violation of instructions of Finance Department.

d) DEA Mandi Bahauddin retained Rs 1.497 million on account of Punjab Sales Tax which resulted in overstatement of opening balance.

e) DEA Chakwal did not transfer compulsory deductions of Rs 13.644 million on account of Income Tax, Sales Tax and Public Account to A/C-I and to other respective departments.

f) DAO Kasur incurred expenditure of Rs 76.436 million relating to function 0911-Pre & Primary Education Affairs Services but wrongly booked to function 0951-Subsidiary Services for Education.

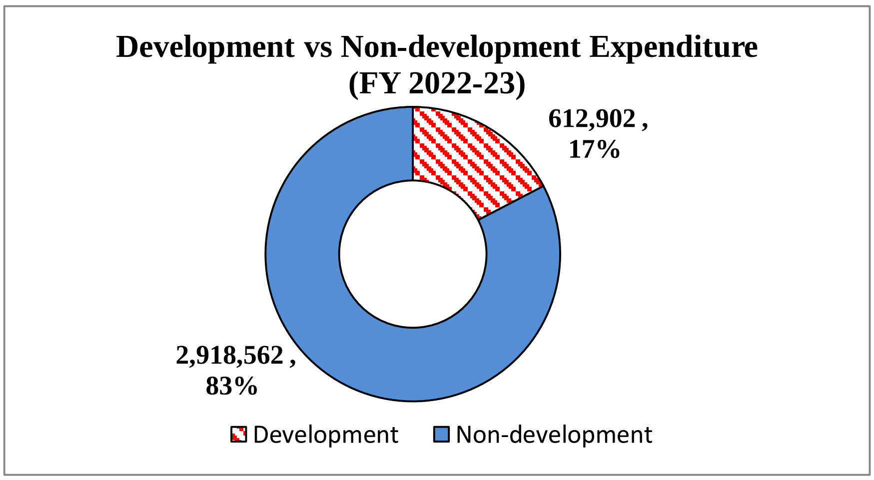
Medium Term Development Framework

The development and non-development expenditure incurred by Government of the Punjab for the FY 2022-23 is illustrated in the following table and graph:

Rs in million

Description	Original Budget	Final Budget	Expenditure
Development	710,850	651,979	612,902
Non-development	2,390,541	2,993,949	2,918,562
Total	**3,101,391**	**3,645,928**	**3,531,464**

Source: Appropriation accounts of Government of Punjab for the FY 2022-23



The sector-wise percentage of development expenditure is given in the following table:

Rs in million

Department	Appropriation	Expenditure	Expenditure (%)
C&W	279,241	275,385	45
Health	85,936	84,663	14
Education	31,626	31,019	5

HUD &PHE	75,919	74,876	12
Irrigation	18,324	15,376	3
Agriculture	15,322	13,592	2
Others	145,611	117,991	19
Total	**651,979**	**612,902**	**100**

Source: Appropriation accounts of Government of Punjab for the FY 2022-23

The above table shows that four sectors covered 76% of the spending which were: Communication & Works 45%, Health 14%, Education 5% and Housing Urban Development & Public Health Engineering 12%.

The education sector's development spending is further categorized into School Education, Higher Education and Special Education departments. Out of these three departments, maximum development expenditure was incurred by School Education Department (SED) which is 89.60% of total development expenditure of education sector of Government of the Punjab. The detail is as under:

Rs in million

Department	Development Expenditure	Percentage
School Education	27,794.210	89.60
Higher Education	3,205.197	10.33
Special Education	19.593	0.06
Total	**31,019.000**	**100.00**

Source: Appropriation accounts of Government of Punjab for the FY 2022-23

SED is the administrative department of DEAs in terms of Rule 2(1)(a) of Punjab District Authorities (Delegation of Financial Powers) Rules 2017. Out of total expenditure of 19 DEAs, 3% was incurred on development activities as given below:

Rs in million

Description	Amount	% age

Non-development expenditure	185,929.584	97
Development expenditure	5,632.522	3
Total	**191,562.106**	**100**

Source: Appropriation accounts of DEAs for the FY 2022-23

The table below shows original and final development grants allocated to 19 DEAs during the FY 2021-22 and FY 2022-23. There was slight decrease in final development grant in FY 2022-23 as compared to FY 2021-22. The major decrease of Rs 405.877 million was seen in DEA Mianwali, whereas, DEA Rawalpindi showed increase of Rs 244.756 million in FY 2022-23.

Rs in million

Sr. No.	**Name of District**	**FY 2021-22**		**FY 2022-23**	
		Original	**Final Grant**	**Original**	**Final Grant**
1	Gujranwala	212.861	369.948	375.504	578.760
2	Gujrat	54.303	190.096	78.688	174.299
3	Hafizabad	58.228	250.460	27.290	127.729
4	M.B.Din	207.329	370.993	204.551	230.589
5	Narowal	303.973	303.973	176.775	249.203
6	Sialkot	317.617	317.617	129.307	270.693
7	Kasur	118.637	303.659	247.775	335.268
8	Lahore	543.879	543.879	946.410	688.513
9	Nankana Sahib	76.477	178.752	65.712	127.294
10	Okara	503.660	503.660	370.620	519.430
11	Sheikhupura	70.098	271.678	144.078	309.232
12	Attock	83.996	196.547	129.798	235.982

Rs in million

Sr. No.	Name of District	FY 2021-22		FY 2022-23	
		Original	Final Grant	Original	Final Grant
13	Chakwal	234.809	234.809	202.588	125.201
14	Jhelum	250.349	254.693	109.661	192.437
15	Rawalpindi	644.190	644.190	258.081	888.946
16	Bhakkar	482.430	482.430	563.694	463.183
17	Khushab	358.156	358.156	136.028	206.776
18	Mianwali	301.617	1,284.078	328.694	879.002
19	Sargodha	683.448	683.448	0	551.909
Total		**5,506.057**	**7,743.066**	**4,495.254**	**7,154.446**

Source: SAP data and appropriation accounts of DEAs for FY 2021-22 and FY 2022-23

The following table shows number of schemes executed and development expenditure incurred during FY 2021-22 and FY 2022-23. It can be seen that total development expenditure decreased by Rs 876.339 million in FY 2022-23. The maximum decrease was seen in DEA Mianwali where development expenditure decreased by Rs 338.224 million, whereas, in DEA Rawalpindi, it increased by Rs 158.348 million despite decrease in number of schemes executed during FY 2022-23.

Rs in million

Sr. No.	Name of District	FY 2021-22		FY 2022-23	
		No. of Schemes	Expenditure	No. of Schemes	Expenditure
1	Gujranwala	26	346.174	45	287.513
2	Gujrat	86	163.951	95	149.679
3	Hafizabad	24	226.670	11	123.725
4	M.B.Din	7	228.262	8	164.854
5	Narowal	6	230.384	5	201.279
6	Sialkot	49	308.405	36	266.663

Rs in million

Sr. No.	Name of District	FY 2021-22		FY 2022-23	
		No. of Schemes	Expenditure	No. of Schemes	Expenditure
7	Kasur	6	182.065	6	277.301
8	Lahore	16	431.956	11	289.193
9	Nankana Sahib	30	163.874	33	124.597
10	Okara	2	410.650	2	377.908
11	Sheikhupura	35	267.648	26	136.742
12	Attock	13	196.547	17	222.086
13	Chakwal	4	233.914	7	125.202
14	Jhelum	12	210.166	18	192.437
15	Rawalpindi	17	623.060	11	781.408
16	Bhakkar	6	419.107	8	503.268
17	Khushab	6	346.984	7	206.775
18	Mianwali	25	1,216.122	17	877.898
19	Sargodha	17	302.927	19	323.994
Total		**387**	**6,508.866**	**382**	**5,632.522**

Source: SAP data and appropriation accounts of DEAs for FY 2021-22 and FY 2022-23

The data presented in the above tables indicates serious inadequacies in the initial planning and resource allocation. The discrepancies underscore the necessity for an in-depth analysis of the planning process within DEAs. Identifying and understanding inconsistencies in the planning phase is crucial for enhancing the effectiveness of future development initiatives.

The existing situation warrants a thorough analysis that delves into the intricacies of the planning process. This examination is vital for understanding the factors that contribute to deviations in budgetary allocations and their corresponding utilization. Identifying the root causes of these discrepancies is essential for refining the planning framework and ensuring a more accurate alignment between set targets and actual outcomes.

CHAPTER 2

DISTRICT EDUCATION AUTHORITY GUJRANWALA

2.1 Introduction

a) There are 356 formations in DEA Gujranwala out of which audit of 04 formations was conducted. Total expenditure of these 04 formations was Rs 1,760.305 million out of which 45% expenditure was audited.

Audit Profile of DEA Gujranwala

Rs in million

r. o.	Description	Total No. of Formations	Au dited	Expenditure Audited
	DEA Gujrat	356	04	792.407
	Assignment accounts / SDA	-	-	-
	Foreign Aided Projects	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DEA Gujranwala was Rs 14,646.475 million and supplementary grant of Rs 2,213.903 million for the FY 2022-23. An amount of Rs 2,620.668 million was surrendered and final budget was Rs 14,239.710 million. Management incurred an expenditure of Rs 13,521.392 million resulting in saving of Rs 718.318 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	13,738.181	1,861.552	-2,529.475	13,070.258	12,768.341	-301.917
Non-Salary	532.790	149.095	-91.193	590.692	465.538	-125.154
Development	375.504	203.256	0.000	578.760	287.513	-291.247

Total	14,646.475	2,213.903	-2,620.668	14,239.710	13,521.392	-718.318

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	Final Grant	Expenditure	Excess (+) / Saving (-)	% age of saving
2021-22	11,997.690	11,615.62	-382.070	3
2022-23	14,239.710	13,521.392	-718.318	5

Source: Appropriation accounts for the FY 2022-23 and FY 2021-22

There was 19% increase in budget allocation and 16% increase in expenditure during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 718.318 million during FY 2022-23 which is 5% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

Sectoral analysis of DEA Gujranwala was made on the basis of following quality indicators set by Education Department for the FY 2022-23. These indicators were introduced, implemented and monitored through Programme Monitoring and Implementation Unit (PMIU) being part of Chief Minister's School Reforms Roadmap. The objectives of this roadmap wereto improve education facilities and provide better environment through proper monitoring at appropriate levels.

Sr. No.	Indicators	Achievement (%)
1	Teacher Presence	89
2	Non-Teaching Staff Presence	90
3	Student Attendance	86
4	Retention (All Grades)	94
5	Head Teacher Presence	89

6	Availability of Boundary Wall	98
7	Availability of Drinking Water	98
8	Availability of Furniture	81
9	Sufficiency of Toilets	83
10	School Hygiene	74

Source: https://open.punjab.gov.pk/schools/home/districts_performance

ii. Service Delivery Issues

In view of the above target achievement table, it could be observedthat DEA Gujranwala considerably lagged behind in achieving the target of availability of furniture and school hygiene during FY 2022-23.

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 191.387 million were raised in this report during current audit of DEA Gujranwala. This amount also includes recoveries of Rs 12.850 million as pointed out by audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	**Classification**	**Amount Placed under Audit Observation**
1	Non-production of record	-
2	Fraud, embezzlement and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	72.807
B	Procurement related irregularities	0
C	Management of accounts with commercial banks	0
4	Value for money and service delivery issues	0
5	Others	118.580
Total		**191.387**

2.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	**Audit Year**	**No. of Paras**	**Status of PAC Meetings**
1	2017-18	07	Not convened
2	2018-19	10	
3	2019-20	10	

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
4	2020-21	07	
5	2021-22	08	
6	2022-23	06	

2.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

2.4.1 Irregular recruitment of School Teacher Interns - Rs 62.159 million

According to Order No. SO(SE_REC)2-17/2020 dated 16-02-2021 issued by School Education Department (SED), candidate interested for the position of STIs were required to apply through Online Teacher Recruitment System (OTRS). Moreover, pre-interview merit list and final interview merit lists were to be uploaded on OTRS.

During audit of various formations of DEA Gujranwala for the FYs 2021-23, it was observed that Schools Teacher Interns (STIs) were recruited without following prescribed guidelines of recruitment under OTRS. Due to bypassing of OTRS, centralized merit lists by SED were avoided and recruitment was made by schools themselves on pick and choose basis. This irregularity made the whole recruitment process of STIs non-transparent causing irregular payment of salaries of Rs 62.159 million.

Rs in million

Sr. No.	Name of Formation	No. of STIs	Amount
1	Dy. DEO (EE-M) Kamonke	55	7.211
2	Dy. DEO (EE-W) Kamonke	139	18.181
3	Dy. DEO (EE-W) Nowshera Virkan	278	36.767
Total		**472**	**62.159**

Audit held that irregular recruitment of STIs was due to non-compliance of orders.

The matter was reported to the PAO in November 2023. The department replied that recruitment of STIs was made as per directions given in the letter No. IPL-6545 dated 04-07-2021 and 06-07-2021. The reply was not tenable due to violation of OTRS.

DAC in its meeting held on 1st December 2023 directed to refer the matter to SED for clarification. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 18, 26 & 35]

2.4.2 Overpayment due to non-deduction of conveyance allowance - Rs 8.218 million

According to Rule 1.14 (ii) of Punjab Travelling Allowance (PTA) Rules 1976, conveyance allowance will be admissibleonly for the period during which the civil servant held the post to which the conveyance allowance is charged and will not be admissible during leave or joining time.

During audit of various formations of DEA Gujranwala for the FYs 2021-23, it was observed that conveyance allowance was paid to the teaching staff during summer & winter vacations. This resulted in overpayment of Rs 8.218 million.

Rs in million

Sr. No.	**Name of Formation**	**No. of employees**	**Amount**
1	CEO DEA Gujranwala	2,290	6.663
2	Dy. DEO (EE-M) Kamonke	444	0.712
3	Dy. DEO (EE-W) Noshera Virkan	532	0.843
Total		**3,266**	**8.218**

Audit held that overpayment of conveyance allowance was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that DAO Gujranwala had been requested to effect the recovery.

DAC in its meeting held on 1st December 2023 directed for recovery. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

[PDP No. 12, 19 & 34]

2.4.3 Overpayment of inspection allowance during summer vacations - Rs 2.430 million

According to SED notification No.SO(SE-III)5-226/2017 dated 3rd August 2020, inspection allowance @ Rs 10,000 / month is fixed for Assistant Education Officers (AEOs) throughout the year while Rs 15,000 / month will be granted to AEOs against each indicator achieved.

During audit of various formations of DEA Gujranwala for the FYs 2021-23, it was observed that inspection allowance @ Rs 25,000 per month was paid to 27 AEOs in summer vacations instead of Rs 10,000 per month without achieving Key Performance Indicators (KPIs) as during summer vacations schools were closed and not even a single KPI was achieved. This resulted in overpayment of inspection allowance of AEOs of Rs 2.430 million.

Rs in million

Sr. No.	Name of formation	No. of AEOs	Conditional payment	Period	Amount
1	Dy. DEO (EE-W) Kamoke	10	15,000	6 months	0.900
2	Dy. DEO (EE-M) Kamoke	07	15,000	6 months	0.630
3	Dy. DEO (EE-W) Nowshera Virkan	10	15,000	6 months	0.900
Total		**27**			**2.430**

Audit held that inspection allowance was overpaid due to weak internal controls and non-compliance of rules.

The matter was reported to the PAO in November 2023. The department replied that inspection allowance @ Rs 25,000 was paid to AEOs after approval of competent authority. The reply was not acceptable being irrelevant.

DAC in its meeting held on 1st December 2023 directed for recovery. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

[PDP No. 23, 31 & 36]

B) Others

2.4.4 Irregular transfer of Rs 70.952 million into A/C-I and release of funds to XEN Buildings - Rs 72.711 million

As per directions of the Finance Department vide letter No.BI-3(120)AGP 2017-18 dated 16.08.2019, all the heads of consolidated fund receipts are transferrable to the A/C-I except C02814, C02865, C02866 & C03616.

During audit of CEO DEA Gujranwala for the FY 2022-23, it was observed that Rs 70.952 million were received from the buildings department as unspent balance vide challan no. 752/2 dated 28.06.2022 to avoid lapse of funds. This amount was wrongly kept in Authority's account head C03870-Others instead of above mentioned retainable heads and was transferred to A/C-I. Similarly, the Authority again released the funds amounting to Rs 72.711 million to XEN buildings. This resulted in loss to authority's account of Rs 72.711 million as Rs 70.952 million was transferred into A/C-I and Rs 1.759 million was excess release to XEN building.

Rs in million

Detail of amount refunded as amount unspent balaance		
No of schemes	**Remarks**	**Amount refunded**
07	Unspent balance for schemes 2020-21	17.182
15	Unspent balance for ADP schemes 2021-22	20.450
Total		**37.632**
10	Unspent balance for on-going schemes 2021-22	33.321
Grand Total		**70.952**

Audit held that irregular transfer of Rs 70.952 million and release of funds to XEN Buildings of Rs 72.711 million was due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that funds of Rs 70.953 million were wrongly transferred to A/C-I however, on the request of DAO Gujranwala, amount of Rs 95.863 million has again been credited into A/C-V. Additional funds were issued to the XEN buildings after administrative approval of the District Development Committee (DDC). The reply was not tenable as funds could not be transferred from A/C-I to A/C-V without approval of Finance Department. Further no documentary evidence was produced in support of reply.

DAC in its meeting held on 1st December 2023 could not reach at a unanimous decision as the Chair decided to settle the para, whereas, Audit stressed for probe into the matter.

Audit recommends inquiry of the matter regarding transfer of funds of Rs 70.952 million to A/C-I and then an amount of Rs 95.863 million was again transferred back to A/C-V on request of DAO Gujranwala without approval of Finance Department.

[PDP No. 17]

2.4.5 Doubtful award of contract of food items - Rs 44.419 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any over charge, fraud or misappropriation and shall be liable to make good that loss.

During audit of CEO DEA Gujranwala for the FY 2022-23, it was observed that rate contract of food items for Rs 44.419 million was awarded to M/s Ch. Muhammad Iqbal & Co. Scrutiny of record revealed that the financial bid of the contractor was modified in his favor by inserting the words “10% below” without any signature after the bid amount. This resulted in doubtful award of contract of Rs 44.419 million.

Audit held that doubtful award of contract of food items was made due to weak managerial controls.

The matter was reported to the PAO in November 2023. The department replied that financial bids were opened by the procurement committee, chaired by the DC Gujranwala and comparative statement was also signed by the committee. The second lowest bidder was also awarded contract in some items and no complaint received in this regard. The reply was not tenable as no justification for modification of financial bid to favor the contractor was provided.

DAC in its meeting held on 1st December 2023 could not reach at a unanimous decision as the Chair decided to settle the para, whereas, Audit stressed for probe into the matter.

Audit recommends that the matter be referred to SED for inquiry.

[PDP No. 14]

2.4.6 Loss due to functioning of unregistered private schools - Rs 1.450 million

According to the Section 3 of the Punjab Private Educational Institution (PPEI) Promotion & Regulation Ordinance 1984, no institution shall be run unless it is registered. Rates for registration are Rs 5,000 and Rs 7,000 the for primary school and Higher Secondary School respectively.

Moreover, as per notification No.SO(A-1)7-21/81 dated 24-08-1998 of Education Department, annual inspection fee @ Rs 500 and Rs 1,000 per annum will be charged for primary school and higher secondary school respectively.

During audit of CEO DEA Gujranwala for the FY 2022-23, it was observed that 147 schools out of total 1,674 private schools were working without registration in district Gujranwala and 274 schools did not deposit renewal fee causing loss of Rs 1.450 million. Similarly, 897 cases for school registration were still pending for approval of CEO DEA Gujranwala. This resulted in functioning of unregistered private schools and loss of Rs 1.450 million as detailed below:

Rs in million

Description	**No of Schools**	**Inspection Fee**	**Registration Fee**	**Amount**
Not applied for e License	147	1,000	7,000	1.176
Expired License	274	1,000	-	0.274
Total	**1674**			**1.450**

Audit held that functioning of unregistered private schools and loss of Rs 1.450 million was due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that all the due amount had already been deposited in the government exchequer. The reply was not accepted as the schools were still being run without registration / renewal.

DAC in its meeting held on 1st December 2023 directed to recover the amount. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 01]

CHAPTER 3

DISTRICT EDUCATION AUTHORITY GUJRAT

3.1 Introduction

a) There are 368 formations in DEA Gujrat out of which audit of 04 formations was conducted. Total expenditure of these 04 formations was Rs 3,264.854 million out of which 24% expenditure was audited.

Audit Profile of DEA Gujrat

Rs in million

r. o.	Description	Total No. of Formations	Audited	Expenditure Audited
	DEA Gujrat	368	04	783.565
	Assignment accounts / SDA	-	-	-
	Foreign Aided Projects	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DEA Gujrat was Rs 10,685.517 million and supplementary grant of Rs 1,228.093 million for the FY 2022-23. An amount of Rs 1,088.392 million was surrendered and final budget was Rs 10,825.218 million. Management incurred an expenditure of Rs 10,615.601 million resulting in saving of Rs 209.617 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	10,459.447	1,104.157	1,078.428	10,485.176	10,316.789	-168.387
Non-Salary	147.382	28.325	9.964	165.743	149.133	-16.610

Development	78.688	95.611	-	174.299	149.679	-24.620
Total	**10,685.517**	**1,228.093**	**1,088.392**	**10,825.218**	**10,615.601**	**-209.617**

The comparative analysis of the budget and expenditure of currentand previous financial years is depicted as under:

Rs in million

Financial Year	**Final Grant**	**Expenditure**	**Excess (+) / Saving (-)**	**% age of saving**
2021-22	9,496.179	9,268.716	-227.463	2
2022-23	10,825.218	10,615.601	-209.617	2

Source: Appropriation accounts for the FY 2022-23and FY 2021-22

There was 14% increase in budget allocation and 15% increase in expenditure during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 209.617 million during FY 2022-23 which is 2% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

Sectoral analysis of DEA Gujrat was made on the basis of various quality indicators set by Education Department for the FY 2022-23. These indicators were introduced, implemented and monitored through PMIU being part of Chief Minister's School Reforms Roadmap. The objectives of this roadmap wereto improve education facilities and provide better environment through proper monitoring at appropriate levels.

Sr. No.	**Indicators**	**Achievement (%)**
1	Teacher Presence	89
2	Non-Teaching Staff Presence	91
3	Student Attendance	89
4	Retention (All Grades)	98
5	Head Teacher Presence	89
6	Availability of Boundary Wall	99
7	Availability of Drinking Water	95

8	Availability of Furniture	85
9	Sufficiency of Toilets	93
10	School Hygiene	72

Source: https://open.punjab.gov.pk/schools/home/districts_performance

ii. Service Delivery Issues

In view of the above target achievement table, it could be observed that DEA Gujrat considerably lagged behind in achieving the target of availability of furniture and school hygiene during FY 2022-23.

3.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 18.078 million were raised inthis report during current audit of DEA Gujrat. This amount also includes recoveries of Rs 12.212 million as pointed out by audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

r. o.	Clas sification	Amount Placed under Audit Observation
	Non-production of record	-
	Fraud, embezzlement and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	2.220
B	Procurement related irregularities	3.309
C	Management of accounts with commercial Banks	-
	Value for money and service delivery issues	-
	Others	12.549
Total		**18.078**

3.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

r. No.	Audit Year	No. of Paras	Status of PAC Meetings
	2017-18	06	Not Convened
	2018-19	10	
	2019-20	12	
	2020-21	06	

	2021-22	07	
6	2022-23	03	

3.4 AUDIT PARAS

A) Human Resource / Employee related irregularities

3.4.1 Overpayment of inspection allowance during summer vacations - Rs 2.220 million

According to SED notification No.SO(SE-III)5-226/2017 dated 3rd August 2020, inspection allowance @ Rs 10,000 / month is fixed for AEOs throughout the year while Rs 15,000 / month will be granted to AEOs against each indicator achieved.

During audit of various formations of DEA Gujrat for the FYs 2021-23, it was observed that inspection allowance @ Rs 25,000 per month was paid to all AEOs in summer vacations instead of Rs 10,000 per month without achieving KPIs as during summer vacations schools were closed and not even a single KPI was achieved. This resulted in overpayment of inspection allowance of Rs 2.220 million as detailed below:

Rs in million

Name of formations	No. of AEOs	Period	Amount
Dy. DEO (EE-M) Kharian	10	Jun, Jul-22 & 2023	0.600
Dy. DEO (EE-W) Kharian	17	Jun, Jul-22 & 2023	1.020
Dy. DEO (EE-W) Sara-e-Alamgir	10	Jun, Jul-22 & 2023	0.600
Total	**37**		**2.220**

Audit held that overpayment of inspection allowance was made due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that no such directions have been issued by the government to reduce the said allowance during summer vacations. The reply was not acceptable being contradictory to the instructions regarding inspection allowance.

DAC in its meeting held on 4th December 2023 directed to recover the overpayment from concerned. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 14, 22 & 27]

B) Procurement related irregularities

3.4.2 Irregular purchase of food for Madaris - Rs 3.309 million

According to Rule 9 read with Rule 12(2) of Punjab Procurement Rules (PPR) 2014, all procurement opportunities over three million rupees should be advertised on the PPRA's website in the manner and format specified by PPRA regulation from time to time. A procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting of the procurements so planned.

During audit of CEO DEA Gujrat for the FY 2022-23, it was observed that department purchased food at higher rates for the students of Madrassa Moaz Bin Jabal, Shadman Colony Gujrat for the period July to November 2022 worth Rs 3.309 million without observing PPR 2014. The tendering process for FY 2022-23 was completed on 27.04.2023 and the department applied the rates of 2023 retrospectively for the purchases from July 2022 to November 2022. This resulted in irregular purchase of food for Rs 3.309 million and loss of Rs 847,805 to exchequer when compared with rates of January 2022. Detail is at **Annexure-C**.

Audit held that irregular purchase of food was made due to non-compliance of rules.

The matter was reported to the PAO in November 2023. The department replied that all the uncooked food items were purchased for students during the FY 2022-23 according to the PPR 2014 with the recommendation of purchase committee under supervision of CEO (DEA) Gujrat. The reply was not tenable because rate contract was made in April 2023, whereas, procurement was made during the months of July to November 2022.

DAC in its meeting held on 4th December 2023 directed to probe the matter at appropriate level as to why tender agreement was applied retrospectively. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 01]

C) Others

3.4.3 Unauthorized sanction of expenditure - Rs 2.557 million

According to Notification No.IT(FD)3-13/2002 dated 7th January 2004 and 29th January 2005 of Finance Department Government of the Punjab, school council is authorized to incur maximum amount of Rs 400,000 during a financial year.

During audit of Dy. DEO (W-EE) Sar-e-Alamgir and Dy. DEO (M-EE) Kharian for the FYs 2021-23, it was observed that School Councils of following six Primary & Elementary Schools approved expenditure more than Rs 400,000 during a financial year contrary to School Council guidelines and rule ibid. This resulted in irregular sanction of expenditure of Rs 2.557 million beyond competency of school council.

Rs in million

Name of DDO	**Name of School**	**Financial year**	**Amount withdrawn**	**Unauthorized amount above Rs 0.400 million**
Dy. DEO (W-EE) Sara-e-Alamgir	GMPS Wapda Colony	2021-22	0.680	0.280
	GMPS Ballobanian	2022-23	0.501	0.101
	GGPS Pothi Maira	2021-22	0.531	0.131
	GGES Chak Ghanian	2021-22	1.491	1.091
		2022-23	0.849	0.449
	GGCMS Maira Khambi	2021-22	0.524	0.124
Dy. DEO (M-EE) Kharian	GES Dinga	2021-22	0.781	0.381
Total			**5.357**	**2.557**

Audit held that irregular sanction of expenditure beyond competency of school council was granted due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that funds were directly transferred by the CEO education to the school councils of primary and middle schools on quarterly basis. The reply was not tenable being irrelevant.

DAC in its meeting held on 4th December 2023 directed to refer the matter to SED for further clarification and advice. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

[PDP No. 11]

3.4.4 Excess payment of honoraria to Insaf Afternoon School teachers - Rs 9.992 million

According to Para 2 (v) Policy Guideline for Insaf Afternoon School (IAS) Programme issued by Punjab Education Sector Reform Programme (PESRP) vide No DDP/PMIU/2019-17599 dated 29.03.2019, if the total enrollment in all classes of an afternoon school remains less than the minimum enrollment mentioned in the table, the honoraria will be paid on a proportionate basis i.e. it should be proportionate to the actual enrollment figure vis-à-vis the required minimum enrollment. For example, if requirement of minimum enrolment was 80 students in high school classes and if the maximum number of total students in those classes was 40 during any month of the last academic year, the staff will be paid 50% of the honoraria, and so on.

During audit of CEO DEA Gujrat for the FY 2022-23, it was observed that 78 IASs were established in district Gujrat. The staff of these schools was paid full honoraria irrespective of enrolment of students in violation of policy. This resulted in excess payment of honoraria of Rs 9.992 million as detail below:

Rs in million

Month	**No. of students**	**No. of students required**	**% of students enrolled**	**Honoraria paid**	**Honoraria to be paid**	**Excess payment**
Aug-2022	2,814	7,800	36%	3.892	1.401	2.491
Sep-2022	2,836	7,800	36%	3.842	1.383	2.459
Oct-2022	2,848	7,800	37%	3.952	1.462	2.490
Nov-2022	2,844	7,800	36%	3.988	1.436	2.552
Total				**15.674**	**5.682**	**9.992**

Audit held that excess payment of honoraria was made due to weak internal controls and violation of rules.

The matter was reported to the PAO in November 2023. The department replied that payment to the concerned staff was made according to the above policy. However, department did not produce any documentary evidence in support of reply.

DAC in its meeting held on 4th December 2023 directed for recovery and probe. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 06]

3.4.5 Irregular recruitment of class-IV employees without observing codal formalities

According to Section 10 (vii) of recruitment policy 2022 dated 9th March 2022 issued by Government of the Punjab S&GAD (Regulation wing), relevant Selection Committees shall conduct test/interview and recommend suitable candidates for appointment, strictly on the basis of merit/selection criteria, to the appointing authorities. The merit list shall be signed by the Chairman as well as by all members of the Selection Committee concerned. Further, according to S&GAD notification

No. SOR (III.2-74/2008 dated 05.11.2011, length of service of the parent, whose son is a candidate, shall be the sole criteria for determining inter se merit of the candidates.

During audit of CEO DEA Gujrat for the FY 2022-23, it was observed that recruitment of 354 class-IV employees were made by CEO DEA Gujrat without observing codal formalities. Appointment orders were issued without approval of selection committee as minutes of meeting and merit lists were not signed by all the members of selection committee. Moreover, 20% in service quota (70 posts) was distributed among ineligible candidates without merit of minimum length of service of parents. This resulted in irregular recruitment of Class-IV staff.

Audit held that irregular appointment of class-IV staff was made due to non-compliance of rules.

The matter was reported to the PAO in November 2023. The department replied that an inquiry committee had been constituted by the Secretary Government of the Punjab SED to probe the matter.

DAC in its meeting held on 4th December 2023 decided to keep the para pending as inquiry is under process at higher office. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 04]

CHAPTER 4

DISTRICT EDUCATION AUTHORITY HAFIZABAD

4.1 Introduction

a) There are 97 formations in DEA Hafizabad out of which audit of 04 formations was conducted. Total expenditure of these 04 formations was Rs 2,468.562 million out of which 39% expenditure was audited.

Audit Profile of DEA Hafizabad

Rs in million

Sr. No.	Description	Total No. of Formations	Audited	Expenditure Audited
1	DEA Hafizabad	97	04	972.740
2	Assignment accounts / SDA	-	-	-
3	Foreign Aided Projects	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DEA Hafizabad was Rs 5,086.595 million and supplementary grant was Rs 558.335 million for the FY 2022-23. An amount of Rs 500.368 million was surrendered and final budget was Rs 5,144.562 million. Management incurred an expenditure of Rs 4,889.621 million resulting in saving of Rs 254.941 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surr.	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	4,903.511	436.059	476.628	4,862.942	4,625.364	-237.578
Non-Salary	155.794	21.837	23.740	153.891	140.532	-13.359
Development	27.290	100.439	-	127.729	123.725	-4.004

Total	5,086.595	558.335	500.368	5,144.562	4,889.621	-254.941

The comparative analysis of the budget and expenditure of currentand previous financial years is depicted as under:

Rs in million

Financial Year	Final Grant	Expenditure	Excess (+) / Saving (-)	% age of saving
2021-22	4,891.919	4,247.772	-644.147	13
2022-23	5,144.562	4,889.621	-254.941	5

Source: Appropriation accounts for the FY 2022-23 and FY 2021-22

There was 5% increase in budget allocation and 15% increase in expenditure during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 254.941 million during FY 2022-23 which is 5% of budget.

c) Sector Analysis

i. Analysis of Targets and Achievements

Sectoral analysis of DEA Hafizabad was made on the basis of various quality indicators set by Education Department for the FY 2022-2023. These indicators were introduced, implemented and monitored through PMIU being part of Chief Minister's School Reforms Roadmap. The objectives of this roadmap were to improve education facilities and provide better environment through proper monitoring at appropriate levels.

Sr. No.	Indicators	Achievement (%)
1	Teacher Presence	90
2	Non-Teaching Staff Presence	89
3	Student Attendance	91
4	Retention(All Grades)	95
5	Head Teacher Presence	88
6	Availability of Boundary Wall	98
7	Availability of Drinking Water	100
8	Availability of Furniture	83
9	Sufficiency of Toilets	85
10	School Hygiene	80

Source: https://open.punjab.gov.pk/schools/home/districts_performance

ii. Service Delivery Issues

In view of the above target achievement table, it could be observed that DEA Hafizabad considerably lagged behind in achieving the target of availability of furniture and school hygiene during FY 2022-23.

4.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 64.414 million were raised in this report during current audit of DEA Hafizabad. This amount also includes recoveries of Rs 57.685 million as pointed out by audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	Classification	Amount Placed under Audit Observation
1	Non-production of record	-
2	Fraud, embezzlement and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	55.424
B	Procurement related irregularities	6.729
C	Management of accounts with commercial banks	-
4	Value for money and service delivery issues	-
5	Others	2.261
Total		**64.414**

4.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	Audit Years	No. of Paras	Status of PAC Meetings
1	2017-18	06	Not convened
2	2018-19	10	

Sr. No.	Audit Years	No. of Paras	Status of PAC Meetings
3	2019-20	05	
4	2020-21	08	
5	2021-22	09	
6	2022-23	04	

4.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

4.4.1 Excess payment of honoraria to staff - Rs 51.464 million

According to Para 2 (v) Policy Guideline for IAS Programme issued by PESRP vide No DDP/PMIU/2019-17599 dated 29.03.2019, if the total enrollment in all classes of an afternoon school remains less than the minimum enrollment mentioned in the table, the honoraria will be paid on a proportionate basis i.e. it should be proportionate to the actual enrollment figure vis-à-vis the required minimum enrollment. For example, if requirement of minimum enrolment was 80 students in high school classes and if the maximum number of total students in those classes was 40 during any month of the last academic year, the staff will be paid 50% of the honoraria, and so on.

During audit of various formations of DEA Hafizabad for the FYs 2021-23, it was observed that 70 IASs were established in district Hafizabad. The staff of these schools was paid full honoraria irrespective of enrolment of students in violation of policy. This resulted in excessive payment of honoraria for Rs 51.464 million.

Rs in million

Name of Formation	Status & no. of School	No of Students Required	Actual No. of Students	% of actual No. of students	Honoraria paid	Honoraria to be paid	Excess payment
Dy. DEO (EE-M) Hafizabad	High School (01)	80	34	43	0.630	0.266	0.364
	Elementary Schools (16)	1,600	368	23	20.069	4.616	15.453
Dy. DEO (EE-W) Pindi Bhattian	Elementary Schools (34)	3,400	780	23	28.295	6.495	21.800
Dy. DEO (EE-M) Pindi Bhattian	Elementary Schools (19)	1,900	608	32	17.983	4.136	13.847

Total	**6,980**	**1790**	**26**	**66.977**	**15.513**	**51.464**

Audit held that excess payment of honoraria was to staff of IASs was due to weak internal controls and violation of rules.

The matter was reported to the PAO in November 2023. The department replied that honorarium was paid to the staff of IAS as per the guidelines of the policy. However, department did not produce any documentary evidence in support of reply.

DAC in its meeting held on 13th December 2023 directed to refer the matter to SED for clarification and advice. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at earliest.

[PDP No. 8, 14 & 21]

4.4.2 Overpayment of inspection allowance during summer vacations - Rs 3.960 million

According to SED notification No.SO (SE-III)5-226/2017 dated 3rd August 2020, inspection allowance @ Rs10,000/month is fixed for AEOs throughout the year while Rs15,000/month will be granted to AEOs against each indicator achieved.

During audit of various formations of DEA Hafizabad for the FYs 2021-23, it was observed that inspection allowance @ Rs 25,000 per month was paid to all AEOs in summer vacations instead of Rs 10,000 per month without achieving KPIs as during summer vacations schools were closed and not even a single KPI was achieved. This resulted in overpayment of inspection allowance of AEOs during summer vacations of Rs 3.960 million.

Rs in million

FY	**Name of formations**	**No. of AEOs**	**Conditional payment**	**Period**	**Amount**
2020-23	Dy. DEO (EE-M) Hafizabad	12	15,000	9 months	1.620
2021-23	Dy. DEO (EE-W) Pindi Bhattian	13	15,000	6 months	1.170
2021-23	Dy. DEO (EE-M) Pindi Bhattian	13	15,000	6 months	1.170
Total					**3.960**

Audit held that overpayment of inspection allowance during summer vacations due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department produced letter of Inspectorate of Treasuries & Accounts, Government of the Punjab No.IT(FD16-23-9)Vol-III dated 09.08.2019 regarding drawl of inspection allowance in summer vacations. The reply was not tenable, being irrelevant.

DAC in its meeting held on 13th December 2023 directed for recovery of the inspection allowance from the concerned. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at earliest.

[PDP No. 07, 13 & 20]

B) Procurement related irregularities

4.4.3 Irregular purchase of furniture - Rs 6.729 million

According to administrative approval issued by Dy. Director Development Hafizabad vide No.04(1)/DD(D)/HFD/2019-20/589 dated 08-10-2020 CEO DEA directed that the furniture will be purchased through District Purchase Committee.

During audit of CEO DEA Hafizabad for the FY 2022-23, it was observed that an amount of Rs 6.729 million was paid to various suppliers for the purchase of desks, tables, chairs etc. for different schools. Audit observed that purchases were made locally by schools instead of centralized tendering process under District Purchase Committee as per directions given in the administrative approval. Audit also observed that the payment was made by CEO DEA instead of schools. This resulted in irregular purchase of Rs 6.729 million and loss to exchequer for Rs 0.878 million as detailed at **Annexure-D**.

Audit held that irregular purchase of furniture was made due to weak financial discipline.

The matter was reported to the PAO in November 2023. The department replied that secretary District Procurement Committee directed the schools to procure the furniture as per PPR 2014. The reply itself proved violation of rules as procurement was not made as per PPR 2014.

DAC in its meeting held on 13th December 2023 directed to refer the matter to Administrative Department for inquiry. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 05]

C) Others

4.4.4 Non-recovery of registration fee from private schools - Rs 2.261 million

According to Para-5 of Government of the Punjab, SED Notification No.SO(Schools)3-6/80 dated 13.08.1984, registration fee at the prescribed rate is to be recovered from the private educational institutions.

During audit of CEO DEA, Hafizabad for the FY 2022-23 it was observed that 323 private schools were working unregistered in district Hafizabad and registration fee @ Rs 7,000 per school was not deposited by the schools. This resulted in loss of Rs 2.261 million.

Audit held that registration fee from private schools was not recovered due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that notices were issued to the unregistered private schools after inspection of AEOs.

DAC in its meeting held on 13th December 2023 directed for recovery of total amount. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 04]

CHAPTER 5

DISTRICT EDUCATION AUTHORITY MANDI BAHAUDDIN

5.1 Introduction

a) There are 207 formations in DEA Mandi Bahauddin out of which audit of 04 formations was conducted. Total expenditure of these 04 formations was Rs 1,196.385 million out of which 41% expenditure was audited.

Audit Profile of DEA Mandi Bahauddin

Rs in million

Sr. No.	Description	Total No. of Formations	Audited	Expenditure Audited
1	DEA Mandi Bahauddin	207	04	490.518
2	Assignment accounts / SDA	-	-	-
3	Foreign Aided Projects	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DEA Mandi Bahauddin was Rs 6,905.040 million and supplementary grant of Rs 927.378 million for the FY 2022-23. An amount of Rs 1,640.070 million was surrendered and final budget was Rs 6,192.348 million. Management incurred an expenditure of Rs 6,159.413 million resulting in saving of Rs 32.935 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	6,519.711	839.595	1,550.431	5,808.875	5,850.666	41.791
Non-Salary	180.778	61.745	89.639	152.884	143.893	-8.991
Development	204.551	26.038	-	230.589	164.854	-65.735
Total	**6,905.04**	**927.378**	**1,640.07**	**6,192.348**	**6,159.413**	**-32.935**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	**Final Grant**	**Expenditure**	**Excess (+) / Saving (-)**	**% age of saving**
2021-22	6,173.406	5,430.200	-743.201	12
2022-23	6,192.348	6,159.413	-32.935	1

Source: Appropriation accounts for the FY 2022-23and FY 2021-22

There was 0.31% increase in budget allocation and 13% increase in expenditure during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 32.943 million during FY 2022-23 which is 1% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

Sectoral analysis of DEA Mandi Bahauddin was made on the basis of various quality indicators set by Education Department for the FY 2022-23. These indicators were introduced, implemented and monitored through PMIU being part of Chief Minister's School Reforms Roadmap. The objectives of this roadmap wereto improve education facilities and provide better environment through proper monitoring at appropriate levels.

Sr. No.	**Indicators**	**Achievement (%)**
1	Teacher Presence	94
2	Non-Teaching Staff Presence	91
3	Student Attendance	81
4	Retention (All Grades)	86
5	Head Teacher Presence	93
6	Availability of Boundary Wall	99
7	Availability of Drinking Water	99
8	Availability of Furniture	98

Sr. No.	Indicators	Achievement (%)
9	Sufficiency of Toilets	95
10	School Hygiene	83

Source: https://open.punjab.gov.pk/schools/home/districts_performance

ii. Service Delivery Issues

In view of the above target achievement table, it could be observed that DEA Mandi Bahauddin considerably lagged behind in achieving the target of student attendance, retention (all grades) and school hygiene during FY 2022-23.

5.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 9.174 million were raised in this report during current audit of DEA Mandi Bahauddin. This amount also includes recoveries of Rs 8.174 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	Classification	Amount Placed Under Audit Observation
1	Non-production of record	-
2	Fraud, embezzlement and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	8.174
B	Procurement related irregularities	1.000
C	Management of accounts with commercial banks	-
4	Value for money and service delivery issues	-
5	Others	-
Total		**9.174**

5.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	**Audit Year**	**No. of Paras**	**Status of PAC Meetings**
1	2017-18	08	Not convened
2	2018-19	15	
3	2019-20	09	
4	2020-21	07	
5	2021-22	10	
6	2022-23	05	

5.4 AUDIT PARAS

A) Human Resource / Employee related irregularities

5.4.1 Overpayment of allowances - Rs 4.574 million

According to SED notification No.SO(SE-III)5-226/2017 dated 3rd August 2020, inspection allowance @ Rs 10,000 / month is fixed for AEOs throughout the year while Rs 15,000 / month will be granted to AEOs against each indicator achieved. Moreover, according to Rule 1.15 of PTA Rules 1976, no conveyance allowance is admissible during leave, or joining time.

During audit of various formations of DEA Mandi Bahauddin for the FYs 2020-23, it was observed that inspection allowance @ Rs 25,000 per month was paid to all AEOs in summer vacations instead of Rs 10,000 per month without achieving KPIs as during summer vacations schools were closed and not even a single KPI was achieved. This resulted in overpayment of inspection allowance of Rs 3.960 million. Further conveyance allowance of winter vacation of teachers working under Dy. DEO (EEM) Mandi Bahauddin was not deducted in December 2022 amounting Rs 0.614 million.

Rs in million

Department	**Period**	**No. of Employees**	**Period**	**Amount**
Dy. DEO (M-EE) Mandi Bahauddin	2021 to 2023	08	6 months	0.720
Dy. DEO (W-EE) Mandi Bahauddin	2020 to 2023	10	9 months	1.350
Dy. DEO (W-EE) Phalia	2020 to 2023	14	9 months	1.890
Dy. DEO (M-EE) Mandi Bahauddin	2022-23	404	16 days	0.614
Total				**4.574**

Audit held that inspection allowance and conveyance allowance was not deducted due to weak internal controls.

The matter was reported to PAO in November 2023. The department replied that the AEOs were allowed inspection allowance during summer vacation vide letter No.FD.SR.1/9-33/2016 dated 24.07.2019 issued by the Finance Department, Government of the Punjab.

DAC in its meeting held on 11th December 2023 directed to recover the inspection allowances paid for summer vacations from the concerned AEOs. The Dy. DEO (M-EE) Mandi Bahauddin replied that the DAO Mandi Bahauddin was requested to deduct conveyance allowance of winter vacation of teachers vide this office letter No. 57 dated 24.01.2023. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

[PDP No. 10, 12, 14 & 25]

5.4.2 Inadmissible payment of inspection allowance - Rs 3.600 million

According to SED letter No. S.O (Budget) 1-18/2016(Volume-I) dated 18 September 2018, it is clarified that AEOs who have not been recruited through competitive process will not be entitled to draw inspection allowance @ 25,000 per month.

During audit of Dy. DEO (W-EE) Phalia for the FYs 2020-23, it was observed that contrary to above instruction of SED, Dy. DEO (EE-W) Phalia paid inspection allowance to SSTs working as AEOs. This resulted in inadmissible payment of inspection allowance of Rs 3.600 million. Detail is given in the table below:

Rs in million

Sr. No.	Personal Numbers	Name of Employee	Designation	BS	Inspection allowance	No of Months	Recovery
1	30753258	Sughra Saif	SST	16	25,000	36	0.900
2	31255947	Fozia Yasir	SST	17	25,000	36	0.900
3	31840863	Kinza Riasat	S.S.E (Science)	16	25,000	36	0.900
4	31913538	Nazima Firdous	S.S.E (Science)	16	25,000	36	0.900
Total							**3.600**

Audit held that inadmissible payment of inspection allowance was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the inspection allowances is admissible to the AEOs / SSTs who are performing the duties of AEO. The reply was not tenable as inspection allowance was not admissible to SSTs as per policy.

DAC in its meeting held on 11th December 2023 directed for recovery of the overpaid allowance. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

[PDP No. 27]

B) Procurement related irregularities

5.4.3 Irregular expenditure due to avoiding PPR 2014 - Rs 1.00 million

According to Rule 12 (1) of PPR 2014, procurements over two hundred thousand rupees and up to the limit of three million rupees shall be advertised on the PPRA's website in the manner and format specified by PPRA regulation from time to time.

During audit of various formations of DEA Mandi Bahauddin for the FYs 2021-23, it was observed that procurement of I.T lab and school furniture was made by the following schools without advertisement on the PPRA's website thus violating the PPR 2014 as detailed below:

Rs in million

Name of Scheme	Year of Scheme	Nature of Schemes	Expenditure
GHS Bhojowal	ADP 2022-23	Science / I.T Lab	0.500
GGES Dhunni Kalan	ADP 2021-22	Purchase of Furniture	0.250
GGES Dhunni Kalan	ADP 2022-23		0.250
Total			**1.000**

Audit held that irregular procurement of I.T lab and furniture was made due to non-compliance of rules resulting in violation of PPR 2014.

The matter was reported to the PAO in November 2023. The department replied that the concerned Headmaster was directed to provide legal validity of purchase items for verification. No record was provided for verification.

DAC in its meeting held on 11th December 2023 directed to probe the matter by CEO. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 07 & 26]

CHAPTER 6

DISTRICT EDUCATION AUTHORITY NAROWAL

6.1 Introduction

a) There are 208 formations in DEA Narowal out of which audit of 04 formations was conducted. Total expenditure of these 04 formations was Rs 4,276.040 million out of which 28% expenditure was audited.

Audit Profile of DEA Narowal

Rs in million

Sr. No.	Description	Total No. of Formations	Audited	Expenditure Audited
1	DEA Narowal	208	04	1,197.300
2	Assignment accounts / SDA	-	-	-
3	Foreign Aided Projects (FAP)	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DEA Narowal was Rs 10,148.199 million and supplementary grant was Rs 796.688 million for the FY 2022-23. An amount of Rs 1,107.270 million was surrendered and final budget was Rs 9837.617 million. Management incurred an expenditure of Rs 8,853.666 million resulting in saving of Rs 983.951 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	9,799.029	654.402	1,084.854	9,368.577	8,500.148	-868.429
Non-Salary	172.395	69.858	22.416	219.837	152.239	-67.598
Development	176.775	72.428	-	249.203	201.279	-47.924

Total	10,148.199	796.688	1,107.27	9,837.617	8,853.666	-983.951

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	Final Grant	Expenditure	Excess (+) / Saving (-)	% age of saving
2021-22	8,361.339	7,503.018	-858.191	10
2022-23	9,837.617	8,853.666	-983.951	10

Source: Appropriation accounts for the FY 2022-23 and FY 2021-22

There was 18% increase in budget allocation and expenditure incurred during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 983.951 million during FY 2022-23 which is 10% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

Sectoral analysis of DEA Narowal was made on the basis of various quality indicators set by Education Department for the FY 2022-23. These indicators were introduced, implemented and monitored through PMIU being part of Chief Minister's School Reforms Roadmap. The objectives of this roadmap wereto improve education facilities and provide better environment through proper monitoring at appropriate levels.

Sr. No.	Indicators	Achievement (%)
1	Teacher Presence	92
2	Non-Teaching Staff Presence	90
3	Student Attendance	88
4	Retention (All Grades)	97
5	Head Teacher Presence	90
6	Availability of Boundary Wall	99
7	Availability of Drinking Water	98
8	Availability of Furniture	92
9	Sufficiency of Toilets	93
10	School Hygiene	75

Source: https://open.punjab.gov.pk/schools/home/districts_performance

ii. Service Delivery Issues

In view of the above target achievement table, it could be observedthat DEA Narowal considerably lagged behind in achieving the target of student attendance, retention (all grades) and school hygiene during FY 2022-23.

6.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 15.465 million were raised in this report during current audit of DEA Narowal. This amount also includes recoveries of Rs 9.999 million as pointed out by audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	Classification	Amount Placed under Audit Observation
1	Non-production of record	-
2	Fraud, embezzlement and misappropriation	5.254
3	**Irregularities:**	
A	HR/Employees related irregularities	2.141
B	Procurement related irregularities	8.070
C	Management of accounts with commercial banks	-
4	Value for money and service delivery issues	-
5	Others	-
Total		**15.465**

6.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	2	Not convened
2	2018-19	5	
3	2019-20	8	
4	2020-21	5	
5	2021-22	11	

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
6	2022-23	06	

6.4 AUDIT PARAS

A) Fraud, Embezzlement and Misappropriations

6.4.1 Fraudulent drawal of government money by CEO - Rs 5.254 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any over charge, fraud or misappropriation and shall be liable to make good that loss. Further, as per Rule 2.20 of PFR Vol-I, every payment must be supported by a voucher setting forth full and clear particulars of the claim.

During audit of CEO DEA Narowal for the FY 2022-23, it was observed that an amount of Rs 5.254 million was drawn from DDO account No. 6010086774700016 on different dates. Audit also observed that Rs 2.30 million was drawn in the name of development scheme of missing facilities while remaining amount Rs 2.954 million was already available in DDO account. It was revealed that development funds against these schemes had already been transferred to same schools during FY 2021-22. Thus, the CEO embezzled total amount Rs 5.254 million from DDO account. No documents regarding drawl of money was available in the office. This resulted in fraudulent drawal of government money amounting to Rs 5.254 million.

Rs in million

Date of transaction	Cheque No.	Amount
27.10.2022	8071641879	0.200
28.10.2022	8071850825	0.300
04.11.2022	8071850827	0.074
11.11.2022	8071850833	0.375
11.11.2022	8071850849	0.375
11.11.2022	8071850838	0.375
12.11.2022	8071850864	0.250
12.11.2022	8071850867	0.375
12.11.2022	8071850875	0.250
18.11.2022	8071850886	0.600
21.11.2022	8071850887	0.196

Rs in million

Date of transaction	Cheque No.	Amount
25.11.2022	8071850916	0.500
26.11.2022	8071850914	0.400
26.11.2022	8071850913	0.400
28.11.2022	8071850915	0.400
30.11.2022	8071850917	0.184
Total		**5.254**

Audit held that government money worth Rs 5.254 million was embezzled due to weak financial and internal controls.

The matter was reported to the PAO in November 2023. The department replied that highlighted issued was under inquiry.

DAC in its meeting held on 15th December 2023 directed to finalize the inquiry by the administrative department. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision regarding finalization of inquiry at the earliest.

[PDP No. 01]

B) Human Resource / Employees related irregularities

6.4.2 Inadmissible payment of allowances - Rs. 2.141 million

According to clause (XIII) (i) (b) of Contract Appointment Policy 2004 issued by Government of the Punjab S&GAD, Social Security Benefit @ 30% of minimum of basic pay, in lieu of pension, was admissible only for the persons working on contract basis. Further according to clarification issued by Government of the Punjab, Finance Department vide No FD-SR-II/9-214/2013 dated 27.11.2014, Personal Allowance is to be discontinued upon fresh appointment, promotion, retirement and posting to another cadre case.

During audit of various formations of DEA Narowal for the FYs 2021-23, it was observed that Social Security Benefit @ 30% was continued to be paid to various employees in spite of their regularization. Similarly, many employees also continued to draw personal allowance in spite of their promotion to the next higher scale. This resulted in inadmissible payment of allowances of Rs 2.141 million.

Rs in million

Sr. No.	**Name of Formation**	**No. of employees**	**SSB @ 30%**	**Personal Allowance**	**Amount**
1	CEO DEA Narowal	2	0.309	-	0.309
2	Dy. DEO (W-EE) Narowal	5	0.297	-	0.297
3	Dy. DEO (M-EE) Zafarwal	14	0.821	-	0.821
4	Dy. DEO (W-EE) Narowal	15	-	0.456	0.456
5	Dy. DEO (W-EE) Zafarwal	4	-	0.258	0.258
Total			**1.427**	**0.714**	**2.141**

Audit held that inadmissible payment of allowances of Rs 2.141 million was made due to weak internal controls.

The matter was reported to the PAO in November 2023. All the departments accepted the recovery and ensured that amount would be recovered from salaries. Dy. DEO (M-

EE) Zafarwal partially accepted the recovery, as two teachers were entitled for SSB. However department did not produce any documentary evidence in support of reply.

DAC in its meeting held on 15th December 2023 directed for recovery. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

[PDP No. 8, 11, 15, 18 & 24]

C) Procurement related irregularities

6.4.3 Irregular expenditure in violation of PPR 2014 - Rs 5.466 million

According to Rule (9) of PPR 2014, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. Moreover, according to Rule 12 (1) of PPR 2014, procurements over two hundred thousand rupees and up to the limit of three million rupees shall be advertised on the PPRA's website in the manner and format specified by PPRA regulation from time to time.

During audit of CEO DEA Narowal for the FY 2022-23, it was observed that Rs 5.466 million was incurred by various formations in violation of PPR 2014. Scrutiny of the bills revealed that all the expenditure was made by splitting the indent to avoid tendering process. Moreover, an amount of
Rs 602,845 in lieu of government taxes was also not deducted. This resulted in irregular expenditure in violation of PPR 2014 for Rs 5.466 million. Detail is as under:

Rs in million

Sr. No.	Name of Institution	Description	Total amount
1	Madrissa Muaz-bin-Jabal, Narowal	Purchase of food items	2.559
2		Purchase of building material	0.541
3	GGPS Bhawanipur	Bore of drinking water & toilet	0.378
4	GGPS Tatlay	Const. of toilet block	0.376
5	GGPS Charrkey	Const. of toilet block	0.375
6	GES Beleke Khurd	Bore of drinking water & toilet	0.526
7	GGES Chamal	Const. of toilet block	0.337
8	GGHS Khaira	Const. of toilet block	0.375
Total			**5.466**

Audit held that irregular expenditure in violation of PPR 2014 due to weak internal & financial controls.

The matter was reported to the PAO in November 2023. The department replied that expenditure on food items and building material was incurred by the administrator of madrissa. Similarly, funds for other expenditure were also transferred by the CEO. However, recovery of the taxes will be made from the contractors. The reply was not accepted being irrelevant.

DAC in its meeting held on 15th December 2023 directed to refer the matter to Finance Department for regularization. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest besides recovery of government taxes.

[PDP No. 3, 6 & 7]

6.4.4 Non-deduction of government taxes - Rs 2.604 million

According to Section 153 (1) of Income Tax Ordinance (ITO) 2001, withholding tax shall be @ 5.5% for filer and 11% for non-filer in case of sale of goods and for rendering of services @ 4% & 8% respectively. Further according to 2nd Schedule of Punjab Sales Tax on Service 2012 PST @ 16% will be deducted from the payment of service providers. Similarly, according to chapter-II clause 3 of Sales Tax Act 1990, Sales Tax @ 17% will be deducted from the payment of supplies.

During audit of various formations of DEA Narowal for the FYs 2021-23, it was observed that expenditure of Rs 9.835 million was incurred for acquiring services and purchase of different items from various suppliers. The payment was made without deduction of government taxes (GST, PST & Income Tax). This resulted in non-deduction of government taxes worth Rs 2.604 million.

Rs in million

Name of formation	**Description**	**Amount**	**GST**	**Income Tax**	**PST**	**Total taxes**
Dy. DEO (W-EE) Narowal	Purchases	2.843	0.483	0.313	-	0.796
	Services	1.694	-	0.136	0.271	0.407
Dy. DEO (M-EE) Zafarwal	Purchases	1.428	0.243	0.157	-	0.400
	Services	0.616	-	0.049	0.099	0.148

Dy. DEO (W-EE) Zafarwal	Purchases	1.807	0.307	0.199	-	0.506
	Services	1.447	-	0.116	0.232	0.347
Total		**9.835**	**1.033**	**0.969**	**0.601**	**2.604**

Audit held that government taxes were not deducted due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that all the concerned quarters had been directed to deposit the government taxes.

DAC in its meeting held on 15th December 2023 directed for complete recovery. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 14, 17, 20, 21, 26 & 27]

CHAPTER 7

DISTRICT EDUCATION AUTHORITY SIALKOT

7.1 Introduction

a) There are 368 formations in DEA Sialkot out of which audit of 04 formations was conducted. Total expenditure of these 04 formations was Rs 2,036.007 million out of which 37% expenditure was audited.

Audit Profile of DEA Sialkot

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure Audited
1	DEA Sialkot	368	04	753.323
2	Assignment accounts / SDA	-	-	-
3	Foreign Aided Projects	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DEA Sialkot was Rs 12,773.416 million and supplementary grant of Rs 2,954.867 million for the FY 2022-23. An amount of Rs 1,967.592 million was surrendered and final budget was Rs 13,760.691 million. Management incurred an expenditure of Rs 13,573.379 million resulting in saving of Rs 187.312 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	12,227.442	2,670.589	1,769.177	13,128.854	12,985.488	-143.366
Non-Salary	416.667	142.892	198.415	361.144	321.228	-39.916
Development	129.307	141.386	-	270.693	266.663	-4.030

Total	**12,773.416**	**2,954.867**	**1,967.592**	**13,760.691**	**13,573.379**	**-187.312**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	**Final Grant**	**Expenditure**	**Excess (+)/ Saving (-)**	**% age of saving**
2021-22	11,981.132	11,827.31	-153.824	1
2022-23	1,3760.691	13,573.379	-187.312	1

Source: Appropriation accounts for the FY 2022-23and FY 2021-22

There was 15% increase in budget allocation and expenditure incurred during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 187.312 million during FY 2022-23 which is 1% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

Sectoral analysis of DEA Sialkot was made on the basis of various quality indicators set by Education Department for the FY 2022-23. These indicators were introduced, implemented and monitored through PMIU being part of Chief Minister's School Reforms Roadmap. The objectives of this roadmap wereto improve education facilities and provide better environment through proper monitoring at appropriate levels.

Sr. No.	**Indicators**	**Achievement (%)**
1	Teacher Presence	90
2	Non-Teaching Staff Presence	91
3	Student Attendance	89
4	Retention (All Grades)	94
5	Head Teacher Presence	88
6	Availability of Boundary Wall	98
7	Availability of Drinking Water	99

Sr. No.	Indicators	Achievement (%)
8	Availability of Furniture	95
9	Sufficiency of Toilets	95
10	School Hygiene	79

Source: https://open.punjab.gov.pk/schools/home/districts_performance

ii. Service Delivery Issues

In view of the above target achievement table, it could be observed that DEA Sialkot considerably lagged behind in achieving the target of student attendance and school hygiene during FY 2022-23.

7.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 80.583 million were raised in this report during current audit of DEA Sialkot. This amount also includes recoveries of Rs 21.677 million as pointed out by audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	**Classification**	**Amount Placed under Audit Observation**
1	Non-production of record	-
2	Fraud, embezzlement and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	21.677
B	Procurement related irregularities	5.017
V	Management of accounts with commercial banks	0
4	Value for money and service delivery issues	0
5	Others	53.889
Total		**80.583**

7.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	**Audit Year**	**No. of Paras**	**Status of PAC Meetings**
1	2017-18	02	Not convened
2	2018-19	06	
3	2019-20	11	
4	2020-21	08	

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
5	2021-22	06	
6	2022-23	06	

7.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

7.4.1 Excess payment of honoraria to staff - Rs 9.741 million

According to Para 2 (v) Policy Guideline for IAS Programme Issued by PESRP vide No DDP/PMIU/2019-17599 dated 29.03.2019, if the total enrollment in all classes of an afternoon school remains less than the minimum enrollment mentioned in the table, the honoraria will be paid on a proportionate basis i.e. it should be proportionate to the actual enrollment figure vis-à-vis the required minimum enrollment. For example, if requirement of minimum enrolment was 80 students in high school classes and if the maximum number of total students in those classes was 40 during any month of the last academic year, the staff will be paid 50 percent of the honoraria, and so on.

During audit of various formations of DEA Sialkot for the FYs 2021-23, it was observed that 68 Elementary IASs were established in district Sialkot. The staff of these schools was paid full honoraria irrespective of enrolment of students in violation of policy. This resulted in excessive payment of honoraria of Rs 9.741 million.

Rs in million

Name of Formation	**No. of Schools**	**No. of students required**	**Actual No. of students**	**% of actual no. of students**	**Honoraria paid**	**Honoraria to be paid**	**Excess payment**
Dy. DEO (W-EE) Sialkot	25	2,500	1,014	41	7.114	3.029	4.085
Dy. DEO (M-EE) Sialkot	07	700	310	44	2.110	0.988	1.122
Dy. DEO (W-EE) Daska	36	3,600	1,751	49	9.875	5.341	4.534
Total	**68**	**6,800**	**3,075**	**45**	**19.099**	**9.358**	**9.741**

Audit held that excess payment of honoraria was made due to non-compliance of rules.

The matter was reported to the PAO in November 2023. The department replied that all the codal formalities were observed before the payment of the honoraria to the teaching/non-teaching staff. However, department did not produce any documentary evidence in support of reply.

DAC in its meeting held on 6th December 2023 directed to refer the matter to SED for clarification and advice. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 18, 25 & 39]

7.4.2 Inadmissible payment of social security benefit - Rs 7.346 million

According to Clause xiii (i) (a) of contract appointment policy 2004, 30% Social Security Benefit (SSB) shall only be admissible during contract appointment.

During audit of following formations of DEA Sialkot for the FYs 2021-23, it was observed that SSB allowance was not stopped after regularization of employees. Consequently, SSB @ 30% in lieu of pension worth Rs 7.346 million was continuously being paid to these employees. This resulted in overpayment to the employees worth Rs 7.346 million.

Rs in million

Sr. No.	**Name of Formation**	**No. of Employees**	**Amount**
1	Dy. DEO (EE-W) Sialkot	12	2.101
2	Dy. DEO (EE-M) Sialkot	11	1.359
3	Dy. DEO (EE-W) Daska	25	3.886
Total		**48**	**7.346**

Audit held that overpayment of SSB was made due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that process has been started to fix pay of the regularized employees. After re-fixation the recovery would be made from these employees.

DAC in its meeting held on 6th December 2023 directed to recover the overpaid amount. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

Note: The issue was also reported earlier in the Audit Report for Audit Years 2021-22 and 2022-23 vide paras number 20.4.3.1.2 and 7.4.1 having financial impact of Rs 1.605 million and Rs 12.518 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 17, 23 & 32]

7.4.3 Overpayment of inspection allowance of AEOs during summer vacations - Rs 4.590 million

According to SED notification No.SO(SE-III)5-226/2017 dated 3rd August 2020, inspection allowance @ Rs 10,000 / month is fixed for AEOs throughout the year while Rs 15,000 / month will be granted to AEOs against each indicator achieved.

During audit of various formations of DEA Sialkot for the FYs 2021-23, it was observed that inspection allowance @ Rs 25,000 per month was paid to all AEOs in summer vacations instead of Rs 10,000 per month without achieving KPIs as during summer vacations schools were closed and not even a single KPI was achieved. This resulted in overpayment of inspection allowance of Rs 4.590 million.

Rs in million

Sr. No.	Name of formation	No. of AEOs	Conditional payment per month	Period	Amount
1	Dy. DEO (EE-W) Sialkot	27	0.015	6 months	2.430
2	Dy. DEO (EE-M) Sialkot	09	0.015	6 months	0.810
3	Dy. DEO (EE-W) Daska	15	0.015	6 months	1.350
Total					**4.590**

Audit held that overpayment of inspection allowance was due to weak financial and internal controls.

The matter was reported to the PAO in November 2023. Department replied that the KPIs were observed and authority sanctioned the inspection allowance after achieving of the targets. However department did not produce any documentary evidence in support of reply.

` DAC in its meeting held on 6th December 2023 directed to refer the matter to SED for clarification. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 20, 26 & 38]

B) Procurement related irregularities

7.4.4 Irregular expenditure due to splitting & avoiding PPR 2014 - Rs 5.017 million

According to Rule 9 of PPR 2014, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned.

During audit of CEO DEA Sialkot for the FY 2022-23, it was observed that an amount of Rs 5.017 million was paid to the M/s Baig Traders for the provision of food to the madrissas without inviting tenders. Instead of tendering process the indents were split up for less than Rs 75,000 each in violation of rules. Therefore expenditure on account of provision of food (flour, maze, milk, vegetables, cooking oil, meat etc.) was held irregular worth Rs 5.017 million.

Audit held that irregular expenditure was incurred without calling tenders due to non-compliance of rules.

The matter was reported to the PAO in November 2023. The department replied that the food was supplied to each madrissa for 10 days. Therefore each bill of food was paid to the supplier of 10 days. The reply was not tenable because the indents were split and purchase was made from the selective vendor for whole district.

DAC in its meeting held on 6th December 2023 directed to probe the matter besides regularization. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 04]

C) Others

7.4.5 Irregular recruitment of School Teacher Interns - Rs 53.889 million

According to Order No. SO(SE_REC)2-17/2020 and dated 16-02-2021 issued by SED, candidate interested for the position of STIs were required to apply through Online Teacher Recruitment System (OTRS). Moreover, pre-interview merit list and final interview merit lists were to be uploaded on OTRS.

During audit of various formations of DEA Sialkot for the FYs 2021-23, it was observed that (STIs) were recruited without following prescribed guidelines issued by SED. OTRS was totally ignored and selection process was carried out by schools themselves without even involvement of higher authorities. This irregularity made the whole recruitment process of STIs non-transparent causing irregular payment of salaries amounting to Rs 53.889 million.

Rs in million

Sr. No.	**Name of Formation**	**No. of STIs**	**Amount**
1	Dy. DEO (EE-W) Sialkot	137	28.182
2	Dy. DEO (EE-W) Daska	129	25.707
Total		**266**	**53.889**

Audit held that irregular recruitment of STIs was made due to non-compliance of rules.

The matter was reported to the PAO in November 2023. The department replied that whole recruitment process of selection of STIs was transparent and according to the instructions of government of the Punjab. However department did not produce any documentary evidence in support of reply.

DAC in its meeting held on 6th December 2023 directed to refer the matter to SED for clarification. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 21 & 36]

CHAPTER 8

DISTRICT EDUCATION AUTHORITY KASUR

8.1 Introduction

a) There are 214 formations in DEA Kasur out of which audit of 04 formations was conducted. Total expenditure of these 04 formations was Rs 412.731 million out of which 36% expenditure was audited.

Audit Profile of DEA Kasur

Rs in million

Sr. No.	Description	Total No. of Formations	Audited	Expenditure Audited
1	DEA Kasur	214	04	146.588
2	Assignment accounts / SDA	-	-	-
3	Foreign Aided Projects	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DEA Kasur was Rs 12,432.522 million and supplementary grant was Rs 568.843 million for the FY 2022-23. An amount of Rs 1,306.038 million was surrendered and final budget was Rs 11,695.327 million. Management incurred an expenditure of Rs 10,446.596 million resulting in saving of Rs 1,248.731 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	11,109.003	346.828	1,304.461	10,151.370	9,835.063	-316.307
Non-Salary	1,075.744	134.180	1.235	1,208.689	334.232	-874.457
Development	247.775	87.835	0.342	335.268	277.301	-57.967

Total	**12,432.522**	**568.843**	**1,306.038**	**11,695.327**	**10,446.596**	**-1,248.731**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	**Final Grant**	**Expenditure**	**Excess (+) / Saving (-)**	**% age of saving**
2021-22	9,976.478	8,866.830	-1,109.648	11
2022-23	11,695.327	10,446.596	1,248.731	11

Source: Appropriation accounts for the FY 2022-23 and FY 2021-22

There was 17% increase in budget allocation and 18% increase in expenditure during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 1,248.74 million during FY 2022-23 which is 11% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

Sectoral analysis of DEA Kasur was made on the basis of various qualitative indicators set by Education Department for FY 2022-23. These indicators were introduced, implemented and monitored through PMIU being part of Chief Minister's School Reforms Roadmap. The objectives of this roadmap wereto improve education facilities and provide better environment through proper monitoring at appropriate levels.

Sr. No.	**Indicators**	**Achievement (%)**
1	Teacher presence	90
2	Non-teaching staff presence	91
3	Student attendance	90
4	Student retention	90
5	Head teacher presence	71
6	Availability of Boundary walls	82
7	Availability of Drinking water	99

Sr. No.	Indicators	Achievement (%)
8	Availability of furniture	97
9	Sufficiency of Toilets	79
10	School hygiene	67

Source: https://open.punjab.gov.pk/schools/home/districts_performance

ii. Service Delivery Issues

In view of the above target achievement table, it could be observed that DEA Kasur considerably lagged behind in achieving the target of student attendance, teacher presence, availability of boundary walls, sufficiency of toilets and school hygiene during FY 2022-23.

8.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 70.814 million were raised in this report during current audit of DEA Kasur. This amount includes recoveries of Rs 66.838 million as pointed out by audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	**Classification**	**Amount Placed under Audit Observation**
1	Non-production of record	-
2	Fraud, embezzlement and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	12.210
B	Procurement related irregularities	-
C	Management of accounts with commercial banks	-
4	Value for money and service delivery issues	-
5	Others	58.604
Total		**70.814**

8.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	**Audit Year**	**No. of Paras**	**Status of PAC Meetings**
1	2017-18	12	Not convened
2	2018-19	21	
3	2019-20	07	

4	2020-21	13	
5	2021-22	18	
6	2022-23	08	

8.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

8.4.1 Non-transparent hiring on forged documents - Rs 3.976 million

According to Clause 13(i) of appointment letter issued by District Education Officer to Mst. Sobia as SSE (English), if at any stage, degrees, certificates, diploma, CNIC or domicile is found bogus, not only contract shall be terminated to be void ab initio. Furthermore, clause 14 requires that the appointing authority shall recover the loss if any.

During audit of CEO DEA Kasur for the FY 2022-23, it was observed that Mst, Sobia was appointed as SSE (English) 10-07-2017 in the Government Girls High School Ram Thaman, Kot Radha Kishan. Scrutiny of record revealed that she submitted a forged domicile for appointment. This was proven in an inquiry as well, however, her service was not terminated. She had drawn pay & allowances of Rs 3.976 million up to June 2023, which had not been recovered as per contract. This resulted in non-transparent hiring of official and loss of Rs 3.976 million to the government.

Audit held that non-transparent hiring was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the case of candidate was in Lahore High Court, Lahore and would be dealt as per decision of the court.

DAC in its meeting held on 13th December 2023 directed the management to pursue the case vigorously. No further progress was reported till finalization of report.

Audit recommends to pursue the case vigorously and fix responsibility for appointment without due verification process.

[PDP No. 09]

8.4.2 Non-recovery of salaries and penalty - Rs 5.836 million

According to Clause 13(i) of appointment letter issued by District Education Officer, if at any stage, degrees, certificates, diploma, CNIC or domicile is found bogus, not only contract shall be terminated to be void ab initio. Furthermore, Clause 14 requires that the appointing authority shall recover the loss if any. According to Section 4(1) of Punjab Employees Efficiency, Discipline and Accountability (PEEDA) Act 2006, the competent authority not withstanding anything contained in any law and terms and conditions of service of the accused, by the order in writing may impose one or more penalties.

During audit of DEO (MEE) Kasur for FY 2022-23, it was observed that the management terminated services of six officials on account of submission of forged documents. However, the emoluments paid to these employees of Rs 3.210 million were not recovered. Moreover, the penalties of Rs 2.626 million on account of inefficiency and misconduct under PEEDA Act, imposed upon nine (09) employees, were not recovered. This resulted in non-recovery of salaries and penalties of Rs 5.836 million as detailed at **Annexure-E**.

Audit held that recoveries were not made due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that the staff did not receive any salary after removal from service and penalties were imposed after conducting inquiries and same had been implemented. Reply was not tenable because salaries paid during service of the employees were not recovered as per contract agreement. Moreover, evidence for imposition of penalty was not produced to audit.

DAC in its meeting held on 13th December 2023 directed the management to recover salaries prior to termination and impose penalties imposed at the earliest. No further progress was reported till finalization of this report.

Audit recommends recovery of salaries and penalty besides fixing of responsibility against the person(s) at fault.

[PDP No. 15 & 19]

8.4.3 Inadmissible payment on account of Social Security Benefit Allowance - Rs 2.398 million

According to Clause (XIII)(i)(b) of Contract Appointment Policy 2004 issued by Government of the Punjab S&GAD, SSB @ 30% of minimum of basic pay, in lieu of pension, was admissible only for the persons working on contract basis. However, after regularization of services this allowance would be stopped and pay be fixed on the initial of basic pay scale and the difference of pay would be paid as their personal allowance.

During audit of DEO (M-EE) Kasur for the FY 2021-23 it was observed that the services of 37 teaching staff were regularized. Scrutiny of record further revealed that these officials were drawing SSB in violation of rule ibid. This resulted in inadmissible payment of SSB of Rs 2.398 million.

Audit held that overpayment of SSB was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the teachers regularized during 2021-2023 were not receiving any SSB allowance. Reply was not tenable because the management failed to produce documentary evidence.

DAC in its meeting held on 13th December 2023 directed to reconcile the matter of regularization and effect recovery if any. No further progress was reported till finalization of this report.

Audit recommends recovery besides fixing of responsibility against the person(s) at fault.
[PDP No. 18]

B) Others

8.4.4 Non-deposit of GST - Rs 3.218 million

According to Para 2 of S.R.O. No.660(1)/2007dated 30th June, 2007 a withholding agent shall deduct an amount equal to one-fifth of the total sales tax shown in the sales tax invoice issued by the supplier and make payment of the balance amount to him.

During audit of CEO DEA Kasur for the FY 2022-23, it was observed that the management purchased consumable and general store items amounting to Rs 26.368 million from M/S MAS Traders against which Rs 4.022 million was claimed on account of GST. Scrutiny of record revealed that M/S MAS Traders did not file sales tax return and was inactive as per Federal Board of Revenue (FBR) record. The vendor did not deposit 4/5th of total amount of GST i.e. Rs 3.218 million into government treasury. This resulted in non-deposit of GST of Rs 3.218 million.

Audit held that GST was not deposited into government treasury due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that the vendor had been requested for provision of GST returns. Reply was not tenable because department failed to provide the copies of GST returns.

DAC in its meeting held on 13th December 2023 directed the management to provide sales tax return verifying GST invoices claimed in the bills. No further progress was reported till finalization of this report.

Audit recommends recovery of GST besides fixing of responsibility against person (s) at fault.

[PDP No. 06]

8.4.5 Non-recovery of renewal fee & penalty from private schools -Rs 53.557 million

According to the Section 3 of the PPEI (Promotion & Regulation) Ordinance 1984, whoever continues to run the institution without registration shall be punished with the fine which may extend to one hundred rupees for each day during which contravention continues. As per notification No.SO(A-1)7-21/81 dated 24-08-1998 of Education Department, annual inspection fee @ Rs 500 and Rs 1,000 per annum will be charged for primary school and higher secondary school respectively.

During audit of CEO DEA Kasur for the FY 2022-23, it was observed that 527 private schools did not renew their registration. The management neither made efforts for recovery of renewal fee nor imposed penalties on un-registered schools. This resulted in non-recovery of renewal fee and penalties of Rs 53.557 million as detailed below:

Rs in million

Level	No. of Schools	Inspection Fee (a)	Penalty (b)	Total (a+b)
Primary /Elementary	315	0.157	38.066	38.223
High Level	212	0.212	15.121	15.333
Total	**527**	**0.369**	**53.187**	**53.557**

Audit held that renewal fee and penalty was not recovered due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the registration process was started and notices were issued to the schools. reply was not tenable because the management failed to register schools.

DAC in its meeting held on 13th December 2023 directed to expedite the process and submit report within one month. No further progress was reported till finalization of this report.

Audit recommends registration of the schools along with imposition of penalty at the earliest.

[PDP No. 7]

8.4.6 Loss due to non-registration of private schools - Rs 1.829 million

According to the Section 3 of the PPEI (Promotion & Regulation) Ordinance 1984, no institution shall be run unless it is registered. Rates for registration are Rs 5,000. and Rs 7,000 the for primary school and Higher Secondary School respectively.

During audit of CEO DEA Kasur for the FY 2022-23, it was observed that 339 private schools were not registered with the government. The management neither made any effort for registration of un-registered schools nor any action was taken against those schools. This resulted in loss of Rs 1.829 million due to non-registration of schools as detailed below:

Rs in million

Level	No. of Schools	Rate of Registration (Rs)	Recoverable Registration Fee
Primary /Elementary	272	5,000	1.360

High Level	67	7,000	0.469
Total			**1.829**

Audit held that private schools were not registered due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that committee was constituted to thrash out the issue. Reply was not tenable because no action was taken against the non-registered schools.

DAC in its meeting held on 13th December 2023 directed the management to expedite the process of registration of schools. No further progress was reported till finalization of this report.

Audit recommends registration of schools at the earliest besides fixing of responsibility against the person(s) at fault.

[PDP No. 8]

CHAPTER 9

DISTRICT EDUCATION AUTHORITY LAHORE

9.1 Introduction

a) There are 413 formations in DEA Lahore out of which audit of 05 formations was conducted. The total expenditure of these 05 formations was Rs 1,302.757 million. Out of which 21% expenditure was audited.

Audit Profile of DEA Lahore

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure Audited
1	DEA Lahore	413	05	279.522
2	Assignment accounts / SDA	-	-	-
3	Foreign Aided Projects (FAP)	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DEA Lahore was Rs 26,918.426 million and supplementary grant was Rs 957.907 million for the FY 2022-23. An amount of Rs 5,453.100 million was surrendered and final budget was Rs 22,423.232 million. Management incurred an expenditure of Rs 19,646.912 million resulting in saving of Rs 2,776.320 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	25,012.082	752.201	4,770.210	20,994.063	18,945.907	-2,048.156
Non-Salary	959.934	137.382	356.670	740.656	411.812	-328.844
Development	946.410	68.324	326.220	688.513	289.193	-399.320

Total	26,918.426	957.907	5,453.100	22,423.232	19,646.912	--2,776.320

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	Final Grant	Expenditure	Excess (+) Savings(-)	% age of saving
2021-22	19,913.992	16,213.999	-3,699.993	19
2022-23	22,423.232	19,646.912	-2,776.320	12

Source: Appropriation accounts for the FY 2022-23 and FY 2021-22

There was 13% increase in budget allocation and 21% increase in expenditure during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 2,776.319 million during FY 2022-23 which is 12% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

Sectoral analysis of DEA Lahore was made on the basis of various quality indicators set by Education Department for FY 2022-23. These indicators were introduced, implemented and monitored through PMIU being part of Chief Minister's School Reforms Roadmap. The objectives of this roadmap wereto improve education facilities and provide better environment through proper monitoring at appropriate levels.

Sr. No.	Indicators	Achievement (%)
1	Teacher presence	89
2	Non-teaching staff presence	84
3	Student attendance	84
4	Student retention	95
5	Head teacher presence	88
6	Availability of Boundary wall	100
7	Availability of Drinking water	99

Sr. No.	Indicators	Achievement (%)
8	Availability of furniture	96
9	Sufficiency of Toilets	78
10	School hygiene	76

Source: https://open.punjab.gov.pk/schools/home/districts_performance

ii. Service Delivery Issues

In view of the above target achievement table, it could be observed that DEA Lahore considerably lagged behind in achieving the target of teacher presence, presence of non-teaching staff, student attendance, sufficiency of toilets and school hygiene during 2022-23.

9.2 Classified Summary of Audit observations

Audit observations amounting to Rs 2,178.996 million were raised in this report during current audit of DEA Lahore. This amount also includes recoveries of Rs 1,481.236 million as pointed out by audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	Classification	Amount Placed under Audit Observation
1	Non-production of record	0
2	Fraud, embezzlement and misappropriation	0
3	**Irregularities:**	
3	HR/Employees related irregularities	28.886
4	Procurement related irregularities	1.186
5	Management of accounts with commercial banks	79.721
6	Value for money and service delivery issues	0
7	Others	2,064.722
Total		**2,178.996**

9.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	16	Not convened
2	2018-19	10	
3	2019-20	07	
4	2020-21	10	
5	2021-22	09	

6	2022-23	10	

9.4 AUDIT PARAS

A) Fraud, Embezzlement and Misappropriations

9.4.1 Non-transparent appointment of 434 employees

As per Section 2(3) & 5(c) of Recruitment Policy 2022 circulated vide letter No.SOR-IV (S&GAD)l0-142/2021 dated 9th March 2022 S&GAD (Regulation Wing), Government of the Punjab, the recruitment shall be transparent and in prescribed manner. Moreover, SED, Government of the Punjab, constituted District Selection Committee (DSC) for the posts in BS-01 to BS-11 vide Notification No.SO(SE-III) 5-23/2017 dated 10-04-2017. The Committee consisted of the following officers.

i.	Chief Executive Officer (DEA)	Chairman
ii.	Deputy Director (B&F)(DEA)	Member
iii.	Appointing Authority Concerned	Member
iv.	One member to be nominated by the Administrative Department	Member
v.	One Women member to be nominated by CEO (DEA)	Member
vi.	District Officer Concerned	Member/Secretary

The advertisement was made in the daily Express and Dunya News on 01-11-2022 for recruitment against 720 vacancies of class-IV employees on contract basis. As per advertisement, only permanent residents of Lahore District were eligible for appointment.

During audit of CEO DEA Lahore for the FY 2022-23, it was observed that the management issued merit list of 322 candidates on 09.01.2023 duly signed by DSC. Later on merit list was changed and 174 candidates were replaced by other candidates. Moreover the number of candidates in revised merit list was increased from 322 to 434. Additionally, the revised list of 434 candidates was not signed by the chairman and other members of DSC. Moreover, the following candidates were appointed on forged documents.

Sr. No.	Name of candidate	Personnel / CNIC No.	Remarks
1	Muhammad Zeeshan Boota	32242168	Resident of Sheikhupura and CNIC was issued after appointment orders.
2	Mr. Husnain Raza	35102-7767185-1	Forged signatures of Headmistress on service book and appointment orders.
3	Ms. Sara	32245694	Fraudulent insertion of name in the merit list.

Moreover, the PAO failed to supervise the recruitment process in prescribed and transparent manner. This resulted in non-transparent appointment of 434 officials.

Audit held that non-transparent recruitments of employees were made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that matter was referred to the Secretary, SED against the said employees and appointing authorities. Reply was not accepted because no further action was taken despite lapse of considerable time.

DAC in its meeting held on 16th December 2023 directed to initiate inquiry against the officials and the appointing authorities and terminate the services of the official appointed on forged documents. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision besides fixing of responsibility against the person(s) at fault.

[PDP No. 7, 16 & 18]

B) Human Resource / Employees related irregularities

9.4.2 Inadmissible payment of pay & allowances - Rs 28.886 million

According to Rule 1.15 of PTA Rules 1976, CA is not allowed during leave. According to Government of the Punjab, Finance Department letter No. SO(S-III)2-16/2007 dated 24-09-2007, qualification allowance will not be admissible to the teachers who are already in receipt of any kind of benefit of higher qualification either in shape of advance increments or higher pay scales. Upon regularization of the services of a contract employee, pay shall be fixed at initial stage of the respective pay scale and the increments earned during the contract appointment period shall be converted into personal allowance.

During audit of following formations of CEO DEA Lahore for the FY 2022-23, it was observed that the management overpaid Rs 28.886 million on account of pay & allowances such as conveyance allowance, charge allowance, qualification allowance etc. to 2,758 employees in violation of ibid rules. This resulted in overpayment of Rs 28.886 million on account of pay & allowances as detailed below:

Rs in million

Sr. No.	Department	Description	No. of employees	Amount
1	CEO	Conveyance allowance (CA)	08	0.480
2		Charge allowance to fresh AEOs	13	0.156
3		Personal Allowance	102	6.620
4		Qualification Allowance	2,432	16.590
5		CA to OSD posts	17	0.674
6		Science teaching allowance	53	0.375
7	Govt. Sunrise Institute for the Blind	CA during leave / vacation	16	0.114
8		Overpayment of CA and House Rent allowance	10	2.726
9	Dy. DEO EEM Raiwind	Qualification Allowance	93	0.612
10		Overpayment of pay and allowances due to wrong fixation	04	0.434

11		CA during vacations / summer vacations	10	0.105
Total			**2,758**	**28.886**

Audit held that overpayment of pay & allowances was made due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that the recovery will be effected and compliance will be shown to audit. Reply was not accepted as department did not affect recovery.

DAC in its meeting held on 16th December 2023 directed to expedite the recovery. No further progress was reported till finalization of this report.

Audit recommends recovery of the overpaid pay & allowances at the earliest.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2021-22 and 2022-23 vide para number 3.4.2.1.4 and 9.4.4 having financial impact of Rs 203.919 million and Rs 14.830 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 8, 9, 10, 11, 12, 13, 14, 22, 24, 31, 32 & 33]

9.4.3 Irregular appointment against 20% in service quota

As per Section 2(3) and 5(c) of Recruitment Policy 2022 vide letter No.SOR-IV (S&GAD)l0-142/2021 dated 9th March, 2022, S&GAD (Regulation Wing), Government of the Punjab, the recruitment shall be transparent and in prescribed manner. According to advertisement published in Daily Dunya News dated 01-11-2022, 20% in service quota was reserved for in service employees.

During audit of CEO DEA Lahore for the FY 2022-23, it was observed that the management appointed 25 candidates against 145 vacancies reserved for 20% in service quota of class-IV employees. The management deprived the in-service employees' children of 25 vacancies. This resulted in irregular appointment against 20% in-service quota.

Audit held that irregular appointment against 20% service quota was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that matter was referred to the Secretary, SED against the said employees and appointing authorities. Reply was not accepted as no action was taken despite the lapse of considerable time.

DAC in its meeting held on 16th December 2023 directed the PAO to initiate inquiry against the official and the appointing authorities and terminate the services of the officials appointed against 20% service quota within three months. No further progress was reported till finalization of this report.

Audit recommends termination of services of the officials appointed against 20% in service quota besides fixing responsibility against the person(s) at fault.

[PDP No. 19]

C) Procurement related irregularities

9.4.4 Non-deduction of taxes - Rs1.186 million

According to Section 153 (1) of ITO 2001, every prescribed person making a payment in full or part including a payment by way of advance to a resident person for the sale of goods shall deduct tax @ 4.5% of the gross amount payable, if the person is a filer and 6.5% if the person is a non-filer. According to SRO 660 (1)/2007 dated 30-06-2007 of FBR all withholding agents shall make purchases of taxable goods from a person duly registered under Sales Tax Act, 1990. The GST @ 1/5th of total value of the bill may be deducted at source and deposited it into Government Treasury.

During audit of Dy. DEO (M-EE) Raiwind for the FY 2019-23, it was observed that the schools purchased different store & consumable items and services for Rs 5.516 million. Scrutiny of record further revealed that the management of schools did not deduct Income Tax and GST of Rs 248,228 and Rs 937,748 respectively. This resulted in non-deduction of taxes of Rs 1.186 million.

Audit held that taxes were not deducted due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that the schools were directed to deposit taxes into government treasury. Reply was not accepted as department did not deposit government taxes.

DAC in its meeting held on 16th December 2023 directed the management to deposit taxes into government treasury at the earliest. No further progress was reported till finalization of this report.

Audit recommends recovery of taxes from the concerned quarter besides fixing responsibility against the person(s) at fault.

[PDP No. 30]

D) Management of accounts with commercial banks

9.4.5 Un-authorized deduction of advance tax on profit - Rs 6.605 million

Section 49 (2&3) of ITO 2001 provides that the income of a provincial government or a local authority in Pakistan shall be exempt from tax under this ordinance, other than income chargeable under the head "Income from Business" derived by a provincial government or local authority from a business carried on outside its jurisdictional area. Moreover, subject to sub-section (2), any payment received by the federal government, a provincial government or a local authority shall not be liable to any collection or deduction of advance tax.

During audit of CEO DEA Lahore for the FY 2022-23 it was observed that the Bank of Punjab (BoP) Patiala Ground Branch credited profit of Rs 24.572 million. Moreover, the bank deducted Rs 6.605 million as advance tax on profit against the rule ibid. This resulted in un-authorized deduction of advance tax on profit by BoP of Rs 6.605 million as detailed below:

Rs in million

Date of credited profit	Amount of profit	Date	Tax deducted
1-7-2019	0.360	29-01-2020	0.300
1-1-2020	0.936	18-01-2021	0.135
1-7-2020	0.947	01-07-2022	1.383
1-1-2021	0.451	01-01-2023	2.151
1-7-2021	0.492	18-07-2023	2.636
1-1-2022	0.816		
1-7-2022	4.611		
1-1-2023	7.171		
1-7-2023	8.788		
Total	**24.572**		**6.605**

Audit held that advance tax was deducted un-authorizedly by BoP due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that a letter to the Bank Manager was written for justification/credit back of withheld amount. Reply was not accepted as department did not recover advance tax.

DAC in its meeting held on 16th December 2023 directed to expedite the process of recovery. No further progress was reported till finalization of this report.

Audit recommends recovery of advance tax besides fixing of responsibility against the person(s) at fault.

[PDP No. 1]

9.4.6 Non-deposit of bank profit into government treasury - Rs 24.572 million

According to Rule 8(1) under Section-V of the Punjab Treasury Rules 1985, all moneys received or tendered on account of the revenue of the government or public moneys raised or received by the government shall, without undue delay be deposited in full into the treasury and shall be included in the consolidated fund of the state. Money received as aforesaid shall not be appropriated to meet departmental expenditure nor otherwise kept apart from the consolidated fund of the state.

During audit of CEO DEA Lahore for the FY 2022-23, it was observed that the authority earned profit of Rs 24.572 million on PLS-account No. 6510039605300029, Bank of Punjab for the period from 01.07.2019 to 01.07.2023. The profit amount was retained in the bank and not deposited into government treasury against the rule ibid. This resulted in non-deposit of bank profit into the government treasury.

Audit held that the profit was not credited into government treasury due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that the bank profit would be deposited at the earliest. Reply was not accepted because profit was not credited into government treasury.

DAC in its meeting held on 16th December 2023 directed the management to deposit the amount of profit into the government treasury. No further progress was reported till finalization of this report.

Audit recommends immediate deposits of bank profit into government treasury besides fixing responsibility against the person(s) at fault.

[PDP No. 2]

9.4.7 Loss to government due to non-placement of funds in corporate account - Rs 48.544 million

According to letter No. FD(W&M)1-1/70 (Vol-XV)/2018 dated 11.01.2019 of Finance Department, Government of the Punjab, mark up rates offered by Bank of Punjab may be compared with all public/private and Islamic banks having minimum long term "AA" rating at the time of placement of funds. In case Bank of Punjab offers the highest profit rate, funds may be placed with it. In case any of the above referred banks offers the highest profit rate, Bank of Punjab may be given an opportunity to match that profit rate within maximum of 10 days.

During audit of CEO DEA Lahore for the FY 2022-23, it was observed that an accumulated amount of Rs 440.657 million was lying in account no. 6510039605300029 of Bank of Punjab from 01.07.2019 to 30.06.2023. The management did not obtain markup rates from AA rating banks for placement of funds. The comparison with the KIBOR revealed that the management sustained a loss of Rs 48.544 million. Non-placement of funds in corporate account resulted in loss of profit of Rs 48.544 million as detailed below:

Rs in million

Date	**Balance**	**% of profit earned**	**Earned Profit (Rs)**	**% of KIBOR**	**Profit To be earned**	**Loss (Rs)**
	A	**B**	**C= A*B**	**D**	**E=A *D**	**F=E-C**
30.06.2019	10.131	3.56	0.360	13.63	1.380	1.020
31.12.2019	14.752	6.35	0.936	13.44	1.982	1.046
30.06.2020	15.431	6.14	0.947	7.35	1.134	0.187
31.12.2020	16.526	2.73	0.451	7.67	1.267	0.816
30.06.2021	26.621	1.85	0.492	8.08	2.151	1.659
30.12.2021	30.394	2.69	0.816	11.8	3.586	2.770
30.06.2022	114.324	4.03	4.611	15.73	17.983	13.372
31.12.2022	97.952	7.32	7.171	17.34	16.984	9.813
30.06.2023	114.521	7.67	8.788	23.27	26.649	17.861
Total			**24.572**		**73.116**	**48.544**

Audit held that funds were not placed in corporate account due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that as per government instructions DEA maintained its bank account in BoP since the inception of DEA Lahore and getting interest as per bank policy. Reply was not accepted as the department did not follow the instructions of Finance Department, Government of the Punjab.

DAC in its meeting held on 16th December 2023 directed the management to get competitive rates of interest and deposit the amount into the bank offering the highest rates as per Finance Department's instructions. No further progress was reported till finalization of this report.

Audit recommends obtaining the competitive interest rates for placement of funds besides fixing of responsibility against the person(s) at fault.

[PDP No. 3]

E) Others

9.4.8 Non-recovery of cost of land and malba - Rs 2,039.150 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any over charge, fraud or misappropriation and shall be liable to make good that loss.

During audit of CEO DEA for the FY 2022-23, it was observed that Defence Housing Authority, Lahore demolished 11 government schools in 2006 without prior permission from Schools Education Department, Government of the Punjab and occupied the land. Additional District Collector, Lahore evaluated the cost of the land encroached by the DHA amounting to Rs 1,385.150 million vide his letter No.Nazul/171 dated 06.02.2016. The management neither recovered the cost of land nor retrieved the land from DHA Lahore despite the lapse of 17 years. Moreover, the management did not recover the cost of malba and obsolete materials of demolished schools of Rs 654.00 million (approximate). This resulted in non-recovery of cost of land and malba of Rs 2,039.150 million as detailed at **Annexure-F**.

Audit held that the cost of land and malba was not recovered due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that the DEA has already taken up the matter and filed Civil Suit on 11.08.2022 against the DHA titled Government of the Punjab Vs. Secretary Defence Housing Authority.

DAC in its meeting held on 16th December 2023 directed the management to expedite the recovery. No further progress was reported till finalization of this report.

Audit recommends that the matter be inquired at administrative level besides fixing responsibility and strengthening of financial controls.

[PDP No. 5 & 6]

9.4.9 Non-recovery of fine and annual inspection fee from private schools Rs 25.572 million

As per Section 11 (1&2) of the PPEI (Promotion & Regulation) Ordinance 1984, Government of the Punjab, Education Department, whoever continues to run an institution without registration or after refusal or cancellation shall be punished with fine which may extend to Rs 100 for each day during which contravention continues and where the contravention continues for a period of three months, the institution shall be liable to closure by the Registering Authority. Further as per notification No.SO(A-1)7-21/81 dated 24-08-1998, Education Department, Govt. of the Punjab, annual inspection fee will be charged w.e.f 01-07-1998 @ Rs 1,000 and Rs 500 for high / higher schools, colleges and for elementary schools respectively.

During audit of CEO DEA Lahore for the FY 2022-23 it was observed that the registration of 684 schools expired in 2011-2023. However, the management did not took action against these private schools. The management did not impose fine of Rs 24.966 million (Rs 100x684 schools x 365 days) against unregistered schools. Moreover, inspection fee of Rs 0.606 million was also not recovered from these schools. This resulted in non-recovery of fine and annual inspection fee from non-registered schools of Rs 25.572 million as detailed below:

Rs in million

Sr. No.	Status of Schools	No of School	Annual inspection fee (Rs)	Total inspection fee (Rs)	Fine per day	Total fine	Grand Total
1	High / Higher Secondary Schools	528	1000	528,000	100	24.966	25.572
2	Elementary Schools	120	500	60,000			
3	Primary	36	500	18,000			
Total		**684**		**606,000**		**24.966**	**25.572**

Audit held that recovery of fine and inspection fee was not made due to weak financial controls.

The matter was reported to the PAO in November 2023. The department did not submit any reply.

DAC in its meeting held on 16th December 2023 directed the management to provide the evidence of renewal and imposition of fine verification. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 4]

9.4.10 Mis-use of merit scholarship funds - Rs 4.481 million

According to memo No. W&M-1-3/2014-15/112 dated 28-08-14 by Government of the Punjab Finance Department, scholarship was provided for disbursement to students of 5th and 8th class.

During audit of DEO (EE-M) Lahore for the FY 2021-23, it was observed that funds on account of merit scholarship amounting to Rs 4.481 million were lying in the DDO account as on 01.07.2021. The funds of merit scholarship were provided by Finance Department, Government of the Punjab for the students of examination session 2012 vide memo No. W&M-1-3/2014-15/112 dated 28-08-14. Scrutiny of record revealed that the management did not disburse the scholarship to the students. The scholarship amount was misused for purchase of sundry items and payment of utilities bills etc. in FY 2019-20 after the lapse of 5 years. This resulted in mis-use of merit scholarship.

Audit held that scholarship amount was misused due to weak internal controls.

The matter was reported to the PAO in November 2023. The department did not submit any reply.

DAC in its meeting held on 16th December 2023 directed to CEO to form a committee to probe the misuse of scholarship across DEA and submit report within three months. No further progress was reported till finalization of this report.

Audit recommends that the matter be inquired at administrative level besides fixing responsibility and strengthening of financial controls.

[PDP No. 26]

CHAPTER 10

DISTRICT EDUCATION AUTHORITY NANKANA

10.1 Introduction

A) There are 221 formations in DEA Nankana Sahib out of which audit of 03 formations was conducted. Total expenditure of formations audited was Rs 220.035 million out of which 64% expenditure was audited.

Audit Profile of DEA Nankana

Rs in million

Sr. No.	Description	Total No. of Formations	Audited	Expenditure Audited
1	DEA Nankana Sahib	221	03	140.820
2	Assignment accounts / SDA	-	-	-
3	Foreign Aided Projects	-	-	-

B) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DEA Nankana Sahib was Rs 5,874.350 million and supplementary grant was Rs 80.980 million for the FY 2022-23. An amount of Rs 227.784 million was surrendered and final budget was Rs 5,727.546 million. Management incurred an expenditure of Rs 5,724.849 million resulting in saving of Rs 2.697 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	5,529.879	19.398	108.434	5,440.843	5,445.918	5.075
Non-Salary	278.759	0	119.350	159.409	154.334	-5.075
Development	65.712	61.582	-	127.294	124.597	-2.697
Total	**5,874.350**	**80.980**	**227.784**	**5,727.546**	**5,724.849**	**-2.697**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	**Final Grant**	**Expenditure**	**Excess (+) / Saving (-)**	**% age of saving**
2021-22	5,106.762	5,086.639	-20.123	0.39
2022-23	5,727.546	5,724.849	-2.697	0.05

Source: Appropriation accounts for the FY 2022-23and FY 2021-22

There was 12% increase in budget allocation and 13% increase in expenditure during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 2.697 million during FY 2022-23 which is 0.05% of budget.

C) Sectorial Analysis

i. Analysis of Targets and Achievements

Sectorial analysis of DEA Nankana was made on the basis of various quality indicators set by Education Department for FY 2022-23. These indicators were introduced, implemented and monitored through PMIU being part of Chief Minister's School Reforms Roadmap. The objectives of this roadmap wereto improve education facilities and provide better environment through proper monitoring at appropriate levels.

Sr. No.	**Indicators**	**Achievement (%)**
1	Teacher presence	91
2	Non-teaching staff presence	92
3	Student attendance	89
4	Student retention	84
5	Head teacher presence	89
6	Availability of Boundary wall	99
7	Availability of Drinking water	96
8	Availability of furniture	99

Sr. No.	Indicators	Achievement (%)
9	Sufficiency of Toilets	93
10	School hygiene	88

Source: https://open.punjab.gov.pk/schools/home/districts_performance

ii. Service Delivery Issues

In view of the above target achievement table, it could be observedthat DEA Nankana Sahib considerably lagged behind in achieving the target of student attendance, student retention and school hygiene during FY 2022-23.

10.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 69.664 million were raised in this report during current audit of DEA Nankana Sahib. This amount also includes recoveries of Rs 6.412 million as pointed out by audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	Classification	Amount Placed under Audit Observation
1	Non-production of record	-
2	Fraud, embezzlement and misappropriation	2.223
3	**Irregularities:**	
A	HR/Employees related irregularities	4.329
B	Procurement related irregularities	-
C	Management of accounts with commercial banks	-
4	Value for money and service delivery issues	-
5	Others	63.252
Total		**69.664**

10.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	**Audit Year**	**No. of Paras**	**Status of PAC Meetings**
1	2017-18	19	Not Convened
2	2018-19	15	
3	2019-20	15	
4	2020-21	10	
5	2021-22	5	
6	2022-23	3	

10.4 AUDIT PARAS

A) Fraud, Embezzlement and Misappropriations

10.4.1 Misappropriation of government funds - Rs 2.223 million.

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any over charge, fraud or misappropriation and shall be liable to make good that loss.

During audit of DEO (M-EE) Nankana Sahib for the FY 2022-23, it was observed an amount of Rs 2.223 million was expended on the purchase of goods i.e. furniture, IT equipment etc. During physical verification, it was revealed that the items were neither available nor entered in the stock registers. Moreover, the caretaker of the office submitted a written statement that he did not receive any items. This resulted in misappropriation of funds of Rs 2.223 million.

Audit held that government funds were misappropriated due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the goods were purchased and directly handed over to the branches concerned. Reply was not tenable as the caretakers of the branches concerned submitted written statements that they didn’t receive goods.

DAC in its meeting held on 4th December 2023 directed the CEO to inquire the matter and submit report to audit. No further progress was reported till finalization of this report.

Audit recommends recovery of misappropriated amount besides fixing of responsibility against person(s) at fault.

[PDP No. 68]

B) Human Resource / Employees related irregularities

10.4.2 Inadmissible payment of social security benefit - Rs 4.189 million

According to Para No. (XIII)(i)(b) of Contract Appointment Policy 2004, social security benefit (SSB) @ 30% of minimum of basic pay is admissible only for the persons working on contract in lieu of pension. The employees at regularization shall not be entitled to the payment of 30% SSB in lieu of pension.

During audit of DEA Nankana Sahib for the FY 2022-23, it was revealed that SSB was paid to staff after regularization of their services in violation of rules ibid. This resulted in inadmissible payement of Rs 4.189 million as detailed at **Annexure-G**.

Audit held that SSB was overpaid due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the concerned DDOs of DEA Nankana Sahib had started the recovery.

DAC in its meeting held on 4th December 2023 directed to expedite the recovery. No further progress was reported till finalization of this report.

Audit recommends recovery of SSB besides fixing responsibility against the person(s) at fault.

[PDP No. 65 & 131]

C) Other

10.4.3 Unauthorized use of tied grants - Rs 63.252 million

According to Rule 24 of PDA (Budget) Rules 2017, all conditional grants should be budgeted and utilized in accordance with the condition of the grant.

During audit of DEA Nankana Sahib for the FY 2022-23, it was observed from the closing balance of A/C-V that an amount of Rs 63.252 million of tied grants was used for other activities. The closing balance of unutilized tied grant was required to be Rs 68.220 million but the closing balance in A/C-V was Rs 4.969 million. This resulted in unauthorized use of tied grants amounting to Rs 63.252 million.

Audit held that tied grants were unauthorizedly used due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that at the end of FY 2021-22, an amount of Rs 125.327 million was available in A/C-V against which an amount of Rs 107.913 million was protected for ongoing tied grants. After protecting requisite funds, an amount of Rs 17.414 million was still available in A/C-V. Reply of the department was not acceptable as the balance reflected in A/C-V was only Rs 4.969 million.

DAC in its meeting held on 4th December 2023 directed to regularize the expenditure from competent authority. No further progress was reported till finalization of this report.

Audit recommends the regularization of expenditure besides fixing responsibility against person(s) at fault.

[PDP No. 63]

CHAPTER 11

DISTRICT EDUCATION AUTHORITY OKARA

11.1 Introduction

There are 233 formations in DEA Okara out of which audit of 03 formations was conducted. Total expenditure of these 03 formations audited was Rs 617.227 million out of which 40% expenditure was audited.

a) Audit Profile of DEA Okara

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure Audited
1	DEA Okara	233	03	248.528
2	Assignment accounts / SDA	-	-	20.095
3	Foreign Aided Projects	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DEA Okara was Rs 12,319.014 million and supplementary grant was Rs 643.154 million for the FY 2022-23. An amount of Rs 1,377.509 million was surrendered and final budget was Rs 11,584.659 million. Management incurred an expenditure of Rs 11,349.699 million resulting in saving of Rs 234.960 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	11,694.903	373.869	1,331.815	10,736.957	10,648.350	-88.607
Non-Salary	253.491	113.678	38.897	328.272	323.441	-4.831

Development	370.620	155.607	6.797	519.430	377.908	-141.522
Total	**12,319.014**	**643.154**	**1,377.509**	**11,584.659**	**11,349.699**	**-234.960**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	**Final Grant**	**Expenditure**	**Excess (+) / Saving (-)**	**% age of saving**
2021-22	9,835.700	9,581.819	-253.881	3
2022-23	11,584.659	11,349.699	-234.960	2

Source: Appropriation accounts for the FY 2022-23and FY 2021-22

There was 18% increase in budget allocation and expenditure incurred during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 234.960 million during FY 2022-23 which is 2% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

Sectoral analysis of DEA Okara was made on the basis of following qualitative indicators set by Education Department for FY 2022-23. These indicators were introduced, implemented and monitored through PMIU being part of Chief Minister's School Reforms Roadmap. The objectives of this roadmap wereto improve education facilities and provide better environment through proper monitoring at appropriate levels.

Sr. No.	**Indicators**	**Achievement (%)**
1	Teacher presence	84
2	Non-teaching staff presence	46
3	Student attendance	86
4	Student retention	86
5	Head teacher presence	86
6	Availability of Boundary walls	85
7	Availability of Drinking water	85
8	Availability of furniture	85

Sr. No.	Indicators	Achievement (%)
9	Sufficiency of Toilets	85
10	School hygiene	85

Source: https://open.punjab.gov.pk/schools/home/districts_performance

ii. Service Delivery Issues

In view of the above target achievement table, it could be observed that DEA Okara considerably lagged behind in achieving the target of student attendance, teacher presence, availability of boundary walls, sufficiency of toilets and school hygiene during AY 2022-23.

11.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 177.000 million were raised in this report during current audit of DEA Okara. This amount also includes recoveries of Rs 86.081 million as pointed out by audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	Classification	Amount Placed under Audit Observation
1	Non-production of record	-
2	Fraud, embezzlement and misappropriation	71.588
3	**Irregularities:**	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	87.537
C	Management of accounts with commercial banks	-
4	Value for money and service delivery issues	-
5	Others	17.875
Total		**177.000**

11.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	21	Not convened
2	2018-19	19	
3	2019-20	06	
4	2020-21	06	
5	2021-22	12	
6	2022-23	08	

11.4 AUDIT PARAS

A) Fraud, Embezzlement and Misappropriations

11.4.1 Misappropriation of funds by CEO - Rs 13.400 million

According to Section 2(g) of the PEEDA Act 2006, corruption encompasses accepting, obtaining, or offering any form of gratification or valuable item, directly or indirectly, outside of legal remuneration as a reward for performing or abstaining from performing any official act. Additionally, it involves dishonest or fraudulent misappropriation, embezzlement, or misuse of government property or resources.

During audit of CEO DEA Okara for the FY 2022-23, it was observed that a complaint was filed by the cashier (CNIC No. 35302-7712026-9) & others against the CEO with the Auditor-General of Pakistan. The complainants alleged that an amount of Rs 13.400 million was transferred from the vendors to the cashier bank accounts. Moreover, scrutiny of cashier's bank statement for the period from 01.07.2022 to 09.08.2023 & other record e.g. jazz cash, easy paisa etc. provided by the complainants revealed that huge sums were received by cashier from three vendors. The cashier subsequently transferred these payments to the CEO, his family and friends. This resulted in exchange of favour by CEO & vendors.

Audit held that misappropriation by CEO & cashier occurred due to weak internal controls.

The matter was reported to the PAO in November 2023. The management replied that the case is already under investigation with Anti-corruption Establishment Punjab.

DAC in its meeting held on 13th January 2024 directed the management to pursue the case vigorously.

Audit recommends recovery besides fixing responsibility against person(s) at fault.

[PDP No. 93]

11.4.2 Fraudulent withdrawal of cash - Rs 3.314 million

According to Rule 9(b) of PDA (Accounts) Rule 2017, the DDO and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any over charge, fraud or misappropriation and shall be liable to make good that loss.

During audit of CEO DEA Okara for the FY 2022-23, it was observed that a complaint was filed by the cashier (CNIC No. 35302-7712026-9) & others against the CEO with the Auditor-General of Pakistan. The complainants alleged that management withdrew cash on bogus bills and did not disburse to the students/concerned parties. Scrutiny of record further revealed that the management transferred cash of Rs 1,933,400 dated 06.09.2022 and Rs 1,381,000 dated 07.09.2022 from NBP main branch Okara current account No. 5486-3 respectively to the un-known account. Further, cash withdrawals were also made by management from the same account without any payment / disbursement evidence. This resulted in fraudulent withdrawal of Rs 3.314 million.

Audit held that fraudulent withdrawal occurred due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that the cash was disbursed to the schools. Reply was not tenable because no evidence was provided for transfer of funds to the schools.

DAC in its meeting held on 13th January 2024 directed the management to provide the bank statements of the respective schools. No further progress was reported till finalization of this report.

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

[PDP No. 98]

11.4.3 Non-blacklisting of vendors involved in corrupt practices

According to Clause 31 (i,ii,iii), & (c) of the bidding document for the purchase of furniture, the term corrupt practices encompasses any act of offering, giving, receiving, or soliciting anything of value to influence the actions of a public official during the procurement process or contract execution. Similarly, fraudulent practice denotes a misrepresentation of facts aimed at manipulating the procurement process or contract execution, to the disadvantage of the procuring agency. If a firm is found to be engaged in corrupt or fraudulent practices, the procuring agency is authorized to impose sanctions / blacklist under Rule 21 of PPR 2014.

During audit of CEO DEA Okara for the FY 2022-23, it was observed that a complaint was filed by the cashier (CNIC No. 35302-7712026-9) & others against the CEO with the Auditor-General of Pakistan. The complainants alleged that vendor Mr. Muhammad Intizar (M/S Salman Enterprises bank account No. PK51BPUN 6540020602200038) and others transferred payments to cashier of DEA Okara through e-channels to influence the officials of DEA to get favour. This resulted in involvement of vendors in corrupt practices.

Audit held that vendors & officials got involved in corrupt practices due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the case is already under investigation at Anti-Corruption Establishment, Punjab.

DAC in its meeting held on 13th January 2024 directed the management to follow up the case vigorously.

Audit recommends blacklisting of the firms involved besides fixing of responsibility against the person(s) at fault.

[PDP No. 97]

11.4.4 Fraudulent manipulation of procurement process - Rs 44.468 million

According to Clause 31 (i,ii,iii) & (c) of bidding document of furniture, any form of corrupt practice refers to the offering, giving, receiving, or soliciting of any valuable item to influence the actions of a public official during the procurement process or contract execution. Additionally, fraudulent practice entails the misrepresentation of facts with the aim of manipulating the procurement process or the execution of a contract to the detriment of the procuring agency. The procuring agency is authorized to blacklist such firm under Rule 21 of PPR 2014.

During audit of CEO DEA Okara for the FY 2022-23, it was observed that the management purchased furniture of Rs 44.468 million from M/S Crescent Wood & Steel Furniture Manufacturers. A complaint was filed by the cashier (CNIC No. 35302-7712026-9) & others against the CEO with the Auditor-General of Pakistan. The complainants alleged that Mr. Muhammad Intizar, the owner of M/S Salman Enterprises, was also covertly managing other firms registered under the names of his family members. Scrutiny of record further revealed that M/S Crescent Wood & Steel Furniture Manufacturers was owned by his wife, Nayyar Sultana. Both firms competed in the bidding for purchase of furniture, however, they did not disclose it to the procuring agency. Moreover, bidding documents and other forms were submitted of the same hand-writing. Additionally, M/S Crescent Wood & Steel Furniture Manufacturers did not file Sales Tax Return for the last six periods. However, the management paid 4/5 of GST of Rs 6.407 million to the vendor. Scrutiny of DEA's cashier bank statement revealed that substantial amounts were transferred from Mr. Muhammad Intizar bank account (PK51BPUN6540020602200038). This resulted in manipulation of procurement process and overpayment of GST as detail below:

Rs in million

Name of Supplier	**Descri ption**	**o. of bills**	**A mount without GST**	**ST**	**N et Amou nt**
Crescent Wood & Steel Furniture Manufacturers	Purchas e of student and teachers chairs	7	38. 084	.40 7	4 .468

Audit held that procurement process was manipulated due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that the case is already under investigation at Anti-Corruption Establishment, Punjab.

DAC in its meeting held on 13th January 2024 directed the management to follow up the case vigorously.

Audit recommends to blacklist both vendors besides recovery of GST and fixing responsibility against persons at fault.

[PDP No. 96 & 100]

11.4.5 Misappropriation of GST - Rs 10.406 million

According to Section 3 (2) (a) of Chapter II "scope and payment" of tax of Sales Tax Act, 1990, taxable supplies and import of goods specified in the Third Schedule shall be charged to tax at the rate of seventeen per cent of the retail price or in case such supplies or imports are also specified in the Eighth Schedule, at the rates specified therein and the retail price thereof, along with the amount of sales tax shall be legibly, prominently and indelibly printed or embossed by the manufacturer or the importer, in case of imported goods on each article, packet, container, package, cover or label.

During audit of CEO DEA Okara for the FY 2022-23, it was observed that the management made payments of Rs 71.620 million on invalid GST invoices to various contractors. Scrutiny of record revealed that hand-written GST invoices were processed to make payments and GST of Rs 10.406 million was misappropriated. This resulted in misappropriation of Rs 10.406 million on account of GST.

Audit held that GST was misappropriated due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that GST returns are available. Reply was not tenable because the invoice amount and tax deposited was not tallying.

DAC in its meeting held on 13th January 2024 directed the management for recovery of sales tax or provision of valid Sales Tax Returns showing number and amount as claimed in the bills. No further progress was reported till finalization of this report.

Audit recommends recovery of GST besides fixing of responsibility against person(s) at fault.

[PDP No. 107]

B) Procurement related irregularities

11.4.6 Doubtful & irregular purchase of sundry items- Rs 11.336 million

According to Rule 4 of PPR 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical. Moreover, according to Rule 8 of PPR 2014, a procuring agency shall devise annual planning for all proposed procurements.

During audit of CEO DEA Okara for the FY 2022-23, it was observed that management incurred an amount of Rs 11.336 million on account of purchase of stationery, tonners, water dispensers, SSD hard disks, RAMs, steel almirah, batteries, printing of file covers etc. Purchases were made on piece-meal basis to avoid healthy competition. Moreover, the management failed to justify the consumption / distribution record of stationery. Furthermore, the management could not provide the historic record of purchase of assets and disposal of replaced items such as old batteries (41 batteries @ Rs 10,000 each) valuing Rs 410,000 and steel almirah etc. Additionally, management failed to provide serial numbers / warranty cards of electric appliances and computer hardware (SSD hard disk, RAMs etc). This resulted in doubtful & irregular purchase of sundry items of Rs 11.336 million as detailed below:

Rs in million

Sr. No.	Subject	Amount
1	Purchase of stationery	2.700
2	Printing of file covers	0.980
3	Purchase of tonners	1.490
4	Purchase of assets (UPS, steel almirah etc)	1.736
5	Doubtful purchases (water pumps, computer accessories, water dispensers, executive tables etc.)	2.222
6	Purchase of IT articles	2.208
Total		**11.336**

Audit held that irregular purchase of sundry items was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that during internal audit the stock was found missing. However, the ex-CEO replied that all items were purchased and supplied to the staff of the authority and missing stock would be provided if found missing.

DAC in its meeting held on 13th January 2024 directed the management to complete the historic assets record and conduct physical verification of the assets through an independent committee constituted by the administrator and submit report within 14 days.

Audit recommends regularization of expenditure from competent authority besides fixing of responsibility against person(s) at fault.

[PDP No. 78, 81, 85, 87, 88, 89 & 99]

11.4.7 Unauthorized expenditure of development funds - Rs 72.240 million

According to Rule 4 of PDA (Delegations of Financial Powers) Rules 2017, DDC is competent to accord administrative approval of works / development schemes up to Rs 200.00 million. Moreover, according to Rule 13, functionaries of district authority shall re-appropriate budget allocations in accordance with such powers as delegated to them by the district authority and at the end of the financial year, a revised budget shall be submitted to the district authority for approval in terms of Section 104 (3) of PLG Act 2013.

During audit of CEO DEA Okara for the FY 2022-23, it was observed that management expended Rs 72.240 million on the purchase of furniture, providing & fixing of submersible pumps and establishment of playgrounds. Scrutiny of record revealed that the management did not get the administrative approval. Furthermore, funds of Rs 72.240 million were re-appropriated from cost center OY8996-development to A09701-Purchase of furniture & fixture and A03942-Cost of others. This resulted in unauthorized expenditure of Rs 72.240 million as detailed below:

Rs in million

Sr. No.	**Description**	**Amount**
1	Furniture for schools	22.103
2	Boring and instillation of sub-merssible pump	21.479
3	Establishment of playgrounds	28.658
Total		**72.240**

Audit held that unauthorized expenditure was incurred due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that tehsil wise committees had been constituted for physical verification of the funds utilization. Reply was not tenable as no justification was provided for appropriation of funds from development to non-development.

DAC in its meeting held on 13th January 2024 directed the management to provide physical verification reports along with regularization of expenditure from Finance Department, Government of the Punjab. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

[PDP No. 91, 92 & 101]

11.4.8 Irregular expenditure on renovation of school buildings - Rs 3.961 million

According to Procurement and Financial guidelines 2013 for School Management Committees (SMC) issued by SED, Government of the Punjab, SMC is competent to call for tender with respect to construction work up to Rs 400,000 & according to Rule 12 of PPR 2014, a procuring agency shall advertise procurement of more than two hundred thousand rupees and up to three million rupees on PPRA website.

During audit of CEO DEA Okara for the FY 2022-23, it was observed that management transferred Rs 4.00 million to the school Management Committees (SMCs) for renovation of school buildings in violation of rule ibid. Moreover, the SMCs expended Rs 3.961 million out of these funds without preparation of rough cost estimates, TS estimates, advertisement on PPRA website. Civil work was awarded to contractors not registered with C&W Department. This resulted in irregular expenditure on renovation of school building of Rs 3.961 million as detailed below:

Rs in million

Sr. No.	Name of School	Contractor	Amount
1	Govt. High School 2/1L Renala Khurd	M/S Adnan Const. Co.	0.985
2	Govt. Girls Primary School 4/1 AL Kalan Renala		0.993
3	Govt. Primary School 47/D Okara	M/S M. Iqbal Khan & Co	0.985
4	Government Girls High School 24/2R		0.998
Total			**3.961**

Audit held that irregular expenditure was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the committe had been constituted for physical verification of the works executed. Reply was not tenable as the verification report was not provided, moreover, no justification was submitted for violation over & above Rs 0.400 million.

DAC in its meeting held on 13th January 2024 directed the management to submit physical verification reports and regularize the expenditure. No further progress was reported till finalization of this report.

Audit recommends regularization of expenditure besides fixing of responsibility against person(s) at fault.

[PDP No. 106 & 108]

C) Others

11.4.9 Irregular expenditure on repair of building - Rs 1.977 million

According to Rule 4 of PPR 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical. Moreover, according to Rule 8 of PPR 2014, a procuring agency shall devise annual planning for all proposed procurements.

During audit of CEO DEA Okara for the FY 2022-23, it was observed that management paid Rs 1.977 million on account of repair of office building of CEO DEA Okara. Repair work was got carried from general order supplier and without TS estimate. Moreover, expenditure was made on piece-meal basis to avoid healthy competition. Additionally, it was observed during physical verification that building was in miserable condition and no whitewash was done. This resulted in irregular expenditure on repair of building of Rs 1.977 million as detailed at **Annexure-H**.

Audit held that irregular expenditure was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the expenditure was incurred on paneling, ceiling, roof treatment etc. after fulfilling codal formalities. Reply was not tenable as the management split the expenditure to avoid the TS estimates.

DAC in its meeting held on 13th January 2024 directed the management to regularize the expenditure. No further progress was reported till finalization of this report.

Audit recommends regularization of expenditure from competent authority besides fixing of responsibility against person(s) at fault.

[PDP No. 90]

11.4.10 Non-recovery of honoraria and income tax - Rs 14.493 million

According to Rule 9(b) of the PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowance, contingent expenditure, or any other expense, bear personal responsibility for any overcharge, fraud, or misappropriation, and are obligated to make good any resulting loss. Moreover, as per circular No.1 of 2006 and SRO. No. C.No.I (6)WHT/ 2006 as required at prescribed rate of 10% under Section 153 of the ITO 2001, the deduction of withholding tax are applicable on other income.

During audit of CEO DEA Okara for the FY 2022-23, it was observed that management overpaid Rs 12.239 million honoraria to IAS programme instructors. Moreover, income tax @ 10% amounting to Rs 2.254 million was also not deducted. The CEO directed the concerned DEOs & Dy. DEOs for recovery vide letter No. 2832/P&D dated 03.08.2023 but amount was yet not recovered. This resulted in non-recovery of overpayment and income tax of Rs 14.492 million as detailed at **Annexure-I**.

Audit held that recovery was not made due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that the amount was not recoverable as there was no fault on the part of teachers. Moreover, the honorarium did not fall under the tax slab. Reply was not tenable as the competent authority had ordered the recovery.

DAC in its meeting held on 13th January 2024 directed the management to probe the matter again and fix the responsibility for continuing afternoon schools against the policy. No further progress was reported till finalization of this report.

Audit recommends recovery besides fixing of responsibility against person(s) at fault.

[PDP No. 102 & 103]

11.4.11 Irregular expenditure on fair and exhibition - Rs 1.405 million

According to Rule 4 of PPR 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical. Moreover, according to Rule 8 of PPR 2014, a procuring agency shall devise annual planning for all proposed procurements.

During audit of CEO DEA Okara for the FY 2022-23, it was observed that a complaint was filed by the cashier (CNIC No. 35302-7712026-9) & others against the CEO with the Auditor-General of Pakistan. The complainants alleged that the management fraudulently withdrew Rs 1.405 million on account of fair & exhibition. Scrutiny of record further revealed that the CEO joined the DEA Okara on 17.08.2022 while the event was held before his joining as per record. Moreover, the procurements were not advertised on PPRA web site to ensure open competition. This resulted in irregular expenditure on fair & exhibition of Rs 1.405 as detailed at **Annexure-J**.

Audit held that irregular expenditure on fair & exhibition was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the expenditure was incurred on need basis and within the quotation limit. Reply was not tenable as the management had not provided the event details and did not plan as per PPR 2014.

DAC in its meeting held on 13th January 2024 directed the management to provide the relevant record of events and regularize the expenditure. No further progress was reported till finalization of this report.

Audit recommends regularization of expenditure besides fixing of responsibility against person(s) at fault.

[PDP No. 84]

CHAPTER 12

DISTRICT EDUCATION AUTHORITY SHEIKHUPURA

12.1 Introduction

a) There are 209 formations in DEA Sheikhupura out of which audit of 03 formations was conducted. Total expenditure of these 03 formations was Rs 415.785 million out of which 74% expenditure is audited.

Audit Profile of DEA Sheikhupura

Rs in million

Sr. No.	Description	Total No. of Formations	Audited	Expenditure Audited
1	DEA Sheikhupura	209	03	307.689
2	Assignment accounts / SDA	-	-	63.214
3	Foreign Aided Projects	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DEA Sheikhupura was Rs 9,274.756 million and supplementary grant was Rs 774.425 million for the FY 2022-23. An amount of Rs 661.282 million was surrendered and final budget was Rs 9,387.899 million. Management incurred an expenditure of Rs 9,215.401 million resulting in saving of Rs 172.498 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	8,910.530	608.071	505.378	9,013.223	9,013.104	-0.119
Non-Salary	220.148	1.200	155.904	65.444	65.555	0.111
Development	144.078	165.154	-	309.232	136.742	-172.490
Total	**9,274.756**	**774.425**	**661.282**	**9,387.899**	**9,215.401**	**-172.498**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	**Final Grant**	**Expenditure**	**Excess (+) / Saving (-)**	**% age of saving**
2021-22	8,670.228	8,521.002	-149.226	2
2022-23	9,387.899	9,215.401	-172.498	2

Source: Appropriation accounts for the FY 2022-23 and FY 2021-22

There was 8% increase in budget allocation and expenditure incurred during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 172.496 million during FY 2022-23 which is 2% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

Sectorial analysis of DEA Sheikhupura was made on the basis of various quality indicators set by Education Department for the FY 2022-23. These indicators were introduced, implemented and monitored through PMIU being part of Chief Minister's School Reforms Roadmap. The objectives of the roadmap were to improve following indicators at each school and provision of better environment through proper monitoring at appropriate levels.

Sr. No.	**Indicators**	**Achievement (%)**
1	Teacher presence	92
2	Non-teaching staff presence	89
3	Student attendance	57
4	Student retention	91
5	Head teacher presence	92
6	Availability of Boundary wall	99
7	Availability of Drinking water	99
8	Availability of furniture	89
9	Sufficiency of Toilets	87

Sr. No.	Indicators	Achievement (%)
10	School hygiene	74

Source: https://open.punjab.gov.pk/schools/home/districts_performance

ii. Service Delivery Issues

In view of the above target achievement table, it could be observed that DEA Sheikhupura needs to improve the services in the areas of school hygiene, sufficiency of toilets, availability of furniture, teacher presence, non-teaching staff presence and student attendance as intended in the indicators during FY 2022-23.

12.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 240.224 million were raised in this report during current audit of DEA Sheikhupura. This amount also includes recoveries of Rs 20.094 million as pointed out by audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	Classification	Amount Placed under Audit Observation
1	Non-production of record	-
2	Fraud, embezzlement and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	
B	Procurement related irregularities	61.014
C	Management of accounts with commercial banks	
4	Value for money and service delivery issues	20.094
5	Others	159.116
Total		**240.224**

12.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of paras	Status of PAC Meetings
1	2017-18	18	Not convened
2	2018-19	15	
3	2019-20	08	
4	2020-21	09	
5	2021-22	04	
6	2022-23	09	

12.4 AUDIT PARAS

A) Procurement related irregularities

12.4.1 Irregular purchase of food items - Rs 61.014 million

As per Rule 4 of PPR 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

During audit of CEO DEA Sheikhupura for the FY 2022-23, it was observed that an expenditure of Rs 61.014 million was incurred on purchase of food items for Madaris of Falaha-e-Insaniat Foundation (FIF). Scrutiny of record further revealed that purchase orders were issued to the vendors on 29.07.2022 whereas approval of procurement process was dated 02.08.2022. Furthermore, the vendor M/S Nasrullah was not active taxpayer during 2022-23. This resulted in irregular purchase of food articles amounting to Rs 61.014 million.

Audit held that irregular purchase of food items were made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department stated that the expenditure was related to A/C-I. The reply was irrelevant.

DAC in its meeting held on 16th December 2023 directed CEO Education Sheikhupura to initiate inquiry against the responsible person(s). No further progress was reported till finalization of this report.

Audit recommends regularization from the competent authority besides fixing of responsibility against the persons at fault.

[PDP No. 3]

B) Value for money and service delivery issues

12.4.2 Loss to government due to non-recovery of outstanding auction amount - Rs 6.689 million

According to Rule 78 (1) of PDA (Budget) Rules 2017, the primary obligation of collecting officer shall be to ensure that all revenue due is claimed, realized and credited immediately into the District Authority fund, under the proper receipt head. The head of office shall supervise and take corrective measures in respect of activities of collecting officer.

During audit of CEO DEA Sheikhupura for the FY 2022-23, it was observed that the management took over the control of agriculture farms of FIF on 04.03.2019 at Nangle Sahdan in compliance to the directions of the Home Department, Government of the Punjab. The management auctioned the agriculture land measuring 41 acre 10 marla and a fish farm measuring 11 acre on 11.11.2019 for three years. The tenants deposited only Rs 0.607 million on account of 25% initial deposit in the first year and the remaining amount of Rs 6.689 million was not realized resulting in loss to government due to non-recovery from the tenants as detailed below:

Rs in million

Year	Description	Contractors	Rate per acre (Rs)	Total	Initial deposit 25%	Balance amount
2019-20	Agriculture land (41 acre 10 marla)	Salah-ud-Din	28,000	1.167	0.291	0.876
2019-20	Fish farm (11 acre)	Nadeem Khalid	115,000	1.265	0.316	0.949
Sub total				2.432	0.607	1.825
2020-21	Agriculture & Fish Farm	Salah-ud-Din	28,000	2.432	0	2.432
2021-22		Nadeem Khalid	115,000	2.432	0	2.432

Sub total	**4.864**	**0**	**4.864**
Grand Total	**7.296**	**0.607**	**6.689**

Audit held that auction amount was not recovered due to weak financial controls.

The matter was reported to the PAO in November 2023. The department stated that the expenditure was related to A/C-I. The reply was irrelevant.

DAC in its meeting held on 16th December 2023 directed to take up the matter with the administrator and to initiate case for recovery against the defaulters under Land Revenue Act. No further progress was reported till finalization of this report.

Audit recommends recovery from the defaulter and re-auction of agricultural land besides fixing responsibility against the persons at fault.

[PDP No. 6]

12.4.3 Non-registration of private schools - Rs 13.405 million

According to Section 11(1&2) of the PPEI (Promotion & Regulation) Ordinance 1984, whoever continues to run an institution without registration or after refusal or cancellation shall be punished with fine which may extend to Rs 100 for each day during which contravention continues, and, where the contravention continues for a period of three months the institution shall be liable to closure by the registering authority. Further, according to Section 3(1) an in charge shall before the commencement of business by the institution, register the institution with the registering Authority under this Ordinance and Rule 11 (3) states, if an incharge run the institution without registration under this ordinance, the incharge shall be liable to punishment of fine which may extend to four million rupees but which shall not be less than three hundred thousand rupees

During audit of CEO (DEA) Sheikhupura for the FY 2022-23, it was observed that 23-private schools were not registered. Moreover, the evidence of registration of 336 registered schools were also not provided for verification. Management neither imposed fine nor collected annual inspection fee from unregistered private schools. This resulted in loss to government of Rs 13.405 million as detailed below:

Rs in million

Sr. No.	**Description of schools**	**No. of schools**	**Annual insp. Fee**	**Total (Rs)**	**Fine per day**	**Total fine (365 days)**	**Recovery (Rs)**
		A	**B**	**C= (AxB)**	**D**	**E=(CxDx365 days)**	**F=C+E**

1	Higher / High secondary schools	223	1,000	0.223	100	8.139	8.362
2	Middle / primary schools	113	500	0.056	100	4.124	4.181
3	Unregistered schools	23	1,000	0.023	100	0.839	0.862
Total		**359**		**0.302**		**13.102**	**13.405**

Audit held that private schools were not registered due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the efforts are being made for registration. Department did not provide the record of registration of schools.

DAC in its meeting held on 16th December 2023 directed to expedite the efforts for registration of schools and submission of evidence for verification to audit. No further progress was reported till finalization of this report.

Audit recommends registration of private schools and recovery of penalty besides fixing responsibility against the person (s) at fault.

[PDP No. 12]

C) Others

12.4.4 Irregular re-appropriation of budget - Rs 128.899 million

As per Sr. No. 10 (viii) of Part-1 of Second Schedule of Punjab Delegation of Financial Powers (DFP) Rules 2016, no re-appropriations will be made from one detailed function to another detailed function.

During scrutiny of appropriation accounts of DEA Sheikhupura for the FY 2022-23 it was observed that funds amounting to Rs 128.899 million were re-appropriated from one detailed function to another detailed function in violation of rule ibid. This resulted in irregular re-appropriation of budget of Rs 128.899 million as detailed below:

Rs in million

Detail Function	Description of detail Function	Re- app. (+)	Re-app (-)
0911	Pre & Primary Education Function	60.063	-0.285
0911		1.374	0
0921	Secondary education affairs and function	66.020	0
0921		0.978	0
0961	Administration	0.462	-128.614
Total		**128.899**	**128.899**

Audit held that irregular re-appropriation was made due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that the re-appropriation of the budget was duly vetted / approved by Deputy Commissioner. Reply was not accepted as no re-appropriation could be made from one detailed function to another detailed function.

DAC in its meeting held on 16th December 2023 directed for regularization of expenditure from Finance Department. No further progress was reported till finalization of this report.

Audit recommends regularization from the competent forum besides fixing of responsibility against the persons at fault.

[PDP No. 2]

12.4.5 Difference between appropriation account and schedule of authorized expenditure - Rs 30.217 million

According to Rule 51 & 52 of PDA (Budget) Rules 2017, the CEO shall forward a copy of authenticated schedule of authorized expenditure to AG Punjab and DAO. Furthermore, the CEO shall as per Schedule of Authorized Expenditure, communicate and distribute the grants to the head of offices or institutions and the DDOs within the first two week of July.

During audit of appropriation accounts of DEA Sheikhupura for the FY 2022-23 it was observed that final budget of Rs 9,418.115 million was reported in the budget book whereas Rs 9,387.898 million was reported in the appropriation accounts. This resulted in a difference of Rs 30.217 million.

Audit held that the difference between appropriation account and schedule of authorized expenditure was due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that there was no difference between budgeted and appropriation accounts figures as per copy of schedule of authorized expenditure dully signed by CEO Education and DC. The difference of Rs 30.217 million mentioned in the observation related to closing balance shown in the summary. Reply was not accepted as the true picture of accounts was not reflected in the appropriation account.

DAC in its meeting held on 16th December 2023 directed CEO DEA Sheikhupura to fix responsibility against the persons at fault for non-reporting of true picture of financial accounts in the appropriation account.

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

[PDP No. 04]

CHAPTER 13

DISTRICT EDUCATION AUTHORITY ATTOCK

13.1 Introduction

a) There are 479 formations in DEA Attock out of which audit of 03 formations was conducted. Total expenditure of these 03 formations was Rs 3,156.877 million out of which 32% expenditure was audited.

Audit Profile of DEA Attock

Rs in million

r. o.	Description	Total No. of Formations	formations Audited	Expenditure Audited
1	DEA Attock	479	03	1,015.030
2	Assignment accounts / SDA	-	-	-
3	Foreign Aided Projects	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DEA Attock was Rs 9,829.798 million and supplementary grant was Rs 106.484 million for the FY 2022-23. Final budget was Rs 9,936.282 million. Management incurred an expenditure of Rs 9,400.005 million resulting in saving of Rs 536.277 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	9,440.246	0.000	-	9,440.246	8,975.620	-464.626
Non-Salary	259.754	0.300	-	260.054	202.299	-57.755
Development	129.798	106.184	-	235.982	222.086	-13.896

Total	**9,829.798**	**106.484**	**-**	**9,936.282**	**9,400.005**	**-536.277**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	**Final Grant**	**Expenditure**	**Excess (+) / Saving (-)**	**% age of saving**
2021-22	8,019.204	8,019.204	-	-
2022-23	9,936.282	9,400.005	-536.277	5

Source: Appropriation accounts for the FY 2022-23and FY 2021-22

There was 24% increase in budget allocation and 17% increase in expenditure during FY 2022-23 ascompared to FY 2021-22. There was saving of 536.277 million during FY 2022-23 which is 5% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

Sectoral analysis of DEA Attock was made on the basis of various indicators set by Schools Education Department for the FY 2022-23. These indicators were introduced, implemented and monitored through PMIU being part of Chief Minister Roadmap 2014. The objectives of the roadmap were to improve following indicators at each school and provision of better environment through proper monitoring at appropriate levels.

Sr. No.	**Indicators**	**Achievement (%)**
1	Teacher Presence	94
2	Non-Teacher Presence	91
3	Student Attendance	85
4	Retention (All Grades)	98
5	Head Teacher Presence	93
6	Availability of Boundary Wall	98
7	Availability of Drinking Water	99
8	Availability of Furniture	96
9	Sufficiency of Toilets	94
10	School Hygiene	85

Source: https://open.punjab.gov.pk/schools/home/districts_performance

ii. Service Delivery Issues

In view of the above target achievement table, it could be observed that DEA Attock considerably lagged behind in achieving the target of teacher presence, presence of non-teaching staff, student attendance, head teacher presence, sufficiency of toilets and school hygiene during FY 2022-23.

13.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 17.731 million were raised in this report during the current audit of DEA Attock. Summary of audit observations classified by nature is as under:

Overview of Audit Observations
Rs in million

r. o.	Classification	Amount Placed under Audit Observation
	Non-production of record	-
	Fraud, embezzlement and misappropriation	-
3	**Irregularities:**	
	HR/Employees related irregularities	2.191
	Procurement related irregularities	3.10
	Management of accounts with commercial banks	-
	Value for money and service delivery issues	-
	Others	12.440
Total		**17.731**

13.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
	2017-18	1 9	Not Convened
	2018-19	1 9	
	2019-20	0 9	
	2020-21	0 5	
	2021-22	0 2	
6	2022-23	0 9	

13.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

13.4.1 Irregular expenditure on honorarium - Rs 2.191 million

According to letter No.FD.SR.1/9-7/2003 dated 27.12.2005 of Finance Department, heads of the Administrative Departments may sanction an honorarium up to one month basic pay to a civil servant for work performed by him which is occasional in character and either laborious or of such special merit as to justify a special reward when the services rendered by him fall within the course of his ordinary duty like, good performance, achievements of targets or any special assignments related to the post. Further, as per definition 2(a) of PDA (DFP) Rules 2017, Administrative Department means SED of the Government in respect of the DEAs.

During audit of CEO (DEA) Attock for the FY 2022-23, it was observed that management paid Rs 2.191 million as honorarium to 44 officers / staff. Payment of honorarium was unauthorized as sanction was accorded by Deputy Commissioner Attock and CEO (DEA) Attock instead of Secretary Schools Education Department (SED) being head of administrative department. This resulted in irregular expenditure of Rs 2.191 million.

Audit held that honorarium was paid without sanction of the competent authority due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that DC being Administrator and CEO being PAO was competent to sanction honorarium. Reply was not acceptable as according to PDA (DFP) Rules 2017, Secretary SED was the head of administrative department.

DAC in its meeting held on 15th December 2023 directed for regularization of the matter. No further progress was reported till finalization of this report.

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

[PDP No. 244]

B) Procurement related irregularities

13.4.2 Irregular expenditure without observing PPR 2014 - Rs 3.100 million

According to Rule 9 of PPR 2014, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. Further, Rule 12(1) states that procurements over two hundred thousand rupees and up to the limit of three million rupees shall be advertised on the PPRA's website in the manner and format specified by regulation by the PPRA from time to time. Furthermore, according to Rule 5(iv) of PDA (DFP) Rules 2017, Dy. DEO being a Category-II officer is competent to accord administrative approval for M&R of Non-residential buildings up to Rs 0.250 million

During audit of following formations of DEA Attock for the FY 2019-23, it was observed that management incurred Rs 3.100 million on civil works without advertising on PPRA. Furthermore, Dy. DEO (W-EE) Attock being a Category-II officer was competent to accord administrative approval for M&R of non-residential buildings up to Rs 0.250 million but Rs 1.500 million was incurred on repair of office building by splitting the work. This resulted in irregular expenditure of Rs 3.100 million as detailed below:

Rs in million

Sr. No.	Name of Formation	Nature of Work	Financial Year	Amount
1	Dy. DEO (W-EE) Jand	Boundary wall of four schools	2022-23	1.600
2	Dy. DEO (W-EE) Attock	Repair of office building of Dy. DEO (W-EE) Attock	2020-21	1.500
Total (Annexure-K)				**3.100**

Audit held that expenditure incurred without following PPR 2014 and beyond competency due to weak managerial controls.

The matter was reported to the PAO in October 2023. The department replied that in case of boundary wall school council was competent to incur expenditure up to Rs 0.400 million, no school was registered on PPRA and funds were released on quarterly basis to Dy. DEO (W-EE) Attock, hence, repair work was allotted for emergency repair without tendering. Reply was not acceptable as expenditure was incurred in violation of PPR 2014.

DAC in its meeting held on 15th December 2023 directed for regularization of the matter. No further progress was reported till finalization of this report.

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

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 13.4.4 having financial impact of Rs 11.170 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 112 & 116]

C) Others

13.4.3 Non-accountal of receipts in A/C-V – Rs 12.440 million

According to letter No.BI-3(120)(AGP)2017-18 dated 16.08.2019 regarding clarification against letter No. Account-V & VI/Bank Advice/ 2018-19/HM/921 dated 08.05.2019 of Finance Department, all Public Accounts receipts as well as Consolidated Funds receipts are transferable to the Provincial Consolidated Funds or Provincial Public Account Fund as the case may be except C02865- Health other contributions, C02866-Health recoveries of over payments, C02814-Education General recoveries of over payments, C03616-Share from Provincial allocable grant which relates to A/C-V & A/C-VI of the DEAs and DHAs.

During audit of CEO (DEA) Attock for the FY 2022-23, it was observed that recovery of overpayment Rs 12.440 million related to account head C02814-Education General recoveries of over payment was deposited in A/C-I instead of A/C-V. This resulted in non-accounting of receipts of DEA.

Audit held that receipts were not accounted for in A/C-V due to financial mismanagement.

The matter was reported to the PAO in November 2023. The department replied that no procedure for submission of challans in A/C-V exists and challans were taken in A/C-I by bank. Reply was not acceptable as receipts were neither deposited nor the bank was approached for deposit of these receipts in A/C-V besides clarification issued by Finance Department.

DAC in its meeting held on 15th December 2023 directed for compliance. No further progress was reported till finalization of this report.

Audit recommends transfer of receipts in A/C-V besides fixing responsibility on the person(s) at fault.

[PDP No. 245]

CHAPTER 14

DISTRICT EDUCATION AUTHORITY CHAKWAL

14.1 Introduction

a) There are 570 formations in DEA Chakwal out of which audit of 03 formations was conducted. Total expenditure of these 03 formations was Rs 905.189. million out of which 39% expenditure was audited.

Audit profile of DEA Chakwal

Rs in million

Sr. No.	Description	Total No. of Formations	Audited	Expenditure Audited
1	DEA Chakwal	570	03	355.813
2	Assignment accounts / SDA	-	-	-
3	Foreign Aided Projects	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DEA Chakwal was Rs 11,158.845 million and supplementary grant was Rs 632.818 million for the FY 2022-23. An amount of Rs 3,791.668 million was surrendered and final budget was Rs 7,999.995 million. Management incurred an expenditure of Rs 7,999.132 million resulting in saving of Rs 0.863 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	10,732.372	474.633	3,392.881	7,814.124	7,748.650	-65.474
Non-Salary	223.885	33.087	196.302	60.670	125.280	64.610
Development	202.588	125.098	202.485	125.201	125.202	0.001
Total	**11,158.845**	**632.818**	**3,791.668**	**7,999.995**	**7,999.132**	**-0.863**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	Final Grant	Expenditure	Excess (+) / Saving(-)	% age of saving
2021-22	6,964.013	,964.013	-	-
2022-23	7,999.995	,999.132	-0.863	0.01

Source: Appropriation accounts for the FY 2022-23and FY 2021-22

There was 15% increase in budget allocation and expenditure incurred during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 0.863 million during FY 2022-23 which is 0.002% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

Sectoral analysis of DEA Chakwal was made on the basis of various indicators set by Schools Education Department for the FY 2022-23. These indicators were introduced, implemented and monitored through PMIU being part of Chief Minister Roadmap 2014. The objectives of the roadmap were to improve following indicators at each school and provision of better environment through proper monitoring at appropriate levels.

Sr. No.	Indicators	Achievement (%)
1	Teacher Presence	89
2	Non-Teacher Presence	91
3	Student Attendance	90
4	Retention (All Grades)	84
5	Head Teacher Presence	69
6	Availability of Boundary Wall	78
7	Availability of Drinking Water	100
8	Availability of Furniture	100

9	Sufficiency of Toilets	76
10	School Hygiene	70

Source: https://open.punjab.gov.pk/schools/home/districts_performance

ii. Service Delivery Issues

In view of the above target achievement table, it could be observedthat DEA Chakwal lagged behind in achieving target of teacher presence, non-teacher presence, student attendance, retention, head teacher presence, boundary wall, sufficiency of toilets and school hygiene as intended in the indicators during 2022-23.

14.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 12.477 million were raised in this report during the current audit of DEA Chakwal which is recoverable as pointed out by audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	Classification	Amount Placed under Audit Observation
1	Non-production of record	-
2	Fraud, embezzlement and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	3.477
B	Procurement related irregularities	-
C	Management of accounts with commercial banks	
4	Value for money and service delivery issues	-
5	Others	9.000
Total		**12.477**

14.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	16	Not Convened
2	2018-19	35	
3	2019-20	08	
4	2020-21	03	

5	2021-22	03	
6	2022-23	03	

14.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

14.4.1 Unauthorized disbursement of salary of deceased teacher – Rs 3.477 million

According to Rule 9(b) of PDA (Accounts) Rule 2017, the DDO and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any over charge, fraud or misappropriation and shall be liable to make good that loss.

During audit of Dy. DEO (M-EE) Lawa for the FY 2022-23, it was observed that Mr. Iftikhar Ahmed, Primary School Teacher posted at GPS Lawa (South) died on 19.03.2016. However, salary was continued to be disbursed to the deceased employee till November 2021. This resulted in unauthorized disbursement of Rs 3.477 million.

Audit held that salary of the deceased teacher was not stopped due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that recovery was in process. Reply was not acceptable since no documentary evidence was provided in support of the reply.

DAC in its meeting held on 13th December 2023 directed to probe the matter and recovery of amount. No further progress was reported till finalization of this report.

Audit recommends recovery besides fixing of responsibly on the person(s) at fault.

[PDP No. 69]

B) Others

14.4.2 Non-imposition of penalty on private school without registration - Rs 9.000 million

According to Section 3(1) PPEI (Promotion and Regulation) Ordinance Amendment Act 2016, an in charge shall before the commencement of business by the institution, register the institution with the registering Authority under this Ordinance. Further, according to Section 11(3) of ibid, if an in-charge run the institution without registration under this ordinance, the in-charge shall be liable to punishment of fine which may extend to four million rupees but which shall not be less than three hundred thousand rupees.

During audit of CEO DEA Chakwal for the FY 2022-23, it was observed that show cause notices were issued to thirty private schools for renewal of registration despite expiry of maximum limit of 2 years for renewal of expired e-license. These schools neither applied for renewal of registration nor attended the personal hearing regarding the matter and were running their businesses without valid license. This resulted in non-imposition of penalty of Rs 9.000 million as detailed at **Annexure-L**.

Audit held that penalty was not imposed on 30 schools with invalid license due to weak internal controls.

The matter was reported to the PAO in October 2023. The department did not submit any reply.

DAC in its meeting held on 13th December 2023 directed for recovery. No further progress was reported till finalization of this report.

Audit recommended action against unregistered schools besides the recovery of penalty.

[PDP No. 329]

CHAPTER 15

DISTRICT EDUCATION AUTHORITY JHELUM

15.1 Introduction

a) There are 330 formations in DEA Jhelum out of which audit of 03 formations was conducted. Total expenditure of formations audited was Rs 1,982.262 million out of which 77% expenditure was audited

Audit Profile of DEA Jhelum

Rs in million

r. o.	Description	Total No. of Formations	Audited	Expenditure Audited
	DEA Jhelum	330	03	1,526.341
	Assignment accounts / SDA	-	-	-
	Foreign Aided Projects	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DEA Jhelum was Rs 6,184.431 million and supplementary grant was Rs 485.442 million for the FY 2022-23. An amount of Rs 579.780 million was surrendered and final budget was Rs 6,090.093 million. Management incurred an expenditure of Rs 6,089.958 million resulting in saving of Rs 0.135 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	5,925.464	391.114	500.554	5,816.024	5,827.907	11.883

Non-Salary	149.306	11.552	79.226	81.632	69.614	-12.018
Development	109.661	82.776	-	192.437	192.437	-
Total	**6,184.431**	**485.442**	**579.78**	**6,090.093**	**6,089.958**	**-0.135**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	Final Grant	Expenditure	Excess (+) / Saving (-)	% age of saving
2021-22	5,305.762	5,305.762	-	-
2022-23	6,090.093	6,089.958	-0.135	0.002

Source: Appropriation accounts for the FY 2022-23and FY 2021-22

There was 15% increase in budget allocation and expenditure incurred during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 0.135 million during FY 2022-23 which is 0.002% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

Sectoral analysis of DEA Jhelum was made on the basis of various indicators set by Schools Education Department for the FY 2022-23. These indicators were introduced, implemented and monitored through PMIU being part of Chief Minister Roadmap 2014. The objectives of this roadmap wereto improve education facilities and provide better environment through proper monitoring at appropriate levels.

Sr. No.	Indicators	Achievement (%)
1	Teacher Presence	89
2	Non-Teaching Staff Presence	91
3	Student Attendance	83
4	Retention All Grades	95
5	Head Teacher Presence	89
6	Availability of Boundary Wall	99
7	Availability of Drinking Water	99
8	Availability of Furniture	97
9	Sufficiency of Toilets	91
10	School Hygiene	80

Source: https://open.punjab.gov.pk/schools/home/districts_performance

ii. Service Delivery Issues

In view of the above target achievement table, it could be observed that DEA Jhelum considerably lagged behind in achieving the target of head teacher presence and school hygiene during 2022-23.

15.2 Classified summary of audit observations

Audit observations amounting to Rs 43.613 million were raised in this report during current audit of DEA Jhelum. This amount also includes recoveries of Rs 38.949 million as pointed out by audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

r. o.	**Clas sification**	**Amount Placed under Audit Observation**
	Non-production of record	-
	Fraud, embezzlement and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	41.413
B	Procurement related irregularities	2.200
C	Management of accounts with commercial Banks	-
	Value for money and service delivery issues	-
	Others	-
Total		**43.613**

15.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

S r. No.	**Audi t Year**	**No. of Paras**	**Status of PAC Meetings**
1	2017-18	22	Not Convened
2	2018-19	22	
3	2019-20	09	
4	2020-21	02	
5	2021-22	02	
6	2022-23	05	

15.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

15.4.1 Un-authorized payment by granting higher grade - Rs 38.949 million

As per Sr. 06 of Notification No.DS(O&M)5-3/2004/CONTRACT (MF) dated 14.10.2009 issued by Government of the Punjab S&GAD Department, the pay of newly appointed staff formally on contract service would be fixed on the initial of the pay grade / scale and the difference of pay would be paid as personal allowance. Moreover, according to Para 1(d) of Government of the Punjab, Finance Department letter No.FD.PC-32-7/2007(103)/07 dated 23.04.2008, the post in BPS 01 to 04 has not been upgraded on permanent basis. Hence the new incumbents against the category after 01.07.2007 would be made in original pay scales i.e. in BPS-1 to BPS-4.

During certification audit of DEA Jhelum for the FY 2022-23, it was observed that services of the 93 non-gazatted officials were regularized. As per the criteria referred above, these officials were required to be placed in BPS-01 instead of BPS-2. This resulted in overpayment of Rs 38.949 million as detailed at **Annexure-M**.

Audit held that unauthorized high grade was given due to weak financial discipline.

The matter was reported to the PAO in October 2023. The department replied that employee recruited on contract basis prior to 01-07-2007 were awarded BS-02 on 01-07-2007 and their services were then regularized on 14-10-2009 in light of S&GAD notification No. DS (O&M)5-3/2004/CONTRACT(MF) dated 14-10-2009, promotion was made according to policy. Reply was not convincing as under clarification issued vide No.FD.PC-32-7/2007(103)/07 dated 23.04.2008, appointment was to be made in actual scale i.e. BPS-1.

DAC in its meeting held on 23rd October 2023 directed to seek clarification from Finance Department.

Audit recommends re-fixation of pay besides effecting recovery.

[Certification Audit Para-1]

15.4.2 Unauthorized payment of honorarium - Rs 2.464 million

As per letter No.FD.SR.1/9-7/2003 dated 27.12.2005 issued by Government of the Punjab, Finance Department, Heads of the Administrative Departments may sanction an honorarium up to one month basic pay to a civil servant for work performed by him which is occasional in character and either laborious or of such special merit as to justify a special reward when the services rendered by him fall within the course of his ordinary duty like, good performance, achievements of targets or any special assignments related to the post. Furthermore, as per rule 2(a) of PDA (DFP) Rules 2017, “Administrative Department” means the SED of the Government in respect of the DEA.

During certification audit DEA Jhelum for the FY 2022-23, it was observed that DAO Jhelum paid honorarium of Rs 2.464 million to 89 officers / officials. Payment of honorarium was unauthorized as sanction was accorded by Deputy Commissioner Jhelum instead of Secretary SED being head of administrative department. This resulted in unauthorized payment of Rs 2.464 million as detailed at **Annexure-N**.

Audit held that unauthorized payment of honorarium made without sanction of the competent authority was due to weak financial controls.

The matter was reported to the PAO in October 2023. The department replied that DC being administrator of DEA Jhelum was competent to sanction honorarium. Reply was not acceptable as according to PDA (DFP) Rules 2017, Secretary SED was the head of administrative department.

DAC in its meeting held on 23rd October 2023 directed to seek clarification from Finance Department. No further progress was reported till finalization of the report.

Audit recommends regularization besides fixing of responsibility against person(s) at fault.

[Certification Audit Para-21]

B) Procurement related irregularities

15.4.3 Managed procurement of electric water cooler - Rs 2.200 million

According to letter No. /DFID/PROC/2020/23831 dated 05.11.2021 issued by the Project Director PMIU Punjab Lahore, all CEOs of DEA Punjab were requested to constitute a committee comprising DEO, Assistant Director (Dev/B&P) and any technical member for the fair and transparent purchase and installation of water coolers along with water filter in IASs. The TORs of the team were fair and transparent purchase of water cooler according to specification, timely delivery, ensuring the transparent utilization of funds.

During audit of DEA Jhelum for the FY 2022-23, it was observed that primary schools under the control of following formations incurred an expenditure of Rs 2.200 million on purchase of electric water coolers. Audit observed that electric water coolers were purchased from a particular company i.e. M/s corona electric & gas appliances without adopting tendering process. This resulted in irregular expenditure of Rs 2.200 million as detailed below:

Rs in million

Sr. No.	**Name of Formations**	**Amount**
1	Dy. DEO (W-EE) P.D Khan	1.320
2	Dy. DEO (W-EE) Jhelum	0.880
Total		**2.200**

Audit held that expenditure incurred without following PPR 2014 was due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that all process for procurement of water cooler had been made by CEO (DEA) Jhelum. Reply was not acceptable as procurement was made without tender by the particular primary school.

DAC in its meeting held on 12th December 2023 directed to probe the matter. No further progress was reported till finalization of this report.

Audit recommends probe for fixing of responsibility against the person(s) at fault.

[PDP No. 1 & 158]

CHAPTER 16

DISTRICT EDUCATION AUTHORITY RAWALPINDI

16.1 Introduction

a) There are 633 formations in DEA Rawalpindi out of which audit of 03 formations was conducted. Total expenditure of these 03 formations was Rs 5,332.858 million out of which 33% expenditure was audited.

Audit Profile of DEA Rawalpindi

Rs in million

Sr. No.	Description	Total No. of Formations	Audited	Expenditure Audited
1	DEA Rawalpindi	633	03	1,775.605
2	Assignment accounts / SDA	-	-	-
3	Foreign Aided Projects	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DEA Rawalpindi was Rs 16,511.609 million and supplementary grant was Rs 630.865 million for the FY 2022-23. An amount of Rs 351.355 million was surrendered and final budget was Rs 16,829.564 million. Management incurred an expenditure of Rs 16,710.050 million resulting in saving of Rs 119.514 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	15,689.623	38.445	-	15,728.068	15,719.466	-8.602
Non-Salary	563.905	-	351.355	212.550	209.176	-3.374
Development	258.081	630.865	-	888.946	781.408	-107.538

Total	**16,511.609**	**630.865**	**351.355**	**16,829.564**	**16,710.050**	**-119.514**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	**Final Grant**	**Expenditure**	**Excess (+) / Saving (-)**	**% age of saving**
2021-22	14,592.410	14,544.929	-47.481	0.3
2022-23	16,829.564	16,710.050	-119.514	1

Source: Appropriation accounts for the FY 2022-23and FY 2021-22

There was 15% increase in budget allocation and expenditure incurred during the FY 2022-23 as compared to FY 2021-22. There was saving of Rs 119.514 million during FY 2022-23 which is 1% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

Sectoral analysis of DEA Rawalpindi was made on the basis of various indicators set by Schools Education Department for the FY 2022-23. These indicators were introduced, implemented and monitored through PMIU being part of Chief Minister Roadmap 2014. The objectives of the roadmap were to improve following indicators at each school and provision of better environment through proper monitoring at appropriate levels.

Sr. No.	**Indicators**	**Achievement (%)**
1	Teacher Presence	87
2	Non-Teacher Presence	89
3	Student Attendance	88
4	Retention All Grades	95
5	Head Teacher Presence	89
6	Availability of Boundary Wall	96
7	Availability of Drinking Water	99

8	Availability of Furniture	99
9	Sufficiency of Toilets	88
10	School Hygiene	83

Source: https://open.punjab.gov.pk/schools/home/districts_performance

ii. Service Delivery Issues

In view of the above target achievement table, it could be observedthat DEA Rawalpindi lagged behind in achieving target of teacher presence, non-teacher presence, student attendance, retention, head teacher presence, availability of boundary wall, sufficiency of toilets and school hygiene as intended in the indicators during 2022-23.

16.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 26.265 million were raised in this report during current audit of DEA, Rawalpindi. This amount also includes recoveries of Rs 9.390 million as pointed out by audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	Classification	Amount Placed under Audit Observation
1	Non-production of record	-
2	Fraud, embezzlement and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	2.031
B	Procurement related irregularities	-
C	Management of accounts with commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	24.234
Total		**26.265**

16.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submittedto Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	14	Not Convened
2	2018-19	19	
3	2019-20	14	
4	2020-21	06	
5	2021-22	03	

6	2022-23	04	

16.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

16.4.1 Un-authorized payment of salary - Rs 2.031 million

According to Rule 9(b) of PDA (Accounts) Rule 2017, the DDO and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any over charge, fraud or misappropriation and shall be liable to make good that loss.

During audit of Dy. DEO (W-EE) Rawalpindi for the FY 2018-23, it was observed that Mst. Zahida Parveen Primary School Teacher working at GMPS Rupper Khurd Tehsil Rawalpindi remained absent from duty from June 2015 to May 2019. However, she was paid Rs 2.031 million on account of pay and allowances during absent period. The department had initiated inquiry proceeding on 16.11.2022 but after lapse of considerable period, no action was found on record. This resulted in unauthorized payment of salary of Rs 2.031 million.

Audit held that pay and allowances of absent period were paid to the teachers due to weak financial management.

The matter was reported to the PAO in October 2023. The department replied that inquiry against absconded teacher was in progress. Reply was not acceptable as no concrete action had been taken to recover the overpaid amount.

DAC in its meeting held on 14th December 2023 directed to probe into the matter. No further progress was reported till finalization of this report.

Audit recommends probe for fixing responsibility against the person(s) at fault besides recovery.

[PDP No. 160]

B) Others

16.4.2 Non-recovery of penalty from private schools - Rs 6.000 million

According to Section 11(3) of the PPEI (Promotion and Regulation) Ordinance, 1984 (IV of 1984), if an Incharge runs the institution without registration under this ordinance, the Incharge shall be liable to punishment of fine which may extend to four million rupees but which shall not be less than three hundred thousand rupees.

During audit of CEO (DEA) Rawalpindi for the FY 2022-23, it was observed that District Registration Authority (DRA) meeting under the Chairmanship of DC Rawalpindi was held on 21.02.2023 for approval of registration of private schools in district Rawalpindi and committee allowed registration of twenty schools subject to collection of fine @ Rs 300,000. It was noticed that neither amount of fine was collected nor action was taken against these schools. This resulted in non-collection of penalty amount of Rs 6.000 million.

Audit held that fine was not recovered from the concerned schools due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that notices had been issued to all 20 schools that were fined in DRA meeting. Reply was not acceptable as despite lapse of considerable time, no action to recover the fine was reported.

DAC in its meeting held on 14th December 2023 directed for complete recovery. No further progress was reported till finalization of this report.

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

[PDP No. 222]

16.4.3 Non-utilization of funds of development schemes - Rs 11.875 million

According to Rule 24 of PDA (Budget) Rules 2017, all conditional grants shall be budgeted and utilized in accordance with the conditions of the grant.

During audit of CEO DEA Rawalpindi for the FY 2022-23, it was observed that CEO transferred funds of Rs 11.875 million to building department against the ongoing development schemes of 2015-22 but at the end of the year, the building department did not execute remaining work as planned against each scheme and surrendered full amount as provided during FY 2022-23 to DEA Rawalpindi without any reasonable justification. It was also noticed that CEO (DEA) Rawalpindi did not take any action against the executing agency for zero progress against these schemes. This resulted in non-utilization of funds of Rs 11.875 million.

Audit held that funds provided to Building department were not utilized due to internal control failures and financial mismanagement.

The matter was reported to the PAO in October 2023. The department replied that issue was brought in the notice of DC Rawalpindi. Reply was not acceptable as delay in execution of these development schemes would lead to price escalation which will ultimately be borne by government.

DAC in its meeting, held on 14th December 2023 directed CEO DEA Rawalpindi to take up the case through DC being head of DDC for issuance of show cause for non-utilization of funds. No further progress was reported till finalization of this report.

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

[PDP No. 224]

16.4.4 Blockage of funds on account of establishment of IT Labs - Rs 5.000 million

According to administrative approval issued by Deputy Commissioner / Chairman DDC vide No. DD(Dev)/DDC/291 dated 22.08.2023, the gestation period was six (6) months of schemes under project of Establishment of IT labs (given in table-D of Sr. 1 to 3). Furthermore, According to Rule 9(b) of PDA (Accounts) Rule 2017, the DDO and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any over charge, fraud or misappropriation and shall be liable to make good that loss.

During audit of CEO (DEA) Rawalpindi for the FY 2022-23, it was observed that funds amounting to Rs 5.000 million for establishment of IT labs was issued to CEO DEA Rawalpindi with the direction to immediately commence execution and furnish financial / physical progress report. However, DEA Rawalpindi did not take any action to execute work. This resulted in blockage of funds of Rs 5.000 million.

Audit held that allocated funds were not utilized due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that only 50% of funds were released by the Finance Department. Reply was not acceptable as delay in establishment of IT labs would lead to price escalation which will ultimately be borne by Government.

DAC in its meeting held on 14th December 2023 directed to refer the case to Secretary SED for fixing the responsibility of non-utilization of funds. No further progress was reported till finalization of this report.

Audit recommends probe for non-utilization of funds besides fixing of responsibility on the person(s) at fault.

[PDP No. 225]

16.4.5 Non-collection of fee from private school - Rs 1.359 million

According to Section 3(1) of PPEI (Promotion and Regulation) ordinance 1984, an in charge shall before the commencement of business by the institution, register the institution with the registering Authority under this Ordinance. Further according Para-2 (i) of Government of the Punjab, SED Lahore's letter No. SO(A-I)3-4/2023 dated 13.04.2023, an e-license shall be valid for a period of two years and be renewed after expiry of validity period without going into the process of new registration.

During audit of CEO (DEA) Rawalpindi for FY 2022-23, it was noticed that 188 private schools applied through Private Education Provider Registration & Information System (PEPRIS) for new registration but still un-processed. These schools are working un-registered and dues regarding registration fee with annual fee amounting to Rs 0.960 million were not collected from them, it was further noticed that according to data available on www.pepris.punjab.gov.pk, 5,154 schools were enrolled under DEA Rawalpindi as on 12.09.2023. Out of these, e-license of 273 private schools were expired but not renewed till 12.09.23 in violation of above rules and their renewal fee of Rs 0.399 million was pending. This resulted in non-collection of fee amounting to Rs 1.359 million from the private schools.

Audit held that fee was not collected due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that due to generation of incomplete application on PEPRIS it did not qualify as proper application for registration, a school owner must generate an online challan and only after depositing of fee, the application would be considered. Reply was not acceptable as no record was produced for verification.

DAC in its meeting held on 14th December 2023 directed to produce comprehensive survey report regarding private schools. No further progress was reported till finalization of this report.

Audit recommends for immediate registration of these schools and recovery of penalty may also be calculated and recovered as per ordinance besides fixing responsibility on the person(s) at fault.

[PDP No. 223]

CHAPTER 17

DISTRICT EDUCATION AUTHORITY BHAKKAR

17.1 Introduction

a) There are 167 formations in DEA Bhakkar out of which audit of 03 formations was conducted. Total expenditure of these 03 formations was Rs 1,625.393 million out of which 18% expenditure was audited.

Audit Profile of DEA Bhakkar

Rs in million

Sr. No.	Description	Total No. of Formations	Audited	Expenditure Audited
1	DEA Bhakkar	167	03	292.570
2	Assignment accounts / SDA	-	-	-
3	Foreign Aided Projects	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DEA Bhakkar was Rs 10,550.400 million and there was no supplementary grant for the FY 2022-23. An amount of Rs 2,085.843 million was surrendered and final budget was Rs 8,464.557 million. Management incurred an expenditure of Rs.7,814.608 million resulting in saving of Rs 649.949 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made. The break-up of total budget and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	9,686.748	-	1,892.611	7,794.137	7,110.632	-683.505
Non-Salary	299.958	-	92.721	207.237	200.708	-6.529

Development	563.694	-	100.511	463.183	503.268	40.085
Total	**10,550.400**	**-**	**2,085.843**	**8,464.557**	**7,814.608**	**-649.949**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	**Final Grant**	**Expenditure**	**Excess (+) / Saving (-)**	**% age of saving**
2021-22	7,571.308	6,642.921	-928.387	12
2022-23	8,464.557	7,814.608	-649.949	8

Source: Appropriation accounts for the FY 2022-23and FY 2021-22

There was 12% increase in budget allocation and 18% increase in expenditure during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 649.949 million during FY 2022-23 which is 8% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

Sectoral analysis of DEA Bhakkar was made on the basis of various quality indicators set by Education Department for the FY 2022-23. These indicators were introduced, implemented and monitored through PMIU being part of Chief Minister Roadmap 2014. The objectives of this roadmap wereto improve education facilities and provide better environment through proper monitoring at appropriate levels

Sr. No.	**Indicators**	**Achievement (%)**
1	Teacher Presence	87
2	Non-Teaching Staff presence	83
3	Student attendance (All Grades)	78
4	Retention (All Grades)	74
5	Head Teachers Presence	85
6	Availability of Boundary Wall	78

7	Availability of Drinking Water	76
8	Availability of Furniture	65
9	Sufficiency of Toilets	65
10	School Hygiene	52

Source: https://open.punjab.gov.pk/schools/home/districts_performance

ii. Service Delivery Issues

In view of the above targets achievement table, it could be observed that DEA Bhakkar considerably lagged behind in achieving the target of availability of furniture, sufficiency of toilets and school hygiene during FY 2022-23.

17.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 31.534 million were raised in this report during current audit of DEA Bhakkar. This amount also includes recoveries of Rs 11.101 million as pointed out by audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	Classification	Amount Placed under Audit Observation
1	Non-production of record	-
2	Fraud, embezzlement and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	3.960
B	Procurement related irregularities	5.433
C	Management of accounts with commercial banks	-
4	Value for money and service delivery issues	7.141
5	Others	15.00
Total		**31.534**

17.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	19	Not Convened
2	2018-19	19	
3	2019-20	09	
4	2020-21	05	

5	2021-22	03	
6	2022-23	04	

17.4AUDIT PARAS

A) Human Resource / Employees related irregularities

17.4.1 Inadmissible payment of inspection allowance - Rs 3.960 million

According to letter No. SO (Budget) 1-15/2013 (Vol-II) SED, Government of the Punjab dated 25th October, 2016 Inspection Allowance @ Rs 25,000 per month will be granted only to those AEOs who have been selected through competitive exam, remaining AEOs will be granted only Rs 10,000 per month.

During audit of Dy. DEO (W-EE) Darya Khan for the FY 2021-23, it was observed that management paid inspection allowance to 11 AEOs @ Rs 25,000 per month instead of Rs 10,000 despite the fact that they were not recruited through competitive exam. This resulted in inadmissible payment of Rs 3.960 million (15,000 x11x 24months).

Audit held that payment of inadmissible payment of inspection allowance was made due to weak internal controls.

The matter was reported to the PAO in December 2023. Department admitted the stance of audit.

DAC in its meeting held on 27th December 2023 directed to seek clarification from Secretary SED Government of the Punjab regarding rate of inspection allowance to the AEOs recruited through NTS and SSTs posted. No further progress was reported till finalization of this report.

Audit recommends recovery from the concerned employees besides fixing of responsibility on person (s) at fault.

[PDP No. 268]

B) Procurement related irregularities

17.4.2 Irregular expenditure without quotations - Rs 5.433 million

According to Rule 59 (b) of PPR 2014, a procuring agency may provide for petty purchases through at least three quotations where the cost of the procurement is more than fifty five thousand rupees but less than two hundred thousand rupees and such procurement shall be exempted from the requirements of bidding procedures.

During audit of Dy. DEO (W-EE) Darya Khan for the FY 2021-23, it was observed that elementary and primary schools made purchases of Rs 5.433 million without calling quotations in violation of PPR 2014. Audit further noticed that no quotations were available in record for purchases more than Rs 75,000. This resulted in irregular purchases without quotations of Rs 5.433 million as detailed at **Annexure-O**.

Audit held that irregular expenditure was incurred due to weak internal controls and failed to observe PPR 2014.

The matter was reported to the PAO in December 2023. Department did not submit any reply.

DAC in its meeting held on 27th December 2023 directed the department to provide complete record for detailed verification. No further progress was reported till finalization of this report.

Audit recommends regularization of expenditure from the competent forum.

[PDP No. 271]

C) Value for money and service delivery issues

17.4.3 Non-deduction of income tax from the stipend payment - Rs 5.799 million

According to Section 153(1) (b) (ii) of ITO 2001, every prescribed person while making a payment in full or part to an individual for rendering or providing of services, shall deduct income tax at source @ 10% of the gross amount payable, if the person is a filer and @ 20% if the person is a non-filer.

During audit of CEO DEA Bhakkar for the FY 2022-23, it was observed that management transferred funds of Rs 57.993 million to different schools for stipend payment to teaching staff working under IASs Programme, however, income tax @ 10% was not deducted at the time of stipend payment. This resulted in loss of Rs 5.799 million to the government as mentioned below:

Rs in million

Release Description	Gross Amount	Income Tax @ 10%
1st Quarter	16.332	1.633
2nd Quarter	24.956	2.496
3rd Quarter	16.705	1.671
Total	**57.993**	**5.799**

Audit held income tax was not deducted at source that due to weak internal controls and poor financial discipline.

The matter was reported to the PAO in December 2023. Department replied that recovery was pended in the light of recommendations issued by Federal Tax Ombudsman (FTO) dated 13.02.2023.

DAC in its meeting held on 27th December 2023 directed to deduct tax from the salaried persons i.e. DEA teachers working in afternoon and keep recovery pending in case of private service providers. No further progress was reported till finalization of this report.

Audit recommends recovery of income tax besides fixing of responsibility for lapse and negligence.

[PDP No. 261]

17.4.4 Non-deduction / doubtful deposit of income tax - Rs 1.342 million

According to Section 153 (1)(a) of ITO 2001, every prescribed person making a payment in full or part including payment by way of advance to a resident person shall deduct income tax @ 4.5% of the gross amount payable if the person is a filer, and 9% if the person is a non-filer.

During audit of Dy. DEO (W-EE) Darya Khan for the FY 2021-23, it was observed that elementary and primary schools incurred expenditure of Rs 29.815 million on various purchases. Audit noticed that payment was made to suppliers without deduction of income tax of Rs 1.342 million at source and handed over full amount of tax to the suppliers. The suppliers / vendors either did not deposit the amount of tax to government treasury or deposited very minor amount as compared to the amount they received from schools on account of income tax. Moreover, CPRs and Annexure-C (sale tax return) issued by firms appeared doubtful, as in most of the cases CPRs could not be verified during online verification from FBR website. This resulted in non-deduction/ doubtful deposit of income tax of Rs 1.342 million.

Audit held that tax was neither deducted nor deposited in treasury due to weak internal and financial controls.

The matter was reported to the PAO in December, 2023. The department replied that department had directed concerned AEOs to probe the matter. Reply was considered since contention of audit was accepted.

DAC in its meeting held on 27th December 2023 directed to probe the matter at CEO level and submit a report within 45 days. No further progress was reported till finalization of this report.

Audit recommends probing the matter and fixing the responsibility against person (s) at fault besides recovery of amount overpaid.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2021-22 vide para number 2.4.1.2.2 having financial impact of Rs 6.698 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 267 & 272]

D) Others

17.4.5 Non-receipt of saving amount of development schemes from building department - Rs 15.00 million

According to letter No.IT(FD)3-7/2000 dated 01.01.2001 of Finance Department, Government of the Punjab, the funds would not constitute a deposit work and the funds were to be utilized up to 30th June and unspent balance would be refunded to the concerned DDO on completion of the project, the XEN Buildings will render a completion certificate and statement of accounts (i.e. complete vouched account) together with refund of residual balance of the amounts placed at his disposal, to the concerned DDO for his record.

During audit of CEO DEA Bhakkar for FY 2022-23, it was observed that CEO transferred funds for construction work to building department as deposit work. Some development schemes were tendered on rates below the TS amount which resulted in saving of Rs 15 million. Audit noticed that neither building department submitted the vouched accounts nor amount of saving was refunded to A/C-V. This resulted in non-receipt/recovery of saving of Rs 15.00 million as detailed below:

Rs in million

Sr. No	Development Schemes	Release Amount	Total Exp.	Saving
1	Up-Gradation / Establishment of Schools (ADP No-30/ 2022-23	109.264	106.264	3.00
2	Establishment of New Govt. School (31/2022-23)	109.118	106.118	3.00
3	Up-Gradation/ Establishment of 6 No schools (ADP 112)	48.726	47.726	1.00
4	Up-Gradation and Establishment of Schools (ADP No. 113 to 122)	96.236	92.236	4.00
5	Reconstruction of Dangerous School Buildings 2021-22 (ADP 229)	83.115	79.115	4.00
Total		**446.459**	**431.459**	**15.00**

Audit held that non-receipt of saving amount of development schemes was due to weak internal and financial controls.

The matter was reported to the PAO in December 2023. Department admitted the contention of audit observation and taken up the matter with building department.

DAC in its meeting held on 27th December 2023 directed for recovery of Rs 15 million of saving of development schemes from building department. No further progress was reported till finalization of this report.

Audit recommends fixing of responsibility for lapse besidesides recovery of saving amount.

[PDP No. 263]

CHAPTER 18

DISTRICT EDUCATION AUTHORITY KHUSHAB

18.1 Introduction

a) There are 173 formations in DEA Khushab out of which audit of 03 formations was conducted. Total expenditure of these 03 formations was Rs 1,360.329 million out of which 15% expenditure was audited.

Audit Profile of DEA Khushab

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure Audited
1	DEA Khushab	173	03	204.049
2	Assignment accounts / SDA	-	-	-
3	Foreign Aided Projects	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of the DEA Khushab was Rs 8,390.765 million and supplementary grant of Rs 621.914 million for the FY 2022-23. An amount of Rs 2,950.718 million was surrendered and final budget was Rs 6,061.961 million. Management incurred an expenditure of Rs 6,061.794 million resulting in saving of Rs 0.167 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of total budget and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	7,929.792	434.122	2,650.613	5,713.301	5,718.070	4.769
Non-Salary	324.945	79.971	263.032	141.884	136.949	-4.935
Development	136.028	107.821	37.073	206.776	206.775	-0.001

Total	8,390.765	621.914	2,950.718	6,061.961	6,061.794	-0.167

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	Final Grant	Expenditure	Excess (+) / Saving (-)	% age of saving
2021-22	5,414.805	5,375.979	-38.826	1
2022-23	6,061.961	6,061.794	-0.167	0.003

Source: Appropriation accounts for the FY 2022-23and FY 2021-22

There was 12% increase in budget allocation and 13% increase in expenditure during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 0.167 million during FY 2022-23 which is 0.002% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

Sectoral analysis of DEA Khushab was made on the basis of various quality indicators set by Education Department for the FY 2022-23. These indicators were introduced, implemented and monitored through PMIU being part of Chief Minister Roadmap 2014. The objectives of this roadmap wereto improve education facilities and provide better environment through proper monitoring at appropriate levels

Sr. No.	Indicators	Achievement (%)
1	Teacher Presence	91
2	Non-Teaching Staff Presence	90
3	Student attendance (All Grades)	91
4	Retention (All Grades)	96
5	Head Teachers Presence	89
6	Availability of Boundary Wall	99
7	Availability of Drinking Water	98
8	Availability of Furniture	92

9	Sufficiency of Toilets	87
10	School Hygiene	70

Source: https://open.punjab.gov.pk/schools/home/districts_performance

ii. Service Delivery Issues

In view of the above target achievement table, it could be observedthat DEA Khushab considerably lagged behind in achieving the target of sufficiency of toilets and school hygiene during FY 2022-23.

18.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 25.621 million were raised in this report during current audit of DEA Khushab. This amount also includes recoveries of Rs 2.551 million as pointed out by audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	Classification	Amount Placed under Audit Observation
1	Non-production of record	-
2	Fraud, embezzlement and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	1.076
B	Procurement related irregularities	-
C	Management of accounts with commercial banks	-
4	Value for money and service delivery issues	1.475
5	Others	23.070
Total		**25.621**

18.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	19	Not Convened
2	2018-19	19	
3	2019-20	09	
4	2020-21	05	

5	2021-22	04	
6	2022-23	04	

18.4AUDIT PARAS

A) Human Resource / Employees related irregularities

18.4.1 Overpayment on account of advance increments - Rs 1.076 million

According to Clarification issued vide No.FD.PC.19-1/89 (Pt.II)(1153/09)(Provl) dated Lahore the 28th February 2018 by Finance Department Government of the Punjab, any other cadre like Headmaster/ Headmistress/DEOs/AEOs are not entitled for two advance annual increments w.e.f 01.01.2018. Further according to Finance Department letter No.FD.PC.19-1/89(Pt.II)(1153/09)(provl), dated 1st January 2018, ESTs working in BPS-15 (personal) and SSTs were allowed two advance increments.

During audit of Dy. DEO (M.E.E) Khushab for the FY 2022-23, it was observed that four AEOs were paid two annual advance increments w.e.f. 01.01.2018 in contravention to the notifications ibid. This resulted in overpayment of Rs 1.076 million on account of pay & allowances as detailed below:

Rs in million

Sr. No.	Name of AEO	Period	Overpayment
1	Shakeel Tahir	01-01-2018 to 30-06-2023	0.269
2	Hafiz Asim		0.269
3	Nabeel Aftab		0.269
4	Muhammad Arshad		0.269
Total			**1.076**

Audit held that overpayment on account of advance increments due to weak financial controls.

The matter was reported to PAO in December 2023. Department admitted overpayment and stated that change in pay had been incorporated and recovery started.

DAC in its meeting held on 28th December 2023 directed for recovery.

Audit stresses for early recovery of overpaid amount.

[PDP No. 249]

B) Value for money and service delivery issues

18.4.2 Non-deduction of income tax from salary - Rs 1.475 million

According to Section 153(1) (b) (ii) of ITO 2001, every prescribed person while making a payment in full or part to an individual for rendering or providing of services, shall deduct income tax at source @ 10% of the gross amount payable, if the person is a filer and @20 % if the person is a non-filer.

During audit of Dy. DEO (W-EE) Khushab for FY 2022-23, it was observed that the management paid Rs 7.376 million to teaching staff of schools under IASs Programme, however, income tax @ 20% amounting to Rs 1.475 million was not deducted from payment of honoraria to teaching staff (non-filer). This resulted in non-deduction of income tax of Rs 1.475 million.

Audit held that income tax on salaries was not deducted due to lack of financial control.

The matter was reported to PAO in December 2023. The department replied that the teachers were paid maximum up to Rs 18,000 monthly and supporting staff up to Rs 7,000 only which was not taxable. The reply was not acceptable as the DDO was required to make deduction at source as withholding agent on any amount while other source of income was not known him.

DAC in its meeting held on 28th December 2023 directed to deduct tax from the salaried persons and the recovery be kept pending in case of private service providers in the light of recommendations issued by FTO dated 13.02.2023. No further progress was reported till finalization of this report.

Audit recommends recovery of income tax amount.

[PDP No. 257]

C) Others

18.4.3 Unjustified creation of liability - Rs 18.946 million

According to Rule 17.17(a) read with Rule 17.18 of PFR Vol-I, every disbursing officer shall maintain a register of liabilities in P.F.R form 27 in which he should enter all these items of expenditure for which payment is to be made by or through another officer, budget allotment or sanction of a higher authority is to be obtained or payment would be required partly or wholly during the next financial year or years.

During audit of CEO DEA Khushab for the FY 2022-23, it was observed that the management procured furniture from M/s Premier House, Lahore vide order No.4114 dated 22.09.22 but payment was not cleared at close of financial year despite availability of funds. This resulted in unjustified creation of liability of Rs 18.946 million as detailed below:

Rs in million

Sr. No.	Description	Qty.	Rate	Amount
1	3 Seater Desk bench (1495) Elementary	1,495	10,390	15.533
2	3 Seater Desk bench (338) Primary	338	10,099	3.413
Total				**18.946**

Audit held that liability was created due to weak internal control and financial indiscipline.

The matter was reported to the PAO in January, 2023. The department replied that 3-seater desk benches supplied by firm were rejected being not according to specification. Firm was directed to replace the desks and payments were to be made after satisfactory inspection report of technical committee. Reply was not acceptable as no serious efforts were on record to ensure timely replacement of furniture and completion of the process within the financial year.

DAC in its meeting held on 28th December 2023 directed the department to complete the replacement process at earliest.

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

[PDP No. 241]

18.4.4 Undue retention of public money - Rs 4.124 million

According to Rule 2.10 (b) (5) of PFR Vol-I, Authorities incurring expenditure should see that no money has been drawn from the treasury unless it is required for immediate disbursement.

During audit of Dy. DEO (MEE) Khushab for the FY 2022-23, it was observed that Rs 4.124 million was available in DDO account at end of the financial year. Audit noticed that the amount was drawn drawn on account of stipend payment and miscellaneous purpose but neither it was disbursed for the purpose it was drawn nor deposited in government treasury. This resulted in undue retention of public money worth Rs 4.124 million.

Audit held that undue retention of public money wasa due to weak financial controls.

The matter was reported to the PAO in January 2023. The department replied that the amount in DDO account was related to students merit scholarships, prizes of position holders and arrears of salary and allowances of teachers. The disbursement of amount was under process. Reply was not acceptable as the funds were parked since long and not disbursed for purpose it was drawn.

DAC in its meeting held on 28th December 2023 directed to probe the matter and submit a report within 30 days.

Audit recommends fixing responsibility of lapse against the person(s) at fault besides depositing the unspent amount in treasury.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2019-20 vide para number 10.05.3.2 having financial impact of Rs 3.806 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 250 & 25]

CHAPTER 19

DISTRICT EDUCATION AUTHORITY MIANWALI

19.1 Introduction

a) There are 185 formations in DEA Mianwali out of which audit of 03 formations was conducted. Total expenditure of these 03 formations was Rs 4,431.870 million out of which 18% expenditure was audited

Audit Profile of DEA Mianwali

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure Audited
1	DEA Mianwali	185	03	797.737
2	Assignment accounts / SDA	-	-	-
3	Foreign Aided Projects	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DEA Mianwali was Rs 11,513.666 million and supplementary grant was Rs 1,126.447 million for the FY 2022-23. An amount of Rs 3,334.242 million was surrendered and final budget was Rs 9,305.871 million. Management incurred an expenditure of Rs 8,439.259 million resulting in saving of Rs 866.612 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	10,927.165	542.835	3,257.260	8,212.740	7,359.207	-853.533
Non-Salary	257.807	33.304	76.982	214.129	202.154	-11.975
Development	328.694	550.308	-	879.002	877.898	-1.104

Total	11,513.666	1,126.447	3,334.242	9,305.871	8,439.259	-866.612

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	**Final Grant**	**Expenditure**	**Excess (+) / Saving (-)**	**% age of saving**
2021-22	9,632.241	7,716.779	-1,138.929	20
2022-23	9,305.871	8,439.259	-866.612	9

Source: Appropriation accounts for the FY 2022-23and FY 2021-22

There was 3% decrease in budget allocation and 9% increase in expenditure during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 866.612 million during FY 2022-23 which is 9% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

Sectoral analysis of DEA Mianwali was done on the basis of various quality indicators set by Education Department for the FY 2022-23. These indicators were introduced, implemented and monitored through PMIU since it was part of Chief Minister Roadmap 2014. The objectives of this roadmap were to improve education facilities and provide better environment through proper monitoring at appropriate levels

Sr. No.	**Indicators**	**Achievement (%)**
1	Teacher Presence	89
2	Non-Teaching Staff presence	86
3	Student attendance (All Grades)	81
4	Retention (All Grades)	96
5	Head Teachers Presence	60
6	Availability of Boundary Wall	97

7	Availability of Drinking Water	97
8	Availability of Furniture	92
9	Sufficiency of Toilets	85
10	School Hygiene	74

Source: https://open.punjab.gov.pk/schools/home/districts_performance

ii. Service Delivery Issues

In view of the above targets achievement table, it could be observed that DEA Mianwali considerably lagged behind in achieving the target of head teacher presence, sufficiency of toilets and school hygiene during 2022-23.

19.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 7.756 million were raised in this report during current audit of DEA Mianwali as pointed out by audit. This amount also includes recoveries of Rs 0.909 million as pointed out by audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	**Classification**	**Amount Placed under Audit Observation**
1	Non-production of record	-
2	Fraud, embezzlement and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	5.819
C	Management of accounts with commercial banks	0
4	Value for money and service delivery issues	1.937
5	Others	0
Total		**7.756**

19.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	**Audit Year**	**No. of Paras**	**Status of PAC Meetings**
1	2017-18	19	Not Convened
2	2018-19	19	
3	2019-20	09	
4	2020-21	05	

5	2021-22	04	
6	2022-23	04	

19.4 AUDIT PARAS

A) Procurement related irregularities

19.4.1 Irregular expenditure without observing PPR 2014 - Rs 5.819 million

According to Rule 9 and 12 (4) of PPR 2014, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. Procurements over two hundred thousand rupees and up to the limit of three million rupees shall be advertised on the PPRA's website in the manner and format specified by regulation by the PPRA from time to time. According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowances, contingent expenditure or any other expense shall be personally responsible for any overcharge, fraud, misappropriation and shall be liable to make good that loss.

During audit of Dy. DEO (W-EE), Mianwali for FY 2021-23, it was observed that management incurred expenditure of Rs 5.819 million on purchase of various items through quotations without advertising on PPRA website. Audit noticed that neither any annual planning of the procurement was done nor codal formalities were completed. Audit further noticed following irregularities in purchases and repairs.

i. Expenditure on office premises office equipment, furniture fixture (including luxurious Sofas) was made in excess of genuine official requirements of Dy. DEO level office. Most of the payments were drawn in the name of DDO cheques instead in vendor name.
ii. Proper stock entries and up to date inventory position record was not maintained.
iii. Un-realistic expenditure was observed on photocopies.
iv. Sufficient issuance/consumption record of consumable supplies was not maintained.
v. Un-realistic expenditure on repair of machinery, equipment and transport was observed besides non-maintenance of sufficient repair record.

This resulted in irregular and doubtful expenditure of Rs 5.819 million as detailed at **Annexure-P**.

Audit held that due to weak internal, managerial and financial controls, purchases were made non-transparently without observing codal formalities.

The matter was reported to the PAO in November 2023. The department replied that purchases were made according to PPRA. Already set precedents of purchase committees were followed. All the entries of permanent and consumable items were made. Quotations for all purchases were demanded from different firms and awarded to lowest bidders. There wasn't any vendor system implemented by DAO hence cheques were issued in DDO's name by DAO. History sheets and repair registers were maintained. Reply was not accepted because it was not based on facts and supported with documentary evidence.

DAC in its meeting held on 18th December 2023 directed probe in the matter for fixing responsibility of lapse. No further progress was reported till finalization of this report.

Audit recommends probe in the matter for fixing responsibility of lapse against the person (s) at fault besides regularization of the expenditure from the competent forum.

[PDP No. 202, 205, 206, 207 & 209]

B) Value for money and service delivery issue

19.4.2 Non-deduction of income tax from stipend payment to Insaf Afternoon Schools teachers - Rs 0.909 million

According to Section 153(1) (b) (ii) of ITO 2001, every prescribed person while making a payment in full or part to an individual for rendering or providing of services, shall deduct income tax at source @ 10% of the gross amount payable, if the person is a filer and @17.5% if the person is a non-filer.

During audit of Dy. DEO (M-EE), Mianwali for the FY 2022-23, it was observed that management transferred funds of Rs 5.198 million to different schools for stipend payment to teaching staff working under IASs Programme, however, income tax @ 17.50% was not deducted at the time of stipend payment. This resulted in non-deduction of Rs 909,650 million.

Audit held that income tax was not deducted at source due to weak internal controls and poor financial discipline.

The matter was reported to the PAO in November 2023. The department replied that payment of said amount was made on account of honoraria at fixed rates of Rs18,000, Rs15,000 and Rs 7,000 per month to head teacher, teacher and class-IV respectively which does not come under income tax slab. Reply was not accepted because being withholding agent DDOs were required to deduct income tax as they were not aware about other sources of income.

DAC in its meeting held on 27th December 2023 directed to deduct tax from the salaried persons and the recovery be kept pending in case of private service providers in light of recommendations issued by FTO dated 13.02.2023. No further progress was reported till finalization of this report.

Audit recommends recovery of income tax besides fixing of responsibility of lapse.

[PDP No. 260]

19.4.3 Non-deduction / doubtful deposit of GST - Rs 1.028 million

According to standing instructions of FBR read with SRO No.660 (1)/2007 dated 30.06.2007 of FBR, all withholding agents shall make purchases of taxable goods from a person duly register under Sales Tax Act, 1990. The GST @ 1/5th of total value of the GST charged may be deducted at source and deposited in Government Treasury. In case of non-availability of a registered firm, the purchases may be made from unregistered firm. The GST @19% should be deducted at source from the payments of un-registered firm and credited to Government treasury.

During audit of Dy. DEO (W-EE), Mianwali for the FY 2021-23, it was observed that Elementary and Primary Schools made purchases of Rs 11.998 million from different suppliers. Audit noticed that payment of Rs 1.028 million was made to suppliers along with the full amount of GST charged without deducting $1/5^{th}$ GST at source that came to Rs 205,532. Moreover, the firms were either unable to provide the proof i.e. CPRs of deposit of GST or deposited a very minor part of the amount of GST amount that they charged to schools resulted in non-deposit of GST.

Audit held that GST was not deducted/deposited due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that purchases were made from registered firms and taxes were paid accordingly. The FBR receipts and challans were attached. Reply was not based on facts as the produced receipts and Annexure-C were not relevant to the mentioned bills and tax period hence could not be considered.

DAC in its meeting held on 18th December 2023 directed the department to produce relevant CPRs/Annexure-C for verification to audit, recovery otherwise.

Audit recommends either produce the relevant CPRs or deposit GST amount in government treasury.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2021-22 vide para number 2.4.1.2.2 having financial impact of Rs 6.698 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 210]

CHAPTER 20

DISTRICT EDUCATION AUTHORITY SARGODHA

20.1 Introduction

a) There are 388 formations in DEA Sargodha out of which audit of 03 formations was conducted. Total expenditure of these 03 formations was Rs 2,725.851 million out of which 14% expenditure was audited.

Audit Profile of DEA Sargodha

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure Audited
1	DEA Sargodha	388	03	381.619
2	Assignment accounts / SDA	-	-	-
3	Foreign Aided Projects	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DEA Sargodha was Rs 15,814.574 million and supplementary grant was Rs 1,648.102 million for the FY 2022-23. An amount of Rs 2,156.442 million was surrendered and final budget was Rs 15,306.234 million. Management incurred an expenditure of Rs 15,050.771 million resulting in saving of Rs 255.463 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	15,459.839	1,013.766	1,913.003	14,560.602	14,555.327	-5.275
Non-Salary	354.735	82.427	243.439	193.723	171.450	-22.273
Development	-	551.909	-	551.909	323.994	-227.915

Total	15,814.574	1,648.102	2,156.442	15,306.234	15,050.771	-255.463

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	Final Grant	Expenditure	Excess (+) / Saving (-)	% age of saving
2021-22	13,699.502	13,359.018	-340.483	2
2022-23	15,306.234	15,050.771	-255.463	2

Source: Appropriation accounts for the FY 2022-23and FY 2021-22

There was 12% increase in budget allocation and 13% increase in expenditure during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 255.463 million during FY 2022-23 which is 2% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

Sectoral analysis of DEA Sargodha was made on the basis of various quality indicators set by Education Department for the FY 2022-23. These indicators were introduced, implemented and monitored through PMIU being part of Chief Minister Roadmap 2014. The objectives of this roadmap wereto improve education facilities and provide better environment through proper monitoring at appropriate levels.

Sr. No.	Indicators	Achievement (%)
1	Teacher Presence	88
2	Non-Teaching Staff presence	89
3	Student attendance (All Grades)	91
4	Retention (All Grades)	97
5	Head Teachers Presence	87
6	Availability of Boundary Wall	99
7	Availability of Drinking Water	99

8	Availability of Furniture	96
9	Sufficiency of Toilets	85
10	School Hygiene	77

Source: https://open.punjab.gov.pk/schools/home/districts_performance

ii. Service Delivery Issues

In view of the above target achievement table, it could be observedthat DEA Sargodha considerably lagged behind in achieving the target of sufficiency of teacher presence, toilets and school hygiene during FY 2022-23.

20.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 370.098 million were raised in this report during current audit of DEA Sargodha. This amount also includes recoveries of Rs 15.227 million as pointed out by audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	Classification	Amount Placed under Audit Observation
1	Non-production of record	-
2	Fraud, embezzlement and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	339.201
B	Procurement related irregularities	3.097
C	Management of accounts with commercial banks	-
4	Value for money and service delivery issues	1.586
5	Others	26.214
Total		**370.098**

20.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	19	Not Convened
2	2018-19	19	
3	2019-20	09	
4	2020-21	05	
5	2021-22	03	

6	2022-23	03	

20.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

20.4.1 Un-justified creation of liability - Rs 328.657 million

According to Rule 17.17(A) read with Rule 17.18 of PFR Vol-I, every disbursing officer shall maintain a register of liabilities in P.F.R form 27 in which he should enter all these items of expenditure for which payment is to be made by or through another officer, budget allotment or sanction of a higher authority is to be obtained or payment would be required partly or wholly during the next financial year or years.

During audit of CEO DEA Sargodha for FY 2022-23, it was observed that management did not make effort to clear leave encashment payments of 521 retired employees and created financial liability of Rs 328.657 million for the FYs 2016-17 to 2022-23 despite the fact that sufficient cash balances was available. Moreover, neither liability register was maintained nor liabilities were intimated to the budget approving authorities for allocation of funds. This resulted in unjustified creation of liability of Rs 328.657 million. Detail is as under:

Rs in million

Period	No. of Cases	Pending Liability
01.07.2022 to 30.06.2023	225	105.855
07.02.2016 to30.06.2022	296	222.802
Total	**521**	**328.657**

Audit held that unjustified liabilities were created due to weak financial management.

The matter was reported to the PAO in November 2023. The department replied that liability was created due to non-availability of sufficient. Reply was not tenable as sufficient funds were available.

DAC in its meeting on dated 1st January 2024 directed the department to clear the liabilities of leave encasement.

Audit Recommends probe in the matter besides fixing responsibility against the person (s) at fault.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2021-22 vide para number 5.4.2.2.1 having financial impact of Rs 187.968 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 133]

20.4.2 Irregular payment of inadmissible pay and allowances - Rs 10.544 million

According to Notification No. SO (SE-III) 2-16/2007 dated 29-10-2009 SED Government of the Punjab, charge allowance was sanctioned for the teachers working against administrative posts w.e.f 01-12-2009. According to Sr. No. (XIII)(i)(b) of Contract Appointment Policy 2004, SSB @ 30% of minimum of basic pay is admissible only for the persons working on contract in lieu of pension. The employees at regularization shall not be entitled to the payment of 30% SSB. According to notification No. SO (Budget)1-15/2013 (Vol-II) dated 25.10.2016 SED Government of the Punjab, Inspection Allowance of Rs 250,00/p.m will is admissible to only those AEOs who have been selected through competitive exams. Rest of the AEOs will be granted only Rs 10,000/P.M.

During audit of following formations of DEA Sargodha for the FY 2022-23, it was observed that DDOs paid Rs 10.544 million on account of pay & allowances which were not admissible. Moreover, inadmissible allowances during leaves were also not deducted. This resulted in inadmissible payment of pay and allowances of Rs 10.544 million.

Rs in million

Sr. No	Name of formations	Description of allowances	Amount
1	Dy. DEO (M-EE) Bhalwal	Inspection Allowance	3.255
		CA	1.231
		SSB to teachers after regularization	0.202
		Charge Allowance to AEOs	0.240
2	Dy. DEO (M-EE) Sillanwali	Inspection Allowance	5.400
		Charge Allowance to AEOs	0.216
Total			**10.544**

Audit held that irregular payment of inadmissible pay and allowances was due to weak financial management.

The matter was reported to the PAO in November 2023. The department replied that CA and SSB allowance was being recovered from the pay of staff while inspection allowance and charge allowance was being paid to employees as per entitlement. Audit contented that inspection allowance and charge allowance was not admissible as per paid rate.

DAC in its meeting held on 1st January 2024 directed to reduce the para of CA and SSB allowance up to balance amount of Rs 1.433 million. DAC further directed to seek clarification from office of the Secretary, SED for payment of charge allowance and inspection allowance.

Audit recommends recovery of SSB, CA and compliance of DAC directives after seeking clarification.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2021-22 vide para number 5.4.2.1.1 having financial impact of Rs 167.458 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 142, 143, 144, 145, 151 & 154]

B) Procurement related irregularities

20.4.3 Loss due to non-deduction of taxes at source - Rs 3.097 million

According to Section 153 (1) of ITO 2001, income tax @ 4.5 % and 10% may be deducted at source from the invoices of the supplier on account of purchase of goods and service render respectively and if suppliers is un-registered, income tax will be deducted @ 9% and 20% respectively. According to Central Board of Revenue standing instructions read with SRO 660 (1)/2007 dated. 30-06-2007, all withholding agents shall make purchases of taxable goods from a person duly registered under Sales Tax Act 1990, GST @ 1/5th of total value of the bill may be deducted at source and deposited in government treasury. In case of non-availability of a registered firm, the purchases may be made from unregistered firm. The GST @19% should be deducted at source from the payments of un-registered firm and credited into the receipt head of Sales Tax Department.

During audit of following formations of DEA Sargodha for the FY 2022-23, it was observed that schools councils made miscellaneous purchases for schools from un-registered suppliers and did not deduct taxes. If purchased from registered suppliers, full amount of GST and income tax was handed over to supplier instead of deducting requisite amount of taxes at source This resulted in non-recovery of Rs 3.097 million.

Rs in million

Formation	**Description**	**Amount**
Dy. DEO (MEE) Bhalwal	Income tax at source	1.364
Dy. DEO (MEE) Bhalwal	Sales Tax from unregistered suppliers	0.951
Dy. DEO (MEE) Sillanwali	Income tax at Source	0.782
Total		**3.097**

Audit held that non-deduction of taxes was due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that income tax and sales tax was deposited by the school management. Reply was not tenable as valid proof of deposit of taxes was not produced for verification.

DAC in its meeting held on 1st January 2024 directed for recovery of government taxes.

Audit recommends implementation of DAC's decision.

[PDP No. 136, 137 & 146]

C) Value for money and service delivery issues

20.4.4 Non-deduction of PST on services - Rs 1.586 million

According to Punjab Sales Tax on Services Act 2012, the management was required to deduct PST @ 16% from the service provider and services listed in the Second Schedules of PST on Services Act 2012.

During audit of following formations of DEA Sargodha for FY 2022-23, it was observed that Elementary and Primary schools hired services of different vendors for paint, white wash and repair work and made payment without deducting Punjab Sales Tax on services. This resulted in loss to the government due to non-deduction of PST @ 16% on services amounting Rs 1.586 million.

Rs in million

Sr. No.	Name of Formation	Amount
1	Dy. DEO (MEE) Bhalwal	926
2	Dy. DEO (MEE) Sillanwali	660
Total		**586**

Audit held that PST was not deducted due to weak financial controls.

Matter was reported to the PAO in January 2023. The department replied that PST was deducted at the time of payment to vendors. Reply was not accepted as relevant CPRs of relevant tax period were not produced for verification.

DAC in its meeting held on 1st January 2024 reduced the amount of para to the extent of deduction made by the school management.

Audit recommends production of valid proof of deposit of PST in government treasury.

[PDP No. 138 & 148]

D) Others

20.4.5 Non-disbursement of funds provided for education of brick kiln's children - Rs 21.884 million

According to Rules 5 (i) & Rule 6 (f) of PDA (Budget) Rules, 2017, the head of offices will be responsible for ensuring that the funds allotted shall be spent on the activities for which these provided. The budget and accounts officer shall be responsible to monitor expenditure and ensure utilization of funds as approved by the District Authority.

During audit of CEO DEA Sargodha for the FY 2022-23, it was observed that unspent balance of Rs 21.884 million reflected in the accounts of DEA for FY 2022-23 under tied grant for brick kiln's children. Management did not make any serious efforts to disburse the grant, provided for educational purposes of brick kiln's children, but kept it parked unutilized since FY 2018-19 despite clear direction of DAC in meeting held on 19.11.2019. This resulted in non-utilization of funds for education of underprivileged children amounting to Rs 21.884 million.

Audit held that non-disbursement of funds provided for education of brick Kiln's children due to weak internal controls.

The matter was reported to the PAO in November 2023. Department did not submit reply.

DAC in its meeting held on 1st January 2024 directed the department to decide the fate of funds parked under tied grant. No further progress was reported till finalization of this report.

Audit recommends fixing responsibility of lapse against the person (s) at fault besides utilization of funds for the purpose actually provided.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2019-20 vide para number 18.5.3.3 having financial impact of Rs 21.884 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 135]

20.4.6 Irregular drawl of funds in the name of DDO - Rs 2.583 million

According to Rule 4.49 (a) of Punjab Treasury Rules 1985, payments of Rs 10,000 and above to contractors and suppliers shall not be made in cash by the DDO.

During audit of Dy. DEO (M-EE) Bhalwal for the FY 2018-23, it was observed that cheques for payment to vendors against different heads of account were prepared in the name of DDOs instead of direct vendor payment. This resulted in irregular drawl of funds in the name of DDO amounting to Rs 2.583 million as detailed at **Annexure-Q**.

Audit held that irregular drawl of funds in the name of DDO was due to weak internal & financial controls.

The matter was reported to the PAO in November 2023. The department replied that in many cases vendors were not available in SAP system of DAO so they issued cheques in favor of DDO and DDO disbursed all the amounts to the concerned supplier.

DAC in its meeting held on 1st January 2024 directed to probe the matter by CEO education.

Audit recommends regularization of the matter from competent forum besides fixing of responsibility on the person at fault.

[PDP No. 141]

20.4.7 Doubtful drawl of POL and improper maintenance of logbook - Rs 1.747 million

According to Rule (9b) of PDG (Accounts) Rules 2017, the DDO and payee of the pay, allowances, contingent expenditure or any other expense shall be personally responsible for any over charge, fraud or misappropriation and shall be liable to make good that loss. Furthermore, according to West Pakistan Staff Vehicle (Use and Maintenance) Rules, 1969, log book, history sheet and petrol consumption account register is required to be maintained for each government owned vehicle.

During audit of Dy. DEO MEE Bhalwal Sargodha for the FY 2017-23, it was observed that log book of official vehicle No. SGG-3658 was not maintained properly as later dates entries were noticed on earlier pages which clearly shown post adjustments of fuel entries. Moreover, following further irregularities were noticed in drawn and consumption of fuel.

i. Average consumption certificate was not available. Furthermore, neither distance meter was functional nor the reading was mentioned in the logbook. Moreover, neither repair expenditure was entered in logbook nor was history sheet maintained.
ii. Instances of drawl of fuel were observed on repair dates.

iii. Log book for the period 01.07.2018 to 23.01.2019 was not produced to audit for verification.

This resulted in doubtful expenditure on POL and repair amounting to Rs 1.747 million as detailed at **Annexure-R**.

Audit held that doubtful drawl of POL and improper maintenance of logbook was due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. Department did not submit reply.

DAC in its meeting held on 1st January 2024 directed to probe the matter.

Audit recommends regularization of the expenditure besides fixing of responsibility of lapse on the person (s) at fault.

[PDP No. 140]

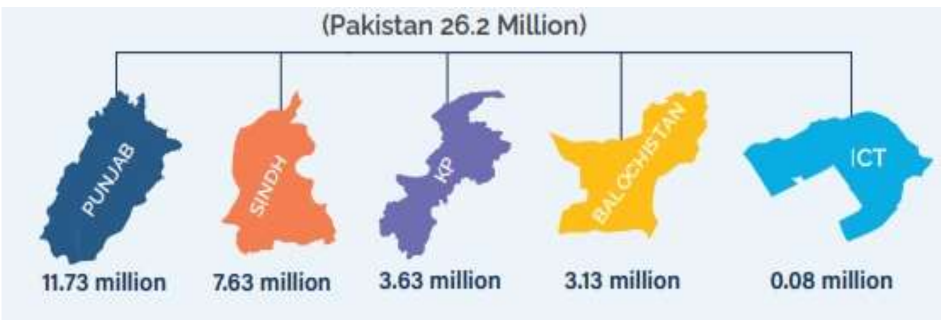
CHAPTER 21

IMPACT AUDIT

AFTERNOON SCHOOLS PROGRAMME

21.1Introduction

Pakistan confronts a significant challenge in ensuring universal access to education, especially for the academically deprived children. As of October 2023, the country held the world's highest number of Out of School Children (OOSC) aged between 5-16 years [2]. Despite the recent progress in reducing the percentage of OOSC from 44% in 2016-17 to 39% in 2021-22, the number still stands at 26.21 million[3]. There are 36% OOSC in primary level and 30% in middle level. The percentage of OOSC is more pronounced for high school and higher secondary levels with 44% and 60% respectively. The province wise breakup of OOSC is given below:

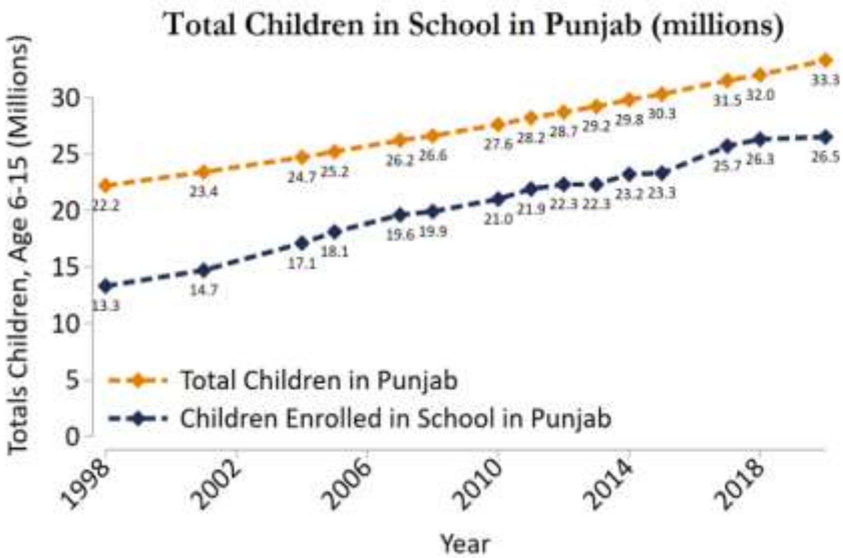


Punjab and Sindh report the highest numbers of OOSC with 11.73 million and 7.63 million respectively. Despite Government of the Punjab's endeavors to boost school enrollment from 13 million in 1998 to 26 million in 2020, almost 20% of school-age children in Punjab still did not attend school, as illustrated in the graphical representation[4] below:

[2] Abbassi, K. (2023, October 17). Despite lofty claims, out-of-school children soar to over 28 million. Retrieved from https://www.dawn.com/news/1781436

[3] Pakistan Education Statistics 2021-22 by PIE (Publication No. 300) I. Analysis of Education Statistics II. Education Statistics –Pakistan ISBN: 978-969-444-121-4

[4] Geven, A. T. (2023). Bringing 13 million more children into school: Lessons from Punjab. Retrieved from https://blogs.worldbank.org



To address the challenges of dropouts, OOSC and to improve enrollments, Government of the Punjab launched the Afternoon Schools Programme (ASP). Impact audit was undertaken to assess whether the ASP produced results that created impact on the citizens.

a. Background

Impact audits have been started from the Audit Year 2023-24 by the office of the Auditor-General of Pakistan. These audits are aimed at determining the impact of initiatives or programmes. Specifically, impact audit focuses on determining the effectiveness of outcomes attributable to an initiative, new programme or recent change to an existing programme. It answers cause-and-effect questions about the outcomes attributable to an initiative by isolating other contributing factors or variables. This audit type is the beginning of a new era in public sector auditing, which emphasizes the analysis of real-time benefits of government initiatives. The impact audit reports shall benefit the stakeholders in understanding the net results of the programmes and initiatives in a more systematic manner and if timely addressed, shall lead to improving service delivery, financial management and better governance.

The Government of Punjab undertook multiple initiatives over the years to impart basic education to all children between the ages of 5 to 16 years across the province.

The Nai Roshni Schools Programme, undertaken from 1987 to 1989, started afternoon sessions in existing primary schools for children aged between 10 to 14 years who never attended or left schools[5]. The Non-Formal Basic Education Schools Programme launched in 1996, engaged parents and communities to promote education through non-formal methods, facilitating return of dropouts to the schools.

Similarly, the initiative of ASP was launched in 2018 for bringing in dropouts and OOSC back to the education system. SED adopted an approach of optimally utilizing the infrastructure and human resources of existing primary schools for addressing the challenge of supply gap with limited resources.

b. Role of the Afternoon Schools Programme

ASP involved conducting afternoon classes in government schools to actively combat dropout challenges and improve educational accessibility to the academically deprived children. In response to shortage of schools' infrastructure coupled with limited funds, the SED had implemented a strategy aimed at optimizing the utilization of existing primary schools' facilities and human resources. This strategic approach had given rise to the ASP, which specifically aimed at facilitating the educational transition from primary to middle school level and maximizing retention rates.

The ASP specially focused on bringing back female students to schools who had dropped out after the primary level as 60% of the schools were established in government-owned girls' primary schools.

21.2Overview

The programme was launched in 22 districts in 2018 and extended to the whole of Punjab in 2019 by upgrading 7,008 primary schools in FY 2021-22. In Lahore district alone, 103 schools (61 for girls and 42 for boys) were upgraded for this purpose. The total cost of the programme was Rs 5,802.624 million as per approved PC-I. The objectives of the programme were:

i. to fulfill the constitutional obligation under Article 25-A;
ii. to provide the safe environment to the young learnsers;
iii. to fulfill national and international commitments/SDGs. Gender parity at all levels of education;
iv. to improve access to elementary-level education;
v. to increase enrollment in elementary classes;
vi. to minimize dropouts and maximize retention;
vii. to accommodate existing enrollment of the school as well as the surrounding schools, and
viii. to enroll out of school, dropped out and missed out children in 6^{th} to 8^{th} grades.

[5] Shahid, N. (2017). How non-formal education developed as an important sector of education in Pakistan? Retrieved from https://www.nation.com.pk

21.3 Scope & Methodology

a. Scope

The ASP aimed at providing free and compulsory elementary education up to the age of 16 with a special focus on transitioning from primary to middle level, *inter alia*, addressing retention issues. Out of total 103 schools in Lahore, audit selected a sample of 08 schools using a stratified sampling technique. Four (04) schools were male and four (04) female; representing rural and urban areas on equal basis. The impact audit evaluated the ASP's impact vis-à-vis its following four objectives:

i. to increase enrollment in elementary classes;
ii. to minimize dropouts and maximize retention;
iii. to accommodate existing enrollment of the school as well as the surrounding schools, and
iv. to enroll out of school, dropped out and missed out children in 6^{th} to 8^{th} grades.

b. Methodology

The Audit applied quantitative techniques to derive inferences. The audit methodology focused on utilizing eight types of questionnaires to gather data for assessing programme objectives. Interviews were conducted with senior management of DEA Lahore, school management, teachers, students, parents, and the community at large. A specific questionnaire was prepared for dropout children. The data gathered through questionnaires was analysed using following tools:

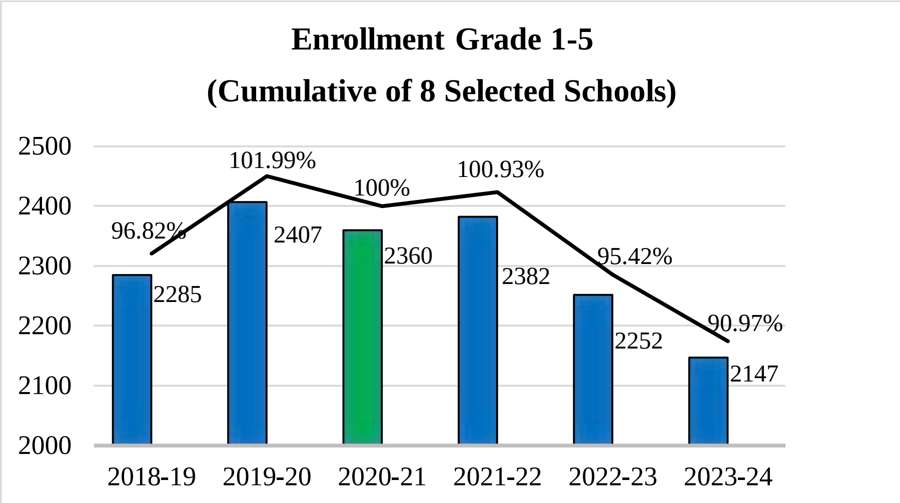
i. before and after comparison (condition with and condition without method), and
ii. fishbone diagram technique.

Additionally, a comparison of targets and achievements was drawn to analyse trends. Moreover, various research papers and monitoring reports were consulted to draw inferences.

21.4 Findings

a. Decrease in enrollment in elementary classes (primary level)

***Audit Objective*:** Had enrollment increased in elementary classes (primary level) after implementation of ASP?



***Condition With**:* It was observed that the enrollment in primary level increased by 0.93% in the Academic Year 2021-22, reduced to 4.58% in the Academic Year 2022-23 and further reduced to 9.03% in the Academic Year 2023-24 as compared to base Academic Year 2020-21 when ASP was launched.

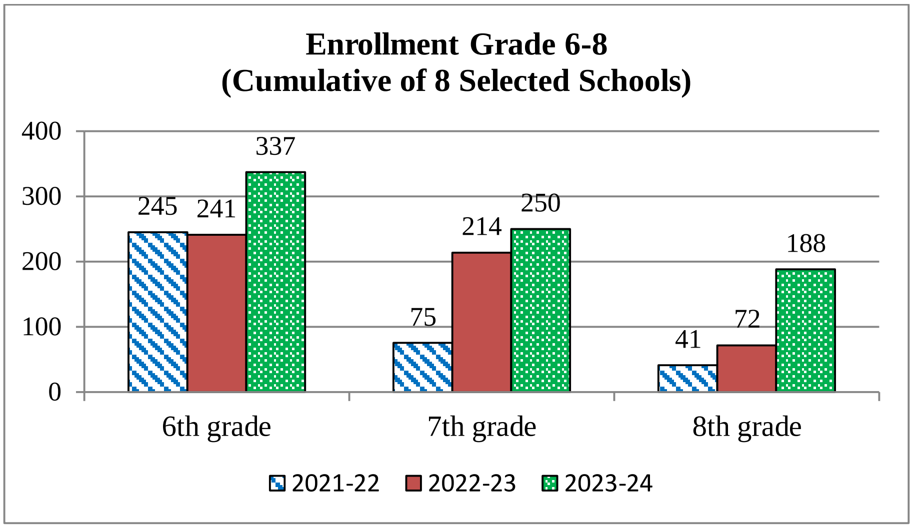
Enrollment in primary level of boys' schools reduced to 7.33%, whereas, the same reduced to 10.90% for girls' schools in the Academic Year 2023-24 as compared to the base Academic Year 2020-21.

***Condition Without*:** Before the initiative, enrollment increased to 5.17% in the Academic Year 2019-20 as compared to the previous Academic Year 2018-19.

Impact: There was an overall decrease in enrollment in elementary classes (primary level) both in boys' and girls' schools in the Academic Year 2023-24 when compared with base Academic Year 2020-21. Therefore, it could be inferred that ASP had no impact in increasing enrollment in elementary classes (primary level).

b. Increase in enrollment in elementary classes (middle level)

Audit Objective: Had enrollment increased in elementary classes (middle level) after implementation of ASP?



Condition With: There had been a 37.55% increase in enrollment for 6th grade, 233.33% in 7th grade and 358.54% in 8th grade over the three years' period of ASP.

For boys, there had been a 37.10% increase in enrollment for 6th grade, 229.03% in 7th grade and 329.41% in 8th grade over the three years' period of ASP.

For girls, there had been a 38.02% increase in enrollment for 6th grade, 236.36% in 7th grade and 379.17% in 8th grade over the three years' period of ASP.

***Condition Without*:** Before ASP, there were no middle level classes in the selected schools so there was no enrollment.

***Impact*:** After implementation of ASP, there had been a considerable increase in enrollment in all middle level classes with more girl students enrolled than boys.

c. Increase in dropouts

***Audit Objective*:** Had the dropouts reduced after implementation of ASP?

Description	**Boys**		**Girls**		**Total**	
	Condition Without	**Condition With**	**Condition Without**	**Condition With**	**Condition Without**	**Condition With**
Primary Level						
Enrolled in 3rd grade (2018-19)	204	-	220	-	424	-

Passed in 5th grade (2020-21)	176	-	154	-	330	-
Enrolled in 3rd grade (2020-21)	-	310	-	235	-	545
Passed in 5th grade (2022-23)	-	225	-	183	-	408
Total dropouts	**28**	**85**	**66**	**52**	**94**	**137**
Dropout ratio (%)	**13.73**	**27.42**	**30.00**	**22.13**	**22.17**	**25.14**
Middle Level						
Enrolled in 6th grade (2018-19)	No middle level classes in the selected schools before ASP.					
Enrolled in 8th grade (2020-21)						
Enrolled in 6th grade (2021-22)	-	124	-	121	-	245
Enrolled in 8th grade (2023-24)	-	73	-	115	-	188
Total dropouts	**-**	**51**	**-**	**6**	**-**	**57**
Dropout ratio (%)	**-**	**41.13**	**-**	**4.96**	**-**	**23.26**

Condition With: It was observed from the data of the selected schools that the dropout ratio was 25.14% and 23.26% for the primary level and middle level respectively after implementation of ASP.

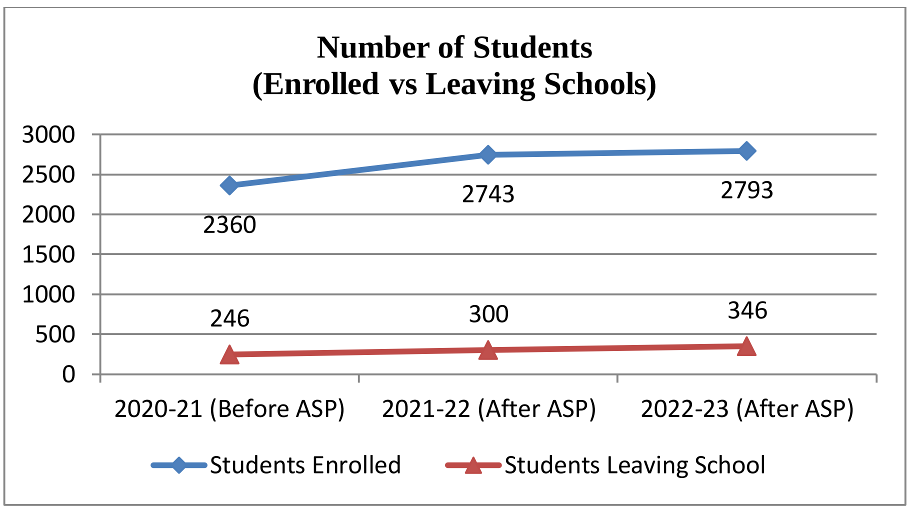
There was considerable rise in dropout ratio of boys' schools in both primary and middle levels, whereas, the same decreased in girls' schools.

***Condition Without*:** It was observed from the data of the selected schools that the dropout ratio was 22.17% for the primary level. However, it could not be ascertained for the middle level because no such classes exist before the ASP initiative.

Impact: After implementation of ASP, the dropout ratios for primary and middle level were 25.14% and 23.26% respectively. The dropout ratio increased by 2.97% in primary level despite ASP initiative. However, standalone impact of ASP on dropout ratio for middle level could not be gauged. The programme had a positive impact in reducing dropout ratio for girls but a negative impact on dropout ratio for boys.

d. Decrease in retention of students

Audit Objective: Had the schools been successful in maximizing retention in grade 1st to 8th after ASP?



Condition With: After the implementation of programme, the number of students leaving the school increased to 300 (10.94%) and 346 (12.39%) in 2021-22 and 2022-23, respectively, against total enrollments of 2,743 and 2,793 students.

In boys' schools, the number of students leaving the school rose to 146 (10.42%) and 255 (18.41%) in 2021-22 and 2022-23, respectively, against total enrollments of 1,401 and 1,385 students.

On the other hand, in girls' schools, the number of students leaving the school decreased to 154 (11.48%) and 91 (6.46%) in 2021-22 and 2022-23, respectively, against the total enrollments of 1,342 and 1,408 students.

***Condition Without*:** Before ASP, it was observed that 246 students (10.42%) left the school out of a total enrollment of 2,360 during the Academic Year 2020-21.

Impact: There was an overall decrease in retention of students after implementation of ASP with more boys leaving the schools as compared to girls.

e. Non-accommodating existing enrollment of schools

***Audit Objective*:** Had ASP been successful in accommodating existing enrollment of schools?

Academic Year	**Description**	**No. of Students**		
		Boys	**Girls**	**Total**
2020-21 to 2021-22	Completed 5th grade	176	154	330
	Accommodated in 6th grade	124	121	245
	Accommodated (%)	**70**	**79**	**74**
2021-22 to 2022-23	Completed 5th grade	212	153	365
	Accommodated in 6th grade	115	126	241
	Accommodated (%)	**54**	**82**	**66**
2022-23 to 2023-24	Completed 5th grade	225	183	408
	Accommodated in 6th grade	170	167	337
	Accommodated (%)	**76**	**91**	**83**
Average accommodated (%)		**70**	**84**	**74**

Condition With: After implementation of the programme, on average 74% of the existing students of 5th grade were enrolled in 6th grade. It was observed that 84% of existing girl students and 70% of the existing boy students of 5th grade were accommodated in next grade.

***Condition Without*:** There were no middle level classes before ASP, therefore, impact of accommodating existing students could not be assessed in before and after comparison.

Impact: The programme could not accommodate 100% enrollment of existing students let alone accommodating enrollment of surrounding schools. However, it fared better in accommodating girl students as compared to boys.

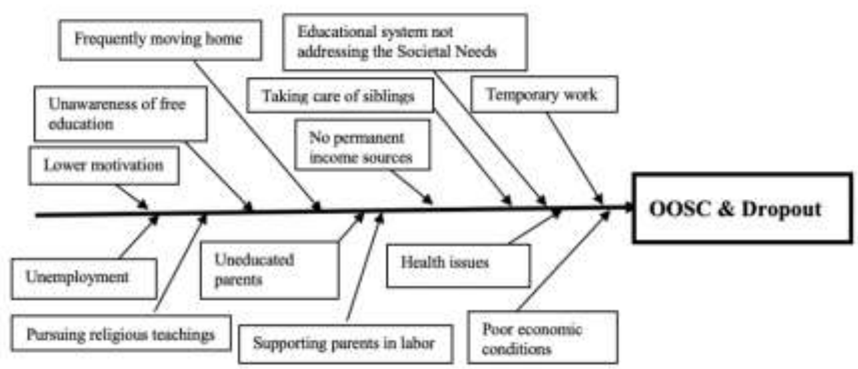
f. No enrollement of OOSC, dropped out and missed out children in 6th to 8th grades

***Audit Objective*:** Had ASP been successful in enrollment of OOSC, dropped out and missed out children?

Audit sought data of OOSC, dropped out and missed out children who were enrolled in 6th to 8th grades in fulfillment of one of the objectives of the programme from the management. The management responded that not a single OOSC, dropped out and missed out child was enrolled in 6th to 8th grades. Already enrolled students in primary level classes were promoted to middle level classes. However, efforts would be made to identify and enroll such children in the catchment area of schools under ASP through School Councils.

g. Factors affecting achievement of ASP objectives

In addition to consulting various research papers, national[6] and international[7] reports, Audit also carried out structured interviews of stakeholders to identify factors affecting achievement of ASP objectives. The responses obtained from the stakeholders were then analysed through fishbone technique to outline potential factors which were contributing towads issues of increased dropouts, reduced enrollments and increase in OOSC. The same is illustarated below:



It was identified from the responses obtained from the stakeholders through questionnaires **(Annexure-S)** that almost 32% girls left school to undertake household responsibilities, 22% to acquire practical skills for earning livelihood, and 16% to pursue Islamic teachings. Similarly, 40% of boys discontinued their education to study Islamic teachings, 26% to acquire professional skills for earning livelihood, and 14% without any reason. It was also noticed that more than 90% parents

[6] Government of the Punjab (2019), Punjab Education Sector Plan 2019/20-2023/2024

[7] UNICEF, (January, 2014). Global initiative on out-of-school children. South Asia Regional Study: Covering Bangladesh, India, Pakistan and Sri Lanka, Kathmandu, Nepal: Regional Office from South Asia.

of dropouts were uneducated. Therefore, the major contributing factors towards OOSC could be categorized as poor economic conditions, uneducated parents and lack of awareness of benefits of education.

During the DAC meeting held on 28th December 2023, the management replied that the approved PC-I did not specify the class and school-wise enrollment targets. Consequently, determining the actual physical progress of the project was challenging. DAC directed the relevant head teachers, AEOs, and Dy. DEOs of DEA Lahore to provide justifications for the overall increase in OOSC, dropouts, and the decrease in enrollments from grades 1st to 8th.

21.5 Conclusion

The impact audit of eight (08) schools revealed that the ASP could not achieve its objectives of increasing enrollments, minimizing dropouts, maximizing retention, accommodating enrollment of existing students and bringing back dropped out, missed out and OOSC.

ASP had no impact in increasing enrollment in elementary classes (primary level). There was an overall decrease in enrollment in elementary classes (primary level) both in boys' and girls' schools in the Academic Year 2023-24 when compared with base Academic Year 2020-21. However, there had been a considerable increase in enrollment in all middle level classes with more girl students enrolled than boys.

The programme had a positive impact in reducing dropout ratio for girls but a negative impact on dropout ratio for boys. The dropout ratio increased by 2.97% in primary level despite ASP initiative. However, standalone impact of ASP on dropout ratio for middle level could not be gauged. Moreover, there was an overall decrease in retention of students after implementation of ASP with more boys leaving the schools as compared to girls.

ASP could not accommodate 100% enrollment of existing students let alone accommodating enrollment of surrounding schools. However, it fared better in accommodating existing girl students as compared to boys. Additionally, not a single OOSC, dropped out and missed out child was enrolled in 6th to 8th grades.

The programme could not deliver substantial results vis-à-vis its objectives. The major factors could be attributed to poor economic conditions, uneducated parents and lack of awareness of benefits of education. The increased burden of earning livelihood coupled with strained macro economic condition of the country had further aggravated the unequitable access to education during Academic Year 2023-24.

The situation underscores the need for collaborative efforts to create inclusive and equitable educational opportunities. The government needs to implement cross-sectoral strategies to comprehensively address various barriers to schooling for OOSC, recognizing the importance of addressing economic obstacles alongside systemic bottlenecks, opportunity costs, and socio-cultural expectations.

AUDIT REPORT

ON

THE ACCOUNTS OF

DISTRICT HEALTH AUTHORITIES

OF 19 DISTRICTS OF PUNJAB

(NORTH)

AUDIT YEAR 2023-24

DISTRICT HEALTH AUTHORITIES OF 19 DISTRICTS OF PUNJAB (NORTH)

CHAPTER 1

PUBLIC FINANCIAL MANAGEMENT

Introduction

DHAs were established on 01.01.2017 under Punjab Local Government (PLG) Act 2013 in thirty-six (36) districts of Punjab. The purpose was to provide better health facilities to the local community. DHAs are corporate bodies having perpetual succession and a common seal, with power to acquire / hold property and enter into any contract and may sue and be sued in their names.

According to Section 17(6) of PLG Act 2013, the Chairman and the CEO shall be personally responsible to ensure that business of the Authority is conducted proficiently, in accordance with law and to promote the objectives of the Authority. As per Section 92(3) of PLG Act 2013, the CEO shall be the PAO and shall perform such functions as are mentioned in this Act. The major functions of DHA are as under:

- establish, manage and supervise primary and secondary healthcare facilities and institutions;
- approve the budget of the Authority and allocate funds to health institutions;
- coordinate health related emergency response during any natural calamity or emergency;
- develop referral and technical support linkages between primary and secondary levels of healthcare on the one hand and tertiary level health facilities and medical education institutions on the other;
- ensure human resource management and capacity development of health service delivery personnel under the policy framework given by the government;
- ensure timely reporting of progress on health indicators relating to disease surveillance, epidemic control, disaster management to the government; and
- ensure implementation of minimum standards of service delivery, infrastructure, patient safety, hygiene and public health as prescribed by the Punjab Healthcare Commission.

Resource Mobilization

DHAs of Punjab, like previous year, relied on the share / grants received through Provincial Finance Commission (PFC) during FY 2022-23 to meet the administrative and operating expenses. The table given below shows that out of total receipts of DHAs, PFC share consisted of 99 percent during FY 2022-23 which remained same as was during FY 2021-22.

Rs in million

Description	2022-23		2021-22	
	Amount	%	Amount	%
Tax Revenue	-7.406	0.012	19.030	0.034
Non-Tax Revenue • Share of PFC / Grants	61,803.444	99.206	55,188.389	99.026
• Other receipts	502.112	0.806	523.811	0.940
Total	**62,298.150**		**55,731.230**	

Source: Financial statements for the FY 2022-23

An overall view of budget and expenditure for the FY 2022-23 is given in the table below, whereas, district wise detail of budget and expenditure is placed at **Annexure-B.**

Rs in million

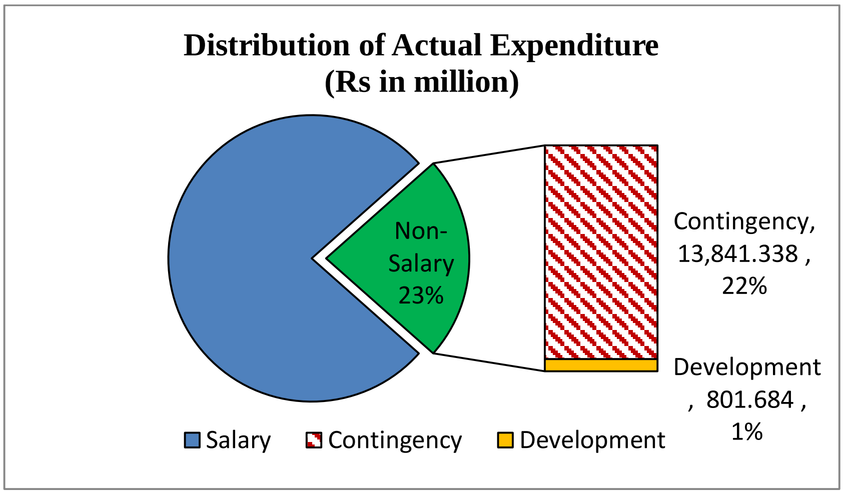
Description	Original Grant	Suppl. Grant	Surrender	Final Grant	Actual Exp.	Savings (-) Excess (+)
Salary	56,768.586	6,960.411	11,777.680	51,951.317	48,765.190	-3,186.127
Non Salary	16,711.487	3,365.112	4,606.686	15,469.913	13,841.338	-1,628.575
Development	1,472.601	895.008	309.865	2,057.744	801.684	-1,256.060
Total	**74,952.674**	**11,220.531**	**16,694.231**	**69,478.974**	**63,408.212**	**-6,070.762**

Source: Appropriation accounts for the FY 2022-23

The surrender of budget in excess of supplementary grants and overall savings of Rs 6,070.762 million, which comes to 9% of final grant, showed that supplementary grants were provided without considering the actual demands during the FY 2022-23.

Audit also noticed that material payments were made from A/C-VI of DHA without valid authorization by a duly authorized Administrator during FY 2022-23. Administrators were appointed vide notification No. SOR(LG)38-5/2014 dated 01.01.2017 under Section 30(3) of the PLG Act 2013. However, the period of appointment under above notification lapsed on 31-12-2018.

The breakup of the total expenditure incurred by DHAs is illustrated in the following graph. Major portion of expenditure was incurred on salary which was 77% of the total expenditure, whereas, contingency and development expenditure was 22% and 1% of the total expenditure, respectively.



Out of total non-salary expenditure of Rs 14,643.022 million, an amount of Rs 5,710.779 million (39%) was incurred during the month of June 2023 indicating weak financial management.

Revenue receipts of DHAs fell short of the budgeted targets. Unpredictability of PFC shares and other grants coupled with capacity issues of budget and finance wings of DHAs forced the management to prepare unjustified and unrealistic estimates of receipts.

Revenue expenditure constituted 99% of total expenditure incurred during FY 2022-23. Salary expenditure, comprising pay & allowances, pension contribution, financial assistance and leave encashment was 78% of revenue expenditure, whereas, non-salary was 22%.

DHAs raised accruals by retaining an amount of Rs 30.797 million on account of General Provident Fund, Group Insurance, Benevolent Fund, Income Tax and General Sales Tax (GST) during the FY 2022-23. This practice overstated the cash closing balance of DHAs as given in the following table:

Rs in million

Cash closing balance as on 30.06.2023	Liabilities	Actual cash closing Balance
6,048.031	30.797	6,017.234

Source: Financial statements for the FY 2022-23

Appropriation accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual revenue and capital expenditure on various specified services vis-à-vis those authorized by the Administrator. Appropriation accounts, thus, facilitate in managing finances and budgetary provisions, therefore, these are complementary to the finance accounts.

Audit of appropriation accounts seeks to ascertain whether the expenditure actually incurred under the grant/head of account is within the authorization and also spent on the purposes authorized. It also ascertains whether the expenditure so incurred is in conformity with the laws, relevant rules, regulations and instructions. During financial attest audit of appropriation accounts and financial statements of DHAs for the FY 2022-23, audit emphasized on the following matters:

a) DHA Kasur wrongly booked Rs 631.583 million to the function 076101-Administration resulting in understatement of expenditure of function 073301-Mother and Child Health;
b) DHA Gujranwala made irregular payment of arrears of Non-Practicing Allowance (NPA) of Rs 3.140 million through off-cycle. NPA was paid from back dates;
c) DHA Sialkot made payment of Rs 8.557 million to the DDOs instead of vendor on account of non-salary budget in violation of government directions;
d) In DHA Hafizabad there was difference of Rs 21.446 million under the receipts head C02&C03 between Finance Account and Receipts Statements, and
e) DHA Attock wrongly booked liquidated damages of Rs 3.009 million under head Income Tax deducted from Supplier instead of C-02866-Health Recoveries of Overpayment.

Medium Term Development Framework

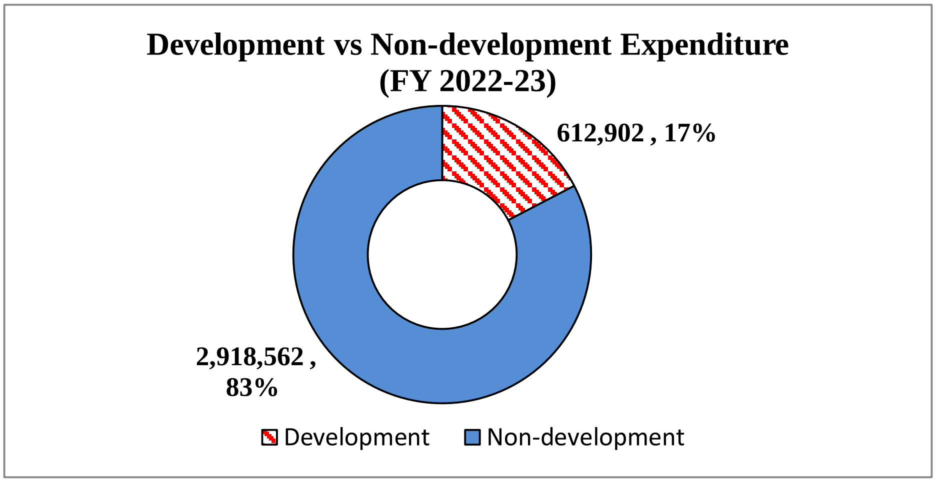
The development and non-development expenditure incurred by Government of the Punjab for the FY 2022-23 is illustrated in the following table and graph:

Rs in million

Description	Original Budget	Final Budget	Expenditure

Development	710,850	651,979	612,902
Non-development	2,390,541	2,993,949	2,918,562
Total	**3,101,391**	**3,645,928**	**3,531,464**

Source: Appropriation accounts of Government of Punjab for the FY 2022-23



The sector-wise percentage of development expenditure is given in the following table:

Rs in million

Department	Appropriation	Expenditure	Expenditure (%)
C&W	279,241	275,385	45
Health	85,936	84,663	14
Education	31,626	31,019	5
HUD & PHE	75,919	74,876	12
Irrigation	18,324	15,376	3
Agriculture	15,322	13,592	2
Others	145,611	117,991	19
Total	**651,979**	**612,902**	**100**

Source: Appropriation accounts of Government of Punjab for the FY 2022-23

The above table shows that four sectors covered 76% of the spending which were: Communication & Works 45%, Health 14%, Education 5% and Housing Urban Development & Public Health Engineering 12%.

The health sector is further categorized into Specialized Healthcare & Medical Education (SH&ME) and Primary & Secondary Healthcare (P&SHC) departments. P&SHC is the administrative department of DHAs in terms of Rule 2(1)(a) of Punjab District Authorities (Delegation of Financial Powers) Rules 2017. Out of total expenditure of 19 DHAs, 1% was incurred on development activities as given below:

Rs in million

Description	**Amount**	**% age**
Non-development expenditure	62,606.528	99%
Development expenditure	801.684	1%
Total	**63,408.212**	**100**

Source: Appropriation accounts of DHAs for the FY 2022-23

The table below shows original and final development grants allocated to 19 DHAs during the FY 2021-22 and FY 2022-23. The final development grant increased by almost 100% from Rs 1,031.996 million in FY 2021-22 to Rs 2,057.747 million in FY 2022-23.

Rs in million

Sr. No.	**Name of District**	**FY 2021-22**		**FY 2022-23**	
		Original	**Final Grant**	**Original**	**Final Grant**
1	Gujranwala	40.020	42.452	34.715	29.834
2	Gujrat	13.584	17.668	75.305	342.900
3	Hafizabad	18.519	20.951	17.896	52.215

Rs in million

Sr. No.	Name of District	FY 2021-22		FY 2022-23	
		Original	Final Grant	Original	Final Grant
4	Mandi Bahauddin	51.507	355.892	350.375	378.820
5	Narowal	6.914	6.914	97.188	150.918
6	Sialkot	2.192	2.192	10.527	37.649
7	Kasur	1.171	2.643	35.897	38.579
8	Lahore	7.378	7.378	29.281	36.394
9	Nankana Sahib	8.233	8.233	9.137	12.888
10	Okara	28.444	28.444	215.669	219.311
11	Sheikhupura	13.935	13.935	33.684	65.003
12	Attock	8.030	11.666	0.960	6.180
13	Chakwal	395.501	395.501	88.378	93.921
14	Jhelum	10.668	10.668	1.472	3.226
15	Rawalpindi	71.424	71.424	283.085	177.309
16	Bhakkar	25.275	25.275	138.169	137.993
17	Khushab	1.472	1.472	38.180	251.782
18	Mianwali	3.859	3.859	3.359	3.359
19	Sargodha	5.429	5.429	9.324	19.466
Total		**713.555**	**1,031.996**	**1,472.601**	**2,057.747**

Source: SAP data for FY 2021-22 and appropriation accounts for FY 2022-23

The following table shows development expenditure incurred during FY 2021-22 and FY 2022-23 on development schemes executed during the two financial years. It can be seen that expenditure increased from by Rs 383.415 million in FY 2022-23. The major increase was seen in DHA Khushab where development expenditure increased from

Rs 1.126 million to Rs 255.989 million, whereas, in DHA Chakwal, it decereased from Rs 318.961 million to Rs 93.921 million.

Rs in million

Sr. No.	Name of District	FY 2021-22		FY 2022-23	
		No. of Schemes	Expenditure	No. of Schemes	Expenditure
1	Gujranwala	11	11.973	7	6.244
2	Gujrat	6	1.267	14	32.241
3	Hafizabad	3	8.677	4	33.714
4	Mandi Bahauddin	11	1.282	18	12.499
5	Narowal	2	6.755	4	9.152
6	Sialkot	2	1.620	4	8.530
7	Kasur	2	0	1	4.962
8	Lahore	1	1.638	2	22.350
9	Nankana Sahib	1	1.632	2	12.886
10	Okara	2	27.006	2	98.575
11	Sheikhupura	2	1.807	2	2.659
12	Attock	3	9.954	2	6.178
13	Chakwal	2	318.961	2	93.921
14	Jhelum	2	1.260	1	3.226
15	Rawalpindi	9	16.858	9	176.284
16	Bhakkar	1	1.380	2	9.489
17	Khushab	2	1.146	3	255.989
18	Mianwali	2	3.440	1	2.650
19	Sargodha	2	1.613	1	10.135

Rs in million

Sr. No.	Name of District	FY 2021-22		FY 2022-23	
		No. of Schemes	Expenditure	No. of Schemes	Expenditure
Total		**66**	**418.269**	**81**	**801.684**

Source: SAP data for FY 2021-22 and appropriation accounts for FY 2022-23

The data presented in the above tables indicates serious inadequacies in the initial planning and resource allocation. The discrepancies underscore the necessity for an in-depth analysis of the planning process within DHAs. Identifying and understanding inconsistencies in the planning phase is crucial for enhancing the effectiveness of future development initiatives.

The existing situation warrants a thorough analysis that delves into the intricacies of the planning process. This examination is vital for understanding the factors that contribute to deviations in budgetary allocations and their corresponding utilization. Identifying the root causes of these discrepancies is essential for refining the planning framework and ensuring a more accurate alignment between set targets and actual outcomes.

CHAPTER 2

DISTRICT HEALTH AUTHORITY GUJRANWALA

2.1 Introduction

a) There are 25 formations in DHA Gujranwala out of which audit of 04 formations was conducted. Total expenditure and receipt of these formations was Rs 1,678.985 million and Rs 24.137 million respectively, out of which 34% expenditure and 45% receipts were audited.

Audit Profile of DHA Gujranwala

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure Audited	Receipts Audited
1	DHA Gujranwala	25	04	577.235	10.906
2	Assignment Acs/SDA	-	-	-	-
3	Foreign Aided Projects	-	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DHA Gujranwala was Rs 4,591.634 million and supplementary grant was Rs 708.931 million for the FY 2022-23. An amount of Rs 1,006.319 million was surrendered and final budget was Rs 4,294.246 million. Management incurred an expenditure of Rs 3,456.408 million resulting in saving of Rs 837.838 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	3,539.600	640.619	861.410	3,318.809	2,998.171	-320.638
Non-Salary	1,017.319	63.993	135.709	945.603	451.993	-493.610

Development	34.715	4.319	9.200	29.834	6.244	-23.590
Total	**4,591.634**	**708.931**	**1,006.319**	**4,294.246**	**3,456.408**	**-837.838**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	**Final Grant**	**Expenditure**	**Excess (+) / Saving (-)**	**% age of saving**
2021-22	4,473.050	2,942.925	-1,530.125	34
2022-23	4,294.246	3,456.408	-837.838	20

Source: Appropriation accounts for the FY 2021-22 and 2022-23

There was 4% decrease in budget allocation and 17% increase in expenditure during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 837.838 million during FY 2022-23 which is 20% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

There are ten (10) qualitative indicators set by P&SHC department for DHA Gujranwala for the FY 2022-23. These indicators are set with the objectives of improving health facilities at each health unit, providing better environment, facilitating the patients in OPD and free of cost health services to the patients through appropriate monitoring at all levels. A comparison of target set for each indicator and the status of achievement is given below:

Sr. No.	**Key Indicators**	**Targets**	**Achievements**
1	Outdoor Patients	4,439,971	4,372,266
2	Indoor Patients	85,932	79,991
3	Surgical Cases	92,556	87,709
4	Cardiac Coronary Unit	5,253	5,552
5	Diagnostic Services (Laboratory, Radiology)	102,227	98,524
6	Family Planning Activities	80,325	79,018
7	Paeds	155,831	151,766
8	Surgery	64,796	65,787

Sr. No.	Key Indicators	Targets	Achievements
9	TB Chest Treatments	1,499	1,200
10	Free Medicines to Patients	4,444,650	4,392,244

Source: DHIS dashboard of DHA Gujranwala

ii. Service Delivery Issues

Analysis of the achievements mentioned in the above table shows that DHA Gujranwala lagged behind in treating target number of patients in case of outdoor, indoor, surgical, diagnostic services and TB cases during FY 2022-23.

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 46.169 million were raised in this report during current audit of DHA Gujranwala. This amount also includes recoveries of Rs 42.340 million as pointed out by the audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	Classification	Amount placed under audit observation
1	Non-production of record	-
2	Fraud, embezzlement, and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	36.374
B	Procurement related irregularities	4.459
C	Management of accounts with commercial banks	-
4	Value for money and service delivery issues	-
5	Others	5.336
Total		**46.169**

2.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. The Audit Report for the Audit Year 2017-18 was discussed in PAC meeting convened in January 2022. However, PAC meeting to discuss remaining Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	18	Convened
2	2018-19	18	Not convened
3	2019-20	11	
4	2020-21	12	
5	2021-22	09	
6	2022-23	08	

2.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

2.4.1 Inadmissible payment of Health Sector Reform Allowance - Rs 3.129 million

According to Health Department letter No. PMU/PHSRP/ G-1.06/61/270-340 dated 16.03.2007, Health Sector Reform Allowance (HSRA) will not be admissible to any doctor, para-medical & other staff whether regular or on contract, posted in RHC/BHU and performing duties somewhere else. Further, according to letter No. PO (P&E-I)19-113/2004 dated 13.04.2017 of Finance Department, Government of the Punjab, HSRA will be given to the staff, posted at other than less attractive THQ hospitals, only to Medical Officer @ Rs 5,000, Women Medical Officer @ Rs 6,000 and specialists @ Rs 15,000.

During audit of DHA Gujranwala for the FY 2022-23, it was observed that HSRA was being paid to 91 employees despite the fact that they were posted at other than Rural Health Centers (RHCs), Basic Health Units (BHUs) and THQ hospitals. This resulted in inadmissible payment of HSRA of Rs 3.129 million.

Rs in million

Sr. No.	Name of formation	No. of employees	Amount
1	CEO DHA, Gujranwala	79	2.697
2	MS THQ Hospital Wazirabad	12	0.432
Total		**91**	**3.129**

Audit held that inadmissible payment of HSRA worth Rs 3.129 million was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that in light of Government of the Punjab, LG&CD letter No. LCS(Health)-Gen(84)/76 dated 20-11-2007 these employees were working at Rural Dispensaries of Zila Council / Municipal Dispensaries and entitled to draw HSRA. The reply was not acceptable because no such clarification was produced by the department.

DAC in its meeting held on 7th December 2023 did not accept the stance of management and directed to recover the HSRA from the concerned employees. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 6 & 34]

2.4.2 Unjustified drawl of pay and allowances during Extra Ordinary Leave - Rs 1.147 million

According to Rule 9 of Punjab Leave Rules 1981, pay & allowances are not admissible during Extra Ordinary Leave (EOL).

During audit of THQ Hospital Wazirabad for the FY 2022-23, it was observed that following 07 doctors remained on EOL but were paid full pay and allowances during the leave period. This resulted in unjustified payment of Rs 1.147 million.

Rs in million

Name	Designation	Personal No.	Period	Amount
Dr. Sabreen Fatima	WMO	32167011	11-07-22 to 08-09-22	0.176
			05-06-23 to 31-08-22	0.241
Dr. Usman Babar	MO	32145361	14-07-22 to 11-09-22	0.180
			16-01-23 to 14-02-23	0.069
Dr. Ikrama Bin Manzoor	MO	32204391	31-05-23 to 06-07-23	0.165
			29-11-22 to 19-12-22	0.088
Dr. Usman Badar	MO	31872033	29-03-23 to 11-05-23	0.196
Dr. Aqsa Khan	WMO	32165596	15-05-23 to 03-06-23	0.032
Total				**1.147**

Audit held that unjustified drawl of pay and allowances during EOL worth Rs 1.147 million was made due to weak internal controls

The matter was reported to the PAO in November 2023. The department replied that change forms have been submitted to DAO for recovery.

DAC in its meeting held on 7th December 2023 directed for recovery and conducting an inquiry regarding payment during the leave period. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.
[PDP No. 40]

2.4.3 Non-deduction of conveyance allowance during leave period - Rs 4.018 million

According to Rule 1.15 of Punjab Travelling Allowance (PTA) Rules 1976, conveyance allowance is not admissible during leave.

During audit of DHA Gujranwala for the FY 2022-23, it was observed that conveyance allowance of 321employees was not deducted during leave. This resulted in overpayment of conveyance allowance of Rs 4.018 million.

Rs in million

Sr. No.	Name of formations	No. of employees	Amount
1	CEO DHA, Gujranwala	155	1.925
2	THQ Hospital Noshehra Virkan	24	0.658
3	THQ Hospital Kamoke	61	0.515
4	THQ Hospital Wazirabad	81	0.920
Total		**321**	**4.018**

Audit held that non-deduction of conveyance allowance during leave period was due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that recovery from all concerned officers / officials had been started.

DAC in its meeting held on 7th December 2023 directed for complete recovery. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2021-22 and 2022-23 vide para number 2.4.1.1.2 and 2.4.4 having financial impact of Rs 13.517 million and Rs 8.088 million respectively. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 04, 22, 35 & 51]

2.4.4 Unauthorized payment of pay & allowances to employees - Rs 20.030 million

According to Part-I Vol-I Rule 8.16 of Punjab Civil Servant (PCS) Rules 1976, a government servant who absents himself from duty without permission of the competent authority is liable to have his absence treated as absence from duty without leave.

During audit of DHA Gujranwala for the FY 2022-23, it was observed that 101 employees of following formations remained absent from duty without prior approval of the competent authority. The employees proceeded on leave upon submission of leave applications which were later on regretted by the competent authority. This resulted in unauthorized payment of pay and allowances worth Rs 20.030 million for absence period without leave.

Rs in million

Sr. No.	Name of formation	No. of employees	Amount
1	THQ Hospital Noshehra Virkan	01	0.469
2	THQ Hospital Kamoke	47	8.632
3	THQ Hospital Wazirabad	53	10.929
Total		**101**	**20.030**

Audit held that unauthorized payment of pay and allowances was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that leaves of all the employees were forwarded to the competent authority. Reply of the department was not tenable as leaves were not sanctioned by the competent authority.

DAC in its meeting held on 7th December 2023 directed to recover the amount. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 23, 36 & 52]

2.4.5 Inadmissible payment of NPA to doctors working on the administrative posts - Rs 8.050 million

According to Finance Department Letter No. FD.SR-1/6-4/2019 dated 05.04.2021, NPA is not admissible to the doctors working in P&SHC and SH&ME departments serving on administrative posts. The same facility has not been extended to the doctors working on administrative posts in other administrative departments.

During audit of DHA Gujranwala for the FY 2022-23, it was observed that an amount of Rs 8.050 million on account of NPA was paid to ten (10) doctors serving on administrative posts for the period from 5th April 2021 to 31st August 2023 in violation of the instructions of the Finance Department. This resulted in inadmissible payment of NPA of Rs 8.050 million.

Audit held that inadmissible payment of NPA on the administrative posts was due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the matter had been taken up with the higher authorities. The reply was not tenable as no document was produced regarding admissibility of NPA on administrative posts.

DAC in its meeting held on 7th December 2023 did not accept the reply and directed to recover the inadmissible allowance at the earliest. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 10]

B) Procurement related irregularities

2.4.6 Irregular purchase of medicines from general order suppliers - Rs 4.459 million

According to Clause 8 of key considerations and operational guidelines for Local Purchase (LP) of medicines circulated vide letter No. SO(HP)12-02/2022 dated 29.6.2022 by the Secretary P&SHC department Lahore, Petty Purchases / Petty Purchases through quotation will be made through manufacturer/ authorized distributor/ authorized agents/ Pharmacy (Form-9) having valid Centralized Drug Sales License (CDSL).

During audit of THQ Hospitals Kamonke and Nowshera Virkan for the FY 2022-23, it was observed that management incurred Rs 4.459 million on local purchase of medicines through quotations from the traders and medical stores not registered on Form-9 and having valid CDSL. This resulted in irregular purchase of LP medicine through quotations worth Rs 4.459 million.

Audit held that irregular local purchase of medicine through quotations from general order suppliers was due to weak managerial and financial controls.

The matter was reported to the PAO in November 2023. The department replied that medicines were purchased after following tendering process. The reply of the deparment was not accepted because the above condition of the guidelines was ignored.

DAC in its meeting held on 7th December 2023 directed to probe the matter along with fixing of responsibility upon the officer(s) at fault. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC’s decision at the earliest.

[PDP No. 26 & 57]

C) Others

2.4.7 Overpayment to contingent paid staff - Rs 4.138 million

According to Schedule of Wage Rate 2022, issued by the Finance Department, Government of the Punjab vide letter No. RO (Tech) FD2-2/ 2022 dated 15.07.2022 schedule of wage rate for unskilled labour is Rs 25,100 for (26 days) per month.

During audit of CEO DHA Gujranwala for the FY 2022-23, it was observed that an amount of Rs 4.138 million was paid to 391 contingent paid staff appointed as Sanitary Patrol on daily wages. The payment was made for 89 days @ Rs 28,628 / month instead of maximum monthly wage @ Rs 25,100 / month. As a result, every employee was paid an extra amount of Rs 3,528 / month than the admissible monthly wage rate causing a loss of Rs 4.138 million to the exchequer.

Audit held that overpayment to contingent paid staff was due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the staff was also deployed on Sundays. The reply was not tenable because contingent paid staff cannot be paid more than the maximum wage rate approved by the Finance Department.

DAC in its meeting held on 7th December 2023 directed to recover the overpaid amount along with probe by the department as contingent paid staff could not be paid more than the monthly wage rate prescribed by the Finance Department. No further progress was reported till finalization of this report.

Audit recommends implementation of the DAC’s decision at the earliest.

[PDP No. 8]

2.4.8 Less deposit of parking and canteen fee and non-deposit of MLC fee - Rs 1.198 million

According to Rule (1) Sub-Rule (2) of PLG (Auction of Collection Rights) Rules 2016, a local government may award contract, assign right to collect income on its behalf, to the contractor for the next or current financial year. According to the Punjab Sales Tax on Services (PSTS) Act 2012, PST @ 16% is required to be deducted from the service provider if services are listed in the Second Schedule of PSTS Act 2012.

During audit of THQ Hospital Wazirabad for the FY 2022-23, it was observed that management auctioned hospital canteen and parking stand to below mentioned contractors. The contractors deposited less amount than was actually due. No action was taken against them by the management. Similarly, Medico-Legal Certificate (MLC) fee was collected but not deposited in the exchequer. This resulted in loss of Rs 1.198 million to the exchequer as detailed below:

Rs in million

Contract	Contractor	Recoverable			Total Due	Amount deposited	Balance Due
		Installment Amount	PST	Income Tax			
		A	B	C	D=A+B+C	E	D-E
Hospital Canteen	Muhammad Asif	0.744	N/A	0.074	0.818	0.558	0.260
Parking Stand	Syed & Company	1.344	0.215	0.134	1.693	1.008	0.685
MLC Fee	MLC Department	0.253	N/A	N/A	0.253	Nil	0.253
Total					**2.764**	**1.566**	**1.198**

Audit held that non-deposit of government fee was due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that a committee has been constituted to inquire the matter and recovery of the amount.

DAC in its meeting held on 7th December 2023 directed to probe the issue at CEO level and recover the amount from the concerned contractors / employees. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 41]

CHAPTER 3

DISTRICT HEALTH AUTHORITY GUJRAT

3.1 Introduction

a) There are 27 formations in DHA Gujrat out of which audit of 06 formations was conducted. Total expenditure and receipt of these formations was Rs 1,883.427 and Rs 15.124 million respectively out of which 34% expenditure and 45% receipt were audited.

Audit Profile of DHA Gujrat

Rs in million

Sr. No.	Description	No. of Formations	Audited	Expenditure Audited	Receipts Audited
1	DHA Gujrat	27	06	640.364	6.806
2	Assignment Acs/SDAs	-	-	-	-
3	Foreign Aided Projects	-	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DHA Gujrat was Rs 3,047.010 million and supplementary grant was Rs 787.596 million for the FY 2022-23. An amount of Rs 285.160 million was surrendered and final budget was Rs 3,549.446 million. Management incurred an expenditure of Rs 3,148.232 million resulting in saving of Rs 401.214 million. In case of development, actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	2498.241	244.958	29.545	2,713.650	2,482.084	-231.57
Non-Salary	473.464	275.046	255.615	492.900	633.907	141.012
Development	75.305	267.592	0	342.900	32.241	-310.656

Total	**3,047.010**	**787.596**	**285.160**	**3,549.446**	**3,148.232**	**-401.214**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	**Final Grant**	**Expenditure**	**Excess (+) / Saving (-)**	**% age of saving**
2021-22	2,727.921	2,619.512	-108.410	4
2022-23	3,549.446	3,148.232	-401.214	11

Source: Appropriation accounts for the FY 2021-22 and 2022-23

There was 30% increase in budget allocation and 20% increase in expenditure during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 401.214 million during FY 2022-23 which is 11% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

There are ten (10) qualitative indicators set by P&SHC department for DHA Gujrat for the FY 2022-23. These indicators are set with the objectives of improving health facilities at each health unit, providing better environment, facilitating the patients in OPD and free of cost health services to the patients through appropriate monitoring at all levels. A comparison of target set for each indicator and the status of achievement is given below:

Sr. No.	**Key Indicators**	**Targets**	**Achievements**
1	Outdoor Patients	5,500,000	5,295,416
2	Indoor Patients	250,000	245,888
3	Surgical Cases	50,000	49,859
4	Cardiac Coronary Unit	0	0
5	Diagnostic Services (Laboratory, Radiology)	750,000	898,550
6	Family Planning Activities	120,000	100,639
7	Paeds	300,000	315,068
8	Surgery	130,000	126,505
9	TB Chest Treatments	30,000	26,463

Sr. No.	Key Indicators	Targets	Achievements
10	Free Medicines to Patients	4,500,000	4,254,046

Source: DHIS dashboard of DHA Gujrat

ii. Service Delivery Issues

Analysis of the achievements mentioned in the above table shows that DHA Gujrat lagged behind in treating target number of patients in case of outdoor and indoor besides providing inadequate services on family planning activities during FY 2022-23.

3.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 46.014 million were raised in this report during current audit of DHA Gujrat. This amount also includes recoveries of Rs 12.774 million as pointed out by the audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	Classification	Amount placed under audit observation
1	Non-production of record	-
2	Fraud, embezzlement, and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	11.497
B	Procurement related irregularities	33.003
C	Management of accounts with commercial banks	-
4	Value for money and service delivery issues	-
5	Others	1.514
Total		**46.014**

3.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. The Audit Report for the Audit Year 2017-18 was discussed in PAC meeting convened in January 2022. However, PAC meeting to discuss remaining Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	08	Convened
2	2018-19	08	Not convened
3	2019-20	18	
4	2020-21	21	
5	2021-22	06	
6	2022-23	07	

3.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

3.4.1 Inadmissible payment of HSRA, HPA and Incentive Allowance to the deceased family - Rs 4.741 million

According to Finance Department's clarification No. FD.SR-I/3-13/2018 dated 07.10.2020 conveyance allowance, executive allowance, administrative allowance, science teaching allowance and other performance based allowances are not admissible in case of creation of Officer on Special Duty (OSD) posts for payment of emoluments to the families of deceased civil servants.

During audit of Trauma Center Lalamusa for the FYs 2021-23, it was observed that inadmissible HSRA, Health Professional Allowance (HPA) and incentive allowances were paid to the widow of a doctor who died during service on 27.06.2017. This resulted in overpayment of Rs 4.741 million as detailed below:

Rs in million

Name of Employee	Personal Number	BS	Allowances	Monthly rate	No. of Months	Excess Payment
Sajid Mehmood	31645687	18	Incentive	65,000	48	3.120
			HSRA	5,000	48	0.240
			HPA	28,762	48	1.381
Total						**4.741**

Audit held that payment of HSRA, HPA and incentive allowance without admissibility was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that salary change form had been submitted to DAO for recovery.

DAC in its meeting held on 5th December 2023 directed to recover overpayment at the earliest. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 51]

3.4.2 Overpayment of pay and allowances due to non-fixation of pay - Rs 3.147 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowances, contingent expenditure or any other expense shall be personally responsible for any over charge, fraud, misappropriation and shall be liable to make good that loss.

During audit of Major Shabbir Sharif Shaheed Hospital Kunjah for the FY 2022-23, it was observed that Dr. Akram Shehzad, Consultant Anesthetist (BS-18) and Dr. Amir Ejaz, Consultant Surgeon (BS-18) were initially appointed on adhoc basis in 2012 and 2016, respectively. Later on, both doctors were selected as consultants on regular basis w.e.f. 25.06.2018 and 04.07.2018 respectively. Audit observed that after regular selection, salaries of the doctors were fixed w.e.f their initial adhoc appointment in 2012 and 2016 respectively instead of initial basic pay of 2018. This resulted in overpayment of pay and allowances of Rs 3.147 million as detailed at **Annexure-C**.

Audit held that overpayment of pay and allowances was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that recovery had been started after fixation of pay and allowances.

DAC in its meeting held on 5th December 2023 directed to recover complete amount from concerned. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 35 & 38]

3.4.3 Unauthorized payment of salaries to terminated employees - Rs 2.045 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowances, contingent expenditure or any other expense shall be personally responsible for any over charge, fraud, misappropriation and shall be liable to make good that loss.

During audit of CEO DHA Gujrat for the FY 2022-23, it was observed that services of nine (09) employees were terminated on different dates but their salaries were not stopped upon termination. This resulted in unauthorized payment of salaries amounting to Rs 2.045 million as detailed at **Annexure-D**.

Audit held that salaries were paid to the terminated staff due to weak internal and administrative controls.

The matter was reported to the PAO in November 2023. Department replied that letter had been written to the concerned DDOs for recovery.

DAC in its meeting held on 5th December 2023 directed to stop their salaries immediately and effect recovery within three months. No further progress was reported till finalization of this report.

Audit recommends early implementation of DAC's decision along with an inquiry to fix the responsibility on officer(s) at fault.

[PDP No. 1]

3.4.4 Unauthorized payment of NPA - Rs 1.564 million

According to order No. SO (N.D)2-26/2004(P.II) of Health Department, Government of Punjab, NPA is admissible only to those doctors who do not opt for private practice.

During audit of Major Shabbir Sharif Shaheed hospital Kunjah for the FY 2022-23, it was observed that seven (07) doctors were drawing NPA despite the fact that they were also doing private practice. As such, NPA was not admissible to them. This resulted in unauthorized payment of Rs 1.564 million as detailed below:

Rs in million

Sr. No.	Name / Personnel No.	BS	Job Title	Rate	No. of months	Total
1	Ali Akbar Sial (32129880)	18	Consulting Physician	28,762	12	0.345
2	Madia Qammar (32143989)	18	Pediatrician	28,762	1	0.029
3	Aamir Hussain (32172189)	18	Consultant	28,762	12	0.345
4	Hassan Mehmood (31677893)	17	Medical Officer	22,777	11	0.251
5	Nimra Nasir (32148856)	17	Women Medical Officer	22,777	12	0.273
6	Ali Gohar Lodhi (32177221)	17	Medical Officer	22,777	4	0.091
7	Dr. Anam Chaudhary (32194747)	18	Consultant	28,762	8	0.230
Total						**1.564**

Audit held that unauthorized payment of NPA was made due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that letters were issued to the concerned doctors to deposit the overpayment.

DAC in its meeting held on 5th December 2023 directed to recover the amount within six months. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC’s decision at the earliest.
[PDP No. 48]

B) Procurement related irregularities

3.4.5 Irregular local purchase of medicine - Rs 23.947 million

According to Clause (iii) and (xxiv) of LP Guideline issued by Government of the Punjab, Health department vide letter No. SO(HP)12-02/2022 dated 29.06.2022, LP from registered pharmacy will be patient specific on day-to-day basis besides entering the details on manual LP register i.e. date of LP, indent / request number, details of medicine procured with brand name, batch number, manufacturer, expiry date, Maximum Retail Price (MRP), quantity demanded, quantity supplied & Goods Receipt Note (GRN).

During audit of following formations of DHA Gujrat for the FYs 2021-23, it was observed that the management purchased day-to-day medicine in bulk from LP vendors on MRP discount rates instead of patient specific day-to-day basis. If medicine were to be purchased in bulk it should be through open competitive bidding and not on MRP rates. This resulted in irregular local purchase of medicines worth Rs 23.947 million and loss to exchequer as retail price ought to be higher than bulk purchase. The detail is as under:

Rs in million

Health Facility	**Supplier**	**Period**	**Amount**
THQ Hospital Sara-e-Alamgir	Bin Dad Pharmacy Kharian	2022-23	3.646
THQ Hospital Kharian			3.199
MSSS Hospital Kunjah	Sandal Surgical Gujrat		3.948
Trauma Center Lalamusa	Bilal Brother Pharmacy New Mian Pharmacy	2021-23	6.258
Tehsil Level Hospital Lalamusa	Sandal Surgical Gujrat Boots International Pharmacy		6.896
Total			**23.947**

Audit held that irregular purchase of LP medicine was made due to non-compliance of rules.

The matter was reported to the PAO in November 2023. The department replied that local purchase of medicines was made as per the LP Guidelines 2022. The medicine was purchased on demand of the authorized practitioners and issued to the patients accordingly. Reply of the department was not accepted as LP medicines were purchased in bulk on retail price.

DAC in its meeting held on 5th December 2023 directed to probe the matter for purchase of LP medicine in bulk quantity throughout the year. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 11, 23, 36, 52 & 62]

3.4.6 Non-supply of medicines and non-forfeiture of security - Rs 7.836 million

According to purchase order No. 574 dated 12.05.2022, delivery period will be forty five (45) days + fifteen (15) days as grace period from the date of issuance of purchase order or earlier. Extension in delivery with penalty 0.067% per day after sixty (60) days shall be decided by the procuring agency on the formal request of the supplier. Furthermore, according to Rule 21(1)(a)(c) of Punjab Procurement Rules (PPR) 2014, a procuring agency may, for a specified period, debar a bidder or contractor from participating in any public procurement process of the procuring agency, if the bidder or contractor has consistently failed to perform his obligation under the contract or not performed the contract up to the mark.

During audit of various formations of DHA Gujrat for the FY 2022-23, it was observed that supply orders for Rs 7.836 million were issued to different suppliers during FY 2021-22. The suppliers did not supply the medicine after lapse of more than one year. The CEO DHA Gujrat neither forfeited the security nor processed blacklisting of these firms. Most of these contractors were again awarded rate contracts in the next financial year. This resulted in non-supply of medicine worth Rs 7.836 million to the poor patients and loss to exchequer by non forfeiting of security as detailed at **Annexure-E**.

Audit held that non-forfeiture of security and non-blacklisting was due to poor administrative and financial controls.

The matter was reported to the PAO in November 2023. Department replied that three reminders were issued to the suppliers for the supply of medicine but they failed to supply the medicine.

DAC in its meeting held on 5^{th} December 2023 directed to initiate the process of blacklisting of the suppliers for non-supply of medicines. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

[PDP No. 12, 24, 37, 53 & 63]

3.4.7 Irregular procurement of printing material without rate contract - Rs 1.220 million

According to Rule 12(1) of PPR 2014, procurements over two hundred thousand rupees and up to the limit of three million rupees shall be advertised on the PPRA's website in the manner and format specified from time-to-time. Further, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurement so planned.

During audit of MS Tehsil Level Hospital Lalamusa for the FYs 2021-23, it was observed that the management requested the superintendent Government printing Press Punjab Lahore for printing of different items. In response, Controller Printing & Stationary Punjab Lahore replied that due to urgent/important and time limit jobs and due to non-availability of scanning system & classified printing facility the government printing press is not in a position to undertake and execute the job. The controller asked the department to get the job done from the referred firms for urgently execution of printing work by wrongly referring emergency/urgency clause 2q, 2ad & 59d (iii) of PPR 2014. Hence, management incurred an expenditure of Rs 1.220 million without calling tender in violation of PPR 2014, despite the fact that there was no urgency notified by the district or hospital authorities. Detail is as under:

Rs in million

Name of Supplier	**Doc. No.**	**Posting Date**	**G/L Description**	**Amount**
Sabri & Company	206	23.08.2022	OPD Ticket Pads	0.249
	186	18.06.2022	OPD Ticket Pads	0.403
	177	25.05.2022	Bed Head Tickets etc.	0.091
	203	08.04.2022	Misc. Printing Material	0.102
	144	25.02.2022	Printing Material	0.038
	154	27.02.2022	Indent Book	0.035
	143	03.12.2021	Misc. Forms	0.045
	141	27.11.2021	Indoor Register	0.065
	133 134 135	03.08.2021 11.07.2021	Receipt Books	0.192
Total				**1.220**

Audit held that irregular procurement without rate contract was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that direct purchase from M/s Sabri & Co. was made after NOC from Government Printing Press Punjab, Lahore. The reply was not accepted as Government Printing Press Punjab, Lahore could not fix rates and advice to issue supply orders to vendor of their own choice. If Government Printing Press Punjab, Lahore could not manage printing then the purchases must be made through open competition under PPR.

DAC in its meeting held on 5th December 2023 directed to refer the case to PPRA for clarification. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 66]

C) Others

3.4.8 Non deduction of 5% repair charges of government residences - Rs 1.514 million

According to instructions contained in letter No. FD(M-I)1-15/82-P-I dated 15th January 2000 of Finance Department, Government of the Punjab (Monitoring Wing), the government servant who is allotted a government residence is not allowed to draw House Rent Allowance (HRA) and will have to pay house maintenance charges @ 5% of the basic pay.

During audit of Trauma Center Lalamusa for the FYs 2021-23, it was observed that 5% of basic pay as repair charges of Rs 1.514 million were not deducted from salaries of the officers / officials residing in official residences. This resulted in non-deduction of 5% repair charges of Rs 1.514 million as detailed at **Annexure-F.**

Audit held that 5% repair charges were not deducted from the employees due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that change forms had been submitted to DAO for recovery.

DAC in its meeting held on 5th December 2023 directed to recover the complete amount from concerned at the earliest. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC’s decision at the earliest.

[PDP No. 56]

CHAPTER 4

DISTRICT HEALTH AUTHORITY HAFIZABAD

4.1 Introduction

a) There are 13 formations in DHA Hafizabad out of which audit of 03 formations was conducted. Total expenditure and receipt of these formations was Rs 1,280.191 million and Rs 9.300 million respectively out of which 27% expenditure and 40% receipt were audited.

Audit Profile of DHA Hafizabad

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure Audited	Receipts Audited
1	DHA Hafizabad	13	03	347.888	3.720
2	Assignment Acs/SDAs	-	-	-	-
3	Foreign Aided Projects	-	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DHA Hafizabad was Rs 2,012.301 million and supplementary grant was Rs 168.408 million for the FY 2022-23. An amount of Rs 195.470 million was surrendered and final budget was Rs 1,985.239 million. Management incurred an expenditure of Rs 1,810.219 million resulting in saving of Rs 175.020 million. Actual expenditure was less than the original budget which indicated unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	1458.709	80.53	142.672	1396.567	1326.35	-70.217
Non-Salary	535.696	53.559	52.798	536.457	450.155	-86.302

Development	17.896	34.319	0	52.215	33.714	-18.501
Total	**2,012.301**	**168.408**	**195.470**	**1,985.239**	**1,810.219**	**-175.020**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	**Final Grant**	**Expenditure**	**Excess (+) / Saving (-)**	**% age of saving**
2021-22	1,673.556	1,487.474	-186.082	11
2022-23	1,985.239	1,810.219	-175.020	9

Source: Appropriation accounts for the FY 2021-22 and 2022-23

There was 19% increase in budget allocation and 22% increase in expenditure during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 175.020 million during FY 2022-23 which is 9% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

There are ten (10) qualitative indicators set by P&SHC department for DHA Hafizabad for the FY 2022-23. These indicators are set with the objectives of improving health facilities at each health unit, providing better environment, facilitating the patients in OPD and free of cost health services to the patients through appropriate monitoring at all levels. A comparison of target set for each indicator and the status of achievement is given below:

Sr. No.	**Key Indicators**	**Targets**	**Achievements**
1	Outdoor Patients	4,259,515	1,745,324
2	Indoor Patients	116,045	56,557
3	Surgical Cases	5,156	2,946
4	Cardiac Coronary Unit	11,702	15,694
5	Diagnostic Services (Laboratory, Radiology)	112,999	92,644
6	Family Planning Activities	68,530	26,994
7	Paeds	41,532	58,847
8	Surgery	5,156	2,946

9	TB Chest Treatments	5,330	8,830
10	Free Medicines to Patients	100	100

Source: DHIS dashboard of DHA Hafizabad

ii. Service Delivery Issues

Analysis of the achievements mentioned in the above table shows that DHA Hafizabad substantially lagged behind in treating target number of patients in case of outdoor, indoor and surgical besides providing inadequate services of diagnostic and family planning activities during FY 2022-23.

4.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 84.392 million were raised in this report during current audit of DHA Hafizabad. This amount also out recoveries of Rs 7.208 million as pointed out by the audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	**Classification**	**Amount placed under audit observation**
1	Non-production of record	-
2	Fraud, embezzlement, and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	9.967
B	Procurement related irregularities	74.425
C	Management of accounts with commercial banks	-
4	Value for money and service delivery issues	-
5	Others	-
Total		**84.392**

4.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	**Audit Year**	**No. of Paras**	**Status of PAC Meetings**
1	2017-18	12	Not convened

Sr. No.	**Audit Year**	**No. of Paras**	**Status of PAC Meetings**
2	2018-19	19	
3	2019-20	30	
4	2020-21	12	
5	2021-22	29	
6	2022-23	11	

4.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

4.4.1 Unjustified drawl of pay and allowances during EOL - Rs 4.049 million

According to Rule 9 of Punjab Leave Rules 1981, pay & allowances are not admissible during extra ordinary leave.

During audit of DHQ Hospital Hafizabad for the FY 2022-23, it was observed that 10 employees remained on extra ordinary leave but they were paid full salaries. This resulted in unjustified drawl of pay and allowances worth Rs 4.049 million during EOL. Detail is as under:

Rs in million

Name	Designation	Leave w.e.f	Leave To	Recoverable
Shah Nawaz	Ward Attendant	08.05.2023	06.02.2025	0.157
Nida Ayub	Charge Nurse	13.10.2022	12.10.2023	0.191
Kinza Zafar	WMO	06.07.2022	31.08.2022	0.241
Muhmad Waqas	Medical Officer	15.08.2022	24.09.2022	0.116
Nabeeda Shirazi	WMO- Trauma	01.07.2022	27.12.2022	0.475
Zaryab Ali	WMO	22.08.2022	01.11.2022	0.151
Syed Ali Zunair	MEDICAL OFFICER	01.07.2022	03.06.2023	0.460
Mehwish Farooq	WMO	28.10.2022	11.10.2023	1.389
Haider Ayaz	Orthopedic Surgeon	04.07.2022	03.07.2024	0.785
Maryam	Pediatrician	18.10.2022	04.12.2022	0.084
Total				**4.049**

Audit held that unjustified drawl of pay and allowances was due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that letters to all the concerned officers / officials regarding submission of their recoverable amount had been written.

DAC in its meeting held on 14th December 2023 directed to recover the overpaid amount from the concerned along with inquiry to fix the responsibility for payment during leave period. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 33]

4.4.2 Unauthorized payment of pay & allowances to employees - Rs 3.160 million

According to Part-I Vol-I Rule 8.16 of (PCS) Rules 1976, a government servant who absents himself from duty without permission of the competent authority is liable to have his absence treated as absence from duty without leave.

During audit of DHQ Hospital Hafizabad for the FY 2022-23, it was observed that 23 officers / officials remained absent from duty. The staff proceeded on leave upon submission of applications which were later on regretted by the competent authority. This resulted in unauthorized payment of pay and allowances of Rs 3.160 million during absent period.

Audit held that unauthorized drawl of pay and allowances was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that letters were issued to all the concerned officers / officials to submit the copy of sanctioned leaves. However department did not produce sanctioned leaves of the staff.

DAC in its meeting held on 14th December 2023 directed to inquire the matter and recover the pay and allowances if leaves were not sanctioned. No further progress was reported till the finalization of this report.

Audit recommends recovery of pay and allowances from the concerned employees besides fixing of responsibility on officers at fault.

[PDP No. 37]

4.4.3 Un-authorized occupation of government residence - Rs. 2.758 million

According to Letter No. EO(S&GAD)/Policy/2002-1942 dated 16.10.2002 of Government of the Punjab, S&GAD, 60% of basic pay is required to be charged as penal rent from the officials residing in government residences unauthorized.

During audit of THQ Hospital Pindi Bhattian Hafizabd for the FY 2022-23, it was observed that House No. 03 of Colony No. 01 of THQ Hospital was occupied by Dr. Asghar Ali Hanjra since January 2019 who retired as Additional Principal Medical Officer

(APMO) in January 2019 without paying any rent. This resulted in financial loss to government on account of penal rent worth Rs 2.758 million as detailed below:

Rs in million

Period	**No of months**	**Basic pay BS 18**	**Penal rent @ 60%**	**Amount recoverable**
July 2019 to June 2022	48	95,750	57,450	2.758

Audit held that government residence was occupied due to weak administrative controls.

The matter was reported to the PAO in November 2023. The department replied that the occupant of this residence had been issued notice to vacate this residence and pay pending payments.

DAC in its meeting held on 14th December 2023 directed to recover the penal rent from the occupant along with vacation of the residence. No further progress was reported till the finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 12]

B) Procurement related irregularities

4.4.4 Irregular award of contract of Rs 66.822 million and irrational consumption of medical gases - Rs 25.472 million

As per annexure-A of bidding document, the winning firm must have a distribution branch or point nearby the hospital to facilitate the hospital in case of any emergency.

During audit of DHQ Hospital Hafizabad for the FY 2022-23, it was observed that technical committee for purchase of medical gases rejected the bid of M/s Sharif Oxygen Ltd. due to non-availability of site office near hospital and contract was awarded to M/s Multan Chemicals. It was further observed that M/s Multan Chemicals also had no site office near hospital premises. Audit was of the view that by rejecting technical bid of M/s Sharif Oxygen Ltd. the procuring agency lost the opportunity of healthy competition.

Furthermore, the consumption record of medical gases revealed that in FY 2021-22, the total consumption of medical gases was 11,410 cylinders of 240 cft worth Rs 6.643 million but during FY 2022-23 this consumption was increased by 100% i.e. 23,645 cylinders of 240 cft & 350 cft worth Rs 23.472 million against almost same turnover of the patients. This created doubts of serious irregularities on purchase and consumption of medical gases. This resulted in irregular award of contract of Rs 66.822 million and irrational consumption of medical gases Rs 25.472 million.

Audit held that award of contract in a non-transparent manner and excess consumption of medical gases were due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that the contract for supply of medical gases for FY 2022-23 had been awarded to Multan Chemicals as per PPR 2014. Further, there was no difference between the consumption of oxygen cylinders of 2021-22 & 2022-23. No evidence was provided in support of the reply.

DAC in its meeting held on 14th December 2023 directed to inquire the matter by CEO. No further progress was reported till the finalization of this report.

Audit recommends to inquire the matter at appropriate level.

[PDP No. 40]

4.4.5 Loss due to non-supply of bulk medicines - Rs 7.603 million

According to Sr. No. 07 of purchase order No.503/Med dated 13.12.2022, if the successful bidder fails to supply the goods as per orders within stipulated time / as per terms and conditions of the contract or if they try to withdraw / amend / revise their offer within the validity period, the offer shall stand canceled and the earnest money / call deposit / security deposit will be forfeited and the relevant goods will be purchased at the risk and cost of the bidder.

During audit of CEO DHA Hafizabad for the FY 2022-23, it was observed that two suppliers failed to supply the bulk medicines as per their contract. The health facilities purchased same items in local purchase at higher rates and Rs 7.603 million was paid in excess. Neither security was forfeited to compensate financial loss nor the defaulter firms blacklisted. This resulted in loss to the government to the tune of Rs 7.603 million as detailed below:

Amount in Rs

Sr. No.	**Generic Name**	**Ordered Quantity**	**Approved Rate**	**LP rates of DHQ**	**Rate Diff**	**Risk and Cost**
		A	**B**	**C**	**D=C-B**	**A x D**
M/s MTI medical (Pvt.) Ltd, Lahore						
1	Azithromycin Susp 200mg/5ml	11,120	66.49	180	113.51	1,262,231
2	Azithromycin Capsules/Tab 500mg	135,000	21.00	26	5.00	675,000
3	Ceftriaxone (Sodium) Injection 1gm (I.V)	66,700	81.90	109	27.10	1,807,570
4	Ceftriaxone (Sodium) Injection 250mg (I.V)	34,100	48.90	69	20.10	685,410
5	Iron Sucrose Injection 100mg/5ml	8,580	35.46	271	235.54	2,020,933
6	Fluconazole Capsules 150mg	1,840	18.50	126	107.50	197,800
M/s Wilshire Laboratories, Pvt. Ltd. Lahore						
7	Cefixime Suspension 200mg/5ml	22,200	137.00	180	43.00	954,600
Total						**7,603,544**

Audit held that non-forfeiture of security and non-blacklisting was due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that the DG Health Services Lahore was requested to take action against these pre-qualified firms who had failed to supply the drugs / medicines, medical devices & surgical dressings within stipulated period. However no action was initiated against the firms.

DAC in its meeting held on 14th December 2023 directed for forfeiture of performance security and blacklisting of the defaulter firms. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC’s decision at the earliest.

[PDP No. 09]

CHAPTER 5

DISTRICT HEALTH AUTHORITY MANDI BAHAUDDIN

5.1 Introduction

a) There are 17 formations in DHA Mandi Bahauddin out of which audit of 04 formations was conducted. Total expenditure and receipt of these formations was Rs 842.059 and Rs 13.086 million respectively out of which 75% expenditure and receipt were audited.

Audit Profile of DHA Mandi Bahauddin

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure Audited	Receipts Audited
1	DHA Mandi Bahaud din	17	04	631.544	9.815
2	Assignment Acs/SDAs	-	-	-	-
3	Foreign Aided Projects	-	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DHA Mandi Bahauddin was Rs 4,014.606 million and supplementary grant was Rs 362.034 million for the FY 2022-23. An amount of Rs 1,365.691 million was surrendered and final budget was Rs 3,010.949 million. Management incurred an expenditure of Rs 2,158.089 million resulting in saving of Rs 852.860 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	2,624.830	292.698	1,046.837	1,870.691	1,743.358	-127.333
Non-Salary	1,039.401	40.891	318.854	761.438	402.232	-359.206
Development	350.375	28.445	0	378.820	12.499	-366.321

Total	**4,014.606**	**362.034**	**1365.691**	**3,010.949**	**2,158.089**	**-852.860**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	Final Grant	Expenditure	Excess (+) / Saving (-)	% age of saving
2021-22	3,065.415	2,047.540	-1,017.874	33
2022-23	3,010.949	2,158.089	-852.860	28

Source: Appropriation accounts for the FY 2021-22 and 2022-23

There was 2% decrease in budget allocation and 5% increase in expenditure during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 852.860 million during FY 2022-23 which is 28% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

There are ten (10) qualitative indicators set by P&SHC department for DHA Mandi Bahauddin for the FY 2022-23. These indicators are set with the objectives of improving health facilities at each health unit, providing better environment, facilitating the patients in OPD and free of cost health services to the patients through appropriate monitoring at all levels. A comparison of target set for each indicator and the status of achievement is given below:

Sr. No.	Key Indicators	Targets	Achievements
1	Outdoor Patients	4,145,630	3,922,536
2	Indoor Patients	82,345	72,568
3	Surgical Cases	82,358	84,235
4	Cardiac Coronary Unit	4,880	51,236
5	Diagnostic Services (Laboratory, Radiology)	92,536	91,586
6	Family Planning Activities	67,000	67,852
7	Paeds	138,000	131,536
8	Surgery	62,000	62,132

9	TB Chest Treatments	1,300	1,201
10	Free Medicines to Patients	4,058,000	3,953,562

Source: DHIS dashboard of DHA Mandi Bahauddin

ii. Service Delivery Issues

Analysis of the achievements mentioned in the above table shows that DHA Mandi Bahauddin lagged behind in treating target number of patients in case of outdoor and indoor during FY 2022-23.

5.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 28.574 million were raised in this report during current audit of DHA Mandi Bahauddin. This amount also includes recoveries of Rs 8.239 million as pointed out by the audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	**Classification**	**Amount placed under audit observation**
1	Non-production of record	-
2	Fraud, embezzlement, and misappropriation	1.138
3	**Irregularities:**	
A	HR/Employees related irregularities	9.235
B	Procurement related irregularities	14.791
C	Management of accounts with commercial banks	0
4	Value for money and service delivery issues	0
5	Others	3.410
Total		**28.574**

5.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	13	Not convened
2	2018-19	12	
3	2019-20	11	
4	2020-21	10	
5	2021-22	14	
6	2022-23	10	

5.4 AUDIT PARAS

A) Fraud, Embezzlement and Misappropriations

5.4.1 Non deposit of government receipts - Rs 1.138 million

According to Rule 68 of the PDA (Budget) Rules 2017, the primary obligation of Collecting Officer shall be to ensure that all revenue due is claimed, realized and credited immediately to Local Government Fund under proper receipt head.

During audit of THQ Hospital Phalia for the FY 2022-23, it was observed that the receipts of Rs 1.657 million were collected on account of dental, lab, X-rays, USG, ECG and MLC fee but only Rs 0.518 million was deposited in to treasury. This resulted in non-deposit of government receipts worth Rs 1.138 million as mentioned below:

Rs in million

Months	To be deposited (85% government share)	Actual deposited	Less deposit
Jul, 2022	0.203	0.101	0.101
Aug, 2022	0.248	0.102	0.146
Sep, 2022	0.222	0.049	0.173
Oct, 2022	0.182	0.059	0.123
Nov, 2022	0.140	0.040	0.099
Dec, 2022	0.166	0.043	0.123
Jan, 2023	0.158	0.040	0.118
Feb, 2023	0.147	0.030	0.117
Mar, 2023	0.112	0.027	0.084
Apr, 2023	0.080	0.027	0.054
Total	**1.657**	**0.519**	**1.138**

Audit held that government receipts were not deposited due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that the concerned officer had been directed to deposit the amount otherwise strict action will be taken.

DAC in its meeting held on 12th December 2023 directed to inquire the matter at CEO level along with sending the case to PMU besides ensuring recovery. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

[PDP No. 46]

B) Human Resource / Employees related irregularities

5.4.2 Irregular extension of contingent paid staff contrary to S&GAD policy - Rs 5.544 million

According to Para 4(X) of Notification No. SO(ERB)5-44/2019/WC-DW titled "policy guidelines for work charge, daily wages & contingent paid staff" issued by S&GAD (Regulation/O&M Wing) dated 29 January 2021, the extension to work-charged employees shall be accorded by authority next to the hiring authority before the expiry of 90 days period of their first hiring provided that extension to work charged hiring shall not be made in any case more than two times.

During audit of following formations of DHA Mandi Bahauddin for the FY 2022-23, it was observed that data entry operators were working as worked charged employees since 2021. However, as per the rule ibid, only two time extension of 90 days could be granted by the higher authority. This continuous extension for a long time resulted in irregular hiring of contingent paid staff.

Rs in million

Sr. No.	**Name of hospital**	**Month of hiring**	**No. of contingent employees**	**Amount**
1	MS DHQ Hospital Mandi Bahauddin	Oct 2021	09	3.660
2	MS THQ Hospital Malakwal	Jul 2021	05	1.884
Total				**5.544**

Audit held that irregular extension of contingent paid staff was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that data entry operators were given extension with a gap period. Further, a letter No. 6512 dated 20-01-2021 had already been sent to Secretary P&SHD for guidance. Reply of the department was not acceptable as the extension to contingent paid staff could not be granted by the MS for more than one time.

DAC in its meeting held on 12th December 2023 directed to hire the contingent paid staff according to rules along with regularization of the expenditure. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

[PDP No. 20 & 42]

5.4.3 Unjustified payment of NPA to the doctors doing private practice - Rs 1.913 million

According to order No. SO(N.D)2-26/2004(P.II), of Government of Punjab, Health Department, NPA is admissible only for those doctors who do not opt for private practice.

During audit of various formations of DHA Mandi Bahauddin for the FY 2022-23, it was observed that seven (07) doctors were drawing NPA despite the fact that they were also doing private practice in clinics / private hospitals in Malakwal and Phalia. As such, NPA was not admissible to them. This resulted in unjustified payment of NPA of Rs 1.913 million as detailed below:

Rs in million

Name of Hospital	Name of Employee	BPS	Rate	No of months	NPA Recoverable
THQ Malakwal	Dr. Kawaja Farrukh Mehmood (31675243)	17	22,777	12	0.273
	Dr. Qammar Abbas (31915546)	17	22,777	12	0.273
	Dr. Adnan Malik (30915122)	17	22,777	12	0.273
	Dr. Qasim (32120625)	17	22,777	12	0.273.
THQ Phalia	Dr. Sadia Shoukat (31917164)	18	28,762	12	0.345
	Samia Zia Dental Surgeon (32005124)	17	22,777	12	0.274
	Muhammad Haris (32162320)	17	22,777	9.5	0.202
Total					**1.913**

Audit held that unjustified payment of NPA was made due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that that all the doctors were asked to explain their position vide letter dated 07.12.2023.

DAC in its meeting held on 12th December 2023 directed to take up the matter at CEO level for actual recovery and disciplinary action. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 39 & 52]

5.4.4 Inadmissible payment of NPA to doctors working on administrative posts - Rs 1.778 million

According to Finance Department Letter No FD.SR-1/6-4/2019 dated 05.04.2021, NPA is not admissible to the doctors working in P&SHC and SH&ME departments serving on administrative posts. The same facility has not been extended to the doctors working on administrative posts in other administrative departments.

During audit of DHA Mandi Bahauddin for the FY 2022-23, it was observed that following doctors were serving on administrative posts but were drawing NPA in violation of the instructions of Finance Department. This resulted in inadmissible payment of NPA of Rs 1.778 million.

Rs in million

Name / BS / Personal No.	**Designation / Cost Center**	**Rate**	**No. of Months**	**Amount of NPA**
Muhammad Umer (BS-17) 31670837	Medical Officer DHO (Admn) Mandi Bahauddin	22,777	12	0.273
Samaa Safdar (BS-17) 32200800	Women Medical Officer DHO (Admn) Mandi Bahauddin	22,777	11	0.254
Khaliq Dad (BS-18) 30603815	Executive Officer CEO DHA Mandi Bahauddin	22,777	9	0.205
Usman Hussain (BS-17)	Medical Officer Deputy DO (Health) Mandi Bahauddin	22,777	11	0.273

Rs in million

Name / BS / Personal No.	**Designation / Cost Center**	**Rate**	**No. of Months**	**Amount of NPA**
32118212				
Mehwish Nawaz (BS-17) 32135912	Women Medical Officer Deputy DO (Health) Mandi Bahauddin	22,777	3	0.068
Rizwan Ali Tabish (BS-17) 31559379	Medical Officer Deputy DO (Health) Phalia	22,777	11	0.273
Ali Hassan (BS-17) 32136774	Medical Officer Deputy DO (Health)	22,777	11	0.273
Awais Iqbal (BS-17) 32114498	Medical Officer National Programme Mandi Bahauddin	22,777	7	0.159
Total				**1.778**

Audit held that payment of NPA to doctors working on administrative posts was made due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that doctors are entitled for NPA as per clarification of the Accountant General Punjab and Finance Department. Reply of the department is not acceptable because it is contrary to the Finance Department clarification.

DAC in its meeting held on 12th December 2023 directed to recover the NPA from the doctors working on administrative posts in the administrative offices like CEO, DHOs, DDHOs, Coordinators IRMNCH and DHDC etc. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 11]

C) Procurement related irregularities

5.4.5 Irregular payment on account of printing in violation of PPRA rules - Rs 7.205 million

According to Rule 12(1) of PPR 2014, procurements over two hundred thousand rupees and up to the limit of three million rupees shall be advertised on the PPRA's website in the manner and format specified from time-to-time. Further, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurement so planned.

During audit of CEO DHA Mandi Bahauddin for the FYs 2022-23, it was observed that the management requested the superintendent Government Printing Press Punjab, Lahore for printing of different items. In response, Controller Printing & Stationary Punjab Lahore replied that due to urgent/important and time limit jobs and due to non-availability of scanning system & classified printing facility the government printing press is not in a position to undertake and execute the job. The controller asked the department to get the job done from the referred firms for urgently execution of printing work by wrongly referring emergency/urgency clause 2q, 2ad & 59d (iii) of PPR 2014. Hence, management incurred an expenditure of Rs 7.205 million without calling tender in violation of PPR 2014 despite the fact that there was no urgency notified by the district or hospital authorities. Detail is as under:

Rs in million

Sr. No.	**Document No.**	**Date of posting**	**Vendor Name**	**Invoice No. & date**	**Amount**
1	1900155893	18.12.2022	Sabri & Company	196 dt 25.06.2022	3.550
2	1900155894			197 dt 25.06.2022	0.631
3	1900155895			194 dt 22.06.22	3.024
Total					7.205

Audit held that irregular procurement without tendering process worth Rs.7.205 million was made due to non-compliance of rules.

The matter was reported to the PAO in November 2023. The department replied that direct purchase from M/s Sabri & Co. was made after NOC from Government Printing Press Punjab, Lahore. The reply was not accepted as Government Printing Press Punjab, Lahore could not fix rates and advice to issue supply orders to vendor of their own choice. If Government Printing Press Punjab, Lahore could not manage printing then the purchases must be made through open competition under PPR.

DAC in its meeting held on 12th December 2023 directed to refer the case to PPRA for further clarification. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

[PDP No. 09]

5.4.6 Irregular purchase of LP medicine in bulk instead of patient specific - Rs 7.586 million

According to Clause (iii) and (xxiv) of LP Guideline issued by Government of the Punjab, Health department vide letter No.SO(HP)12-02/2022 dated 29.06.2022, LP from registered pharmacy will be patient specific on day-to-day basis besides entering the details on manual LP register i.e. date of LP, indent / request number, details of medicine procured with brand name, batch number, manufacturer, expiry date, MRP, quantity demanded, quantity supplied & GRN.

During audit of following formations of DHA Mandi Bahauddin for the FY 2022-23, it was observed that the management purchased LP medicine in bulk from LP vendors on MRP discount rates instead of patient specific day-to-day basis. Audit was of the view that if medicine were to be purchased in bulk it should be through open competitive bidding and not on MRP rates. This resulted in irregular purchase of LP medicine worth Rs 7.586 million and huge loss to exchequer as retail price ought to be higher than bulk purchase. The detail is as under:

Rs in million

Sr. No.	**Name of Formation**	**Name of contractor**	**Amount of LP medicines**
1	MS THQ Hospital Malakwal	Guardian's Pharmacy	3.592
2	MS THQ Hospital Phalia	Hashim Pharmacy	3.994
Total			**7.586**

Audit held that unjustified expenditure was made on purchase of LP medicine due to non-compliance of rules.

The matter was reported to the PAO in November 2023. The department replied that purchase of LP medicine was dispensed through LP portal and consultation of doctors. Reply of the department was not acceptable as the purchase was made in violation of LP guidelines.

DAC in its meeting held on 12th December 2023 directed to take-up the matter at CEO level due to clear violation of LP guidelines. No further progress was reported till finalization of this report.

Audit recommends to inquire the matter for fixing responsibility on the officer(s) at fault for irregular purchase of LP medicine besides regularization of the matter.

[PDP No. 33 & 48]

D) Others

5.4.7 Non-recovery of government dues from parking contractor - Rs 3.410 million

According to Rule (3) (1) subject to sub-rule (2) of PLG (Auction of Collection Rights) Rules 2016, a local government may award contract, assign right to collect income on its behalf, to the contractor for the next or current financial year.

During audit of DHQ Hospital Mandi Bahauddin for the FY 2022-23, it was observed that parking stand was auctioned to M/s Choudhry & Company for the FY 2022-23 for Rs 3.410 million. The contractor did not deposit the contract amount. The management did not take any step to recover the amount and allowed the contractor to continue collection for the whole year. This resulted in non-recovery of government dues amounting to Rs 3.410 million.

Audit held that government dues were not recovered due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that the letter had been written to the contractor for recovery of outstanding amount. Reply was not tenable as department did not recover any amount from contractor.

DAC in its meeting held on 12th December 2023 directed to recover the amount from the contractor along with forfeiture of security and blacklisting of the contractor. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision besides fixing of responsibility for non-collection of government dues.

[PDP No. 18]

CHAPTER 6

DISTRICT HEALTH AUTHORITY NAROWAL

6.1 Introduction

a) There are 17 formations in DHA Narowal out of which audit of 03 formations was conducted. Total expenditure and receipt of these formations was Rs 1,841.013 and Rs 10.527 million respectively out of which 53% expenditure and 45% receipt were audited.

Audit Profile of DHA Narowal

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure Audited	Receipts Audited
1	DHA Narowal	17	03	975.737	4.737
2	Assignment Acs/SDAs	-	-	-	-
3	Foreign Aided Projects	-	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DHA Narowal was Rs 3,312.800 million and supplementary grant was Rs 324.445 million for the FY 2022-23. An amount of Rs 332.879 million was surrendered and final budget was Rs 3,304.370 million. Management incurred an expenditure of Rs 2,762.521 million resulting in saving of Rs 718.317 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+)/ Saving (-)
Salary	2,392.893	189.447	211.209	2,371.131	2118.622	-252.509
Non-Salary	822.719	80.308	120.710	782.317	634.747	-147.57
Development	97.188	54.690	0.960	150.918	9.152	-141.766

Total	**3,312.800**	**324.445**	**332.879**	**3,304.370**	**2762.521**	**-541.845**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	Final Grant	Expenditure	Excess (+) / Saving (-)	% age of saving
2021-22	2,787.806	2,395.317	-392.489	14
2022-23	3,304.370	2,762.521	-541.845	16

Source: Appropriation accounts for the FY 2021-22 and 2022-23

There was 19% increase in budget allocation and 15% increase in expenditure during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 541.845 million during FY 2022-23 which is 16% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

There are ten (10) qualitative indicators set by P&SHC department for DHA Narowal for the FY 2022-23. These indicators are set with the objectives of improving health facilities at each health unit, providing better environment, facilitating the patients in OPD and free of cost health services to the patients through appropriate monitoring at all levels. A comparison of target set for each indicator and the status of achievement is given below:

Sr. No.	Key Indicators	Targets	Achievements
1	Outdoor Patients	2,310,967	2,518,832
2	Indoor Patients	98,798	107,683
3	Surgical Cases	11,166	12,170
4	Cardiac Coronary Unit	11,298	12,315
5	Diagnostic Services (Laboratory, Radiology)	118,837	129,527
6	Family Planning Activities	28,594	31,166
7	Paeds	67,278	73,329

8	Surgery	38,115	41,544
9	TB Chest Treatments	11,730	12,784
10	Free Medicines to Patients	100%	100%

Source: DHIS dashboard of DHA Narowal

ii. Service Delivery Issues

Analysis of the achievements mentioned in the above table shows that DHA Narowal achieved all of its targets during FY 2022-23.

6.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 56.320 million were raised in this report during current audit of DHA Narowal. This amount also includes recoveries of Rs 26.702 million as pointed out by the audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	Classification	Amount placed under audit observation
1	Non-production of record	-
2	Fraud, embezzlement, and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	40.063
B	Procurement related irregularities	14.679
C	Management of accounts with commercial banks	0
4	Value for money and service delivery issues	0
5	Others	1.578
Total		**56.320**

6.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	20	Not convened
2	2018-19	31	
3	2019-20	16	
4	2020-21	11	
5	2021-22	06	
6	2022-23	05	

6.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

6.4.1 Inadmissible p`ayment of social security benefit - Rs 22.698 million

According to Clause (XIII)(i)(b) of Contract Appointment Policy 2004 issued by S&GAD Government of the Punjab, Social Security Benefit (SSB) @ 30% of minimum of basic pay, in lieu of pension, was admissible only for the persons working on contract basis. However, after regularization of services this allowance would be stopped and pay be fixed on the initial of the pay and the difference of pay would be paid as their personal allowance.

During audit of following formations of DHA Narowal for the FY 2022-23, it was observed that SSB allowance was not stopped after regularization of these employees. Consequently, SSB @ 30% in lieu of pension worth Rs 22.698 million was continuously paid to these employees. This resulted in inadmissible payment of SSB of Rs 22.698 million as detailed below:

Rs in million

Sr. No.	Name of formations	No. of employees	Amount
1	CEO DHA Narowal	182	9.267
2	DHQ Hospital Narowal	46	11.149
3	THQ Hospital Shakargarh	12	2.282
	Total	**240**	**22.698**

Audit held that inadmissible payment of SSB allowance was made due to weak financial and internal controls.

The matter was reported to the PAO in November 2023. The department replied that change forms had been submitted to DAO Narowal to effect the recovery.

DAC in its meeting held on 9th December 2023 directed for recovery. No further progress was reported till finalization of this report.

Audit recommends recovery of overpaid amount at the earliest.

[PDP No. 6, 18 & 40]

6.4.2 Un-justified appointment & regularization of computer operators - Rs 15.716 million

As per Sr. No.3 of advertisement for appointment, published by CEO DHA Narowal, eligibility criteria for appointment as Computer Operator BS-12 was ICS or equivalent qualification along with 3 years relevant experience.

During audit of CEO DHA Narowal for the FY 2022-23, it was observed that 25 computer operators were appointed on contract basis in 2014. These employees were regularized by CEO DHA in 2021. Scrutiny of regularization documents along with personal files revealed that these officials were appointed without fulfilling the basic appointment criteria as they had only 3 to 6 months computer learning diplomas instead of ICS or equivalent qualification. This resulted in unjustified appointment & regularization of computer operators worth Rs 15.716 million.

Audit held that unjustified appointment & regularization of computer operators was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that regularization process was completed by the CEO DHA Narowal against the rules and inquiry proceedings against the recruitment committee were under process.

DAC in its meeting held on 9th December 2023 directed for inquiry by the administrative department. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 03]

6.4.3 Non deduction of conveyance allowance, house rent allowance and 5% repair charges - Rs 1.649 million

According to Clause 36(b) of letter No. EO(S&GAD)Policy/2009/ 688 dated 07.05.2018 issued by S&GAD (Estate Office), Government of the Punjab, a government employee occupying government residence cannot draw house rent allowance. Further, according to notification No. 1061-SO(SR)IV/77 dated 18.08.1977 of Finance Department, Government of the Punjab, conveyance allowance is not admissible during leave including leave preparatory to retirement and vacations.

During audit of DHQ Hospital Narowal for the FY 2022-23, it was observed that house rent allowance and 5% of basic pay as repair & maintenance charges amounting to Rs 0.803 million were not deducted from salaries of twelve (12) officers / officials residing in official residences. Similarly, conveyance allowance of seventy-five (75) employees amounting to Rs 0.846 million was also not deducted from the officers / officials who availed earned leaves. This resulted in non-deduction of Rs 1.649 million. Detail is at given at **Annexure-G.**

Audit held that conveyance allowance, house rent allowance and 5% repair charges were not deducted due to weak financial and internal controls.

The matter was reported to the PAO in November 2023. The department replied that change forms had been submitted to DAO Narowal to effect the recovery from employees. Moreover, one government residence was allotted to 3 to 4 employees so house rent allowance was being deducted from one employee only. The reply of the department was not acceptable as no recovery was made from the employees.

DAC in its meeting held on 9th December 2023 did not accept the reply and directed to recover house rent allowance, conveyance allowance and 5% repair charges as per rules from all employees who were availing facility of government residences. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 19 & 27]

B) Procurement related irregularities

6.4.4 Mis-procurement of fowler beds valuing Rs 8.265 million and loss to exchequer - Rs 776,592

According to Rule 55 of PPR 2014, the bidder with the lowest evaluated bid, if not in conflict with any other law, shall be awarded the procurement contract within the original or extended bid validity period.

During audit of CEO DHA Narowal for the FY 2022-23, it was observed that rate award of procurement of 72 fowler beds was issued to M/s Pieces Engineering who offered lowest rate of Rs 104,000 / bed, whereas, supply orders were issued to M/s Apex Enterprises who quoted rate of Rs 114,786 / bed. Reason for issuing supply orders to the second lowest bidder with a difference of Rs 10,786 / bed was not mentioned. This un-due favour to second lowest bidder resulted in mis-procurement of fowler beds worth Rs 8.265 million and financial loss of Rs 776,592 to government exchequer.

Audit held that mis-procurement of fowler beds was due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that M/s Pieces Engineering refused to supply the fowler beds. The reply of the department was not acceptable as procurement was made in violation of PPR 2014.

DAC in its meeting held on 9th December 2023 directed to probe the matter and for forfeit CDR / Bank Guarantee of M/s Pieces Engineering besides blacklisting of the firm. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 01]

6.4.5 Irregular purchase of LP medicine in bulk on quotation basis instead of patient specific - Rs 6.414 million

As per Clause (iii) and (xxiv) of LP Guideline issued by Government of the Punjab Health department vide letter No.SO(HP)12-02/2022 dated 29.06.2022, LP from registered pharmacy will be patient specific on day to day basis besides entering the details on manual LP register i.e. date of LP, indent / request number, details of medicine procured with brand name, batch number, manufacturer, expiry date, MRP, quantity demanded, quantity supplied & GRN.

During audit of THQ Hospital Shakargarh for the FY 2022-23, it was observed that the management purchased LP medicine in bulk on quotation basis at MRP discount rates instead of patient specific day-to-day basis. Audit was of the view that if medicine were to be purchased in bulk it should be through open competitive bidding and not on MRP rates. This resulted in irregular purchase of LP medicine worth Rs 6.414 million and huge loss to exchequer as retail price ought to be higher than bulk purchase.

Audit held that irregular procurement of LP medicines was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that LP medicine was purchased on quotation basis for patients. The reply of the department was not accepted because LP medicines were purchased in bulk at retail price.

DAC in its meeting held on 9th December 2023 directed for regularization and probe. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 36]

C) Others

6.4.6 Non-forfeiture of earnest money - Rs 1.578 million

According to Rule 14(3)(b) of PLG (Auction of Collection Rights) Rules 2016, the bid shall be automatically stand cancelled and the deposits made by the contractor stand forfeited if he fails to enter into written agreement within three days of the communication letter.

During audit of DHQ Hospital Narowal for the FY 2022-23, it was observed that award letters of auction of parking and canteen services were issued to 1st, 2nd & 3rd lowest bidders consecutively but none of them took over parking and canteen. Neither the bid security, submitted by these bidders, was forfeited nor these contractors were blacklisted. This resulted in loss of Rs 1.578 million to the exchequer as detailed below:

Rs in million

CDR No.	Date	Name of Contractor	Contract	Amount
18039803	12.09.2022	M/s Mustafa Sons	Parking Services	0.390
14247467	12.09.2022	M/s Sh. M. Irfan Raza		0.390
26054632	11.09.2022	M/s Malik Ibrar & Co.		0.390
26054633	11.09.2022	M/s Al-Sadiq Int. Trading Co.	Canteen Services	0.136
4845062	09.09.2022	M/s Malik Ibrar & Co.		0.136
14247468	12.09.2022	M/s Sh M Irfan Raza		0.136
Total				**1.578**

Audit held that earnest money was not forfeited due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that process of forfeiting the earnest money had been initiated.

DAC in its meeting held on 9th December 2023 directed to forfeit the earnest money besides blacklisting the contractors. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 22]

CHAPTER 7

DISTRICT HEALTH AUTHORITY SIALKOT

7.1 Introduction

a) There are 19 formations in DHA Sialkot out of which audit of 05 formations was conducted. Total expenditure and receipt of these formations was Rs 1,857.462 and Rs 39.396 million respectively out of which 54% expenditure and 67% receipt were audited.

Audit Profile of DHA Sialkot

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure Audited	Receipts Audited
1	DHA Sialkot	19	05	1,003.029	26.395
2	Assignment Acs/SDAs	-	-	-	-
3	Foreign Aided Projects	-	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DHA Sialkot was Rs 3,202.023 million and supplementary grant was Rs 1,187.018 million for the FY 2022-23. An amount of Rs 884.775 million was surrendered and final budget was Rs 3,504.266 million. Management incurred an expenditure of Rs 3,438.207 million resulting in saving of Rs 66.059 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	2,466.183	1,019.457	735.012	2,750.628	2,797.916	47.288
Non-Salary	725.313	140.439	149.763	715.989	631.761	-84.228
Development	10.527	27.122	0	37.649	8.530	-29.119

Total	**3,202.023**	**1,187.018**	**884.775**	**3,504.266**	**3,438.207**	**-66.059**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	Final Grant	Expenditure	Excess (+) / Saving (-)	% age of saving
2021-22	3,031.333	2,979.425	-51.907	2
2022-23	3,504.266	3,438.207	-66.059	2

Source: Appropriation accounts for the FY 2021-22 and 2022-23

There was 16% increase in budget allocation and 15% increase in expenditure during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 66.059 million during FY 2022-23 which is 2% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

There are ten (10) qualitative indicators set by P&SHC department for DHA Sialkot for the FY 2022-23. These indicators are set with the objectives of improving health facilities at each health unit, providing better environment, facilitating the patients in OPD and free of cost health services to the patients through appropriate monitoring at all levels. A comparison of target set for each indicator and the status of achievement is given below:

Sr. No.	Key Indicators	Targets	Achievements
1	Outdoor Patients	4,420,874	4,247,120
2	Indoor Patients	85,964	80,061
3	Surgical Cases	98,634	86,698
4	Cardiac Coronary Unit	6,047	5,409
5	Diagnostic Services (Laboratory, Radiology)	107,304	101,774
6	Family Planning Activities	77,712	71,491
7	Peads	154,289	142,103
8	Surgery	71,650	67,755
9	TB Chest Treatments	1,538	1,499

Sr. No.	Key Indicators	Targets	Achievements
10	Free Medicines to Patients	4,533,932	4,244,716

Source: DHIS dashboard of DHA Sialkot

ii. Service Delivery Issues

Analysis of the achievements mentioned in the above table shows that DHA Sialkot lagged behind in treating target number of patients during FY 2022-23.

7.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 38.518 million were raised in this report during current audit of DHA Sialkot. This amount also includes recoveries of Rs 29.388 million as pointed out by the audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	**Classification**	**Amount placed under audit observation**
1	Non-production of record	0
2	Fraud, embezzlement, and misappropriation	0
3	**Irregularities:**	
A	HR/Employees related irregularities	9.211
B	Procurement related irregularities	28.176
C	Management of accounts with commercial banks	0
4	Value for money and service delivery issues	0
5	Others	1.131
Total		**38.518**

7.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	**Audit Year**	**No. of Paras**	**Status of PAC Meetings**
1	2017-18	18	Not convened
2	2018-19	26	

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
3	2019-20	15	
4	2020-21	16	
5	2021-22	16	
6	2022-23	14	

7.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

7.4.1 Unauthorized payment of pay & allowances to employees - Rs 6.454 million

According to Part-I Vol-I Rule 8.16 of (PCS) Rules 1976, a government servant who absents himself from his duty without permission of the competent authority is liable to have his absence treated as absence from duty without leave.

During audit of various formations of DHA Sialkot for the FY 2022-23, it was observed that forty-nine (49) officers / officials remained absent from duty without prior approval of the competent authority. It was revealed that the staff proceeded on leave upon submission of applications which were later on regretted by the competent authority. This resulted in unauthorized payment of pay and allowances worth Rs 6.454 million.

Rs in million

Sr. No.	Name of formation	No. of employees	Amount
1	MS THQ Hospital Daska	17	2.305
2	MS THQ Hospital Sambrial	24	3.349
3	MS THQ Hospital Pasrur	08	0.800
Total		**49**	**6.454**

Audit held that unauthorized payment of pay and allowances was made due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that leaves were forwarded to authorities for sanctioning but were not approved by the competent authority. The department did not produce sanctioned leave of the officers/officials.

DAC in its meeting held on 16th December 2023 directed to recover the amount from the employees. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 7.4.5 having financial impact of Rs 3.150 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 29, 43 & 62]

7.4.2 Unauthorized drawl of pay and allowances during EOL, absent period and overpayment after the expiry of adhoc period - Rs 2.757 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowances, contingent expenditure or any other expense shall be personally responsible for any over charge, fraud, misappropriation and shall be liable to make good that loss.

During audit of following formations of DHA Sialkot for the FY 2022-23, it was observed that payment of salaries was made to 16 officers / officials during their absconded, absent and EOL period. In some cases, salaries were not stopped after expiry of adhoc period and after replacement by regular incumbant because of management's negligence. This resulted in unauthorized drawl of pay and allowances worth Rs 2.757 million as mentioned below:

Rs in million

r. No	Name of Formation	Description	Number of Employees	Amount
	THQ Hospital Daska	Absconded	02	0.379
		Absent	01	0.044
		Adhoc expired	02	0.159
		Replaced by regular staff	01	0.060
		EOL	03	0.375
	THQ Hospital Sambrial	EOL	04	1.399
	THQ Hospital Pasrur		03	0.341
Total			**16**	**2.757**

Audit held that unauthorized drawl of pay and allowances was made due to weak internal & financial controls.

The matter was reported to the PAO in November 2023. The departments replied that pay & allowances were transferred to the employees during EOL period and recovery notices were issued to the concerned. The department did not effect any recovery from the concerned.

DAC in its meeting held on 16th December 2023 directed to recover the amount from concerned. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 23, 29, 41 & 62]

B) Procurement related irregularities

7.4.3 Loss due to award of contract of LP medicine by the CEO - Rs 9.834 million

According to Rule 2(vi) of LP guidelines dated 29.06.2022 issued by the Secretary P&SHC Department Lahore, the procuring agency shall conclude procurement through open competitive tendering. The policy emphasis hospitals to use the purchase committee in local purchase tenders, its scrutiny, sanctioning, placement of order, receiving, defacing and issuance of medicines, record keeping and payment process. The Medical Superintendent of hospital shall be responsible for having all these arrangements in place.

During audit of CEO DHA Sialkot for the FY 2022-23, it was noticed that tendering process for LP medicine was initiated by CEO Health instead of award by the DDOs of the concerned health facilities. Furthermore, it was observed that instead of ensuring healthy competition, the offer of flat 8% and 9.5% discount for medicine and surgical items respectively was accepted and contracts were awarded to all LP vendors by the CEO. On comparison with other health facilities i.e. THQ Kamoke, it was observed that the discount rate was more than 8% and 9.5%. This resulted in loss of Rs 9.834 million due to award of LP medicine contract by the CEO instead of concerned health facilities.

Rs in million

Category	**Discount availed by THQ Kamoke**	**Discount availed by CEO for all health facilities**	**Less Discount availed by CEO**	**Amount of tender**	**Loss**
National	13%	8%	5%	71.121	9.834
Multinational	22%	8%	14%		
Surgical & Disposables	32%	9.5%	22.5%		
Average percentage	22.33%	8.5%	13.83%		

Audit held that loss of Rs 9.834 million to government was due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that tenders for LP medicine were invited after receiving NOCs from health facilities of DHA Sialkot. However department did not produce the said NOCs for verification.

DAC in its meeting held on 16th December 2023 directed to refer the matter to P&SHC department for inquiry to fix the responsibility as this irregular and repeated practice had caused loss to exchequer. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 7.4.10 having financial impact of Rs 14.123 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 01, 08, 20, 34, 56 & 66]

7.4.4 Loss due to purchase of medicine on quotation basis by splitting - Rs 9.212 million

According to Clause (xxvii)(b) of LP Guidelines issued by Government of the Punjab, Health department vide letter No.SO(HP)12-02/2022 dated 29.06.2022, utilization of alternative methods of procurement like 59(a) & 59(b) of PPR 2014 and by conducting risk purchases without splitting of procurements.

During audit of various formations of DHA Sialkot for the FY 2022-23, it was observed that health facilities purchased medicine amounting to Rs 23.706 million on quotation basis at higher rates instead of bulk purchase through open tendering process. On comparison with award of same medicine in bulk by the CEO it was revealed that loss of Rs 9.212 million occurred due to splitting of indents. This resulted in unauthorized purchase of medicine on quotation worth Rs 23.706 million and loss to government.

Rs in million

Sr. No.	Name of formation	Total payment	Loss to government
1	THQ Hospital Daska	10.28	3.859
2	THQ Hospital Sambrial	2.212	1.266
3	THQ Hospital Pasrur	2.402	0.520
4	THQ Hospital Pasrur	4.729	1.982
5	THQ Hospital Kotli Loharan	4.083	1.585
Total		**23.706**	**9.212**

Audit held that loss of Rs 9.212 million to the government was due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that purchase was due to delay in tendering process of bulk medicine and DTL reports. However departments did not produce any documentary evidence in support of reply.

DAC in its meeting held on 16th December 2023 decided to probe the matter and regularization of the matter. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 18, 38, 53, 55 & 68]

7.4.5 Unauthorized purchase of laboratory items - Rs 4.708 million

According to Clause (2)(ii) of LP Guidelines issued by Government of the Punjab, Health department vide letter No.SO(HP)12-02/2022 dated 29.06.2022, LP is allowed for emergencies and indoor patients department, on the prescription of authorized consultants or medical officers only under circumstances; (a) non availability of prescribed medicines or its alternates with the hospital. (b) prescribed medicine or its alternate available but test / analysis report from Drug Testing Laboratory (DTL) is awaited.

During audit of THQ Hospitals Daska and Pasrur for the FY 2022-23, it was observed that x-ray, dental and laboratory items were purchased from the budget of LP medicine contrary to the LP guidelines. This resulted in unauthorized purchase of Rs 4.708 million.

Rs in million

Sr. No.	Name of formation	Description	Amount
1	MS THQ Hospital Daska	X-Ray and Laboratory items	3.017
2	MS THQ Hospital Pasrur	Dental and blood bank kits	0.395
		Laboratory items/kits	1.296
Total			**4.708**

Audit held that unauthorized purchase of laboratory items from LP budget was due to weak internal controls.

The matter was reported to the PAO in November 2023. The department produced the letter of Specialized Healthcare Department regarding purchase of laboratory items from A03927. Reply of the department was not acceptable as laboratory kits and x-ray were procured from budget of medicine in violation of LP guidelines.

DAC in its meeting held on 16th December 2023 decided to probe the matter. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No 22, 52 & 57]

7.4.6 Splitting of job orders to avoid open tender - Rs 4.422 million

According to Rule 9 of PPR 2014, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting of the procurements so planned. Further, according to Rule 12(2), any procurement exceeding three million rupees shall be advertised on the website of the PPRA, the website of the procuring agency, if any, and in at least two national daily newspapers of wide circulation, one in English and one in Urdu.

During audit of following formations of CEO DHA Sialkot for the FY 2022-23, it was observed that procurement of Rs 4.422 million was made by splitting the indents to avoid tendering process. This resulted in irregular expenditure worth Rs 4.422 million. Detail is at **Annexure-H.**

Rs in million

r. No.	Name of Formation	Description	Amount
	MS THQ Hospital Daska	Fans, papers, printers	3.713
	MS THQ Hospital Kotli Loharan	CCTV camera	0.709
Total			**4.422**

Audit held that irregular expenditure was incurred without calling tender due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that fans were purchased in dire emergency under the direction of Secretary, Operations & Monitoring Unit and expected visit of Chief Minister of the Punjab. Department also described that tenders of remaining items were not floated upon the instructions of CEO Office. The CCTV cameras were installed on various locations of the hospital upon compliance of Secretary P&SHC department for surveillance. However department's reply itself proved splitting with wrong justification.

DAC in its meeting held on 16th December 2023 decided to probe the matter by administrative department. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 7.4.9 having financial impact of Rs 10.490 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 28 & 69]

C) Others

7.4.7 Non-recovery of parking stand fee - Rs 1.131 million

According to Rule (3)(1) of PLG (Auction of Collection Rights) Rules 2016, a local government may award contract, assign right to collect income on its behalf, to the contractor for the next or current financial year.

During audit of THQ Hospital Daska for the FY 2022-23, it was observed that parking stand was auctioned to M/s Nazar Abbas & Co. The contractor did not deposit monthly installments and taxes of Rs 1.131 million. The management did not take any step to recover the amount and allowed the contractor to continue collection inspite of non-deposit of monthly installments in advance. This resulted in non-recovery of Rs 1.131 million as detailed below:

Rs in million

Description	**Contract amount**	**Description**	**Period**	**Rate**	**Amount**
Parking contract	3.230	Installment	May to June 2023	0.323/ month	0.646
		Income Tax	July 2022 to June 2023	10% of contract amount	0.323
		PST		5% of contract amount	0.162
Total					**1.131**

Audit held that parking stand fee was not recovered due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that letters were issued to the contractor to deposit the outstanding amount. The reply was not tenable as no recovery was made from the contractor.

DAC in its meeting held on 16th December 2023 directed for recovery besides initiation of process of black listing the contractor and inquiry to fix responsibility. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 7.4.14 having financial impact of Rs 1.423 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 19]

CHAPTER 8

DISTRICT HEALTH AUTHORITY KASUR

8.1 Introduction

a) There are 26 formations in DHA Kasur out of which audit of 05 formations was conducted. Total expenditure and receipt of these formations was Rs 1,569.041 million and 8.368 million respectively out of which 22% of expenditure and 37% of receipts were audited.

Audit Profile of DHA Kasur

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure Audited	Receipt Audited
1	DHA Kasur	26	05	345.180	3.096
2	Assignment Acs /SDAs	-	-	-	-
3	Foreign Aided Projects	-	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DHA Kasur was Rs 4,617.291 million and supplementary grant was Rs 590.439 million for the FY 2022-23. An amount of Rs 993.176 million was surrendered and final budget was Rs 4,214.554 million. Management incurred an expenditure of Rs 3,226.786 million resulting in saving of Rs 987.770 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	3,184.08	235.94	771.653	2,648.367	2,493.903	-154.464
Non-Salary	1,397.314	351.140	220.846	1,527.608	727.921	-799.687
Development	35.897	3.359	0.677	38.579	4.962	-33.617
Total	**4,617.291**	**590.439**	**993.176**	**4,214.554**	**3,226.786**	**-987.768**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	Final Grant	Expenditure	Excess (+) / Saving (-)	% age of saving
2021-22	3,410.041	2,797.895	-612.146	18
2022-23	4,214.554	3,226.786	-987.768	23

Source: Appropriation accounts for the FY 2021-22 and 2022-23

There was 24% increase in budget allocation and 15% increase in expenditure during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 987.768 million during FY 2022-23 which is 23% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

There are ten (10) qualitative indicators set by P&SHC department for DHA Kasur for the FY 2022-23. These indicators are set with the objectives of improving health facilities at each health unit, providing better environment, facilitating the patients in OPD and free of cost health services to the patients through appropriate monitoring at all levels. However, DHA Kasur was not given targets vis-à-vis indicators by the Health Department.

Sr. No.	Key Indicators	Targets	Achievements
1	Outdoor Patients	-	5,080,896
2	Indoor Patients	-	260,483
3	Surgical Cases	-	3,559
4	Cardiac Coronary Unit	-	-
5	Diagnostic Services (Laboratory , Radiology)	-	88,190
6	Family Planning Activities	-	146,556
7	Peads	-	-
8	Surgery	-	44,992
9	T.B Chest Treatments	-	32,587

10	Free Medicines to Patients	-	-

Source: DHIS dashboard of DHA Kasur

ii. Service Delivery Issues

In view of the above table, it, prima facie, appears that DHA Kasur was required to be given targets for achievement.

8.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 162.289 million were raised in this report during current audit of DHA Kasur. This amount also includes recoveries of Rs 20.390 million as pointed out by the audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	**Classification**	**Amount placed under audit observation**
1	Non-production of record	-
2	Fraud, embezzlement, and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	7.206
B	Procurement related irregularities	78.430
C	Management of accounts with commercial banks	-
4	Value for money and service delivery issues	-
5	Others	76.653
Total		**162.289**

8.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	28	Not convened
2	2018-19	25	
3	2019-20	11	
4	2020-21	18	
5	2021-22	8	
6	2022-23	09	

8.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

8.4.1 Overpayment of pay & allowances - Rs 7.206 million

According to P&SHC Department, Government of the Punjab, Notification No. PO(P&E-I) 19-113/2004 dated 13.04.2007, HSRA is not admissible to doctors (other than specialist doctors) & staff posted at normal DHQ Hospitals. According to the Government of Punjab, Health Department's order No. SO(N.D)2-26/2004(P.II), NPA is admissible only to those doctors who do not opt for private practice. According to Rule 1.15(2) of PTA Rules 1976, conveyance allowance falling under Rule 1.14(ii) will be admissible only for the period during which the civil servant held the post to which the conveyance allowance is attached and will not be admissible during leave or joining time.

During audit of DHA Kasur for the FY 2022-23, it was observed that the management made an overpayment of Rs 7.206 million of different allowances such as HSRA, NPA, house rent allowance and conveyance allowance to 134 officers & officials in violation of rules. This resulted in overpayment of Rs 7.206 million as detailed below:

Rs in million

Sr. No.	Formation Name	Subject	No. of employees	Amount
1	DHQ Hospital Kasur	NPA	02	0.536
		House rent allowance, conveyance allowance and 5% maintenance charges	22	2.039
		HSRA	07	0.172
		Practice Compensatory Allowance	04	0.668
		Conveyance allowance during leave	25	0.375
2	THQ Hospital Chunian	Pay & allowances during leave	13	0.582
3	THQ Hospital Pattoki	HSRA	61	2.834
Total			**134**	**7.206**

Audit held that overpayment were made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that recovery had been initiated.

DAC in its meeting held on 20th December 2023 directed for complete recovery. No further progress was reported till finalization of this report.

Audit recommends immediate recovery of overpayments besides fixing of responsibility on persons at fault.

[PDP No. 23, 26, 27, 28, 30, 37 & 52]

B) Procurement related irregularities

8.4.2 Irregular payment of pending liabilities Rs 5.302 million

According to Rule 17.17(A) and 17.18 of PFR Vol-I, every disbursing officer shall maintain a register of liabilities in PFR Form-27 in which he should enter all these items of expenditure for which payment is to be made by or through another officer, budget allotment or sanction of a higher authority is to be obtained or payment would be required partly or wholly during the next financial year or years.

During audit of CEO DHA Kasur for the FY 2022-23, it was observed that management paid liabilities of Rs 5.302 million pertaining to the FY 2021-22 without approval of the next higher authority. This resulted in irregular payment of pending liabilities of Rs 5.302 million as detailed below:

Rs in million

Invoice No.	Invoice Date	Vendor Name	Item	Amount
1271	24/06/22	Hashir Surgical Services	IV Canola within	1.682
3285			Surgical Face Mask	0.694
3275			IV Canola with injection port Size 22G	1.294
3272			IV Canola with injection port Size 18G	0.336
K/22/CM I/01274	28/06/22	Essity	Gypsona plaster of Paris Bandages	1.294
Total				**5.302**

Audit held that irregular payment of pending liabilities was made due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that medicines were received just before closing of the year. The reply of the department was not tenable as approval of the next higher authority was not obtained and form-27 of PFR was not maintained.

DAC in its meeting held on 20th December 2023 directed to regularize the expenditure from competent authority. No further progress was reported till finalization of this report.

Audit recommends regularization of expenditure besides fixing of responsibility on officer(s) at fault.

[PDP No. 10]

8.4.3 Irregular utilization of emergency funds - Rs 6.129 million

According to Para 2(xxi) of policy and operational guidelines for local purchase of medicine circulated vide letter No. PSHD-TCO-I(M)6-14/2017 dated 16-12-2017 of P&SHC Department, Government of the Punjab, disasters and emergencies have different set of rules and SOPs and these can be handled as per provision of emergency as defined under PPR, 2014.

During audit of DHQ Hospital, Kasur for the FY 2022-23, it was observed that the management utilized the budget of Rs 6.133 million allocated for purchase of medicine in case of emergency. Scrutiny of record further revealed that no appropriate forum declared emergency as per PPR 2014. This resulted in irregular utilization of emergency funds of Rs 6.129 million as detailed at **Annexure-I**.

Audit held that emergency funds were irregularly utilized due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that medicines were purchased to cope with emergencies of three to four thousand patients. Reply was not tenable as the budget was allocated for natural disasters / calamities and not for emergency ward.

DAC in its meeting held on 20th December 2023 directed to submit revised reply. No further progress was reported till finalization of this report.

Audit recommends regularization of expenditure besides fixing of responsibility on officer(s) at fault.

[PDP No. 17]

8.4.4 Irregular purchase of LP medicines - Rs 36.565 million

According to Para 2(iii) of P&SHC department, Government of the Punjab, letter No. SO(HP)12-02/2022 dated 29.06.2022, LP is allowed for emergencies and indoor patients department on the prescription of authorized consultants or the medical officers. LP from registered pharmacy will be patient specific on day-to-day basis.

During audit of following formations of DHA Kasur for the FY 2022-23, it was observed that management incurred an amount of Rs 36.565 million on purchase of LP medicines. Scrutiny of record further revealed that the LP medicines were purchased in bulk instead of day-to-day requirement. Audit was of the view that if medicine were to be purchased in bulk it should be through open competitive bidding not on MRP rates. Further, shortage of items were found during verification of consumption record of disposables i.e. IV-cannulas, IV-sets and syringes etc. It was revealed that consumption of these items were not on record in expense books. Furthermore, patients record was not maintained properly as CNIC, Cell No., and address was not entered in patient register at THQ Hospital

Pattoki. This resulted in irregular purchase of LP medicine worth Rs 36.565 million and huge loss to exchequer as retail price ought to be higher than bulk purchase. The detail is as under:

Rs in million

Sr. No.	Name of Health Facility	Amount of LP Medicine for store purposes
1	DHQ Hospital Kasur	24.991
2	THQ Hospital Chunian - Cardiac Center	2.633
3	THQ Hospital Pattoki	8.941
Total		**36.565**

Audit held that irregular purchase was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that LP medicine was purchased as per government policy. The reply was not tenable as the doctors' prescription was not available, moreover, the medicines were purchased in bulk in violation of the policy.

DAC in its meeting held on 20th December 2023 directed to inquire the matter and submit detailed justification with supporting evidence. No further progress was reported till finalization of this report.

Audit recommends regularization of expenditure besides fixing of responsibility on person(s) at fault.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2021-22 and 2022-23 vide para number 2.4.1.2 and 8.4.2 having financial impact of Rs 27.208 million and Rs 23.026 million respectively. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 18, 43 & 46]

8.4.5 Irregular award of contract - Rs 3.307 million

As per Rule 4 of PPR 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

During audit of THQ Hospital Pattoki for the FY 2022-23, it was observed that the management awarded contract for laundry services of Rs 3.307 million to second lowest bidder. Scrutiny of record further revealed that the management issued award letter to first lowest bidder i.e. M/S Baraka with direction to submit performance guarantee within three days. However, the management awarded the contract to M/S Pak Japan Dry Cleaners the very next day at 90% higher rates without mentioning any reason. This resulted in irregular award of contract for laundry services of Rs 3.307 million.

Audit held that contract was irregularly awarded due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that process for blacklisting of the contractor had been initiated. Reply was not tenable because no documentary evidence was provided in support of reply.

DAC in its meeting held on 20th December 2023 directed to confiscate the bid security of the defaulting contractor and provide comparative statement to verify the correctness of the rates offered by the Pak Japan Dry Cleaners. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

[PDP No. 48]

8.4.6 Non-supply of medicines - Rs 24.494 million

According to Rule 9(b) of PDA (Accounts) Rules, 2017, the DDO or payee of pay & allowances, contingent or any of the other expense signing and authorizing the payments shall be personally responsible for any erroneous payment and shall be liable to make good the loss.

During audit of DHQ Hospital Kasur for the FY 2022-23, it was observed that the management issued purchase orders of Rs 24.494 million to seven different suppliers. Scrutiny of record revealed that suppliers failed to supply the medicine within stipulated time period. However, the management neither forfeited performance guarantee nor penalized the suppliers. This resulted in non-supply of medicine of Rs 24.494 million.

Audit held that medicines were not supplied by the suppliers due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that payment to the highlighted firms were not made yet, therefore penalty amount would be deducted at the time of payment. Reply was not tenable as management failed to initiate action against the firm under PPRA Rules.

DAC in its meeting held on 20th December 2023 directed to confiscate the performance security besides blacklisting the defaulters in case of non-supply of medicine. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

[PDP No. 20]

8.4.7 Irregular award of contract - Rs 2.633 million

According to Rule 4 of PPR 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

During audit of Cardiac Center Chunian Kasur for the FY 2022-23, it was observed that the management awarded contract for purchase of LP medicine of Rs 2.633 million to M/S AG&S Pharmacy. Scrutiny of record revealed that the closing time for submission of bids was 10:00 am, 03.11.2022. However, M/S AG&S Pharmacy purchased stamp papers after the closing time of bid submission. The management did not cancel the bid of M/S AG&S Pharmacy. Moreover, the management awarded the contract of disposable items at 10% discount as compared to 12% discount offered by M/S Arian Pharmacy. This resulted in irregular award of contract of Rs 2.633 million.

Audit held that contract was irregularly awarded due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that no pharmacist was available, the discount was obtained as per policy and LP was purchased as per demand. The reply was not tenable because the management cancelled the lowest bid without any justification.

DAC in its meeting held on 20th December 2023 directed to regularize the expenditure besides recovery of overpaid amount of less discount on medicines. No further progress was reported till finalization of this report.

Audit recommends fixing of responsibility on officer(s) at fault besides recovery of overpaid amount.

[PDP No. 42]

C) Others

8.4.8 Irregular utilization of conditional grants - Rs 58.081 million

According to Rule 24 of PDA (Budget) Rules 2017, all conditional grants should be budgeted and utilized in accordance with the condition of the grant.

During audit of DHA Kasur for the FY 2022-23, it was observed that the management utilized conditional grants of Rs 58.081 million for other purposes in violation of rules ibid. This resulted in irregular utilization of conditional grants of Rs 58.081 million as detail below:

Rs in million

Sr. No.	Description	Sub total	Amount
1	Cash Balance of DHA Kasur	-	19.089
2	Balance of Public A/C liabilities	-	(6.017)
Consolidated Fund Balance of DHA		-	13.072
a	Balance of Tied grants shown in Budget book (six schemes)	28.572	
b	Balance of tied grant of financial assistance and leave encashment	32.627	
c	National Campaign on Covid-19 vaccines (Feb 2022)	24.231	
d	National Campaign on Covid-19 vaccines (20^{th} June to 4^{th} July 2022)	14.295	**(71.153)**
Total			**(58.081)**

Audit held that conditional grants were utilized for other purposes due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that conditional grants might had been utilized for payments of salaries. Moreover reconciliation was under process. The reply of the department was not tenable as the management failed to exercise the budgetary controls and control mis-use of tied grants.

DAC in its meeting held on 20th December 2023 directed to recoup the funds for tied grants besides improving budgetary controls over use of tied grants. No further progress was reported till finalization of this report.

Audit recommends regularization of expenditure besides fixing of responsibility on the officer(s) at fault.

Note: The issue was also reported earlier in the Audit Reports for Audit Year 2021-22 and 2022-23 vide para number 2.4.2.1 and 8.4.8 having financial impact of Rs 159.414 million and Rs 117.60 million respectively. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 06]

8.4.9 Unjustified expenditure on publicity - Rs 11.551 million

According to General Instructions contained in Para-G of Revised Advertisement Policy 2012, all advertisements and promotional campaigns shall be routed through the Director General Public Relations (DGPR) Punjab.

During audit of DHA Kasur for the FY 2022-23, it was observed that the management incurred expenditure of Rs 11.175 million on advertisements and publicity without involvement of DGPR. Moreover, the department failed to produce requisition for placement of advertisement in local newspapers on regular basis. Further, comparison of the expenditure with other DHAs showed that DHA Kasur incurred 102% higher expenditure than the average expenditure of four adjoining districts. The average expenditure on advertisement & publicity in five DHAs was Rs 5.53 million. This resulted in unjustified expenditure of Rs 11.551 million as detailed below:

Rs in million

DHA	Expenditure	Variance Excess (+) / Less (-) from Average Expenditure of 5 Districts
Kasur	11.551	102%
Lahore	4.523	-18%
Nankana	6.760	22%
Okara	4.335	-22%
Sheikhupura	0.880	-84%

Audit held that unjustified expenditure on advertisement was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that budget was allocated as per demand of DDOs and expenditure was incurred accordingly. The reply was tenable as expenditure was incurred without any justification.

DAC in its meeting held on 20th December 2023 directed CEO Health Kasur to conduct inquiry besides stopping payments till completion of inquiry. It was further directed that in future advertisements be published in registered newspapers through DGPR only as per need assessment. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision and regularization of expenditure.

[PDP No. 11]

8.4.10 Non-imposition of penalty - Rs 1.056 million

According to Labour & HR Department Notification No. SO(D-II) MW/2011(Vol-VI) dated 22.06.2022, the minimum wage rate for financial year 2022-23 is Rs 25,000 per month & according to Section 1.31 & 1.32 of agreement between M/S CAIDS marketing and the P&SHC department, the service provider should ensure payment of minimum wages to the staff as notified by the government. Moreover, the service provider will disburse salary through e-channel. Moreover, as per sr. no. 5 of the contract, the management was required to impose penalty of Rs 3,000 per person plus difference of wage rate.

During audit of DHQ Hospital Kasur for the FY2022-23, it was observed that M/S CAIDS Marketing did not pay the minimum wages @ Rs 25,000 per month as notified by the government to staff through e-channels. M/S CAIDS Marketing paid Rs 3.471 million per month. The minimum penalty of Rs 3,000 was required to be imposed by the authorities but service provider was not penalized. This resulted in non-imposition of penalty of Rs 1.056 million as detail below:

Rs in million

Name of Firm	**Total No. of Staff**	**Per month penalty**	**No of Months**	**Amount**
CAIDS Marketing	88	0.264	4	1.056

Audit held that penalty was not imposed due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that DHQ Hospital Kasur had not paid any amount on account of janitorial services. The PMU had outsourced the services of janitorial. The reply was not tenable as the management was required to impose penalty as per the contract agreement.

DAC in its meeting held on 20th December 2023 directed to write letter to the contractors for recovery of penalty and enforce contract in letter and spirit. No further progress was reported till finalization of this report.

Audit recommends imposition of penalty and its recovery from the contractors at the earliest.

[PDP No. 24]

8.4.11 Excess utilization of LP medicine budget - Rs 5.965 million

According to Para 2(xiii) of notification No. PSHD-TCO-I (M)6-14/2017 dated 16.12.2017of P&SHC department, Government of the Punjab, local purchase be made within prescribed limit of 15% of the total budget of medicines.

During audit of DHA Kasur for the FY 2022-23, it was observed that funds of Rs 8.851 million were allocated for purchase of LP medicine, whereas, management incurred an amount of Rs 14.806 million on purchase of LP medicines in excess of budget. This resulted in irregular expenditure of Rs 5.965 million as detail below:

Rs in million

Name of Hospital	Financial Year	Total Medicine Budget	LP Medicine budget	LP Exp.	Excess Expenditure
		A	**B=15% of A**	**C**	**C-B**
Aziz Bibi Hospital	2021-22	23.980	3.597	7.372	3.775
	2022-23	27.328	4.099	4.811	0.712
Cardiac Center	2022-23	7.698	1.155	2.623	1.478
Total		**59.006**	**8.851**	**14.806**	**5.965**

Audit held that irregular expenditure on purchase of medicine was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that LP medicines were purchased as per requirement. The reply was not tenable as the management utilized LP medicine budget over and above allocation.

DAC in its meeting held on 20th December 2023 directed for regularization of expenditure. No further progress was reported till finalization of this report.

Audit recommends regularization of expenditure besides fixing of responsibility on officer(s) at fault.

[PDP No. 32 & 41]

CHAPTER 9

DISTRICT HEALTH AUTHORITY LAHORE

9.1 Introduction

a) There are 32 formations in DHA Lahore out of which audit of 06 formations was conducted. Total expenditure of these formations was Rs 3,285.911 million and Rs 11.048 million respectively out of which 31% expenditure and 69% receipt were audited.

Audit Profile of DHA Lahore

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure Audited	Receipt Audited
1	DHA Lahore	32	06	1,018.630	7.640
2	Assignment Acs /SDAs	-	-	-	-
3	Foreign Aided Projects	-	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DHA Lahore was Rs 5,359.083 million and supplementary grant was Rs 1,296.248 million for the FY 2022-23. An amount of Rs 836.381 million was surrendered and final budget was Rs 5,818.950 million. Management incurred an expenditure of Rs 5,719.336 million resulting in saving of Rs 99.614 million. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	4763.18	1202.085	749.144	5,216.121	5186.365	-29.756
Non-Salary	566.622	87.050	87.237	566.435	510.621	-55.814
Development	29.281	7.113	0	36.394	22.35	-14.044
Total	**5,359.083**	**1,296.248**	**836.381**	**5,818.950**	**5,719.336**	**-99.614**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	**Final Grant**	**Expenditure**	**Excess (+) / Saving (-)**	**% age of saving**
2021-22	5,577.398	5,558.150	-19.248	0.3
2022-23	5,818.950	5,719.336	-99.614	02

Source: Appropriation accounts for the FY 2021-22 and 2022-23

There was 4% increase in budget allocation and 3% increase in expenditure during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 99.614 million during FY 2022-23 which is 02% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

There are ten (10) qualitative indicators set by P&SHC department for DHA Lahore for the FY 2022-23. These indicators are set with the objectives of improving health facilities at each health unit, providing better environment, facilitating the patients in OPD and free of cost health services to the patients through appropriate monitoring at all levels. However, DHA Lahore was not given targets vis-à-vis indicators by the Health Department

Sr. No.	**Key Indicators**	**Targets**	**Achievements**
1	Outdoor Patients	-	3,525,551
2	Indoor Patients	-	85,344
3	Surgical Cases	-	36,501
4	Cardiac Coronary Unit	-	15,839
5	Diagnostic Services (Laboratory, Radiology)	-	406,550
6	Family Planning Activities	-	99,998
7	Peads	-	35,852
8	Surgery	-	45,551
9	TB Chest Treatments	-	10,252

Sr. No.	Key Indicators	Targets	Achievements
10	Free Medicines to Patients	-	-

Source: DHIS dashboard of DHA Lahore

ii. Service Delivery Issues

In view of the above table, it, prima facie, appears that DHA Lahore was required to be given targets for achievement.

9.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 1,065.485 million were raised in this report during current audit of DHA Lahore. This amount also includes recoveries of Rs 209.146 million as pointed out by the audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	Classification	Amount placed under audit observation
1	Non-production of record	
2	Fraud, embezzlement, and misappropriation	197.795
3	**Irregularities:**	
A	HR/Employees related irregularities	145.690
B	Procurement related irregularities	172.885
C	Management of accounts with commercial banks	-
4	Value for money and service delivery issues	150.238
5	Others	398.877
Total		**1,065.485**

9.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	28	Not convened
2	2018-19	21	
3	2019-20	17	
4	2020-21	16	
5	2021-22	33	
6	2022-23	14	

9.4 AUDIT PARAS

A) Fraud, Embezzlement and Misappropriations

9.4.1 Double drawl of salary by contingent paid staff - Rs 40.713 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowance, contingent expenditure, or any other expense shall be personally responsible for any overcharge, fraud, or misappropriation and shall be liable to make good that loss.

During audit of DHA Lahore for the FY 2021-23, it was observed that Deputy District Health Officers (DDHO) hired different batches of contingent paid staff for polio and dengue activities and paid Rs 40.713 million. Scrutiny of record revealed that management entered twice and thrice the same candidates with same names and CNICs in the same appointment orders/acquaintance rolls to draw double or triple salary and embezzled amount. This resulted in a double drawl of salary of Rs 40.713 million as detailed at **Annexure-J**.

Audit held that double drawl of salary was due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that the irregularity was being scrutinized and the report would be submitted. Reply was not tenable because department did not provide any justification.

DAC in its meeting held on 9th December 2023 directed to inquire the matter. No further progress was reported till finalization of this report.

Audit recommends recovery besides initiation of inquiry at the administrative department level to fix responsibility on the official(s) at fault.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2020-21 & 2022-23 vide para number 11.5.2.1.5 & 9.4.2 having a financial impact of Rs 23.323 million and Rs 20.636 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 78, 83, 89, 121, 122, 123, 135 & 162]

9.4.2 Mis-appropriation of overdrawn salaries - Rs 19.663 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowance, contingent expenditure, or any other expense shall be personally responsible for any overcharge, fraud, or misappropriation and shall be liable to make good that loss.

During audit of DHA Lahore for the FY 2021-23, it was observed that an amount of Rs 126.714 million was drawn from the government treasury on account of the salary of contingent paid staff. Scrutiny of the record revealed that an amount of Rs 107.051 million was paid and the remaining amount of Rs 19.663 million was misappropriated. This resulted in misappropriation of overdrawn salaries as detailed below:

Rs in million

DDHO Aziz Bhatti Town				
Batch	**No. of employees**	**Amount drawn from treasury**	**Amount paid**	**Amount misappropriated**
240, 350, 210, 140, 50, 230	801	54.733	43.997	10.736
DDHO Nishter Town				
Period	**No. of employees**	**Amount to be paid @ Rs 60,795/ CPS**	**Amount paid**	**Amount misappropriated**
29.9.22 to 30.11.22	1184	71.981	63.055	8.926
Total		**126.714**	**107.052**	**19.662**

Audit held that non-disbursement of salary was due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that payment was made to the contingent paid staff after fulfilling all codal formalities. The reply was not tenable because management drew Rs 54.733 million from government treasury for payment to contingent paid staff out of which Rs 43.997 million were paid through open cheques and remaining amount of Rs 10.736 million was not disbursed.

DAC in its meeting held on 9th December 2023 directed to inquire the matter. No further progress was reported till finalization of this report.

Audit recommends recovery besides initiation of inquiry at the department level to fix responsibility on the official(s) at fault.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 9.4.3 having financial impact of Rs 9.585 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 91 & 145]

9.4.3 Misappropriation of overdrawn salary of absence period - Rs 11.552 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any overcharge, fraud or misappropriation and shall be liable to make good that loss.

During audit of DDOH Nishter Town Lahore for the FY 2022-23, it was observed that the management withdrew Rs 74.290 million on account of the salary of 865 contingent paid staff hired for 89 days for the period from 01.07.2022 to 27.09.2022. However, as per attendance register, 398 employees remained absent for 11,971 days and payment of Rs 11.552 million was paid for absence period. This resulted in misappropriation of salary of absence period of Rs 11.552 million.

Audit held that salary of absence period was misappropriated due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that the letter was written to the Ex-DDOH and Ex-Junior Computer Operator to provide the record. Reply was not tenable because it was the duty of the incumbent management to submit justification.

DAC in its meeting held on 9th December 2023 directed to inquire the matter at the administrative department level. No further progress was reported till finalization of this report.

Audit recommends recovery besides initiation of inquiry at administrative department level to fix responsibility on the official(s) at fault.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 9.4.4 having financial impact of Rs 115.220 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 141]

9.4.4 Misappropriation of funds due to double hiring of contingent paid staff - Rs 46.689 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any over charge, fraud or misappropriation and shall be liable to make good that loss.

During audit of DHA Lahore for the FY 2022-23, it was observed that the management hired the same contingent paid staff for the same period in different towns and misappropriated an amount of Rs 46.689 million. This resulted in misappropriation funds of Rs 46.689 million due to the double hiring of contingent paid staff in different towns as detailed at **Annexure-K**.

Audit held that funds were misappropriated due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that DDOHs were concerned only with the staff hired and paid for their towns only and the duplication with other towns was not known. Reply was not tenable because the management did not submit justification for double hiring.

DAC in its meeting held on 9th December 2023 directed to inquire about the matter at the administrative department level. No further progress was reported till finalization of this report.

Audit recommends recovery besides initiation of inquiry at the administrative department level to fix responsibility on the official(s) at fault.

[PDP No. 79, 92 & 160]

9.4.5 Misappropriation of contingent paid staff payments by DHA employees - Rs 36.600 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowance, contingent expenditure, or any other expense shall be personally responsible for any overcharge, fraud or misappropriation and shall be liable to make good that loss. According to Rule 4(1)(a&b) of the Rules ibid, the mode of payments from the local fund of the District Authority shall be that the payments up to rupees one thousand may be made in cash and exceeding rupees one thousand shall be made through crossed non-negotiable cheque.

During audit of DDOH Aziz Bhatti Town Lahore for the FY 2021-23, it was observed that the management issued cheques of Rs 36.600 million to contingent paid staff. However, scrutiny of bank statements and acquaintance rolls revealed that these cheques were encashed by the regular employees of DHA. Further, an amount of Rs 0.858 million was credited to DDO's account by Mr. Moosa Hassan, Naib Qasid without any justification. This resulted in misappropriation of Rs 36.600 million on account of payment to contingent paid staff as given below:

Rs in million

Sr. No.	Name of payee	Designation	Amount drawn
1	Moosa Hassan	Beldar	30.470
2	Muhammad Javaid	Naib Qasid	0.310
3	Muhammad Ramzan	Stretcher Carrier	2.015
4	Muhammad Waqas	Ward servant	1.234
5	Shahbaz Ali	Junior Technician	1.558
6	Syed Muazzam Abbas	Computer operator	1.013
Total			**36.600**

Audit held that the contingent paid staff payments were misappropriation due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that the majority of the contingent paid staff did not have their bank accounts and these cheques were encashed by the employees of DDOH and made payments accordingly. The reply was not satisfactory because as per acquaintance roll, cheques from DDO's account were issued in favor of contingent paid staff whereas as per bank statement these cheques were withdrawn by the officials of the DDOH office / DHA Lahore.

DAC in its meeting held on 9th December 2023 directed to inquire the matter at department level. No further progress was reported till finalization of this report.

Audit recommends that matte be inquired by administrative department for fixing of responsibility on the officer(s) at fault.

[PDP No. 98]

9.4.6 Fraudulent hiring and payment of contingent paid staff - Rs 30.093 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any over charge, fraud or misappropriation and shall be liable to make good that loss.

During audit of DHA Lahore for the FY 2022-23, it was observed that CEO DHA Lahore sanctioned hiring of a batch of 1,188 contingent paid staff to DDOH Allama Iqbal Town vide order no. 8652/DNG dated 27.9.22 for Anti Dengue Campaign. Scrutiny of record further revealed that the same order was tempered by DDOH Wahga Town to hire 495 contingent paid staff in two different batches. This resulted in fraudulent hiring and payment of Rs 30.093 million as detailed below:

Rs in million

Sr. No.	Order No. / dated	Total workers	Amount
1	1377/ DDHO/WZ dt 29.9.22	350	21.278
2	1377/A-/DDHO/WZ dt 29.9.22	145	8.815
Total			**30.093**

Audit held that fraudulent hiring and payment to contingent paid staff were made due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department neither submitted any reply nor attended the DAC meeting.

DAC in its meeting held on 9th December 2023 directed to inquire the matter at the administrative department level. No further progress was reported till finalization of this report.

Audit recommends recovery besides initiation of inquiry at the administrative department level to fix responsibility on the official(s) at fault.

[PDP No. 81]

9.4.7 Fraudulent payment to regular employees - Rs 2.781million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any overcharge, fraud, or misappropriation and shall be liable to make good that loss.

During audit of DHA Lahore for the FY 2022-23, it was observed that the management hired regular employees of authority as contingent paid staff and made payment of Rs 2.781 million as wages. This resulted in fraudulent payment to regular employees of Rs 2.781 million as detailed at **Annexure-L**.

Audit held that fraudulent payment to regular employees was made due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that the irregularity was being scrutinized and the report would be brought to the notice of audit. Reply was not tenable because the management did not submit justification.

DAC in its meeting held on 9th December 2023 directed to inquire the matter at the department level. No further progress was reported till finalization of this report.

Audit recommends recovery besides initiation of inquiry at administrative department level to fix responsibility on the official(s) at fault.

[PDP No. 80, 90 & 143]

9.4.8 Fraudulent payment to contingent paid staff - Rs 4.624 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any overcharge, fraud or misappropriation and shall be liable to make good that loss.

During audit of DDHO Aziz Bhatti Town Lahore for the FY 2021-23, it was observed that an amount of Rs 0.413 million was drawn for disbursement to six contingent paid staff engaged for 89 days w.e.f. 01.04.22 to 28.06.22. However, scrutiny of the bank statement revealed that the management paid an irrationally huge amount of Rs 5.037 million through open cheques to contingent paid staff. This resulted in fraudulent payment of Rs 4.624 million as detailed below:

Rs in million

Disbursement Sr. No.	Name of employee	CNIC	Amount due	Amount paid through DDO	Excess payment
63	Kamran Liaqat	34501-0233705-9	0.069	0.850	0.781
64.	Khalida Parveen	35201-1423771-6	0.069	0.980	0.911
222	Sohaib Ali	35201-7090179-5	0.069	0.262	0.193
223	Ali Shan	35201-3293261-1	0.069	0.970	0.901
224	M Adan	35201-9405502-3	0.067	0.980	0.912
225	Sajida Parveen	31302-2057518-6	0.069	0.995	0.926

Audit held that fraudulent payment made to contingent paid staff was due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that the irregularity was being scrutinized and the report would be brought to the notice of audit. Reply was not tenable because the management did not submit justification.

DAC in its meeting held on 9th December 2023 directed to inquire the matter at department level. No further progress was reported till finalization of this report.

Audit recommends inquiry of the matter besides fixing responsibility on officer(s) at fault.

[PDP No. 104]

9.4.9 Fraudulent withdrawal of contingent paid staff funds through encashed cheques - Rs 4.251 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any overcharge, fraud or misappropriation and shall be liable to make good that loss.

During audit of DDHO Aziz Bhatti Town Lahore for the FY 2021-23, it was observed that the management withdrew an amount of Rs 28.556 million to pay contingent paid staff. Scrutiny of acquaintance roll, appointment orders and bank statements revealed that the management entered already encashed cheque numbers of Rs 4.251 million in acquaintance roll that had already been encashed in previous batches as well.

The management mis-appropriated Rs 4.251 million. This resulted in fraudulent withdrawal through encashed cheques of Rs 4.251 million as detailed at **Annexure-M.**

Audit held that fraudulent withdrawal of contingent paid staff funds through encashed cheques was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the irregularity was being scrutinized and report would be brought to the notice of audit. Reply was not tenable because the management did not submit justification.

DAC in its meeting held on 9th December 2023 directed to inquire the matter at department level. No further progress was reported till finalization of this report.

Audit recommends inquiry of the matter besides fixing of responsibility on the officer(s) at fault.

[PDP No. 102, 105 & 112]

9.4.10 Fraudulent hiring and payment of contingent paid staff - Rs 0.829 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any overcharge, fraud or misappropriation and shall be liable to make good that loss.

During audit of DDOH Aziz Bhatti Town, Lahore, it was observed that CEO (DHA) Lahore sanctioned hiring of 43 contingent paid staff for polio control activities vide order No. 24153-59/E dated 08.09.2021. Scrutiny of record revealed that the management of Aziz Bhatti Town hired following twelve contingent paid staff without the approval of CEO DHA Lahore and made payment of Rs 0.829 million @ Rs 69,000. This resulted in fraudulent hiring and payment of Rs 0.829 million.

Sr. No.	Name of CPS as per CEO Orders	Name of CPS hired by Town
1	Syed Shah Fahad Sajjad s/o Sajjad Husain Shah	M. Adil Tabasum s/o Zafar Iqbal
2	M. Azeem Ishtiaq s/o Ishtiaq Ahmad	Novail Saroya s/o Sheeda Masih
3	Nayab Afza d/o Sarfraz Ali	M. Arslan s/o M. Yaqoob
4	Ahsan s/o M. Ishaq	M. Mujahid s/o M. Ashraf
5	Kamail Javaid s/o Javaid iqbal	Esha d/o M. Abbas
6	M. Kamran s/o Ghulam Muhammad	Saba Sadiq d/o Sadiq

Sr. No.	Name of CPS as per CEO Orders	Name of CPS hired by Town
7	M. Awais s/o Ali Jan	Sobia Latif d/o M. Latif
8	Nazia Kausar d/o Allah Ditta	Iram Shahzadi d/o M. Haroon Akhtar
9	Javed Raza s/o Zahoor-ud-Din	Talha Ayub s/o M. Ayub
10	Qasim Mehmood s/o Azhar Mehmood	Mubashar Ali s/o Abdul Hameed
11	Shameer Ali s/o Muhammad Younis	M. Sarwar Iqbal s/o M. Iqbal
12	Shahzad Ali s/o M. Aslam	Huriya d/o M. Rafi

Audit held that fraudulent hiring and payment was made due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that few contingent paid staff discontinued the field activities and they were replaced with other contingent paid staff for smooth functioning of field activities. Reply was not tenable because the management hired the staff without approval of CEO.

The reply was not tenable because DDOH made payment to the bogus persons who were not included in the list of recruitment orders by tempering the acquaintance roll.

DAC in its meeting held on 9th December 2023 directed to inquire the matter at the department level. No further progress was reported till finalization of this report.

Audit recommends recovery besides initiation of inquiry at the administrative department level to fix responsibility on the official(s) at fault.

[PDP No. 93]

B) Human Resource / Employees related irregularities

9.4.11 Non-transparent hiring of contingent paid staff

As per Supreme Court of Pakistan Ruling dated 19.01.1993, passed in Human Rights case No. 104 (I to IV) 1992 read with Government of the Punjab S&GAD notifications No. SOR-III-2-2/91 dated 05.10.1995 and No.DS(O&M)53/2004/ Contract (MF) dated 29.12.2004, no recruitment should be made against any post which is not advertised properly.

During audit of DHA Lahore for the FY 2022-23, it was observed that management appointed contingent paid staff without fulfillment of codal formalities such as advertisement in newspaper through DGPR, formulation of selection criteria, minutes of meeting of selection committee and merit list etc. Moreover, the management did not provide CNIC numbers of candidates in violation of CEO DHA sanction orders. In one such case in Allama Iqbal town, bogus advertisement published on 24.09.2023 in daily newspaper Insaaf was provided to audit, whereas applications for hiring of contingent paid staff were called up to 28.8.2022 and hired on 29.09.2022. Further, the CEO accorded sanction of 1,188 staff while the management hired 1,477 employees. The sanction of hiring of an additional 289 staff was not obtained. Similarly, CEO accorded sanction of 471 staff, whereas, DDOH Aziz Bhatti Town hired 578 staff. The sanction of hiring of additional 107 staff was not obtained. This resulted in non transparent hiring of contingent paid staff as detailed below.

Rs in million

Sr. No.	Name of Formation	Batches 89 days each	Amount
1	DDHOs Ravi, wahga, Samanabad, Shalimar, Data Gunj Bux, Gulberg	437, 766, 495, 983, 757, 807, 439, 459, 573, 423, 466	6.605
2	DDHO Aziz Bhatti	110, 30, 50, 210, 240, 350, 471, 460	3.896
3	DDHO Allama Iqbal Town	787, 1188	1.975
4	DDHO Nishter	1187, 765, 100	2.052
5	DDHO Cantt	125, 983, 1150, 230, 473, 300, 750	4.011

Total	18.539

Audit held that contingent paid staff was hired in a non-transparent manner due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that due to urgent nature of work, dengue workers were hired after proper approval from CEO office. The reply was not tenable because recruitments were made without fulfilling codal formalities.

DAC in its meeting held on 9th December 2023 directed to inquire the matter at the department level. No further progress was reported till finalization of this report.

Audit recommends regularization of expenditure besides fixing responsibility on the officer(s) at fault.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2021-22 & 2022-23 vide para number 3.4.1.1.1 & 9.4.6 having a financial impact of Rs 674.524 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 85, 86, 87, 88, 111, 113, 115, 132, 133, 155, 156, 158 & 159]

9.4.12 Irregular engagement of contingent paid staff - Rs 83.042 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any overcharge, fraud or misappropriation and shall be liable to make good that loss.

During audit of DHA Lahore for the FY 2021-23, it was observed that management hired contingent paid staff for Polio, Dengue and COVID-19 activities. Scrutiny of record further revealed that the staff was engaged on duty before issuance of appointment orders and an amount of Rs 83.042 million was paid to the staff. This resulted in irregular engagement of contingent paid staff and payment of Rs 83.042 million as detailed given below:

Rs in million

Name of Formation	Date of order	No. of staff	Per day salary	Period (days)	Amount
DDHO Cantt	04.10.2022	1,188	965	5	5.732
DDHO Iqbal Town	10.10.2022	787	965	89	67.591
DDHO Cantt	07.05.2022	70	689	25	1.533
DDHO Cantt	03.05.2022	115	689	62	7.952
Aziz Bhatti Town	08.09.2021	43	777	7	0.234
Total					**83.042**

Audit held that irregular engagement of contingent paid staff and payment was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the DDOHs hired contingent paid staff prior to the formal sanction of CEO on the verbal directions of CEO and payment was made as per duties performed. The reply was not satisfactory because contingent paid staff was hired before the sanction of CEO.

DAC in its meeting held on 9th December 2023 directed to inquire the matter at department level. No further progress was reported till finalization of this report.

Audit recommends regularization besides fixing responsibility on the official(s) at fault.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 9.4.7 having financial impact of Rs 144.768 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 94, 114, 116, 161 & 163]

9.4.13 Overpayment of pay and allowances - Rs 11.291 million

According to the clarification issued by the Finance Department, Government of the Punjab vide No. FD.SR-1/6-4/2019 dated 05.04.2021, NPA is not admissible to doctors serving on administrative posts. According to letter dated 21.04.2014 of Government of Punjab, Finance Department, conveyance allowance is not allowed to officers availing facility of official vehicle. According to Health Department, Government of the Punjab Notification No. PO(P&E-I) 19-113/2004 dated 13.04.2007, HSRA is not admissible to doctors (other than specialist doctors) & staff posted at normal DHQ Hospitals. According to Rule 1.15(2) of PTA Rules 1976, conveyance allowance falling under Rule 1.14 (ii) will be admissible only for the period during which the civil servant held the post to which the conveyance allowance is attached and will not be admissible during leave or joining time.

During audit of following formations of DHA Lahore for the FY 2022-23, it was observed that the management over paid pay and allowances such as conveyance, house rent, HSRA etc. amounting to Rs 11.291 million to non-entitled officers and officials. This resulted in an overpayment of Rs 11.291 million as detailed below:

Rs in million

Sr. No.	Name of formation	NPA	Pay, CA, HRA, HSRA etc.
1	CEO (DHA) Lahore	0.384	4.895
2	MS GMMH	2.710	0.346

Rs in million

Sr. No.	Name of formation	NPA	Pay, CA, HRA, HSRA etc.
3	DDOH Aziz Bhatti Town	0.689	1.303
4	DDOH Nishter Town	0.271	0.060
5	DDOH Cantt	0.250	0.383
	Total	**4.304**	**6.987**

Audit held that overpayment of pay and allowances was made due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that the matter was under consideration with P&SHC department regarding NPA and change forms had been submitted to AG office for recovery of pay and allowances.

DAC in its meeting held on 9th December 2023 directed for complete recovery. No further progress was reported till finalization of this report.

Audit recommends recovery besides fixing of responsibility on the officers /officials at fault.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2021-22 & 2022-23 vide para number 3.4.1.1.2 and 9.4.9 having financial impact of Rs 22.981 million. Recurrence of same irregularity is a matter of serious concern

[PDP No. 63, 65, 74, 107, 108, 110, 127, 154, 167, 168, 169 & 178]

9.4.14 Doubtful payment of arrears to contingent paid staff - Rs 3.289 million

According to Rule 4(1)(a&b) of PDA (Accounts) Rules 2017, the mode of payments from the local fund of the District Authority shall be that the payments up to rupees one thousand may be made in cash and exceeding rupees one thousand shall be made through crossed non-negotiable cheque.

During audit of DDOH Ravi Zone Lahore for the FY 2022-23, it was observed that an arrear payment of Rs 3.289 million to contingent paid staff hired in FY 2021-22 was made in cash instead of cross cheques or e-channel in FY 2022-23. Moreover, the disbursement record, the contact details of contingent paid staff, the acquaintance roll and the bank statement were not maintained. This resulted in doubtful payment of arrears to contingent paid staff of Rs3.289 million.

Rs in million

Document No.& Date	Sanction order	Batch (89 days)	No of workers	Amount
1900012459/ 25.10.22	9937/ RZ / 19.10.22	01.07.21 to 27.9.21	200	1.566
1900005942/ 25.10.22	10008/RZ/ 24.10.22	15.07.21 to 11.10.21	220	1.723
Total				**3.289**

Audit held that doubtful payment of arrears to contingent paid staff was made due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department did not submit any reply.

DAC in its meeting held on 9th December 2023 directed to inquire the matter at the administrative department level. No further progress was reported till finalization of this report.

Audit recommends investigation of the matter and fixing of responsibility besides recovery under report to audit.

[PDP No. 82]

9.4.15 Doubtful disbursement to contingent paid staff - Rs 13.559 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any over charge, fraud or misappropriation and shall be liable to make good that loss.

During audit of DDOH Nishter Town for the FY 2022-23, it was observed that CEO DHA Lahore sanctioned hiring of 1,187 contingent paid staff w.e.f. 29.9.22 to 30.11.22. Scrutiny of record further revealed that the management of Nishter Town withdrew an amount of Rs 72.164 million for 1,187 contingent paid staff, whereas, a payment of Rs 58.607 million was made to 963 contingent paid staff in cash. Further, the acquaintance roll of the remaining 224 contingent paid staff amounting to Rs 13.559 million was not provided for verification. This resulted in doubtful disbursement of Rs 13.559 million to contingent paid staff as detail given below:

Rs in million

Sr. No.	Union Council	As per Order	As per acquaintance	Short	Amount paid per CPS	Unpaid Amount
1	137	100	38	62	0.061	3.769
2	138	40	22	18	0.061	1.094
3	139	100	64	36	0.061	2.189
4	140	49	42	7	0.061	0.426
5	141	48	42	6	0.061	0.365
6	142	29	22	7	0.061	0.426
7	143	113	70	43	0.061	2.614
8	144	37	22	15	0.061	0.912
9	145	24	22	2	0.061	0.122
10	146	29	22	7	0.061	0.426
11	147	43	22	21	0.061	1.216
Total		**612**	**388**	**224**		**13.559**

Audit held that doubtful disbursement to contingent paid staff was made due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that payment was made to 1,187 contingent paid staff. The reply was not tenable because 1,187 contingent paid staff were hired, whereas, payment was made to 963 contingent paid staff and the remaining amount Rs 13.559 million was not paid.

DAC in its meeting held on 9th December 2023 directed to inquire the matter at the administrative department level. No further progress was reported till finalization of this report.

Audit recommends inquiry the matter at the administrative department level besides fixing responsibility on officer(s) at fault.

[PDP No. 142]

9.4.16 Irregular hiring of contingent paid staff - Rs 34.509 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any overcharge, fraud, or misappropriation and shall be liable to make good that loss.

During audit of DDHO Cantt for the FY 2021-22, it was observed that the management hired 550 contingent paid staff in five different batches for Anti Dengue, Polio Campaigns & COVID-19 (Corona Helpers) and paid Rs 34.509 million. Scrutiny of record revealed that the approval for hiring of contingent paid staff were not obtained from CEO. This resulted in irregular payment of Rs 34.509 million as detailed below:

Rs in million

Sr. No.	**Order No. / date**	**Total workers**	**Period**	**Amount**
1	241/DDHO Cantt dated 17.05.2021	125	17.05.2021 to 13.08.2021	7.665
2	463/DDHO Cantt dated 31.05.2021	125	01.06.2021 to 28.08.2021	7.665
3	465/DDHO Cantt dated 03.06.21	100	03.06.2021 to 30.08.2021	6.132
4	511/DDHO Cantt dated 30.06.21	100	01.07.2021 to 27.09.2021	6.132
5	513/DDHO Cantt dated 03.07.21	100	04.07.2021 to 30.09.2021	6.915
Total				**34.509**

Audit held that irregular payment without sanction was made due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that contingent paid staff were hired on the directions of Deputy Commissioner. The reply was not tenable because contingent paid staff was hired and paid without the sanction of CEO (DHA) Lahore.

DAC in its meeting held on 9th December 2023 directed to inquire the matter at the department level. No further progress was reported till finalization of this report.

Audit recommends inquiry of the matter at the administrative department level besides fixing of responsibility on officer(s) at fault.

[PDP No. 164]

C) Procurement related irregularities

9.4.17 Irregular purchase of medicine - Rs 147.927 million

According to clause 10 of prequalification notification No. 7207-17 dated 27.7.2022 issued by Director General Health Services (DGHS) Punjab, all prequalified firms shall participate in the bidding process of procuring agency under the administrative control of P&SHC department. In case of non participation, the department may debar the non-participating firms.

During audit of CEO DHA Lahore for the FY 2022-23, it was observed that the management incurred Rs 147.927 million on the purchase of medicines. The contractors for the supply of medicine were pre-qualified by the DG Health Services (DGHS), P&SHC department, Government of the Punjab. The examination of the comparative statement of DHA Lahore revealed that less than three prequalified bidders participated in the bidding process in violation of PPRA. This resulted in irregular purchase of medicine of Rs 147.927 million as detailed at **Annexure-N**.

Audit held that irregular purchase of medicines was made due to weak financial controls.

The matter was reported to the PAO in November 2023.The department replied that letter had been written to DGHS & the Secretary P&SHD Lahore about the blacklisting of bidders. Reply was not tenable because the management did not submit justification.

DAC in its meeting held on 9th December 2023 directed to blacklist the firms and circulate through PPRA to debar for future procurement. No further progress was reported till finalization of this report.

Audit recommends blacklisting of non-participating firms besides regularization of expenditure from the competent authority.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 9.4.10 having the financial impact of Rs 82.415 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 57]

9.4.18 Non-forfeiture of bid security - Rs 1.067 million

According to Section 41.1 of the bidding document for procurement of bulk medicine, before signing of framework contract, the successful bidder shall furnish a performance guarantee in the form of 2% of the awarded item(s), on the Form and in the manner prescribed by the procuring agency. According to Section 41.3 of the bidding document, failure to provide a performance guarantee by the bidder is a sufficient ground for annulment of the award and forfeiture of bid security.

During audit of CEO DHA Lahore for the FY 2022-23, it was observed that the following firms participated and won the tenders of

Rs 8.427 million but did not acknowledge the advance acceptance. However, the management did not forfeit bid security of Rs 1.067 million. This resulted in the non-forfeiture of bid security of Rs 1.067 million as detailed below:

Rs in million

Sr. No.	Tender Inquiry No.	Prequalification No.	Name of Firms	Amount	2% bid security
1	64	101	Wilshire	2.541	0.950
2	67	107	M/s Stanley (Pvt) Ltd	0.122	0.002
3	63	100	M/s Scilife Pharma	2.870	0.057
4	70	111	M/s Lisko Pakistan	0.962	0.019
5	78	126	M/s Axis	0.287	0.006
6	77	125	M/s Lisko Pakistan	0.593	0.012
7	145	284	M/s MTI, Medical	1.052	0.021
Total				**8.427**	**1.067**

Audit held that bid security was not forfeited due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that advance acceptance of tenders were not issued to the indicated firms. The reply was not tenable because the firms won the tenders but did not accept advance acceptance of tender and, therefore, contract was not executed but the management neither forfeited 2% bid security Rs 1.067 million nor blacklisted the firms.

DAC in its meeting held on 9th December 2023 directed to forfeit the earnest money besides blacklisting of firms. No further progress was reported till finalization of this report.

Audit recommends forfeiture of bid security besides fixing of responsibility on the officer(s) at fault.

[PDP No. 66]

9.4.19 Irregular expenditure on purchase of consumables and store items-Rs 20.158 million

As per Rule 15 of PPRA Rules 2014, a procuring agency may procure goods, services, or works through a framework contract to ensure uniformity in the procurement. The procuring agency shall adopt any of the methods of procurement mentioned in the rules for the purpose of entering into the framework contract. According to Rule 12 (1)(2) of the PPRA Rules 2014, all procurements over three hundred thousand rupees and up to the limit of two million rupees shall be advertised on the PPRA's website in the manner and format specified by regulation by the PPRA from time to time. According to rule 9 of PPRA 2014, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned.

During audit of following formations of DHA Lahore for the FY 2021-23, it was observed that the management incurred an expenditure of Rs 20.158 million on the purchase of stores and consumables. The management did not prepare an annual procurement plan and incurred the whole expenditure on a piecemeal basis. This resulted in irregular expenditure of Rs 20.158 million as given below:

Rs in million

Sr. No.	**Name of Formation**	**Items**	**Expenditure**
1	CEO DHA Lahore	Hepatitis medical devices HBS + HCV, blood sugar strips etc.	0.796
2	Government Mian Meer Hospital Lahore	Emergency patient ticket OPD Registers, Computer papers, patient medical file, OPD list for pad etc.	10.904
3	DDOH Cantt	Stationery, printing, dengue stickers, uniform, advertising, etc	7.865
4	DDOH Allama Iqbal	Printing, uniform, stationery, etc	0.593
Total			**20.158**

Audit held that irregular expenditure was made due to weak financial controls.

The matter was reported to the PAO in November 2023.The department replied that annual demand cannot be generated as the budget was released on quarterly basis and purchases were ensured on a need basis. The reply was not tenable because expenditure was incurred on operating expenses by splitting the indents to avoid advertisement on PPRA's website without preparing annual procurement plan.

DAC in its meeting held on 9th December 2023 directed to probe the matter and fixing of responsibility besides regularization of expenditure. No further progress was reported till finalization of this report.

Audit recommends regularization of expenditure besides fixing responsibility on the officer(s) at fault.

Note: The issue was also reported in the Audit Report for Audit Year 2022-23 vide para number 9.4.11 having financial impact of Rs 76.110 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 75, 129, 130, 165, 176 & 177]

D) Value for money and service delivery issues

9.4.20 Misuse of tied grants - Rs 144.040 million

According to Rule 24 of PDA (Budget) Rules 2017, all conditional grants should be budgeted and utilized in accordance with the condition of the grant.

During audit of CEO DHA Lahore for the FY 2022-23, it was observed that tied grants of Rs 383.824 million was reported in original budget of FY 2022-23 for development schemes, out of which Rs 17.250 million were utilized for development schemes. Scrutiny of bank statement of DHA Lahore revealed the closing balance of Account-VI of Rs 222.534 million instead of required closing balance of Rs 366.574 million. The difference amount of Rs 144.04 million was utilized for other purposes by DHA. This resulted in misuse of tied grants of Rs 144.04 million.

Audit held that tied grants were misused due to weak internal and financial controls.

The matter was reported to the PAO in November 2023.The department replied that tied grants were used for payment of pension, financial assistance etc. due to non-availability of funds. The reply was not tenable because tied grants were misused, moreover, the management did not submit documentary evidence in support of reply.

DAC in its meeting held on 9th December 2023 directed to regularize the expenditure. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

[PDP No. 58]

9.4.21 Irregular expenditure on hiring of vehicles - Rs 6.198 million

According to Rule 12(1)(2) of the PPR 2014, all procurements over two hundred thousand rupees and up to the limit of three million rupees shall be advertised on the PPRA's website in the manner and format specified by regulation by the PPRA from time to time. Moreover, subject to Rule 13, any procurement exceeding three million rupees shall be advertised on the website of the authority, the website of the procuring agency, if any, and in at least two national daily newspapers.

During audit of DDHO Allama Iqbal Town Lahore for the FY 2022-23, it was observed that an expenditure of Rs 6.198 million was incurred on the hiring of Toyota Hiace (18 seater) without open competition through PPRA and without execution of contract agreement with M/S Sherazi Rent-a-Car. Vehicles rent was increased from Rs 9,000 per day to Rs 21,000 without any reason in writing during the same financial year. Further probe revealed that the management fraudulently overdrew Rs 0.500 million on account of rent for days 02nd November 2022, 19 & 29 September 2022 against which the rent was already paid. This resulted in irregular expenditure on hiring of vehicles of Rs 6.198 million as detailed below:

Rs in million

Sr. No.	Invoice No	Date	Qty	Per day rent	No. of days	Gross Amount
			A	B	C	A*B*C
1	2614	22.2.22	11	0.021	7	1.617
2	2597	2.11.22	10	0.009	7	0.630
3	2589	19.9.22	8	0.009	1	0.072
4	2591	29.9.22	8	0.009	1	0.072
5	2588	19.9.22	4	0.009	12	0.432
6	2625	31.5.23	4	0.009	12	0.432
7	2598	2.11.22	7	0.009	7, 2	0.396
8	2590	29.9.22	2	0.009	6	0.108
9	2611	14.1.23	11	0.009	7	0.693
10	2587	12.9.22	9	0.009	6	0.486
11	2586	29.8.22	10	0.009	7	0.630
12	2585	13.8.22	10	0.009	7	0.630
Total						**6.198**

Audit held that irregular expenditure on hiring of vehicles was incurred due to weak financial controls.

The matter was reported to the PAO in November 2023. The department neither submitted any reply nor attended DAC meeting.

DAC in its meeting held on 9th December 2023 directed to probe the matter at department level and submit report along with fixation of responsibilities and recovery duly supported with documentary evidence. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

[PDP No. 128]

E) Others

9.4.22 Irregular expenditure without approval of austerity committee - Rs 398.877 million

As per Para 3(ii) of austerity measures' notification for the FY 2022-23 issued by Finance Department, Government of the Punjab vide letter No. FD.SO(GOODS)44-4/2022-23 dated 18.11.2022, department shall remain within the budgetary allocations for the purpose under object head A01277-contingent paid staff. Moreover, no additional funds as supplementary grant shall be provided for this head during FY 2022-23 and no re-appropriation shall be allowed / made without recommendations of the Austerity Committee.

During audit of DHA Lahore for the FY 2022-23, it was observed that the management revised the original budget Rs 696.438 million to Rs 1,105.086 million for contingent paid staff payments without approval of austerity committee. This resulted in irregular expenditure on contingent paid staff of Rs 398.877 million as detailed below:

Rs in million

Detail Item Desc	**Original Budget**	**Supplementary**	**Budget surrender**	**Final Budget**	**Budget Released**	**Actual Expenditure**	**Balance**
A01277-Contingent paid staff	696.438	473.68	-65.031	1105.086	1095.782	1095.315	9.771

Audit held that excess expenditure on contingent paid staff was made due to weak financial controls.

The matter was reported to the PAO in November 2023. The department neither submitted any reply nor attended DAC meeting.

DAC in its meeting held on 9th December 2023 directed to regularize the expenditure. No further progress was reported till finalization of this report.

Audit recommends regularization of expenditure besides fixing of responsibility on the officer(s) at fault.

[PDP No. 77]

CHAPTER 10

DISTRICT HEALTH AUTHORITY NANKANA SAHIB

10.1 Introduction

a) There are 14 formations in DHA Nankana Sahib out of which audit of 04 formations was conducted. Total expenditure and receipt of these formations was Rs 1,292.234 and Rs 53.766 million respectively out of which 35% expenditure and 100% receipt is audited

Audit Profile of DHA Nankana Sahib

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure Audited	Receipts Audited
1	DHA Nankana Sahib	14	04	452.477	53.766
2	Assignment Acs/SDAs	-	-	-	-
3	Foreign Aided Projects	-	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DHA Nankana Sahib was Rs 2,462.300 million and supplementary grant was Rs 389.505 million for the FY 2022-23. An amount of Rs 341.981 million was surrendered and final budget was Rs 2509.824 million. Management incurred an expenditure of Rs 2,509.823 million. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	1,846.691	121.606	100.016	1,868.281	1868.8	0.519
Non-Salary	606.472	263.580	241.397	628.655	628.137	-0.518
Development	9.137	4.319	0.568	12.888	12.886	-0.002

Total	**2,462.300**	**389.505**	**341.981**	**2,509.824**	**2,509.823**	**0.00**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	**Final Grant**	**Expenditure**	**Excess (+) / Saving (-)**	**% age of saving**
2021-22	2,351.234	2,139.660	-211.574	09
2022-23	2,509.823	2,509.823	0	0

Source: Appropriation accounts for the FY 2021-22 and 2022-23

There was 7% increase in budget allocation and 17% increase in expenditure during FY 2022-23 as compared to FY 2020-21. There was no saving during FY 2022-23.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

There are ten (10) qualitative indicators set by P&SHC department for DHA Nankana Sahib for the FY 2022-23. These indicators are set with the objectives of improving health facilities at each health unit, providing better environment, facilitating the patients in OPD and free of cost health services to the patients through appropriate monitoring at all levels. However, DHA Nankana Sahib was not given targets vis-à-vis indicators by the Health Department

Sr. No.	**Key Indicators**	**Targets**	**Achievements**
1	Outdoor Patients	-	1,985,508
2	Indoor Patients	-	72,892
3	Surgical Cases	-	25,090
4	Cardiac Coronary Unit	-	8,932
5	Diagnostic Services (Laboratory, Radiology)	-	441,270
6	Family Planning Activities	-	38,470
7	Peads	-	156,123
8	Surgery	-	-
9	TB Chest Treatments	-	2,999

Sr. No.	Key Indicators	Targets	Achievements
10	Free Medicines to Patients	-	-

Source: DHIS dashboard of DHA Nankana Sahib

ii. Service Delivery Issues

In view of the above table, it, prima facie, appears that DHA Nankana Sahib was required to be given targets for achievement.

10.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 171.768 million were raised in this report during current audit of DHA Nankana Sahib. This amount also includes recoveries of Rs 20.427 million as pointed out by the audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	Classification	Amount placed under audit observation
1	Non-production of record	-
2	Fraud, embezzlement, and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	18.813
B	Procurement related irregularities	31.394
C	Management of accounts with commercial banks	-
4	Value for money and service delivery issues	-
5	Others	121.561
Total		**171.768**

10.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	23	Not convened
2	2018-19	23	
3	2019-20	23	
4	2020-21	10	
5	2021-22	17	
6	2022-23	06	

10.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

10.4.1 Overpayment of pay & allowances and non-deduction of penal rent-Rs 15.093 million

According to notification No.PO(P&E-I) 19-113/2004 dated 13.04.2007 of P&SHC department, Government of the Punjab, HSRA is not admissible to doctors (other than specialist doctors) & staff posted at normal DHQ Hospitals. According to the Government of Punjab, Health Department's order No. SO (N.D)2-26/2004(P.II), NPA is admissible only for those doctors who do not opt for private practice. According to Rule 1.15(2) of PTA Rules 1976, conveyance allowance falling under Rule 1.14(ii) will be admissible only for the period during which the civil servant held the post to which the conveyance allowance is attached and will not be admissible during leave or joining time.

During audit of DHA Nankana Sahib for the FY 2022-23, it was observed that the management made overpayment of different pay &allowances i.e. NPA& CA to un-entitled officers & officials. Further, compulsory deductions of certain employees e.g penal rent Rs 2.262 million were not made. This resulted in overpayment of Rs 12.831 million and non-deduction of Rs 2.262 million.

Rs in million

Sr. No.	Formation Name	Description	Amount
1	CEO DHA Nankana Sahib	HSRA	3.628
2	DHQ Hospital Nankana Sahib	Overpayment of pay & allowances for absent period	0.854
3	DHQ Hospital Nankana Sahib		0.261

Rs in million

Sr. No.	Formation Name	Description	Amount
4	DHA Nankana Sahib	NPA	6.139
5	THQ Hospital Shahkot	CA	0.495
6	CEO DHA Nankana Sahib	CA	0.143
7	DHQ Hospital Sahib	CA	0.228
8	DHQ Hospital Nankana Sahib	Overpayment of pay & allowances	0.888
Total Overpayment			**12.831**
8	THQ Hospital Shahkot	Penal Rent	2.039
9	THQ Sangla Hill	Penal Rent	0.418
Total			**15.093**

Audit held that overpayments were made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that recovery process had been started.

DAC in its meeting held on 18th December 2023 directed to expedite the recovery. No further progress was reported till finalization of this report.

Audit recommends immediate recovery of overpayments besides fixing of responsibility on officer(s) at fault.

[PDP No. 188, 189, 191, 194, 197, 198, 200, 201, 211, 225, 226 & 227]

10.4.2 Non-imposition of penalty-Rs 3.720 million

According to notification No.SO(D-II) MW/2011(P-V) dated 30th June 2022, of Labour& HR Department, Government of the Punjab, minimum wage rate for the unskilled labour is Rs 25,000 per month of 26 days. As per Clause 1.8 of section “fines and penalties” of contract between PMU, P&SHC department and Mustahlik Enterprises for the procurement of Mechanical Electrical Plumbing & Generator (MEPG) services a penalty of Rs 5,000 per worker shall be charged and deducted from the invoice of the service provider if any worker not paid minimum wage as per labour laws.

During audit of the MS DHQ Hospital Nankana Sahib for the FY 2022-23, it was observed that management outsourced MEPG services to Mustahlik Enterprises. The vendors paid wages less than the minimum wage rate to staff in violation of rules ibid. However, the management neither ensured payment of minimum wage rate nor imposed penalty of Rs3.720 million. This resulted in non-imposition of penalty of Rs3.720 million as detailed below:

Rs in million

Agreement	**Contractor**	**Number of workers**	**Per month Penalty**	**Penalty FY 2022-23**
Procurement of MEPG	Mustahlik Enterprises	62	310,000	3.720

Audit held that penalty was not imposed due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the payment was made by PMU, P&SHC department. Reply was not tenable because it was the duty of the management to enforce penalties as per contract.

DAC in its meeting held on 18th December 2023 directed to ensure payment of minimum wages and imposition of penalty. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision besides fixing of responsibility on officer(s) at fault.

[PDP No. 209]

B) Procurement related irregularities

10.4.3 Non-supply of medicines - Rs 31.394 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO or payee of pay & allowances, contingent or any of the other expense signing and authorizing the payments shall be personally responsible for any erroneous payment and shall liable to make good the loss.

During audit of DHA Nankana Sahib for the FY 2022-23, it was observed that the management issued purchase orders of Rs 31.394 million to different suppliers as detailed at **Annexure-O**. Scrutiny of record further revealed that suppliers failed to supply the medicines within stipulated time period. However, the management neither forfeited performance guarantees of Rs 0.627 million nor penalized the suppliers. This resulted in non-supply of medicine of Rs 31.394 million.

Audit held that medicines were not supplied by the suppliers due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that certain vendors had supplied the medicine. The reply was not tenable because the management did not provide the evidence of deduction of LD charges, moreover, no action was taken against the suppliers who did not supply the medicine.

DAC in its meeting held on 18th December 2023 directed to impose penalty to firms for non-supply of medicine in time and deduct LD charges for delay in supply. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision besides fixing of responsibility on person (s) at fault.

[PDP No. 183]

C) Others

10.4.4 Irregular use of tied grants - Rs 109.479 million

According to Rule 24 of PDA (Budget) Rules 2017, all conditional grants should be budgeted and utilized in accordance with the condition of the grant.

During audit of DHA Nankana Sahib for the FY 2022-23, it was observed that the management utilized tied grants for bulk medicine of Rs 109.479 million for other purposes in violation of rules ibid. This resulted in irregular utilization of tied grants of Rs 109.479 million as detail below:

Rs in million

Opening balance as on 01-07-22	Release	Total	Expenditure	Required balance	Balance as per bank statement
114.978	177.564	292.542	183.063	109.479	14.101

Audit held that conditional grants were utilized for other purposes due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the tied grant was utilized for payment of electricity bills. Reply was not tenable because tied grants were not meant for payment of electricity bills.

DAC in its meeting held on 18th December 2023 directed for regularization of expenditure from competent authority. No further progress was reported till finalization of this report.

Audit recommends regularization of expenditure from competent authority besides fixing of responsibility on officer(s) at fault.

[PDP No. 186]

10.4.5 Non deduction of GST - Rs 1.614 million

According to Para 10 of Circular No.09 of 2022-23 Sale tax, Federal Excise and ICT (Tax on Service) of amendment in Finance Act 2022 communicated vide Notification No. C.No.3(1)ST-L&P/2019 dated 21.07.2022, drugs registered under the Drugs Act, 1976 have been made chargeable to tax at reduced rate of 1% without input adjustment. Similarly, Active Pharmaceutical Ingredients (APIs) and their raw materials are also chargeable at fixed rate of 1% subject to certification by Drug Regulatory Authority of Pakistan (DRAP).

During audit of DHA Nankana Sahib for the FY 2022-23, it was observed that the management purchased medicine of Rs161.737 million from different suppliers**.** However, the management failed to deduct GST @ 1% amounting to Rs 1.614 million. This resulted in non-deduction of GST of Rs 1.614 million.

Audit held that that GST was not deducted due to weak financial controls.

The matter was reported to the PAO in November 2023. The management did not submit reply.

DAC in its meeting held on 18th December 2023 directed the department to get clarification from the quarter concerned or recover the amount. No further progress was reported till finalization of this report.

Audit recommends recovery of GST besides fixing responsibility on officer(s) at fault.

[PDP No. 193]

10.4.6 Non-reconciliation of electricity bills Rs - 10.468 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any over charge, fraud or misappropriation and shall be liable to make good that loss.

During audit of MS THQ Hospital Shahkot for the FY 2022-23, it was observed that the management paid Rs 10.468 million to LESCO. Scrutiny of record revealed that the LESCO charged electricity bills on estimation basis. In certain instances payment was made against zero unit. This resulted in non-reconciliation of electricity bill of Rs 10.468 million as detailed at **Annexure-P**.

Audit held that irregular expenditure on electricity was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the matter had been taken up with LESCO for reconciliation. Reply was not tenable because the management did not provide reconciliation statement.

DAC in its meeting held on 18th December 2023 directed to expedite the process of reconciliation. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision besides fixing of responsibility on officer(s) at fault.

[PDP No. 229]

CHAPTER 11

DISTRICT HEALTH AUTHORITY OKARA

11.1 Introduction

a) There are 22 formations in DHA Okara out of which audit of 04 formations was conducted. Total expenditure and receipt of these formations was Rs 2,115.806 million and Rs 24.000 million respectively out of which 34% expenditure and 30% receipt is audited.

Audit Profile of DHA Okara

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure Audited	Receipts Audited
1	DHA Okara	22	04	709.404	7.200
2	Assignment Acs/SDAs	-	-	-	-
3	Foreign Aided Projects	-	-	-	-

b) Comments on Budget and Accounts(Variance Analysis)

As per appropriation accounts, original budget of DHA Okara was Rs 5,018.200 million and supplementary grant was Rs 431.910 million for the FY 2022-23. An amount of Rs 601.275 million was surrendered and final budget was Rs 4,848.835 million. Management incurred an expenditure of Rs 4,479.319 million resulting in saving of Rs 369.516 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	3,510.216	241.947	417.904	3,334.259	3,333.822	-0.437
Non-Salary	1,292.315	185.669	182.719	1,295.265	1,046.922	-248.343
Development	215.669	4.294	0.652	219.311	98.575	-120.736

Total	**5,018.200**	**431.910**	**601.275**	**4,848.835**	**4,479.319**	**-369.516**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	**Final Grant**	**Expenditure**	**Excess (+) / Saving (-)**	**% age of saving**
2021-22	4,153.305	3,605.087	-548.217	13
2022-23	4,848.835	4,479.319	-369.516	8

Source: Appropriation accounts for the FY 2021-22 and 2022-23

There was 17% increase in budget allocation and 24% increase in expenditure during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 369.516 million during FY 2022-23 which is 8% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

There are ten (10) qualitative indicators set by P&SHC department for DHA Okara for the FY 2022-23. These indicators are set with the objectives of improving health facilities at each health unit, providing better environment, facilitating the patients in OPD and free of cost health services to the patients through appropriate monitoring at all levels. However, DHA Okara was not given targets vis-à-vis indicators by the Health Department.

Sr. No.	**Key Indicators**	**Targets**	**Achievements**
1	Outdoor Patients	-	3,069,516
2	Indoor Patients	-	94,975
3	Surgical Cases	-	32,423
4	Cardiac Coronary Unit	-	15,314
5	Diagnostic Services (Laboratory, Radiology)	-	403,129
6	Family Planning Activities	-	105,667
7	Peads	-	32,423
8	Surgery	-	28,048

9	T.B Chest Treatments	-	7,318
10	Free Medicines to Patients	-	0

Source: DHIS dashboard of DHA Okara

ii. Service Delivery Issues

In view of the above table, it, prima facie, appears that DHA Okara was required to be given targets for achievement.

11.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 284.932 million were raised in this report during current audit of DHA Okara. This amount also includes recoveries of Rs 48.597 million as pointed out by the audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	**Classification**	**Amount placed under audit observation**
1	Non-production of record	-
2	Fraud, embezzlement, and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	19.052
B	Procurement related irregularities	1.261
C	Management of accounts with commercial banks	-
4	Value for money and service delivery issues	71.119
5	Others	193.500
Total		**284.932**

11.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	**Audit Year**	**No. of Paras**	**Status of PAC Meetings**

1	2017-18	25	Not convened
2	2018-19	27	
3	2019-20	12	
4	2020-21	09	
5	2021-22	05	
6	2022-23	07	

11.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

11.4.1 Overpayment of pay & allowances-Rs 19.052 million

According to P&SHC department, Government of the Punjab. Notification No. PO(P&E-I) 19-113/2004 dated 13.04.2007, HSRA is not admissible to doctors (other than specialist doctors) & staff posted at normal DHQ Hospitals. According to the Government of Punjab, Health Department's order No. SO(N.D)2-26/2004(P.II),NPA is admissible only for those doctors who do not opt for private practice. According to Rule 1.15(2) of PTA Rules 1976, conveyance allowance falling under Rule 1.14 (ii) will be admissible only for the period during which the civil servant held the post to which the conveyance allowance is attached and will not be admissible during leave or joining time.

During audit of DHA Okara for the FY 2022-23, it was observed that the management made overpayment of Rs 18.396 million of different allowances such as HSRA, NPA, HRA & CA to unentitled officers & officials. Further, compulsory deductions e.g General Provident Fund, Group Insurance and Benevolent Fund of certain employees amounting to Rs 0.656 million were not made**.** This resulted in overpayment of Rs 19.052 million.

Rs in million

Sr. No.	**Formation Name**	**No. of Employees**	**Allowance / Deductions**	**Amount**
1	DHQ Hospital City Okara	20, 26, 06, 33	HSRA, NPA, HRA, CA	8.708
2	DHQ Hospital South City Okara	77	HSRA	0.562
3	THQ Hospital Depalpur	103	HSRA	2.020
4	CEO DHA Okara	23	NPA	7.106
5	DHQ Hospital City Okara	20	GPF, GI, BF	0.656
Total				**19.052**

Audit held that overpayments were made due to weak internal controls.

The matter was reported to the PAO in November 2023.The department replied that overpayments would be recovered.

DAC in its meeting held on 14th December 2023 directed to expedite recovery. No further progress was reported till finalization of this report.

Audit recommends immediate recovery of overpayments besides fixing of responsibility on persons at fault.

Note: The issue was also reported earlier in the Audit Reports for Audit Year 2022-23 and 2021-22 vide para number 11.4.3 and 5.4.2.1.1 having financial impact of Rs 32.376 million and Rs 36.869 million respectively. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 248, 253, 254, 255, 259, 263, 264, 267, 268, 276, 277 & 283]

B) Procurement related irregularities

11.4.2 Irregular purchase of LP medicines - Rs 1.261 million

According to Para 2(iii) of P&SHC department letter No. SO(HP)12-02/2022 dated 29.06.2022, LP is allowed for emergencies and indoor patients department, on the prescription of authorized consultants or the medical officers. LP from registered pharmacy will be patient specific on day-to-day basis.

During audit of THQ Hospital Depalpur for the FY 2022-23, it was observed that management expended Rs 1.261 million on purchase of LP medicines. Scrutiny of record further revealed that the LP medicine was purchased in bulk instead of day-to-day requirement. Moreover, prescription of the doctor specifying the patient name and diagnosis were not provided to audit for verification. This resulted in irregular purchase of Rs 1.261 million detailed below**:**

Rs in million

Bill No. & Date	**Name of Supplier**	**Name of Medicines**	**Amount**
230250/ 10.09.2022	Abbas Medical Store	Auto disable syringe, CREPE Bandage, NG No. 6, absorbent cotton, E.T.T (2.5,3.5,4.5)	0.612
23006/ 05.08.2022		Auto disable syringe 5cc, absorbent cotton wool, syringe 1cc	0.308
92/ 10.08.2022	Pharmasia Pharmacy	Cefriaxone Inj, Drotaverine Inj, Lignocane gel, Sulphadiazine Cream, Povidone, Ringer Lactate	0.341
Total			**1.261**

Audit held that irregular purchase was made due to weak internal controls.

The matter was reported to the PAO in November 2023.The department replied that LP medicine were purchased as per policy circulated vide letter No.SO(HP)12-02/2022 dated 29-06-2022. Reply was not tenable because LP medicine was purchased without prescription of doctors.

DAC in its meeting held on 14th December 2023 directed to provide the prescription of the doctors in support of reply. No further progress was reported till finalization of this report.

Audit recommends regularization of expenditure besides fixing of responsibility on person (s) at fault.

[PDP No. 282]

C) Value for money and service delivery issues

11.4.3 Non-utilization of development funds - Rs 71.119 million

According to Rule 27(3)(a) of PDA (Accounts) Rules, 2017, vigilance and ordinary prudence principal shall be exercised in respect of expenditure from the local fund.

During audit of CEO DHA Okara for the FY 2022-23, it was observed that management received development funds of Rs 166.153 million for Trauma Centre, DHQ Hospital City Okara, Cardiac Centre at THQ Hospital Depalpur and Dialysis centre at THQ Hospital Renala Khurd. The management utilized Rs 95.034 million only leaving an unspent balance of Rs 71.119 million. This resulted in non-utilization of development funds of Rs 71.119 million.

Audit held that development funds were not utilized due to weak internal controls.

The matter was reported to the PAO in November 2023.The department replied that non-utilization of funds was due to non-revision of PC-I. Reply was not tenable because the management could not provide justification for non-utilization of funds and non-revision of PC-I.

DAC in its meeting held on 14th December 2023 directed the management to expedite the progress. No further progress was reported till finalization of this report.

Audit recommends fixing of responsibility on person (s) at fault for non-utilization of funds.

[PDP No. 245]

D) Others

11.4.4 Non-utilization of medicine budget - Rs 47.108 million

According to Finance Department, Government of the Punjab letter No FD(W&M) 22-1/2022-23/DHA/2043 dated 15.05.2023, medicine budget was provided for further disbursement to district headquarter hospitals.

During audit of CEO DHA Okara for the FY 2022-23, it was observed that Finance Department, Government of the Punjab released funds of Rs 52.944 million for further disbursement to DHQ Hospital South City Okara for purchase of medicine. However, CEO DHA released Rs 5.836 million only. Scrutiny of record further revealed that there was a liability of Rs 48.384 million as well. This resulted in non-utilization of medicine budget of Rs 47.108 million.

Audit held that medicine budget was not utilized due to weak internal controls.

The matter was reported to the PAO in November 2023.The department replied that budget was released as per government instructions. The reply was not tenable because the budget was not released as per available record.

DAC in its meeting held on 14th December 2023 directed for timely release of budget in future. No further progress was reported till finalization of this report.

Audit recommends fixing of responsibility on person (s) at fault for non-utilization of medicine budget.

[PDP No. 242]

11.4.5 Understatement of cash balance - Rs 122.773 million

According to Rule 13(1)(c) of PDA (Accounts) Rules, 2017, the head of offices under the supervisory control of a District Authority shall ensure that internal controls are effectively applied with no rate of financial irregularity.

During audit of CEO DHA Okara for the FY 2022-23, it was observed that the opening balance of Account-VI as on 01.07.2022 was Rs 439.544 million. Scrutiny of record further revealed that the opening balance was required to be Rs 562.317 million. The management utilized conditional grants that resulted in understatement of cash balance of Rs 122.773 million as detail below:

Rs in million

Description	Amount
Bulk medicine balance on 01.07.2022	513.782
Development schemes balance on 01.07.2022	48.535
Balance to be available on 01.07.2022 at Account-VI	562.317
Balance as per bank statement on 01.07.2022	439.544
Difference in opening balance	**122.773**

Audit held that cash balance was understated due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that the matter had already been taken up with the Secretary P&SHC department, Government of the Punjab, vide office letter No.4420/CEO(DHA)/OK dated 17-05-2023 for investigation. The department admitted the lapse.

DAC in its meeting held on 14th December 2023 directed to follow up the case. No further progress was reported till finalization of this report.

Audit recommends fixing of responsibility on person (s) at fault for utilization of conditional grants.

[PDP No. 244]

11.4.6 Non-imposition of penalty - Rs 5.948 million

According to letter No. SO(D-II)MW/2011(Vol-VI) dated 22.06.2022, of Labour & HR Department, Government of Punjab, minimum wage is Rs 25,000 for 26 days and according to clause 7 of contract agreement between Project Management Unit (PMU), P&SHC department and vendors dated 26.02.2021, penalty of Rs 5,000 per person per month will be imposed on non compliance of minimum wage rate.

During audit of DHQ Hospital City Okara for the FY 2022-23, it was observed that the management processed the contractor claims without observing minimum wage rate. Scrutiny of record further revealed that the management neither ensured payment of minimum wage rate to the staff engaged on outsourced services nor penalized the contractors as per agreement. This resulted in non-imposition of penalty of Rs 5.948 million as detailed below:

Rs in million

Service provider	**Nature of Service**	**No. of employees**	**Penalty per month**	**No. of months**	**Amount**
Babur & Umer Pvt. Ltd	Janitorial	80	5,000	8	3.200
Bilal Enterprises	Janitorial	79	3,000	4	0.948
GB Security	Security	38	3,000	12	1.368
Mustahlik Enterprises	MEPG	12	3,000	12	0.432
Total					**5.948**

Audit held that penalty was not imposed due to weak administrative controls.

The matter was reported to the PAO in November 2023. department replied that a letter had been sent to concerned service provider under intimation to Project Director, Project Management Unit, P&SHD Lahore. Reply was evasive because it was the responsibility of the management to ensure payment of minimum wages and imposition of penalty.

DAC in its meeting held on 14th December 2023 directed to follow up the case vigorously. No further progress was reported till finalization of this report.

Audit recommends imposition of penalty besides fixing of responsibility on officer(s) at fault.

[PDP No. 251]

11.4.7 Irregular payment of pending liabilities - Rs 13.392 million

According to Rule 17.17(A) and 17.18 of PFR Vol-I, every disbursing officer shall maintain a register of liabilities in PFR Form-27 in which he should enter all these items of expenditure for which payment is to be made by or through another officer, budget allotment or sanction of a higher authority is to be obtained or payment would be required partly or wholly during the next financial year or years.

During audit of DHA Okara for the FY 2022-23, it was observed that management paid liabilities of Rs 13.392 million pertaining to the FY 2021-22 without approval of the next higher authority. This resulted in irregular payment of pending liabilities of Rs 13.392 million as detailed below:

Rs in million

Sr. No.	Formation Name	Name of Supplier	Amount
1	DHQ Hospital City Okara	Pharmasia Pharmacy	11.520
2	DHQ Hospital South City Okara	Dazzle Equipment & Co	1.872
Total			**13.392**

Audit held that irregular payment of pending liabilities was made due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that expenditure was incurred after separate budget and approval of the authority. The reply was not tenable as no evidence was provided in support of reply.

DAC in its meeting held on 14th December 2023 directed to regularize the expenditure from competent authority. No further progress was reported till finalization of this report.

Audit recommends that regularization of expenditure besides fixing of responsibility on officer(s) at fault.

[PDP No. 257 & 273]

11.4.8 Non-contribution of EOBI and PESSI payments - Rs 4.279 million

As per Section 1.3 (q) service provider shall pay its personnel not less than the minimum wage as per labour laws of Pakistan and other benefits mandated by the law. Moreover, as per Article 3 of Employees' Old-Age Benefits Act, 1976, all employees in an industry or establishment shall be insured in the manner prescribed under EOBI Act. Moreover, as per EOBI Act, employee & employer shall contribute @ 1% & 5% respectively of the workers' minimum wage rate. As per Section 20 of Provincial Employees Social Security Ordinance 1965, the employer shall pay a contribution @ 6% to the Social Security Institution.

During audit of DHQ Hospital City Okara for the FY 2022-23, it was observed that the service providers did not pay EOBI and PESSI contributions of outsourced staff. The service providers were required to contribute EOBI @ 5% and PESSI @ 6% of minimum wage rate i.e Rs 1,250 and Rs 1,500 per month respectively. This resulted in non-contribution of EOBI of Rs 1.945 million & PESSI of Rs 2.334 million.

Rs in million

Service provider	Nature of Service	No. of employees	No. of Months	EOBI Contribution @ 5%	PESSI Contribution @ 6%

Babur & Umer Pvt. Ltd.	Janitorial	80	8	0.800	0.960
Bilal Enterprises	Janitorial	79	4	0.395	0.474
GB Security	Security	38	12	0.570	0.684
Mustahlik Enterprises	MEPG	12	12	0.180	0.216
Total				**1.945**	**2.334**

Audit held that EOBI and PESSI contributions were not made due to weak internal controls.

The matter was reported to the PAO in November 2023.The department replied that a letter had been sent to concerned services provider for provision of record relating to EOBI and PESSI payments. Reply was not tenable because it was responsibility of management to ensure compulsory contribution as per law.

DAC in its meeting held on 14th December 2023 directed to recover the payment from the contractors claims and imposition of penalty. No further progress was reported till finalization of this report.

Audit recommends the recovery of EOBI & PESSI contributions besides imposition of penalty.

[PDP No. 265 & 355]

CHAPTER 12

DISTRICT HEALTH AUTHORITY SHEIKHUPURA

12.1 Introduction

a) There are 24 formations in DHA Sheikhupura out of which audit of 04 formations was conducted. Total expenditure and receipt of these formations was Rs 2,664.460 million and Rs 72.745 million respectively out of which 73% expenditure and 38% receipt was audited.

Audit Profile of DHA Sheikhupura

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure Audited	Receipt Audited
1	DHA Sheikhupura	24	04	1,945.927	27.643
2	Assignment Acs/SDAs	-	-	-	
3	Foreign Aided Projects	-	-	-	

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DHA Sheikhupura was Rs 6,174.939 million and supplementary grant was Rs 701.717 million for the FY 2022-23. An amount of Rs 1,330.408 million was surrendered and final budget was Rs 5,546.248 million. Management incurred an expenditure of Rs 4,810.837 million resulting in saving of Rs 735.410 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	4708.095	408.718	992.010	4,124.803	3661.635	-463.168
Non-Salary	1,433.160	261.680	338.398	1,356.442	1146.543	-209.899
Development	33.684	31.319	0.000	65.003	2.659	-62.344
Total	**6,174.939**	**701.717**	**1,330.408**	**5,546.248**	**4,810.837**	**-735.411**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	Final Grant	Expenditure	Excess (+) / Saving (-)	% age of saving
2021-22	4,962.648	4,274.570	-688.078	14
2022-23	5,546.248	4,810.837	-735.411	13

Source: Appropriation accounts for the FY 2021-22 and 2022-23

There was 12% increase in budget allocation and 13% increase in expenditure during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 735.411 million during FY 2022-23 which is 13% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

There are ten (10) qualitative indicators set by P&SHC department for DHA Sheikhupura for the FY 2022-23. These indicators are set with the objectives of improving health facilities at each health unit, providing better environment, facilitating the patients in OPD and free of cost health services to the patients through appropriate monitoring at all levels. However, DHA Sheikhupura was not given targets vis-à-vis indicators by the Health Department.

Sr. No.	Key Indicators	Targets	Achievements
1	Outdoor Patients	-	2,048,898
2	Indoor Patients	-	215,781
3	Surgical Cases	-	17,321
4	Cardiac Coronary Unit	-	23,945
5	Diagnostic Services (Laboratory, Radiology)	-	955,622
6	Family Planning Activities	-	36,616
7	Peads	-	237,528
8	Surgery	-	35,601
9	TB Chest Treatments	-	20,551

Sr. No.	Key Indicators	Targets	Achievements
10	Free Medicines to Patients	-	3,591,863

Source: DHIS dashboard of DHA Sheikhupura

ii. Service Delivery Issues

In view of the above table, it, prima facie, appears that DHA Sheikhupura was required to be given targets for achievement.

12.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 615.674 million were raised in this report during current audit of DHA Sheikhupura. This amount also includes recoveries of Rs 74.813 million as pointed out by the audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations
Rs in million

Sr. No.	Classification	Amount placed under audit observation
1	Non-production of record	-
2	Fraud, embezzlement, and misappropriation	3.555
3	**Irregularities:**	
A	HR/Employees related irregularities	41.829
B	Procurement related irregularities	539.139
C	Management of accounts with commercial banks	0
4	Value for money and service delivery issues	7.979
5	Others	23.172
Total		**615.674**

12.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	20	Not convened
2	2018-19	20	
3	2019-20	13	

4	2020-21	11	
5	2021-22	03	
6	2022-23	14	

12.4 AUDIT PARAS

A) Fraud, Embezzlement and Misappropriations

12.4.1 Mis-appropriation of public money by preparing fake printing bills-Rs 3.555 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay & allowance, contingent expenditure or any other expense shall be personally responsible for any over charge, fraud or misappropriation and shall be liable to make good that loss.

During audit of CEO DHA Sheikhupura for the FY 2022-23, it was observed that the bills amounting to Rs 3.555 million were drawn for the printing of different registers. Scrutiny of record further revealed that the printing material was distributed to four THQ hospitals i.e. Muridkay, Sharaqpur, Ferozwala and Safdarabad. During verification it was revealed that material was not delivered to hospitals and the management of these hospitals had submitted written statements as well. This resulted in mis-appropriation of public money of Rs 3.555 million.

Audit held that mis-appropriation of public money was made due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that all printing material received in the office and its stock entries were available on the stock register of this office. Reply was not tenable because management of THQ hospitals submitted written statement that they didn’t receive the stock.

DAC in its meeting held on 16th December 2023 directed the CEO DHA Sheikhupura to conduct fact finding of the matter and submit report to the Secretary P&SHC department for administrative department level inquiry. No further progress was reported till finalization of this report.

Audit recommends recovery besides fixing of responsibility on the persons at fault.

[PDP No. 5]

B) **Human Resource / Employees related irregularities**

12.4.2 Overpayment of pay & allowances - Rs 41.829 million

According to clarification issued by Government of the Punjab, Finance Department letter No FD(M-1)1-15/82-P-I dated 15.1.2000, in case a designated residence is available to the Government servant, he cannot draw HRA and CA even if he does not reside in it or residence remains vacant during the period. Moreover, as per letter of P&SHC department, Government of Punjab No.PMU/PHSRP/G-1-06/61/270-300 dated 18th march 2007, HSRA is admissible only at RHC's and BHU's. Further, according to clarification vide letter No.FD.SR-I/6-4/2019 dated 05-04-2021, NPA is not admissible to doctors serving on administrative posts.

During audit of DHA Sheikhupura for the FY 2022-23 it was observed that the management of DHA paid Rs 41.829 million on account of pay & allowances to the officials/officers in violation of the rules ibid. This resulted in overpayment of pay and allowances of Rs 41.829 million as detailed below:

Rs in million

Sr. No.	Formation	HRA	CA	HSRA	Anes-thesia	NPA	EOL	Pay & all.	Amount
1.	CEO DHA Sheikhupura	-	1.305	25.171	2.070		-	-	28.546
2.	DHQ Hospital	0.656	0.952	-	-	6.645	0.415	1.672	10.340
3.	THQ Muridkey	0.269	0.339	0.310	-	-	0.088	1.937	2.943
Total		**0.925**	**2.596**	**25.481**	**2.070**	**6.645**	**0.503**	**3.609**	**41.829**

Audit held that overpayment of pay &allowances was made due to weak financial controls.

The matter was reported to the PAO in November 2023. The management admitted the overpayment.

DAC in its meeting held on 16th December 2023 directed for recovery of overpayment. No further progress was reported till finalization of this report.

Audit recommends recovery of the overpayment of pay & allowances besides fixing of responsibility on officer(s) at fault.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2021-22 and 2022-23 vide para number 6.4.2.1.1, 12.4.2 and 12.4.3 having financial impact of Rs 21.350 million, Rs

4.803 million and Rs 1.288 million respectively. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 22, 54, 47 & 66]

C) Procurement related irregularities

12.4.3 Irregular purchase of bulk medicine without healthy competition - Rs 154.035 million

According to Para 2 of S&GAD circular vide No. L&M(PPRA)10-01/2011 dated 10.02.2020, it was clarified by PPRA that whenever the procuring agencies take up public procurement through pre-qualification mode they must ensure that at least three prequalified bidders are available for further bidding process. Further, as per instruction No. 6 &10 of notification No. 11492-11502 dated 27.11.2020 issued by the DG Health P&SHC department, Government of the Punjab, all prequalified firms shall participate in bidding process of procuring agency(s) under administrative control of P&SHC department. In case of non-participation, the department may suspend/cancel the prequalification of Firm/Section/Product as well as the department may debar the firm for future procurement processes.

During audit of CEO DHA Sheikhupura for the FY 2022-23, it was observed that the management purchased bulk medicines of Rs 154.035 million. The examination of comparative statement revealed that only one prequalified bidder participated in the bidding process and accordingly purchase orders were issued in violation of above instructions. This resulted in irregular purchase of bulk medicine of Rs 154.035 million as detailed below:

Rs in million

Sr. No.	**Description**	**Status of participation**	**Amount**
1.	Bulk purchase of medicine	One bidder participated	71.469
2.	Bulk purchase of medicine	Two bidders participated	82.566
Total			**154.035**

Audit held that irregular purchase of bulk medicine was made due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that the prequalification process was done by the DG Health Services Punjab, Lahore. According to PPRA Rule Chapter-VIII (55-A), if one complying bid is received, the procuring agency may award the contract to the bidder. Reply was not accepted as medicines were purchased by violating the instructions.

DAC in its meeting held on 16th December 2023 directed to debar the contractors who did not participate in the bidding process. No further progress was reported till finalization of this report.

Audit recommends to debar the prequalified bidders who did not participate in the bidding process besides fixing of responsibility on the officer(s) at fault.

[PDP No. 2]

12.4.4 Irregular payment of pending liabilities - Rs 83.146 million `

According to Rule 17.17(A) and 17.18 of PFR Vol-I every disbursing officer shall maintain a register of liabilities in P.F.R Form No.27 in which he should enter all those items of expenditure for which payment is to be made by or through another officer; budget allotment or sanction of a higher authority is to be obtained; or payment would be required partly or wholly during the next financial year or years. Further, under no circumstance the charges incurred be allowed to stand over to be paid from the grant of another year.

During audit of DHA Sheikhupura for the FY 2022-23, it was observed that pending liabilities of medicines, consumables & store items of Rs 83.146 million were cleared from the budget allocated for FY 2022-23 in the following formations. The management cleared pending liabilities without obtaining sanction of next higher authority and without allocation of budget. Moreover, register on prescribed proforma of PFR Form No. 27 was not maintained. This resulted in irregular payment of pending liabilities of Rs 83.146 million as detailed below:

Rs in million

Sr. No.	Department	Description	Period	Amount
1	CEO DHA Sheikhupura	Medicine & printing	2018-19, 2019-20, and 2021-22	29.974
2	DHQ Hospital Sheikhupura	Medicine, COS, printing, other etc	2017-18 to 2021-22	53.172
Total				**83.146**

Audit held that irregular payment of pending liabilities was made due to weak internal & financial controls.

The matter was reported to the PAO in November 2023. The department replied that sufficient budget was available to clear pending liabilities and no irregularity was made. Reply was not accepted as no allocation was reflected in the budget to clear pending liabilities. Moreover, approval of the next higher authority was also not obtained.

DAC in its meeting held on 16th December 2023 directed for regularization of expenditure. No further progress was reported till finalization of this report.

Audit recommends regularization of expenditure besides fixing responsibility on the officer(s) at fault.

[PDP No. 14 & 37]

12.4.5 Irregular award of contract without performance guarantee and stamp duty -Rs 46.701 million

As per Purchase Order No. 893 dated 25.10.2022 the bidders were directed to deposit performance guarantee @ 5% of the estimated cost in favour of MS DHQ Hospital SKP before the supply orders and provide stamp duty @ 25 paisa per every 100 rupees of the total value of contract.

During audit of DHA Sheikhupura for the FY 2022-23, it was observed that the management awarded contracts for LP medicine, cost of store, general store items, printing work, oxygen cylinder, bedding & clothing, and laboratory items of Rs 46.701 million in the following formations. Scrutiny of record further revealed that performance guarantee of Rs 44.583 million and stamp duties of Rs 2.118 million were not collected in violation of award letter/agreement. This resulted in irregular award of contract and loss of stamp duty of Rs 2.118 million as detailed below:

Rs in million

Sr. No.	Formation	Performance guarantee	Stamp duty not received	Amount
1.	DHQ SKP	42.097	2.118	44.215
2.	THQ Hospital	1.034	-	1.034
3.	CEO DHA SKP	1.452	-	1.452
Total		**44.583**	**2.118**	**46.701**

Audit held that contract was irregularly awarded due to weak internal control.

The matter was reported to the PAO in November 2023. The department replied that as per bidding documents all companies submitted 2% of estimated cost as bid security to DHQ Hospital Sheikhupura. It is further submitted that as per initial supply order, vendors requested to consider their bid security as performance guaranty. As there was no public loss and all supplies were received. Reply was not accepted as performance guarantee and stamp duty amounting to Rs 2.115 million was not obtained.

DAC in its meeting held on 16th December 2023 directed for recovery of stamp duty besides fixing responsibility against the officer(s) at fault. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No.30, 27 & 9]

12.4.6 Irregular purchase of non formulary brand of LP medicine without DTL reports - Rs 39.779 million

According to letter No. PSHD-TCO-1(M)6-14/2017 dated 16-12-2017, by P&SHC department, Government of the Punjab, a formulary has been designed by the Drug Control Wing of P&SHC department with all details of approved brands mentioned against each generic. The rationale for including these brands is the trusted quality through repeated analysis by the Drug Testing Laboratories of Punjab. In case any health facility prefers to procure medicine of brands other than mentioned in formulary, the MS shall ensure that the medicine brands supplied for the first time are sent to the respective Drug Testing Laboratory. The drug samples so sent shall comply with all SOPs and requirements of testing as notified from time to time. Moreover, any payment in respect of these items shall be made after clearance of drugs samples from DTL.

During audit of DHQ Hospital Sheikhupura for the FY 2022-23, it was observed that management procured LP medicines of Rs 39.779 million outside formulary brand. The payment was made without sending the samples to the DTL. This resulted in irregular purchase of non-formulary brand of Rs 39.779 million**.**

Audit held that irregular purchase of non-formulary brand was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the LP medicine was procured on the recommendation of hospital Pharmacy & Therapeutic Committee. Reply was not tenable as the management made payment without sending samples to the DTL.

DAC in its meeting held on 16th December 2023 directed the CEO to probe the matter and submit report. No further progress was reported till finalization of this report.

Audit recommends fixing of responsibility for purchase of un-approved brand of LP medicines without obtaining DTL reports.

[PDP No. 46]

12.4.7 Irregular expenditure on printing work by invoking urgency - Rs 8.956 million

According to Rule 59(d) iii & iv of PPR 2014, for reasons of extreme urgency brought about by events unforeseeable by the procuring agency, the time limits laid down for open and limited bidding methods cannot be met, however, the circumstances invoked to justify extreme urgency must not be attributable to the procuring agency.

During audit of CEO DHA Sheikhupura for the FY 2022-23 it was observed that Rs 9.964 million were expended on printing material by invoking the urgency clause of PPRA on the pretext of lock down in the country due to COVID-19. Whereas, there was no lock down enforced during the FY 2022-23. Furthermore, no negotiation were made with the vendors as per Rule 59 (d) of PPR 2014. This resulted in irregular expenditure on printing work of Rs 8.956 million as given below:

Rs in million

Sr. No.	**Name of Firm**	**Amount**
1	M/S Usman Enterprises	0.277
2	Sabri &Company	8.388
3	M/S Ahmad Enterprises	0.145
4	Musa Enterprises	0.146
	Total	**8.956**

Audit held that irregular expenditure on printing work was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that procurement was made from the government printing press through its authorized vendors after fulfilling all codal formalities. Reply was not tenable because the management could not justify the enforcement of urgency.

DAC in its meeting held on 16th December 2023 directed to regularize the expenditure. No further progress was reported till finalization of this report.

Audit recommends fixing of responsibility on the officer(s) at fault.

[PDP No. 7, 42 & 63]

12.4.8 Irregular utilization of medicine budget reserved for natural disasters - Rs 16.796 million

According to letter No.PSHD-TC0-1(M)6-14/217 dated 16th December, 2017 issued by P&SHC department, Government of the Punjab, 15% of the total budget of medicine is earmarked in hospitals for local purchase system and 10% budget for medicine should be consumed for emergencies, natural calamities and disasters.

During audit of DHA Sheikhupura for the FY 2021-23, it was observed that the following formations expended 10% budget earmarked for natural disasters amounting to Rs 16.796 million on local purchase of medicine. This resulted in irregular utilization of medicine budget reserved for natural disasters of Rs 16.796 million as detailed below:

Rs in million

Year	**Formation**	**Description**	**10% budget for natural disaster**	**Expenditure**
2021-22	THQ SFD	10% budget reserved for natural disasters	4.448	4.448
2022-23	THQ Muridkey		14.275	12.348
Total				**16.796**

Audit held that medicine budget reserved for natural disasters was irregularly utilized due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that10% budget allocation of LP medicines for natural calamities was not utilized throughout the year. At the end of the financial year a letter was written to the CEO DHA Sheikhupura for re-appropriation of funds. Reply was not tenable because the management utilized budget allocated for natural calamities without any occurrence of such incident.

DAC in its meeting held on 16th December 2023 directed the management to regularize the expenditure. No further progress was reported till finalization of this report.

Audit recommends regularization of expenditure besides fixing responsibility on the officer(s) at fault.

[PDP No. 25 & 59]

12.4.9 Non-reconciliation of electricity bills - Rs 165.251 million

According to Rule 9 of the PDA (Accounts) Rule 2017, if any loss occurs to a District Authority due to fraud or negligence of a person or employee, that person representing the District Authority shall be personally responsible and liable to compensate for the loss.

During audit of DHA Sheikhupura for the FY 2022-23, it was observed that following formations made payment of Rs 165.251 million on account of electricity bills on estimation basis. Scrutiny of record further revealed that the management made payments on lump sum basis in certain cases without any reconciliation with the actual consumption of the electricity. This resulted in non-reconciliation of electricity bills of Rs 165.251 million as given below:

Rs in million

Sr. No.	Formation	Excess paid
1	CEO, DHO, DHQ	11.763
2	THQ Shariqpur sharif	50.00
3	MS DHQ Hospital SKP	97.400
4	Al Aziz Hospital Nangle Sandhan	1.088
5	THQ Hospital Muridkey	5.000
Total		**165.251**

Audit held that irregular payment was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the concerned formation had been directed to submit justification and reconciliation of payment.

DAC in its meeting held on 16th December 2023 directed to reconcile expenditure with LESCO and recover overpayment. No further progress was reported till finalization of this report.

Audit recommends reconciliation and recovery of overpayment besides fixing of responsibility on the officer(s) at fault.

[PDP No. 17, 24, 43, 52 & 61]

12.4.10 Irregular expenditure on repair of civil work - Rs 18.568 million

According to Rule 8 and 10 of PPR 2014, a procuring agency shall, within one month from the commencement of a financial year, devise annual planning for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources, delivery time or completion date and benefits that are likely to accrue to the procuring agency in future. a procuring agency shall determine specifications in a manner to allow the widest possible competition which shall not favor any single contractor nor put others at disadvantage.

During audit of DHQ Hospital Sheikhupura for the FY 2022-23, it was observed that an expenditure of Rs 18.568 million was incurred from the object head "Others" and "Health Council" budget for the repair & maintenance of hospital building. The management split the expenditure to avoid healthy competition as per PPRA rules. Moreover, Income Tax and PST of Rs 4.176 million was not deducted. This resulted in irregular expenditure Rs 18.568 million and less deduction of taxes of Rs 4.176 million as detailed below:

Rs in million

Description	Object head	Expenditure
Repair of Hospital Buildings	**Others-A03970”**	**13.222**
Repair of Hospital Buildings	**Health Council**	**5.346**
Total		18.568
Less deduction of Income Tax @ 6.5%	**1.206**	
Non-deduction of PST @ 16%	**2.970**	
Total	4.176	18.568

Audit held that irregular expenditure on repair of buildings was incurred due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the XEN & SDO Buildings are the members of Health Council, so no technical estimates are required. Reply was not tenable because the management incurred the expenditure from A03970-Others without technically sanctioned estimates and advertisement on PPRA.

DAC in its meeting held on 16th December 2023 directed for regularization the expenditure from the administrator. No further progress was reported till finalization of this report.

Audit recommends recovery of taxes besides regularization of expenditure from the competent authority.

[PDP No. 34]

12.4.11 Short realization of government revenue - Rs 5.907 million

As per Rule 68 of PDA (Budget) Rules 2017, the collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately in the local fund and entered in the proper receipt head. As per agreement with the vendors penalty @ 0.067% of contract amount per day will be charged in case of late payment.

During audit of DHA Sheikhupura for the FY 2022-23, it was observed that following formations awarded the contract of parking stand and canteens. Scrutiny of record revealed that the contractors deposited Rs 9.378 million against the auctioned amount of Rs 14.177 million and remaining amount of Rs 4.797 million and penalty of Rs 1.110 million was not collected on late payment. This resulted in short realization of Rs 5.907 million as detailed below:

Rs in million

Formation	Contract	Total demand	Amount collected	Amount not collected	Penalty	Total recoverable
DHQ SKP	Parking	8.617	4.171	4.445	0.545	4.990
DHQ SKP	Canteen	5.087	4.856	0.231	0.565	0.796
THQ SFD	Canteen	0.473	0.351	0.121	0	0.121
Total		**14.177**	**9.378**	**4.797**	**1.11**	**5.907**

Audit held that complete revenue was not realized due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that recovery of Rs 1.293 million was made from parking contractor. Furthermore, ADCR was approached for recovery as per Land Revenue Act vide letter No. 17867/MS dated 07-08-2023, 18999/MS dated 25-08-2023,2941/MS dated 07-10-2023. Department admitted the lapse.

DAC in its meeting held on 16th December 2023 directed the management for recovery and vacation of parking stand in case of non-compliance. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

<u>**Note**</u>: The issue was also reported earlier in the Audit Reports for Audit Years 2022-23 vide para number 12.4.11 having financial impact of Rs 5.347 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 39, 41 & 28]

D) Value for money and service delivery issues

12.4.12 Excess payment on purchase of medicine - Rs 7.979 million

According to Clause-II of agreement for the supply of bulk medicine signed between CEO DHA Sheikhupura and the contractors, the supplier will certify that prices awarded against the tender are not more than the price charged to any other procuring agency in the Punjab. In case of any discrepancy found, the supplier will be bound to refund the money charged in excess.

During audit of CEO DHA Sheikhupura for the FY 2022-23, it was revealed that the authority purchased bulk medicine for Rs 101.975 million from the prequalified contractors by DGHS, Lahore. The vendors supplied same medicine of same specifications to CEO DHA Nankana Sahib at lower rates in violation of price reasonability agreement. This resulted in excess payment of Rs 7.979 million on purchase of medicines as detailed below:

Rs in million

Firm	**Detail of medicine**	**Rates offered (Rs)**		**Diff.**	**Qty**	**Amount**
		SKP	**NNS**			
Lab link	Cannula 18 G	135.90	121.50	14.40	21,000	0.302
	Cannula 20 G	135.90	121.50	14.40	18,300	0.263
	Cannula 22 G	135.90	121.50	14.40	212,000	3.052
	Cannula 24 G	135.90	133.00	2.90	314,600	0.912
Novo Nordisk Pharma	Insulin 70/30	545.00	470.00	75.00	46,000	3.450
Total						**7.979**

Audit held that excess payment was made due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that letters to M/S Novo Nordisk Pharma& M/S Lab Link Enterprises were issued to deposit the amount of Rs.3.450 million and Rs 4.531 million respectively. Department admitted the lapse.

DAC in its meeting held on 16th December 2023 directed for recovery at the earliest or confiscate CDR. No further progress was reported till finalization of this report.

Audit recommends recovery besides fixing of responsibility on the officer(s) at fault.

[PDP No. 01]

E) Others

12.4.13 Misuse of conditional grant received for dialysis medicine - Rs 23.172 million

According to Rule 24 of PDA (Budget) Rules 2017, all conditional grants should be budgeted and utilized in accordance with the condition of the grant.

During audit of DHQ Hospital Sheikhupura for the FY 2022-23 it was observed that Finance Department, Government of the Punjab, released Rs 30.353 million as conditional grant for the purchase of medicine for dialysis patients. However, scrutiny of record revealed that the management expended Rs 23.172 million to clear the pending liabilities of unrelated items. This resulted in misuse of conditional grant of Rs 23.172 million as detailed below:

Rs in million

Sr. No.	**Description**	**Firm**	**No. of Bills**	**Amount**
1	Medical gases	Sheikhupura surgical	5	7.597
2	LP medicine	Ittehad Medical Store	28	8.540
3	Saad Entt.	Lab items	9	6.192
4	Ali Raza Entt.	Lab items	1	0.842
Total				**23.171**

Audit held that conditional grant was misused due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that MS being category-I officer can utilize conditional grant to fulfil the needs of hospital. Reply was not tenable because the MS could utilize the conditional grants for the specific purposes only as mentioned against each grant.

DAC in its meeting held on 16th December 2023 directed the CEO to refer the matter to the administrative department for inquiry for misuse of conditional grant. No further progress was reported till finalization of this report.

Audit recommends inquiry of the matter for fixing of responsibility on officer(s) at fault.

[PDP No. 29]

CHAPTER 13

DISTRICT HEALTH AUTHORITY ATTOCK

13.1 Introduction

a) There are 24 formations in DHA Attock out of which audit of 06 formations was conducted. Total expenditure and receipt of these formations was Rs 1,551.401 and Rs 51.265 million respectively out of which 40% expenditure and receipt were audited.

Audit Profile of DHA Attock

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure Audited	Receipts Audited
1	DHA Attock	24	06	619.350	20.710
2	Assignment Acs/SDAs	-	-	-	-
3	Foreign Aided Projects	-	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DHA Attock was Rs 3,008.564 million and supplementary grant was Rs 544.282 million for the FY 2022-23. An amount of Rs 515.074 million was surrendered and final budget was Rs 3,037.772 million. Management incurred an expenditure of Rs 3,038.173 million resulting in saving of Rs 0.401 million. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	2,414.458	311.558	325.810	2,400.206	2,399.644	-0.562
Non-Salary	593.146	226.147	187.907	631.386	632.351	0.965
Development	0.960	6.577	1.357	6.180	6.178	-0.002
Total	**3,008.564**	**544.282**	**515.074**	**3,037.772**	**3,038.173**	**0.401**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	**Final Grant**	**Expenditure**	**Excess (+) / Saving (-)**	**% age of Saving**
2021-22	2,618.362	2,618.049	-0.313	0.01
2022-23	3,037.772	3,038.173	0.401	0.01

Source: Appropriation accounts for the FY 2021-22 and 2022-23

There was 16% increase in budget allocation and expenditure incurred during FY 2022-23 ascompared to FY 2021-22. There was saving of Rs 0.401 million during FY 2022-23 which is 0.01% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

There are ten (10) qualitative indicators set by P&SHC department for DHA Attock for the FY 2022-23. These indicators are set with the objectives of improving health facilities at each health unit, providing better environment, facilitating the patients in OPD and free of cost health services to the patients through appropriate monitoring at all levels. A comparison of target set for each indicator and the status of achievement is given below:

r. No.	**Indicators**	**Targets**	**Achievements**
1	Outdoor Patients	2,690,398	2,637,646
2	Indoor Patients	11,500	11,404
3	Surgical Cases	470	445
4	Cardiac Coronary Unit	20,000	19,649
5	Diagnostic Services (Laboratory, Radiology)	800,000	752,674
6	Family Planning Visits	66,000	58,555
7	Peads	265,000	259,145
8	Surgery	470	445

9	TB Chest Treatments	5,268	3,755
10	Free Medicines to Patients	2,637,646	2,530,000

Source: DHIS dashboard of DHA Attock

ii. Service Delivery Issues

Analysis of the achievements mentioned in the above table shows that DHA Attock lagged behind in providng services to target number of patients in case of diagnostic services, family planning visits and free medicines to patients during FY 2022-23.

13.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 180.319 million were raised in this report during current audit of DHA Attock. This amount also includes recoveries of Rs 61.351 million as pointed out by the audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	**Classification**	**Amount placed under audit observation**
1	Non-production of record	-
2	Fraud, embezzlement, and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	11.471
B	Procurement related irregularities	77.064
C	Contract Management	32.008
4	Value for money and service delivery issues	-
5	Others	59.776
Total		**180.319**

13.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. The Audit Report for the Audit Year 2017-18 was discussed in PAC meeting convened in January 2022. However, PAC meeting to discuss remaining Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meeting
1	2017-18	22	Convened
2	2018-19	14	Not Convened
3	2019-20	13	
4	2020-21	10	
5	2021-22	2	
6	2022-23	05	

13.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

13.4.1 Irregular adjustment of postgraduate trainers against higher posts - Rs 10.098 million

According to Sr. No. 05 (i) of (Regulation-III) gazette notification No.SOR-III-I-30/94 dated 23.07.1995 issued by S&GAD, Government of the Punjab, method of recruitment for the post of Additional Principal Medical Officer or equivalent (BS-19) is by promotion according to the notified ratio, seniority cum fitness from amongst the Sr. Medical Officers or equivalent posts with 12 years service in BS-17 and above.

During audit of CEO DHA Attock for the FY 2022-23, it was observed that Secretary, P&SHC department allowed following 06 Medical Officers (BS-17) to complete postgraduate training and placed them at the disposal of CEO DHA Attock for adjustment against any vacant post of BS-17 or equivalent for pay purpose during training period. These Medical Officers were adjusted against the posts of APMO /APWMO (BS-19) at DHQ Hospital Attock, THQ Hospital Fateh Jang and RHC Bahtar. This resulted in irregular adjustment against higher grade and drawl of pay & allowances of Rs 10.098 million as given below:

Rs in million

Sr. No.	Designation & BS	P&SHC department Order No. & Date	DHA Order No. & Date	Place of Posting	Total
01	MO (BS-17)	SO(North)2016/R/2018 dated 18.04.2022	Estb./1860 dated 27.04.2022	DHQ Attock	1.686
02	MO (BS-17)	SO(North)1701/R/2018 dated 18.01.2022	Estb./308 dated 25.01.2022		1.686
03	WMO (BS-17)	SO(North)2300/R/2018 dated 08.10.2021	Estb./ 4727 dated 3.10.2021		1.697
04	MO (BS-17)	SO(North)1999/R/2018 dated 12.10.2021	Estb./4856 dated 21.10.2021	THQ Hospital Fateh Jang	1.685
05	MO (BS-17)	SO(North)536/R/2020 dated 12.12.2022	Estb./ 56 dated 04.01.2023		1.575
06	MO (BS-17)	SO(South)3469/R/2018 dated 20.04.2022	2060 dated 14.05.2022	RHC Bahtar	1.769
Total					**10.098**

Audit held that MOs/WMOs were adjusted against the posts of APMO/APWMO due to weak managerial control.

The matter was reported to the PAO in November 2023. The department replied that MOs/WMOs were adjusted against the vacant posts of APMO and they drew salary as per BS-17, therefore, no financial loss was involved. Reply was not acceptable as MOs/WMOs were adjusted against higher grade in violation of rules and instructions of Secretary P&SHC department.

DAC in its meeting held on 15th December 2023 directed for regularization of the matter. No further progress was reported till finalization of this report.

Audit recommends regularization of the matter besides fixing responsibility on the officer(s) at fault.

[PDP No. 231]

13.4.2 Un-authorized payment of salary during absence - Rs 1.373 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any overcharge, fraud or misappropriation and shall be liable to make good that loss.

During audit of CEO DHA Attock for the FY 2022-23, it was observed that a Consultant Physician (BS-18) was transferred to CEO DHA Attock against a vacant post in District Disease Surveillance and Response Unit by P&SHC department Lahore vide order No.SO (DHAs) SC/ PSHD/ 2022 dated 14.11.2022 and joined duty on 16.11.2022. It was observed from attendance register and CEO letter No. 1883 dated 26.05.2023 that the doctor remained absent from duty w.e.f 14.11.2022 to 31.05.2023 but pay & allowances were paid. This resulted in un-authorized payment of Rs 1.373 million.

Audit held that payment was made for the unauthorized absence period due to weak managerial controls.

The matter was reported to the PAO in November 2023. The department replied that letter was issued to MS Isfand Yar Bukhari DHQ Hospital Attock for recovery. Reply was not acceptable as no recovery was made.

DAC in its meeting held on 15th December 2023 directed for recovery. No further progress was reported till finalization of this report.

Audit recommends recovery besides fixing of responsibility on the officer(s) at fault.

[PDP No. 235]

13.4.3 Irregular appointment of Class-IV staff

According to Clause 5(a) of Recruitment Policy, 2022 issued vide No. SOR-IV (S&GAD) 10-142/2021 dated 09.03.2022 by S&GAD (Regulation Wing), all posts shall be advertised properly in at least two leading newspapers, as per rules. Furthermore as per Clause 9, 15% quota for women, 20% quota for the children of serving / retired government employees and 5% quota was reserved for minorities. Furthermore, as per Clause 10(vii), the merit lists shall be signed by the Chairman as well as by all members of the Selection Committee concerned. Furthermore, according to Para 2 of letter No.SO(AHP)08-46/2022 dated 13.10.2022 issued by P&SHC department, CEO of DHAs were directed to initiate, process and complete the recruitment procedure against the vacant post of BS-01 to BS-04 allotted to DHAs through District Selection Committee, fulfilling all codal and procedural formalities.

During audit of CEO DHA Attock for the FY 2022-23, it was observed that forty-five (45) Class-IV employees were appointed in December 2022 in violation of Recruitment Policy 2022 and instructions issued by P&SHC department. Audit noticed that:

1. Advertisement was published in only one newspaper instead of two newspapers.
2. P&SHC department allotted 38 posts of Class-IV (BS-01 to 04) but DHA Attock made 45 appointments as detailed below:

Name of Post	**BS**	**Allowed By P&SHC**	**Advertised by CEO**	**Appointed**	**(Excess)/ Less Than Allotment**	**Excess than advertised)**
A	**B**	**C**	**D**	**E**	**F=C-E**	**G=D-E**
Naib Qasid	1	21	17	20	1	-3
Chowkidar	1	15	13	13	2	-
Lab Attendant	2	2	2	2	-	-
Ward Servant	1	-	6	10	-10	-4
Total		**38**	**38**	**45**	**-7**	**-7**

3. Each page of the merit list was not signed by Chairman as well as by all members of the selection committee in violation of recruitment policy and merit list only consisted of 38 candidates recommended for appointment but 45 appointments were made.
4. 15 qualified women were available as per merit list but instead of appointing them, general merit list was followed for appointment in violation of recruitment rules which resulted in irregular appointment as detailed below:

Name of Post	BS	Sanctioned Strength	15% Female Quota				
			Quota	**Filled Posts**	**No. of qualified applicants as per merit list**	**Appointed**	**Less Appointed**
Naib Qasid	1	105	16	0	12	3	09
Ward Servant	1	109	16	4	07	1	06
Total		**214**	**32**	**4**	**19**	**04**	**15**

5. Certain Class IV employees were appointed without observing employee quota (20%) and minority quota (5%) by calculating percentage of advertised 38 posts instead of total strength of a cadre in violation of Recruitment Policy 2022.

This resulted in irregular appointments in violation of recruitment policy / quota.

Audit held that appointments were made in violation of rules / approved strength due to weak managerial controls.

The matter was reported to the PAO in November 2023. The department replied that advertisement was made in two newspapers, proposal for cadre wise change of 38 posts were sent to P&SHC department which was approved and advertised, post allotted to District Attock were less then population ratio. After discussion with DRC and DC, remaining posts were filled by following merit list, either women did not apply or they did not fulfill the required criteria in previous appointments and employees / minorities quota was fully implemented. Reply was not acceptable as no documentary evidence of advertisement in two newspapers and approval of P&SHCD for change in number of posts approved were provided.

DAC in its meeting held on 15th December 2023 directed for regularization of the matter. No further progress was reported till finalization of this report.

Audit recommends regularization besides fixing responsibility on the officer(s) at fault.

[PDP No. 234]

B) Procurement related irregularities

13.4.4 Irregular expenditure on local purchase of medicines - Rs 24.776 million

According to Clause 2(iii) of Policy & Operational Guidelines for LP of Medicines (Day-to-Day) issued vide letter No. SO (HP) 12-02/2022 dated 29.06.2022 by P&SHC department, LP from registered pharmacy will be patient specific on day-to-day basis. However, need of emergencies and indoor patient department (in case of non-availability) may be met through petty purchases as per Rule 59(a) of PPR 2014 from manufacturer/ authorized agent/ authorized distributor/ Pharmacy (Form 9) having valid centralized drug sale license. Health facility shall establish non-availability of prescribed item through authorized pharmacist/ in-charge Senior Medical Officer/ Consultant / Medical Superintendent on case-to-case basis.

During audit of following formations of DHA Attock for the FY 2022-23, it was observed that the management purchased LP medicine in bulk from LP vendors on MRP discount rates or on quotations instead of patient specific day-to-day basis. Audit was of the view that if medicine were to be purchased in bulk it should be through open competitive bidding and not on MRP rates. This resulted in irregular purchase of LP medicine of Rs 24.776 million. The detail is as under:

Rs in million

Sr. No.	Name of Entity	Amount
1	THQ Hospital Hazro	7.144
2	THQ Hospital Jand	2.223
3	THQ Hospital Fateh Jang	1.696
4	THQ Hospital Pindi Gheb	6.240
5	Isfand Yar Bukhari DHQ Hospital Attock	7.473
Total		**24.776**

Audit held that irregular purchase of LP medicine was made due to weak administrative and financial controls.

The matter was reported to the PAO in October 2023. The department replied that rate contract of medicines were not finalized and stock of bulk medicines depleted, therefore, indoor / emergency medicines were purchased from LP vendor at fixed discount by splitting as per LP guidelines. Reply was not acceptable as procurement was made in violation of mentioned LP guidelines.

DAC in its meeting held on 15th December 2023 directed for regularization of the matter. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 64, 184, 186, 187 & 188]

13.4.5 Irregular expenditure on procurement - Rs 22.196 million

According to Rule 9(1) of PPR 2014, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. Furthermore, according to Rule 12 (1) of PPR 2014, a procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority.

During audit of following formations of DHA Attock for the FY 2022-23, it was observed that expenditure was incurred by splitting to avoid tendering process in violation of the above rule. This resulted in irregular expenditure of Rs 22.196 million as detailed at **Annexure-Q**.

Rs in million

Sr. No.	Name of Entity	Particulars	Amount
1	THQ Hospital Hazro	Lab item, Printing, Medical & Lab Equipment	1.352
2	Isfand Yar Bukhari DHQ Hospital Attock	Dialysis items [Concentrate (A+B) Solution, Inj Heparin, Inj Cleaxine, IV Sets]	10.674
		Pathology, Radiology & Medicines for Sehat Sahulat Programme (SSP)	7.136
		Electrical equipment inspection, stabilizers, bags, x-ray films and lab kits	3.034
Total			**22.196**

Audit held that procurement was made by splitting to avoid tendering as required under PPR 2014,due to poor financial management.

The matter was reported to the PAO in October 2023. The department replied that due to non-availability of stock and non-participation of any firm in response to tender for dialysis items, Memorandum of Understanding (MOU) was signed with existing vendor for uninterrupted supply of medicines & pathology services to fulfill urgent demand of hospital routine operations. The reply was not acceptable as the management did not prepare annual procurement plan.

DAC in its meeting held on 15th December 2023 directed for regularization of the matter. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 06, 170, 175 & 177]

13.4.6 Loss due to procurement of medicines at higher rates - Rs 7.477 million

According to Clause 20 of the contract agreement between firms and DHA Attock, in case rate charged by the firms are found higher than the rates charged in other districts at any stage, the firms shall be responsible to refund the excess amount besides forfeiture of 5% performance guarantee and legal action.

During audit of CEO DHA Attock for the FY 2022-23, it was observed that firms quoted higher rates for the same items in comparison to the rates quoted in other districts of the Punjab like Jhelum, Chakwal, Rawalpindi and Narowal in violation of agreement. However, neither deduction of higher rates of Rs 5.157 million was made nor 5% performance guarantee of Rs 2.320 million was forfeited. This resulted in loss of Rs 7.477 million as detailed at **Annexure-R**.

Audit held that procurement was made at higher rates due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that PPR 2014 did not require any such condition to bound the bidder for quoted rates. However, to ensure most economical & transparent procurement process, extra barrier of provision of affidavit regarding recovery in case of higher rate was designed. The reply was not acceptable as firms were bound to repay the difference of higher rates and forfeiture of performance guarantee as per agreements made with them.

DAC in its meeting held on 15th December 2023 directed for recovery. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 226]

13.4.7 Non-recovery of risk & cost from firm - Rs 6.831 million

According to Clause 06 of agreement for purchase of medicines/ drugs/ medical devices/ surgical & disposable items for FY 2021-22, if the successful bidder fails to supply the goods as per orders within the stipulated time / as per terms and conditions of the contract or they try to withdraw / amend / revise their offer within the validity period, the offer shall stand cancelled, the earnest money / call deposit / security deposit will be forfeited and the relevant goods will be purchased at the risks and cost of the bidder.

During audit of CEO DHA Attock for the FY 2022-23, it was observed that an agreement for the purchase of medicines/ drugs/ medical devices/ surgical & disposable items in FY 2021-22 was made with M/s IBL Health Care Limited for Rs 7.714 million. Purchase order was issued with a delivery period of 60 days (45 days + 15 days grace period) but the firm did not supply these items. Consequently, these items were procured through LP budget at higher rates which resulted in an extra cost of Rs 6.831 million as detailed at **Annexure-S**. No action like blacklisting, forfeiture of performance security or purchases on risk and cost of the bidder etc. as provided in the agreement was taken. This resulted in non-recovery of risk & cost of Rs 6.831 million.

Audit held that non-recovery of risk & cost from the defaulting firm and non-blacklisting or forfeiture of security deposit was due to weak managerial controls.

The matter was reported to the PAO in November 2023. The department replied that reminders were issued to firm for provision of awarded items but the firm did not supply citing ban on LC / dollar fluctuation. The reply was not tenable as purchase related to FY 2021-22 and firm was bound to supply the items till 15.06.2022.

DAC in its meeting held on 15th December 2023 directed for recovery on risk & cost basis. No further progress was reported till finalization of this report.

Audit recommends recovery besides fixing responsibility on the officer(s) at fault.

[PDP No. 232]

13.4.8 Irregular award of tenders by violating evaluation criteria - Rs 11.000 million

According to Rule 32(1) of PPR 2014, all bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding document.

During audit of following formations of DHA Attock for the FY 2022-23, it was observed that bidders were technically declared responsive by awarding extra marks despite the fact that they did not fulfill the knock down criteria as per bidding documents. This resulted in irregular award of contracts of Rs 11.000 million as detailed at **Annexure-T**.

Rs in million

Sr. No.	Name of Entity	Procurement Title	No. of Bidders Participated	Particulars	Amount
01	THQ Hospital Fateh Jang	X-Ray	03	Knock down criteria violated for one bidder	1.200
		Printing & Stationary	02	Knock down criteria violated for two bidders	1.300
02	THQ Hospital Pindi Gheb	General Store Item, Stationary, Printing and Misc. Items	02	Knock down criteria violated and extra marks awarded in technical evaluation for two bidders	2.000
03	IYB DHQ Hospital Attock	Laboratory Reagents & Supplies	07	Knock down criteria violated and extra marks awarded in technical evaluation for six bidders.	6.500

				Contracts of Rs 6.500 million awarded but advertisement published for Rs 2.000 million	
Total					**11.000**

Audit held that irregular award of tenders by violating evaluation criteria was due to weak managerial controls.

The matter was reported to the PAO in October 2023. The department replied that bidders were requested to provide the missing documents after opening of technical bids. Documents were provided except the closing cash balance. Online NTN/STN verification certificates were also provided. Evaluation committee awarded numbers on basis of these documents. Reply was not acceptable as knock down / evaluation criteria as per bidding documents were not followed.

DAC in its meeting held on 15th December 2023 directed for regularization of the matter. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

[PDP No. 98, 104 & 172]

13.4.9 Non-deduction of GST - Rs 1.914 million

According to Para 10 of Circular No.09 of 2022-23 of FBR, "Sale tax, Federal Excise and ICT" (Tax on service) of amendment in Finance Act 2022 communicated vide Notification No. C.No.3 (1) ST - L&P/2019 dated 21.07.2022, drugs registered under the Drugs Act 1976 have been made chargeable to tax at reduced rate of 1% without input adjustment. Similarly, Active Pharmaceutical Ingredients (APIs) and their raw materials are also chargeable at fixed rate of 1% subject to certification by DRAP.

During audit of CEO DHA Attock for the FY 2022-23, it was observed that payment for procurement of medicines of Rs 158.758 million was made but GST amounting to Rs 1.914 was not deducted. This resulted in non-deduction of GST of Rs 1.914 million.

Audit held that non-deduction of GST from payment was due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that various firms supplied medicines before 01.07.2022, however, the amount would be deducted from final payment of the firms. The reply was not acceptable as GST was not deducted as per rules at the time of payment.

DAC in its meeting held on 15th December 2023 directed for recovery. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 239]

13.4.10 Loss due to procurement at exorbitant rates - Rs 1.765 million

According to Rule 4 of PPR 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical. Further, as per Rule 38(2)(a)(viii), the lowest evaluated bidder shall be awarded the contract.

During audit of Isfand Yar Bukhari DHQ Hospital Attock for the FY 2022-23, it was noticed that financial bids for procurement of laboratory supplies, printing and x-ray films were opened on 27.07.2022. Advance acceptance letter was issued to successful bidders on 07.10.2022 (after 71 days) and 7.08.2022 (after 20 days) respectively. During this period, these items were procured from other local vendors without tender at higher rates causing loss of Rs 1.568 million as detailed at **Annexure-U**. Furthermore, scrutiny of financial bids of lab reagents revealed that 02 participants quoted price with GST and 05 participants quoted price without GST but comparative statement was prepared without deducting 17% GST from quoted price of 02 bidders causing loss of Rs 0.197 million. This resulted in overall loss of Rs 1.765 million due to procurement at exorbitant rates.

The matter was reported to the PAO in October 2023. The department replied that financial bids were opened on 27.07.2023 but delay in evaluation and signing the contract was due to non-availability of technical / financial evaluation committee as Eid-ul-Adha, Ashura & annual audit was in process. Reply was not acceptable as procurements were made at higher rates from other local vendors instead of lowest evaluated bidder.

DAC in its meeting held on 15th December 2023 directed to inquire the matter. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 171]

13.4.11 Irregular procurement of non-formulary medicines - Rs 1.105 million

According to Clause 2 (xxxi) of Policy & Operational Guidelines for LP of Medicines (day to day) issued by P & SHCD vide letter No. SO (HP) 12-02/2022 dated.29.06.2022, in case any health facility prefers to procure item of brands other than those mentioned in Punjab Medicine

Formulary (PMF), the MS will forward case to Drugs Control Wing (DCW) of P&SHC department for inclusion of brand in PMF.

During audit of THQ Hospital Pindi Gheb for the FY 2022-23, it was observed that non-formulary medicines of Rs 1.105 million were procured from LP without forwarding case to Drugs Control Wing for inclusion of brands in PMF. This resulted in irregular expenditure of Rs 1.105 million as detailed at **Annexure-V**.

Audit held that irregular procurement of non-formulary medicines without forwarding case to DCW was due to poor internal controls.

The matter was reported to the PAO in October 2023. The department replied that medicines were purchased on emergency basis and despite constant reminders the medicines were not incorporated in formulary. The reply was not acceptable as no documentary evidence regarding inclusion of these medicines in formulary was provided.

DAC in its meeting held on 15th December 2023 directed for regularization of the matter. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

[PDP No. 105]

C) Contract management

13.4.12 Non-recovery of patient claims under sehat sahulat programme - Rs 28.923 million

As per Clause 2.3 of agreement signed between State Life Insurance Corporation (SLIC) of Pakistan and MS of concerned hospital, State Life will process all submitted claims within 30 days after receiving completed claims along with required documents.

During audit of following formations of DHA Attock for the FY 2022-23, it was observed that patients claims amounting to Rs 28.923 million under Sehat Sahulat Programme (SSP) were neither submitted nor recovered from the SLIC in violation of above clause of the agreement. This resulted in non-recovery of government dues of Rs 28.923 million as detailed below:

Rs in million

Sr. No.	Name of Entity	Amount
1	THQ Hospital Hazro	1.676
2	THQ Hospital Jand	1.847
3	THQ Hospital Fateh Jang	1.853
4	THQ Hospital Pindi Gheb	0.967
5	Isfand Yar Bukhari DHQ Hospital Attock	22.580
Total		**28.923**

Audit held that non-recovery of patient claims was due to weak managerial controls.

The matter was reported to the PAO in October 2023. The department replied that claims were submitted to SLIC of Pakistan. The reply was not acceptable because no claims had been refunded so far.

DAC in its meeting held on 15th December 2023 directed for recovery. No further progress was reported till finalization of this report.

Audit recommends recovery of claims at the earliest.

[PDP No. 09, 65, 99, 108 & 181]

13.4.13 Non-imposition of penalty - Rs 3.085 million

As per Sr. No. 05 of Chapter “Penalties” of contract agreement made with firms by PMU of P&SHC department, if any worker is not paid minimum wage as per Labor Laws in a given month, a penalty of

Rs 5,000 / staff shall be imposed on the firm for that particular month. Appendix-3 (4) states that penalties calculation sheet signed by MS & New Management Structure (NMS) and respective supervisor must be shared with the Service Provider for his record.

During audit of following formations of DHA Attock for the FY 2022-23, it was observed that janitorial service of hospital were outsourced to the following firms. These firms made payments to the janitorial staff at a rate less than the minimum wage rate notified by the government. Hospital management did not impose penalty @ Rs 5,000 / staff while verifying monthly invoices. This resulted in non-imposition of penalty of Rs 3.085 million as detailed below:

Rs in million

Sr. No.	Name of Entity	Contractor	Services	No. of Employees	Penalty
1	THQ Hospital Hazro	M/s NCS	Janitorial	35	0.175
2		M/s Mustahlik Enterprises	MEPG	06	0.300
3	THQ Hospital Fateh Jang	M/s NCS	Janitorial	20	0.200
4	Isfand Yar Bukhari DHQ Hospital Attock	M/s Mustahlik Enterprises	MEPG	08	0.200
5		M/s NCS	Janitorial	65	0.650
6		M/s GB Security	Guards	26	1.560
Total					**3.085**

Audit held that verification of invoices without imposing penalty was due to poor managerial controls.

The matter was reported to the PAO in October 2023. The department replied that services were hired by PMU and payment was also made by them, however, recommendations for fine were forwarded along with invoices. The reply was not acceptable as no penalty was imposed while verifying invoices.

DAC in its meeting held on 15th December 2023 directed to take up the matter with PMU. No further progress was reported till finalization of this report.

Audit recommends imposition and deduction of recovery from contractors' payments.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 13.4.5 having financial impact of Rs 12.820 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 11, 103 & 178]

D) Others

13.4.14 Un-authorized utilization of tied grants - Rs 43.988 million

According to Rule 24 of PDA (Budget) Rules 2017, all conditional grants shall be budgeted and utilized following the conditions of the grant. Further, as per Para 2 of the release order for bulk purchase of medicines, the funds will not be utilized for any other purpose.

During audit of CEO DHA Attock for the FY 2022-23, it was observed that funds of Rs 418.982 million were available for tied grants (bulk medicines, dialysis medicines, arrear payments, anesthesia allowance & COVID), out of which Rs 302.287 million were utilized during the FY 2022-23. The remaining amount of Rs 116.695 million should have been available in Account-VI as closing balance on 30.06.2023. However, as per bank statement of DHA Attock closing bank balance of Account-VI was only Rs 72.707 million. This resulted in irregular utilization of tied grants of Rs 43.988 million for other purposes in violation of rules / conditions of grant by DHA as detailed below:

Rs in million

Tied Grant Description	Balance 30.06.22*	Received FY 2022-23	Total FY 2022-23	Expenditure FY 2022-23	Balance 30.06.23
Medicines (Bulk)	150.191	222.928	373.119	285.659	87.460
Dialysis Medicines (DHQ & THQ Hazro)	8.482	16.147	24.629	12.239	12.390
Arrears payment (National programme)	4.009	-	4.009	4.009	-
Anesthesia allowance	0.730	-	0.730	0.380	0.350
Covid-19 Catch-up Campaign	-	16.494	16.494	-	16.494
Total	**163.412**	**255.570**	**418.982**	**302.287**	**116.695**

*(Release of funds for tied grant of FY 2021-22 as un-utilized balance by CEO DHA Attock vide No.3423 dated.23.08.2022)

Audit held that un-authorized utilization of tied grants were in violation of rules / instructions was due to financial mismanagement.

The matter was reported to the PAO in November 2023. The department replied that supplementary grants were approved for smooth functioning of DHQ/THQs for various heads like LP, oxygen, electricity etc. and rates of various items were increased. The expenditure of current year would be controlled to meet the shortfall. The reply was not acceptable as tied grants were utilized for other purposes as admitted by management.

DAC in its meeting held on 15th December 2023 directed for regularization of the matter. No further progress was reported till finalization of this report.

Audit recommends regularization besides fixing of responsibility on the officer(s) at fault.

[PDP No. 228]

13.4.15 Non-accounting of receipts in Account-VI - Rs 9.982 million

According to clarification issued vide letter No.BI-3(120)(AGP) 2017-18 dated 16.08.2019 by Finance Department, Government of Punjab, all Public Accounts receipts as well as Consolidated Funds receipts are transferable to the Provincial Consolidated Funds or Provincial Public Account Fund as the case may be except the receipts collected under C02865-Health other contributions, C02866-Health recoveries of over payments, C02814-Education General recoveries of over payments, C03616-Share from Provincial allocable grant which relates to Account V & VI of the DEAs and DHAs.

During audit of CEO DHA Attock for the FY 2022-23, it was observed that recovery of overpayment Rs 9.982 million related to account head C02866-Health recoveries of overpayments was deposited in Account-I instead of Account-VI. This resulted in non-accounting of receipts of DHA.

Audit held that receipts were not accounted for in Account-VI due to financial mismanagement.

The matter was reported to the PAO in November 2023. The department replied that no procedure for submission of challans in Account-VI exists and challans were taken in Account-I by bank. The reply was not acceptable as receipts were neither deposited nor the bank was approached for deposit of these receipts in Account-VI despite clarification issued by FD.

DAC in its meeting held on 15th December 2023 directed for compliance. No further progress was reported till finalization of this report.

Audit recommends to take up the matter with Finance Department for transfer of receipts in Account-VI.

[PDP No. 240]

13.4.16 Irregular payment of liabilities - Rs 3.482 million

According to Rule 17.17(A) read with Rule 17.18 of PFR Vol-I, every DDO shall maintain a register of liabilities in PFR Form 27 in which he should enter all these items of expenditure for which payment is to be made by or through another officer, budget allotment or sanction of a higher authority is to be obtained or payment would be required partly or wholly during the next financial year or years.

During audit of Isfand Yar Bukhari DHQ Hospital Attock for the FY 2022-23, it was observed that payment of Rs 3.482 million was made for lab reagents, oxygen regulator and printing to following suppliers pertaining to previous year without additional funds and sanction of next higher authority i.e. CEO DHA Attock. Further, no liability register was prepared. This resulted in irregular payment of Rs 3.482 million.

Rs in million

Sr. No.	**Date**	**Suppler**	**Item**	**Amount**
1	28.12.21	Gulf Marketing Inl	Lab Reagents	0.678
2	31.03.22	A&S Enterprises	Lab Reagents	0.146
3	30.03.22	Hasir Enterprises	Lab Reagents	0.056
4	04.02.22	Fareed Traders	Printing	0.650
5	20.06.22	Eastern Medical Care	Filters & Dialysis Solution	1.323
6	08.06.22	Global Health Intl	Lab Reagents	0.158
7	22.06.22	Khan & Co	HIV, UPT Kits, Lab items etc.	0.470
Total				**3.481**

Audit held that payment of previous year was made without sanction and additional funds due to weak financial controls.

The matter was reported to the PAO in October 2023. The department replied that matter was highlighted several times about insufficient budget to Finance Department and the liabilities were sanctioned by MS who held the additional charge of CEO. The reply was not acceptable as no additional funds were obtained and sanctions were accorded by MS who did not hold the additional charge of CEO.

DAC in its meeting held on 15th December 2023 directed for regularization of the matter. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 179]

13.4.17 Irregular expenditure on M&R of residential buildings - Rs 2.324 million

According to Rule 5(ii) of PDA (Delegation of Financial Power) Rules 2017, officer in Category-I is competent to accord administrative approval up to Rs 0.300 million for M&R of residential and non-residential buildings chargeable to current budget. Further, as per Note II, no technical sanction for M&R work up Rs 0.300 million would be required.

During audit of Isfand Yar Bukhari DHQ Hospital Attock for the FY 2022-23, it was noticed that payment of Rs 2.324 million was made to M/s Awan Engineering vide invoice No.01 dated 29.03.2023 against contract for M&R of 16 residences of hospital. It was noticed that neither the administrative approval was obtained nor the estimate was technically sanctioned. All the payment was made against rough cost estimate and sanctioned by MS who was a category-I officer and not competent to accord sanction. This resulted in irregular expenditure of Rs 2.324 million.

Audit held that irregular expenditure incurred beyond competency without technical sanction was due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that scope of work & rough cost estimate was taken from Buildings Division Attock and MS was competent to accord approval up to Rs 10.000 million. The reply was not acceptable as administrative approval was not obtained, technical sanction without signature of XEN Building & embossed stamp was provided only. Besides MS was not competent to accord approval beyond Rs 0.300 million.

DAC in its meeting held on 15th December 2023 directed for regularization of the matter. No further progress was reported till finalization of this report.

Audit recommends regularization besides fixing responsibility on the officer(s) at fault.

[PDP No. 173]

CHAPTER 14

DISTRICT HEALTH AUTHORITY CHAKWAL

14.1 Introduction

a) There are 25 formations in DHA Chakwal out of which audit of 06 formations was conducted. Total expenditure and receipt of these formations was Rs 1,405.871 and Rs 86.031 million out of which 58% expenditure and 65% receipt were audited.

Audit Profile of DHA Chakwal

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure Audited	Receipts Audited
1	DHA Chakwal	25	06	808.539	56.030
2	Assignment Acs/SDAs	-	-	-	-
3	Foreign Aided Projects	-	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DHA Chakwal was Rs 4,242.096 million and supplementary grant was Rs 512.122 million for the FY 2022-23. An amount of Rs 2,156.665 million was surrendered and final budget was Rs 2,597.553 million. Management incurred an expenditure of Rs 2,596.945 million resulting in saving of Rs 0.610 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	3,147.745	366.383	1,546.797	1,967.331	1,965.474	-1.857
Non-Salary	1,005.973	110.704	580.376	536.301	537.55	1.249
Development	88.378	35.035	29.492	93.921	93.921	0

Total	**4,242.096**	**512.122**	**2,156.665**	**2,597.553**	**2,596.945**	**-0.610**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	Final Grant	Expenditure	Excess (+) / Saving (-)	% age of saving
2021-22	2,756.876	2,484.870	-272.006	10
2022-23	2,597.553	2,596.945	-0.610	0.023

Source: Appropriation accounts for the FY 2021-22 and 2022-23

There was 6% decrease in budget allocation and 5% increase in expenditure incurred during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 0.608 million during FY 2022-23 which is 0.02% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

There are ten (10) qualitative indicators set by P&SHC department for DHA Chakwal for the FY 2022-23. These indicators are set with the objectives of improving health facilities at each health unit, providing better environment, facilitating the patients in OPD and free of cost health services to the patients through appropriate monitoring at all levels. A comparison of target set for each indicator and the status of achievement is given below:

Sr. No.	Description	Targets	Achievements
1	Outdoor Patients	2,333,000	2,330,141
2	Indoor Patients	82,950	83,765
3	Surgical Cases	25,450	26,881
4	Cardiac Coronary Unit	21,000	22,344
5	Diagnostic Services (Laboratory, Radiology)	685,424	686,692
6	Family Planning Visits	57,000	57,512
7	Peads	128,000	128,944
8	Surgery	25,000	24,692
9	TB Chest Treatments	6,000	6,101

Sr. No.	Description	Targets	Achievements
10	Free Medicines to Patients	100%	100%

Source: DHIS dashboard of DHA Chakwal

ii. Service Delivery Issues

Analysis of the achievements mentioned in the above table shows that DHA Chakwal treated all target number of patients during FY 2022-23.

14.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 142.186 million were raised in this report during current audit of DHA Chakwal. This amount also includes recoveries of Rs 23.562 million as pointed out by the audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	Classification	Amount placed under audit observation
1	Non-production of record	-
2	Fraud, embezzlement, and misappropriation	0
3	**Irregularities:**	
A	HR/Employees related irregularities	2.129
B	Procurement related irregularities	116.851
C	Contract Management	4.040
4	Value for money and service delivery issues	-
5	Others	19.166
Total		**142.186**

14.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to the Governor of the Punjab. The Audit Report for the Audit Year 2017-18 was discussed in PAC meeting convened in January 2022. However, PAC meeting to discuss remaining Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	27	Convened
2	2018-19	23	Not Convened
3	2019-20	19	
4	2020-21	7	
5	2021-22	5	
6	2022-23	11	

14.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

14.4.1 Inadmissible payment of NPA – Rs 2.129 million

According to Government of the Punjab, Finance Department letter No. FD.SR-I/6-4/2019 dated 05.04.2021, NPA is not admissible to doctors working in P&SHC Department and SH&ME Department serving on administrative posts. The same facility has not been extended to the doctors working on administrative posts in other administrative departments.

During audit of MS DHQ Hospital Chakwal for the FY 2022-23, it was observed that following doctors were doing private practice but also drew NPA without admissibility. This resulted in inadmissible payment of Rs 2.129 million as detailed below:

Rs in million

Sr. No.	Designation	NPA / Month (Rs)	No of Months	Total Amount
1	WMO	22,777	12	0.273
2	Consultant Urologist	28,762	12	0.345
3	SMO / Cardiologist	28,762	12	0.345
4	MO	22,777	12	0.273
5	WMO	22,777	12	0.274
6	Consultant Cardiologist	28,762	12	0.345
7	WMO	22,777	12	0.274
Total				**2.129**

Audit held that payment of NPA without admissibility was due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that recovery would be affected.

DAC in its meeting held on 13th December 2023 directed for recovery of amount. No further progress was reported till finalization of this report.

Audit recommends recovery of amount besides fixing of responsibility on the officer(s) at fault.

[PDP No. 123]

B) Procurement related irregularities

14.4.2 Irregular expenditure on account of local purchase of medicines - Rs 46.000 million

According to Rule 12(2) of PPR 2014, any procurement exceeding three million rupees shall be advertised on the website of the Authority, the website of the procuring agency, if any, and in at least two national daily newspapers of wide circulation, one in English and one in Urdu.

During audit of MS DHQ Hospital Chakwal for the FY 2022-23, it was observed that tender for local purchase (LP) of medicines, disposable and surgical items worth Rs 46.000 million was awarded to M/s Hassan and Movaddat Enterprises on 30.09.2022. Scrutiny of bidding documents revealed that advertisement was published in "Aina Jahan" instead of two national daily newspapers in violation of the rule ibid. This resulted in irregular expenditure of Rs 46.000 million on LP medicines.

Audit held that irregular procurement of LP medicines was carried out due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied the advertisement was published in two daily nationwide newspapers i.e. Daily Aina Jahan and Daily Jinnah. The reply of the department was not acceptable as documentary evidence in support of reply was not provided.

DAC in its meeting held on 13th December 2023 directed the department to approach to DGPR for provision of advertisement. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 121]

14.4.3 Irregular expenditure on account of printing charges - Rs 25.048 million

According to Rule 2(ad) of PPR 2014, urgency means a limited timeline for the accomplishment of procurement which cannot be met through open and limited bidding method. Moreover, according to Rule 59(d)(iii), a procuring agency may engage in negotiated tendering with one or more contractors with or without prior publication of procurement notification, but this procedure shall only be used for reasons of extreme urgency brought about by events unforeseeable by procuring agency, the time limits laid down for open and limited bidding methods cannot be met, however, the circumstances invoked to justify extreme urgency must not be attributable to the procuring agency.

During audit of the following formations of the DHA Chakwal for the FY 2022-23, it was observed that the management requested the Government Printing Press Punjab, Lahore for printing of different items. Controller Printing & Stationary Punjab replied that due to urgent / important and time limit jobs and non-availability of scanning system & classified printing facility, the government printing press was not in a position to undertake and execute the job. He asked the department to get the job done from the referred firms for urgent execution of printing work by referring emergency/urgency clause 2q, 2ad & 59d (iii) of PPR 2014. The management incurred an expenditure of Rs 25.048 million without calling tenders in violation of PPR 2014, despite the fact that neither any emergency was notified by any authority nor there exist any plausible reason for invoking urgency. This resulted in irregular expenditure on account of printing charges of Rs 25.048 million as detailed below:

Rs in million

Sr. No.	Name of Entity	Name of Firm	Amount
1	CEO Health	M/s Khyber Printer	4.942
2	CEO Health	-do-	0.143
3	DHQ Hospital Chakwal	-do-	8.893
4	DHQ Hospital Chakwal	-do-	5.083
5	City Hospital Talagang	-do-	2.813
6	THQ Talagang	M/s Khyber Printer & M/s Soon Valley Printers	2.792
7	THQ Choa Syden Shah	M/s Khyber Printer	0.382
Total			**25.048**

Audit held that irregular expenditure in violation of PPR 2014 was incurred due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that purchases were made from the vendor approved by Printing Corporation of Punjab. The reply was not acceptable as expenditure was incurred without tender in violation of PPR 2014.

DAC in its meeting held on 13th December 2023 directed the department to take up the matter with PPRA for clarification. No further progress was shown till finalization of the report.

Audit recommends inquiry of the matter as similar pattern was observed in all the seven formations of DHA Chakwal.

[PDP No. 34, 39, 120, 124, 306, 315 & 318]

14.4.4 Loss to government due to purchase of surgical items at higher rates - Rs 23.176 million

According to Clause 2 (xxvii) of Policy & Operational Guidelines for LP of Medicines (Day to Day) issued vide letter No. SO (HP) 12-02/2022 dated 29.06.2022 by P&SHCD, local purchase costs government higher price in comparison to bulk purchases. Therefore, the aim is to reduce the incidences of local purchase by initiation and conclusion of bulk purchase process timely, utilization of alternative methods of procurement and by conducting risk purchases without splitting of procurement.

During audit of following formations of DHA Chakwal for the FY 2022-23, it was observed that management procured surgical items from the local suppliers instead of approved vendors by CEO DHA Chakwal at higher rate. This resulted in loss to government of Rs 23.176 million as detailed at **Annexure-W**.

Rs in million

Sr. No.	**Name of Formation**	**Amount of loss**
1	THQ Hospital Choa Syden Shah	1.272
2	DHQ Hospital Chakwal	21.904
Total		**23.176**

Audit held that expenditure was incurred from local vendors instead of approved vendors due to negligence and weak internal controls of the management.

The matter was reported to the PAO in October 2023. The department replied that the purchases were made due to shortage of items. The reply was not acceptable as items were not purchased from approved vendors.

DAC in its meeting held on 13th December 2023 directed to probe the matter. No further progress was reported till finalization of this report.

Audit recommends probe into the matter besides recovery of loss and fixing of responsibility on the officer(s) at fault.

[PDP No. 32 & 133]

14.4.5 Irregular purchase of medical equipment - Rs 14.853 million

According to Rule 4 of PPR 2014, a procuring agency while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

During audit of CEO DHA Chakwal for the FY 2022-23, it was observed that management floated the tender for framework rate contract of procurement of medical equipment and other items. Scrutiny of technical evaluation reports revealed that two firms “M/S Bio Tech” and “M/S Deneb” were declared non-responsive on the basis of knock down criteria i.e. past performance/experience certificates. The firms also filed grievances against this decision which was also turned down by the grievance committee. However, on verification of bidding documents of both firms, it was observed that all the past performance certificates were available with the bids of both firms. This resulted in unjustified disqualification of said firms, rendering the tendering process non-transparent and unfair. Detail is as under:

Rs in million

Sr. No.	Name of item	Amount
1	Defibrillator	0.953
2	Static X-Ray	13.900
Total		**14.853**

Audit held that irregular award of contract was due to weak financial controls.

The matter was reported to the PAO in October 2023. The department replied that firms did not submit attested copies of the experience certificates. The reply was not acceptable as it was not the requirement of the bidding document to provide attested copies of experience certificates.

DAC in its meeting held on 13th December 2023 directed the department to probe the matter. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 316]

14.4.6 Irregular procurement by splitting - Rs 3.757 million

According to Rule 9(1) of PPR 2014, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned.

During audit of MS DHQ Hospital Chakwal for the FY 2022-23, it was observed that expenditure of Rs 3.757 million was incurred on procurement of various items by splitting the indent. This resulted in an irregular expenditure of Rs 3.757 million as detailed at **Annexure-X**.

Audit held that irregular procurement made by splitting of indents to avoid the tendering was due to poor financial management.

The matter was reported to the PAO in October 2023. The department replied purchases were made in case of emergency. Reply was not acceptable as no evidence was provided in support of reply.

DAC in its meeting held on 13th December 2023 directed to regularize the matter. No further progress was reported till finalization of this report.

Audit recommends regularization besides fixing of responsibility on the officer(s) at fault.

[PDP No. 129]

14.4.7 Non transparent procurement of LP medicine - Rs 4.017 million

According to Rule 4 of PPR 2014, a procuring agency while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

During audit of THQ Hospital Choa Syden Shah for the FY 2022-23, it was observed that Rs 4.017 million was incurred on local purchase of medicines. Bidding documents revealed that two firms namely M/s Doctor Pharmacy & M/s Hajvery Pharmacy participated in tender for LP medicine and both were declared responsive by the technical committee. But the grievances committee disqualified the M/s Doctor Pharmacy with the remarks that owner of doctor pharmacy was not registered with FBR. The decision of grievance committee was not in order as there was no such clause in bidding documents which required that owner/proprietor of pharmacy must be registered with FBR. Hence, elimination of M/s Doctor Pharmacy from competition made the whole procurement process doubtful. This resulted in non-transparent procurement of Rs 4.017 million.

Audit held medicine were not procured in accordance with the PPR 2014, due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that M/s Doctor Pharmacy could not justify the observation raised by grievance committee. The reply was not acceptable as observation of grievance committee was not in order.

DAC in its meeting held on 13th December 2023 directed to regularize the matter. No further progress was reported till finalization of this report.

Audit recommends regularization besides fixing of responsibility on officer(s) at fault.

[PDP No. 30]

C) Contract management

14.4.8 Non imposition of penalty on janitorial services provider - Rs 4.040 million

As per Sr. No. 05 of Chapter "Penalties" of contract agreement made with firms by PMU of P&SHC department, if any worker is not paid minimum wage as per Labor Laws in a given month, a penalty of Rs 5,000 / staff shall be imposed on the firm for that particular month. Appendix-3 (4) states that penalties calculation sheet signed by MS & New Management Structure (NMS) and respective supervisor must be shared with the Service Provider for his record.

During audit of the following formations of DHA Chakwal for the FY 2022-23, it was observed that janitorial services of the hospital were outsourced to M/s Super Care Services. The firm made payments to the janitorial staff at a rate less than the minimum wage rate notified by the government. Hospital management did not impose penalty @ Rs 5,000 / staff while verifying monthly invoices. This resulted in non-imposition of penalty of Rs 4.040 million as detailed below:

Rs in million

Name of Entity	**Period**	**No of Employees**	**No of Months**	**Total**
THQ hospital Talagang	07/2022 to 02/2023	36	8	1.440
DHQ Chakwal	07/2022 to 02/2023	65	8	2.600
Total				**4.040**

Audit held that the invoices were verified without including penalty due to weak managerial controls.

The matter was reported to the PAO in October 2023. The department replied that contract for janitorial services was between PMU of P&SHC department and outsourced company. The hospital was only responsible for forwarding monthly invoices and the payment was made by PMU. Furthermore, non-payment of minimum wage had already been intimated to relevant authority. The reply was not acceptable as the management did not impose penalty while verifying monthly invoices.

DAC in its meeting held on 13th December 2023 directed to take up the matter with PMU. No further progress was reported till finalization of this report.

Audit recommends imposition of penalty on service provider besides fixing of responsibility on officer(s) at fault.

[PDP No. 47 & 128]

D) Others

14.4.9 Non-recovery of patient claim under sehat sahulat programme - Rs 14.149 million

According to Clause-2, sub-clause 2.3 "Duties & Responsibilities of the provider" of agreement between Hospitals and SLIC of Pakistan regarding providing health facilities to State life clients, State Life will process all submitted claims within 30 days after receiving completed claims along with the required documents.

During audit of DHA Chakwal for the FY 2022-23, it was observed that following hospitals did not recover Rs 14.149 million from SLIC of Pakistan against the provision of health facility to patients under SSP in violation of above clause of the agreement. This resulted in non-recovery of government dues of Rs 14.149 million as detailed below:

Rs in million

Sr. No.	**Name of Entity**	**Amount**
1	DHQ Hospital Chakwal	5.200
2	City Hospital Talagang	5.963
3	THQ Choa Syden Shah	0.401
4	THQ Hospital Talagang	1.928
5	Trauma Centre Kalarkahar	0.657
Total		**14.149**

Audit held that patient claims were neither submitted nor recovered due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that the recovery was in-process. The reply was not acceptable since no evidence of recovery was provided.

DAC in its meeting held on 13th December 2023 directed for recovery. No further progress was reported till finalization of this report.

Audit recommends early submission and recovery of outstanding claims.

[PDP No. 35, 49, 135, 301 & 308]

14.4.10 Loss due to non-deduction of GST on procurement of medicines - Rs 1.637 million

According to Para 10 of Circular No.09 of 2022-23 issued by FBR "Sale tax, Federal excise and ICT" (Tax on service) of amendment in Finance Act 2022 communicated vide Notification No. C.No.3(1)ST-L&P/2019 dated 21.07.2022, drugs registered under the Drugs Act 1976 have been made chargeable to tax at reduced rate of 1% without input adjustment. Similarly, Active

Pharmaceutical Ingredients (APIs) and their raw materials are also chargeable at fixed rate of 1% subject to certification by DRAP.

During audit of CEO DHA Chakwal for the FY 2022-23, it was observed that payment for procurement of medicines for Rs 163.70 million was made without deducting sales tax @ 1% to the tune of Rs 1.637 million. This resulted in non-deduction of sales tax.

Audit held that GST @ 1% was not deducted due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that GST was not paid. The reply was not acceptable as GST was not deducted.

DAC in its meeting held on 13th December 2023 directed for recovery of GST. No further progress was reported till finalization of this report.

Audit recommends recovery besides fixing of responsibility on the officer(s) at fault.

[PDP No. 319]

14.4.11 Non-forfeiture of earnest money of defaulting contractors - Rs 1.607 million

As per Clause 9(iii) of contract form (agreement) of bidding document, if the supplier fails to supply the whole consignment within the contract period and not able to deliver the consignee's end, the entire amount of performance guaranty/security shall be forfeited to the government account and the firm shall be blacklisted for minimum of two years for further participation.

During audit of CEO DHA Chakwal for FY 2022-23, it was observed that suppliers did not supply medicine worth Rs 32.134 million but the performance security of the firms amounting to Rs 1.607 million was not forfeited. This resulted in loss of Rs 1.607 million to the public exchequer.

Audit held that performance security was not forfeited due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that final notice had been served to the firms for supply of medicine. In case of non-supply, performance security would be forfeited. The reply was not acceptable as no action was taken against the firms.

DAC in its meeting held on 13th December 2023 directed the department to receive medicine at earliest. No further progress was reported till finalization of this report.

Audit recommends forfeiture of performance security besides fixing of responsibility on the officer(s) at fault.

Note: The issue was also reported earlier in the Audit Reports for Audit Year 2022-23 vide para number 14.4.9 having financial impact of Rs 1.125 million. Recurrence of same irregularity is a matter of serious concern

[PDP No. 323]

14.4.12 Irregular payment of previous year's liability - Rs 1.773 million

According to Rule 17.17(A) read with Rule 17.18 of PFR Vol-I, every DDO shall maintain a register of liabilities in PFR Form 27 in which he should enter all these items of expenditure for which payment is to be made by or through another officer, budget allotment or sanction of a higher authority is to be obtained or payment would be required partly or wholly during the next financial year or years.

During audit of THQ Hospital Choa Syden Shah for the FY 2022-23, it was observed that payment of Rs 1.773 million was made to M/s Islamabad Medical Engineering against outstanding liabilities on account of LP medicine without additional funds and sanction of next higher authority i.e. CEO DHA Chakwal. Further, no liability register was prepared. This resulted in irregular payment of Rs 1.773 million as detailed below:

Rs in million

Sr. No.	Invoice No.	Date of payment	Amount
1	116/2022 dated 10-06-2022	20-06-2023	0.475
2	114/2022 dated 09-06-2022	20-06-2023	0.499
3	113/2022 dated 09-06-2022	14-12-2022	0.484
4	124/2022 dated 10-06-2022	07-12-2022	0.315
Total			**1.773**

Audit held that payment of previous year was made without sanction and additional funds due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that due to shortage of funds supplementary grant was not provided. The reply was not acceptable as no sanction was accorded by the CEO DHA Chakwal.

DAC in its meeting held on 13th December 2023 directed for regularization of the matter. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 33]

CHAPTER 15

DISTRICT HEALTH AUTHORITY JHELUM

15.1 Introduction

a) There are 19 formations in DHA Jhelum out of which audit of 04 formations was conducted. Total expenditure and receipt of these formations was Rs 1,314.181 and Rs 96.468 million out of which 68% expenditure and 54% receipt were audited.

Audit Profile of DHA Jhelum

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure Audited	Receipts Audited
1	DHA Jhelum	19	04	897.077	52.282
2	Assignment Acs/SDAs	-	-	-	-
3	Foreign Aided Projects	-	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DHA Jhelum was Rs 2,512.536 million and supplementary grant was Rs 317.902 million for the FY 2022-23. An amount of Rs 333.483 million was surrendered and final budget was Rs 2,496.955 million. Management incurred an expenditure of Rs 2,496.519 million resulting in saving of Rs 0.436 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	1914.327	116.428	192.738	1,838.017	1859.576	21.559
Non-Salary	596.737	199.379	140.404	655.712	633.717	-21.995
Development	1.472	2.095	0.341	3.226	3.226	0

Total	**2,512.536**	**317.902**	**333.483**	**2,496.955**	**2,496.519**	**-0.436**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	Final Grant	Expenditure	Excess (+) / Saving (-)	% age of saving
2021-22	2,518.488	2,108.494	-409.994	16
2022-23	2,496.955	2,496.519	-0.436	0.02

Source: Appropriation accounts for the FY 2021-22 and 2022-23

There was 1% decrease in budget allocation and 18% increase in expenditure during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 0.436 million during FY 2022-23 which is 0.02% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

There are ten (10) qualitative indicators set by P&SHC department for DHA Jhelum for the FY 2022-23. These indicators are set with the objectives of improving health facilities at each health unit, providing better environment, facilitating the patients in OPD and free of cost health services to the patients through appropriate monitoring at all levels. A comparison of target set for each indicator and the status of achievement is given below:

Sr. No.	Key Indicators	Targets	Achievements
1	Outdoor Patients	2,100,000	2,173,831
2	Indoor Patients	60,000	60,472
3	Surgical Cases	30,000	30,855
4	Cardiac Coronary Unit	1,500	1,783
5	Diagnostic Services (Laboratory, Radiology)	555,500	576,880
6	Family Planning Visits	42,000	46,529
7	Peads	9,000	9,172
8	Surgery	7,999	8,154

9	TB Chest Treatments	1,420	1,437
10	Free Medicines to Patients	100%	100%

Source: DHIS dashboard of DHA Jhelum

ii. Service Delivery Issues

Analysis of the achievements mentioned in the above table show that DHA Jhelum treated all target number of patients during FY 2022-23.

15.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 264.839 million were raised in this report during current audit of DHA Jhelum. This amount also includes recoveries of Rs 40.103 million as pointed out by the audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations
Rs in million

Sr. No.	Classification	Amount placed under audit observation
1	Non-production of record	-
2	Fraud, embezzlement, and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	27.233
B	Procurement related irregularities	203.744
C	Contract Management	20.969
4	Value for money and service delivery issues	-
5	Others	12.893
Total		**264.839**

15.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meeting
1	2017-18	10	Not Convened
2	2018-19	13	
3	2019-20	16	
4	2020-21	06	

5	2021-22	08	
6	2022-23	08	

15.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

15.4.1 Un-authorized award of BPS-12 without following service rules - Rs 12.106 million

According to the Sr. No. 6 of Schedule-I of the Punjab Health Department Allied Health Professionals (Service) Rules 2012, Senior Technician (BS-14), by promotion on the basis of seniority-cum-fitness from amongst the technicians in the relevant allied health sciences discipline having five years' service and technical training in the relevant discipline for three months, designed by University of Health Sciences, at the District Health Development Centre (DHDC) followed by post training examination to be conducted by the Punjab Medical Faculty.

During audit of MS DHQ Hospital Jhelum for the FY 2022-23, it was observed that un-authorized higher grades i.e. BPS-12 & BPS-14 were awarded in 2012 by the then CEO DHA Jhelum to the various technicians of BPS-9 in violation of above rules. This resulted in overpayment of Rs 12.106 million as detailed at **Annexure-Y**.

Rs in million

Sr. No.	No. of Employees	Description	Recoverable
1	08	BPS-09 to BPS-12	9.398
2	05	BPS-09 to BPS-14	2.708
Total			**12.106**

Audit held that unauthorized award of higher grade to technicians was due to weak financial controls.

The matter was reported to the PAO in October 2023. The department replied that matter had been taken with competent authority vide letter No.8069 dated 22.09.2023. The reply was not tenable as above mentioned Service Rules were not implemented.

DAC in its meeting held on 12th December 2023 directed for recovery. No further progress was reported till finalization of this report.

Audit recommends re-fixation of pay besides affecting recovery.

[PDP No. 78 & 194]

15.4.2 Overpayment due to award of higher scale on regularization – Rs 6.762 million

As per Sr. 06 of Notification No. DS(O&M)5-3/2004/ CONTRACT(MF) dated 14.10.2009, the pay of newly appointed staff formally on contract service would be fixed on the initial of the pay grade / scale and the difference of pay would be paid as their personal allowance.

According to Para 1(d) of Government of the Punjab, Finance Department letter No.FD.PC-32-7/2007(103)/07 dated 23.04.2008 the post in BPS 01 to 04 has not been upgraded on permanent basis. Hence, the new incumbents against the category after 01.07.2007 would be made in original pay scales i.e. in BPS-1 to BPS-4.

During audit of MS DHQ Hospital, Jhelum for the FY 2022-23, it was observed that services of the 40 non-gazatted officials were regularized on 14.10.2009. As per the criteria referred above, these officials were required to be placed in BPS-01 instead of BPS-2. Similarly, some officials were allowed BPS-3 instead of their original scale of BPS-2. This resulted in overpayment of Rs 6.762 million as detailed at **Annexure-Z**.

Audit held that overpayment by awarding higher grade was due to weak financial controls.

The matter was reported to the PAO in October 2023. The department replied that said employees were regularized under the regularization policy, which have been duly verified by DAO Jhelum. Hence, no recovery was due from these employees. The reply was not tenable as regularization was to be made against original scales of these employees.

DAC in its meeting held on 12th December 2023 directed for recovery. No further progress was reported till finalization of this report.

Audit recommends re-fixation of pay besides effecting recovery.

[PDP No. 193]

15.4.3 Irregular payment of pay & allowances to doctors - Rs 3.821 million

According to the appointment notification of MO/WMOs, Secretary, P&SHC department appointed MO/WMOs (BS-17) on adhoc basis in THQ Hospital Sohawa for period of one year or till the availability of regular incumbent whichever is earlier.

During audit of THQ Hospital Sohawa for the FY 2022-23, it was observed that the management made payment of Rs 3.821 million to the following doctors who were not performing their duties in THQ Hospital Sohawa since the dates mentioned against each. This resulted in irregular drawl of pay and allowances amounting to Rs 3.821 million and depriving of general public from basic health facilities due to their absence at the place of posting besides workload on the remaining staff. Detail is given below:

Rs in million

Sr. No.	Designation	From	To	Total
1	MO	12.12.22	to date	0.846
2	WMO	18.12.22	28.02.23	0.314

Rs in million

Sr. No.	Designation	From	To	Total
		13.03.23	to date	0.463
3	WMO	21.01.23	to date	0.686
4	WMO	17.04.22	28.02.23	1.271
		15.03.23	16.05.23	0.241
Total				**3.821**

Audit held that the ad hoc appointment was a stop gap arrangement till the posting of regular incumbent and was non-transferable but due to poor managerial controls, MO/WMO were drawing their pays without performing their duties at designated place of posting.

The matter was reported to the PAO in October 2023. The department replied that these doctors were working in DHQ Jhelum by the orders of CEO DHA Jhelum. All these orders had been cancelled by CEO DHA Jhelum on 10.10.2023. Reply was not acceptable as no attachment orders were provided.

DAC in its meeting held on 12th December 2023 directed to inquire the matter. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 52]

15.4.4 Irregular payment to contingent paid staff - Rs 1.772 million

According to Clause 2(a) of preface of Schedule of Wage Rate 2022, the post(s) shall be advertised properly in the leading newspaper.

During audit of THQ Hospital PD Khan for the FY 2022-23, it was observed that the hospital management appointed and made payment of Rs 1.772 million to the five Data Entry Operators (DEO) out of Health Council funds without advertisement in violation of above rules. This resulted in irregular expenditure of Rs 1.772 million.

Audit held that the irregular payment was due to weak internal controls and mismanagement.

The matter was reported to the PAO in October 2023. The department replied that advertisement for the post of DEO was published in two newspapers i.e. Express News and Alamgir Post on July 19, 2023. The hiring process was completed on September 4, 2023, and the selected candidates began working on April 5, 2023. All the necessary formalities for the hiring process were fulfilled. The reply was not appropriate as process was not followed for the period under audit.

DAC in its meeting held on 12th December 2023 directed to probe the matter. No further progress was reported till finalization of this report.

Audit recommends regularization besides probe for fixing of responsibility on the officer(s) at fault.

[PDP No. 17]

15.4.5 Non-deduction of House Rent and Utility Charges - Rs 1.748 million

According to Para 36(b) of Allotment Policy 1997, amended up to 2018, all government servants occupying residences will be bound to get house rent deducted from their salaries, as payable according to the rules. Rent / Penal rent of an allotted and occupied residence will be charged to the salary of the allottee. Further, according to the directions of Government of the Punjab, P&SHC department vide Notification No. SO (B&A)1-1/91-92 dated 12.05.1992, all government servants who have been provided on rent accommodation in the institutes / hospitals premises, would arrange separate meter for the facilities of electricity, sui-gas and water. The head of office were accordingly required to ensure compliance and disconnect all such facilities from the bulk supply of the hospital. Till compliance electricity @ Rs 500, sui-gas @ Rs 400 & water @ Rs 40 pm be deducted. Moreover, in case of use of air cooler, Rs 500 and in case of use of air conditioner Rs 2,000 extra be charged from April to September of each year.

During audit of DHQ Hospital Jhelum for the FY 2022-23, it was observed that the hospital had two hostels consisting of 44 rooms. Scrutiny of the record revealed that the hospital management did not implement the government instructions as mentioned above and failed to deduct house rent and utility charges from the salaries of 34 employees residing in these hostels. This resulted in non-deduction of charges amounting to Rs 1.748 million.

Audit held that compulsory deduction was not made due to weak financial controls.

The matter was reported to the PAO in October 2023. The department replied that assessment of room rent and utility charges had been requested to Building Department and Punjab Energy Department vide letter No.10240 &10239 dated 25.11.2023. The reply was not acceptable as no compliance was made.

DAC in its meeting held on 12th December 2023 directed for recovery but No further progress was reported till finalization of this report.

Audit recommends recovery besides fixing of responsibility on the officer(s) at fault.

[PDP No. 82]

15.4.6 Non-deduction of house rent allowance above entitlement - Rs 1.024 million

According to instructions contained in Finance Department, Government of the Punjab (Monitoring Wing) letter No. FD(M-I)1-15/82-P-I dated 15th January 2000, the government servant who is allotted a government residence is not allowed to draw House Rent Allowance and will have to pay House Maintenance charges @ 5% of the basic pay. In case the official is residing above his entitlement, 10% rent of the maximum of the scale for the accommodation meant for, is required to be deducted.

During audit of MS DHQ Hospital Jhelum for the FY 2022-23, it was observed that management allotted government accommodations to 10 employees of DHA Jhelum. Scrutiny of the record revealed that some of the accommodations were allotted above entitlement. Only 5% house maintenance charges were deducted instead of 10%. This resulted in overpayment of Rs 1.024 million.as detailed at **Annexure-AA.**

Audit held that unauthorized payment was made due to weak financial controls.

The matter was reported to the PAO in October 2023. The management did not submit any reply.

DAC in its meeting held on 12th December 2023 directed for recovery. No further progress was reported till finalization of this report.

Audit recommends that recovery be made from the concerned.

[PDP No. 85]

B) Procurement related irregularities

15.4.7 Irregular award of contract in violation of knock down criteria - Rs 101.667 million

According to Rule 32(1) of the PPR 2014, all bids shall be evaluated in accordance with evaluation criteria and other terms and conditions set forth in the prescribed bidding documents.

During audit of the following formations of DHA Jhelum for the FY 2022-23, it was observed that management incurred an expenditure of Rs 101.667 million on procurement of different store articles from different firms. Scrutiny of the record revealed that these firms did not fulfill the knockdown criteria and management instead of rejecting their bids, irregularly awarded the contract. This resulted in irregular award of contract. Detail is given at **Annexure-AB**.

Rs in million

Sr. No.	Name of Formation	Items Purchased	Amount
1	DHQ Hospital Jhelum	LP Medicine, Pathology items, General Store Items	56.000
2	CEO DHA Jhelum	Lab Items, Linen items, X-ray rate contract, General Store items	45.667
Total			**101.667**

Audit held that technical bids were not rejected as per knock down criteria laid down in bidding documents due to weak internal and financial controls.

The matter was reported to the PAO in October 2023. The department replied that no irregularity was committed best efforts were made to keep competition transparent. The reply was not tenable as the documentary evidences proved irregularities in the tendering process.

DAC in its meeting held on 12th December 2023 directed to probe the matter. No further progress was reported till finalization of this report.

Audit recommends that matter be inquired to fix responsibility on the persons at fault besides regularization.

[PDP No. 73, 75, 264, 266, 268 & 267]

15.4.8 Irregular award of rate contract to technically unqualified firms - Rs 33.052 million

According to Rule 4 of PPR 2014, a procuring agency while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

During audit of CEO DHA Jhelum for the FY 2022-23, it was observed that rate contract of medicines were awarded to technically unqualified firms. Scrutiny of record revealed that these firms failed to qualify but due to defective evaluation they were given passing marks. This resulted in irregular award of contract for Rs 33.052 million. Detail is given at **Annexure-AC**.

Audit held that procurements were made against defective evaluation due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that no irregularity was made for evaluating knock down criteria. Reply was not tenable as documentary evidence was available for the violations.

DAC in its meeting held on 12th December 2023 directed to probe into the matter. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 272, 273, 274, 275, 279, 280 & 286]

15.4.9 Doubtful consumption of medical gases - Rs 17.411 million

According to Sr. No. 15.4 (a) of PFR volume-I, all materials received should be examined, counted, measured and weighed, as the case may be, when delivery is taken, and they should be kept in charge of a responsible Government Servant. The passing and the receiving Government servants should see that the quantities are correct and their quality good, and record a certificate to this effect. The receiving Government servant should also be required to give a certificate that he has actually received the materials and recorded them in his appropriate stock registers.

During audit of DHQ Hospital Jhelum for the FY 2022-23, it was observed that payment of Rs 17.411 million was made for procurement of medical gasses. Comparison of main store stock register with children & emergency ward expense registers revealed following discrepancies:

i. The quantity of the unused cylinders was found less i.e. 1,650 and 1,700 bars (300 to 350 bars less per cylinder) as against required 2,000 bars. It showed that the cylinders were received without measuring weight in violation of above rule.

ii. Physical inspection revealed that main stock register was written up to 30.06.2022 while the expense books of the emergency ward were updated up to 31.07.2022. Moreover, The children ward indent was updated up to 31.07.2022 while the expense book was written up to 03.08.2022 without indent or receiving of oxygen cylinder in the expense book. This proves that the consumption procedure was not followed.

iii. In emergency ward Medical Officers simply prescribed O_2 on patients files without mentioning the quantity or time.

iv. The consumption of oxygen cylinder in children ward for the month of July 2022 was checked with admission and discharge register and available files and noticed the overcharge of oxygen gas as per detail at **Annexure-AD**.

This resulted in doubtful consumption of medical gases amounting to Rs 17.411 million.

Audit held that stock of medical gases was not measured and weighed at the time of receipt and shown over-consumed while booking expense without confirming its authenticity due to weak internal & financial controls.

The matter was reported to the PAO in October 2023. The department replied that there was no material difference in stock. There might be leakages or other uncontrollable or environmental factors for shortage. Moreover, cylinders were to be replaced upon 30% gas because the supply panel only supports high pressure oxygen which resulted in more consumption of oxygen. The reply was not tenable as the department admitted the shortage. Moreover, the documents could not verify the consumption of medical gases.

DAC in its meeting held on 12th December 2023 directed to probe into the matter. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 76]

15.4.10 Irregular procurement due to splitting - Rs 14.197 million

According to Rule 9(1) of PPR 2014, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned.

During audit of DHQ Hospital Jhelum for the FY 2022-23, it was observed that expenditure of Rs 14.197 million was incurred on purchase of various items by splitting to avoid quotation / tendering process in violation of the above rule. This resulted in irregular expenditure of Rs 14.197 million as detailed at **Annexure-AE**.

Audit held that irregular procurement by splitting of indents to avoid the quotation/tendering was due to poor financial management.

The matter was reported to the PAO in October 2023. The department replied that purchase was made as per rule and requirement. The reply was not tenable as procurement was done by splitting of indent as evident from documents.

DAC in its meeting held on 12th December 2023 directed for inquiry of the matter. No further progress was reported till finalization of this report.

Audit recommends regularization of the matter besides fixing of responsibility on the officer(s) at fault besides regularization.

[PDP No. 192]

15.4.11 Irregular award of rate contract of medical gases – Rs 14.011 million

According to Rule 4 of PPR 2014, a procuring agency while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

During audit of DHQ Hospital Jhelum for the FY 2022-23, it was observed that a tender of Rs 25.108 million was floated on 30.06.2022 for procurement of refilling of medical gases and instrument. Subsequently, payment of Rs 14.011 million was made to Mirza and Company as per following detail:

Rs in million

Sr. No.	Cheque date	Bill for the Month	Gross Amount
1	27.09.2022	Mar 2022	1.790
2	27.09.2022	Apr 2022	2.232
3	27.09.2022	May 2022	2.120
4	27.09.2022	Jun 2022	2.271
5	15.09.2022	Jul 2022	1.956
6	15.09.2022	Aug 2022	1.700
7	23.05.2023	Aug 2022	0.437
8	23.05.2023	Sep 2022	1.505
Total			**14.011**

Scrutiny of technical evaluation report with bidding documents of the successful bidder i.e. M/s Mirza & Company revealed following discrepancies which made the award irregular because:

i. The company only had 09 months business history instead of mandatory one year business history. Moreover, CDR amounting to Rs 264,510 was deposited instead of Rs 502,162 i.e. 2% bid security.

ii. The company did not submit company profile, technical, engineering, administrative skills, after sales services past experience/performance including relevant material(s) as required. The company submitted authorized dealership certificate of M/s Multan Chemical Ltd. which was also a competitor in the said bid.

This resulted in irregular award of tender of medical gasses valuing Rs 14.011 million.

Audit held that the firm was qualified by technical evaluation committee despite the fact that numerous document(s) of knock down criteria were not provided due to weak managerial controls.

The matter was reported to the PAO in October 2023. The department replied that rate contract of medical gases for FY 2022-23 was awarded by CEO DHA Jhelum. The matter had been taken up with CEO DHA Jhelum on 25.11.2023. The reply was not acceptable as knock down criteria was not fulfilled.

DAC in its meeting held on 12th December 2023 directed to probe the matter. No further progress was reported till finalization of this report.

Audit recommends regularization of the matter besides fixing responsibility on the officer(s) at fault.

[PDP No. 74]

15.4.12 Irregular expenditure on printing & publication - Rs13.503 million

According to Rule 2(ad) of PPR 2014, 'Urgency' means a limited timeline for the accomplishment of procurement which cannot be met through open and limited bidding method; & According to Rule 59 (d)(iii), a procuring agency may engage in negotiated tendering with one or more contractors with or without prior publication of procurement notification, but this procedure shall only be used when reasons of extreme urgency brought about by events unforeseeable by procuring agency, the time limits laid down for open and limited bidding methods cannot be met, however, the circumstances invoked to justify extreme urgency must not be attributable to the procuring agency.

During audit of the following formations of the DHA Jhelum for the FY 2022-23, it was observed that management requested the superintendent Government Printing Press Punjab for printing of different items. Controller Printing & Stationary Punjab replied that due to urgent/important and time limit jobs and due to non-availability of scanning system & classified printing facility the government printing press was not in a position to undertake and execute the job. He asked the department to get the job done from the referred firms for urgent execution of printing work by referring emergency/urgency clause 2q, 2ad & 59d (iii) of PPR 2014.

Consequently, the management incurred an expenditure of Rs 13.503 million without calling tender in violation of PPR 2014, despite the fact that neither any emergency was notified by any authority nor there exist any plausible reason for invoking urgency. This resulted in irregular expenditure of Rs 13.503 million. Detail is as under:

Rs in million

Sr. No.	Name of formation	Name of contractor	Amount
1	THQ Hospital PD Khan	Soan Valley Printing Press	0.777
2	THQ Hospital Sohawa		0.411
3	DHQ Hospital Jhelum	Khyber international printer	10.880
4	CEO DHA	M/s Noor-e-wahdat printers Lahore	1.435
Total			**13.503**

Audit held that irregular expenditure in violation of PPR 2014,was incurred due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that under Rule no. 59(C)(VI) of PPR 2014, a procuring agency was allowed to engage in direct contracting if the price of goods, services, or works was fixed by the government or another authorized entity. The reply was not acceptable as no plausible reasons for invoking urgency was provided to audit.

DAC in its meeting held on 12th December 2023 directed to refer the matter to PPRA for clarification. No further progress was reported till finalization of this report.

Audit recommends inquiry of the matter as similar pattern was observed in all the four formations of DHA Jhelum.

[PDP No. 14, 55, 72 & 287]

15.4.13 Non recovery of risk & cost from firm due to non-supply – Rs 3.669 million

According to Sr. No.07 of award for purchase of medicines/ drugs/ medical devices/ surgical & disposable items FY 2021-22, if the successful bidder fails to supply the goods as per orders within the stipulated time / as per terms and conditions of the contract or they try to withdraw / amend / revise their offer within the validity period, the offer shall stand cancelled, the earnest money / call deposit / security deposit will be forfeited and the relevant goods will be purchased at the risks and cost of the bidder.

During audit of the following formations of DHA Jhelum for the FY 2022-23, it was observed that advance acceptance was issued to vendors for purchase of medicines/ drugs/ medical devices/ surgical & disposable items for FY 2021-22 and accordingly agreement was made with the firms. Collective purchase orders were issued with a delivery period of 60 days (45 days + 15 days grace period)] but the firms did not supply these items. Therefore, these items were procured through LP budget on higher rates. CEO DHA Jhelum did not take any action like blacklisting, forfeiture of performance security or purchases on risk and cost of the bidder etc. as provided in the agreement. This resulted in non-recovery of risk and cost of Rs 3.669 million as detailed at **Annexure-AF.**

Rs in million

Sr. No.	Name of formation	Amount
1	CEO (DHA) Jhelum	1.543
2	THQ Hospital PD Khan	1.084
3	THQ Hospital Sohawa	1.042
Total		**3.669**

Audit held that neither the firm was blacklisted nor the earnest money was forfeited and loss on risk & cost basis was also not recovered due to poor managerial controls.

The matter was reported to the PAO in October 2023. The department replied that M/s Munawar Pharma was declared blacklisted and forfeited 5% performance guarantee due to non provision of awarded items and recovery amounting to Rs 126,146 was made. Further, M/s IBL Healthcare supplied incomplete IV Sets i.e. supplied 100,000 instead of 178,000. The performance guarantee of M/s IBL was forfeited due to partial supply and recovery amounting to Rs 112,866. The reply was not convincing as recovery made did not cover the risk and cost factor.

DAC in its meeting held on 12th December 2023 directed for recovery of risk & cost. No further progress was reported till finalization of this report.

Audit recommends recovery besides fixing of responsibility on the officer(s) at fault.

[PDP No. 15, 56 & 288]

15.4.14 Non transparent award of tender of digital X-Ray films – Rs 2.276 million

According to Rule 4 of PPR 2014, a procuring agency while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

During audit of CEO DHA Jhelum for the FY 2022-23, it was observed that management uploaded the tender of Digital X-Ray films on PPRA's website on 22.11.2022. It was noticed that the successful bidders namely; M/s Arooj Group and M/s New Malik Enterprises managed the tender. The stamps of M/s Arooj Group were embossed on the documents of M/s New Malik Enterprises. Both the bidders did not submit the compulsory affidavit of non-blacklisting. It was further noticed that the stamp paper submitted by M/s Arooj Group was not issued in favor of DHA Jhelum and the same was tempered. Moreover, the agreement was also not executed on non-judicial stamp paper as required under Section 22-A(b) of Stamp Duty Act 1899. This resulted in non-transparent tendering of Rs 2.276 million.

Audit held that firms were given undue favor and not rejected at the time of technical evaluation due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that all procedure was followed in a transparent and fair manner by treating all the firms equally. The reply was not acceptable because rate contracts were awarded despite the fact that firms did not qualify technically.

DAC in its meeting held on 12th December 2023 directed to probe into the matter. No further progress was reported till finalization of this report.

Audit recommends inquiry of the matter besides fixing of responsibility on the officer(s) at fault.

[PDP No. 270]

15.4.15 Overpayment on account of purchase of medicines/surgical items - Rs3.958 million

According to Serial No. 3 of the supply orders and Clause 23(c) of the terms & conditions of bidding documents issued by DHA Jhelum, in case rate charged by the firm are found higher than the rates charged in other districts at any stage, the firm will be responsible to refund the excess amount.

During audit of accounts of CEO DHA Jhelum for the FY 2022-23, it was observed that firms quoted higher rates for the same items than which were quoted in other districts of Punjab (Attock, Chakwal & Rawalpindi) in violation of said agreement. This resulted in non-deduction of excess payment of Rs 3.958 million as detailed at **Annexure-AG**.

Audit held that procurement was made at higher rates due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that M/s Bloom Pharmaceutical agreed for deduction of excess amount of Rs 59,385 from its pending bills and remaining deduction was in progress. Regarding medical gases, procuring agency took up the matter with the firm for reducing the rate as quoted in district Attock & Chakwal but the representative of firm refused to reduce the rates. The procuring agency tried for re-tendering and contacted to other vendors of medical gases for submitting reduced rates up to Rs 700 per cylinder but all the vendors refused to do so. Reply was not acceptable in the light of Clause 23 (C).

DAC in its meeting held on 12th December 2023 directed for recovery. No further progress was reported till finalization of this report.

Audit recommends recovery besides fixing of responsibility on the officer(s) at fault.

[PDP No. 265 & 281]

C) Contract management

15.4.16 Non imposition of penalty on janitorial services - Rs 5.960 million

As per Sr. No. 05 of Chapter "Penalties" of contract agreement made with firms by PMU of P&SHC department, if any worker is not paid minimum wage as per Labor Laws in a given month, a penalty of Rs 5,000 / staff shall be imposed on the firm for that particular month. Appendix-3 (4) states that penalties calculation sheet signed by MS & NMS and respective supervisor must be shared with the Service Provider for his record.

During audit of the following formations of DHA Jhelum for the FY 2022-23, it was observed that janitorial services of the hospital were outsourced to the following firms. These firms made payments to the janitorial staff at the rate less than the actual minimum wage rate notified by the government. Hospital management, despite knowing the fact, did not impose penalty @ Rs 5,000 / staff while verifying monthly invoices. This resulted in non-imposition of penalty of Rs 5.960 million as detailed below:

Rs in million

Sr. No.	Name of formation	Name of contractor	Amount
1	THQ Hospital PD Khan	M/s Super Care Service	1.440
2	DHQ Hospital Jhelum	M/s Console Enterprises	3.080
3	THQ Hospital Sohawa	M/s Super Care Service	1.440
Total			**5.960**

Audit held that invoices were verified without including penalty due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that contract for janitorial services was executed between PMU of P&SHC department and outsourced company M/s Console Enterprises. The hospital was only responsible for forwarding monthly invoices, the payment was made by PMU. Further, non-payment of minimum wage had already been intimated to relevant authority. The reply was not tenable as the management had to ensure the acknowledgement of payment.

DAC in its meeting held on 12th December 2023 directed to take up the matter with PMU. No further progress was reported till finalization of this report.

Audit recommends recovery of penalty besides fixing of responsibility on officer(s) at fault.

[PDP No. 18, 60 & 88]

15.4.17 Non recovery of patient claims under sehat sahulat programme - Rs 4.966 million

According to Clause 2.3 of the agreement between THQ PD Khan & SLIC of Pakistan, "Duties & Responsibilities of the provider", State Life will process all submitted claims within 30 days after receiving completed claims along with required documentation.

During audit of THQ Hospital PD Khan for the FY 2022-23, it was observed that 398 patients claims under SSP amounting to Rs 4.966 million were neither submitted nor recovered from the SLIC of Pakistan in violation of above clause of the agreement. This resulted in non-recovery of government dues of Rs 4.966 million**.**

Audit held that patient claims were neither submitted nor recovered due to weak managerial controls.

The matter was reported to the PAO in October 2023. The department replied that Hospital had submitted a total of 423 cases to State Life for payment. The reply was not acceptable since no claim was received so far.

DAC in its meeting held on 12th December 2023 directed for compliance. No further progress was reported till finalization of this report.

Audit recommends early submission and recovery of outstanding claims.

Note: The issue was also reported earlier in the Audit Reports for Audit Year 2022-23 vide para number 15.4.5 having financial impact of Rs 2.093 million. Recurrence of same irregularity is a matter of serious concern

[PDP No. 19]

15.4.18 Loss due to non-collection of auction rights - Rs 10.043 million

According to Rule 27 of PLG (Auction of Collection Rights) Rules 2016, the successful bidder shall furnish a surety for the due performance of the contract and will provide a bank statement for the preceding six months also showing a bank balance equivalent to the amount of the surety. Further, in case of default of contractor to discharge his obligations under the contract for any reason, the local government shall be entitled to recover, not only the amount including charges, dues and fees which may have become due under the contract, but also the cost of proceedings initiated in this regard.

During audit of MS DHQ Hospital Jhelum for the FY 2022-23, it was observed that hospital management entered into following contracts regarding collection rights of hospital parking & canteen. Scrutiny of the record revealed that hospital management failed to implement the above mentioned rules in letter & spirit and could not recover the due amount. This resulted in loss of Rs 10.043 million as detailed below:

Rs in million

Sr. No.	Name of contractor	Nature of contract	Contract Value	Recovered	Recoverable
1	M/s Wajid Mehmood	Parking	9.677	1.683	7.994
2	M/s Zeshan Ahmed	Canteen	4.445	2.396	2.049
Total			**14.122**	**4.079**	**10.043**

Audit held that government dues were not recovered due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that these contractors refused to run the parking stand and canteen and also refused to make further payments. The management forfeited the security of contractor and deposited the same in government treasury. The blacklisting procedure had now been adopted. The reply was not acceptable as management did not award the auction contracts in accordance with rules. Moreover, blacklisting of these contractors was yet to be implemented.

DAC in its meeting held on 12th December 2023 directed for inquiry by CEO. No further progress was reported till finalization of this report.

Audit recommends to make good the government loss from the concerned.

[PDP No. 79 & 80]

D) Others

15.4.19 Un-authorized utilization of tied grants - Rs 12.893 million

According to Rule 24 of PDA (Budget) Rules 2017, all conditional grants shall be budgeted and utilized following the conditions of the grant. Further, as per Para 2 of the release order for bulk purchase of medicines, the funds will not be utilized for any other purpose.

During audit of CEO DHA Jhelum for the FY 2022-23, it was observed that funds to the tune of Rs 383.680 million were available for tied grants (Bulk medicines, dialysis medicines, IRMNCH & COVID), out of which Rs 282.010 million were utilized during the FY 2022-23. The remaining amount of Rs 101.670 million should have been available in Account-VI as closing balance on 30.06.2023. However, as per bank statement of DHA Jhelum closing bank balance of Account-VI was only Rs 35.900 million. This shows that funds amounting to Rs 65.770 million were utilized for other purposes in violation of rules / conditions of grant by DHA as detailed below:

Rs in million

Tied Grant Description	Balance 30.06.22	Received FY 2022-23	Total FY 2022-23	Expenditure FY 2022-23	Balance 30.06.23
Medicines Bulk	151.720	192.510	344.230	264.720	79.510
Dialysis Machine	9.800	12.550	22.350	14.060	8.290
Covid Funds	-	13.740	13.740	0	13.740
IRMNCH	-	3.360	3.360	3.230	0.130
Total	**161.520**	**222.160**	**383.680**	**282.010**	**101.670**
Closing Balance as per Bank on 30.06.2023					**35.900**
Difference					**65.770**
Payment made on Finance Department instructions					**52.877**
Undue utilization					**12.893**

Audit held that tied grants were utilized in violation of rules / instructions due to financial mismanagement.

The matter was reported to the PAO in October 2023. The department replied that Finance Department advised to pay the pending liabilities of Financial Assistance & Leave Encashment out of available cash balance of Account-VI in phased manner vide UO No. FD (PFC) 3-31/2017

(DHAs) dated 28.10.2020. The reply was not acceptable as tied grant were utilized for other purposes.

DAC in its meeting held on 12th December 2023 directed to reduce the para to Rs 12.893 million and refer the matter for regularization. No further progress was reported till finalization of this report.

Audit recommends regularization besides fixing of responsibility on the officer(s) at fault.

[PDP No. 284]

CHAPTER 16

DISTRICT HEALTH AUTHORITY RAWALPINDI

16.1 Introduction

a) There are 37 formations in DHA Rawalpindi out of which audit of 06 formations was conducted. Total expenditure and receipt of these formations was Rs 3,371.355 and Rs 27.358 million out of which 37% expenditure and 54% receipt were audited.

Audit profile of DHA Rawalpindi

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure Audited	Receipts Audited
1	DHA Rawalpindi	37	06	1,259.356	14.643
2	Assignment Acs/SDAs	-	-	-	-
3	Foreign Aided Projects	-	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DHA Rawalpindi was Rs 5,827.241 million for the FY 2022-23. An amount of Rs 622.622 million was surrendered and final budget was Rs 5,204.619 million. Management incurred an expenditure of Rs 5,193.422 million resulting in saving of Rs 11.197 million. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	4,494.871	0	261.172	4,239.197	3,423.396	-815.801
Non-Salary	1,049.285	0	255.674	788.113	1,593.742	805.629
Development	283.085	0	105.776	177.309	176.284	-1.025
Total	**5,827.241**	**0.000**	**622.622**	**5,204.619**	**5,193.422**	**-11.197**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	**Final Grant**	**Expenditure**	**Excess (+) / Saving (-)**	**% age of saving**
2021-22	4,976.237	4,696.662	-279.575	6
2022-23	5,204.619	5,193.422	-11.197	0.21

Source: Appropriation accounts for the FY 2021-22 and 2022-23

There was 5% increase in budget allocation and 11% increase in expenditure incurred during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 11.197 million during FY 2022-23 which is 0.21% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

There are ten (10) qualitative indicators set by P&SHC department for DHA Rawalpindi for the FY 2022-23. These indicators are set with the objectives of improving health facilities at each health unit, providing better environment, facilitating the patients in OPD and free of cost health services to the patients through appropriate monitoring at all levels. A comparison of target set for each indicator and the status of achievement is given below:

Sr. No.	**Key Indicators**	**Targets**	**Achievements**
1	Outdoor Patients	280,000	278,258
2	Indoor Patients	2,000	1,958
3	Surgical Cases	1,800	1,622
4	Cardiac Coronary Unit	94,000	94,271
5	Diagnostic Services (Laboratory, Radiology)	900,000	862,243
6	Family Planning Visits	70,000	68,370
7	Peads	85,000	71,578
8	Surgery	1,800	1,622
9	TB Chest Treatments	5,000	4,816

Sr. No.	Key Indicators	Targets	Achievements
10	Free Medicines to Patients	201,698	190,586

Source: DHIS dashboard of DHA Rawalpindi

ii. Service Delivery Issues

Analysis of the achievements mentioned in the above table shows that DHA Rawalpindi lagged behind in providng services to target number of patients in case of surgery and provision of free medicines during FY 2022-23.

16.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 555.239 million were raised in this report during current audit of DHA Rawalpindi. This amount also includes recoveries of Rs 38.810 million as pointed out by the audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	Classification	Amount placed under audit observation
1	Non-production of record	0
2	Fraud, embezzlement, and misappropriation	0
3	**Irregularities:**	
A	HR/Employees related irregularities	2.729
B	Procurement related irregularities	147.607
C	Contract Management	1.565
4	Value for money and service delivery issues	221.312
5	Others	182.026
Total		**555.239**

16.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meeting

1	2017-18	27	Not Convened
2	2018-19	25	
3	2019-20	18	
4	2020-21	13	
5	2021-22	03	
6	2022-23	15	

16.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

16.4.1 Overpayment of pay & allowances to staff - Rs 2.729 million

According to Rule 9(b) of PDA (Accounts) Rules, 2017, the DDO or payee of pay & allowances, contingent or any of the other expense signing and authorizing the payments shall be personally responsible for any erroneous payment and shall liable to make good the loss.

During audit of following formation of DHA Rawalpindi for FY 2022-23, it was observed that following staff was drawing pay without performing duties as they were either transferred to Lahore or absent from duty and without fixation of pay on regularization. This resulted in overpayment of pay & allowances of Rs 2.729 million as mentioned below:

Rs in million

Sr. No.	Formation	Designation	Pointed Out	Recovered	Balance
1	DO Health	Dispenser, GHD Cantt	313,313	11814	301499
		Midwife, BHU Phalina	11,500	2,417	9,083
		Chowkidar, BHU Harnia Wala	39,308	11,682	27,626
		BHU Ghora Gali	1,015,541	-	1,015,541

		WMO Transferred Out	192,968	-	192,968
2	THQ Hospital Murree	Consultant Gynae	830,942	-	830942
		MO	263,997	-	263,997
		MS	87,150	-	87,150
Total			**2,754,719**	**25,913**	**2,728,806**

Audit held that overpayment was made on account of pay and allowances due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that in compliance of audit observation, recovery from concerned had been started.

DAC in its meeting held on 14th December 2023 directed for full recovery. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

Note: The issue was also reported earlier in the Audit Reports for Audit Year 2022-23 vide para number 16.4.1 having financial impact of Rs 9.127 million & for Audit Year 2021-22 vide para number 17.4.1.1.1 having financial impact of Rs 5.588 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 146 & 166]

16.4.2 Irregular appointment/ recruitment of Class-IV employees

According to General Terms & Condition No.03 of advertisement published in newspaper Dunya dated 25.10.2022 for appointment of 91 Class-IV (Naib Qasid, Chowkidar, Attendant and Midwife) on contract basis, the provincial quotas shall be applicable for the above mentioned posts @ 15% for women, 5% for minority and 3% for disabled persons.

During audit of accounts of DHO (HRM & MIS) for the FY 2022-23, it was noticed that new recruitment of Class-IV was made on contract basis by district recruitment committee under the chairmanship of DHO (HRM & MIS). During scrutiny of record following irregularities were observed:

i. Regarding recruitment Naib Qasids against 28 posts, only 2 females were appointed for quota of 15% which required appointment of 4 females whereas against 3% quota of disabled persons (one candidate), 2 candidates were appointed. Moreover, 17 persons were appointed against quota of 16 on open merit.

ii. Similarly, in case of recruitment of Chowkidars against 59 posts, no female candidate was appointed against quota of 15% which comes to 9. For employees quota, 2 candidates were adjusted as against 12. In the same way, against 3 quota of one disabled persons, 2 candidates were appointed. Furthermore, 45 candidates were appointed against the quota of 33 on open merit.

iii. Interview numbers were abnormally given to selected candidates i.e. 90-95% to cover up the gap of qualification marks.

iv. Candidates who obtained 68 marks were selected whereas candidates obtained 69 to 78 were recommended for waiting list.

Sr. No	**Name of Post**	**Total Posts Available**	**Quota**	**Candidates to be adjusted against quota**	**Candidate adjusted**
1	Naib Qasid	28	Female Quota	04	02
2			Disable person	01	02
3			Open merit	16	17
4	Chowkidar	59	Female Quota	09	0
5			Employee Quota	12	02
6			Disable Quota	01	02
7			Open Merit	33	45

Scrutiny of merit lists further revealed that the committee rejected the number of candidates on the basis of matric 3rd division without any clause/ recruitment policy which resulted in doubtful recruitment and violation of policy.

Audit held that irregular appointments were made due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that disciplinary proceedings had been initiated.

DAC in its meeting held on 14th December 2023 directed for regularization. No further progress was reported till finalization of this report.

Audit recommends inquiry of the matter besides fixing responsibility on the officer(s) at fault.

[PDP No. 148]

B) Procurement related irregularities

16.4.3 Irregular procurement of various items - Rs 28.838 million

According to Rule 9 of the PPR 2014, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. According to Rule 12(1) of Punjab Procurement Rules 2014, procurements over three hundred thousand rupees and up to the limit of three million rupees shall be advertised on the PPRA's website in the manner and format specified by regulation by the PPRA from time to time.

During audit of following formations of DHA Rawalpindi for the FY 2022-23, it was observed that various items for Rs 28.838 million were purchased by the DDOs from various suppliers on quotations basis without inviting tenders. This resulted in irregular procurement amounting to Rs 28.838 million as detailed at **Annexure-AH**.

Audit held that irregular procurement was made due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that planning of tender was not possible due to quarterly release of budget. The reply was not tenable as the procurement was made in violation of PPR 2014.

DAC in its meeting held on 14th December 2023 directed to regularize the matter. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

Note: The issue was also reported earlier in the Audit Reports for Audit Year 2021-22, 2022-23 vide para number 16.4.3 and 17.4.1.2.3 having financial impact of Rs 142.400 million and Rs 11.819 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 90 & 144]

16.4.4 Irregular expenditure on printing & publication - Rs 43.956 million

According to Rule 2(ad) of PPR 2014 'Urgency' means a limited timeline for the accomplishment of procurement which cannot be met through open and limited bidding method; & According to Rule 59 (d) negotiated tendering: a procuring agency may engage in negotiated tendering with one or more contractors with or without prior publication of procurement notification, but this procedure shall only be used when, (iii) for reasons of extreme urgency brought about by events unforeseeable by procuring agency, the time limits laid down for open and limited bidding methods cannot be met, however, the circumstances invoked to justify extreme urgency must not be attributable to the procuring agency;

During audit of the following formations of the DHA Rawalpindi for the FY 2022-23, it was observed that the managements requested the superintendent Government Printing Press Punjab for printing of different items. Controller Printing & Stationary Punjab Lahore replied that due to urgent/important and time limit jobs and due to non-availability of scanning system & classified printing facility the government printing press was not in a position to undertake and execute the job. He asked the department to get the job done from the referred firms for urgent execution of printing work by referring emergency/urgency clause 2q, 2ad & 59d (iii) of PPR 2014. Consequently, the management incurred an expenditure of Rs 43.956 million without calling tender in violation of PPR 2014, despite the fact that neither any emergency was notified by any authority nor there exist any plausible reason for invoking urgency. Detail is as under:

Rs in million

Sr. No.	**Formation**	**Firm Name**	**Name of Item**	**Amount**
1	Wah General Hospital Taxila	M/S Khyber international printers	Investigation Slips	1.088
			Receipts Book & Registers	0.243
2	DHO Preventive Services		Printing of files and forms etc	9.256
			Printing of dengue forms	6.654
			Printing of files and forms etc.	0.566
				1.994
3	DHO Medical Services	M/s Moon Enterprises	Purchase of stationery	8.336
				1.59
4	IRMNCH			7.486
5	THQ Hospital Gujar Khan	M/S Khyber international printers	Printing of Book & Registers	6.743
Total				**43.956**

Audit held that irregular expenditure in violation of PPR 2014, was incurred due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that this practice was under ambit of 64-A of PPR 2014. The reply was not tenable neither any plausible reason for invoking urgency was provided to audit nor work was assigned according to the Rule 64-A of PPR 2014.

DAC in its meeting held on 14th December 2023 directed to obtain clarification from PPRA. No further progress was reported till finalization of this report.

Audit recommends inquiry of the matter as similar pattern was observed in all the four formations of DHA Rawalpindi.

[PDP No. 89, 143, 195 & 297]

16.4.5 Procurement of medicines at higher rates - Rs 3.737 million

According to Clause 19 of the contract letter for the purchase of medicines /drugs / medical devices / surgical & disposable item for FY 2022-23 between firm and CEO DHA Rawalpindi, final rate quoted by the firm against each item to DHA Rawalpindi is not higher than any other district in Punjab for FY 2022-23. In case the rates offered by the firm to DHA Rawalpindi are found higher than any other district in Punjab at any later stage the deduction will be made from the final payments accordingly, 2% performance guarantee will be forfeited and any other legal action including black listing will be initiated against the firm.

During audit of accounts of CEO DHA Rawalpindi for the FY 2022-23, it was observed that firms quoted higher rates for the same items than which were quoted in other districts of Punjab (Attock, Chakwal & Jhelum) in violation of said agreement. This resulted in non-deduction of excess payment of Rs 3.737 million as detailed at **Annexure-AI**.

Audit held that procurement was made at higher rates due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that procurement tender of one district cannot be compared with any other district in view of distance, rate and willingness of diverse participant. The reply was not acceptable as objection was raised according to the clause of the contract agreement.

DAC in its meeting held on 14th December 2023 directed for recovery. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

[PDP No. 210]

16.4.6 Non recovery of risk & cost from firm due to non supply - Rs 5.010 million

According to Condition-7 read with Condition-3 of supply orders issued by CEO for all THQs during April 2022 to successful bidder, if the successful bidders' fails to supply the goods as per orders within stipulated time/ as per terms and conditions i.e (60 days+15 days grace period) of the contract or they try to withdraw/ amend / revise their offer even within the validity period, the offer shall stand cancelled, the Earnest Money / Call Deposit / Security Deposit will be forfeited and the relevant goods will be purchased at the risk and cost of bidder.

During audit of the following formations of DHA Rawalpindi for the FY 2022-23, it was observed that advance acceptance was issued to vendors for purchase of medicines/ drugs/ medical devices/ surgical & disposable items FY 2021-22 and accordingly agreement was made with the firms. Collective purchase orders were issued with a delivery period of 75 days (60 days + 15 days grace period)] but the firms did not supply these items. Therefore, these items were procured through LP budget on higher rates. CEO DHA Rawalpindi did not take any action like blacklisting, forfeiture of performance security or purchases on risk and cost of the bidder etc. as provided in the agreement. This resulted in non-recovery of risk and cost of Rs 5.010 million as detailed below:

Rs in million

Sr. No.	**Name of formation**	**Amount**
1	THQ Hospital Murree	2.201
2	THQ Hospital Taxila	0.644
3	Wah General Hospital Taxila	0.518
4	DO Health	0.637
5	THQ Hospital Gujar Khan	1.010
Total		**5.010**

Audit held that neither the firm was black listed nor the earnest money was forfeited and loss on risk & cost basis was also not recovered due to poor managerial controls.

The matter was reported to the PAO in October 2023. The department replied that urgent purchases on need basis were made as medicines were not timely supplied by the vendors. The reply was not tenable as no recovery was made on risk & cost basis.

DAC in its meeting held on 14th December 2023 directed the CEO DHA for recovery on risk and cost basis. No further progress was reported till finalization of this report.

Audit recommends recovery of loss from concerned on risk and cost basis besides fixing of responsibility on the officer(s) at fault.

[PDP No. 23, 91, 150, 189 & 201]

16.4.7 Non supply of medicines - Rs 66.006 million

According to clause-6 of supply order issued by CEO to firms for supply of bulk medicines, if the successful bidders fails to supply the goods as per orders within stipulated time/ as per terms and condition of the contract or they try to withdraw/ amend/revise their offer even within the validity period, the offer shall stand cancelled, the Earnest Money/ Call Deposit/Security Deposit will be forfeited.

During audit of CEO DHA Rawalpindi for the FY 2022-23, it was observed that sixteen firms failed to deliver the medicines amounting to Rs 66.006 million during FY 2021-23. DHA Rawalpindi neither forfeited the performance security of suppliers @ 2% i.e. Rs 1.320 million nor referred the case P&SHC department for punitive action. This resulted in non-supply of medicine and non-forfeiture of performance security as detailed at **Annexure-AJ**.

Audit held that due to weak internal control the irregularity was occurred.

The matter was reported to the PAO in October 2023. The department replied that some medicines had been received. The reply of the management was not acceptable as no documentary evidences were provided.

DAC in its meeting held on 14th December 2023 directed for compliance. No further progress was reported till finalization of this report.

Audit recommends early receipt of medicines besides forfeiture of performance security of defaulting firms.

[PDP No. 24, 93, 190 & 213]

C) Contract management

16.4.8 Unjustified purchase of janitorial & MEPG items for service provider - Rs 1.565 million

According to Section-C Clause no.3 of contract agreement between PMU, P&SHC department, Government of Punjab regarding outsourcing of Janitorial services for DHQ & THQ hospital of Punjab with M/s Best Mansol services Pvt limited, the service provider shall provide the supplies/equipment in the required quantity to the hospital administration by 25th of the every month for use in the next month. Further, according to Clause No.1.1.D.13 of contract agreement of MEPG with M/s Sarmik Pvt, the service provider shall be expected to provide with the spare parts inventory and material to be used within hospital building. The hospital administration should provide the store room where the spare inventory and material required for provision of mechanical electrical and plumbing services.

During audit of THQ Hospital Gujar Khan for the FY 2022-23, it was revealed that an expenditure of Rs 1.565 million was incurred on account of supplies and repair of electrical/mechanical services for janitorial and MEPG services. THQ Hospital Gujar Khan was not authorized to provide supplies for janitorial and MEPG items to the service provider as per the agreement. This irregularity resulted in loss to the government of Rs 1.565 million as given below:

Sr. No.	Supplier	Bill No.	Item	Date Bill	Amount (Rs)
1	A2U Tech	574	Plastic Waste Bag	19.12.2022	146,830
2		560	Plastic Waste Bag	17.11.2022	66,339
3		575	LED Flood Light, 50 watt	19.12.2022	46,566
4		553	Thinner (35L) etc	11.10.2022	127,026
5		595	Plastic Waste Bag	13.02.2023	88,452
6		596	Plastic Waste Bag	13.02.2023	265,356
7		661	Cable, Single core etc	07.06.2023	278,062
8	Shehryar Traders	1194	Dry Mob	06.10.2022	66,842
9		1235	Door Closer	19.01.2023	131,543
10		1237	2 Pin Shoe	16.01.2023	234,250
11		2222	Door Closer	16.01.2023	83,479
12		1223	Cables 710.029	06.01.2023	29,917

Total	**1,564,662**

Audit held that unjustified purchase of janitorial and MEPG items was carried out due to weak internal controls and the possibility of double claims could not be ignored.

The matter was reported to the PAO in October 2023. The department replied that expenditure was incurred against the items not included in agreement. The reply was not acceptable as the provision of these items were the responsibility of service provider.

DAC in its meeting held on 14th December 2023 directed to take up the matter with PMU for recovery. No further progress was reported till finalization of this report.

Audit recommends that the matter be inquired for fixing responsibility on officer(s) at fault besides recovery/reimbursement.

[PDP No. 199]

D) Value for money and service delivery Issues

16.4.9 Un-authorized utilization of tied grants - Rs 207.148 million

According to Rule 24 of PDA (Budget) Rules 2017, all conditional grants shall be budgeted and utilized following the conditions of the grant. Further, as para 2 of the release order for bulk purchase of medicines, the funds will not be utilized for any other purpose.

During audit of CEO DHA Rawalpindi for the FY 2022-23, it was noticed that funds of Rs 789.843 million were available for tied grants (Bulk medicines, dialysis medicines, Covid & Development), out of which Rs 439.204 million were utilized during the FY 2022-23. The remaining amount of Rs 350.638 million should have been available in Account-VI as closing balance on 30.06.2023. However, as per bank statement of DHA Attock closing bank balance of Account-VI was only Rs 143.490 million. This resulted in un-authorized utilization of tied grants of
Rs 207.148 million for other purposes as detailed below:

Rs in million

Tied Grant Description	Balance 30.06.22	Received FY 2022-23	Total FY 2022-23	Expenditure FY 2022-23	Balance 30.06.23
Development (Revenue Portion)	84.023	413.702	497.725	173.457	324.268
Medicines (Bulk)	0	238.299	238.299	263.020	(24.722)
Dialysis Medicines (DHQ & THQ Hazro)	0	2.727	2.727	2.727	0
Covid-19 Catch-up Campaign	0	51.092	51.092	0	51.092
Total	**84.023**	**705.82**	**789.843**	**439.204**	**350.638**

Audit held that due to financial mismanagement tied grant were utilized in violation of rules / instructions.

The matter was reported to the PAO in October 2023. The department replied that mandatory payments of monthly salaries,/ payroll through SAP system was made out of funds of Account VI to pay the pending liabilities of Financial Assistance & Leave Encashment out of available cash balance of Account-VI. The reply was not acceptable as tied grant were utilized for other purposes.

DAC in its meeting held on 14th December 2023 directed for regularization. No further progress was reported till finalization of this report.

Audit recommends regularization besides fixing responsibility on the officer(s) at fault.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 16.4.16 having financial impact of Rs 226.360 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 217]

16.4.10 Loss due to un-authorized retention and use of government vehicle - Rs 8.846 million

According to Rule 9(a) of the PDA (Accounts) Rules 2017, in case any loss accrues to a District Authority through fraud or negligence of a person or employee, a person functioning on behalf of a District Authority shall be personally responsible on his part and shall be liable to make good the loss.

During audit of DHO (Medical Services) for the FY 2022-23, it was observed that Mr. Muhammad Khalid Mahmood Randhawa Ex. EDO Health Rawalpindi retained and illegally used the official vehicle bearing registration no. RIG-1209 (Vigo-2009 model) w.e.f January 2015 to 29.09.2022. Log book of the said vehicle was not maintained during the period. The matter was probed and the probe committee under the convenorship of Deputy Secretary (B&A) P&SHC department recommended that depreciation calculation may be recovered from Ex. EDO Health Rawalpindi and regular inquiry may be initiated against him. In the light of decision of probe committee, the other committee under the convenorship of District Coordinator IRMNCH & Nutrition programme, Rawalpindi evaluated the depreciation of vehicle and rent vide No. 5416/IRMNCH/Rawalpindi dated 20.10.22. An amount of Rs 8.846 million was found recoverable but neither the amount was recovered nor further inquiry was conducted. This resulted in loss of Rs 8.846 million to government as detailed below:

Rs in million

Sr. No.	Vehicle No.	Period Observed	Description	Amount
1	RIG-1209 (Vigo-2009)	Jan, 2015 to Sep,2022	Depreciated value of the vehicle	1.776
2			Rent for illegal use	7.070
Total				**8.846**

Audit held that the vehicle was retained by the Ex-EDO without any approval due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that DO (Health) had no role in transport matter. The reply was not acceptable as no progress towards recovery was reported.

DAC in its meeting held on 14th December 2023 directed to shift the para to CEO DHA. No further progress was reported till finalization of this report.

Audit recommends recovery the amount besides initiating disciplinary proceedings against the delinquent.

[PDP No. 145]

16.4.11 Non recovery of patient claims under sehat sahulat programme - Rs 5.318 million

According to agreement signed between SLIC of Pakistan and THQ Hospital Taxila states under clause-3 "Provider Package Rate and Payment" sub-clause 3.1 "provider will be reimbursed for services rendered as per agreement against a package rate treatment fee scheduled. The treatment rate schedule is attached with appendix-II"

During audit of various formations of DHA Rawalpindi for the FY 2022-23, it was observed that patients were provided different health facilities by THQ Hospitals under SSP from the starting of programme i.e Jan, 2022 but the due claims had not been recovered from the SLIC of Pakistan in violation of above policy/instructions. This resulted in non-recovery of claims of Rs 5.318 million up to June 2023 from SLIC as detailed below:

Rs in million

Sr. No.	**Name of formation**	**No. of Patients**	**Amount**
1	THQ Hospital Taxila	41	0.773
2	Wah General Hospital Taxila	70	1.102
3	THQ Hospital Murree	187	3.443
Total		**298**	**5.318**

Audit held that claims were not recovered due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that claims would be recovered soon. The reply was not acceptable as no serious effort had been carried out to recover the outstanding claims.

DAC in its meeting held on 14th December 2023 reduced the para to Rs 5.318 million and directed for full recovery. No further progress was reported till finalization of this report.

Audit recommends early recovery of claims.

[PDP No. 22, 92 & 167]

E) Others

16.4.12 Irregular clearance of previous year's liabilities - Rs 169.483 million

According to Rule 17.17(A) read with Rule 17.18 of PFR Vol-I, every DDO shall maintain a register of liabilities in PFR Form 27 in which he should enter all these items of expenditure for which payment is to be made by or through another officer, budget allotment or sanction of a higher authority is to be obtained or payment would be required partly or wholly during the next financial year or years.

During audit of CEO DHA Rawalpindi for the FY 2022-23, it was observed that DDO cleared the previous year's medicine bills and paid an amount of Rs 169.483 million to different firms during the FY 2022-23 without maintenance of liability register, demand of additional budget for clearance of liability as no budget was shown in approved budget estimate of FY 2022-23 and obtaining the sanction(s)/ approval of competent authority in violation of above rule. This resulted in irregular expenditure of Rs 169.483 million on account of clearance of previous year's liability.

Audit held that irregularity occurred due to weak budgetary controls.

The matter was reported to the PAO in October 2023. The department replied that the funds for purchase of bulk medicine were received separately and were incurred for the purpose. The reply was not acceptable as department did not include the bulk medicine budget amount in the opening balance of their budget book.

DAC in its meeting held on 14th December 2023 directed for regularization. No further progress was reported till finalization of this report.

Audit recommends regularization of the matter besides fixing of responsibility on the officer(s) at fault.

[PDP No. 218]

16.4.13 irregular purchase of diesel for generator - Rs 4.388 million

According to the Oil and Gas Regulatory Authority notification No.OGRA-Oil 19-9-(27)/08 dated 05.10.2015 petrol/HSD can be sold only through petrol pumps which are owned by licensed OMCs. Any person involved in storage and sale of petrol/HSD other than the petrol pumps of OMCs is violating Section 3 of Petroleum Act 1934 and Rule 90 of the Petroleum Rules 1937. In addition, illegal sale of petrol/HSD leads to the supply of substandard product.

During audit of the accounts of THQ Hospital Gujar khan for the FY 2022-23, it was revealed that an amount of Rs 4.388 million was paid to M/S GZK Petroleum Services Pvt. Ltd. Jhelum on account of purchase of diesel. The management instead of buying HSD from OMC registered petrol pumps located in Gujar Khan, purchased diesel form a vendor situated at a distance of 50 kilometers from Gujar Khan. In addition, M/S GZK Petroleum Services Jhelum tax profile inquiry of FBR revealed that the said contractor was registered as general order supplier. This resulted in irregular purchase of diesel for generator.

Audit held that irregular purchase of diesel from a general order supplier situated 50 kilometers from Gujar Khan was carried out due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that it was responsibility of DAO to check the license and OGRA registration etc. at the time of vendor creation. The reply was not acceptable because purchase was carried out by the department not by DAO.

DAC in its meeting held on 14th December 2023 directed for regularization of the matter. No further progress was reported till finalization of this report.

Audit recommends inquiry of the matter and fixing of responsibility on officer(s) at fault.

[PDP No. 197]

16.4.14 Loss to government due to non-recovery of stolen dialysis machine - Rs 2.500 million

According to Rule 9(a) of the PDA (Accounts) Rules 2017, in case any loss accrues to a District Authority through fraud or negligence of a person or employee, a person functioning on behalf of a District Authority shall be personally responsible on his part and shall be liable to make good the loss.

During audit of MS THQ Hospital Murree for the FY 2022-23, it was observed that a dialysis machine worth Rs 2.500 million was stolen from the dialysis ward of the hospital. The hospital management filed an FIR on 10-10-22 in Police Station Murree. After police investigation, the machine was recovered from the culprit. However, model of the machine recovered was 4008-S (J42) Fresenius Medical Care Sr. No.OXKA0804) 11-Amp, whereas, model no. of the stolen machine was 4008-S (M52222) Fresenius Medical Care Sr. No.7SXART81 9-Amp. Moreover, the recovered machine was not in working condition. This resulted in the loss to government due to non-recovery of original dialysis machine

Audit held that non-recovery of original dialysis machine resulted in loss to the government to the tune of Rs 2.500 million.

The matter was reported to the PAO in October 2023. The department replied that detail of incident of non-recovery was reported to police as well as CEO DHA.

DAC in its meeting held on 14th December 2023 directed to refer the case to Secretory P&SHC department for inquiry. No further progress was reported till finalization of this report.

Audit recommends inquiry and immediate recovery of original dialysis machine besides fixing responsibility on the officer(s) at fault.

[PDP No. 165]

16.4.15 Overpayment to firms due to non-deduction of income tax - Rs 2.428 million

According to Section 153(1)(a) of income tax ordinance 2001, withholding tax @ 4% and 4.5% is deductible from the payment of goods made to the company and other(s) respectively.

During certification audit of CEO DHA Rawalpindi for the FY 2022-23, it was observed that the firms were paid for the supplies of goods without deducting income tax at source. The firms neither obtained FBR income tax exemption certificate nor produced valid documents for income tax exemption while making payments. This resulted in non-deduction of income tax of Rs 2.428 million as detailed at **Annexure-AK.**

Audit held that income tax was not deducted due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that non-deduction of income tax had been intimated to the concerned firms. The reply was not tenable as recovery was to be affected.

DAC in its meeting held on 14th December 2023 directed for recovery. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 16.4.12 having financial impact of Rs 1.372 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 215]

16.4.16 Non deduction of GST on registered drugs - Rs 1.991 million

According to Para 10 of Circular No.09 of 2022-23 "Sale tax, Federal excise and ICT" (Tax on service) of amendment in Finance Act 2022 communicated vide Notification No. C.No.3(1)ST-L&P/2019 dated 21.07.2022, drugs registered under the Drugs Act, 1976 have been made chargeable to tax at reduced rate of 1% without input adjustment. Similarly, Active Pharmaceutical Ingredients (APIs) and their raw materials are also chargeable at fixed rate of 1% subject to certification by DRAP.

During audit of CEO DHA Rawalpindi for the FY 2022-23, it was noticed that CEO paid an amount of Rs 199.132 million to the firms on account of purchase of medicine but GST amounting to Rs 1.991 million @1% was not deducted in violation of above rule. This resulted in non-deduction of GST amounting to Rs 1.991 million.

Audit held that non-deduction of GST was due to weak internal controls.

The matter was reported to the PAO in October 2023. The department replied that pointed out amount was intimated to concerned firms. The reply of the management was not tenable as no action was taken.

DAC in its meeting held on 14th December 2023 directed for recovery. No further progress was reported till finalization of this report.

Audit recommends recovery besides fixing responsibility on the officer(s) at fault.

[PDP No. 212]

16.4.17 Loss due non-collection of receipts into Account-VI - Rs 1.236 million

According to clarification of Government of the Punjab, Finance Department vide letter No. BI-3(120)(AGP) 2017-18 dated 16.08.2019, all the collection under head C02865 and C02866 is the receipt of concerned authority. Further according to Rule 47(1) PLG (Budget) Rules, 2017 the collecting officer shall ensure that all revenue due is claimed, realized and credited immediately in the proper receipt head/account.

During audit of CEO DHA Rawalpindi for the FY 2022-23, it was observed that an amount of Rs 1.236 million were collected as own source revenue as per receipt statement for the FY 2022-23 under head C02866. But upon scrutiny of bank statement of DHA Rawalpindi Account-VI, it was found that neither the CEO collected the same amount nor transferred by DAO Rawalpindi in DHA Fund (Account VI). This resulted in loss to authority of Rs 1.236 million.

Audit held that due to weak internal controls the DHA receipts were not collected

The matter was reported to the PAO in October 2023. The department replied that DAO Rawalpindi was requested to transfer the amount under object code C02866. The reply was not tenable as no documentary evidence was provided for transfer of amount.

DAC in its meeting held on 14th December 2023 directed for compliance. No further progress was reported till finalization of this report.

Audit recommends matter be taken up at relevant forum for collection of receipts besides fixing responsibility on the officer(s) at fault.

[PDP No. 216]

CHAPTER 17

DISTRICT HEALTH AUTHORITY BHAKKAR

17.1 Introduction

a) There are 18 formations in DHA Bhakkar out of which audit of 05 formations was conducted. Total expenditure and receipt of these formations was Rs 2,636.750 and Rs 52.822 million respectively out of which 51% expenditure and 40% receipt were audited.

Audit Profile of DHA Bhakkar

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure audited	Receipts Audited
1	DHA Bhakkar	18	05	1,353.591	21.129
2	Assignment Acs/SDAs	-	-	-	
3	Foreign Aided Projects	-	-	-	

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DHA Bhakkar was Rs 4,190.245 million for the FY 2022-23. An amount of Rs 732.092 million was surrendered and final budget was Rs 3,458.150 million. Management incurred an expenditure of Rs 2,845.887 million resulting in saving of Rs 612.266 million. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	3,056.381	0	653.847	2,402.534	1,902.873	-499.661
Non-Salary	995.695	0	78.069	917.626	933.525	15.899
Development	138.169	0	0.176	137.993	9.489	-128.504
Total	**4,190.245**	**0.00**	**732.092**	**3,458.150**	**2,845.887**	**-612.266**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	Final Grant	Expenditure	Excess (+) / Saving (-)	% age of saving
2021-22	2,940.930	2,437.309	-503.321	17
2022-23	3,458.153	2,845.887	-612.266	18

Source: Appropriation accounts for the FY 2021-22 and 2022-23

There was 18% increase in budget allocation and 17% increase in expenditure incurred during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 612.266 million during FY 2022-23 which is 18% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

There are ten (10) qualitative indicators set by P&SHC department for DHA Bhakkar for the FY 2022-23. These indicators are set with the objectives of improving health facilities at each health unit, providing better environment, facilitating the patients in OPD and free of cost health services to the patients through appropriate monitoring at all levels. A comparison of target set for each indicator and the status of achievement is given below:

Sr. No.	Key Indicators	Targets	Achievements
1	Outdoor Patients	1,754,717	1,205,190
2	Indoor	55,218	53,402
3	Surgical cases	24,130	12,596
4	Cardiac coronary Unit	16,460	12,621
5	Diagnostic Services (Laboratory, Radiology)	442,402	433,039
6	Family Planning Activities	24,128	28,455
7	Paeds	100,544	73,747

8	Surgery	36,355	33,394
9	TB Chest Treatment	33,381	37,277
10	Free Medicine Availability	1,911,730	1,376,381

Source: DHIS dashboard of DHA Bhakkar

ii. Service Delivery Issues

Analysis of the achievements mentioned in the above table shows that DHA Bhakkar lagged behind in treating target number of patients in case of outdoor, surgery, paeds and free availability of medicines during FY 2022-23.

17.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 381.911 million were raised in this report during current audit of DHA Bhakkar. This amount also includes recoveries of Rs 42.572 million as pointed out by the audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	Classification	Amount placed under audit observation
1	Non-production of record	-
2	Fraud, embezzlement, and misappropriation	92.431
3	**Irregularities:**	
A	HR/Employees related irregularities	65.463
B	Procurement related irregularities	30.989
C	Management of accounts with commercial banks	0
4	Value for money and service delivery issues	3.375
5	Others	189.653
Total		**381.911**

17.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. The Audit Report for the Audit Year 2017-18 was discussed in PAC meeting convened in January 2022. However, PAC meeting to discuss remaining Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	23	Convened
2	2018-19	17	Not convened
3	2019-20	21	
4	2020-21	11	
5	2021-22	03	

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
6	2022-23	08	

17.4 AUDIT PARAS

A) Fraud, Embezzlement and Misappropriations

17.4.1 Misappropriation of medicines - Rs 90.612 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and the payee of the pay, allowances, contingent expenditure or any other expense shall be personally responsible for any overcharge, fraud or misappropriation and shall be liable to make good that loss.

During audit of CEO DHA Bhakkar for the FY 2022-23, it was observed that CEO Health held inquiry against Mr. Irfan Abbas Ex. Store keeper vide letter No.CEO/9666-74/DHA-BKR dated 29.05.2023. After physical verification of medicines store, inquiry committee identified and reported shortage of medicines of Rs 90.612 million as compared to the balances on Medicine Inventory Management System (MIMS) portal on the same date i.e. 30.05.2023 as detailed at **Annexure-AL.**

Audit held that medicines were misappropriated due to weak administrative and internal controls.

The matter was reported to the PAO in November 2023. The department replied that the case was under investigation and department had approached the Director Anti-corruption to trace out the stock register and allied record of medicines from Ex-store keeper.

DAC in its meeting held on 15th December 2023 pended the para till the outcome of investigation of Anti-corruption department and directed to hold inquiry by Secretary to dig out the misappropriation amount and affect recovery. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 2, 6 & 7]

17.4.2 Misappropriation of ACs & stabilizers of hospital - Rs 1.819 million

According to Rule 15.1 of PFR Vol-I, the departmental officers entrusted with the care, use or consumption of stores are responsible for maintaining correct records and preparing correct returns in respect of the stores entrusted to them. They are also responsible for keeping them in proper custody and in good and efficient condition and for protecting them from deterioration. They should also take proper precautions to prevent loss of public stores by fire or other accidents. Any loss of or damage to government stores should forthwith be reported by them to their immediate superiors.

During audit of MS THQ Hospital Darya Khan for the FY 2022-23, it was observed that one air conditioner of 2 ton cabinet (indoor), 5 air conditioners 2 ton cabinet (outdoor) and 21 stabilizers, provided by the PMU in 2018, were missing from the hospital stock. This resulted in misappropriation on account of machinery of Rs 1.819 million as per detail given below:

Rs in million

Items	Balance as per stock register	Missing units	Average price per unit	Amount
ACs 2 Ton Cabinet (Indoor)	25	1	0.100	0.100
ACs 2 Ton Cabinet (Outdoor)	25	5	0.180	0.900
Stabilizers	46	21	0.039	0.819
Total				**1.819**

Audit held that air conditioners and stabilizers were missing due to weak internal and administrative controls.

The matter was reported to the PAO in November 2023. The department produced the inquiry report of CEO office in which responsibility was fixed on Mr. Muhammad Atlas, Ex IT & Statistical Officer having additional charge of Admin Officer of THQ Hospital Darya Khan.

DAC in its meeting held on 15th December 2023 directed for recovery from the concerned persons. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 37]

B) Human Resource/ Employees related irregularities

17.4.3 Wasteful expenditure on salaries of idle security and janitorial staff - Rs 45.059 million

According to Rule 2.10 (a) of PFR Vol-I, same vigilance should be exercised in respect of expenditure incurred from government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of MS DHQ Hospital Bhakkar for the FY 2022-23, it was observed that despite having 109 employees (20 chowkidars & gate keepers and 89 ward servant and sweepers) meant for security and janitorial duties, these services were outsourced to private service providers i.e. GB Security Services and Faiz Brothers, respectively. The existing staff at the payroll of the hospital was not adjusted in the new agreement between outsourced companies and PMU of P&SHC department, Government of the Punjab. Hence, payment of pay and allowances to these employees was unjustified as said employees were not performing services for which they were recruited. This resulted in wasteful expenditure on the salaries of idle staff amounting to Rs 45.059 million.

Audit held that wasteful expenditure was incurred by the management due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that DHQ Hospital Bhakkar covered a vast area of almost 26 acres. Cleanliness of the outer areas of hospital including 10 lawns, roads, two main gates, parking area, doctor's hostel, nursing hostel etc. was the responsibility of regular employees of this hospital. So existing employees of this hospital had been performing their duties as assigned by administration and were not idle. The reply was not tenable as the private service providers of hospital waste management, security services and janitorial services replaced the services of the regular employees and practically the regular employees were idle in most of the cases.

DAC in its meeting held on 15th December 2023 directed for regularization. No further progress was reported till finalization of this report.

Audit recommends rationalization of outsourced services in the wake of availability of existing staff.

[PDP No. 36]

17.4.4 Unauthorized payment of inadmissible allowances - Rs 12.410 million

As per clarification issued vide letter no. FD(M-1)1-15/82-P-I dated 15.1.2000 by Finance Department, Government of the Punjab, in case a designated residence is available, the Government servant for whom it is meant cannot draw HRA even if he does not reside in it. According to circular letter No. FD-SR-1-9-4/86(P) (PR) dated 04.12.2012 & FD-SR-1-9-

6(P)(PR) dated 24.05.2012 of Finance Department, the employees who are residing in the residential colonies situated within work premises are not entitled to the facility of CA and HRA. Moreover, according to Notification No.SO(B&A)I-1/91-92 dated 12.05.1992 of P&SHC department, the government servants provided residential accommodation in the institutions/hospital premises would arrange separate meters for the electricity. The occupants who did not arrange separate meters for the electricity were required to be charged at rates specified for each grade. Furthermore, according to Sr. No. (XIII)(i)(b) of Contract Appointment Policy 2004 issued by S&GAD, SSB @ 30% is admissible in lieu of pension only to contract employees. As per letter No. PMU/PHSRP/G-I-06/61/760 dated 16th March 2007 of the Health Department, Government of the Punjab, the PHSRP allowance is admissible only when the paramedics and other staff perform their duties under the PHSRP at RHCs / BHUs. According to Order No. SO (N.D) 2-26/2004(P.II) of the Government of Punjab, Health Department's read with clarification issued vide No FD.SR-I/6-7/2018 dated 15.10.2019 by the Finance Department, NPA is only admissible to those doctors in THQs and DHQs who give the undertaking that they will not perform private practice.

During audit of the following formations of DHA Bhakkar for the FY 2022-23, it was observed that payment of Rs 12.410 million, on account of different inadmissible allowances was made to 101 officers / officials in violation of the rules ibid. This resulted in overpayment of Rs 12.410 million.

Rs in million

<table>
<tr><th>Sr. No.</th><th>Name of formation</th><th>Inadmissible Allowances</th><th>No. of employees</th><th>Amount</th></tr>
<tr><td>1</td><td>CEO Health</td><td>NPA after fake submission of affidavit by doctors</td><td>25</td><td>6.165</td></tr>
<tr><td>2</td><td rowspan="4">DHQ Hospital Bhakkar</td><td>HSRA while posting at DHQ hospital</td><td>14</td><td>0.830</td></tr>
<tr><td>3</td><td rowspan="2">CA and HRA electricity charges having accommodation within premises in Doctor's hostel</td><td>10</td><td>0.540</td></tr>
<tr><td>4</td><td>26</td><td>2.050</td></tr>
<tr><td>5</td><td rowspan="2">CA and HRA charges having accommodation within premises</td><td>5</td><td>0.124</td></tr>
<tr><td>6</td><td></td><td>3</td><td>0.236</td></tr>
</table>

Rs in million

Sr. No.	Name of formation	Inadmissible Allowances	No. of employees	Amount
7	THQ Hospital Darya Khan	SSB after regularization period	4	1.447
8		HSRA while posting at THQ hospital	3	0.023
9	THQ Hospital Kallur Kot	SSB after regularization period	7	0.720
10	THQ Hospital Mankera	CA and HRA charges having accommodation within premises	4	0.275
Total			**101**	**12.410**

Audit held that payment of inadmissible allowances was made to employees due to weak internal controls.

The matter was reported to the PAO in November 2023. The department admitted the recovery.

DAC in its meeting held on 15th December 2023 directed for recovery. In case of NPA, DAC directed to probe the matter to identify the doctors engaged in private practice who were drawing NPA and act accordingly. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

Note: The issue was also reported earlier in the Audit Reports for the Audit Year 2022-23, 2021-22 and 2021-22 vide para numbers 17.4.1, 2.4.1.1.1 and 3.4.1.1.1 having financial impact of Rs 29.014 million, Rs 5.435 million and Rs 39.022 million, respectively. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 13, 28, 31, 33, 34, 35, 44, 48, 49, 55, 65 & 70]

17.4.5 Un-authorized payment due to irregular appointments - Rs 6.311 million

According to Clause 5 of Recruitment Policy 2022 issued vide No. SOR-IV (S&GAD) 10-142/2021 dated 09.03.2022 by S&GAD (Regulation Wing), all posts shall be advertised properly in at least two leading newspapers, as per rules. The relevant Selection Committees shall ensure that recruitment is made strictly on merit and in accordance with the rules, selection criteria and other provisions of this policy.

During audit of CEO DHA Bhakkar for the FY 2022-23, it was observed that management appointed 21 employees (3 Naib Qasids, 4 Ward Servants, 2 Drivers, 5 Chowkidars, 1 Dava Koob, 1 Sanitary Worker, 1 Bearer, 1 Ward Boy and 1 Store Keeper) without advertisement in any newspaper and preparation of merit list. Although appointment orders were issued on court's directions, not in a single case, court passed such orders to appoint these candidates unconditionally rather emphasized that the appointments should be based on merit and by fulfilling all legal and codal requirements. Even in prayer to court, candidates did not demand issuance of appointment orders without fulfilling legal formalities. Educational certificates/ documents were neither demanded at the time of appointment nor verified from the concerned institutions up to the date of audit. In case of technical posts passing of NTS certificates were also not placed in the files. Audit further noticed that DAO Bhakkar did not start pay of these employees for ten months from appointment but in the month of July 2023, 19 employees were hired in SAP system and arrears were also paid in September 2023 even without rectifying the objections of the accounts office. This resulted in un-authorized payment of pay and allowances of Rs 6.311 million.

The matter was reported to the PAO in November 2023. The department replied that the officials were initially recruited by Ex-CEO DHA Bhakkar but later on these orders were withdrawn due to which these officials approached Lahore High Court by filing writ petitions. The Honorable Court accepted their claim and reinstated these officials, The officials were performing their duties since then as per Court's direction. The reply was not acceptable because appointments were made in violation of recruitment policy.

DAC in its meeting held on 15th December 2023 directed for detailed inquiry of the matter at the level of Secretary P&SHC department for fixing of responsibility of the lapse. No further progress was reported till finalization of this report.

Audit recommends probe for fixing responsibility of lapse against the officer(s) at fault.

[PDP No. 4]

17.4.6 Overpayment on account of pay & allowances during leave period - Rs 1.683 million

According to Finance Department, Government of the Punjab letter no. FD.SR-I/6-8/2018 dated 30.09.2020, doctors are not entitled to draw HPA, SHCA, NPA and HSRA during leave period. Moreover, as per Leave Rules 1981, pay is not admissible during EOL. Furthermore, according to Rule 1.15 of Punjab Travelling Allowance Rules, conveyance allowance is not admissible during leave.

During audit of the following formations of DHA Bhakkar for the FY 2022-23, it was observed that payments of inadmissible pay and allowances of Rs 1.683 million were made to the officials /officers and adhoc employees during earned leave and EOL period in violation of the rules ibid. This resulted in overpayment of pay and allowances of Rs 1.683 million.

Rs in million

Sr. No.	Name of Formation	Leave Type	No. of employee	Nature of allowance	Amount
1	CEO DHA Bhakkar	LFP	74	CA	0.306
2	DHQ Hospital Bhakkar	LFP	61	CA	0.843
		MT leave	01	CA, HSRA, HPA , Inc. ALL & SHC	0.394
3	MS THQ Hospital Darya Khan	LFP	19	CA	0.112
4	MS THQ Hospital Kallur Kot	LFP	4	CA	0.048
5	MS THQ Hospital, Mankera	LFP	28	CA	0.174
6	MS THQ Hospital, Mankera	LFP	5	CA	0.200
		EOL	4	Pay & allowance	
Total					**1.683**

Audit held that overpayment of pay & allowances was made due to weak internal controls.

The matter was reported to the PAO in November 2023. Management admitted the overpayment and replied that recovery of Rs 1.611 million has been effected and recovery of balance amount Rs 1.683 million was in progress.

DAC in its meeting held on 15th December 2023 reduced the para to Rs 1.683 and directed for recovery within 30 days. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

Note: The issue was also reported earlier in the Audit Reports for the Audit Year 2021-22 and

2020-21 vide para numbers 2.4.1.1.1 and 3.4.1.1.1 having financial impact of Rs 1.046 and Rs 0.805 million, respectively. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 11, 17, 43, 61, 64 & 74]

C) Procurement related irregularities

17.4.7 Non imposition of penalties on service providers - Rs 22.174 million

According to Clause 1.2 and 3.4 (Section-C) of contract agreement between P&SHC department, Government of the Punjab and Service Providers, the contract shall be interpreted in accordance with the law of Islamic Republic of Pakistan. Further, according to penalty matrix of contract agreement between contractor and P&SHC department, Clause 10(5) imposed penalty upon contractor for non-payment of minimum wage rate @ Rs 5,000 plus difference of amount between paid salary and notified minimum wage rate per person for one month.

During audit of following formations of DHA Bhakkar for the FY 2022-23, it was observed that service providers of Janitorial, security and MEPG services paid their 243 employees on wage rates that were below the schedule rates notified by the Finance Department, Government of the Punjab. The management neither ensured minimum wage nor impose the requisite penalty on the service providers at the time of verification of invoices and payment. This resulted in non-imposition of penalties on service providers amounting to Rs 22.174 million.

Rs in million

Sr. No.	Name of Formation	Name of Service Provider	Amount
1	DHQ Hospital Bhakkar	MS Console Enterprises, Faiz Brothers, GB Securities & Mustahlik Co.	11.364
2	MS THQ Hospital Darya Khan	MS Console Enterprises, Faiz Brothers & Mustahlik Co.	3.636
3	MS THQ Hospital Kallur Kot	Super Care Pvt. Limited, Faiz Brothers & Mustahlik Co.	2.630
4	MS THQ Hospital, Mankera	Super Care Pvt. Limited & Faiz Brothers	4.544
Total			**22.174**

Audit held that penalties were not imposed on the service providers due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the contracts of Janitorial Services and MEPG Services were directly executed between PMU of P&SHC department and the concerned companies. Further, DHQ/THQs only availed services from the outsourced companies and were not directly involved in terms and conditions of the contract. The reply was not acceptable as the management of the hospitals was responsible for verification of invoices, measuring the matrix according to the agreement and accordingly imposing the penalties and making deductions while forwarding the invoices for payment to P&SHC department.

DAC in its meeting held on 15th December 2023 directed to take up the matter with PMU of P&SHC department for recovery from the concerned contractor. No further progress was reported till finalization of this report.

Audit recommends fixing responsibility of lapse against the officer(s) at fault besides recovery from the service providers.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 17.4.2 having financial impact of Rs 2.065 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 25, 46, 56 & 63]

17.4.8 Misprocurement due to splitting - Rs 5.982 million

According to Rule 9(1) of PPR 2014, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regroupingof the procurements so planned.

During audit of following formations of DHA Bhakkar for the FY 2022-23, it was observed that DDOs incurred Rs 5.982 million on purchase of different items through quotations by splitting the purchases in small orders to avoidtendering process. This resulted in irregular purchase of Rs 5.982 million as detailed at **Annexure-AM.**

Rs in million

Sr. No.	Name of Formation	Items	Amount
1	DHQ Hospital Bhakkar	Steal Almirah, bed sheets and other items (Cost of other store)	2.142
2		Printing	0.839

3		Hospital lab material and plastic bags (Cost of other Store)	1.079
4	THQ Hospital Darya Khan	Printing,	0.393
5		Hospital lab material (cost of other store)	1.193
6	THQ Hospital Kallur Kot	Bed Sheets (cost of other store)	0.336
Total			**5.982**

Audit held that misprocurement by splitting was carried out due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the different items were purchased on different dates and time from different firms according to the dire need for smooth functioning of the health service delivery of hospital. As per the directions of worthy Secretary P&SHC department, health week was arranged in a very short time. All purchases were made after fulfilling all codal formalities. The reply was not acceptable as no evidence was produced to prove the efforts for purchase through open tendering.

DAC in its meeting held on 15th December 2023 directed for regularization from the competent forum. No further progress was reported till finalization of this report.

Audit recommends regularization of the expenditure besides fixing responsibility of lapse against the officer(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2021-22 vide para number 2.4.1.2.1 having financial impact of Rs 13.530 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 15, 30, 40 & 51]

17.4.9 Overpayment due to purchase at exorbitant rates - Rs 2.833 million

According to Clause 19 of the contract letter for the purchase of medicines /drugs / medical devices / surgical & disposable item for FY 2022-23 between firm and CEO DHA Bhakkar, final rate quoted by the firm against each item is not higher than any other district in Punjab for FY 2022-23. In case the rates offered by the firm are found higher than any other district in Punjab at any later stage the deduction will be made from the final payments accordingly, 2% performance guarantee will be forfeited and any other legal action including black listing will be initiated against the firm.

During audit of CEO DHA Bhakkar for the FY 2022-23, it was observed that management awarded rate contract at higher rate as compared to other districts of Punjab for the same medicines and from the same suppliers. This resulted in an overpayment on account of purchase of medicine at exorbitant rates of Rs 2.833 million. Detail is given at **Annexure-AN**.

Audit held that overpayment at exorbitant rates was made due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department admitted recovery and replied that letter had been written to contractor for recovery of amount.

DAC in its meeting held on 15th December 2023 directed for recovery within 30 days. No further progress was reported till finalization of this report.

Audit recommends recovery of overpaid amount besides fixing of responsibility for the lapse.

[PDP No. 1, 3 & 10]

D) Value for money and service delivery issues

17.4.10 Less collection of auction money and income tax - Rs 3.375 million

According to Section 68 of the PDA (Budget) Rules 2017, the primary obligation of the collecting officer shall be to ensure that all revenue due is claimed, realized and credited immediately to the District Authority fund and to record entries under proper receipt head. The head of offices or institutions shall supervise and take corrective measures in respect of the activities of the collecting officers. Further, according to Section 236-A of income tax ordinance, income tax @ 5% in case of filer and @ 10% in case of non-filer of the auction amount is required to be recovered as advance income tax on auction.

During audit of MS DHQ Hospital Bhakkar for the FY 2022-23, it was observed that management did not recover full amount of auction money, monthly installment of June 2023 and amount of advance income tax on auction from the contractors. This resulted in less recovery of auction money and income tax Rs 3.375 million.

Rs in million

Sr. No	Name of formation	Description	Amount
1	DHQ Hospital Bhakkar	Parking Stand and Canteen contract auction value and income tax	2.657
2	MS THQ Hospital Darya Khan	Auction money of parking stand	0.718
Total			**3.375**

Audit held that government revenues were not collected due to weak administrative and financial controls.

The matter was reported to the PAO in November 2023. The department replied that contract of parking stand had been cancelled due to non-deposit of government dues for the months of April and May 2023. Moreover, letter regarding submission of remaining amount of parking and canteen dues had been written to the contractors. Further, CDRs of Rs 550,000 had been withheld by THQ Darya Khan for non-payment of auction money of parking stand. The reply was not tenable because outstanding dues had not been recovered yet.

DAC in its meeting held on 15th December 2023 reduced the recoverable amount up to the extent of contract cancelled and directed for recovery of remaining amount from contractor within 30 days. No further progress was reported till finalization of this report.

Audit recommends early recovery from concerned besides fixing of responsibility on the officer(s) at fault.

[PDP No. 18, 45]

E) Others

17.4.11 Unusual delay in procuring equipment of development projects - Rs 95.360 million

According to Rule 4(1)(i) of PDA (Budget) Rules 2017, the CEO is responsible for ensuring that the funds allotted are spent on the activities for which the money was provided.

During audit of CEO DHA Bhakkar for the FY 2022-23, it was observed that PC-I of eleven schemes costing Rs 95.360 million was approved on 17.07.2021 and funds were received on 08.10.2021. Audit noticed that 1st tender was published in September 2022, 12-months after release of funds, resultantly unusual delay caused escalation in prices, hence, tender process could not be completed. Audit further noticed that even after lapse of 24 months tender process was not completed except for only one scheme. Moreover, management was trying to reduce the scope of scheme because no further funds were provided by the development wing of P&SHC department for purchase of all approved items as per PC-I. This resulted in non-execution of developmental purchases for health facilities of Rs 95.360 million.

Audit held that management failed to procure equipment for health facilities due to weak administrative and financial controls.

The matter was reported to the PAO in November 2023. The department replied that after revised administrative approvals, procurement process would be completed before 30.06.2024. The reply was not tenable because unusual delay resulted in extra financial burden on the public exchequer.

DAC in its meeting held on 15th December 2023 directed to inquire the matter by DG health services. No further progress was reported till finalization of this report.

Audit recommends to probe the matter besides fixing responsibility of lapse against the officer(s) at fault.

[PDP No. 12]

17.4.12 Irregular clearance of pending liability - Rs 72.229 million

According to Rule 17.17(A) and 17.18 of PFR Vol-I, every disbursing officer shall maintain a register of liabilities in PFR Form-27 in which he should enter all these items of expenditure for which payment is to be made by or through another officer, budget allotment or sanction of a higher authority is to be obtained or payment would be required partly or wholly during the next financial year or years.

During audit of CEO DHA Bhakkar and DHQ Bhakkar for the FY 2022-23, it was observed that Rs 73.229 million were drawn on account of bills of June 2022 from current year budget allocation despite the fact that the post audit for that financial period was already concluded. Audit observed that no such bills were reflected in any liability statement of the office prior to drawl of the bills and sanction of next higher authority was also not obtained. In the absence of liability statement, drawl of previous year's bills appeared doubtful. This resulted in irregular/ doubtful drawl of previous year bills Rs 72.229 million.

Audit held that irregular clearance of previous years's liabilities was due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that the DTL reports of the items mentioned in the para were received after 30.06.2023. It is further stated that the funds under Accounts-VI did not lapse and were revalidated in the next financial year. The reply was not accepted because CEO neither maintained liability register nor took sanction of the next higher authority.

DAC in its meeting held on 15th December 2023 directed for regularization. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 08 & 26]

17.4.13 Loss due to acceptance of below shelf life medicine - Rs 16.431 million

According to Notification No.S.O (P-I) H/3-64/2008 dated 18th October 2008 of P&SHC department, Government of Punjab, the shelf life in case of imported items must not be less than 80% and in case of local items 90% at the time of delivery. However, in case of imported medicines, the stores may be accepted up to 70% shelf life and in case of locally manufactured / packed drugs up to 80% at the time of supply/ delivery subject to 1% penalty charges for the actual short fall.

During audit of MS DHQ Hospital Bhakkar for the FY 2022-23, it was observed that management of hospital accepted medicines of Rs 16.431 million (at place of consumption i.e. DHQ) with below 80% shelf life in violation of rule ibid, procured through central rate contract by CEO office Bhakkar and DG Health office Lahore. This resulted in acceptance of medicines below 80% shelf life amounting to Rs 16.431 million as detailed at **Annexure-AO**.

Audit held that below shelf life medicines were accepted due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that procurement process had been carried out by the office of CEO DHA and DG Health Lahore. DHQ Hospital only received these medicines according to their submitted demand. The reply was not tenable as medicines received at hospital had shelf life of below 80%.

DAC in its meeting held on 15th December 2023 directed for regularization. No further progress was reported till finalization of this report.

Audit recommends regularization of the matter from the competent authority besides fixing of responsibility on officer(s) at fault.

[PDP No. 19]

17.4.14 Irregular and doubtful authorization of payment to MS Mustahlik Enterprises - Rs 4.193 million

As per Clause 1.2(b) and 1.3(q) "Scope of Service" of contract agreement between THQ and Service provider, for provision of MEPG Services, the service provider will be responsible for submission of detailed functional inventory of hospital, each month, duly signed by the service provider and counter signed by the S and Admin Officer of the concerned hospital. The service provider shall be fully responsible for safekeeping all the equipment throughout the contract period. The current state of each equipment and fixtures will be recorded at the time of handing over and signed off by both parties to be maintained at that level at all times.

During audit of MS THQ Hospital Darya Khan for the FY 2022-23, it was observed that PMU awarded the rate contract to MS Mustahlik Enterprises for repair and maintenance of MEPG equipment for one year that ended on 25.06.2023. Surprisingly, 13 air conditioners out of 60 and 7 stabilizers out 20 were found non-functional but the management authorized payment in favor of contractor up to March 2023. Audit further noticed that the contractor did not make handing over / taking over of equipment with the hospital management at the end of contract period. This resulted in irregular authorization of payment of Rs 4.193 million to the contractors.

Rs in million

Payment for month of December,2022	**Payment for month of January, 2023**	**02 months payment**	**Avg. PM payment**	**Payment months July, 22 to March 23**	**Payment made for 09 months on average**
497,520	434,250	931,770	465,885	9	4,192,965

Audit held that management made irregular authorization of payment without ensuring satisfactory repair and maintenance work due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the contract of MEPG contractor left the hospital without handing over the charge. As such, invoices for the month of April to June 2023 were not got signed. Further, the concerned company was contacted vide letter No. MS-THQ H 3203-3207/DKN dated 24-08-2023 and the Project Director, PMU was also informed about non-handing over of charge. The reply was not tenable as no serious efforts were made for repair and maintenance of hospital equipment during the contract period.

DAC in its meeting held on 15th December 2023 directed MS THQ Hospital to report the matter through CEO Health Bhakkar to the PMU P&SHC department to resolve the matter at the earliest. No further progress was reported till finalization of this report.

Audit recommends inquiry of the matter for fixing responsibility on officer(s) at fault.

[PDP No. 41]

17.4.15 Un-authentic verification of invoices caused extra financial burden on public exchequer - Rs 1.440 million

According to Clause 3 (VIII) of terms and conditions of contract agreement between Eastern Medical Services and DHQ hospital Bhakkar, service provider was authorized to charge Rs 1,000 (which vary from time-to-time) from OPD patients and remaining amount will be paid by the government (Agreement amount at that time was Rs 3,700 per patient) emergency and indoor patients will pay nothing but government will pay the contracted price per patients.

During audit of CEO DHA Bhakkar for the FY 2022-23, it was observed that CT scan services were outsourced to Easter Medical Services. Management authenticated payment advices of Rs 35.208 million and forwarded the same to PMU for payment. Audit noticed that 600 CT scans were advised through emergency route out of total 884 cases, whereas, record of only 24 patients was available who were eligible for free CT scan. Remaining 576 patients were actually OPD patients and not sent from emergency, hence, were not eligible for free CT scan. This resulted in extra financial burden on public exchequer of Rs 1.440 million (576 X Rs 2,500/ per CT scan) in the month of May 2023.

Audit found following irregularities in verification/ authentication of the invoices of service provider.

i. Radiologist services were not provided by service provider as per agreement and scans were performed by technicians.
ii. Consultants were authorized to advice CT scans of the patients but scrutiny for record the month of May 2023 revealed that 33% CT scans were advised by MOs, 95% of which were free of cost.
iii. No internal control mechanism was devised to monitor the CT scans requisitioning, implementation of SOPs and over invoicing by service provider.

Audit held that government had to sustain a loss due to week internal and administrative controls.

The matter was reported to the PAO in November 2023. The department replied that **e**mergency cases due to the critical condition of the patient were advised round the clock by the consultant on call and initially signed by the MO on duty which were later on countersigned by the authorized consultant. No scan was advised directly by the MO. Every month, the record of the patient with PMU sheet, excel sheet, reporting and original requisition form was forwarded to the outsourcing wing of PMU P&SHC department. The reply was not tenable because implementation of clauses of agreement and SOPs and monitoring was the responsibility of the administration of DHQ.

DAC in its meeting held on 15th December 2023 directed to probe the matter. No further progress was reported till finalization of this report.

Audit recommends inquiry of the matter and recovery from the concerned besides fixing of responsibility for the lapse.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2020-21 vide para number 3.4.2.2.3 having financial impact of Rs 5.244 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 24]

CHAPTER 18

DISTRICT HEALTH AUTHORITY KHUSHAB

18.1 Introduction

a) There are 19 formations in DHA Khushab out of which audit of 04 formations was conducted. Total expenditure and receipt of these formations is Rs 1,172.00 and Rs 25.311 million out of which 23% expenditure and 15% receipt is audited.

Audit Profile of DHA Khushab

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure Audited	Receipts Audited
1	DHA Khushab	19	04	269.560	3.797
2	Assignment Acs/SDAs	-	-	-	-
3	Foreign Aided Projects	-	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DHA Khushab was Rs 3,446.342 million and supplementary grant was Rs 881.437 million for the FY 2022-23. An amount of Rs 1,601.224 million was surrendered and final budget was Rs 2,726.555 million. Management incurred an expenditure of Rs 2,726.554 million resulting in saving of Rs 0.001 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	2,971.978	57.189	1,001.528	2,027.639	1,899.385	-128.254
Non-Salary	436.184	449.980	439.030	447.134	571.181	124.046
Development	38.180	374.268	160.666	251.782	255.989	4.207

Total	**3,446.342**	**881.437**	**1,601.224**	**2,726.555**	**2,726.554**	**0**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	Final Grant	Expenditure	Excess (+) / Saving (-)	% age of saving
2021-22	2,204.806	2,130.741	-74.065	3
2022-23	2,726.555	2,726.554	0	0

Source: Appropriation accounts for the FY 2021-22 and 2022-23

There was 24% increase in budget allocation and 28% increase in expenditure incurred during FY 2022-23 as compare to FY 2021-22. There was no saving during FY 2022-23.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

There are ten (10) qualitative indicators set by P&SHC department for DHA Khushab for the FY 2022-23. These indicators are set with the objectives of improving health facilities at each health unit, providing better environment, facilitating the patients in OPD and free of cost health services to the patients through appropriate monitoring at all levels. However, DHA Khushab was not given targets vis-à-vis indicators by the Health Department:

Sr. No.	Key Indicators	Targets	Achievements
1	OPD	-	1,666,590
2	Indoor	-	53,946
3	Surgical cases	-	4,361
4	Cardiac coronary Unit	-	33,147
5	Diagnostic Services (Laboratory, Radiology)	-	388,628
6	Family Planning Activities	-	14,074
7	Paeds	-	213,781
8	Surgery	-	43,839

9	TB Chest Treatment	-	6,956
10	Free Medicine Availability	-	Yes

Source: DHIS dashboard of DHA Khushab

ii. Service Delivery Issues

In view of the above table, it, prima facie, appears that DHA Khushab was required to be given targets for achievement.

18.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 11.855 million were raised in this report during current audit of DHA Khushab. This amount also includes recoveries of Rs 1.154 million as pointed out by the audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	**Classification**	**Amount placed under audit observation**
1	Non-production of record	-
2	Fraud, embezzlement, and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	1.154
B	Procurement related irregularities	10.701
C	Management of accounts with commercial banks	-
4	Value for money and service delivery issues	-
5	Others	-
Total		**11.855**

18.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	23	Not convened
2	2018-19	17	
3	2019-20	21	
4	2020-21	11	
5	2021-22	05	
6	2022-23	02	

18.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

18.4.1 Unauthorized payment of inadmissible allowances - Rs 1.154 million

According to letter No. FD(M-1)1-15/82-P-I dated 15.01.2000 of Finance Department, Government of the Punjab, in case a designated residence is available, the Government servant for whom it is meant cannot draw HRA even if he does not reside in it. According to circular letter No. FD-SR-1-9-4/86(P) (PR) dated 04.12.2012 & FD-SR-1-9-6(P)(PR) dated 24.05.2012 of Finance Department, the employees who are residing in the residential colonies situated within work premises are not entitled to the facility of CA and HRA. Moreover, according to letter No.FD.SR-V/3-2/2021 dated 15.03.2022 of Finance Department, Government of the Punjab, the bereaved family is entitled to draw Special Allowance 2021 @ 25% against OSD posts subject to the condition that the deceased officer/ official was drawing it at the time of his/her death.

During audit of following formations for the FY 2022-23, it was observed that payment of Rs 1.154 million on account of different inadmissible allowances made to the officers / officials in violation of the rules ibid. This resulted in overpayment of inadmissible allowances of Rs 1.154 million.

Rs in million

Sr. No.	Formation	Description	Amount
1	DHQ Hospital Jauharabad	CA during leave	0.604
2	CEO DHA Khushab	HRA & CA CEO office residence	0.103
3	CEO DHA Khushab	Special Allowance & CA (OSD posts)	0.359
4	DHQ Hospital Jauharabad	HRA & CA (accommodation within premises)	0.088
Total			**1.154**

Audit held that unauthorized payment of inadmissible allowances was made due to weak internal controls.

The matter was reported to the PAO in December 2023. The department admitted recoveries on account of conveyance allowance, special allowance and HRA and produced evidences of partial recoveries.

DAC in its meeting held on 3rd January 2024 directed for recovery of remaining amount.

Audit recommends complete recovery from the concerned employees.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23, 2021-22 & 2020-21 vide para number 18.4.1, 3.4.1.1.1 & 10.4.1.1.1 having financial impact of Rs 27.061 million, Rs 11.243 million and Rs 2.994 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 218, 219, 228 & 229]

B) Procurement related irregularities

18.4.2 Misprocurement due to splitting - Rs 4.775 million

According to Rule 9(1) of PPRA Rules 2014, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned.

During audit of following formations of DHA Khushab for the FY 2022-23, it was observed that DDOs incurred expenditure of Rs 4.775 million without annual planning by splitting the indents to avoid the tendering process. This resulted in irregular purchase without publishing advertisement on PPRA website of Rs 4.775 million.

Rs in million

Sr. No.	**Name of Formations**	**Items**	**Amount**
1	CEO DHA Khushab	Stationery Items	1.298
		Printing	1.151
2	THQ Hospital Khushab	Printing	1.187
3	THQ Hospital Naushera	X-Ray films and Printing Items	1.139
Total			**4.775**

Audit held that misprocurement was carried out due to weak internal controls.

The matter was reported to the PAO in December, 2023. The department replied that budget releases were received on quarterly basis due to which purchases were made without annual planning and advertisement on PPRA website. Department reply was not acceptable because issue of quarterly release was for all other DHAs of adjacent districts yet they ensured procurements through open tendering and framework contracts.

DAC in its meeting held on 3rd January 2024 directed for regularization of expenditure from competent forum.

Audit recommends implementation of DAC's decision.

Note: The issue was also reported earlier in the Audit Reports for the Audit Year 2022-23 & 2021-22 vide para number 18.4.2 & 3.4.1.2.1 having financial impact of Rs 23.963 million and Rs 4.480 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 216, 217, 222, 234 & 235]

18.4.3 Irregular payment of drugs and medicines without DTL reports - Rs 2.337 million

According to letter No. SO (P-1) H/RC 2001- 2002/01 dated 29th September 2001 of P&SHC department, no drug/ medicine shall be accepted & used without the report of DTL. Moreover, payment on account of drugs/medicines shall be released to suppliers only on receipt of standard/positive DTL report. Further, according to Drug Act 1967, the payment to suppliers of medicines should be made after obtaining DTL reports.

During audit of MS THQ Hospital Khushab for the FY 2022-23, it was observed that management incurred expenditure of Rs 2.337 million on procurement of medicines but the DTL of the same was not attached with the bills. This resulted in irregular expenditure on procurement of medicine without DTL report worth Rs 2.337 million.

Audit held that payment made without obtaining DTL reports was due to weak internal controls and financial indiscipline.

The matter was reported to the PAO in December 2023. The department provided DTLs and Lot Release Certificates in case of 6 medicines only. In remaining cases DTLs of same batches of other districts were produced for verification. Audit contented that DTLs of other district could not be considered as valid for DHA Khushab as per SOPs for DTL.

DAC in its meeting held on 4th January 2024 reduced the para to Rs 2.337 million and directed for regularization of expenditure from competent forum.

Audit recommends regularization of expenditure besides provision of DTL reports for verification.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2017-18 vide para number 9.4.3.4 having financial impact of Rs 3.336 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 220]

18.4.4 Loss due to purchase of IV Cannulas' at higher - Rs 3.589 million

As per standard bidding documents of health department, schedule of requirements after expiry of prescribed delivery period the procuring agency may proceed for risk purchase (at the risk and cost of the defaulter) to ensure the un-interrupted healthcare services to the patients.

During audit of MS DHQ Hospital, Jauharabad for the FY 2022-23, it was observed that the management procured I.V cannula at higher rates as compared to approved rates of bid winning firm M/S Hashir Surgical Services Peshawar who did not supply IV cannulas. The management met hospital needs through LP purchases at higher rates from LP budget but neither made efforts for retendering nor recovered risk purchase cost from the defaulter contractor. This resulted in loss of

Rs 3.589 million due to purchase of IV cannulas at higher rates through LP as detailed below:

Amount in Rs.

Sr. No.	Description	Receiving Date	Supplier	Bulk Rate	Rate Paid	Diff	Qty	Excess Paid
1	IV cannula-18g, 20g, 22g, 24g	21.02.2023 to 28.02.2023	Taseer Hasnain-Taseer Health Care Pharmacy	79.7	292.5	212.8	87	18,514
2		9/2022 to 12/2022		79.7	245	165.3	241	39,837
3		10/20/2022 13:29		79.7	168	88.3	200	17,660
4		2/28/2023 13:40		79.7	168	88.3	2000	176,600
5		9/22/2022 10:49		79.7	130	50.3	2000	100,600
6		9/22/2022 11:55		79.7	130	50.3	2000	100,600
7		9/23/2022 12:10		79.7	130	50.3	3000	150,900
Risk purchase due from M/S Hashir							**9528**	**604,711**
8	IVcannula- 24g	9/2022 to 11/2022	Taseer Hasnain-Taseer Health Care Pharmacy	87	168	81	16000	1,296,000
9		7/2022 to 9/2022		79.7	168	88.3	14000	1,236,200
10		7/2022 to 9/2022		79.7	130	50.3	9000	452,700
Grand Total							**48,5**	**3,589,**

	28	**611**

Audit held that due to weak internal and financial controls, LP medicines were purchased in violation of policy guidelines.

The matter was reported to the PAO in December 2023. The department replied that a letter had been written to the authority for black listing the firm. Reply was not satisfactory because purchases were made at exorbitant rates as compared to prevailing market rates and performance security of defaulter firm was also not forfeited up to the date of audit.

DAC in its meeting held on 3rd January 2024 directed for inquiry by the chair.

Audit recommends implementation of DAC's decision.

[PDP No. 226]

CHAPTER 19

DISTRICT HEALTH AUTHORITY MIANWALI

19.1 Introduction

a) There are 22 formations in DHA Mianwali out of which audit of 05 formations was conducted. Total expenditure and receipt of these formations was Rs 1,558.879 and Rs 60.619 million respectively out of which 51% expenditure and 40% receipt were audited.

Audit Profile of DHA Mianwali

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure Audited	Receipts Audited
1	DHA Mianwali	22	05	795.028	24.248
2	Assignment Acs/SDAs	-	-	-	-
3	Foreign Aided Projects	-	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DHA Mianwali was Rs 3,471.001 million and supplementary grant was Rs 511.309 million for the FY 2022-23. An amount of Rs 1,051.464 million was surrendered and final budget was Rs 2,930.846 million. Management incurred an expenditure of Rs 2,561.802 million resulting in saving of Rs 369.044 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	2,290.513	365.027	655.387	2,000.153	1,836.249	-163.904
Non-Salary	1,177.129	146.282	396.077	927.334	722.903	-204.431
Development	3.359	0	0	3.359	2.65	-0.709

Total	**3,471.001**	**511.309**	**1051.464**	**2,930.846**	**2,561.802**	**-369.044**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	Final Grant	Expenditure	Excess (+) / Saving (-)	% age of saving
2021-22	2,326.047	2,124.943	-201.104	9
2022-23	2,930.846	2,561.802	-369.044	13

Source: Appropriation accounts for the FY 2021-22 and 2022-23

There was 26% increase in budget allocation and 21% increase in expenditure incurred during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 401.214 million during FY 2022-23 which is 13% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

There are ten (10) qualitative indicators set by P&SHC department for DHA Mianwali for the FY 2022-23. These indicators are set with the objectives of improving health facilities at each health unit, providing better environment, facilitating the patients in OPD and free of cost health services to the patients through appropriate monitoring at all levels. A comparison of target set for each indicator and the status of achievement is given below:

Sr. No.	Key Indicators	Targets	Achievements
1	Outdoor Patients	2,358,782	2,587,557
2	Indoor	103,250	107,552
3	Surgical cases	118,215	108,174
4	Cardiac coronary Unit	62,609	92,706
5	Diagnostic Services (Laboratory, Radiology)	711,517	732,982
6	Family Planning Activities	47,890	47,710
7	Paeds	142,714	164,825
8	Surgery	128,321	112,859

9	TB Chest Treatment	20,122	22,033
10	Free Medicine Availability	0	2,695,109

Source: DHIS dashboard of DHA Mianwali

ii. Service Delivery Issues

Analysis of the achievements mentioned in the table above shows that DHA Mianwali lagged behind in treating target number of patients in relating to surgical cases and surgery during FY 2022-23.

19.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 74.896 million were raised in this report during current audit of DHA Mianwali. This amount also includes recoveries of Rs 16.551 million as pointed out by the audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	Classification	Amount placed under audit observation
1	Non-production of record	-
2	Fraud, embezzlement, and misappropriation	2.299
3	**Irregularities:**	
A	HR/Employees related irregularities	2.283
B	Procurement related irregularities	31.113
C	Management of accounts with commercial banks	-
4	Value for money and service delivery issues	10.761
5	Others	28.440
Total		**74.896**

19.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	23	Not convened
2	2018-19	17	
3	2019-20	21	
4	2020-21	11	
5	2021-22	04	
6	2022-23	07	

19.4 AUDIT PARAS

A) Fraud, Embezzlement and Misappropriations

19.4.1 Non-deposit of hospital receipts- Rs 2.299 million

According to Rule 14 of PDA (Accounts) Rules 2017, the collecting officer shall be responsible to collect receipt in the transparent manner and guard against misappropriation, fraud, embezzlement or compromise.

During audit of the THQ Hospital Piplan for the FY 2022-23, it was observed that hospital receipts of Rs 3.507 million were reported on portal. However, only Rs 1.208 million was found deposited in government treasury and whereabouts of the remaining amount of Rs 2.299 million were not known. This resulted in misappropriation in hospital receipts amounting to Rs 2.299 million

Audit held that government receipt was not deposited in government treasury due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that out of total receipts of Rs 3.047 million, 85% government share amounting to Rs 2.590 million had been deposited. The reply was not tenable as total deposited receipts were Rs 1.208 million and remaining amount was still recoverable.

DAC in its meeting held on 28th December 2023 directed to constitute a committee headed by Deputy Director (B&A) of DHA Mianwali for scrutiny and recovery of receipts besides fixing responsibility of lapse against the officer(s) at fault.

Audit recommends implementation of DAC's decision.

[PDP No. 180]

B) Human Resource /Employees related irregularities

19.4.2 Unauthorized payment of inadmissible allowances - Rs 2.283 million

As per clarification issued by Finance Department, Government of the Punjab vide letter no. FD (M-1)1-15/82-P-I dated 15.1.2000, in case a designated residence is available, the government servant for whom it is meant cannot draw HRA even if he does not reside in it. According to Sr. No. (XIII) (i) (b) of Contract Appointment Policy 2004 issued by S&GAD Government of the Punjab, SSB @ 30% is admissible in lieu of pension only to contract employees. As per letter No. PMU/PHSRP/G-I-06/61/760 dated 16th March 2007 of the P&SHC department, the PHSRP allowance is admissible only when the paramedics and other staff perform their duties under the PHSRP at RHCs / BHUs. According to Order No. SO (N.D) 2-26/2004(P.II) of the Government of Punjab, P&SHC department read with clarification issued vide No FD.SR-I/6-7/2018 dated 15.10.2019 by the Finance department, NPA is only admissible to those doctors in THQs and DHQs who give the undertaking that they will not perform private practice.

During audit of the following formations of DHA Mianwali for the FY 2022-23, it was observed that payment of Rs 2.283 million on account of different inadmissible allowances was made to the officers / officials in violation of the rules ibid. This resulted in overpayment of Rs 2.283 million.

Rs. in million

Sr. No.	Name of Formation	Description	Amount
1	DHQ Hospital Mianwali	Non-deduction of HSRA	0.427
2		CA & HRA having designated residences	0.105
3		CA during leave	0.502
4	THQ Hospital Piplan	Overpayment of 1 month pay to resigned doctors	0.135
5		HRA & CA within hospital premises	0.536

6	THQ Hospital Kalabagh	Overpayment of annual increment	0.277
7	THQ Hospital Isa Khel	Non-deduction of HSRA	0.100
8		HRA & CA within hospital premises	0.104
9		CA during leave	0.097
Total			**2.283**

Audit held that unauthorized payment of inadmissible allowances was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department admitted recovery and stated that letter for recovery had been written to DAO.

DAC in its meeting held on 28th December 2023 directed for recovery. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

Note: The issue was also reported earlier in the Audit Reports for the Audit Year 2021-22, 2021-22 & 2020-21 vide para number 19.4.2, 4.4.2.1.1 & 13.4.3.1.1 having financial impact of Rs 6.813 million,
Rs 16.929 million & Rs 9.989 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 170, 172, 175, 181, 182, 190, 193, 195 & 197]

C) Procurement related irregularities

19.4.3 Irregular expenditure on procurement by avoiding PPRA - Rs 22.588 million

According to Rule 9(1) of PPR 2014, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regroupingof the procurements so planned.

During audit of following formations of DHA Mianwali for the FY 2022-23, it was observed that DDOs incurred Rs 22.588 million on purchase of different items through quotations by splitting the purchases in small orders to avoid tendering process. This resulted in irregular purchases of Rs 22.588 million.

Rs in million

Sr. No.	Name of Formation	Items	Amount
1	THQ Hospital Piplan	Lab items, Bedding & Clothing	18.913
2	THQ Hospital Kala Bagh	Medicated items	3.675
Total			**22.588**

Audit held that irregular procurement made in violation of PPR 2014 was due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that hospitals procured the medicines and other stores for smooth running of hospital under Rules 59(a) & (b) of PPRA Rules. The reply was not tenable as procurements were required to be made through open competitive bidding.

DAC in its meeting held on 28th December 2023 directed for regularization from competent authority. No further progress was reported till finalization of this report.

Audit recommends inquiry of matter for fixing responsibility of on the officer(s) at fault.

Note: The issue was also reported earlier in the Audit Reports for the Audit Year 2021-22 & 2021-22 vide para number 19.4.3 & 4.4.2.2.1 having financial impact of Rs 27.364 million and Rs 9.294 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 179 & 185]

19.4.4 Irregular procurement of medicines - Rs 5.018 million

According to Clause 2 (xxvii) of Policy & Operational Guidelines for LP of Medicines (Day to Day) issued vide letter No. SO (HP) 12-02/2022 dated 29.06.2022 by P&SHCD, local purchase costs government higher price in comparison to bulk purchases. Therefore, the aim is to reduce the incidences of local purchase by initiation and conclusion of bulk purchase process timely, utilization of alternative methods of procurement and by conducting risk purchases without splitting of procurement.

During audit of the MS DHQ Hospital Mianwali for the FY 2022-23, it was observed that management procured LP medicines in bulk quantities at retail rates with usual discounts despite the fact that items were of frequent use and amongst the bulk rate contract category. Resultantly, maximum LP medicine budget exhausted on fewer items, which could have been easily managed from bulk medicines supplies at minimum cost. This resulted in irregular purchase of medicine amounting to Rs 5.018 million. The detail is as under:

Item	**Annual Purchase**	**Per Unit Price (Rs)**	**Amount (Rs in million)**
Inj. Atropine	3,000	1,804	0.012
Inj. Adrenaline	4,000	04	0.016
Inj. Avil	6,000	02	0.012
IV Burets	5,000	207.6	1.004
Folley Catheter	8,000	200	1.600
Inj. Dobutamine	4,000	412.3	1.649
Inj. Frusemide	20,000	7.7	0.154
Inj. Linguicide 2%	3,000	18	0.054
Inj. Cal Gluconate	4,000	08	0.032
Inj. Daizepe	2,500	22	0.055
Inj. Cefotaxime	4,000	61	0.244

Inj. Dimenhydrinate	25,000	7.2	0.180
Total			**5.0118**

Audit held that irregular purchase of medicines through LP was carried out due to poor financial controls.

The matter was reported to the PAO in November 2023. The department replied that medicines were demanded in bulk purchase but could not be procured due to certain technical reasons. Moreover, majority of mentioned drugs were lifesaving and were essential to maintain a certain stock readily available as and when needed. The reply was not tenable as frequently used medicines were to be procured through bulk purchase to avoid consumption of more budget on less medicines due to higher rates of LP purchase.

DAC in its meeting held on 28th December 2023 directed for regularization of the expenditure from competent forum.

Audit recommends fixing of responsibility of lapse against the officer(s) at fault besides regularization of the expenditure.

Note: The issue was already reported earlier in the Audit Report for the Audit Year 2019-20 vide para number 13.5.2.2.2 having financial impact of Rs 13.468 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 168]

19.4.5 Irregular procurement from blacklisted firm - Rs 3.507 million

As per order No. 95988-98/DHQ/MWI dated 25.04.2022 of DHQ hospital Mianwali under Rule 22 (1)(a,b,c) & (6) of PPR 2014, M/S Rehman & Sons were blacklisted from for the period from 25.04.2022 to 24.04.204.

During audit of MS THQ Hospital Piplan for the FY 2022-23, it was observed that management made purchase of dialysis medicines worth Rs 8.434 million from a blacklisted firm, M/S Rehman Sons. This resulted in irregular procurement from blacklisted firm Rs 8.434 million.

Audit held that procurements were made from blacklisted firm due to poor internal controls.

The matter was reported to the PAO in November 2023. The department replied that blacklisting of firm was only limited to DHQ Mianwali and not blacklisted on PPRA. The reply was not tenable as procurement was required to be made from non-blacklisted firms.

DAC in its meeting held on 28th December 2023 directed for regularization. No further progress was reported till finalization of this report.

Audit recommends inquiry of the matter for fixing responsibility on the officer(s) at fault.

[PDP No.176 & 177]

D) Value for money and service delivery issues

19.4.6 Overpayment to contactor on account of GST over approved rates - Rs 8.260 million

According to Clause 2.5.8 (iv) of the standard bidding documents of PPRA, the financial evaluation of a Bid will be on the basis of form of Price Schedules/Financial Bid to be decided by the procuring agency which must include clear cut instruction regarding item wise or package wise evaluation inclusive of prevailing taxes, duties, fees etc.

During audit of the DHQ Hospital Mianwali for the FY 2022-23, it was observed that management made payment of Rs 47.57 million to the suppliers of X-Ray films and medical gases. Audit noticed that the contractors charged 17% GST over and above the approved rates as per rate contact. The bidders never mentioned that rates were exclusive of GST or extra GST would be charged over quoted rates in their bids. This resulted in over payment to contractor Rs 8.260 million. Detail is as under:

Rs in million

Sr. No.	Amount Paid (By adding GST)	Quoted Amount (GST already included)	GST Overpaid
X-Ray Films: M/S Fuji Films Pakistan (Pvt) Ltd.			
1	2.081	1.764	0.318
2	3.819	3.236	0.583
3	4.907	4.194	0.713
Medical Oxygen Gas: M/S Makkah Ammonia Gases			
4	1.719	1.469	0.250
5	1.886	1.599	0.288
6	2.270	1.940	0.330
7	2.334	1.978	0.356
8	2.736	2.319	0.417
9	3.911	3.343	0.568
10	3.919	3.321	0.598

Audit held that GST was charged over and above approved rates due to weak financial.

11	4.826	4.090	0.736
12	8.495	7.261	1.234
13	4.963	4.206	0.757
14	4.058	3.439	0.619
15	3.391	2.898	0.493
Total	**55.315**	**47.057**	**8.260**

The matter was reported to the PAO in November 2023. The department replied that all firms quoted their rates exclusive of GST in their bids. Accordingly, the purchase committee approved rates considering the point of GST which was not included in the approved rates. Therefore, no additional GST was paid. The reply was not tenable because single bidders participated in case of X-Ray films and medical gases. Exclusive of GST was not mentioned on their bids anywhere and purchase committee notified the same as approved rates.

DAC in its meeting held on 28th December 2023 directed for recovery of overpaid GST.

Audit recommends early recovery besides fixing of responsibility on the officer(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2018-19 vide para number 12.4.4.3 having financial impact of Rs 1.543 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 164]

19.4.7 Non-recovery of hospital receipts - Rs 1.037 million

According to Rule 14 of PDA (Accounts) Rules, 2017, the collecting officer shall be responsible to collect receipt in in the transparent manner and guard against misappropriation, fraud, embezzlement or compromise.

During audit of DHQ Hospital Mianwali for the FY 2022-23, it was observed that the management did not recover parking fee of Rs 0.660 million from the contractors and did not deposit hospital fee of Rs 0.377 million in government treasury. This resulted innon-recovery of hospital receipts of Rs 1.037 million.

Rs in million

Sr. No.	Description	Receipt	Remarks
1	Parking fee	0.660	Not recovered
	MLC fee	0.310	

2	Indoor fe	0.067	Not deposited in treasury
Total		**1.037**	

Audit held that government dues were not recovered / deposited due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that the contractor of parking was blacklisted and case for recovery was forwarded to ADCR Mianwali. Moreover, partial amount of indoor fee and full amount of 85% government share of hospital receipts had been deposited in the government treasury. The reply was not tenable because no documentary evidence was produced in support of reply.

DAC in its meeting held on 28th December 2023 directed for complete recovery and probe in case of non-deposit of MLC fees.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 169 & 173]

19.4.8 Non deduction of GST - Rs 1.464 million

As per Sr. No. 81 of 8th Schedule of Sales Tax Act, 1990, amended in accordance with Finance Act 2022, the manufacturers and importers registered under the Drugs Act 1976 (XXXI of 1976) are liable to GST @ 1% for sale of drugs and medicines as discharge of final liability of GST without input tax credit.

During audit of CEO DHA Mianwali for the FY 2022-23, it was observed that management made payment for purchase of medicines amounting to Rs 146.412 million but neither GST invoices were provided by the contractors nor was deducted at source. This resulted in non-deduction of GST of Rs 1.464 million as detailed below:

Rs in million

Sr. No.	Voucher Reference No.	Vendor	Gross Amount	1 % GST Amount
1	5100010022	Amson Vaccine & Pharama	18.416	0.184
2	1900030496	Roech Pharmaceutical	15.393	0.154

Rs in million

Sr. No.	Voucher Reference No.	Vendor	Gross Amount	1 % GST Amount
3	5100006024	Ibel Healthcare	13.876	0.139
4	1900168333	Akram & Brother	10.782	0.108
5	5100007006	Unisa Pharmacuaetical	9.764	0.098
6	5100051017	Lisko Pakistan	8.022	0.080
7	5100135006	Glasxosmith Pakistan	7.796	0.078
8	5100103006	Hashir Surgical	7.702	0.077
9	5100135007	Fynk Pharmacuatical	7.020	0.070
10	1900157902	Kohinoor Industries	6.933	0.069
11	1900039121	Unisa pharmacuaetical	5.544	0.055
12	5100103003	Lisko Pakistan	5.531	0.055
13	1900155746	Novo Nordisk (pvt)ltd.	5.479	0.055
14	5100056008	Hakimsons Impex (pvt)ltd.	5.252	0.053
15	5100138004	Getz Pharma	5.086	0.051
16	5100056007	Wilshire Laboratories	5.011	0.050
17	5100108004	Bloom Pharma	3.255	0.033
18	5100135008	Asian Contential	2.989	0.030
19	1900155748	Bosch Pharma	2.561	0.026
Total			**146.412**	**1.465**

Audit held that GST was not deducted at source due to weak financial controls.

The mater was reported to the PAO in November 2023. The department replied that procurements were made from GST active firms which were responsible for submission of their

GST. The procuring agency made payments as per claimed invoices. The reply was not tenable because neither GST invoices were submitted nor GST @ 1% was deducted.

DAC in its meeting held on 28th December 2023 directed to produce evidence of deposit of GST by firms otherwise recover the same.

Audit recommends implementation of DAC's decision at the earliest.

Note: The issue was already reported earlier in the Audit Report for the Audit Year 2017-18 vide para number 12.4.3.3 having financial impact of Rs 2.112 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 163]

E) Others

19.4.9 Irregular clearance of pending liability - Rs 17.520 million

According to Rule 17.17(A) and 17.18 of PFR Vol-I, every disbursing officer shall maintain a register of liabilities in PFR Form-27 in which he should enter all these items of expenditure for which payment is to be made by or through another officer, budget allotment or sanction of a higher authority is to be obtained or payment would be required partly or wholly during the next financial year or years.

During audit of the following formations of DHA Mianwali for the FY 2022-23, it was observed that management drew an amount of Rs 17.520 million pertaining to bills for the FY 2021-22 from current year's budget despite the fact that the post audit for that financial period was already concluded. Audit noticed that no such bills were reflected in any liability statement of the office prior to drawl of the bills and sanction of any higher authority was also not obtained. This resulted in irregular drawl of previous year's bills of Rs 17.520 million as detailed at **Annexure-AP.**

Rs in million

Sr. No.	**Name of Formation**	**Nature of Expenditure**	**Amount**
1	DHQ Hospital Mianwali	LP medicines, lab kits etc.	13.199
2	THQ Hospital, Piplan	LP medicine bills	4.321
Total			**17.520**

Audit held that irregular clearance of previous year's liability was carried out due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. The department replied that payment was made through extra pending liability budget after approval of competent authority. The reply was not tenable as no documentary evidence was provided in support of reply.

DAC in its meeting held on 28th December 2023 directed for regularization. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2018-19 vide para number 12.4.3.6 having financial impact of Rs 5.294 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 174 & 184]

19.4.10 Non-imposition of penalty - Rs 10.920 million

According to Clause 25 of Operations Responsibilities (Section-C Scope of Services) of the contract agreement with M/s National Cleaning Services for provision of Janitorial Services, service provider shall pay its personnel not less than the minimum wage as per labor laws of Pakistan and other benefits mandated by the law. Moreover, as per Sr. No. 05 of Chapter Penalties, if any worker does not get paid minimum wage as per labor laws, Rs 5,000 per staff shall be imposed for that particular month.

During audit of following formations of DHA Mianwali for the FY 2022-23, it was observed that contractors did not pay minimum wage rates to the workers as per contract agreement. The management verified invoices without imposing penalty thereon. This resulted in non-imposition of penalty of Rs 10.920 million. The detail is as under:

Rs in million

r. No.	Formation	Name of Contractor	eriod	No. of employees	Penalty
				B	**A*B*5,000**
	DHQ Mianwali	M/S Babar & Umar	2	107	6.420
	THQ Piplan	Super care Services		36	1.440
	THQ Kalabagh	Mustahliq Enterprise	2	05	0.300

	THQ Isa Khel	M/S Babar & Umar	2	3 9	2. 340
		Mustahliq Enterprise	2	0 7	0. 420
Total					**1 0.920**

Audit held that processing of invoices by the management without imposition of penalty was due to weak managerial controls.

The matter was reported to the PAO in November 2023. The department replied that the contract of Janitorial staff was made by PMU of P&SHC department and janitorial staff was receiving salary as per contract. The reply was not tenable as management did not impose penalties before forwarding cases for payment.

DAC in its meeting held on 28th December 2023 directed for recovery. No further progress was reported till finalization of this Report.

Audit recommends implementation of DAC's decision.

[Para No. 171, 183, 189, 196]

CHAPTER 20

DISTRICT HEALTH AUTHORITY SARGODHA

20.1 Introduction

a) There are 33 formations in DHA Sargodha out of which audit of 04 formations was conducted. Total expenditure and receipt of these formations was Rs 947.001 and Rs 1.064 million respectively out of which 38% expenditure and 40% receipt were audited.

Audit Profile of DHA Sargodha

Rs in million

Sr. No.	Description	Total Formations	Audited	Expenditure audited	Receipts audited
1	DHA Sargodha	33	04	359.860	0.424
2	Assignment Acs/SDAs	-	-	-	-
3	Foreign Aided Projects	-	-	-	-

b) Comments on Budget and Accounts (Variance Analysis)

As per appropriation accounts, original budget of DHA Sargodha was Rs 4,442.462 million and supplementary grant was Rs 1,505.228 million for the FY 2022-23. An amount of Rs 1,508.092 million was surrendered and final budget was Rs 4,439.598 million. Management incurred an expenditure of Rs 4,429.133 million resulting in saving of Rs 10.465 million. Actual expenditure was less than the original budget which indicated that unrealistic budget estimates were made while demanding the supplementary grant. The break-up of final grant and expenditure is given in the following table:

Rs in million

Description	Original Grant	Supp. Grant	Surrender	Final Grant	Exp.	Excess (+) / Saving (-)
Salary	3485.595	1,065.821	1082.989	3,468.427	3467.567	-0.86
Non-Salary	947.543	429.265	425.103	951.705	951.431	-0.274

Development	9.324	10.142	0	19.466	10.135	-9.331
Total	**4,442.462**	**1,505.228**	**1,508.092**	**4,439.598**	**4,429.133**	**-10.465**

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

Rs in million

Financial Year	Final Grant	Expenditure	Excess (+) / Saving (-)	% age of saving
2021-22	3,889.161	3,494.150	-395.011	10
2022-23	4,439.598	4,429.133	-10.465	0.23

Source: Appropriation accounts for the FY 2021-22 and 2022-23

There was 14% increase in budget allocation and 27% increase in expenditure incurred during FY 2022-23 as compared to FY 2021-22. There was saving of Rs 395.011 million during FY 2022-23 which is 0.23% of budget.

c) Sectoral Analysis

i. Analysis of Targets and Achievements

There are ten (10) qualitative indicators set by P&SHC department for DHA Sargodha for the FY 2022-23. These indicators are set with the objectives of improving health facilities at each health unit, providing better environment, facilitating the patients in OPD and free of cost health services to the patients through appropriate monitoring at all levels. A comparison of target set for each indicator and the status of achievement is given below:

Sr. No.	Key Indicators	Targets	Achievements
1	OPD	3,236,857	3,236,857
2	Indoor	111,962	111,962
3	Surgical cases	53,016	53,016
4	Cardiac coronary Unit	43,860	43,860
5	Diagnostic Services (Laboratory, Radiology)	1,090,045	1,090,045

6	Family Planning Activities	83,999	83,999
7	Paeds	193,670	193,670
8	Surgery	18,200	18,200
9	TB Chest Treatment	66,506	66,506
10	Free Medicine Availability	-	-

Source: DHIS dashboard of DHA Sargodha

ii. Service Delivery Issues

Analysis of the achievements mentioned in the above table shows that DHA Sargodha achieved 100% targets during FY 2022-23.

20.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 124.118 million were raised in this report during current audit of DHA Sargodha. This amount also includes recoveries of Rs 3.968 million as pointed out by the audit. Summary of audit observations classified by nature is as under:

Overview of Audit Observations

Rs in million

Sr. No.	Classification	Amount placed under audit observation
1	Non-production of record	-
2	Fraud, embezzlement, and misappropriation	-
3	**Irregularities:**	
A	HR/Employees related irregularities	4.168
B	Procurement related irregularities	12.744
C	Management of accounts with commercial banks	-
4	Value for money and service delivery issues	
5	Others	107.206
Total		**124.118**

20.3 Brief Comments on Status of Compliance with PAC Directives

Audit Reports pertaining to following years have been submitted to Governor of the Punjab. However, PAC meeting to discuss these Audit Reports is yet to be convened.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	23	Not convened
2	2018-19	17	
3	2019-20	21	
4	2020-21	11	
5	2021-22	04	
6	2022-23	09	

20.4 AUDIT PARAS

A) Human Resource / Employees related irregularities

20.4.1 Irregular payment of NPA - Rs 1.335 million

According to Letter No. FD.SR-1/6-4/2019 dated 05.04.2021of the clarification issued by the Finance Department, Government of the Punjab (NPA) is not admissible to doctors serving on administrative posts. As per clarification No. 90/PR-C/NPA/2022-23/CD 2547 dated 23-2-23 taken by AG office, CEO DHA is not entitled to NPA being an Administration post. Further, according to Order No SO (N.D)2-26/2004(P.II) of the Health Department, Government of the Punjab, the NPA w.e.f 1.1.2007 is admissible only to those doctors who do not opt for private practice.

During audit of CEO DHA Sargodha for the FY 2022-23, it was observed that management paid NPA to officers working on administrative posts without any justification. Audit further noticed that NPA was paid to doctors doing private practice as evident from the boards/ panaflex of private clinics. Detail is as under:

Sr. No.	Name of Employee & Designation	Months	Rate (Rs)	Amount (Millions)
		A	B	A*B
CEO DHA Sargodha – NPA to officers working on administrative posts				
1	Dr. Sohail Asghar, CEO	2		0.058
2	Dr. Khaliq dad, CEO	6		0.137
3	Dr. Mushtaq Bashi, CEO	4		0.138
THQ Hospital Shahpur – NPA to doctors doing private practice				
4	Dr. Hamood-ur-Rehman Orthopedic Surgeon	15 months & 12 days		0.351

5	Dr. Bilal Shafique MO	6 months & 14 days		0.147
6	Dr. Shah Hassan Waseem MO	19 months & 6 days		0.437
7	Dr. Shahid Mahmood Dogar- Eye specialist	02 months & 10 days		0.067
Total				**1.335**

Audit held that irregular payment of NPA without entitlement was due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that any person having MBBS or equivalent qualification and not doing private practice was eligible for NPA. Moreover, the doctors were not doing private practice. The reply was not tenable as NPA was not admissible to doctors working on administrative posts and doing private practice.

DAC in its meeting held on 20th December 2023 directed to seek clarification from Finance Department and probe the matter. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

[PDP No. 80 & 111]

20.4.2 Unauthorized payment of inadmissible allowances - Rs 2.833 million

According to Rule 1.15(a) of Punjab Traveling Allowance Rules, no conveyance allowance is admissible during leave. Further, according to circular Letter No. FD-SR-1-9-4/86(P) (PR) dated 04.12.2012 & FD-SR-1-9-6 (P) (PR) dated 24.05.2012 of Finance Department, the employees who are residing in the residential colonies situated within work premises are not entitled to the facility of CA and HRA.As per letter No. PMU/PHSRP/G-I-06/61/760 dated 16th March, 2007 of the P&SHC department, Government of the Punjab, the PHSRP allowance is admissible only when the paramedics and other staff perform their duties under the PHSRP at RHCs / BHUs. According to Clause-6 of the Pay Revision Rules 1972, annual increment in national pay scale shall fall due on 1st of December following the completion of at least six months service at a stage in the scale.

During audit of following formations of DHA Sargodha for the FY 2022-23, it was observed that payment of Rs 2.833 million on account of different inadmissible allowances and annual increments was made to the officers / officials in violation of the rules ibid. This resulted in overpayment of Rs 2.833 million.

Rs in million

r. No.	Description	Amou nt
	THQ Hospital Bhalwal	
	Non-deduction of CA during leave	0.190
	Overpayment of annual increment	0.150
	Non-deduction of 5% maintenance charges	0.085
	Non-deduction of HSRA at THQ level	0.014
	THQ Hospital Shahpur	
	Non-deduction of CA during leave	0.345
	Payment of salaries without performing duties	0.611
	Non-deduction of HRA & CA having government residences within premises	0.191
	Overpayment of annual increment	0.174
	THQ Hospital 90/SB	
	Non-deduction of CA during leave	0.258
0	Non-deduction of HRA & CA having government residences within premises	0.502
1	Overpayment of annual increment	0.141
2	Non-deduction of HSRA at THQ level	0.172

Rs in million

r. No.	Description	Amount
	Total	**2.833**

Audit held that unauthorized payment of inadmissible allowances was made due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that recovery up to Rs 1.00 million had been affected and change form of recovery of remaining amount of Rs 2.833 million had been submitted to DAO.

DAC in its meeting held on 20th December 2023 directed the department to recover the overpayment at the earliest. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

Note: The issue was also reported earlier in the Audit Reports for the Audit Year 2022-23, 2021-22 & 2020-21 vide para number 20.4.1, 20.4.3, 5.4.1.1.1 & 18.4.2.1.1 having financial impact of Rs 7.772 million, Rs 1.608 million, Rs 7.295 million & Rs 4.039 million. Recurrence of same irregularity is a matter of serious concern.

[PDP No. 91, 96, 98, 102, 105, 107, 112, 113, 118, 121, 124 & 128]

B) Procurement related irregularities

20.4.3 Irregular expenditure in violation of PPR 2014 - Rs 7.548 million

According to Rule 36A of PPR 2014, in any procurement, one person may submit one bid and if one person submits more than one bids, the procuring agency shall reject all such bids. If a consortium of persons has submitted a bid in any procurement, it shall be construed that each member of the consortium submitted the bid.

During audit of CEO DHA Sargodha for the FY 2022-23, it was observed that management made purchases of Rs 7.548 million through quotations from two specific firms. Audit noticed that each of these two firms operated as a consortium as each time these firms were awarded supplies, other two competitive firms were amongst their sister firms. Management manipulated the whole purchase process to give undue financial benefit to particular firms. Furthermore, deposit of sales tax of these firms also could not be verified. This resulted in irregular and non-transparent purchases Rs 7.548 million as detailed at **Annexure-AQ.**

Audit held that procurements were made from particular firms due to weak internal and financial controls.

The matter was reported to the PAO in November 2023. Department replied that budget was released quarterly hence urgent purchases were made through quotations in accordance with PPR 2014. The reply was not tenable because in all mentioned cases competitive firms were amongst sister firms.

DAC in its meeting held on 20th December 2023 directed for regularization. No further progress was reported till finalization of this report.

Audit recommends regularization of expenditure from competent authority besides fixing of responsibility lapse on person (s).

[PDP No. 81 & 88]

20.4.4 Doubtful expenditure on account of stationery items - Rs 5.196 million

According to Rule 2.31(a) of PFR Vol-I, a drawer of bill for pay, allowances, contingent and other expenses will be held responsible for any over charges, frauds and misappropriations. According to Rule 2.33 of PFR Vol-I, every government servant should realize fully and clearly the he will be held personally responsible for any loss sustained by government through fraud or negligence on his part.

During audit of CEO DHA Sargodha for the FY 2022-23, it was observed that an expenditure of Rs 5.196 million was carried out on the purchase of stationery items as mentioned at **Annexure-AR**. Audit noticed that in most of the cases quotations were without date and diary number or stamp. Moreover, stock register showed whole consumption at once including absence of usage of huge quantity of 1,909 paper reams during the year. This resulted in doubtful expenditure on stationery items worth Rs 5.196 million.

Audit held that doubtful expenditure was made on purchase of stationery items due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that items were purchased on urgent basis and due to non-availability of funds, purchases were made on credit and in some cases payment was not made even after a year. The reply was not tenable because no consumption record was provided to audit in support of reply.

DAC in its meeting held on 20th December 2023 directed a probe in the matter from DGHS Lahore. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision.

[PDP No. 86]

C) Others

20.4.5 Non-utilization of tied grants - Rs 104.475 million

According to Rules 5(i) & Rule 6(f) of PDA (Budget) Rules, 2017, the head of offices will be responsible for ensuring that the funds allotted shall be spent on the activities for which the they were provided. The budget and accounts officer shall be responsible to monitor expenditure and ensure utilization of funds as approved by the District Authority.

During audit of CEO DHA Sargodha for the FY 2022-23, it was observed that a sum of Rs 104.475 million was received as tied grants from Finance Department, Government of the Punjab as mentioned below, however, these funds were not utilized for their intended purpose i.e. Financial Assistance, Leave encashment and COVID vaccination. This resulted in unauthorized use of tied grants of Rs 104.475 million.

Audit held that unauthorized usage of tied grants was due to weak financial controls.

The matter was reported to the PAO in November 2023. The department replied that tied grants amounting to Rs 131.842 million (Leave Encashment Rs 40.732 million, Financial Assistance Rs.12.334 million, COVID-19 Red-III Rs 28.451 & Red IV Rs 23.058 million and RHC Farooqa Rs 27.267 million) were credited in Account-VI whereas no expenditure was made in FY 2022-23. The reply was not tenable as not supported with record. Moreover, closing balance of DHA was less than half of tied grants mentioned balance which clearly indicates that amount of tied grants utilized for other purposes.

DAC in its meeting held on 20th December 2023 directed for utilization of tied grants on the purposes actually allocated. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest besides fixing of responsibility of laps on person (s) at fault.

[PDP No. 90]

20.4.6 Doubtful expenditure on POL - Rs 2.731 million

According to Rule 9(b) of PDA (Accounts) Rules 2017, the DDO and payee of the pay, allowances, contingent expenditure or any other expense shall be personally responsible for any over charge, fraud, misappropriation and shall be liable to make good that loss.

During audit of CEO DHA Sargodha for FY 2022-23, it was observed that an expenditure of Rs 2.731 million was incurred on POL for official vehicles. It was noticed that log books were properly closed at the end of each month and duly singed but these log books totally denied the usage of POL. This resulted in doubtful expenditure on purchase of POL.

Audit held that doubtful expenditure on POL was incurred due to weak internal controls.

The matter was reported to the PAO in November 2023. The department replied that concerned drivers had drawn POL but the slips were not recorded in the logbook due to lack of oversight and stated that logbooks would be submitted after correction.

DAC in its meeting held on 20th December 2023 directed to probe in the matter from DGHS Punjab, Lahore. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC's decision at the earliest.

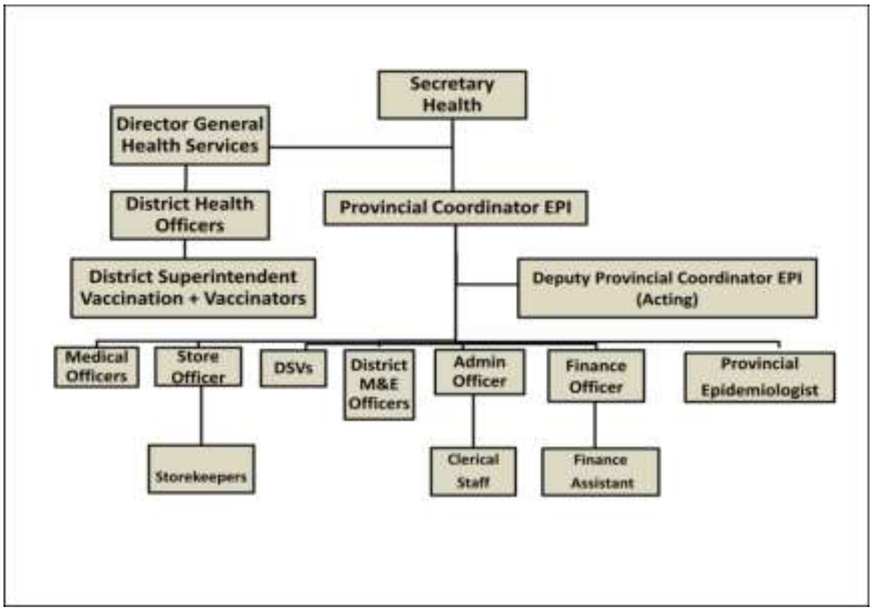
[PDP No.76]

CHAPTER 21

Thematic Audit of Expanded Programme on Immunization

21.1 Introduction

Expanded Programme on Immunization (EPI) in DHA Gujrat was selected as the thematic audit of for the Audit Year 2023-24. The prime activity of EPI was to vaccinate children below the age of two years against communicable diseases i.e. Poliomyelitis, Tuberculosis, Diphtheria, Pertussis, Measles, Neonatal Tetanus, Hepatitis-B, Meningitis, Pneumonia as well as ante natal vaccination against Tetanus. Organizational structure of the programme is illustrated below:



21.2 Background

The EPI was launched in Pakistan during 1978 to immune children against communicable diseases e.g. Tuberculosis, Poliomyelitis, Diphtheria, Pertussis, Tetanus and Measles. Later on, with the support of development partners, a number of new vaccines i.e. Hepatitis-B, Hemophilus Influenza (type-B), Meningitis and Pneumococcal Vaccine (PCV), Inactivated Polio Vaccine (IPV) and Rotavirus Vaccine (Rota) were introduced during 2002, 2009, 2012, 2015 and 2017, respectively.

EPI also aimed at protecting mothers and newborns against Tetanus. Immunizing children may avert childhood morbidity and mortality up to 17% in Pakistan, contributing towards achieving Sustainable Development Goal-3 (SDG). The national immunization programme has contributed significantly towards decreasing childhood morbidity and mortality. A child needed only five visits during the first year and one visit during the second year of his/her life to complete the vaccination schedule.

21.3 Establishing the Audit Theme

The audit theme was established on the basis of recurring nature of observations emerging from the previous years' Audit Reports and its importance for achieving SDGs.

21.3.1 Reasons of selection

The Government of Pakistan is bound to fulfill international commitments under SDGs regarding improvement of health outcomes amongst women and children under the age of two years. P&SHC department, Government of the Punjab devised Punjab Health Sector Strategy for the achievement of SDG-3 i.e. to ensure healthy lives and promote well-being for all of all ages under Target No. 3.3-Fight Communicable Diseases.

The audit theme was selected to review whether the immunization services provided by P&SHC department in DHA Gujrat were managed effectively and efficiently with regard to the resources allocated for these activities and to evaluate the level of preparedness.

The approach of audit was to examine the effectiveness of different government interventions both in rural and urban areas lying under jurisdiction of DHA Gujrat.

21.3.2 Purpose / Objective

The major objectives of thematic audit were:

i. whether the immunization services provided by P&SHC department in DHA Gujrat were managed effectively and efficiently with regard to the resources allocated for this purpose;
ii. whether the management structure of the programme was efficient and effective;
iii. whether the programme adhered to applicable laws, rules, regulations and procedures, and
iv. whether the procurements were made in an economical manner?

21.3.3 Scope

Scope of the thematic audit was confined to District Gujrat where EPI was implemented under the supervision of P&SHC department Government of the Punjab. The working of the programme was evaluated by analyzing data of three years i.e. from 2020-21 to 2022-23. The thematic audit covered planning, financing and execution aspects of the programme.

21.4 Legal framework governing the theme

EPI is governed under National Immunization Policy (NIP) 2022 and PC-I of the programme. The programme is coordinated at national level via Federal Directorate of Immunization (FDI), Ministry of National Health Services, Regulation and Coordination Islamabad. Evidence of effectiveness of vaccination was gathered as per recommendations of National Immunization Technical Advisory Group. At provincial level, the programme was managed by P&SHC department, Government of the Punjab.

21.4.1 Stakeholders, governmental organizations identified as directly/ indirectly involved

Sr. No.	Institutions	Role in EPI
A. Government Agencies		
1	Fedral and Provincial Governments	Policy Design and Monitoring
2	Pakistan Polio Eradication Initiative	Service Delivery
B. Donors		
1	World Bank	Service Delivery and Technical support
2	Gavi- Global Alliance for vaccination and Immunization	Service Delivery and Technical support
3	Bill and Melinda Gates Foundation	Service Delivery and Technical Assistance
4	Jica-Japan International Cooperation Agency	Service Delivery and Technical Assistance
5	USAID	Technical support
C. Implementing Partners		
1	Unicef- United Nations International Children's Emergency Fund	ACSM and Supply Chain
2	World Health Organization (WHO)	Research, Technical and Service delivery

Sr. No.	Institutions	Role in EPI
3	Jhpiego-Johns Hopkins Programme for International Education in Gynecology and Obstetrics	Service Delivery and Technical Assistance
4	Civil Society Human and Institutional Development Programme	Research support and CSO Engagement
5	Global-Precision Health Consultants	Service Delivery and Technical support
6	John Snow Incorporated	Technical Support
7	Interactive Research and Development	Technical and delivery Support
8	Zenysis Technologies,	Technical Support for Data systems

21.5 Risk Areas

i. inadequate skills and shortage of vaccinators;

ii. lack of female vaccinators for outreach to women;

iii. lack of formal and regular training programme for vaccinators and management cadres;

iv. wastage of vaccines;

v. non-monitoring of impact of immunization coverage through third party validation;

vi. lack of public awareness of seriousness of the target diseases;

vii. improper maintenance of immunization record, and

viii. non-integration of medical records with immunization management information systems.

21.6 Role of important organization

Ministry of National Health Services Regulations & Coordination, FDI, P&SHC department Government of the Punjab and DHA Gujrat are striving to improve the health delivery standards for immunization services by providing technical and logistical support. The outreach vaccinators and vaccination centers established at BHUs, RHCs, THQ and DHQ hospitals play a critical role in provision of immunization services.

21.6.1 Ministry of National Health Services Regulations & Coordination and FDI are responsible:

i. to ensure ownership and accountability at the federal, provincial/ areas and district management levels;

ii. for effective donor coordination and reporting, partnership building, proposal development after due consultation with provinces and federating areas;

iii. to forecast and procure the required vaccine quantities, besides estimated "Buffer Stocks" of vaccines, syringes, supply chain equipment and allied equipment required for smooth functioning of the EPI programme and to prevent and avert any outbreak of the vaccine preventable disease;

iv. to train the adequate number of required staffs. The EPI will also train the staff of private sector where required;

v. to implement NIP 2022 and procedures in the letter and spirit;

vi. to periodically conduct surveillance and monitoring activities, and

vii. to conduct regular research and evaluation studies and activities.

21.6.2 P&SHC Department Government of Punjab and DHA Gujrat are responsible:

i. to ensure timely availability of vaccines, syringes and allied equipment required for smooth functioning of EPI programme and to prevent and avert any outbreak of the vaccine preventable diseases;

ii. to recruit and train the adequate number of required staff including staff from private health care providers where required;

iii. to develop annual plans in line with Multi Year Plan (MYP) and implement as per EPI policy, and

iv. to periodically conduct surveillance and monitoring activities.

21.7 Organization Financials

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. The annual requirement was estimated through a forecasting process in consultation with provinces based on the target population for each vaccine, available balances, estimated coverage target, number of doses administered per target and wastage multiplying factor.

At district level funds were allocated only for salary component of regular establishment, office contingencies and POL of vaccinators. The funds transferred were placed in A/C-VI of DHA Gujrat. Funds allocated for capital expenditure or revenue component of development grants were kept at provincial level. The detail of budget and expenditure allocated for EPI programme of District Gujrat for the last three financial years is given below:

Rs in million

Financial Year	Budget			Expenditure		
	Salary	**Non-salary**	**Total**	**Salary**	**Non-salary**	**Total**
2020-21	20.654	5.920	26.574	19.354	5.130	24.484
2021-22	21.853	6.100	27.953	21.808	5.863	27.671
2022-23	50.103	8.820	58.923	50.059	8.564	58.623
Total	**92.610**	**20.840**	**113.450**	**91.221**	**19.557**	**110.778**

21.8 Field Audit Activity

21.8.1 Methodology

Thematic audit was carried out against predefined objectives of the programme and framework of financial governance provided in the PC-I and other relevant strategies and policies of the government which were formulated to govern the programme. Audit activity comprised of data collection regarding theme and study of relevant reports/literature. Critical analysis regarding optimal utilization of human and financial resources of the programme was also carried out in accordance with programme activities provided in the PC-I. Examination of record and programme activities was also carried out in accordance with the applicable laws and rules. The audit was conducted in accordance with ISSAIs.

21.9 Audit Analysis

21.9.1 Review of Internal Controls

Effectiveness of internal controls was assessed on test check basis. Following issues of potential significance were observed regarding weaknesses of internal controls in EPI programme, DHA Gujrat:

i. mechanism was not defined to locate the newborn child from record of pregnant women maintained by Lady Health Workers (LHWs);

ii. two different sets of data were available for EPI; one manual daily register of vaccination and other on Electronic Medical Record (EMR) Application, maintained online by vaccinators. Difference of figures in both sets of data was observed for similar activities under EPI;

iii. EPI, DHA Gujrat was facing shortage of trained HR i.e. District Superintendent Vaccination (DSV), Assistant Superintendent Vaccination (ASV), vaccinators and LHWs;

iv. defective maintenance of stock of vaccines at BHU level;

v. non-maintenance of record of wastage and disposal of vaccines, empty vials and used syringes;

vi. private hospitals were not involved in immunization process, and

vii. Minimum Service Delivery Standards were not implemented and monitored.

21.9.2 Critical Review

The performance of EPI is often questioned as the immunization rate has been chronically low. Audit explored the programme's insights about its structural and implementation arrangements within the larger governance system and ensuing challenges as well as opportunities.

Socio-political issues from the national and global environment also impact this system. The interplay of these factors, while posing challenges to effective implementation of routine immunization, also brings opportunities for improvement. Collective effort from local, national and global stakeholders is required for improving the immunization status of Pakistani children, global health security and the SDGs.

To further improve immunization coverage in Pakistan, concrete efforts are needed to maximize the coverage in underperforming districts by increasing focus on supervision, monitoring and evaluation and considering performance-based incentives. Efforts and resources are required to strengthen capacity of district based EPI team to deliver better services to targeted children. It is also recommended to develop district specific strategies that are better aligned with the local norms, by exploring partnerships with the private sector.

The audit collected the data from CEO and DHO offices Gujrat with focus on sub theme "to increase the equitable coverage of services for immunization against Vaccine Preventable Diseases (VPD), including poliomyelitis, for children between 0 and 23 months in Pakistan". Audit reviewed the facilities and HR with following strengths, weaknesses, opportunities and challenges analysis as given below:

Strength	• Availability of sufficient quantity of vaccines and syringes. • Free vaccination facility for all • Fixed vaccination centers at all Union Councils (UC) level in BHUs and 20 to 25 outreach kit stations in every UC
Weakness	• Shortage of vaccinators and trained staff due to vacant posts • Vacant seats of DSV and ASVs • Shortage of LHWs due to dying cadre of LHWs post • Low speed internet to run EMR application
Opportuniti es	• Running of awareness campaign through free social media • Involvement of general public / notable persons for the issue

	• Develop district specific strategies that are better aligned with the local norms • Integrate the EMR application with NADRA through CNIC number to locate new born registered child
Challenges	• Refusal from vaccination • Lack of accurate population data • Misconceptions of public about vaccines • To sensitize the general public regarding surveillance and eradication of polio

21.10 Significant Audit Observations

A) Human Resource/Administrative Issues

21.10.1 Shortage of field staff for immunization

According to Sr. No. 3.3.2.2 of NIP 2022, Provincial and District Health department shall recruit and train the adequate number of required staff including those from private health care providers where required. Further, according to Sr. No. 4.10.2 of ibid Policy, at least two vaccinators/skilled immunization staff (one for fixed site and one for outreach) to be deployed in every union council irrespective of population, catchment area or target. However, vaccinator/skilled immunization staff can be increased per union council based on two criteria - population and/or geographical distance and terrain.

During thematic audit of EPI programme DHA Gujrat for the FYs 2020-23, it was observed that there was shortage of immunization field staff / vaccinators in District Gujrat as detailed below:

i. 26 seats of vaccinators were vacant and temporary arrangements were made through daily wagers and other staff including CDC supervisor, sanitary inspectors and sanitary patrols;

ii. one vaccinator was posted in each UC without backup in case of any emergency;

iii. posts of one DSV and five ASVs were vacant and vaccinators were working against these positions in addition to their normal duties;

iv. there was acute shortage of LHWs at UC level that negated their role as awareness creators of immunization programme amongst the general public, and

v. there was acute shortage of female vaccinators to administer Tetanus injections to the women folk.

Audit held that posts of vaccinators were lying vacant due to inefficient administrative controls.

Audit recommends for appointment of new vaccinators.

21.10.2 Lack of training of immunization staff

According to Sr. No. 5.1.2 of NIP 2022, all the staff involved in immunization will be given regular in-service training and other capacity building opportunities related to injection safety, vaccine handling and storage, surveillance, waste management, monitoring and evaluation. Furthermore, Sr. No. 5.1.3 provides mechanism for reward and accountability vis-a-vis high and low performance of EPI staff.

During thematic audit of EPI programme DHA Gujrat for the FYs 2020-23, it was observed that training and capacity building activities of vaccination staff were not arranged. According to comprehensive MYP 2014-18, it was recommended to:

i. enhance the availability of qualified human resources for the immunization programme;

ii. increase the number of Skilled Immunization Staff (SIS) by mobilizing (or focusing on) vaccinators;

iii. integration of available qualified health professionals with delivery of immunization services;

iv. promote effectiveness of training of EPI medical and managerial staff with special emphasis on immunization monitoring checklist, and

v. boost motivation of key staff of the immunization programme.

Audit held that lack of training to various immunization staff resulted into poor administration of immunization to mother and child was due to lose administrative initiatives.

Audit recommends to arrange training for capacity building of staff.

21.10.3 Loss due to usage of large open vials of vaccines

According to Sr. No. 04 of NIP 2022, the current country decision, allowed open vial wastage of EPI routine vaccines at different percentages.

During thematic audit of EPI programme DHA Gujrat for the FYs 2020-23, it was observed that open vial wastage ratio of vaccines was very high, like BCG vaccine vial was 20 doses and allowed wastage was 50%. It was further observed that in many cases wastage was 90% due to non-availability of patients. If the doses of vials were to be reduced up to 05 doses like in many vaccines, the wastage could be decreased by up to 40% to 90%. Usage of 20 & 10 doses vials of vaccines caused huge loss as detailed at **Annexure-AS.**

Audit held that due to weak managerial controls government had to suffer huge loss by allowing large doses of open vials of vaccines.

Audit recommends using low dose vials of vaccines to reduce the wastage.

21.10.4 Non-conducting of third party immunization coverage survey

According to Sr. No. 2.1.4.4 of NIP 2022, the EPI shall conduct periodic immunization coverage survey through a third party on regular basis documenting impact of the immunization programme ensuring quality of data and reporting.

During thematic audit of EPI programme DHA Gujrat for the FYs 2020-23, it was observed that third party survey on immunization coverage was not ensured by either FDI or by district/provincial authorities. In the absence of third party survey performance of the project, quality of data and authenticity of reports on EMR application cannot be authenticated. This resulted in unauthentic / unverified reporting on EPI programme.

Audit held that third party immunization coverage survey of EPI was not conducted due to weak managerial controls.

Audit recommends to conduct the third party survey of immunization programme.

B) Service Delivery Issues

21.10.5 Defective maintenance of record of vaccines issuance and disposal

According to Sr. No. 4.12.1 of NIP 2022, the EPI waste management policy is guided by the Environmental Protection Act 1997. The Health Waste Management Rules 2005 have mandated the source segregation of EPI waste (vials, syringes, etc.) to handle recovery, reuse and recycle.

During thematic audit of EPI programme DHA Gujrat for the FYs 2020-23, it was observed that record of issuance of vaccines and disposal of waste material was not maintained properly by the field staff. Similarly, stock register and issuance of vaccine for fixed site and out-reach was also not maintained separately at BHUs. Furthermore, audit observed that FDI provided three different colors of registers to record disposal of different types of items, like empty vials, used syringes and other items etc. but there was no record maintained in prescribed registers. This resulted in defective maintenance of record of vaccine issuance and disposal.

Audit held that prescribed record of vaccines issuance and disposal was not maintained properly due to weak internal controls.

Audit recommends maintainenance of record and prescribed register as per policy guidelines.

21.10.6 Non-inclusion of EPI awareness in curriculum

According to Sr. 15(iii) of PC-1 2015-16 to 2019-20 of EPI, awareness of immunization and its importance to improve child health outcomes will be added as a component of the standard school curriculum. Furthermore, according Sr. 4.5.1 of NIP 2022, all public and private sector schools shall be eligible for vaccination campaigns against VPDs. The schools will be bound to share vaccination data of the enrolled children.

During thematic audit of EPI programme DHA Gujrat for the FYs 2020-23, it was observed that EPI programme awareness was not made part of curriculum. Similarly, there was no record of immunization at schools level and no coordination mechanism was framed between schools and health department contrary to the guidelines.

This resulted in non-inclusion of EPI awareness in curriculum due to weak managerial controls.

Audit recommends implementation of policy guidelines regarding awareness through schools.

21.10.7 Non-maintenance of fully immunized child record

According to Sr. No.1.4 of NIP 2022, a Fully Immunized Child (FIC) is defined as a child who has received at least: BCG dose at birth, three doses of polio and two doses of IPV, three doses of Penta, three doses of PCV, two doses of Rota, and one dose of measles and rubella vaccines before 12 months of age.

During thematic audit of EPI programme DHA Gujrat for the FYs 2020-23, it was observed that there was no record of fully immunized status of a child on EMR application. Similarly, there were multiple entries of one child on EMR application. This resulted in unauthentic record of vaccination on EMR application. Few samples of multiple entries of a child are given at **Annexure-AT**.

Audit held that record of FIC was not maintained due to weak internal controls.

Audit recommends maintenance of FIC data.

21.10.8 Improper maintenance of record of child immunization

According to Sr. No. 2.1.1.1 of NIP 2022, all public health facilities and selected private health facilities with a gradual uptake with the EPI counterparts shall maintain a uniform prescribed vaccination register, both as paper and electronic record for the target population in the catchment area of the health facility, and if feasible, will link immunization registration to birth registration processes.

During thematic audit of EPI Programme DHA Gujrat for the FYs 2020-23, it was observed that vaccinators were required to maintain vaccination record on daily register as well as online EMR Application. Audit team found following shortcomings in record:

i. detail of all doses of vaccination was not updated on EMR Application. In most of the cases only two or three entries of vaccination were recorded;
ii. unique registered number of child was not linked with CNIC number of parents causing dual entries of same child;
iii. historical record of immunization of the child could not be traced, and
iv. manual record of vaccination was not tallied with EMR application record causing big anomalies in vaccinated children data.

This resulted in improper maintenance of record of child immunization.

Audit held that improper maintenance of record of child immunization was due to poor managerial controls.

Audit recommends proper maintenance of record of vaccination of children.

C) Implementation Issues

21.10.9 Non-integration of EMR application with National Immunization Management System

According to Sr. No.7.3 of NIP 2022, the HMIS to be integrated with the National Immunization Management System (NIMS) of NADRA, provincial vaccine management system and epidemic intelligence systems.

During thematic audit of EPI Programme DHA Gujrat for the FYs 2020-23, it was observed that EMR application was not integrated with NIMS of NADRA. As such, complete vaccination record and FIC status could not be checked through CNIC or any unique number.

Audit held that EMR was not integrated with NIMS due to poor managerial controls.

Audit recommends to integrate EMR with NIMS.

21.10.10 Non-implementation of SMS alerts for next dose of vaccination

According to Sr. No. 7.4 NIP 2022, the eHealth would generate messages through Short Messaging Service (SMS) to the target population to address due defaulter and zero dose. The parents/caregivers will receive regular reminders for next vaccine dose and guidance about vaccines and immunization benefits.

During thematic audit of EPI Programme DHA Gujrat for the FYs 2020-23, it was observed that no reminders or messages were communicated for next dose of vaccination or visit of vaccinator at particular station. This resulted in missing of due date and delay in vaccination.

Audit held that system of reminders or messages through SMS for next dose of vaccination was not implemented due to poor managerial controls.

Audit recommends to implement SMS alert system for parents.

21.10.11 Non-implementation of EPI in private hospitals

According to Sr. No. 4.2.3 of NIP 2022, the private health facilities will be offered integration with the EPI information system and in turn they would get free vaccine bundle (diluents, AD syringes, safety boxes, etc.), which they would administer by charging minimum administration cost.

During thematic audit of EPI Programme DHA Gujrat for the FYs 2020-23, it was observed that EPI was not implemented in private hospitals. Due to non-availability of immunization facility in private hospitals, there were chances of missing compulsory birth dose within 24 hours.

Audit held that EPI was not implemented in private hospitals due to poor managerial controls.

Audit recommends for provision of immunization facility at private hospitals.

21.11 Recommendations

Audit recommends to:

i. overcome shortage of immunization staff and ensure their proper training;

ii. manage size of vials to reduce wastage of vaccines;

iii. conduct third party survey of EPI;

iv. maintain proper record on EMR application and ensure its integration with NIMS;

v. include EPI awareness in curriculum and set a reminder system through SMS alerts for next dose of vaccination, and

vi. implement EPI in private hospitals.

21.12 Conclusion

EPI in DHA Gujrat was facing several challenges like shortage of skilled health workers, inadequate trainings, poor maintenance of vaccination record, non-integration of EMR with NIMS, non-implementation of EPI in private hospitals and non-inclusion of awareness material in curriculum. Moreover, no third party survey was conducted to authenticate the immunization coverage.

The government should take concrete steps to ensure implementation of NIP 2022 and comprehensive MYP for optimal coverage of immunization. Furthermore, the DHA Gujrat needs to maintain immunization data as per policy guidelines.

21.13 References

i. PC I of the project

ii. National Immunization Policy 2022

AUDIT REPORT

ON

THE ACCOUNTS OF

DISTRICT EDUCATION AUTHORITIES

OF 17 DISTRICTS OF PUNJAB (SOUTH)

AUDIT YEAR 2023-24

DISTRICT EDUCATION AUTHORITIES OF 17 DISTRICTS OF PUNJAB (SOUTH)

CHAPTER 1

District Education Authorities – School Education Department

1.1 Introduction

A. District Education Authorities (DEAs) were established on 01.01.2017 under Punjab Local Government Act, (PLGA) 2013. DEAs are body corporate having perpetual succession and a common seal with power to acquire / hold property and enter into any contract and may sue and be sued in its name.

Chief Executive Officer is the Principal Accounting Officer of the DEA and is accountable to the Public Accounts Committee of the Provincial Assembly. He is responsible to ensure that the business of the DEA is carried out in accordance with the laws as well as to coordinate the activities of the groups of offices for coherent, effective and efficient functioning of DEA.

The functions of DEA are to:

i) Establish, manage and supervise the primary, elementary, secondary and higher secondary schools as well as adult literacy & non-formal basic education / special education institutions of the Government in the District.

ii) Implement Government policies and directions including achievement of key performance indicators set by the Government for education.

iii) Ensure free and compulsory education for children of age five to sixteen years as required under Article 25-A of the Constitution.

iv) Ensure teaching, infrastructure, student safety, hygiene and minimum education standards for quality education.

v) Undertake student assessment and examinations, ranking of schools, promotion of co-curricular activities, award of scholarships and conduct of science fairs in Government and private schools.

vi) Approve the budget of the Authority and allocate funds to educational institutions.

vii) Plan, execute and monitor all development schemes of educational institutions working under the Authority, provided that the Authority may outsource its development works to other agencies or school councils.

viii) Constitute school management councils which may monitor academic activities.

ix) Plan and finance maintenance of school, support enrollment and retention, arrange donation and finances, plan development and perform any other function assigned by the Government, a Commission or a body established by law in the prescribed manner.

Administrative structure of DEAs is given below:

Administrative Structure of DEA

Description	**No. of Administrative Offices**
Chief Executive Officer	1
District Education Officer (SE)	1
District Education Officer (EE-M)	1
District Education Officer (EE-W)	1
District Education Officer (Literacy)	1
District Education Officer (Special Education)	1
Deputy District Education Officer (SE)	1
Deputy District Education Officer (EE-M)	1 in each Tehsil
Deputy District Education Officer (EE-W)	1 in each Tehsil

*Source: Data received from CEO DEA Offices

Total number of educational institutions in 17 DEAs under jurisdiction of DGA, Local Governments, the Punjab (South) is given below:

Educational Institutions

Description	**Total No. of Educational Institutions**
Higher Secondary Schools (Boys)	183
Higher Secondary Schools (Girls)	188
High Schools (Boys)	1,844
High Schools (Girls)	1,687
Special Education Schools / Centers	135
Elementary Schools (Boys)	1,688
Elementary Schools (Girls)	2,036
Primary Schools (Boys)	8,668
Primary Schools (Girls)	8,074
Mosque / Madrassa Schools	408

DEA wise detail of educational institutions is attached as **Annexure-B**.

The following table shows detail of total & audited formations of 17 DEAs:

Audit Profile of DEAs of the Punjab (South)

(Rupees in million)

Sr. No.	Description	Total Nos.	Audited	Expenditure Audited FY 2022-23	Revenue / Receipts Audited FY 2022-23
1	Formations	4,336	105	32,701.969	247.881
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAOs	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

DEA wise detail of total & audited formations is attached as **Annexure-C**.

B. Comments on Budget and Accounts (Variance Analysis)

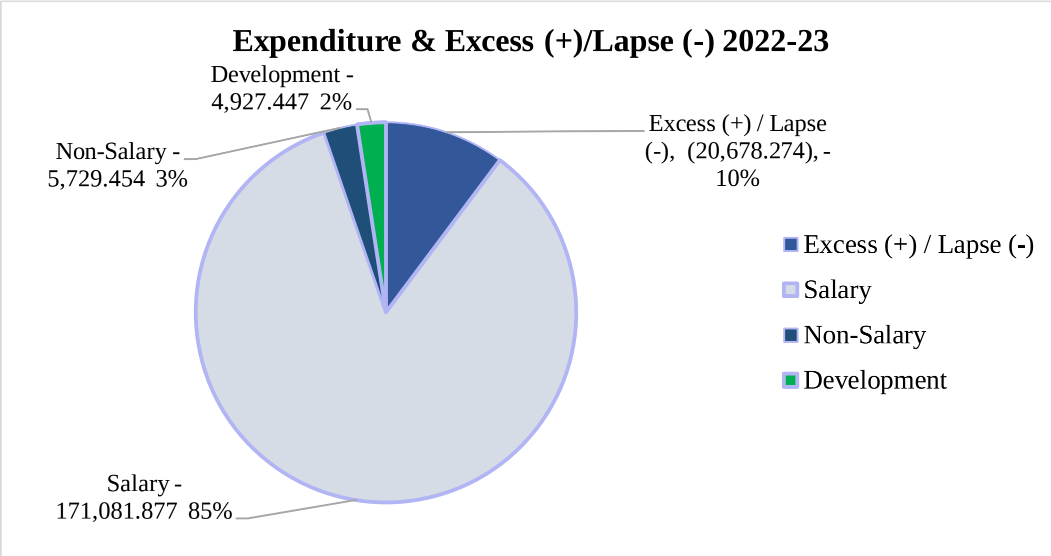
Consolidated statement of budget, expenditure and receipts of 17 DEAs for Financial Year 2022-23 is given below:

(Rupees in million)

Description	Budget	Expenditure	Excess (+) / Lapse (-)	Variance
Salary	185,986.344	171,081.877	(14,904.467)	8.01%
Non-Salary	8,265.794	5,729.454	(2,536.340)	30.68%
Development	8,164.914	4,927.447	(3,237.467)	39.65%
Total	**202,417.052**	**181,738.778**	**(20,678.274)**	**10.22%**
Description	**Target**	**Actual**	**Surplus (+) / Shortfall (-)**	**Variance**
Receipts	455.426	869.448	414.022	90.91%

DEA wise detail of budget, expenditure and receipts of 17 DEAs for Financial Year 2022-23 is attached as **Annexure-D**.

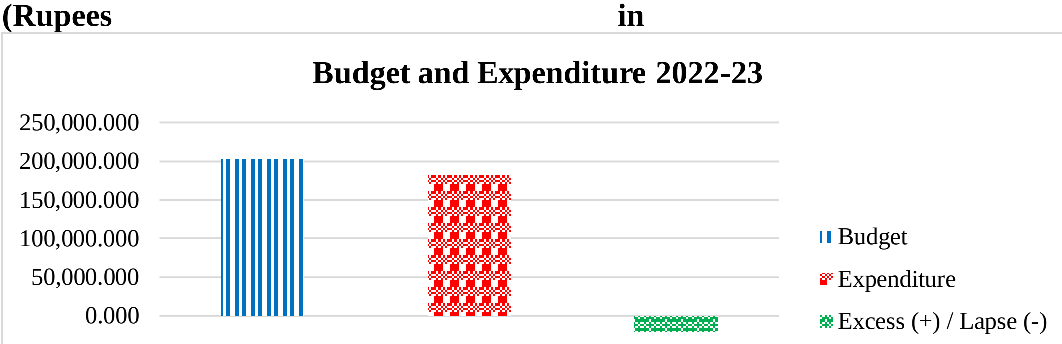
(Rupees in million)



Against budget of Rs 202,417.052 million for Financial Year 2022-23, DEAs could utilize only Rs 181,738.778 million, resultantly 8% of salary component, 31% of non-salary component and 40% of development funds remained unspent, reflecting poor financial management. The management exaggerated the allocation under the different components of budget to make the whole exercise unrealistic and prone to overspending. The unspent percentage of the allocation clearly shows poor planning and budgeting. An overall lapse of Rs 20,678.274 million was more than 10% of total budget allocation.

Poor financial management resulted in depriving the local population of the benefits likely to have accrued to them because of development planned but not properly undertaken by the management.

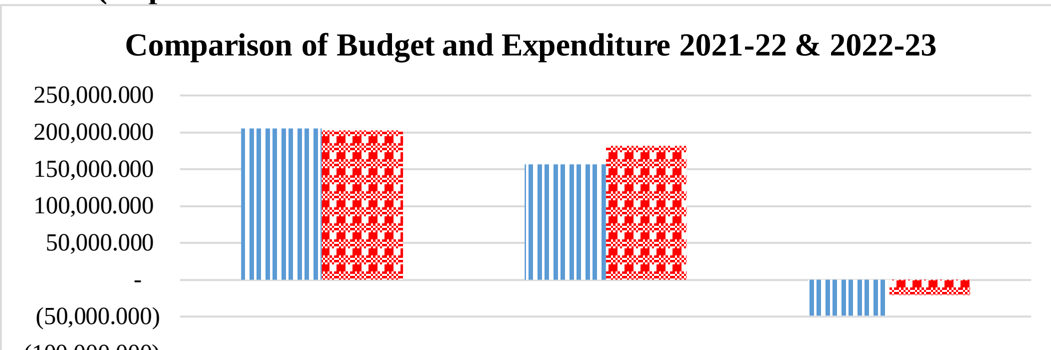
(Rupees in million)



	Budget	Expenditure	Excess (+) / Lapse (-)
2022-23	202,417.052	181,738.778	(20,678.274)

The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

(Rupees in million)



	Budget	Expenditure	Excess (+) / Lapse (-)
2021-22	205,316.472	156,494.554	(48,821.918)
2022-23	202,417.052	181,738.778	(20,678.274)

The comparative analysis of the budget and expenditure for the Financial Years 2021-22 and 2022-23 depicts poor planning and budgeting. During the Financial Year 2022-23 the budget allocation decreased viz-a-viz FY 2021-22 whereas the expenditure increased by 16% despite significant saving ranging from 8% to 40% in all three components of budget with overall saving of more than 10%. Comparatively during the Financial Year 2021-22 there was huge saving ranging from 23% to 32% in all three components of budget culminating at 24% of overall budget during the concerned year. **Annexure-D**

The comparative data for the Financial Years 2021-22 and 2022-23 reflects the systemic issue of poor planning, budgeting, and implementation. The tendency reflects poor financial management, withholding the higher portfolio with the education sector, depriving the other sectors from the re-allocation of resources, and defeating the likely benefits to be achieved through proper utilization of funds.

C Sectoral Analysis on the Achievements against Targets

i. Analysis of Financial Resources

DEAs got the budgets approved from the administrators concerned with unrealistic allocations under all three components of budget namely salary, non-salary and development. Lapse of funds amounting to Rs 20,678.274 million (as reflected above) equivalent to 8%, 31% and 40% of the budgeted amount against salary, non-salary and development components respectively reflects poor financial management, resulting in minimum service delivery and non-achievement of infrastructure targets during the financial year. Consequently, the management failed to provide basic facilities in schools such as furniture, well equipped IT labs, boundary walls and hygienic environment.

ii. **Service Delivery Issues**

The poor service delivery has always been key outcome of education authorities after the promulgation of the Punjab Local Government Act. The authorities have huge human resource consuming 94% of the budget and very little is left for the rehabilitation of available and introduction of new facilities. Resultantly, the management failed to ensure 100% availability of basic facilities / infrastructure in schools. The following table shows percentage of availability of basic facilities in schools of DEAs of 17 districts:

District	**Status of Availability of Basic Facilities (June, 2023)**					
	Teacher Presence (%)	**Boundary Wall (%)**	**Drinking Water (%)**	**Furniture (%)**	**Toilets (%)**	**School Hygiene (%)**
Bahawalnagar	92	93.88	100	92.94	80.94	75.93
Bahawalpur	91	95.16	100	91.94	96.24	76.18
Chiniot	89.30	98.94	100	88.30	92.55	66.81
Dera Ghazi Khan	90.20	98.61	98.61	88.89	65.97	75.90
Faisalabad	93.30	97.97	97.29	93.68	90.29	75.49
Jhang	89.10	97.18	98.87	84.18	78.53	70.96
Khanewal	91.90	100	100	81.38	82.07	81.52
Layyah	90.90	98.81	99.40	66.07	82.14	75.06
Lodhran	90.20	100	100	85.71	89.29	75.95
Multan	93	100	98.86	91.29	82.58	83.11
Muzaffargarh	92.10	98.72	98.72	80.13	88.46	73.85
Pakpattan	91.10	100	100	86.67	95.56	76.67
Rahim Yar Khan	90.90	100	100	85.87	88.59	80.38
Rajanpur	90	100	100	89.13	82.61	86.30
Sahiwal	90.70	94.54	98.91	80.33	85.25	80.11
Toba Tek Singh	93	87.94	100	92.96	90.95	71.16

District	Status of Availability of Basic Facilities (June, 2023)					
	Teacher Presence (%)	**Boundary Wall (%)**	**Drinking Water (%)**	**Furniture (%)**	**Toilets (%)**	**School Hygiene (%)**
Vehari	91.40	99.10	99.55	95.02	91.40	81

*Source: https://open.punjab.gov.pk/schools/home/districts_performance

Service delivery issues such as non-completion of development schemes and non-establishment of IT labs despite availability of funds were observed. However, various development schemes for construction / reconstruction of school buildings, provision of missing facilities etc. were also not completed.

iii. Serious Financial Irregularities and Findings

Following serious irregularities were found during field audit execution:

i. Procurements were made by DDOs / school councils in violation of procurement rules.
ii. Civil works were executed by DDOs / school councils without following the Government approved design and technically sanctioned estimates.
iii. Encroachment of Government land and theft of assets including solar panels from schools due to connivance and non-availability of security staff.
iv. Absence of Authorities' receipts recovery mechanism and policy.

iv. Expectation Analysis and Remedial Measures

The poor service delivery, occurrence of irregularities, incidents of theft, improper utilization of NSB funds, violation of procurement rules and encroachment of land clearly reflects the failure of the management to meet the expectations of the administration in general and public in particular.

Following remedial measures need to be taken to achieve the expected service delivery standards:

i. Proper planning and budgeting should be done viz-a-viz expected resources.
ii. Action against the school councils for improper utilization of NSB allocated and deviating from standard operating procedures.
iii. Proper allocation of resources for timely completion of works regarding rehabilitation, reconstruction and maintenance of educational institutions.
iv. Ensure provision of conducive learning environment to students.
v. Evolve internal control mechanism, its proper implementation and monitoring to safeguard the public resources.

1.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 5,136.566 million were raised as a result of this audit. This amount also includes recoverable of Rs 1,107.095 million as pointed out by Audit. Consolidated summary of audit observations on the accounts of 17 DEAs classified by nature is given in the following table.

Overview of Audit Observations

(Rupees in million)

Sr. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	**Procedural irregularities**	-
A	HR/Employees related irregularities	1,258.836
B	Procurement related irregularities	645.111
C	Management of Accounts with Commercial Banks	59.792
4	Values for money and service delivery issues	454.915
5	Others*	2,717.912
	Total	**5,136.566**

*It includes issues pertaining to overpayment of pay & allowances, encroachment of land, theft of assets, non-recovery of receipts etc.

DEA wise summary of audit observations classified by nature is attached as **Annexure-E**.

DEA / DDO wise list of audit observations included in this Report is attached as **Annexure-F**.

1.3 Comments on the Status of Compliance with PAC Directives

The Audit Reports pertaining to following years were submitted to Governor of the Punjab but have not been examined by the Public Accounts Committee.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	188	PAC meeting was not convened
2	2018-19	409	PAC meeting was not convened
3	2019-20	384	PAC meeting was not convened
4	2020-21	202	PAC meeting was not convened
5	2021-22	199	PAC meeting was not convened
6	2022-23	219	PAC meeting was not convened

DEA wise status of previous Audit Reports is attached as **Annexure-G**.

Note: Non-convening of PAC has seriously hampered the accountability process and has encouraged the departments to repeat the irregularities.

2.3.4.3 CHAPTER 2

2.3.4.4 2.1 Public Financial Management

Public Financial Management (PFM) is a central element of a functioning administration, underlying all government activities. It encompasses the mechanisms through which public resources are collected, allocated, spent and accounted for.

It is a proven fact that fiscal governance of any country is closely linked to an effective Public Financial Management (PFM) system, which focuses on principles of fiscal discipline, legitimacy, transparency and accountability of public finances. PFM is framed around achieving an overall discipline which specifically includes resource allocation and operational efficiency and effectiveness of public expenditure. The maintenance of "aggregate fiscal discipline" is foremost and primary objective of PFM which revolves around interaction of two streams; revenue and expenditure. Revenue generation and Public Expenditure Management complement each other in attaining the strategic macroeconomic objectives of the state.

Punjab Public Financial Management Act, 2022 provides a broad framework for regulating the public sector financial management from budget making, revenue generation, cash management, expenditure, accounting to scrutiny through public audit.

DEAs were established on 01.01.2017 under PLGA, 2013 in thirty-six (36) districts of the Punjab. The purpose was to provide better education services to the local community. DEA is body corporate having perpetual succession and common seal with power to acquire / hold property and enter into any contract and may sue and be sued in its name.

The Chief Executive Officer / Principal Accounting Officer shall be responsible:

- To adhere to and enforce the principles of financial propriety, including the compliance of laws, rules, regulations, maintaining high standard of prudence, vigilance, due diligence and ensuring value for money while incurring expenditure and collecting government receipts;
- To prepare budgetary proposals within the indicative budget ceilings agreed by the Finance Department. All expenditure proposals shall be based on well-defined plans. Budget allocation to various heads of expenditures, to the offices under his control may be made as per government plans and priorities and in such a way that during the currency of year, requirements for additional budget or re-appropriation are minimized if not eliminated altogether;
- To ensure the availability of budgetary allocations in various heads of accounts especially under the employee related expenditure in order to ensure timely payment of employee emoluments;

- To prepare development budget proposals and include the realization of economic forecasts and projections as well as achievement of goals and targets committed with reference to development budget;
- To sanction expenditure as per the delegated financial powers. Such sanctioning of expenditure shall not exceed the allocated budget. Prior to approving of expenditure sanction, principal accounting officer shall ensure that the required budget is available in the relevant head of account. Sanctioning of expenditure shall be based on the purpose for which the funds are allocated;
- To ensure revenue collection particularly non-tax revenue pertaining to concerned Authority to be realized on timely basis;
- To monitor the budget execution progress, and undertake reconciliation with accounting offices on monthly basis, related to revenues and expenditure of the Authority through Budget and Accounts Officer and furnish reconciled statement of revenue and expenditure, separately to Finance Department on quarterly basis, through Budget and Accounts Officer;
- To ensure that departmental accounts of a District Authority are maintained correctly and efficiently; and
- Any sums due to a District Authority are promptly realized and credited to the Local Fund / Public Account.

Resource Mobilization

DEAs of South Punjab, like previous year, relied on the share / grants received through Provincial Finance Commission (PFC) during the FY 2022-23 to meet their administrative and operating expenses. Out of total receipts of DEAs, PFC share consisted of 99.31% in FY 2022-23 as compared to 99.24% in FY 2021-22.

(Rupees in million)

Description	2022-23		2021-22	
	Amount	**%**	**Amount**	**%**
Tax Revenue	10.049	0.01	1.235	0
Non-Tax Revenue				
• Share of PFC / Grants	180,072.440	99.31	156,305.526	99.24
• Other receipts	1,236.337	0.680	1,200.477	0.76

Total	**181,318.826**	**-**	**157,507.238**	**-**

DEA wise detail of Tax and Non-Tax Revenue of 17 DEAs for Financial Years 2022-23 and 2021-22 is attached as **Annexure-1**.

An overall view of budget and expenditure of 17 DEAs for the FY 2022-23 is given in the table below, whereas, Authority wise detail of budget and expenditure is placed at **Annexure-D**.

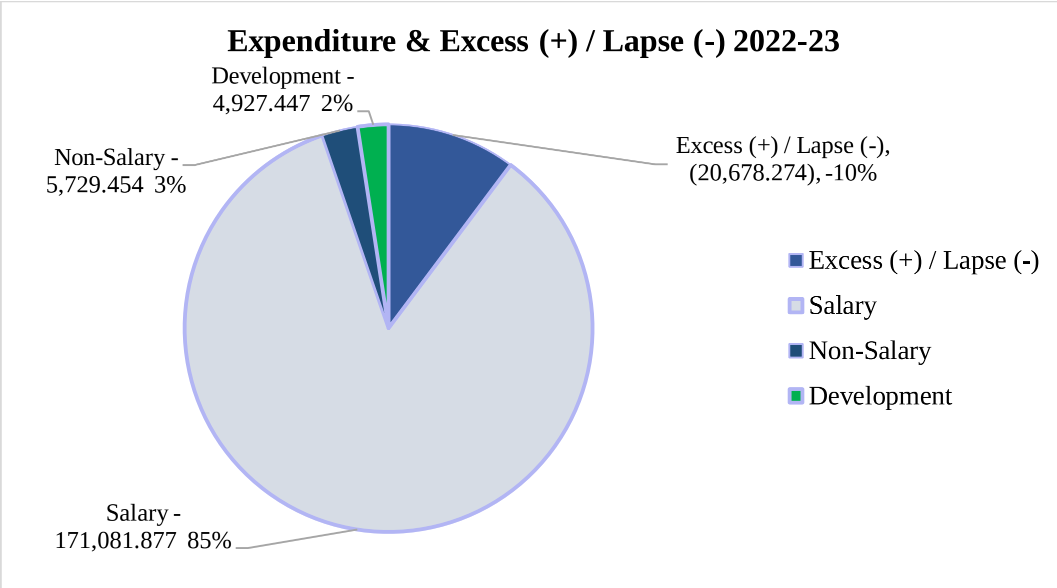
(Rupees in million)

Description	**Budget**	**Expenditure**	**Excess (+) / Lapse (-)**	**Variance**
Salary	185,986.344	171,081.877	(14,904.467)	8.01%
Non-Salary	8,265.794	5,729.454	(2,536.340)	30.68%
Development	8,164.914	4,927.447	(3,237.467)	39.65%
Total	**202,417.052**	**181,738.778**	**(20,678.274)**	**10.22%**

Audit also noted that material payments were made from Account-V of DEAs without valid authorization during FY 2022-23. Administrators of Authorities were appointed vide notification No. SOR(LG)38-5/2014 dated 01.01.2017 under Section 30(3) of the PLGA, 2013. However, the period of appointment under above notification lapsed on 31.12.2018. Moreover, there is no provision for extension and continuity of the Administrators in PLGA, 2022 after the expiry of notified period.

DEA wise detail of budget, expenditure and receipts of 17 DEAs for Financial Year 2022-23 is attached as **Annexure-D**.

(Rupees in million)



Moreover, budget of Rs 202,417.052 million for Financial Year 2022-23, DEAs could utilize only Rs 181,738.778 million, resultantly 8% of salary component, 31% of non-salary component and 40% of development funds remained unspent, reflecting poor financial management. The unspent percentage of the allocation clearly shows poor planning and budgeting. An overall lapse of Rs 20,678.274 million was more than 10% of total budget allocation.

Revenue Receipts Authorities did not find themselves in a position to estimate receipts for their operations as they relied on Provincial Government funds. Unpredictability of their shares from PFC and other grants in aid / tied grants coupled with capacity issues of their budget and finance wings forced DEAs to prepare, unjustified and unrealistic estimates of receipts.

Revenue expenditure constituted 97% of the total expenditure incurred by the Authorities during the FY 2022-23. Salary expenditure, comprising pay & allowances, pension contribution, financial assistance and leave encashment, was almost 97% of total revenue expenditure, whereas, non-salary was 3% during FY 2022-23.

Capital Receipts comprise receipts such as proceeds from recoveries of loans and advances, debt receipts from internal sources, and loans and advances from government as well as accruals from Public Account.

Appropriation Accounts

(Rupees in million)

Description	Original Budget	Supplementary Grant	Amount Surrendered	Final Budget	Actual Expenditure	Excess (+)/ Lapse (-)
Salary	201,864.988	12,716.130	(28,594.774)	185,986.344	171,081.877	(14,904.467)
Non-Salary	11,136.870	638.191	(3,509.267)	8,265.794	5,729.454	(2,536.340)
Development	6,752.318	2,029.885	(617.289)	8,164.914	4,927.447	(3,237.467)
Total	**219,754.176**	**15,384.206**	**(32,721.330)**	**202,417.052**	**181,738.778**	**(20,678.274)**

Original budget, supplementary grants, surrenders and re-appropriations distinctly and indicate actual revenue and capital expenditure on various specified services viz-a-viz those authorized by the Council / Administrator. Appropriation Accounts, thus, facilitate the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

Audit of appropriation accounts seeks to ascertain whether the expenditure actually incurred under the grant/head of account is within the authorization and also spent on the purposes authorized. It also ascertains whether the expenditure so incurred is in conformity with the laws, relevant rules, regulations and instructions. During financial attest audit of appropriation accounts and financial statements of DEAs for the FY 2022-23, audit emphasized on the following matters:

i. 17 DAOs of the Punjab (South) made payments of Rs 181,912.331 million to the DEAs against the budget authorized by the irrelevant authority in violation to the provisions of notification No. SOR(LG)38-5/2014 dated 01.01.2017 under section 30(3) of the PLG Act 2013. However, the period of appointment under above notification lapsed on 31-12-2018. Moreover, there is no provision for extension and continuity of the Administrators in PLGA, 2022 after the expiry of notified period.

ii. In violation to Para 5.2.2.2 of Accounting Policies and Procedures Manual, "Public Account receipts, other than revenue, must be banked in the name of the Government without delay and included in the Public Account of the respective Federal or Provincial Government." 15 DAOs of the Punjab (South) did not transfer receipts to concerned Governments and retained in its Public Account resulting in overstatement of closing balances

amounting to Rs 4,600.295 million. Authorities raised accruals against Public Account and certain heads of account of Consolidated Fund receipts invariably by retaining an amount of Rs 4,600.295 million on account of General Provident Fund, Group Insurance (GI), Benevolent Fund (BF), Income Tax and General Sales Tax (GST) during the FY 2022-23. This phenomenon overstated the cash closing balance of DEAs as given in the following table:

Closing Cash Balance and Public Account Liabilities

(Rupees in million)

Closing Cash Balance as per Financial Statements as on 30.06.2023	**Liabilities of Public Account**	**Actual Closing Cash Balance**
5,806.258	4,600.295	1,205.963

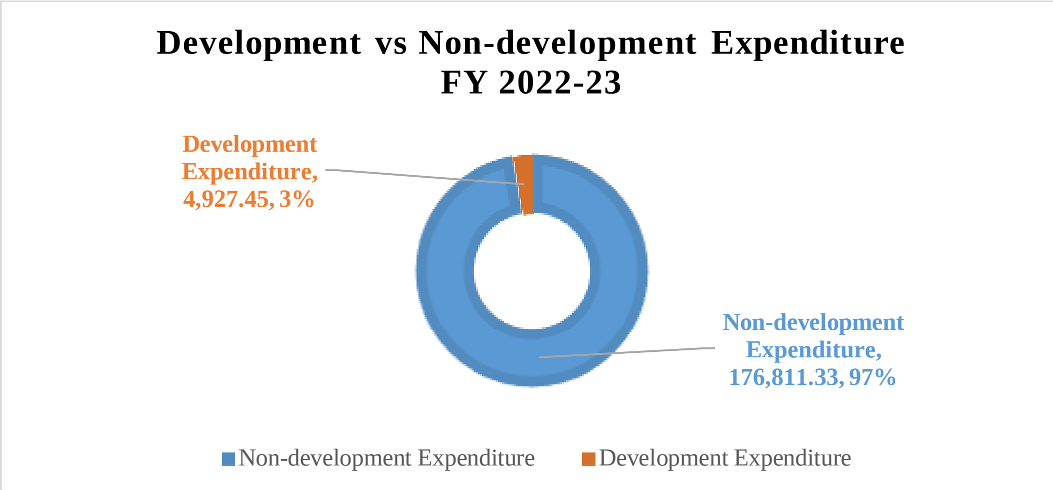
DEA wise detail of closing cash balance and Public Account liabilities of 17 DEAs for Financial Years 2022-23 is attached as **Annexure-2**.

Medium Term Development Framework

The table given below analyses the fiscal priority and fiscal capacity of the DEAs with regard to development expenditure during FY 2022-23 which clearly shows the inadequate and inefficient expenditure on key social services like primary and secondary education etc. Out of total expenditure of 17 DEAs, almost 3% was incurred on development activities. The detail is given below:

(Rupees in million)

Description	**Amount**	**%**
Non-development Expenditure	176,811.331	97
Development Expenditure	4,927.447	3
Total	**181,738.778**	**100**



The table below shows DEA wise budget allocation and expenditure under development component:

(Rupees in million)

DEAs	**FY 2021-22**		**FY 2022-23**		**Budget Variance Increase (+)/ Decrease (-)**	**Expenditure Variance Increase (+)/ Decrease (-)**
	Budget	**Expenditure**	**Budget**	**Expenditure**		
Bahawalnagar	681.378	509.046	898.064	357.802	216.686	-151.244
Bahawalpur	586.275	500.378	292.619	292.619	-293.656	-207.759
Chiniot	261.573	182.798	276.848	132.358	15.275	-50.44
DG Khan	1,080.53	604.974	999.684	443.836	-80.846	-161.138
Faisalabad	618.487	466.07	434.642	208.99	-183.845	-257.08
Jhang	689.107	530.641	379.367	276.751	-309.74	-253.89

DEAs	FY 2021-22		FY 2022-23		Budget Variance Increase (+)/ Decrease (-)	Expenditure Variance Increase (+)/ Decrease (-)
	Budget	Expenditure	Budget	Expenditure		
Khanewal	325.675	323.531	223.01	212.246	-102.665	-111.285
Layyah	551.97	484.014	320.471	272.832	-231.499	-211.182
Lodhran	187.516	181.137	202.501	157.33	14.985	-23.807
Multan	688.39	428.032	698.197	554.21	9.807	126.178
Muzaffargarh	363.745	363.742	301.782	301.781	-61.963	-61.961
Pakpattan	492.831	260.238	350.792	179.07	-142.039	-81.168
Rahim Yar Khan	812.746	679.537	689.987	638.69	-122.759	-40.847
Rajanpur	537.989	283.451	245.689	136.811	-292.3	-146.64
Sahiwal	627.773	280.954	502.539	263.113	-125.234	-17.841
Toba Tek Singh	628.61	296.848	822.735	166.807	194.125	-130.041
Vehari	633.642	237.638	525.987	332.201	-107.655	94.563
Total of 17 DEAs	**9,768.24**	**6,613.03**	**8,164.914**	**4,927.447**	-1,603.323	-1,685.582

Source: Appropriation Accounts of above 17 DEAs for FYs 2021-22 and 2022-23.

Above table shows DEA wise comparison of budget and expenditure of development component for the FYs 2021-22 and 2022-23. The analysis showed overall decrease in budget and expenditure during FY 2022-23 in comparison to FY 2021-22. The major abnormality was observed in DEA Bahawalpur where budget and expenditure both decreased by Rs 293.656 million & Rs 207.759 million respectively. Furthermore, comparison also showed inverse relation in budget allocation and expenditure incurred by DEAs Bahawalnagar, Chiniot, Lodhran and Toba Tek Singh where budget increased but expenditure decreased viz-a-viz last year's allocation.

The data presented in the above table indicates serious inadequacies in the initial planning and resource allocation. The discrepancies underscore the necessity for an in-depth analysis of the planning process within DEAs. Identifying and understanding inconsistencies in the planning phase is crucial for enhancing the effectiveness of future development initiatives.

Overall evaluation of financial data indicated that DEAs had less focus on development activities and available resources were not adequately utilized to improve infrastructure and service delivery. Only 3% of total funds were allocated for development of infrastructure whereas major part i.e. 97% of available financial resources were utilized on salary and non-salary components.

2.3.4.5 Compliance with Authority Audit

2.3.4.6 2.2 District Education Authority, Bahawalnagar

There are 271 formations in DEA Bahawalnagar out of which 05 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.2.1 Unauthentic expenditure on Madaris – Rs 37.678 million

According to Sections 6 & 17 of the Punjab Seized and Freezed Institutions (Madaris and Schools) Act 2019, "The Board shall have the powers to recruit and determine terms and conditions of employees of the institutions, formulate the budget of the institutions, lay down the procedure for the conduct of its business. The Board may frame regulations for delegation of administrative and financial powers to the Directorate, a Committee or an employee of the Board, manner in which the Board Fund shall be disbursed, procurement of goods and services and any other matter within the scope of the Act." Moreover, according to Rule 15.5 of the PFR Vol-I, "When materials are issued from stock the in-charge of the stores should seek indent from authorized person, issue stores and obtain a written acknowledgment from the recipient."

During audit of DEA Bahawalnagar for the FY 2022-23, it was observed that CEO incurred expenditure amounting to Rs 37.678 million pertaining to eight Madaris on account of salaries of staff, procurement of food items, electricity charges and operating expenditure. However, the expenditure was subject to following observations:

i. Salaries amounting to Rs 15.811 million were paid without following prescribed parameters including qualification and attendance of staff etc.
ii. Expenditure amounting to Rs 16.170 million was incurred on procurement of food items during Financial Year 2022-23 without fresh tendering and procurements were made by extending tender rates for the Financial Year 2019-20 in violation of procurement rules.
iii. Expenditure amounting to Rs 5.697 million was incurred on procurement of stationery, machinery & equipment, furniture etc. and repair thereof without maintenance of stock register, consumption record and history sheets of repair work.

Due to weak internal controls, payments were made to Madaris without maintaining mandatory record which resulted in unauthentic expenditure.

The matter was reported to PAO in August, 2023. CEO replied that record was available in the office of concerned Administrator of Madaris which would be produced. Reply was not tenable as relevant record was not produced for verification.

DAC in its meeting held on 18.01.2024 directed the Additional Deputy Commissioner (F&P) and Deputy Director (B&A) to inquire the matter besides deposit of taxes into the Government treasury. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para: 18]

2.2.2 Mis-procurement of stationery and other store items – Rs 8.022 million

According to Rule 9 of the Punjab Procurement Rules, 2014, "Procuring agency shall announce proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned and annual requirements thus determined would be advertised in advance on the PPRA's website."

During audit of DEA Bahawalnagar for the FY 2022-23, it was observed that CEO and DEO (SE) incurred expenditure amounting to Rs 8.022 million for repeated purchase of similar stationery and other store items without calling quotations / adopting tendering process for the Financial Years 2018-19 to 2022-23. Annual requirement of procurement opportunities was neither determined nor planned procurements were advertised on PPRA's website. The procurements were made through splitting. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Financial Year(s)	Amount
1	CEO, DEA Bahawalnagar	Stationery, printing items, cost of other store, plant & machinery, etc.	2022-23	7.522
2	DEO (SE), Bahawalnagar	Stationery and other store items	2018-19 to 2022-23	0.500
Total				**8.022**

Due to weak internal controls, purchases were made without quotations and adopting tendering process which resulted in mis-procurement.

The matter was reported to PAO in August, 2023. DDOs replied that all items were purchased through petty purchases after observing the procurement rules. Further, budget was received from the Finance Department on quarterly basis due to which it was not possible to call tenders. Reply was not tenable as procurement planning was not carried out and purchases were made in violation of procurement rules.

DAC in its meeting held on 18.01.2024 directed the Additional Deputy Commissioner (F&P) and Deputy Director (B&A) to inquire the matter within a month besides regularization of expenditure from competent authority. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2020-21, 2019-20, 2018-19 and 2017-18 vide para(s) number 2.2.4, 1.4.4, 1.2.5.2.4, 1.2.3.4 and 1.2.1.1 respectively having financial impact of Rs 152.477 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 15, 3]

Others

2.2.3 Irregular transfer and utilization of development funds – Rs 491.651 million

According to Rules 35 and 41 of the Punjab District Authorities (Accounts) Rules 2017, "The DDO shall record the payments of District Authority in register for development expenditure and maintain cash book. No payment for works shall be made unless administrative approval has been obtained, technical sanction of detailed design and estimates has been accorded by a sanctioning authority. DDOs and Head of offices shall ensure that the claims submitted for payment are valid claims for works actually executed at site." Furthermore, according to Rules 38 and 39 of the District Authorities (Budget) Rules 2017, "The CEO shall visit not less than 20% of the projects being funded through ADP and the planning officer shall visit regularly major development projects. The PC-IV signed by the head of offices and institutions shall be mandatory for all the projects. The post completion evaluation of each development project shall be undertaken jointly by the planning officer and concerned head of office or institutions and a report shall be submitted to the CEO."

During audit of DEA Bahawalnagar for the FY 2022-23, it was observed that CEO transferred funds of Rs 491.651 million to Executive Engineer Buildings Division Bahawalnagar for execution of different schemes. However, following irregularities were observed regarding execution of schemes and utilization of funds:

1. Genuineness of claims could not be ascertained as payment record on prescribed forms, cash book for development expenditure, rough cost estimates, detailed design estimates technically sanctioned by the competent authority, evidences regarding mandatory inspection / visit by CEO and planning officer were not maintained.
2. A per unspent balance statement provided by the Executive Engineer Buildings Division Bahawalnagar, total funds of Rs 477.846 million were received by him out of which Rs 259.234 million was utilized and unspent balance of Rs 218.612 million was deposited back into Account-V on 26.06.2023. Whereas, as per FI data / record maintained by CEO (DEA) Bahawalnagar an amount of Rs 491.651 million was released / transferred. In this way unspent balance amounting to Rs 13.805 million was less deposited into Account-V.
3. As per progress report of deposit works, 45 schemes were completed during Financial Year 2022-23 but PC-IV and post completion evaluation reports were not available in CEO office.
4. Scrutiny of progress report of deposit works for the month of June, 2023 revealed that works were not carried out on desired pace and remained incomplete after due date of

completion as per work orders issued but proof regarding imposition of penalty was not available.

5. In some cases, excess amount was paid to the contractors than agreement amount which resulted in overpayment of Rs 5.978 million.

Due to weak internal controls, funds were transferred without maintaining proper record and reconciliation resulting in irregular transfer and utilization of funds.

The matter was reported to PAO in August, 2023. CEO replied that relevant record was already produced during audit. Reply was not tenable as relevant record was neither produced during audit nor at the time of DAC meeting.

DAC in its meeting held on 18.01.2024 directed the Additional Deputy Commissioner (F&P) and Deputy Director (B&A) to inquire the matter within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para: 06]

2.2.4 Irregular payment of salaries against erratic posting of teachers – Rs 155.968 million

According to Government of the Punjab, DPI (SE) letter No.1236/AdmnF-1 dated 01.02.2005 and Education Department (School Wing) letter No.SO(S-V)1-33/2003 dated 19.05.2006 "Ensure the postings / transfers of all the officers in commensurate with their regular grade / subject / cadre and the existing erratic / mismatch postings be rectified."

During audit of DEA Bahawalnagar for the FY 2022-23, it was observed that CEO made irregular payment of salaries amounting to Rs 155.968 million to one hundred and sixty teachers who remained posted against irrelevant posts as evident from School Information System (SIS) data.

Due to weak internal controls, teachers were not posted against their relevant posts which resulted in irregular payment.

The matter was reported to PAO in August, 2023. CEO replied that powers of transfer / posting of teachers were withdrawn from District level by Government of the Punjab, School Education Department vide Notification No.SO(SE-IV) 7-28/2018(Transfer) dated 08.10.2019. Reply was not tenable as erratic postings were not rectified.

DAC in its meeting held on 18.01.2024 directed the CEO to get the expenditure regularized from the competent authority within a month besides rectification of erratic posts. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2019-20 vide para number 1.2.5.2.5 having financial impact of Rs 7.214 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 10]

2.2.5 Overpayment of honorarium to staff of Insaf Afternoon Schools – Rs 26.842 million

According to Para 2(iv)&(v) of Annexure-1 of letter No.DDP/ PMIU/2019-17599 dated 29.03.2019, "Minimum enrolment for elementary schools was 100 students. If the total enrolment in all classes of an afternoon school remains less than the minimum enrolment mentioned above, the honorarium will be paid on proportionate basis i.e. it should be proportionate to the actual enrolment viz-a-viz the required minimum enrolment."

During audit of DEA Bahawalnagar for the FY 2022-23, it was observed that CEO did not monitor the expenditure incurred on honorarium paid to the teachers and staff working in Insaf Afternoon Schools. Scrutiny of claims for the period 01.08.2022 to 31.10.2022 revealed that honorarium was paid to the staff at full rate instead of proportionate basis without ensuring the condition of minimum enrollment of hundred students which resulted in overpayment of Rs 26.842 million. The detail is as under:

(Rupees in million)

DDOs	Period	Payment Made	Payment Due	Overpayment	%age of Overpayment
DEO (EE-W), Bahawalnagar	01.08.2022 to 31.10.2022	25.046	10.257	14.789	59%
DEO (EE-M), Bahawalnagar		22.746	10.693	12.053	53%
Total		**47.792**	**20.950**	**26.842**	**56%**

Due to poor financial management, payment was made without observing policy guidelines which resulted in overpayment.

The matter was reported to PAO in August, 2023. CEO replied that honorarium was paid to teachers employed in Insaaf Afternoon School Program in accordance with prescribed instructions. Reply was not tenable as honorarium was paid without observing enrollment of students.

DAC in its meeting held on 18.01.2024 directed to recover the overpaid amount from the concerned within a week. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

[AIR Para: 16]

2.2.6 Unauthorized retention of public money in DDO bank account – Rs 26.633 million

According to Rule 2.10(3) of PFR Vol-1, "All inevitable payments are ascertained and liquidated at the earliest possible date. No money is withdrawn from the treasury unless it is required for immediate disbursement or has already been paid out of the permanent advance as per rule 2.10(5) of PFR Vol-1."

During audit of DEA Bahawalnagar for the FY 2022-23, it was observed that bank statement of DDO bank account of CEO depicted closing balance of Rs 26.633 million as on 30.06.2023. Whereas, as per cash book all payments received were shown disbursed. Resultantly, whereabouts of said amount were unknown and detail of closing balance was not given in the cash book.

Due to weak internal controls, funds were parked in DDO bank account without plausible justification which resulted in unauthorized retention of public money.

The matter was reported to PAO in August, 2023. CEO replied that available amount was not utilized due to non receiving of clear directions from Government of the Punjab Education Department as the funds pertained to construction works of twelve schools. Reply was not tenable as relevant record in support of reply was not produced and detail of closing balance was not provided.

DAC in its meeting held on 18.01.2024 directed the CEO to take up the matter with competent authority for utilization of funds besides fixing responsibility on the person(s) at fault. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2019-20 vide para number 1.2.5.4.8 having financial impact of Rs 5.125 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 19]

2.2.7 Loss due to non-recovery of proportionate share of pension – Rs 22.311 million

According to Chapter-IV Rule 4.7(1) of the Punjab Financial Rules Vol-I, “It is the primarily responsibility of the departmental authorities to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government account.”

During audit of DEA Bahawalnagar for the FY 2022-23, it was observed that CEO failed to recover proportionate share of pension amounting to Rs 22.311 million from Municipal Committees Haroonabad, Bahawalnagar and Chishtian with respect to LG cadre employees of the erstwhile local governments who were retired from District Education Authority Bahawalnagar. The detail is given below:

(Rupees in million)

Sr. No.	Name of School	PPO Number	Designation	Municipal Committee	Proportionate Pension Share
1	Government MC Girls Primary School, Baldia Colony, Haroonabad	4960/CEO(DEA) BWN/M.C(B&A) dated 29.09.2022	PST	Haroonabad	2.792
2	Government Girls Community Model School, Rojhan Wali, Bahawalnagar	4534/CEO(DEA) BWN/M.C(B&A) dated 29.09.2022	PTC	Bahawalnagar	2.935
3	Government MC High School, Wukla Colony, Bahawalnagar	4596/CEO(DEA) BWN/M.C(B&A) dated 04.10.2022	EST	Bahawalnagar	3.427
4	Government MC High School, Haroonabad	6207/CEO(DEA) BWN/M.C(B&A) dated 29.12.2022	EST	Haroonabad	3.749
5	MC Primary School, Tehsil Masjid Chishtian	6207/CEO(DEA) BWN/M.C(B&A) dated 29.12.2022	PTC	Chishtian	3.170
6	Government Elementary School, M.C Tehsil Chishtian	1667/CEO(DEA) BWN/M.C(B&A	PST	Chishtian	2.183

Sr. No.	Name of School	PPO Number	Designation	Municipal Committee	Proportionate Pension Share
		) dated 26.04.2023			
7	Government Model Elementary School, Noor Pur Tehsil Chishtian	3445/CEO(DEA) BWN/M.C(B&A) dated 24.07.2023	Headmaster	Chishtian	4.055
Total					**22.311**

Due to weak administrative and financial controls, proportionate share of pension was not recovered from concerned local governments which resulted in loss as well as extra burden on DEA.

The matter was reported to PAO in August, 2023. CEO replied that matter was taken up with local governments concerned as well as request was made to the Deputy Commissioner, Bahawalnagar for transfer of proportionate share. Reply was not tenable as proportionate share was not recovered despite lapse of considerable time.

DAC in its meeting held on 18.01.2024 directed the CEO to recover proportionate share from the local governments concerned within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para: 13]

2.2.8 Loss due to payment of inadmissible allowances to employees – Rs 14.881 million

According to Government of the Punjab, Finance Department letter No.FD.PR-9-4/86(P)(PT.II) (PR) dated 21.08.2015, "Conveyance Allowance is compensation to those employees who spend daily expenditure either to reach offices or back to home." Further, according to Rule 2.31 of the PFR, Volume-I, "A drawer of bill for pay, allowances, contingent and other expenses will be held responsible for any overcharges, frauds and misappropriation."

During audit of DEA Bahawalnagar for the FY 2022-23, it was observed that two DDOs made payment of inadmissible pay and allowances amounting to Rs 14.881 million to 2,738 employees for the Financial Years 2021-22 and 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Nature of Allowance	No. of Employees	Amount
1	Deputy DEO (EE-W), Chishtian	CA, SSB, Adhoc Relief Allowance and Science Teaching Allowance	1,635	10.348
2	Deputy DEO (EE-W), Haroonabad	Integrated Allowance, CA during winter vacation & leaves, pay & allowances during EOL and after retirement	1,103	4.533
Total			**2,738**	**14.881**

Due to weak internal controls, inadmissible allowances were paid to employees which resulted in loss to the Authority.

The matter was reported to PAO in August, 2023. DDOs replied that DAO, Bahawalnagar was requested to effect recovery. Reply was not tenable as recovery of overpayment was not made from the concerned.

DAC in its meeting held on 18.01.2024 directed the DDOs to expedite the recovery. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18 vide para(s) number 2.2.10, 1.2.4.5, 1.5.2, 1.2.5.4.7, 1.2.4.2 and 1.2.2.1 respectively having financial impact of Rs 304.353 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 5, 11]

2.2.9 Loss due to theft of solar panels and allied accessories – Rs 12.319 million

According to Rule 2.33 of PFR Volume-I, "Every Government servant 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."

During audit of DEA Bahawalnagar for the FY 2022-23, it was observed that head teachers of 92 schools working under administrative control of CEO failed to ensure safe custody of solar panels and allied accessories installed in various elementary and primary schools. Resultantly, solar panels and its allied accessories costing Rs 12.319 million were stolen.

Due to weak internal controls, solar panels and its allied accessories were stolen which resulted in loss.

The matter was reported to PAO in August, 2023. CEO replied that incidents of theft of solar panels in different schools occurred due to non-availability of school guards. However, FIRs had been lodged with the Police Department. Reply was not tenable as proper follow-up was not carried out for recovery of loss from the concerned.

DAC in its meeting held on 18.01.2024 directed the CEO to ensure recovery of stolen items besides fixing responsibility against the person(s) at fault. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

[AIR Para: 5]

2.3.4.7 2.3 District Education Authority, Bahawalpur

There are 254 formations in DEA Bahawalpur out of which 10 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.3.1 Irregular payment of Inspection Allowance – Rs 9.859 million

According to Government of the Punjab, School Education Department letter No.SO(Budget)1-15/2013(V-II) dated 15.01.2018 read with clarification issued by Government of the Punjab, Finance Department vide letter No. IT(FD) 6-23/91(Vol-III) dated 09.08.2019, "Payment of Inspection Allowance @ Rs 25,000 per month was granted to Assistant Education Officers (AEO) subject to verifiable Key Performance Indicators (KPIs) developed by School Education Department in consultation with DFID and their verification by the CEOs of respective DEAs."

During audit of DEA Bahawalpur for the FY 2022-23, it was observed that Deputy DEO (EE-M), Bahawalpur Sadar made payment of Inspection Allowance amounting to Rs 9.859 million for the Financial Years 2020-21 to 2022-23 to ten AEOs without ensuring compliance of KPIs.

Due to weak internal controls, Inspection Allowance was paid to the AEOs without ensuring compliance of KPIs which resulted in irregular payment.

The matter was reported to PAO in August, 2023. DDO replied that Inspection Allowance was paid to AEOs after verification of KPIs. Reply was not tenable as relevant record was not produced and payment of the allowance was made without ensuring achievement of KPIs.

DAC in its meeting held on 17.01.2024 directed the DDO to get the expenditure regularized from the competent authority. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para(s) number 2.3.4, 2.2.4.6, 2.4.1, 2.2.5.2.5 and 2.2.4.4 respectively having financial impact of Rs 92.068 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 7]

Others

2.3.2 Unauthentic expenditure on Madaris – Rs 149.070 million

According to Sections 6 & 17 of the Punjab Seized and Freezed Institutions (Madaris and Schools) Act 2019, "The Board shall have the powers to recruit and determine terms and conditions of employees of the institutions, formulate the budget of the institutions, lay down the procedure for the conduct of its business. The Board may frame regulations for delegation of administrative and financial powers to the Directorate, a Committee or an employee of the Board, manner in which the Board Fund shall be disbursed, procurement of goods and services and any other matter within the scope of the Act."

During audit of DEA Bahawalpur for the FY 2022-23, it was observed that CEO made payment of Rs 149.070 million to four Madaris on account of salary and non-salary expenditure. While making payment the department did not ensure that salaries were fixed by keeping in view the prescribed parameters. Furthermore, bank accounts and various essential documents were also not verified before payment of salaries to staff. The detail is as under:

(Rupees in million)

Sr. No.	Name of Madaris	Salary Expenditure	Non-salary Expenditure	Total Expenditure
1	Jamia-tul-Sabir Masjid Subhan Allah	17.510	51.896	69.406
2	Jamia-tul-Sabir Masjid Usman-o-Ali	11.982	19.029	31.011
3	Jamia Muhammadia Shikarpuri Gate	14.869	33.367	48.236
4	Jamia Masjid-e-Aqsa One Unit Chowk Bahawalpur	-	0.417	0.417
Total		**44.361**	**104.709**	**149.070**

Due to weak managerial controls, salaries of the management of Madaris were fixed without parameters which resulted in unauthentic expenditure.

The matter was reported to PAO in August, 2023. CEO replied that payments were made to Madaris through Special Drawing Accounts / Asaan Assignment Account which was jointly operated by CEO and Deputy Commissioner. Reply was not tenable as salaries were paid without observing provisions of the Act *ibid*.

DAC in its meeting held on 17.01.2024 directed the CEO to get the expenditure regularized from the competent authority besides refixation of salaries according to provisions of the Act *ibid*. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para: 18]

2.3.3 Irregular payment of salaries against erratic posting of teachers – Rs 111.256 million

According to Government of the Punjab, DPI (SE) letter No.1236/AdmnF-1 dated 01.02.2005 and Education Department (School Wing) letter No.SO(S-V)1-33/2003 dated 19.05.2006 "Ensure the postings / transfers of all the officers in commensurate with their regular grade / subject / cadre and the existing erratic / mismatch postings be rectified."

During audit of DEA Bahawalpur for the FY 2022-23, it was observed that CEO authorized irregular payment of salaries amounting to Rs 111.256 million to one hundred and twenty teachers who remained posted against irrelevant posts as evident from School Information System (SIS) data.

Due to weak internal controls, teachers were not posted against their relevant posts which resulted in irregular payment.

The matter was reported to PAO in August, 2023. CEO replied that the data regarding erratic postings was taken from SIS. The erratic postings in said system were shown due to systematic error. However, efforts in this regard were being made to rectify the issue. Reply was not tenable as erratic postings were not rectified.

DAC in its meeting held on 18.01.2024 directed the CEO to get the expenditure regularized from the competent authority besides rectification of erratic posts. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2021-22 vide para(s) number 2.3.5 and 2.2.4.3 respectively having financial impact of Rs 25.193 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 2]

2.3.4 Loss due to theft of solar panels and allied accessories – Rs 21.800 million

According to Rule 2.33 of PFR Volume-I, "Every Government servant 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."

During audit of DEA Bahawalpur for the FY 2022-23, it was observed that head teachers of 218 schools working under administrative control of CEO failed to ensure safe custody of solar panels and allied accessories installed in various elementary and primary schools. Resultantly, solar panels and its allied accessories costing Rs 21.800 million were stolen.

Due to weak internal controls, solar panels and its allied accessories were stolen which resulted in loss.

The matter was reported to PAO in August, 2023. CEO replied that necessary directions were issued to all DDOs for making esteemed efforts for protection of solar panels. Reply was not tenable as neither stolen items were got recovered from the concerned nor proper follow-up was carried out.

DAC in its meeting held on 18.01.2024 directed the CEO to ensure recovery of stolen items besides fixing responsibility against the person(s) at fault. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2021-22 vide para(s) number 2.3.8 and 2.2.4.8 respectively having financial impact of Rs 9.680 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 20]

2.3.5 Loss due to non recovery of proportionate share of pension – Rs 13.008 million

According to Chapter-IV Rule 4.7(1) of the Punjab Financial Rules Vol-I, "It is the primarily responsibility of the departmental authorities to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government account."

During audit of DEA Bahawalpur for the FY 2022-23, it was observed that CEO failed to recover proportionate share of pension amounting Rs 13.008 million from concerned local governments i.e. Municipal Corporation Bahawalpur and Municipal Committee Ahmadpur East with respect to those employees of erstwhile local governments who were retired from District Education Authority Bahawalpur. The detail is given in the following table:

(Rupees in million)

Sr. No.	Pensioners with Designation	Date of Retirement	PPO No. & Date	Name of Local Government	Proportionate Share
1	Abid Mustafa Khawkwani HM	28.02.2022	BWP/DEA/MC/PEN/ 41 dated 22.09.2022	MC Ahmadpur East	4.303
2	Muhammad Amin HM	15.08.2022	BWP/DEA/MC/PEN/ 44 dated 26.05.2023	MC Bahawalpur	3.568
3	Sana-Ullah SST	31.08.2022	BWP/DEA/MC/PEN/ 42 dated 06.09.2023	MC Bahawalpur	3.707
4	Samina Qadir PST	29.05.2023	BWP/DEA/MC/PEN/ 46 dated 11.07.2023	MC Bahawalpur	1.430
Total					**13.008**

Due to weak administrative and financial controls, proportionate share of pension was not recovered from concerned local governments which resulted in loss as well as extra burden on DEA.

The matter was reported to PAO in August, 2023. CEO replied that DEA, Municipal Corporation and Zila Council were established under the PLGA, 2013. As per Government of the Punjab letter No.FD(DG)Instruction-Act-13/2016 dated 25.05.2017, pension contribution of the employees of the MC / Zilla Council would be 40% of their basic pay. Reply was not tenable being irrelevant.

DAC in its meeting held on 18.01.2024 directed the CEO to recover proportionate share from the concerned local governments within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC’s directives besides fixing responsibility on the person(s) at fault.

[AIR Para: 23]

2.3.6 Loss due to payment of inadmissible allowances to employees – Rs 4.885 million

According to Government of the Punjab, Finance Department letter No.FD.PR-9-4/86(P)(PT.II) (PR) dated 21.08.2015, "Conveyance Allowance is compensation to those employees who spend daily expenditure either to reach offices or back to home." Further, according to Rule 2.31 of the PFR, Volume-I, "A drawer of bill for pay, allowances, contingent and other expenses will be held responsible for any overcharges, frauds and misappropriation." Moreover, according to Clause 9 of the Punjab Regularization of Service Act 2018, "Contract employee, on regularization, shall be allowed the initial stage of pay and the increments earned shall be converted into Personal Allowance."

During audit of DEA Bahawalpur for the FY 2022-23, it was observed that three DDOs made payment of inadmissible pay and allowances amounting to Rs 4.885 million to 162 employees for the Financial Years 2014-15 to 2022-23 on account of Qualification Allowance, Conveyance Allowance during vacations/ leave, Personal Allowance due to wrong fixation of pay etc. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Nature of Allowance	No. of Employees	Amount
1	Principal, GGHSS Comprehensive Bahawalpur	Conveyance Allowance during vacation and leave	49	2.545
2	Principal, Government Abbasia Higher Secondary School Bahawalpur	Qualification Allowance, Special Allowance, Conveyance Allowance, Personal Allowance, Charge & Unattractive Area Allowances etc.	93	1.505
3	Principal, Government SD High School Bahawalpur	Special Allowance	20	0.835
Total			**162**	**4.885**

Due to weak internal controls, inadmissible allowances were paid to employees which resulted in loss to the Authority.

The matter was reported to PAO in August, 2023. DDOs replied that recovery was in progress. Audit stressed to expedite the recovery.

DAC in its meeting held on 17.01.2024 directed the DDOs to expedite the recovery. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para(s) number 2.3.10, 2.2.4.5, 2.4.2, 2.2.5.3.3 and 2.2.4.1 respectively having financial impact of Rs 63.991 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 6, 1, 6]

2.3.7 Unauthorized payment of GST on exempted items – Rs 1.961 million

According to FBR, Inland Revenue letter No.C.No.9(11)ST- LPE/Misc/2017/44 768-R dated 18.02.2021, "General Sales Tax was not admissible on sand, soil, crush, Pana flexes, banners, medicine, photocopies, caregiver salary, teacher salary and utility bills."

During audit of DEA Bahawalpur for the FY 2022-23, it was observed that three DDOs purchased different exempted items including cement, sand, paint, bricks, store items etc. for the Financial Years 2021-22 to 2022-23 and paid GST amounting to Rs 1.961 million to vendors on the said exempted items. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Financial Years	GST Paid
1	Deputy DEO (EE-W), Hasilpur	2021-22 to 2022-23	1.072
2	Deputy DEO (EE-M), Bahawalpur Sadar	2020-21 to 2022-23	0.652
3	Deputy DEO (EE-W), Yazman	2021-22 to 2022-23	0.237
Total			**1.961**

Due to weak internal controls, sales tax was paid for the purchase of exempted items which resulted in unauthorized payment.

The matter was reported to PAO in August, 2023. DDOs replied that letters were written to the concerned suppliers for recovery.

DAC in its meeting held on 17.01.2024 directed the DDOs to effect recovery within one month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

[AIR Paras: 18, 12, 12]

2.3.4.8 2.4 District Education Authority, Chiniot

There are 100 formations in DEA Chiniot out of which 05 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.4.1 Non-deposit of pension contribution and payment of pension without creation of Pension Fund – Rs 27.592 million

According to Rule 6 of the Punjab District Authorities (Budget) Rules, 2017, "The Budget and Accounts Officer shall be responsible to maintain Pension Fund for the Government employees of Education or Health sectors adjusted in the District Authority." Further, according to Para 5 of Government of the Punjab, Finance Department Letter No.FD(DG)1-Insructions-Act-13/2016 dated 25.05.2017, "The concerned District Authority shall deposit monthly pension contribution @ 40% of the pay of serving employees w.e.f. 01.01.2017 to District Education Authority Pension Fund or District Health Authority Pension Fund, as the case may be, in prescribed manner."

During audit of DEA Chiniot for the FY 2022-23, it was observed that CEO withdrew funds amounting to Rs 27.592 million from Account-V under GL Account "A04110" (Pension Contribution) for onward transfer to pension payment bank account but the bank statement showed deposit of Rs 8.895 million only. However, status of disbursement of remaining amount of Rs 18.697 million was not forthcoming from the bank statement. Furthermore, total disbursement on account of pension payments to retired employees out of said account was Rs 10.706 million but same was paid to pensioners without creation of Pension Fund as required under law. **(Annexure-3)**

Due to weak internal controls, Pension Contribution was not deposited in relevant bank account and payment was made to pensioner without creation of Pension Fund which resulted in violation of laws / rules.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/ 1485 dated 04.12.2023, No. 1546 dated 18.12.2023 and No.1473 dated 30.11.2023.

Audit recommends fixing responsibility against the person(s) at fault besides creation of Pension Fund and deposit of requisite amount in pension payment bank account.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2021-22 vide para number 1.2.4.4 having financial impact of Rs 19.977 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 7]

2.4.2 Irregular expenditure on remuneration of IASP teachers and caregivers – Rs 12.267 million

According to Para 2(iv)&(v) of letter No.DDP/PMIU/2019-17599 dated 29.03.2019 read with letter dated 12.11.2021 regarding establishment of schools under Insaaf Afternoon Schools Program (IASP), "Minimum enrolment for elementary schools was 100 students. For selection of teachers, preference will be given to the teacher of the same school or nearby school. However, in case of non-availability, private teachers may be hired by the respective school councils under the notified policy of school teachers' interns (STIs) and honorarium will be paid to teachers via cross cheque out of the funds provided for the purpose." Moreover, according to Para 4.8.2 of School Council Policy 2007, "School Council was authorized to hire temporary teacher for the maximum period of four months and thereafter for extension in contract, application will be submitted to EDO (Education) who is authorized for extension up to maximum period of four months."

During audit of DEA Chiniot for the FY 2022-23, it was observed that CEO and head teachers of 10 primary / elementary schools working under the administrative control of Deputy DEO (EE-W), Lalian paid remuneration amounting to Rs 12.267 million to teachers of IASP and temporary teachers/ caregivers hired by school councils. However, following discrepancies were noticed in utilization of funds provided for the purpose:

i. Schools for holding afternoon classes under IASP were selected and teachers were hired without observing prescribed criteria. Moreover, claim vouchers were submitted to DAO without supporting record and amount was disbursed to teachers in cash instead of crossed cheque. Resultantly expenditure amounting to Rs 10.831 million was incurred in violation of Government instructions during Financial Year 2022-23.

ii. Furthermore, school councils paid remuneration amounting to Rs 1.436 million for the Financial Years 2020-21 to 2022-23 to temporary teachers / caregivers exceeding permissible tenure of four months without approval of CEO, DEA Chiniot.

Due to weak internal controls, employees were recruited and funds were drawn / utilized in violation of prescribed policy and without maintaining supporting record which resulted in irregular expenditure.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry besides fixing responsibility against the person(s) at fault.

[AIR Paras: 11, 5, 13]

2.4.3 Loss due to shortage of assets – Rs 4.080 million

According to Rule 2.33 of the PFR Volume-I, "Every Government servant 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 servant to the extent to which it may be shown that he contributed to the loss by his own action or negligence."

During audit of DEA Chiniot for the FY 2022-23, it was observed that DEO (SE), Chiniot made procurement of below mentioned assets for the Financial Years 2017-18 to 2022-23 but same were not recorded in fixed asset register on prescribed format and due to non-carrying out of periodic physical verification, shortage of assets costing Rs 4.080 million was noticed during course of audit. The detail is as under:

(Total in numbers)

Sr. No.	Description of Items	Quantity Purchased	Available Quantity	Shortage
1	Laptop computers	5	-	5
2	Desktop computers	11	2	9
3	Printers	7	1	6
4	Water dispensers	5	1	4
5	LCDs/LEDs TVs 22" to 42"	6	1	5
6	Steel Almirahs	12	4	8
7	Ceiling fans	15	2	13
8	Office tables	6	4	2
9	Office chairs	49	19	30
10	Computer table	3	1	2
11	Revolving chairs	6	2	4
12	Executive tables	3	1	2

Due to weak internal controls, assets were not safeguarded properly which resulted in loss.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of the cost of missing items.

[AIR Para: 06]

Others

2.4.4 Non-vacation of encroached school land – Rs 497.250 million

According to Rule 4 of the Punjab Local Government (Property) Rules, 2018, “The manager shall take as much care of the property entrusted to him as a man of ordinary prudence would, under similar circumstances, take of his own property of like nature. The manager shall be vigilant about and to check encroachments or wrongful occupations on property and in case there is any encroachment or wrongful occupation take necessary steps for the removal thereof.”

During audit of DEA Chiniot for the FY 2022-23, it was observed that CEO failed to get vacated school land (named as Kamal Ground) of Government Al-Islah High School Chiniot from illegal occupants measuring 38 kanal & 05 marlas valuing Rs 497.250 million (value of land measuring 765 marlas @ Rs 0.650 million per marla).

Due to weak internal controls, action was not taken against illegal occupants which resulted in non-vacation of encroached land.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends to make concrete efforts for vacation of land from illegal occupants besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2021-22 vide para number 1.2.4.6 having financial impact of Rs 8.375 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 13]

2.4.5 Loss due to payment of inadmissible pay and allowances to employees – Rs 52.735 million

According to Sections 3(2) and 9 of the Punjab Regularization of Service Act 2018, “The contract employees who has continuously been serving as such for a period not less than three years on commencement of the Act shall be eligible to be considered for appointment on regular basis if he does not opt to continue as contract employee. A contract employee, on regularization, shall be allowed the initial stage of the respective pay scale and the increments earned by his during the contract appointment shall be converted into personal allowance but no other privilege allowed to a contract employee shall be admissible.” Furthermore, according to Government of the Punjab, Finance Department letter No.FD.PR-9-4/86(P)(PT.II) (PR) dated 21.08.2015, “Conveyance

Allowance is compensation to those employees who spend daily expenditure either to reach offices or back to home.” Moreover, according to Rule 2.31 of the PFR, Volume-I, “A drawer of bill for pay, allowances, contingent and other expenses will be held responsible for any overcharges, frauds and misappropriation.”

During audit of DEA Chiniot for the FY 2022-23, it was observed that CEO and four other DDOs made payment of inadmissible pay and allowances amounting to Rs 52.735 million to 6,290 employees for the Financial Years 2017-18 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Detail of Inadmissible Payments	No. of Employees	Amount
1	CEO, DEA Chiniot	Conveyance Allowance during winter & summer vacation, non-fixation of pay after regularization of services and unauthorized time scale promotion, SSB to employees	4,599	34.772
2	Deputy DEO (EE-W), Bhowana	Conveyance Allowance despite availing facility of official vehicle	01	0.083
		Pay & allowances after transfer from post	04	0.407
		Pay & allowances after regularization of services	30	1.128
3	Deputy DEO (EE-W), Lalian	Annual increment before completion of six months qualifying service	05	0.060
		Non deduction of Social Security Benefit, Benevolent Fund & Group Insurance	03	0.418
		Pay & allowances during EOL	01	0.040
		Pay & allowances after resignation	01	0.176
		Conveyance Allowance during leave	14	0.061
4	DEO (SE), Chiniot	Charge Allowance, Qualification Allowance, Adhoc Allowance, 2010	1,628	15.009

Sr. No.	DDOs	Detail of Inadmissible Payments	No. of Employees	Amount
		after discontinuation, pay & allowances during absent period, Conveyance Allowance during winter / summer vacation etc.		
5	Principal, GGHSS Bhowana	Pay & allowances after regularization of services	01	0.319
		Inadmissible Charge Allowance	01	0.009
		Special Allowance to OSD (deceased)	01	0.127
		Pay & allowances to Chowkidar due to bogus appointment	01	0.126
Total			**6,290**	**52.735**

Due to weak internal controls, inadmissible pay and allowances were paid to employees resulting in loss.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends recovery of overpayment from the employees concerned besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18 vide para(s) number 2.4.10, 1.2.4.1, 8.3.1 & 8.3.13, 8.2.5.1.2 & 8.2.5.1.6, 8.2.2.7 & 8.2.2.12 and 3.2.1.5 & 3.2.1.8 respectively having financial impact of Rs 75.154 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 14, 2, 3, 5, 2, 3, 4]

2.4.6 Non-imposition of penalty and non-realization of revenue from unregistered schools – Rs 16.207 million

According to the Punjab Private Educational Institutions (Promotions and Regulation) Ordinance 2016, "The owner of every institution shall get it registered from registering authority before starting the business of the institution and in case of failure, penalty / fine to the extent of

Rs 0.300 million to Rs 4 million may be imposed." Further, according to Government of the Punjab, School Education Department letter No.SO(A-II)3-3/99(P) dated 22.01.2009, "The registration and annual inspection fee for each elementary / primary school will be Rs 5,000 and Rs 500 respectively." Furthermore, the registration and annual inspection fee for each high / higher secondary school was Rs 7,000 and 1,000 respectively."

During audit of DEA Chiniot for the FY 2022-23, it was observed that CEO did not impose penalty amounting to Rs 15.900 million against the owners of 53 private schools functioning without registration. Moreover, due to no punitive action against the unregistered schools, income amounting to Rs 0.307 million on account of registration and annual inspection fee was also not realized. **(Annexure-4)**

Due to weak internal controls, action was not taken against unregistered schools under the Law which resulted in non-imposition of penalty as well as realization of revenue.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends imposition of fine and recovery of fees besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.4.12 having financial impact of Rs 3.055 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 5]

2.4.7 Loss due to non-recovery of proportionate share of pension – Rs 13.749 million

According to Rule 6 of the Punjab District Authorities (Budget) Rules, 2017, "The Budget and Accounts Officer shall be responsible to maintain Pension Fund for the Government employees of Education or Health sectors adjusted in the District Authority." Furthermore, according to Para 4(c) of Government of the Punjab, Finance Department letter No.FD(DG)1-Instructions-Act-13/2016 dated 25.05.2017, "The Pension Fund maintained by the erstwhile District Government shall be apportioned proportionately amongst the District Education Authority, District Health Authority and respective District Council."

During audit of DEA Chiniot for the FY 2022-23, it was observed that CEO being PAO of DEA Chiniot did not recover Authorities' proportionate share of pension amounting to Rs 6.900 million out of the amount of Pension Fund invested by the erstwhile District Government, Chiniot in Term Deposit Receipt (TDR) alongwith profit (@ 9% per annum) amounting to Rs 6.849 million* till the end of Financial Year 2022-23. The detail is as under:

(Rupees in million)

TDR No. Deposited in BoP	**Date of Deposit of TDR**	**Amount Deposited**	**No. of Years**	**Interest Amount (@ 9% per annum)**	**Total Amount**
003612	25.05.2015	6.900	08	6.849 *	13.749

*Compound interest calculated by applying rate at which funds were initially invested. However, this amount may be much more in the wake of increased interest rates.

Due to weak internal controls, proportionate share of pension was not recovered from the quarters concerned which resulted in violation of the Government instructions and loss to the Authority.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends fixing responsibility against the person(s) at fault besides recovery of requisite pension share.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2021-22, 2020-21, 2019-20 and 2018-19 vide para(s) number 1.2.4.5, 8.3.4, 8.2.5.2.2 and 8.2.2.9 respectively having financial impact of Rs 39.746 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 2]

2.4.8 Excess payment due to non-deduction of taxes – Rs 1.297 million

According to Serial No.1(b)(ii), 2(ii)(b) and 3(iii) of Division III of Part III of First Schedule of the Income Tax Ordinance, 2001, "The rate of Income Tax to be deducted from a payment for goods or services shall be 4.5% and 10% respectively of the gross amount payable." Further, according to Serial No. 11 of the Second Schedule to the Punjab Sales Tax on Services Act 2012, "Punjab Sales Tax on Services @ 16% shall be applicable on services provided."

During audit of DEA Chiniot for the FY 2022-23, it was observed that Deputy DEO (EE-W), Bhowana and two other DDOs failed to deduct / withhold Income Tax, PST and General Sales Tax amounting to Rs 1.297 million on prescribed rates from the payments made to the service providers and vendors for supply of goods for the Financial Years 2020-21 to 2022-23. The details are given in the following table:

(Rupees in million)

Sr. No.	DDOs	Description	GST	Income Tax	PST	Total
1	Deputy DEO (EE-W), Bhowana	Non deduction of Income Tax & General Sales Tax	0.417	0.424	-	0.841
2	Deputy DEO (EE-W), Lalian	Non-deduction of Income Tax and Punjab Sales Tax on services	-	0.077	0.123	0.200
3	Principal, GGHSS Bhowana	Non-deduction of taxes	0.182	0.074	-	0.256
Total			**0.599**	**0.575**	**0.123**	**1.297**

Due to weak internal controls, payments were made to vendors / service providers without deduction of taxes at prescribed rates which resulted in excess payment.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends recovery of taxes besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18 vide para(s) number 1.2.4.3, 8.3.12, 8.2.5.1.8 & 8.2.5.3.10, 8.2.2.14 and 3.2.1.7 respectively having financial impact of Rs 11.527 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 6, 8, 10, 7]

2.3.4.9 2.5 District Education Authority, Dera Ghazi Khan

There are 184 formations in DEA Dera Ghazi Khan out of which 10 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.5.1 Excess expenditure beyond work order cost of development schemes – Rs 23.508 million

According to Government of the Punjab, Finance Department Notification No.SO(H-1)I-41/2017(P&SHCD)(AD)(Prov) dated 04.04.2019, "The authority shall make the payment of approved cost of the scheme to the concerned XEN. XEN shall execute the schemes and report progress to the authority. After execution of scheme, the XEN shall return the balance amount if any to the authority."

During audit of DEA Dera Ghazi Khan for the FY 2022-23, it was observed that CEO got executed development schemes through Executive Engineers Building Divisions Dera Ghazi Khan and Taunsa. Monthly progress report as on 30.06.2023 showed expenditure of Rs 492.055 million was incurred against 14 development schemes and completion progress was shown as 95%. Comparison of contractor's agreement / work order cost revealed that the said schemes were awarded for Rs 468.547 million. So, expenditure amounting to Rs 23.508 million was incurred by the XEN Buildings over and above the cost of the work orders from the released amounts of Rs 492.055 million.

Due to weak internal controls, payments were made without considering work order cost resulting in excess expenditure.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests made by Audit vide letter No.RDA/DGK/CD-982 dated 14.09.2023, No.1034 dated 22.09.2023 and No.1176 dated 13.10.2023.

Audit recommends fixing responsibility against the person(s) at fault besides recovery of excess payment than agreed cost from contractors.

[AIR Para: 13]

2.5.2 Irregular transfer of funds to learning camp schools without monitoring – Rs 13.836 million

According to Serial-3 of PMIU, Punjab Education Sector Reform Programme vide letter No.OOSC/PESRP/Taleem/2022/27073 dated 17.05.2023 guidelines regarding opening of learning camp school "DEOs as focal person shall monitor the social contact policy, to ensure admission of out of school children in learning campus, personal attendance in social contact meetings, to motivate school councils for success, weekly meetings and forwarding of social contact pics to PMIU, Community Centre Pics and arrangement of record, supervision of door to door campaign for admission of students."

During audit of DEA Dera Ghazi Khan for the FY 2022-23, it was observed that CEO transferred fund to the extent of Rs 13.836 million to 545 learning camps schools, established for in-or-out of school students from class 1 to 3 during summer vacations in Dera Ghazi Khan District without following KPIs as mentioned above.

Due to weak financial controls, funds were transferred to schools / learning camps without monitoring of its utilization which resulted in irregular transfer of funds.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry of matter and fixing responsibility against the person(s) at fault.

[AIR Para: 13]

2.5.3 Loss due to less realization of unspent balance – Rs 12.556 million

According to Government of the Punjab, Finance Department Notification No. SO(H-1) I-41/2017 (P&SHCD) (AD) (Prov) dated 04.04.2019, "The authority shall make the payment of approved cost of the scheme to the concerned XEN, XEN shall execute the schemes and report progress to the authority. After execution of scheme, the XEN shall return the balance amount if any to the authority."

During audit of DEA Dera Ghazi Khan for the FY 2022-23, it was observed that CEO transferred funds Rs 377.482 million against deposit works to Executive Engineer, Buildings Division Dera Ghazi Khan and Taunsa. Annual progress report as on 30.06.2023 of Buildings Divisions showed the annual expenditure of Rs 320.775 million. While, un-spent balance, returned back by both Division was Rs 44.151 million instead of Rs 56.707 million. An un-spent balance of Rs 12.556 million was less refunded to the DEA. The detail is as under:

(Rupees in million)

<table>
<tr><th>Sr. No.</th><th>Executing Authority</th><th>Total Allocation (AS FI data)</th><th>Total Expenditure</th><th>Unspent balance returned from XEN Buildings</th><th>Actual Unspent Balance</th><th>Difference</th></tr>
<tr><td>1</td><td>Buildings Division Dera Ghazi Khan</td><td rowspan="2">377.482</td><td>209.110</td><td>22.599</td><td rowspan="2">56.707</td><td rowspan="2">12.556</td></tr>
<tr><td>2</td><td>Buildings Division Taunsa</td><td>111.665</td><td>21.552</td></tr>
<tr><td colspan="2">Total</td><td>377.482</td><td>320.775</td><td>44.151</td><td>56.707</td><td>12.556</td></tr>
</table>

Due to weak internal financial controls, the unspent balance was less refunded back to treasury which resulted in loss.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends fixing responsibility against the person(s) at fault besides collection of balance amount from the concerned agency.

[AIR Para: 5]

Value for money and service delivery issues

2.5.4 Loss due to theft of solar panels and allied accessories – Rs 1.248 million

According to Rule 2.33 of the PFR Vol-I, "Every Government servant 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."

During audit of DEA Dera Ghazi Khan for the FY 2022-23, it was observed that head teachers of 9 schools working under administrative control of Deputy DEO (EE-M), Taunsa failed to ensure safe custody of solar panels and allied accessories installed in various elementary and primary schools. Resultantly, solar panels and its allied accessories costing Rs 1.248 million were stolen.

Due to weak internal controls, solar panels and its allied accessories were stolen which resulted in loss.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends proper action be taken for prompt recovery of stolen items besides fixing responsibility against the person(s) at fault.

[AIR Para: 2]

Others

2.5.5 Loss due to payment of inadmissible allowances to employees – Rs 29.851 million

According to Rule 1.15 of the Punjab Travelling Allowance Rules 1976 and the Government of the Punjab Education Department (School Wing) letter No.SO(S-III)1-2-16/2007 dated 24.09.2007, "Conveyance / mobility allowance is not admissible during the period of leave of any kind or vacations." Further, according to Punjab Regularization of Services Act, 2018 read with Notification No.SO(ERB)(S&GAD)5-19/2018 and Government of the Punjab, School Education Department Lahore, notification No.SO(SE-III)2-16/2007(P-V) dated 07.08.2015, "The Educators already appointed on contract basis under the provision of contract policy were regularized w.e.f. 19.10.2019 and these appointees would not be entitled to the payment of 30% SSB."

During audit of DEA Dera Ghazi Khan for the FY 2022-23, it was observed that DEO (Special Education), Dera Ghazi Khan and eight other DDOs made payments of Rs 29.851 million on account of pay and allowances, Social Security Benefit etc. to the employees without admissibility. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Amount
1	DEO (Special Education), Dera Ghazi Khan	CA, HRA, Personal Allowance	0.391
2	Deputy DEO (EE-M), Dera Ghazi Khan	Charge Allowance, CA, Hill Allowance.	6.082
3	Deputy DEO (EE-W), Dera Ghazi Khan	Hill Allowance, Special Allowance, CA, Charge Allowance, Adhoc Allowance	5.041
4	Deputy DEO (EE-M), Taunsa	Inadmissible Hill Allowance	0.459
		SSB, CA, Charge Allowance, Adhoc Allowance and Qualification Allowance	4.734
5	Principal, Government City High School Boys Dera Ghazi Khan	Overpayment of Pay and allowances after regularization	1.685

Sr. No.	DDOs	Description	Amount
6	Principal, Government Girls Higher Secondary School City Dera Ghazi Khan	Unauthorized payment of Basic Pay, Adhoc Relief Allowances, SSB after regularization	0.181
		SSB to the Employees regularized /appointed under Rule 17-A	0.177
		Unauthorized payment of Conveyance Allowances during Leaves/Vacation	3.541
7	Principal, Government Girls High School No.1 Dera Ghazi Khan	Unauthorized payment of Conveyance Allowance during vacation	1.978
8	Principal, Government Comprehensive High School, Dera Ghazi Khan	Inadmissible pay and allowances	2.450
		Unauthorized payment of Salaries and allowances after transfer and absent period	1.464
9	Principal, Government Higher Secondary School, Mana Ahmadani	Overpayment of SSB to the employees regularized/ appointed under Rule 17-A	0.759
		CA, SSB, Adhoc Allowance	0.909
Total			**29.851**

Due to weak internal controls, inadmissible allowances were paid which resulted in loss to the Authority.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry, fixing responsibility against the person(s) at fault for allowing inadmissible allowances and immediate stoppage of such allowances coupled with recovery of overpaid amount.

<u>Note:</u> The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para(s) number 1.2.4.6, 4.4.2, 4.2.5.2.8 and 4.2.2.7 respectively having financial impact of Rs 107.245 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 1, 2, 4, 1, 8, 1, 5, 6, 8, 8, 5, 6, 1, 2]

2.3.4.10 2.6 District Education Authority, Faisalabad

There are 635 formations in DEA Faisalabad out of which 10 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.6.1 Financial burden due to non-creation of Pension Fund / undue pension payments – Rs 586.520 million

According to Rule 6 of the Punjab District Authorities (Budget) Rules, 2017, “The budget and accounts officer shall be responsible to maintain Pension Fund for the Government employees of Education or Health sectors adjusted in the District Authority.” Moreover, according to Rule 9 of the Punjab District Authorities (Accounts) Rules, 2017, “The drawing and disbursing officer and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any overcharge, fraud or misappropriation and shall be liable to make good that loss.”

During audit of DEA Faisalabad for the FY 2022-23, it was observed that CEO paid pension to LG cadre pensioners amounting to Rs 693.950 million during Financial Year 2022-23 and Rs 108.576 million during January to November, 2017. However, following discrepancies were observed in pension payments:

1. Funds available in pension payment bank account and monthly pension contribution of existing LG cadre employees were insufficient to meet the pension payments amounting to Rs 693.950 million for the Financial Year 2022-23. In order to recoup the shortfall, DEA authorities transferred amount of Rs 477.944 million out of DEA’s Consolidated Fund into pension payment bank account. It is pertinent to mention here that DEA authorities did not devise strategy to recoup the above shortfall by creating a Pension Fund, as required under Law/ Rules.
2. Moreover, DEA Faisalabad, being successor of EDO (Education) City District Government Faisalabad, continued to pay pension amounting to Rs 108.576 million during January to November, 2017 to 723 retired Local Government cadre employees of Municipal Corporation and District Council Faisalabad. The pensioners were not eligible to withdraw pension from DEA, Faisalabad as their date of retirement was

earlier than year 2001. However, undue amount paid to ineligible pensioners was not recovered from the Local Governments concerned.

Due to weak internal controls, pension was paid without creation of Pension Fund and deficit was recouped from DEA Account-V and undue pension payment was not recovered from Local Governments concerned which resulted in undue financial burden on the Authority.

The matter was reported to PAO in August, 2023. It was replied that as per policy of Government of the Punjab Pension Payment Account was opened in Bank of the Punjab and payment was made either from Pension Contribution or transferring additional funds from Account-V of DEA Faisalabad. Reply was not tenable as DEA was responsible to create Pension Fund for pension payments according to above mentioned rules.

DAC in its meeting held on 14.02.2024 directed CEO to create Pension Fund for pension payments besides regularization of matter from the competent authority. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para: 14]

2.6.2 Unauthentic expenditure on Madaris – Rs 102.946 million

According to Sections 6 & 17 of the Punjab Seized and Freezed Institutions (Madaris and Schools) Act 2019, "The Board shall have the powers to recruit and determine terms and conditions of employees of the institutions, formulate the budget of the institutions, lay down the procedure for the conduct of its business. The Board may frame regulations for delegation of administrative and financial powers to the Directorate, a Committee or an employee of the Board, manner in which the Board Fund shall be disbursed, procurement of goods and services and any other matter within the scope of the Act." Moreover, according to Rule 15.5 of the PFR Vol-I, "When materials are issued from stock the in-charge of the stores should seek indent from authorized person, issue stores and obtain a written acknowledgment from the recipient."

During audit of DEA Faisalabad for the FY 2022-23, it was observed that CEO withdrew funds amounting to Rs 102.946 million out of AAA, provided for management of eight taken over/proscribed educational institutions (Schools/Madaris). However, the funds were utilized on salaries of employees, procurement of food items / assets, payment of utilities bills, other operating expenditure etc. Scrutiny of record depicted that funds were utilized without observing provisions of the Act as well as other laws / rules. However, following discrepancies were observed:

i. Expenditure was incurred without formulating rules, regulations, delegation of administrative and financial powers, procurement of goods and services rules etc. Salaries and wages were paid to staff without any authentication / detail of employees, their terms of appointment / service, salary structure etc.

ii. It was also noticed that food items including some perishable nature items like meat, milk, chicken, vegetables etc. were procured in bulk quantity on weekly or monthly basis and same were shown issued as received even within same day.

Due to weak administrative controls, funds were utilized without framing rules, regulations, proper record and in violation of financial propriety which resulted in unauthentic expenditure.

The matter was reported to PAO in August, 2023. It was replied that employees were recruited and their salaries were fixed since when these institutions were taken over by the Government and thereafter no staff had been recruited. Moreover, edibles including perishable nature items were purchased on weakly basis by keeping in view the mess menu and storage capacity of institutions and same were issued accordingly. Reply was not tenable as the perishable items were purchased in bulk and issued as procured.

DAC in its meeting held on 14.02.2024 directed CEO to inquire the matter and submit report besides regularization of expenditure from the competent authority. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para: 11]

2.6.3 Irregular utilization of funds under IASP – Rs 38.020 million

According to Section 4.2.1.2 of the Accounting Policies and Procedures Manual, "Sanction of expenditure, preparation of claim voucher for payment, approval of expenditure, certification (pre-audit) of claims and recording of expenditure in the accounting records are the key steps required to be followed in all expenditure transactions." Furthermore, according to Para 2(iv)&(v) of letter No.DDP/PMIU/2019-17599 dated 29.03.2019 read with letter No.SO(SNE) Upgradation/2021(IASP) dated 12.11.2021 and Sr. No. (2)(iii) of Policy for IASP regarding establishment of schools, "Minimum enrolment for elementary schools was 100 students. For selection of teachers, preference will be given to the teacher of the same school or nearby school. In case of non-availability private teachers may be hired by the respective school councils under the notified policy of school teachers' interns (STIs) and honorarium will be paid via cross cheque out of the funds provided for the purpose. Upgraded schools will be monitored and evaluated as per indicators by PMIU through MEAs & district supervisory staff."

During audit of DEA Faisalabad for the FY 2022-23, it was observed that CEO made payment of remuneration amounting to Rs 38.020 million to staff of 148 IASP schools contrary to the above provisions as remuneration was paid to staff without preparation of requisite accounting record as well as record of staff recruitment, student enrolment and school wise monitoring reports of MEAs/AEOs.

Due to weak internal controls, expenditure was incurred without following prescribed procedure which resulted in irregular utilization of funds.

The matter was reported to PAO in August, 2023. It was replied that CEO, DEA received said amount through cheque from Programme Director PMIU PESRP for payment of remuneration to staff of 148 Afternoon Schools therefore, payments were made through DDO Bank Account. However, hiring of staff was made according to policy guidelines of Punjab School Education Department. Reply was not tenable as no record was provided regarding recruitment of employees and payment of remuneration as per policy guidelines.

DAC in its meeting held on 14.02.2024 directed CEO to probe the matter and get the expenditure regularized from the competent authority. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC’s directives.

[AIR Para: 8]

2.6.4 Irregular / unauthentic expenditure out of NSB – Rs 27.428 million

According to Rules 4, 9, 10 and 12 of the Punjab Procurement Rules 2014, "A procuring agency shall ensure that the procurement is made in a fair and transparent manner. A procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. A procuring agency shall determine specifications in a manner to allow the widest possible competition. Procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority." Further, according to Rules 2.32 and 15.4 of the PFR, Volume-I, "A Government Servants accounts should be correct to his own satisfaction. He has to satisfy not only himself but also to the accountant General that the claim which has been accepted is valid. All materials received should be examined, counted, measured and weighed and be kept in-charge of a responsible Government Servant."

During audit of DEA Faisalabad for the FY 2022-23, it was observed that DEO (EE-W), Faisalabad and eight other DDOs incurred expenditure of Rs 27.428 million on procurement / repair of machinery, equipment, furniture & fixture, printer, vehicles, whitewash & construction material etc. for the Financial Years 2009-10 to 2022-23. Contrary to the provisions of above rules, procurements were made without open competitive bidding, mentioning specifications (regarding size/make material/quality), maintenance of consumption record, history sheet of repair and other ancillary record. Moreover, in some cases procurements were made either through managed invoices or without sanction of competent authority. **(Annexure-5)**

Due to weak internal controls, expenditure was incurred in violation of procurement / financial rules and without maintaining supporting record which resulting in irregular / unauthentic expenditure.

The matter was reported to PAO in August, 2023. DDOs replied that expenditure was incurred with approval of school councils / sanctioning authorities on petty purchases as per need of the institutions/offices. Moreover, due to quarterly release of NSB purchases were made in peace meal upon availability of funds. However, consumption / other relevant record was now available for verification. The reply was not tenable as the expenditure was incurred in violation of procurement rules and against the financial propriety and no record was provided in support of reply to Audit for verification.

DAC in its meeting held on 14.02.2024 directed CEO to initiate action against the concerned for fixing responsibility and also directed DDOs to produce relevant record to Audit for verification. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2020-21, 2019-20, 2018-19 and 2017-18 vide para(s) number 2.6.8, 9.3.3 & 9.3.8, 9.2.5.2.3, 9.2.2.3 & 9.2.2.20 and 5.2.2.3 respectively having financial impact of Rs 90.051 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 5, 9, 8, 10, 6, 4, 7, 6, 3, 5, 6, 2, 5, 6, 2, 5]

2.6.5 Irregular payment of Inspection Allowance – Rs 15.075 million

According to Government of the Punjab, School Education Department letter No.SO(Budget)1-15/2013(V-II) dated 15.01.2018 read with clarification issued by Government of the Punjab, Finance Department vide letter No. IT(FD) 6-23/91(Vol-III) dated 09.08.2019, "Payment of Inspection Allowance @ Rs 25,000 per month was granted to Assistant Education Officers (AEO) subject to verifiable Key Performance Indicators (KPIs) developed by School Education Department in consultation with DFID and their verification by the CEOs of respective DEAs."

During audit of DEA Faisalabad for the FY 2022-23, it was observed that DEO (EE-W), Faisalabad paid Inspection Allowance amounting to Rs 15.075 million to 45 AEOs without ensuring compliance of KPIs.

Due to weak internal controls, Inspection Allowance was paid to the AEOs without ensuring compliance of KPIs which resulted in irregular payment.

The matter was reported to PAO in August, 2023. It was replied that relevant record was available for verification. However, DDOs and AEOs concerned had been directed that in future claims of Inspection Allowance would be submitted and sanctioned after ensuring achievement of KPIs. The reply was not tenable as no record in support of reply was provided to Audit for verification.

DAC in its meeting held on 14.02.2024 directed DEO (EE-W) to produce record to Audit for verification otherwise fix responsibility on the person(s) at fault. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para: 1]

2.6.6 Irregular expenditure by school councils – Rs 11.215 million

According to Government of the Punjab, Education Department (School Wing) letter No.SO (SNE)PMU/2010 (P) dated 11.03.2013 read with Para 4.9 of School Council Policy, 2007, "The school council shall be authorized to spend upto a maximum of four lac rupees in one financial year as provided in Notification No.IT(FD)3-13/2002 dated 07.01.2004 and 29.01.2005 of Government of the Punjab, Finance Department." Further, according to Section 3.3.2 of School Council Policy, 2007, "Tenure of School Council will be two years from the date of School Council notification, issued by AEO."

During audit of DEA Faisalabad for the FY 2022-23, it was observed that school councils of 30 primary / elementary schools working under administrative control of Deputy DEO (EE-M), Faisalabad Sadar incurred expenditure of Rs 11.215 million out of NSB for the Financial Years 2020-21 to 2022-23. Contrary to the provisions of above policy, expenditure was incurred excess than authorized per year limit of school councils and even after expiry two years' legal tenure. The detail is as under:

(Rupees in million)

DDO	Description	No. of Schools	Amount
Deputy DEO (EE-M), Faisalabad Sadar	Expenditure beyond the competence of school councils	19	5.856
	Expenditure through irregular school councils	11	5.359
Total		**30**	**11.215**

Due to weak internal controls, school councils utilized NSB beyond permissible limit and even after expiry of legal tenure which resulted in irregular expenditure.

The matter was reported to PAO in August, 2023. It was replied that the notification of prescribed limit was about expenditure incurred on minor repair works only. Moreover, schools under observation were IASP schools or had ECE Rooms and due to payment of remuneration to staff expenditure exceeded from prescribed limit. The reply was not tenable as expenditure was incurred in violation of School Council's Policy and no record in support of reply was provided for verification.

DAC in its meeting held on 14.02.2024 directed DDO to produce relevant record to Audit for verification. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2018-19 and 2017-18 vide para(s) number 2.6.5, 9.2.2.4 and 5.2.2.1 respectively having financial impact of Rs 61.380 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 4, 6]

2.6.7 Loss due to non recovery of penal rent from illegal occupant of Government residence – Rs 3.962 million

According to Sr. No. 23, 29(A) & 30(iv & v)) of Policy Governing Allotment of Residential Government Accommodation at District Level, "No Government servant will be allowed to surrender the allotment in favour of any particular person." Moreover, "A government servant occupying a house unauthorizedly and illegally will be charged penal rent @ 60% of his basic salary. A government servant occupying government accommodation illegally or facilitating, conniving at or offering any government accommodation for unauthorized occupation will render himself liable to be proceeded against under E&D Rules, in vogue for the misconduct."

During audit of DEA Faisalabad for the FY 2022-23, it was observed that designated residence of Principal, GCMHS Samanabad was illegally occupied by Senior Headmaster, of Government Jamia Chistia High School Faisalabad w.e.f. 01.01.2011. Thereafter, said residence was allotted to Subject Specialist of GCMHSS, Samanabad w.e.f. 21.12.2012 but remained under the occupancy of said Senior Headmaster. It was pertinent to mention that the authorities did not take action against the incumbent regarding imposition of penalty and recovery of penal rent amounting to Rs 3.962 million.

Due to weak internal controls, designated residence was occupied by unauthorized person without recovery of penal rent which resulted in loss to the Government.

The matter was reported to PAO in August, 2023. It was replied that enquiry was conducted by Administrative Secretary against the Principal concerned regarding said allegations under PEEDA Act, 2006 and the competent authority exonerated former Principal from charges. The reply was not tenable as no record was produced in support of reply to Audit for verification.

DAC in its meeting held on 14.02.2024 directed DDO concerned to produce relevant record in support of reply to Audit for verification otherwise initiate action against the Principal. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides recovery of penal rent from the defaulter.

[AIR Para: 4]

2.6.8 Loss due to non-recovery of Government receipts – Rs 2.924 million

According to Rule 68 of the Punjab District Authorities (Budget) Rules 2017, "The primary obligation of the collecting officer shall be to ensure that all revenue due is claimed, realized and credited immediately to the District Authority fund."

During audit of DEA Faisalabad for the FY 2022-23, it was observed that Principals, GGHSS Chak 202/RB and GMCGHSS Samanabad auctioned the school canteens for the Financial Years 2008-09 to 2022-23 at an auction price of Rs 6.824 million. Principals of said schools could recover amount of Rs 3.900 million against total auction amount leaving balance of Rs 2.924 million.

Due to weak internal controls and negligence, auction amount of canteens was not recovered which resulted in loss.

The matter was reported to PAO in August, 2023. DDOs replied that the contractors left the canteens without depositing full auction money. However, matter had been communicated to DEO (SE), Faisalabad and Police Authorities for action against the defaulters. Moreover, security deposit of contractor amounting to Rs 300,000 had been forfeited and deposited into Government treasury. Audit stressed for active pursuance of case for recovery of loss.

DAC in its meeting held on 14.02.2024 directed CEO to take up the matter with District Collector, Faisalabad for initiating action against the defaulters under Land Revenue Act besides production of record to Audit for verification. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC’s directives.

[AIR Paras: 1, 1]

Others

2.6.9 Non-vacation of encroached school land – Rs 70.200 million

According to Rule 4 of the Punjab Local Government (Property) Rules, 2018, "The manager shall take as much care of the property entrusted to him as a man of ordinary prudence would, under similar circumstances, take of his own property of like nature. The manager shall be vigilant about and to check encroachments or wrongful occupations on property and in case there is any encroachment or wrongful occupation take necessary steps for the removal thereof."

During audit of DEA Faisalabad for the FY 2022-23, it was observed that DEO (EE-W), Faisalabad and Deputy DEO (EE-M), Faisalabad Sadar failed to get the encroached properties vacated from illegal occupants. Record showed that land measuring 1,404 marlas valuing Rs 70.200 million pertaining to seven schools of DEO (EE-W), Faisalabad and eleven schools of Deputy DEO (EE-M), Faisalabad Sadar was encroached by illegal occupants. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Area in Marlas	Amount
1	DEO (EE-W), Faisalabad	621	31.050
2	Deputy DEO (EE-M), Faisalabad Sadar	783	39.150
Total		**1,404**	**70.200**

Due to weak internal controls, action was not taken against illegal occupants which resulted in non-vacation of encroached school land.

The matter was reported to PAO in August, 2023. DDOs replied that matter had been taken up with higher authorities for action against the encroachers. Audit stressed to initiate action against the culprits immediately.

DAC in its meeting held on 14.02.2024 directed CEO to take up the matter with District Authorities for quick action against the culprits. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Paras: 7, 7]

2.6.10 Loss due to payment of inadmissible pay and allowances to employees – Rs 61.077 million

According to Government of the Punjab, School Education Department Notification No.SO(SE-III)2-16/2007 dated 19.10.2009 read with Punjab S&GAD letters No.(O&M)S&GAD)5-3/2013 dated 01.03.2013 & 19.08.2013 and No.SOR-III(S&GAD)2-8/2018 dated 29.10.2019, "The pay of contract employees, upon regularization of their services, shall be fixed at the initial of the respective pay scales." Furthermore, according to Government of the Punjab, Finance Department letter No.FD.PR-9-4/86(P)(PT.II)(PR) dated 21.08.2015, "Conveyance Allowance is compensation to those employees who spend daily expenditure either to reach offices or back to home."

During audit of DEA Faisalabad for the FY 2022-23, it was observed that CEO and nine other DDOs made overpayment of pay and allowances amounting to Rs 61.077 million to 9,646 employees for the Financial Years 2008-09 to 2022-23 on account of inadmissible Conveyance Allowance, Charge Allowance, Special Allowance, Science Teaching Allowance, salary during EOL, and SSB after regularization of services. **(Annexure-6)**

Due to weak internal controls, inadmissible pay & allowances were paid to employees which resulted in loss to the Authority.

The matter was reported to PAO in August, 2023. DDOs replied that recovery had been started from the employees concerned and progress would be shown to Audit. Audit stressed for early recovery besides provision of record for verification.

DAC in its meeting held on 14.02.2024 directed DDOs concerned to expedite the recovery and report progress besides provision of record to Audit for verification. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021.22, 2020-21, 2019-20, 2018-19 and 2017-8 vide para(s) number 2.6.14, 2.2.4.4, 9.3.5 & 9.3.9, 9.2.5.2.2 & 9.2.5.2.11, 9.2.2.10 & 9.2.2.15 and 5.2.2.6 to 5.2.2.8 respectively having financial impact of Rs 52.873 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 15, 2, 1, 3, 3, 2, 3, 3, 2, 4]

2.6.11 Excess payment due to non-deduction / recovery of taxes – Rs 4.431 million

According to FBR, Inland Revenue letter No.C.No.9(11)ST-LPE/Misc/ 2017/44 768-R dated 18.02.2021, "General Sales Tax was not admissible on sand, soil, crush, panaflexes, banners, medicine, photocopies, caregiver salary, teacher salary and utility bills.” Further, according to Sales Tax Act 1990, “Bricks and paints were exempted vide SRO No.896 (I)/2013 dated 04.10.2013. Moreover, the cement price is ex-factory price and the rate of cement includes all types of taxes hence, need not to charge sales tax in bills.”

During audit of DEA Faisalabad for the FY 2022-23, it was observed that CEO and six other DDOs purchased cement, sand, paint, bricks etc. for the Financial Years 2008-09 to 2022-23. However, payment was made to the suppliers without deduction of Income Tax, General Sales Tax and Punjab Sales Tax on Services amounting to Rs 3.080 million. Further, General Sales Taxes of Rs 0.550 million was claimed by the suppliers and paid against exempted supplies and Income Tax of Rs 0.119 million was deducted but not deposited into Government Treasury. Furthermore, DDOs did not ensure recovery of Income Tax amounting to Rs 0.682 million from contractors of auction of canteen. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Financial Year(s)	Income Tax	GST	PST	GST on Exempted Items	Income Tax on Auction	Income Tax not deposited	Total
1	CEO DEA Faisalabad	2022-23				0.387			0.387
2	Deputy DEO (EE-W), Samundri	2019-20	-	0.060	0.120	0.102		-	0.282
3	Deputy DEO (EE-M), Tandlianwala	2017-23	1.036	0.387	0.290	-		-	1.713
4	Principal, GGHSS 202/RB Faisalabad	2008-23		0.139	-	-	0.085	-	0.224
5	Principal, GMCGHS	2019-23	0.066	0.107	-	-	0.597	0.119	0.889

Sr. No.	DDOs	Financial Year(s)	Income Tax	GST	PST	GST on Exempted Items	Income Tax on Auction	Income Tax not deposited	Total
	S Samanabad								
6	Principal, GGHSS Chak Jhumra	2016-23	-	0.129	0.168	0.061		-	0.358
7	Principal, GHS No.2 Samundri	2017-22	0.122	0.456	-	-		-	0.578
Total			**1.224**	**1.278**	**0.578**	**0.550**	**0.682**	**0.119**	**4.431**

Due to weak internal controls, taxes were paid against exempted supplies, without deduction / recovery of taxes which resulted in excess payment.

The matter was reported to PAO in August, 2023. DDOs replied that in most of the cases payments were made to vendors after deduction of taxes. However, notices had been issued to vendors for recovery of taxes where deduction had not been made and asked them to deposit the taxes into Government treasury. Audit stressed for early recovery from the defaulters besides action against the DDOs who made payments without deduction of taxes.

DAC in its meeting held on 14.02.2024 directed DDOs to recover the amount of taxes from the vendors and produce updated status to Audit for verification. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC’s directives besides fixing responsibility against the person(s) at fault.

[AIR Paras: 11a, 5, 8, 1a, 7, 1a, 4, 3, 8]

2.7 District Education Authority, Jhang

There are 241 formations in DEA Jhang out of which 05 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.7.1 Irregular expenditure on honorarium of teachers under IASP – Rs 45.002 million

According to Para 2(iv)&(v) of letter No.DDP/PMIU/2019-17599 dated 29.03.2019 read with letter No.SO(SNE)Upgradation/2021(IASP) dated 12.11.2021 and Sr. No. (2)(iii) of Policy for IASP regarding establishment of schools, "For selection of teachers, preference will be given to the teacher of the same school or nearby school. In case of non-availability private teachers may be hired by the respective school councils under the notified policy of school teachers' interns (STIs). Upgraded schools will be monitored and evaluated as per indicators by PMIU through MEAs & district supervisory staff. All AEOs will visit the schools as per laid down mechanism. The eligibility criteria for provision of transport facility includes that Parents / guardian of the student provides an affidavit that the student will continue his / her education till completion of the secondary schooling."

During audit of DEA Jhang for the FY 2022-23, it was observed that CEO incurred expenditure of Rs 45.002 million on honorarium of IASP staff. However, expenditure was incurred without maintaining list of appointed staff, evaluation of monthly monitoring reports, obtaining affidavits from parents/ guardians regarding continuation of students' education and capacity building of teachers through requisite / mandatory training.

Due to weak internal controls, expenditure on honorarium under IASP was incurred without considering the prescribed criteria and performance evaluation which resulted in irregular expenditure.

The matter was reported to PAO in August, 2023. CEO replied that 75% Government teachers and 25% private teacher were employed in afternoon schools according to the policy. The reply was not tenable as no record for hiring of teachers from the private sector and staff available in afternoon schools was provided for verification.

DAC in its meeting held on 02.11.2023, directed CEO to produce record of hiring of teachers from the private sector and available staff in the schools to Audit for verification. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para: 7]

Others

2.7.2 Non-vacation of encroached school land – Rs 23.128 million

According to Rule 4 of the Punjab Local Government (Property) Rules, 2018, "The manager shall take as much care of the property entrusted to him as a man of ordinary prudence would, under similar circumstances, take of his own property of like nature. The manager shall be vigilant about and to check encroachments or wrongful occupations on property and in case there is any encroachment or wrongful occupation take necessary steps for the removal thereof."

During audit of DEA Jhang for the FY 2022-23, it was observed that CEO and Deputy DEO (EE-M), Jhang did not make efforts to get the encroached land of seven schools vacated from illegal occupants measuring 2,292 marlas valuing Rs 23.128 million.

Due to weak internal controls, action was not taken against illegal occupants which resulted in non-vacation of encroached school land.

The matter was reported to PAO in August, 2023. CEO replied that the land of said seven schools was not mutated in the name of School Education Department and comes under the jurisdiction of the Provincial Government. Therefore, matter was related to Deputy Commissioner / Collector District Jhang. Audit stressed to pursue the matter vigorously and communicate the matter to the competent authority for vacation of Government land.

DAC in its meeting held on 02.11.2023, directed CEO to refer the case to competent authority for vacation of Government land at the earliest. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Paras: 15, 4]

2.7.3 Loss due to payment of inadmissible pay & allowances to employees – Rs 17.331 million

According to Government of the Punjab, School Education Department Notification No.SO(SE-III)2-16/2007 dated 19.10.2009 read with S&GAD Punjab letters No.(O&M)S&GAD)5-3/2013 dated 01.03.2013 & 19.08.2013 and No.SOR-III(S&GAD)2-8/2018 dated 29.10.2019, "The contract employees will not be entitled for SSB after regularization of their services and their pay shall be fixed at the initial of their respective pay scales." Moreover, according to Government of the Punjab, Finance Department letter No.FD.PR-9-4/86(P)(PT.II)(PR) dated 21.08.2015, "Conveyance Allowance (CA) is compensation to those employees who spend daily expenditure either to reach offices or back to home." Furthermore, according to Rule 2.31 of the PFR Volume-1, "A drawer of bill for pay, allowances, contingent and other expenses will be held responsible for any overcharges, frauds and misappropriation."

During audit of DEA Jhang for the FY 2022-23, it was observed that CEO and four other DDOs made overpayment of pay and allowances amounting to Rs 17.331 million due to inadmissibility or beyond entitlement of 1,527 employees for the Financial Years 2018-19 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	**DDOs**	**Description**	**No. of Employees**	**Financial Year(s)**	**Amount**
1	CEO, DEA Jhang	SSB after regularization, Personal Allowance after promotion, Science Teaching Allowance & Hill Allowance	132	2022-23	4.011
2	DEO (EE-W), Jhang	SSB after regularization of services and salary during absent period	12	2021-23	1.134
3	Deputy DEO (EE-M), Jhang	Conveyance Allowance during vacations, Science Teaching Allowance, Charge Allowance, Personal Allowance, Qualification Allowance & Special Allowance on OSD post and advance increment	1,197	2020-23	6.729
		Pay & allowances for absent period	22	2020-23	1.589
4	Deputy DEO (EE-W), Jhang	Charge Allowance, Personal Allowance, Qualification Allowance & Special Allowance on OSD post, advance increment. Conveyance Allowance during vacations, salary during absent period and pay	92	2021-23	3.722

Sr. No.	DDOs	Description	No. of Employees	Financial Year(s)	Amount
		& allowances due to wrong fixation of pay			
5	Principal, GHSS Bagh	Conveyance Allowance during vacations and Charge Allowance	71	2018-23	0.146
Total			**1,526**		**17.331**

Due to weak internal controls, inadmissible pay and allowances were paid to employees which resulted in loss to the Authority.

The matter was reported to PAO in August, 2023. DDOs replied that employees concerned had been directed to deposit the overdrawn amount in Government Treasury. Furthermore, cases for regularization of teachers had been submitted to the competent authority however, during period of their contract appointment they were entitled to draw SSB. Audit stressed to expedite the recovery and produce documentary evidence in support of reply to Audit for verification.

DAC in its meeting held on 02.11.2023, directed the DDOs to probe the matter regarding overpayment to employees and effect recovery from the concerned at the earliest. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020.21, 2019-20, 2018-19 and 2017-18 vide para(s) number 2.7.12, 3.2.4.3 & 3.2.4.5, 10.4.4 & 10.4.7 to 10.4.8, 10.2.5.2.5 & 10.2.5.2.10 to 10.2.5.2.11 & 10.2.5.2.14 to 10.2.5.2.15, 10.2.2.3 & 10.2.2.9 & 10.2.2.14 to 10.2.2.15 and 6.2.2.3 to 6.2.2.4 & 6.2.4.6 to 6.2.4.7 respectively having financial impact of Rs 92.744 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 16, 9, 3, 11, 8, 5]

2.7.4 Non-imposition of penalty and non-realization of revenue from unregistered schools – Rs 6.260 million

According to the Punjab Private Educational Institutions (Promotions and Regulation) Ordinance 2016, "The owner of every institution shall get it registered from registering authority before starting the business of the institution and in case of failure, penalty / fine to the extent of

Rs 0.300 million to Rs 4 million may be imposed." Further, according to Government of the Punjab, School Education Department letter No.SO(A-II)3-3/99(P) dated 22.01.2009, "The registration and annual inspection fee for each elementary / primary school will be Rs 5,000 and Rs 500 respectively." Furthermore, the registration and annual inspection fee for each high / higher secondary school will be Rs 7,000 and 1,000 respectively."

During audit of DEA Jhang for the FY 2022-23, it was observed that CEO did not collect annual inspection fee of Rs 0.146 million, registration fee of Rs 0.114 million and also not imposed penalty of Rs 6.000 million to 275 private schools operating either without registration or renewal of registration. Consequently, revenue of Rs 6.260 million, was not realized due to lack of punitive measures against unregistered schools. The detail is as under:

(Rupees in million)

Sr. No.	**Description**	**Level of School**	**No. of Schools**	**Rate of Registration Fee**	**Rate of Inspection Fee**	**Rate of Fine**	**Total Amount Recoverable**
1	Non-renewal of school	Higher/High	38	-	1,000	-	0.038
		Middle and Primary	217	-	500	-	0.108
2	Un-registered school	Higher/High	7	7,000	-	0.300	2.149
		Middle and Primary	13	5,000	-	0.300	3.965
Total			**275**	**-**	**-**	**-**	**6.260**

Due to weak internal controls, action was not taken against unregistered schools under the Law which resulted in non-imposition of penalty as well as realization of revenue.

The matter was reported to PAO in August, 2023. CEO replied that procedure to issue building fitness certificate and hygiene certificate regarding private schools had been changed due to which registration / renewal of registration of private schools was delayed. However, notices had been issued to schools concerned for registration / renewal of registration. The reply was not tenable as no penalty was imposed on unregistered schools besides recovery of prescribed fee.

DAC in its meeting held on 02.11.2023, directed CEO to pursue the matter regarding registration / renewal of registration of private schools and recovery of fine and prescribed fee at the earliest. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

[AIR Para: 6]

2.7.5 Excess payment due to non-deduction of taxes – Rs 1.968 million

According to Section 153(1) and 1(c) of Income Tax Ordinance, 2001, "Every prescribed person shall deduct tax at the specified rate from the gross amount payable." Further, according to Clause 1.3 of Sales Tax Special Procedure (Withholding) Rules 2007, "Withholding agents are required to deduct an amount equal to 1/5th of the total Sales Tax." Furthermore, according to Rule 5 of the Punjab Sales Tax on Services (Withholding) Rules, 2012, "A withholding agent shall deduct Sales Tax at the applicable rate of the value of taxable services provided to him from the payment due to the service provider." Furthermore, according to FBR, Inland Revenue letter No.C.No.9(11)ST-LPE/Misc/2017/44 768-R dated 18.02.2021, "GST was not admissible on sand, soil, crush, panaflexes, banners, medicine, photocopies, caregiver salary, teacher salary and utility bills." Moreover, according to Sales Tax Act 1990, "Bricks and paints were exempted vide SRO No.896 (I)/2013 dated 04.10.2013. Moreover, the cement price is ex-factory price includes all types of taxes hence, need not to charge sales tax in bills."

During audit of DEA Jhang for the FY 2022-23, it was observed that Deputy DEO (EE-M), Jhang and two other DDOs procured cement, sand, paint, bricks etc. and made payment to suppliers / service provider without deduction of taxes amounting to Rs 1.968 million for the Financial Years 2017-18 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Subject of Para of AIR	Non-deduction of GST	Non-deduction of Income Tax	Non-deduction of PST	Total
1	Deputy DEO (EE-M), Jhang	Non deduction and deposit of GST, PST & Income tax	0.156	0.281	0.016	0.453

Sr. No.	DDOs	Subject of Para of AIR	Non-deduction of GST	Non-deduction of Income Tax	Non-deduction of PST	Total
2	Deputy DEO (EE-W), Jhang	Non-deduction of taxes	0.417	0.389	0.435	1.241
3	Principal, GHSS Bagh	Non-deduction of taxes	0.110	0.115	0.049	0.274
Total			**0.683**	**0.785**	**0.500**	**1.968**

Due to weak internal controls, payment was made to supplier / service provider without deduction of taxes which resulted in excess payment.

The matter was reported to PAO in August, 2023. DDOs replied that head teachers of schools concerned had been directed to provide the proof of deposit of taxes. Audit stressed to submit proof of deposit of taxes for verification at the earliest otherwise effect recovery.

DAC in its meeting held on 02.11.2023, directed DDOs to get the record verified from Audit regarding deposit of taxes at the earliest. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC’s directives.

[AIR Paras: 10, 8, 3]

2.3.4.11 2.8 District Education Authority, Khanewal

There are 270 formations in DEA Khanewal out of which 05 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.8.1 Irregular procurement of water coolers – Rs 3.667 million

According to minutes of meeting of Focal Person Water Cooler Project with Deputy Director (Finance), PMIU-PESRP dated 12.11.2021, “No retailer / dealer should be involved and purchase should directly be made from manufacturer/ factory.” Further, according to PMIU-PESRP Government of the Punjab letters No. PD/PMIU/WC/2021-24526 dated 04.02.2022 and No.PMIU/FCDO/P-SCRP/WC/ 2021-24465 dated 26.01.2022, “Procurements of water coolers had not been made as per specifications in the three out of four districts visited by the Provincial Technical Committee. So, CEO DEAs were directed to observe transparent procurements according to the relevant rules and approved specifications and payment may not be made prior to the satisfactory report of the Provincial Technical Committee.”

During audit of DEA Khanewal for the FY 2022-23, it was observed that school councils of various schools under the administrative control of Deputy DEOs (EE-W), Jahanian and Kabirwala purchased electric water coolers costing Rs 3.667 million for the Financial Years 2021-22 and 2022-23. Funds were received from Program Monitoring & Implementation Unit, Punjab Education Sector Reforms Program (PMIU-PESRP), Government of the Punjab for procurement of water coolers under Insaaf Afternoon Schools Program (IASP) in Tehsil Jhanian and Kabirwala along with specifications of electric water cooler. Neither District Procurement Committee was involved in the process nor Provincial Technical Committee was asked for inspection of specifications. Further, water coolers were purchased in deviation of the specifications notified by the Government. The detail is given below:

(Rupees in million)

Sr. No.	DDOs	Financial Years	Amount
1	Deputy DEO (EE-W), Jahanian	2021-22 to 2022-23	1.995
2	Deputy DEO (EE-W), Kabirwala		1.672
Total			**3.667**

Due to weak internal controls, expenditure was incurred without inspection / satisfactory report of the Provincial Technical Committee which resulted in irregular procurement.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests made by Audit vide letter No. RDDA-MLN/F.164/CD-1492 dated 18.09.2023, No. 1709 dated 21.11.2023 and No. 1797 dated 22.12.2023.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR Paras: 4, 7]

Value for money and services delivery issues

2.8.2 Unauthorized retention of public money in DDO bank accounts – Rs 49.041 million

According to Rule 2.10(3) of PFR Vol-1, "All inevitable payments are ascertained and liquidated at the earliest possible date. No money is withdrawn from the treasury unless it is required for immediate disbursement or has already been paid out of the permanent advance as per rule 2.10(5) of PFR Vol-1."

During audit of DEA Khanewal for the FY 2022-23, it was observed that as per bank statements of DDO bank accounts of CEO and DEO (SE) amount of Rs 49.041 million was available as on 30.06.2023. However, status of available balance was not produced during audit. Whereas, as per cash book all payments received were shown disbursed. Resultantly, whereabouts of said amount were unknown and detail of closing balance was not given in the cash book. The detail is as under:

(Rupees in million)

Sr. No.	**DDOs**	**Financial Year(s)**	**Amount**
1	CEO, DEA Khanewal	2022-23	23.390
2	DEO (SE), Khanewal	2014-15 to 2022-23	25.651
Total			**49.041**

Due to weak internal controls, funds were parked in DDO bank accounts without plausible justification which resulted in unauthorized retention of public money.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends fixing responsibility against the person(s) at fault.

[AIR Paras: 22, 3]

2.8.3 Loss due to theft of solar panels and allied accessories – Rs 14.098 million

According to Rule 2.33 of PFR Volume-I, "Every Government servant 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."

During audit of DEA Khanewal for the FY 2022-23, it was observed that head teachers of 82 schools working under administrative control of CEO and Deputy DEO (EE-W), Kabirwala failed to ensure safe custody of solar panels and allied accessories installed in various elementary and primary schools. Resultantly, solar panels and its allied accessories costing Rs 14.098 million were stolen. The detail is as under:

(Rupees in million)

Sr. No.	**DDOs**	**Description**	**No. of Schools**	**Financial Year(s)**	**Amount**
1	CEO, DEA Khanewal	Theft of solar penal and allied accessories	41	2022-23	6.658
2	Deputy DEO (EE-W), Kabirwala	Theft of solar penal and allied accessories	41	2021-22 to 2022-23	7.440
Total			**82**		**14.098**

Due to weak internal controls, solar panels and its allied accessories were stolen which resulted in loss.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends proper action be taken for prompt recovery of stolen items besides fixing responsibility against the person(s) at fault.

[AIR Paras: 13, 4]

2.8.4 Irregular payments to vendors in cash – Rs 1.601 million

According to Rule 4(1)(a)&(b) of the Punjab District Authorities (Accounts) Rules 2017, "The mode of making payment from local fund of a District Authority shall be that the payment up to rupees one thousand may be made in cash and payment exceeding one thousand shall be made through crossed non-negotiable cheque."

During audit of DEA Khanewal for the FY 2022-23, it was observed that Senior Headmistress, Government Junior Model High School (Girls), Mian Channu made payments of Rs 1.601 million out of NSB for the Financial Years 2017-18 to 2019-20 to vendors / suppliers in cash instead of cross non-negotiable cheques in violation of above rules. **(Annexure-7)**

Due to weak internal controls, claims were paid to vendors in cash instead of cross cheques which resulted in irregular payments.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

<u>Note:</u> The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22 and 2020-21 vide para(s) number 2.8.4, 1.2.4.3 and 1.2.4.1 respectively having financial impact of Rs 14.882 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 6]

Others

2.8.5 Loss due to payment of inadmissible allowances to employees – Rs 99.110 million

According to Government of the Punjab, Finance Department letter No.FD.PR.21-35/2013 dated 14.12.2016, “Conveyance Allowance is not admissible to the staff of vacation departments during vacations.” Further, according to Government of the Punjab, School Education Department Notification No.SO(SE-III)2-16/2007 dated 19.10.2009 read with S&GAD, Government of the Punjab letter No.(O&M) S&GAD)5-3/2013 dated 01.03.2013, “The contract employees will not be entitled for SSB after regularization of their services.”

During audit of DEA Khanewal for the FY 2022-23, it was observed that CEO and two other DDOs made payment of inadmissible allowances amounting to Rs 99.110 million to different employees on account of Conveyance Allowance, Charge Allowance, Special Allowance and SSB etc. The detail is as under:

(Rupees in million)

<table>
<tr><th>Sr. No.</th><th>DDOs</th><th>Description</th><th>Amount</th></tr>
<tr><td rowspan="5">1</td><td rowspan="5">CEO, DEA Khanewal</td><td>Conveyance Allowance during summer & winter vacations</td><td>1.637</td></tr>
<tr><td>Inadmissible Charge Allowance</td><td>5.931</td></tr>
<tr><td>SSB despite regularization of employees</td><td>72.436</td></tr>
<tr><td>Conveyance Allowance during leave</td><td>2.555</td></tr>
<tr><td>Inadmissible Special Allowance</td><td>9.089</td></tr>
<tr><td>2</td><td>Deputy DEO (EE-W), Jahanian</td><td rowspan="2">Inadmissible allowances</td><td>1.451</td></tr>
<tr><td>3</td><td>Deputy DEO (EE-W), Kabirwala</td><td>6.011</td></tr>
<tr><td colspan="3">Total</td><td>99.110</td></tr>
</table>

Due to weak internal controls, inadmissible allowances were paid to employees which resulted in loss to the Authority.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of excess paid amount.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para(s) number 2.8.6, 1.2.4.5, 12.5.1, 12.2.5.2.2 and

12.2.3.1 respectively having financial impact of Rs 430.120 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 3, 5, 6, 14, 20, 9, 2]

2.3.4.12 2.9 District Education Authority, Layyah

There are 210 formations in DEA Layyah out of which 05 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.9.1 Irregular expenditure out of NSB – Rs 42.293 million

According to School Council Policy 2007, issued by Government of the Punjab (PESRP) vide No.SO(S-III)2-12/2006 dated 06.08.2007, "All expenditure shall be incurred with prior approval of the school council and all purchases/ execution of work shall be carried out in a transparent and economical manner."

During audit of DEA Layyah for the FY 2022-23, it was observed that head teachers of schools working under the administrative control of Deputy DEO (EE-W), Layyah and Principal, Government High School Chowk Azam made payments of Rs 42.293 million out of NSB to various suppliers on account of purchase of stores and repair & maintenance work. However, expenditure was incurred without approval of school councils, stock register and consumption record. Moreover, physical verification of repair works was also not conducted by the school councils. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Amount
1	Deputy DEO (EE-W), Layyah	28.723
2	Principal, Government Muslim School, Chowk Azam	13.570
Total		**42.293**

Due to weak internal controls, expenditure was made without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in August, 2023. DDOs replied that payments out of NSB was made according to school council policy. The reply was not tenable because the procurement, repair and maintenance work was not inspected by the Education Authorities or by the school council member before or after completion of work.

DAC in its meeting held on 18.01.2024, directed to inquire the matter. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2019-20 and 2018-19 vide para(s) number 2.9.6, 5.2.5.2.9 and 5.2.2.1 respectively having financial impact of Rs 144.782 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 9, 3]

2.9.2 Irregular appointments without proof of merit – Rs 13.830 million

According to directions of School Education Department in the light of Recruitment Policy, 2022, "Advertisement as well as the proof of verified documents from all candidates of all quota / open merit between age of 18 to 40 years as on 31.12.2022 was required. 20% quota for the children of serving / retired employees (BS-01 to BS-11) was provided."

During audit of DEA Layyah for the FY 2022-23, it was observed that CEO being chairman of the committee appointed 104 number of officials (Chowkidar / Naib Qasid) and they were authorized salaries w.e.f. 11.01.2023 to 30.06.2023 amounting to Rs 13.830 million. The appointments were made without approved merit list from the competent forum and observing the prescribed quota.

Due to weak internal controls and negligence of authorities, the appointments were made without following due process which resulted in irregular appointments.

The matter was reported to PAO in August, 2023. CEO replied that all the appointments of C-IV, Chowkidar, Naib Qasid etc. were made by the concerned appointing authorities i.e. Deputy DEOs and Headmaster / Headmistress in case of high / higher secondary schools. The reply was not tenable because the Chairman of Recruitment Committee was CEO, DEA Layyah and recruitments were made without approval of the Chairman.

DAC in its meeting held on 18.01.2024, directed to produce the recruitment record. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para: 14]

2.9.3 Irregular payment of Inspection Allowance – Rs 12.600 million

According to Government of the Punjab, School Education Department letter No.SO(Budget)1-15/2013(V-II) dated 15.01.2018 read with clarification issued by Government of the Punjab, Finance Department vide letter No. IT(FD) 6-23/91(Vol-III) dated 09.08.2019, "Payment of Inspection Allowance @ Rs 25,000 per month was granted to Assistant Education Officers (AEO) subject to verifiable Key Performance Indicators (KPIs) developed by School Education Department in consultation with DFID and their verification by the CEOs of respective DEAs."

During audit of DEA Layyah for the FY 2022-23, it was observed that Deputy DEO (EE-W), Layyah made payment of Inspection Allowance amounting to Rs 12.600 million for the Financial Years 2021-22 and 2022-23 to the 21 AEOs without ensuring compliance of KPIs. **(Annexure-8)**

Due to weak internal controls, Inspection Allowance was paid to the AEOs without ensuring compliance of KPIs which resulted in irregular payment.

The matter was reported to PAO in August, 2023. DDO replied that Inspection Allowance was allowed to the AEOs after observing all codal formalities under the rules. The reply was not tenable because the allowance was paid without verification of KPIs by the CEO, DEA Layyah.

DAC in its meeting held on 18.01.2024, directed to probe the matter for authorizing payment of Inspection Allowance without ensuring the achievement of KPIs. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2020-21, 2019-20 and 2018-19 vide para(s) number 5.4.4, 5.2.5.2.7 and 5.2.2.16 respectively having financial impact of Rs 37.118 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 7]

Others

2.9.4 Unauthentic expenditure on remunerations of literacy teachers – Rs 12.336 million

According to Clause 4.3 and 9.1 of Annexure-II of the PC-I for Punjab Accelerated Functional Literacy & Non-Formal Basic Education Project, "In each district, 40 CLCs in 30 UCs will be established to promote literacy and learning. The CLCs will provide literacy as well as functional skills including aspects related to agriculture, horticulture, livestock and other similar courses. There will be two teachers in CLCs. Basic literacy will be imparted by a literacy teacher whereas functional skills will be imparted by skills/vocational teacher."

During audit of DEA Layyah for the FY 2022-23, it was observed that DEO (Literacy), Layyah made payment of remuneration / stipends to teachers amounting to Rs 12.336 million for the Financial Years 2017-18 to 2022-23 but the appointment record, attendances duly verified by the supervisor and record of replaced and renewal of contracts of concerned teacher not available. The outcome against the expenditure was also not documented. The detail of expenditure is as under:

(Rupees in million)

Year	No. of Replaced Teacher	Project Name	Months	Monthly Rate	Amount
2017	26	PNFEP	12	4,000	1.248
2018	47	TSKL	12	4,000	2.256
2019	74	PNFEP	12	4,000	3.552
2020	2	PNFEP	12	5,000	0.120
2021	23	PNFEP	12	5,000	1.380
2022	29	PNFEP	12	7,000	2.436
2023	16	NCHD	12	7,000	1.344
Total					**12.336**

Due to weak internal controls, remuneration / stipend was paid to teachers without adopting proper procedure which resulted in unauthentic expenditure.

The matter was reported to PAO in August, 2023. DDO replied that record regarding contracts & renewal of contracts of teachers w.e.f. 2017 to 2023 under different projects (NFBE, TSK, BECS, and NCHD etc.) was available. The reply was not tenable because no record in support of reply was produced.

DAC in its meeting held on 18.01.2024, directed the DDO to produce the complete record for verification. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para: 13]

2.9.5 Loss due to payment of inadmissible allowances to employees – Rs 3.325 million

According to Government of the Punjab, School Education Department Notification No.SO(SE-III)2-16/2007(P-V) dated 07.08.2015, "The Educators already appointed on contract basis are regularized w.e.f. 19.10.2019 and their pay was to be fixed at the initial of the respective pay scales. These appointees shall not be entitled to the payment of 30% SSB." Furthermore, according to S&GAD notification No.SOR-III(S&GAD)2-8/2018 dated 19.01.2021, "The services of in- service contract employees who are recruited under rule 17-A of the Punjab Civil Servants Appointment and Conditions of Services Rules, 1974 should be regularized from the date of their initial recruitment / induction into Government service, subject to recovery of 30% SSB." Moreover, according to Government of the Punjab Education Department (School Wing) letter No.SO(S-III)1-2-16/2007 dated 24.09.2007, "Conveyance / mobility allowance is not admissible during the period of leave of any kind or vacations."

During audit of DEA Layyah for the FY 2022-23, it was observed that Deputy DEO (EE-W) Layyah and two other DDOs made payment of inadmissible pay and allowances to employees amounting to Rs 3.325 million for the Financial Years 2021-22 and 2022-23 on account of Social Security Benefit, Conveyance Allowance, Charge Allowance, Personal Allowance and salary during absent from duty. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Amount
1	Deputy DEO (EE-W), Layyah	Personal Allowance and salary during absent period	0.742
2	Deputy DEO (EE-M), Choubara	Conveyance Allowance during vacation and leave	0.300
		Special Allowance	0.168
		Social Security Benefit	1.445
		Integrated Allowance	0.080
		Salaries during absent period	0.235
		Penalty imposed by authority	0.066
3	DEO (Literacy), Layyah	Grant of time scale without admissibility	0.223
		Charge Allowance	0.066
Total			**3.325**

Due to weak internal controls, inadmissible pay and allowances were paid to employees which resulted in loss to the Authority.

The matter was reported to PAO in August, 2023. DDOs replied that recovery was in progress. Audit stressed to effect recovery from the defaulters.

DAC in its meeting held on 18.01.2024, directed to recover the remaining amount within one month and stoppage of such allowances. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s).

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para(s) number 2.9.15, 2.2.4.2, 5.4.7, 5.2.5.2.13 and 5.2.2.11 respectively having financial impact of Rs 203.282 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 2, 5, 12, 14]

2.3.4.13 2.10 District Education Authority, Lodhran

There are 229 formations in DEA Lodhran out of which 05 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.10.1 Irregular procurement of water coolers – Rs 1.045 million

According to minutes of meeting of Focal Person Water Cooler Project with Deputy Director (Finance), PMIU-PESRP dated 12.11.2021, "No retailer / dealer should be involved and purchase should directly be made from manufacturer/ factory." Further, according to PMIU-PESRP Government of the Punjab letters No. PD/PMIU/WC/2021-24526 dated 04.02.2022 and No. PMIU/FCDO/P-SCRP/WC/ 2021-24465 dated 26.01.2022, "Procurements of water coolers had not been made as per specifications in the three out of four districts visited by the Provincial Technical Committee. So, CEO DEAs were directed to observe transparent procurements according to the relevant rules and approved specifications and payment may not be made prior to the satisfactory report of the Provincial Technical Committee."

During audit of DEA Lodhran for the FY 2022-23, it was observed that school councils of various schools under the administrative control of Deputy DEO (EE-W), Dunyapur purchased electric water coolers costing Rs 1.045 million during Financial Year 2021-22. Funds were received from Program Monitoring & Implementation Unit, Punjab Education Sector Reforms Program (PMIU-PESRP), Government of the Punjab for procurement of water coolers under

Insaaf Afternoon Schools Program (IASP) in Tehsil Dunyapur along with specifications of electric water cooler. Neither District Procurement Committee was involved in the process nor Provincial Technical Committee was asked for inspection of specifications. Further, water coolers were purchased in deviation of the specifications notified by the Government. **(Annexure-9)**

Due to weak internal controls, expenditure was incurred without inspection / satisfactory report of the Provincial Technical Committee which resulted in irregular procurement.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests made by Audit vide letter No. RDDA-MLN/F.164/CD-1492 dated 18.09.2023, No. 1709 dated 21.11.2023 and No. 1797 dated 22.12.2023.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR Para: 10]

Value for money and services delivery issues

2.10.2 Irregular payment of Inspection Allowance – Rs 12.665 million

According to Government of the Punjab, School Education Department letter No.SO(Budget)1-15/2013(V-II) dated 15.01.2018 read with clarification issued by Government of the Punjab, Finance Department vide letter No. IT(FD) 6-23/91(Vol-III) dated 09.08.2019, "Payment of Inspection Allowance @ Rs 25,000 per month was granted to Assistant Education Officers (AEO) subject to verifiable Key Performance Indicators (KPIs) developed by School Education Department in consultation with DFID and their verification by the CEOs of respective DEAs."

During audit of DEA Lodhran for the FY 2022-23, it was observed that CEO allowed payment of Inspection Allowance amounting to Rs 12.665 million for the Financial Years 2021-22 and 2022-23 to the AEOs without ensuring compliance of KPIs.

Due to weak internal controls, Inspection Allowance was paid to the AEOs without ensuring compliance of KPIs which resulted in irregular payment.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR Para: 14]

2.10.3 Loss due to theft of solar panels and allied accessories – Rs 4.910 million

According to Rule 2.33 of PFR Volume-I, "Every Government servant 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."

During audit of DEA Lodhran for the FY 2022-23, it was observed that head teachers of thirty two schools working under administrative control of Deputy DEOs (EE -W) Dunyapur and Lodhran failed to ensure safe custody of solar panels and allied accessories installed in various elementary and primary schools. Resultantly, solar panels and its allied accessories costing Rs 4.910 million were stolen. The detail is as under:

(Rupees in million)

Sr. No.	**DDOs**	**Description**	**No. of Schools**	**Financial Year(s)**	**Amount**
1	Deputy DEO (EE-W), Dunyapur	Loss due to theft of solar penal items	14	2021-22 to 2022-23	2.800
2	Deputy DEO (EE-W), Lodhran	Theft of solar energy panels of various schools	18	2022-23	2.110
Total			**32**		**4.910**

Due to weak internal controls, solar panels and its allied accessories were stolen which resulted in loss.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends proper action be taken for prompt recovery of stolen items besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 vide para(s) number 2.10.4 having financial impact of Rs 33.500 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 2, 4]

2.10.4 Irregular appointment of teachers and payment of salaries – Rs 2.770 million

According to condition 4 of letter of agreement for appointment of teacher issued by the DEO (EE-W) District Lodhran, "Selected candidates who don't possess professional qualification will have to acquire the requisite qualification within five years, otherwise their contract will be terminated."

During audit of DEA Lodhran for the FY 2022-23, it was observed that Deputy DEO (EE-W), Lodhran made payment of salaries to five teachers amounting to Rs 2.770 million who were appointed during 2017 and could not acquire their required professional qualification within stipulated time period. Furthermore, the contract of said teachers was also not terminated by the DEA. The detail is as under:

(Rupees in million)

Sr. No.	Name of Teacher	Date of Contract	05 years period to complete B.Ed. Ends on	B.Ed. Status on 28.07.2022	Amount
1	Noureen Altaf	28.07.2017	28.07.2022	Not Completed	0.554
2	Hafeez Bibi				0.554
3	Nighat Sohail				0.554
4	Samina Aleem				0.554
5	Kausar Sultana				0.554
Total					**2.770**

Due to weak internal controls, teachers were recruited without having prescribed qualification resulting in irregular appointments and payment of salaries.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR Para: 5]

2.10.5 Non-imposition of penalty against unregistered schools – Rs 1.217 million

According to the Punjab Private Educational Institutions (Promotions and Regulation) Ordinance 2016, "The owner of every institution shall get it registered from registering authority before starting the business of the institution and in case of failure, penalty / fine to the extent of Rs 0.300 million to Rs 4 million may be imposed." Further, according to Government of the Punjab, School Education Department letter No.SO(A-II)3-3/99(P) dated 22.01.2009, "The registration and annual inspection fee for each elementary / primary school will be Rs 5,000 and Rs 500 respectively." Furthermore, the registration and annual inspection fee for each high / higher secondary school was Rs 7,000 and 1,000 respectively."

During audit of DEA Lodhran for the FY 2022-23, it was observed that CEO did not impose penalty against the owners of three private schools functioning without registration. Resultantly, due to no punitive action against the unregistered schools, income on account of registration and annual inspection fee and penalty amounting to Rs 1.217 million was not realized from defaulters.

Due to weak internal controls, action was not taken against unregistered schools under the Law which resulted in non-imposition of penalty.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends imposition of fine and recovery of fees besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2018-19 vide para(s) number 12.2.3.12 having financial impact of Rs 3.360 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 11]

Others

2.10.6 Loss to District Authority due to non-deposit of receipts in Account-V – Rs 22.129 million

According to Government of the Punjab, Finance Department, Letter No. BI-3(120)(AGP)2017-18 dated 16.08.2019, "All the DEAs and DHAs in the Punjab are directed regarding Accounts-V & VI that all Public Accounts receipts as well as Consolidated Funds receipts are transferred to the Provincial Consolidated Funds or Provincial Public Account Fund as the case may be except the heads of accounts i.e. C02865, C02866, C02814, C03616 related to A/C-V & VI of the DEAs and DHAs."

During audit of DEA Lodhran for the FY 2022-23, it was observed that local receipts pertaining to Consolidated Fund Receipts of Account-V on account of C02814 Education – General Recoveries of Overpayments amounting to Rs 22.129 million were deposited into Account-I of the Provincial Government instead of Account-V of DEA.

Due to weak financial management, DEA receipts were not deposited in District Education Authority Fund, Account-V which resulted in loss to the authority.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends transfer of receipts from Account-I to Account-V besides fixing responsibility against the person(s) at fault.

[AIR Para: 3]

2.10.7 Loss due to payment of inadmissible pay and allowances to employees – Rs 6.636 million

According to Clause 9 of the Punjab Regularization of Service Act 2018, "Contract employee, on regularization, shall be allowed the initial stage of pay and the increments earned shall be converted into Personal Allowance but no other privilege allowed to a contract employee shall be admissible including SSB etc." Moreover, according to Rule 1.15(2) of the Punjab Traveling Allowance Rules, "Conveyance Allowance will not be admissible during leave or joining time."

During audit of DEA Lodhran for the FY 2022-23, it was observed that CEO and two other DDOs made payment of inadmissible pay and allowances amounting to Rs 6.636 million to employees for the Financial Years 2021-22 and 2022-23 on account of SSB after regularization of services, Conveyance Allowance during vacations / leave / lock down period, Personal Allowance due to wrong fixation of pay, payment of Integrated Allowance, inadmissible salary etc. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Financial Year(s)	Amount
1	CEO, DEA Lodhran	Inadmissible allowances / excess than admissibility	2022-23	1.040
2	Deputy DEO (EE-W), Dunyapur	Inadmissible pay and allowances	2021-22 & 2022-23	1.489
3	Deputy DEO (EE-W), Lodhran	Conveyance Allowance during summer vacation / leave	2022-23	3.052
		Social Security Benefit after regularization of services	2022-23	1.055
Total				**6.636**

Due to weak internal controls, inadmissible pay and allowances were paid to employees which resulted in loss to the Authority.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of overdrawn amount.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para(s) number 2.10.6, 2.2.4.5, 13.4.8, 13.2.5.2.9

and 12.2.4.1 respectively having financial impact of Rs 121.560 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 18, 7, 2, 6]

2.11 District Education Authority, Multan

There are 244 formations in DEA Multan out of which 10 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.11.1 Irregular procurement of water coolers – Rs 5.016 million

According to minutes of meeting of Focal Person Water Cooler Project with Deputy Director (Finance), PMIU-PESRP dated 12.11.2021, "No retailer / dealer should be involved and purchase should directly be made from manufacturer/ factory." Further, according to PMIU-PESRP Government of the Punjab letters No. PD/PMIU/WC/2021-24526 dated 04.02.2022 and No. PMIU/FCDO/P-SCRP/WC/ 2021-24465 dated 26.01.2022, "Procurements of water coolers had not been made as per specifications in the three out of four districts visited by the Provincial Technical Committee. So, CEO DEAs were directed to observe transparent procurements according to the relevant rules and approved specifications and payment may not be made prior to the satisfactory report of the Provincial Technical Committee."

During audit of DEA Multan for the FY 2022-23, it was observed that school councils of various schools under the administrative control of Deputy DEOs (EE-W), City Multan and Shujabad purchased electric water coolers costing Rs 5.016 million for the Financial Years 2021-22 and 2022-23. Funds were received from Program Monitoring & Implementation Unit, Punjab Education Sector Reforms Program (PMIU-PESRP), Government of the Punjab for procurement of water coolers under Insaaf Afternoon Schools Program (IASP) in Tehsil Multan and Shujabad along with specifications of electric water cooler. Neither District Procurement Committee was involved in the process nor Provincial Technical Committee was asked for inspection of specifications. Further, water coolers were purchased in deviation of the specifications notified by the Government. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Financial Years	Amount

1	Deputy DEO (EE-W), City Multan	Non-transparent procurement of water coolers	2021-22 to 2022-23	1.596
2	Deputy DEO (EE-W), Shujabad			3.420
Total				**5.016**

Due to weak internal controls, expenditure was incurred without inspection / satisfactory report of the Provincial Technical Committee which resulted in irregular procurement.

The matter was reported to PAO in August, 2023. DDOs replied that purchases were made in compliance with Government instructions and according to rules. Reply was not tenable because Government instructions regarding purchase of water coolers directly from manufacturer through District purchase Committee according to Government approved specification were violated.

DAC in its meeting held on 19.01.2024, directed the CEO to hold inquiry regarding procurement of electric water coolers in violation of approved guidelines / instructions of Government and submit report within fifteen days. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Paras: 8, 3]

Value for money and services delivery issues

2.11.2 Non-vacation of encroached school land – Rs 126.215 million

According to Section 17(6) of the PLGA 2013, "The Chairman and Chief Executive Officer of the Authority (DEA / DHA) shall be personally responsible to ensure that the business of the Authority is conducted proficiently, in accordance with the law, and to promote the objectives of the Authority."

During audit of DEA Multan for the FY 2022-23, it was observed that DEO (EE-M), Multan submitted report to the Deputy Commissioner, Multan regarding vacation of land / property of eleven schools measuring 252.43 marlas from illegal occupants. However, Deputy Commissioner and CEO, DEA did not make strenuous efforts to get the school land valuing Rs 126.215 million (value of land measuring 252.43 marlas @ Rs 0.500 million per Marla) vacated from encroachers.

Due to weak internal controls, action was not taken against illegal occupants which resulted in non-vacation of encroached school land.

The matter was reported to PAO in August, 2023. DDO replied that matter had been taken up with higher office for vacation of school land. The reply was not tenable because school land was not got vacated from illegal occupants.

DAC in its meeting held on 19.01.2024, directed the CEO to enquire the matter regarding vacation of encroached school land and submit report. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para: 4]

2.11.3 Unauthorized retention of public money in DDO bank accounts – Rs 32.161 million

According to Rule 2.10(3) of PFR Vol-1, "All inevitable payments are ascertained and liquidated at the earliest possible date. No money is withdrawn from the treasury unless it is required for immediate disbursement or has already been paid out of the permanent advance as per rule 2.10(5) of PFR Vol-1."

During audit of DEA Multan for the FY 2022-23, it was observed that as per bank statements of DDO bank accounts of CEO and two other DDOs amount of Rs 32.161 million was available as on 30.06.2023. However, status of available balance was not produced during audit. Whereas, as per cash book all payments received were shown disbursed. Resultantly, whereabouts of said amount were unknown and detail of closing balance was not given in the cash book. The detail is given below:

(Rupees in million)

Sr. No.	DDOs	Financial Year(s)	Amount
1	CEO, DEA Multan	2022-23	29.541
2	Deputy DEO (EE-M), Jalapur Pirwala	2019-20 to 2022-23	1.809
3	Deputy DEO (EE-W), Shujabad	2021-22 to 2022-23	0.811
Total			**32.161**

Due to weak internal controls, funds were parked in DDO bank accounts without plausible justification which resulted in unauthorized retention of public money.

The matter was reported to PAO in August, 2023. DDOs replied that there was no advance withdrawal from Government treasury. However, in some cases, amounts remained undisbursed due to posting / transfer of DDOs and the same were disbursed in subsequent months. Reply was not tenable because no disbursement record was produced in support of reply to Audit for verification.

DAC in its meeting held on 19.01.2024, directed the DDOs to produce record in support of reply to Audit for verification. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2019-20 vide para(s) number 14.2.5.3.4 having financial impact of Rs 9.630 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 19, 6, 10]

2.11.4 Irregular payments to vendors in cash – Rs 15.646 million

According to Rule 4(1)(a)&(b) of the Punjab District Authorities (Accounts) Rules 2017, "The mode of making payment from local fund of a District Authority shall be that the payment up to rupees one thousand may be made in cash and payment exceeding one thousand shall be made through crossed non-negotiable cheque."

During audit of DEA Multan for the FY 2022-23, it was observed that Deputy DEO (EE-M), Jalalpur Pirwala and Principal, Government Girls High School, New Central Jail Multan made payments amounting to Rs 15.646 million out of NSB / FTF to the vendors / suppliers in cash instead of cross non-negotiable cheques in violation of above rules. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Financial Year(s)	Amount
1	Deputy DEO (EE-M), Jalalpur Pirwala	Irregular cash payments	2019-20 to 2022-23	4.891
2	Principal, Government Girls Higher School New Central Jail Multan	Irregular cash payment	2010-11- to 2022-23	10.755
Total				**15.646**

Due to weak internal controls, claims were paid to vendors in cash instead of cross cheques which resulted in irregular payments.

The matter was reported to PAO in August, 2023. DDOs replied that payments were made on account of utility bills and remuneration to care givers/ chowkidar through cheques. Reply was not tenable because payments were made through open cheques instead of cross non-negotiable cheques and no record was produced in support of reply to Audit for verification.

DAC in its meeting held on 19.01.2024, directed the DDOs to produce record for verification. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2019-20 and 2018-19 vide para(s) number 2.11.11, 14.2.5.3.13, and 14.2.2.11 respectively having financial impact of Rs 5.391 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 7, 3]

2.11.5 Loss due to theft of solar panels and allied accessories – Rs 6.343 million

According to Rule 2.33 of PFR Volume-I, "Every Government servant 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."

During audit of DEA Multan for the FY 2022-23, it was observed that head teachers of forty five schools working under administrative control of Deputy DEO (EE-M), Jalalpur Pirwala and Deputy DEO (EE-W), Shujabad failed to ensure safe custody of solar panels and allied accessories installed in various elementary and primary schools. Resultantly, solar panels and its allied accessories costing Rs 6.343 million were stolen. The detail is given in the following table.

(Rupees in million)

Sr. No.	DDOs	No. of Schools	Financial Year(s)	Amount
1	Deputy DEO (EE-M), Jalalpur Pirwala	14	2019-20 to 2022-23	2.188
2	Deputy DEO (EE-W), Shujabad	31	2022-23	4.155
Total		**45**		**6.343**

Due to weak internal controls, solar panels and allied accessories were stolen which resulted into loss.

The matter was reported to PAO in August, 2023. DDOs replied that FIRs had been lodged with Police Authorities by Schools Management and progress would be shown. Reply was not tenable as no record was produced in support of reply to Audit for verification and no efforts were made for recovery of loss.

DAC in its meeting held on 19.01.2024, directed the CEO to constitute inquiry committee regarding subject matter and submit report within one month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Paras: 2, 6]

2.11.6 Irregular hiring of teachers for Insaf schools – Rs 5.810 million

According to Government of the Punjab, School Education Department letter No.SO(SNE)Upgradation/2021(IASP) dated 12.11.2021, "For evening classes preference will be given to the teacher of the same school or nearby schools. In case of non-availability of teachers, both from same and nearby schools, private teachers may be hired by the respective school councils by inviting applications locally under the notified policy of School Teacher Interns (STIs) i.e. age limit 20 year to 55 years, SSC 55 marks, HSSC 15 marks, Graduation 15 marks, Master 25 Marks and interview 5 marks. Moreover, honorarium will be paid to IASP teacher via crossed cheque out of the funds released in bank account of the school council."

During audit of DEA Multan for the FY 2022-23, it was observed that head teachers of various primary schools under the administrative control of Deputy DEO (EE-W) City, Multan hired private teachers in Insaaf Afternoon Schools without observing the government policy and paid irregular honorarium amounting to Rs 5.810 million for the Financial Years 2021-22 and 2022-23.

Due to weak administration and internal controls, teachers were recruited without observing the prescribed policy which resulted in irregular hiring and payment of honorarium.

The matter was reported to PAO in August, 2023. DDO replied that teachers were hired after full filling the codal formalities. Reply was not tenable as no recruitment record i.e. approval of school councils, applications from candidates and short listing of applicants on merit was produced to Audit for verification.

DAC in its meeting held on 19.01.2024, directed the DDO to produce record for verification within fifteen days. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para: 7]

Others

2.11.7 Loss to District Authority due to non-deposit of receipts in Account-V – Rs 63.242 million

According to Government of the Punjab, Finance Department, Letter No. BI-3(120)(AGP)2017-18 dated 16.08.2019, "All the DEAs and DHAs in the Punjab are directed regarding Accounts-V & VI that all Public Accounts receipts as well as Consolidated Funds receipts are transferred to the Provincial Consolidated Funds or Provincial Public Account Fund as the case may be except the heads of accounts i.e. C02865, C02866, C02814, C03616 related to A/C-V & VI of the DEAs and DHAs."

During audit of DEA Multan for the FY 2022-23, it was observed that local receipts pertaining to Consolidated Fund Receipts of Account-V on account of C02814 Education – General Recoveries of Overpayments amounting to Rs 63.242 million were deposited into Account-I of the Provincial Government instead of Account-V of DEA.

Due to weak financial management, DEA receipts were not deposited in District Education Authority Fund, Account-V which resulted in loss to the authority.

The matter was reported to PAO in August, 2023. DDO replied that all the recoveries of overpayments had been deposited into Account-V of DEA Multan instead of head of accounts of the Provincial Government. Reply was not tenable because no record in support of reply was produced to Audit for verification.

DAC in its meeting held on 19.01.2024, directed the DDO to get certificate from the DAO regarding deposit of recoveries into Account-V of DEA. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 vide para(s) number 2.11.14 having financial impact of Rs 68.014 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 6]

2.11.8 Loss due to payment of inadmissible allowances – Rs 20.907 million

According to Government of the Punjab, Finance Department letter No.FD.PR.21-35/2013 dated 14.12.2016, "Conveyance Allowance is not admissible to the staff of vacation departments during vacations." Further, according to School Education Department, Government of the Punjab Notification No.SO(SE-III)2-16/2007 dated 19.10.2009 read with S&GAD,

Government of the Punjab letters No.(O&M) S&GAD)5-3/2013 dated 01.03.2013, "The contract employees will not be entitled for SSB after regularization of their services."

During audit of DEA Multan for the FY 2022-23, it was observed that Deputy DEO (EE-W) City, Multan and five other DDOs made payment of various allowances amounting to Rs 20.907 million to employees either without admissibility or beyond entitlement for the Financial Years 2005-06 to 2022-23 on account of Conveyance Allowance, House Rent Allowance, Personal Allowance etc. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Amount
1	Deputy DEO (EE-W), City Multan	Conveyance Allowance during winter vacation	1.140
		Inadmissible allowances	1.508
2	Principal, GGHSS Model Shamsabad Colony 2 Multan	HR Allowance, 5% HRC and Conveyance Allowance	2.576
		Conveyance Allowance during vacation	3.312
3	Principal, GGHS New Central Jail Multan	Inadmissible allowances	6.452
4	Principal, GGHSS Comprehensive Gulgasht Colony Multan	HR Allowance and 5% HRC	1.344
5	Principal, GHSS Comprehensive Bosan road Multan	Personal Allowance after regularization	1.004
		Conveyance Allowance during summer & winter vacation	1.635
6	Principal, Government Moon Light GHSS New Multan	Conveyance Allowance during vacation	1.086
		Conveyance Allowance during Leave	0.850
Total			**20.907**

Due to weak internal controls, inadmissible allowances were paid to employees which resulted in loss.

The matter was reported to PAO in August, 2023. DDOs replied that recoveries were in process and progress would be shown to Audit. Reply was not tenable as no record was produced in support of reply to Audit for verification.

DAC in its meeting held on 19.01.2024, directed the DDOs to expedite the recovery. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para(s) number 2.11.9, 3.2.4.7, 14.6.1, 14.2.5.3.5, 14.2.5.3.6, 14.2.5.3.7, and 14.2.4.2 respectively having financial impact of Rs 283.230 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 3, 5, 6, 14, 6, 6, 3, 4, 1, 6]

2.11.9 Loss due to non-recovery of Government receipts – Rs 6.077 million

According to Rule 68 of the Punjab District Authorities (Budget) Rules 2017, "The primary obligation of the collecting officer shall be to ensure that all revenue due is claimed, realized and credited immediately to the District Authority fund."

During audit of DEA Multan for the FY 2022-23, it was observed that Principal, Government Girls High School New Central Jail Multan and three other DDOs did not recover auction money from contractors of canteen and cycle stand amounting to Rs 6.077 million for the Financial Years 2005-06 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Financial Year(s)	Amount
1	Principal, Government Girls High School New Central Jail, Multan	2007-08 to 2022-23	1.067
2	Principal, Government Girls Higher Secondary School Comprehensive Gulgasht Colony, Multan	2013-14 to 2022-23	1.185
3	Principal, Government Higher Secondary School (Boys) Comprehensive Bosan road Multan	2019-20	3.317
4	Principal, Government Moon Light Girls Higher Secondary School New Multan	2005-06 to 2022-23	0.508
Total			**6.077**

Due to weak internal controls, Government receipts were not recovered which resulted in loss to the Government exchequer.

The matter was reported to PAO in August, 2023. DDOs replied that letters had been written to the defaulters. Reply was not tenable as no recovery was made.

DAC in its meeting held on 19.01.2024, directed the DDOs to take necessary action for immediate recovery from defaulters. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2019-20 vide para numbers 14.2.5.4.3 and 14.2.5.4.6 respectively having financial impact of Rs 37.235 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 1, 7, 6, 5]

2.3.4.14 2.12 District Education Authority, Muzaffargarh

There are 215 formations in DEA Muzaffargarh out of which 05 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.12.1 Unauthorized expenditure on leave encashment and financial assistance – Rs 359.764 million

According to Rule 8 (1) (b) of the Punjab District Authorities (Budget) Rules 2017, "It is responsibility of DDO to incur expenditure strictly against the allocation under the relevant object code and in accordance with the rules." Furthermore, according to Rule 27(1)(c) of the Punjab District Authorities (Accounts) Rules 2017, "DDOs, expenditure sanctioning authorities and budget accounts officer shall ensure for claims preparation that availability of funds in the relevant object code of the charge is there."

During audit of DEA Muzaffargarh for the FY 2022-23, it was observed that Government of the Punjab, Finance Department released amount of Rs 15.826 million to CEO, DEA Muzaffargarh for payment of claims of leave encashment and financial assistants during Financial Year 2022-23. Whereas, CEO issued release orders for Rs 375.590 million during the financial year for payment of said claims without any budgetary allocation in originally approved budget against DDOs concerned in respective head of accounts to proceed the cases. Further, scrutiny of record depicted that above said amount was released for clearance of claims out of non-salary components in lump-sum which caused extra financial burden of Rs 359.764 million on DEA fund than the actual allocation made by the Finance Department.

Due to financial mismanagement, leave encashment and financial assistance were paid without allocation of funds in original budget of the DDOs concerned which resulted in unauthorized expenditure.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests made by Audit vide letter No.RDA/DGK/CD-982 dated 14.09.2023, No.1034 dated 22.09.2023 and No.1176 dated 13.10.2023.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR Para: 16]

2.12.2 Unauthorized expenditure out of school council funds – Rs 129.433 million

According to School Council Policy 2007, “All expenditure shall be incurred with prior approval of the school council and all purchases/ execution of work shall be carried out in a transparent and economical manner. Maintain record of planned development projects of school according to priority on Form-6 and expenditure on execution of development work will be on minimum market rates. If 2/3 quorum of meeting are not present, the meeting shall be postponed and new date of meeting shall be conveyed to all members.” Moreover, according to Government of the Punjab Education Department (School Wing) letter No.SO (SNE) PMU/2010 (P) dated 11.3.2013, “The School Council shall be authorized to spend up to a maximum of four lacs in one financial year i.e. July to June.”

During audit of DEA Muzaffargarh for the FY 2022-23, it was observed that head teachers of various schools working under administrative control of DEO (EE-M), Muzaffargarh and three other DDOs allowed payments amounting to Rs 129.433 million out of NSB to various suppliers on account of contingent expenditure without approval from School Councils. Further, the expenditure on procurement was made without advertisement and maintenance of cash book. The detail is given in the following table.

(Rupees in million)

Sr. No.	**DDOs**	**Description**	**Amount**
	Deputy DEO (EE-W), Muzaffargarh	Irregular Expenditure out of SMC / NSB Fund	14.100
	Deputy DEO (EE-W), Kot Addu	Expenditure by School Councils beyond permissible limit	5.949
		Irregular expenditures from NSB funds	24.636
	Principal GGHSS, Daira Din Pannah	Irregular Incurrence of expenditure against Farogh-e-Taleem Fund (FTF)	1.744
		Irregular Expenditure on Repair and Maintenance of Building from NSB Funds	1.093
	Deputy DEO (EE-M), Muzaffargarh	Doubtful expenditure out of SMC / NSB Fund	81.911
Total			**129.433**

Due to weak internal controls, expenditure was incurred without observing policy guidelines which resulted in unauthorized expenditure.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2019-20 and 2018-19 vide para(s) number 2.12.12, 6.2.5.3.3 and 6.2.2.4 respectively having financial impact of Rs 48.283 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 9, 7, 11, 2, 3, 9]

2.12.3 Unauthorized retention of public money in DDO bank accounts – Rs 59.792 million

According to Rule 2.10(3) of PFR Vol-1, "All inevitable payments are ascertained and liquidated at the earliest possible date. No money is withdrawn from the treasury unless it is required for immediate disbursement or has already been paid out of the permanent advance as per rule 2.10(5) of PFR Vol-1."

During audit of DEA Muzaffargarh for the FY 2022-23, it was observed that as per bank statements of DDO bank accounts of CEO and three other DDOs amount of Rs 59.792 million was available as on 30.06.2023. However, status of available balance was neither produced during audit. Whereas, as per cash book all payments were shown disbursed. Resultantly, whereabouts of said amount were remained unknown as detail of closing balance was not given in the cash book. The detail is given below:

(Rupees in million)

Sr. No.	**DDOs**	**Description**	**Period**	**Amount**
1	CEO, DEA Muzaffargarh	Funds from PMIU for Madaris	30.06.2023	8.677
2	Deputy DEO (EE-W), Kot Addu	Closing balance of NSB/FTF accounts of 292 schools		47.892
3	Deputy DEO (EE-W), Muzaffargarh	NSB funds double Shift Schools etc.		1.503
4	Principal, GGHSS, Daira Din Pannah	NSB Funds		1.720
Total				**59.792**

Due to weak internal controls, funds were parked in DDO bank accounts without plausible justification which resulted in unauthorized retention of public money.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR Paras: 8, 6, 6, 9]

2.12.4 Irregular payment of salaries against erratic posting of teachers – Rs 52.148 million

According to Government of the Punjab, DPI (SE) letter No.1236/AdmnF-1 dated 01.02.2005 and Education Department (School Wing) letter No.SO(S-V)1-33/2003 dated 19.05.2006 "Ensure the postings / transfers of all the officers in commensurate with their regular grade / subject / cadre and the existing erratic / mismatch postings be rectified."

During audit of DEA Muzaffargarh for the FY 2022-23, it was observed that CEO made irregular payment of salaries amounting to Rs 52.148 million to forty-seven teachers who remained posted against irrelevant posts as evident from School Information System (SIS) data.

Due to weak internal controls, teachers were not posted against their relevant posts which resulted in irregular payment.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends regularization of expenditure besides fixing responsibility against the person(s) at fault.

[AIR Para: 6]

2.12.5 Irregular payment of honorarium to staff of IASP – Rs 23.560 million

According to Para 2(iv)&(v) of letter No.DDP/PMIU/2019-17599 dated 29.03.2019 read with letter dated 12.11.2021 regarding establishment of schools under Insaaf Afternoon Schools Program (IASP), "Minimum enrolment for elementary schools was 100 students. For selection of teachers, preference will be given to the teacher of the same school or nearby school. However, in case of non-availability, private teachers may be hired by the respective school councils under the notified policy of school teachers' interns (STIs) and honorarium will be paid to teachers via cross cheque out of the funds provided for the purpose."

During audit of DEA Muzaffargarh for the FY 2022-23, it was observed that various head teachers working under administrative control of Deputy DEO (EE-W), Kot Addu paid honorarium amounting to Rs 23.560 million to staff of IASP for the Financial Years 2021-22 and 2022-23. Expenditure on remuneration of ISAP teachers was incurred without evidence regarding fulfilling the criteria for selection of schools, minimum enrolment required for holding afternoon classes and assessment of staff requirement.

Due to weak internal controls, employees were recruited and funds were utilized in violation of prescribed policy and without maintenance of requisite record which resulted in irregular payment.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry besides fixing responsibility against the person(s) at fault.

[AIR Para: 5]

2.12.6 Irregular sanction of arrear claims of pay and allowances without financial powers – Rs 6.346 million

According to Sr.No.18 (IV) of Delegation of Financial Powers Rules 2016, "The Officers in categories I-IV are competent to accord the sanction of arrears of pay, allowances, etc., not more than three years old, of a Government Servant to whom they are competent to appoint."

During audit of DEA Muzaffargarh for the FY 2022-23, it was observed that Deputy DEO (EE-W), Muzaffargarh sanctioned and made payment amounting to Rs 6.346 million for the Financial Years 2020-21 to 2022-23 against arrear claim of pay and allowances of teachers BS-14 & BS15, while, the officer was not the competent authority to appoint the said category of teachers as well as not competent to accord the sanction of arrears claim of BS-14 & BS-15.

Due to weak financial controls, arrear claim of pay and allowances was sanctioned by unauthorized officer which resulted in irregular expenditure.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends regularization of expenditure besides fixing responsibility against the person(s) at fault.

[AIR Para: 8]

2.12.7 Unauthentic expenditure on Madaris – Rs 6.159 million

According to Sections 6 & 17 of the Punjab Seized and Freezed Institutions (Madaris and Schools) Act 2019, "The Board shall have the powers to recruit and determine terms and conditions of employees of the institutions, formulate the budget of the institutions, lay down the procedure for the conduct of its business. The Board may frame regulations for delegation of administrative and financial powers to the Directorate, a Committee or an employee of the Board, manner in which the Board Fund shall be disbursed, procurement of goods and services and any other matter within the scope of the Act."

During audit of DEA Muzaffargarh for the FY 2022-23, it was observed that CEO made payment of Rs 6.159 million to two Madaris on account of salary and non-salary expenditure. While making payment the department did not ensure that the salaries were fixed keeping in view the prescribed parameters. Moreover, bank accounts and various essential documents were also not verified before fixation / payment of salaries to staff of Madaris.

Due to weak managerial controls, salaries of the management of Madrassa were fixed without parameters which resulted in unauthentic expenditure.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides provision of relevant record and deposit of taxes into the Government treasury.

[AIR Para: 3]

2.12.8 Irregular appointment of teachers and payment of salaries – Rs 4.213 million

According to condition 4 of letter of agreement for appointment of teacher issued by the DEO (EE-W) District Muzaffargarh, “Selected candidates who don’t possess professional qualification will have to acquire the requisite qualification within five years, otherwise their contract will be terminated.”

During audit of DEA Muzaffargarh for the FY 2022-23, it was observed that Deputy DEO (EE-W), Kot Addu made payment of salaries to 19 teachers amounting to Rs 4.213 million, who were appointed during 2017 and could not acquire their required professional qualification within stipulated time period. Furthermore, the contract of said teachers was also not terminated by the DEA.

Due to weak internal controls, teachers were recruited without having prescribed qualification resulting in irregular appointment and payment of salaries.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR Para: 13]

Value for money and service delivery issues

2.12.9 Wasteful expenditure on establishment of Insaf Afternoon Schools – Rs 30.938 million

According to letter No. DD(P)/PESR/GENERAL/2021/22943 dated 12.07.2021 issued by Program Director PMIU- PERSP, “Programme Director PMIU directed that enrolment drive was launched with particular focus on dropped out, missed out and never gone to school children during the prolonged closure of school twice in the wake of COVID-19 Pandemic.” Moreover, according to Sr. No. (3), (4) and (5) letter No. DDP/PMIU/2019-17599 dated 29.03.2019 issued by the PMIU-PERSP Lahore, “The CEOs are required to convey clear directions to all concerned schools to immediately start enrolment in upgraded afternoon classes and hire part time teachers as per policy guidelines. Moreover, reports of enrolment and teaching activities will be submitted to the Minister and Secretary of the School Education Department on a monthly basis. The CEOs are expected to play a leading role in this special initiative and issue necessary instructions to field staff to start enrolment in the selected afternoon schools in their respective districts.”

During audit of DEA Muzaffargarh for the FY 2022-23, it was observed that CEO selected total 266 Insaf Afternoon schools out of which 66 schools subsequently were closed by the department due to less enrolment and other issues. The Payment of Rs 30.938 million was made to these closed schools and remaining claims of these closed schools of Rs 1.023 million were pending till 30.06.2023. This act showed that Government funds were wasted and outcomes / objectives of the initiatives taken by the Government were not achieved. Moreover, record of students appeared in any exam which enrolled in IAN Schools was not available for verification of payment.

Due to weak administrative controls, schools were selected under Insaf Afternoon School initiative without observing actual need, which resulted in closure of schools and wastage of funds.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR Para: 19]

2.12.10 Loss due to theft of solar panels and allied accessories – Rs 6.603 million

According to Rule 2.33 of PFR Volume-I, “Every Government servant 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.”

During audit of DEA Muzaffargarh for the FY 2022-23, it was observed that CEO and Deputy DEO (EE-M), Muzaffargarh failed to ensure safe custody of solar panels installed in 95 elementary and primary schools, resultantly solar panels costing Rs 6.603 million were stolen. Moreover, prompt action was not taken to recover the stolen items. The detail is as under:

(Rupees in million)

Sr. No.	**DDOs**	**No. of Schools**	**Amount**
1	CEO, DEA Muzaffargarh	73	3.650
2	Deputy DEO (EE-M), Muzaffargarh	22	2.953
Total		**95**	**6.603**

Due to weak internal controls, solar panels and its allied accessories were stolen which resulted in loss.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends proper action be taken for prompt recovery of stolen items besides fixing responsibility against the person(s) at fault.

[AIR Paras: 22, 8]

Others

2.12.11 Loss due to payment of inadmissible pay & allowances to employees – Rs 155.506 million

According to Government of the Punjab, Finance Department Notification No.FD.PR.21-35/2013 dated 14.12.2016, "Conveyance Allowance is not admissible to the staff of vacation departments during vacations." Further, according to Government of the Punjab, School Education Department Notification No. SO(SE-III)2-16/2007(P-V) dated 07.08.2015, "The Educators already appointed on contract basis under the provision of contract policy are regularized w.e.f. 19.10.2019, and their pay was to be fixed at the initial of the respective pay scale and services period of contract shall not be counted for any purpose Pension, gratuity, leave, etc.). These appointees shall not be entitled to the payment of 30% SSB."

During audit of DEA Muzaffargarh for the FY 2022-23, it was observed that CEO and four other DDOs made payments of Rs 155.506 million on account of pay and allowances, social security benefit, conveyance allowance, qualification allowance and personal allowance to the employees without admissibility. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Amount
1	CEO, DEA Muzaffargarh	Conveyance Allowance during leave	0.244
2	Principal, Government Girls Higher Secondary School, Daira Din Pannah	Conveyance Allowance	2.412
3	Deputy DEO (EE-W), Muzaffargarh	Social Security Benefit	1.960
		Salary during absent period	0.030
		Conveyance Allowance during vacations	14.713
		Conveyance Allowance during Vacations	4.955
		Integrated Allowance	3.276

Sr. No.	DDOs	Description	Amount
		Salary during EOL and Conveyance Allowance during leave	1.540
		SSB to regular employees	16.401
		Non fixation of Basic pay on initial basic after regularization	14.451
4	Deputy DEO (EE-M), Muzaffargarh	SSB to regular employees	15.371
		Non fixation of Basic pay on initial basic after regularization	21.433
		Adhoc allowances 2017, 2018, 2019, 2020 and 2021	23.580
		Personal Allowance after promotions	0.201
		Conveyance Allowance during leave	0.345
		Science Teaching Allowance	0.020
		Personal Allowance to Contract employees	1.190
		Qualification Allowance	3.180
		Conveyance Allowance during vacations	15.656
5	Deputy DEO (EE-W), Kot Adu	Conveyance Allowance during leave	0.943
		Social Security Benefit	2.061
		Conveyance Allowance during vacations	11.462

Sr. No.	DDOs	Description	Amount
		NAB Allowance	0.010
			0.072
Total			**155.506**

Due to weak internal controls, inadmissible pay and allowances were paid to employees which resulted in loss to the Authority.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para(s) number 2.12.15, 3.2.4.1, 6.3.2, 6.2.5.3.12 and 6.2.2.5 respectively having financial impact of Rs 123.120 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 13, 18, 7, 4, 7, 4, 2]

2.3.4.15 2.13 District Education Authority, Pakpattan

There are 112 formations in DEA Pakpattan out of which 05 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.13.1 Mis-procurement of stationery and other store items – Rs 3.568 million

According to Rule 9 of the Punjab Procurement Rules 2014, “A procuring agency shall announce in an appropriate manner all proposed procurement for each financial year and shall proceed accordingly without any splitting or regrouping of the procurement so planned. The annual requirements thus determined would be advertised in advance on the PPRA’s website.”

During audit of DEA Pakpattan for the FY 2022-23, it was observed that CEO incurred expenditure amounting to Rs 3.568 million for repeated purchase of stationery, computer stationery, purchase of hard ware, machinery and purchase of furniture without calling quotations / adopting tendering process. Annual requirement of procurement opportunities was neither determined nor planned procurements were advertised on PPRA’s website. The procurements were made through splitting. **(Annexure-10)**

Due to weak internal controls, purchases were made without quotations and adopting tendering process which resulted in mis-procurement.

The matter was reported to PAO in August, 2023. DDO replied that splitting of expenditure was not made deliberately. However, purchases were made in peace meal due to release of budget on quarterly basis. Reply was not tenable because purchases were made by splitting the cost of procurements.

DAC in its meeting held on 30.01.2024, directed the DDO to produce annual demand and record of allocation of budget on pro-rata basis. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC’s directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2019-20 and 2018-19 vide para(s) number 2.13.5, 15.2.5.2.8 and 15.2.2.8 respectively having financial impact of Rs 21.625 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 7]

Value for money and services delivery issues

2.13.2 Irregular payment of Inspection Allowance – Rs 15.853 million

According to Government of the Punjab, School Education Department letter No.SO(Budget)1-15/2013(V-II) dated 15.01.2018 read with clarification issued by Government of the Punjab, Finance Department vide letter No. IT(FD) 6-23/91(Vol-III) dated 09.08.2019, "Payment of Inspection Allowance @ Rs 25,000 per month was granted to Assistant Education Officers (AEO) subject to verifiable Key Performance Indicators (KPIs) developed by School Education Department in consultation with DFID and their verification by the CEOs of respective DEAs."

During audit of DEA Pakpattan for the FY 2022-23, it was observed that CEO made payment of Inspection Allowance amounting to Rs 15.853 million for the Financial Years 2021-22 and 2022-23 to the 57 AEOs without ensuring compliance of KPIs.

Due to weak internal controls, Inspection Allowance was paid to the AEOs without ensuring compliance of KPIs which resulted in irregular payment.

The matter was reported to PAO in August, 2023. DDO replied that letter had been issued to controlling authorities of AEOs for provision of record regarding achievement of KPIs. Reply was not tenable because no record was produced in support of reply to Audit for verification.

DAC in its meeting held on 30.01.2024, directed CEO to constitute an inquiry committee to evaluate the extent of performance of AEOs on KPIs and payment allowed accordingly. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2019-20 and 2018-19 vide para(s) number 15.2.5.2.6 and 15.2.2.5 respectively having financial impact of Rs 31.350 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 12]

2.13.3 Irregular payments to vendors in cash – Rs 10.843 million

According to Rule 4(1)(a)&(b) of the Punjab District Authorities (Accounts) Rules 2017, "The mode of making payment from local fund of a District Authority shall be that the payment up to rupees one thousand may be made in cash and payment exceeding one thousand shall be made through crossed non-negotiable cheque."

During audit of DEA Pakpattan for the FY 2022-23, it was observed that Deputy DEO (EE-M) and Deputy DEO (EE-W), Arifwala made payments amounting to

Rs 10.843 million from NSB account in cash to the vendors / suppliers in violation of above rules. The detail is as under:

(Rupees in million)

Sr. No.	**DDOs**	**Description**	**Amount**
1	Deputy DEO (EE-M), Arifwala	Payments in cash instead of crossed cheques.	5.122
2	Deputy DEO (EE-W), Arifwala		5.721
Total			**10.843**

Due to weak internal controls, payments were made in cash to vendors resulting in irregular payments.

The matter was reported to PAO in August, 2023. DDOs replied that payments were made with the consent and approval of school councils. Reply was not tenable because payments were made in violation of rules.

DAC in its meeting held on 30.01.2024, directed the CEO to issue warning to the DDOs concerned for non-production of record to Audit for verification. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2018-19 vide para(s) number 2.13.8 and 15.2.2.13 respectively having financial impact of Rs 2.820 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 11, 11]

2.13.4 Unauthorized retention of public money in DDO bank accounts – Rs 2.747 million

According to Rule 2.10(3) of PFR Vol-1, "All inevitable payments are ascertained and liquidated at the earliest possible date. No money is withdrawn from the treasury unless it is required for immediate disbursement or has already been paid out of the permanent advance as per rule 2.10(5) of PFR Vol-1."

During audit of DEA Pakpattan for the FY 2022-23, it was observed that as per bank statements of DDO bank accounts of CEO and Government Girls High School Colony Area Pakpattan amount of Rs 2.747 million was available as on 30.06.2023. However, status of available balance was not produced during audit. Whereas, as per cash book all payments received were shown disbursed. Resultantly, whereabouts of said amount were unknown and detail of closing balance was not given in the cash book. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Financial Year(s)	Amount
1	CEO, DEA Pakpattan	2022-23	1.502
2	Principal, GGHS Colony Area Pakpattan	2018-19 to 2022-23	1.245
Total			**2.747**

Due to weak internal controls, funds were parked in DDO bank accounts without plausible justification which resulted in unauthorized retention of public money.

The matter was reported to PAO in August, 2023. DDOs replied that balance shown as on 30.06.2023 pertained to honorarium of PEC which was subsequently disbursed to the payees concerned through cross cheques and bank invoices. Reply was not tenable because no record in support of reply was produced to Audit for verification.

DAC in its meeting held on 30.01.2024, directed DDOs to get the record verified from Audit at the earliest. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Paras: 11, 9]

Others

2.13.5 Loss due to payment of inadmissible allowances to employees – Rs 76.991 million

According to Rule 9(b) of the Punjab District Authorities (Accounts) Rules 2017, "The DDO and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any overcharge, fraud or misappropriation and shall be liable to make good that loss." Further, according to Government of the Punjab, Finance Department Notification No.FD.PR.21-35/2013 dated 14.12.2016, "Conveyance Allowance is not admissible to the staff of vacation departments during vacations."

During audit of DEA Pakpattan for the FY 2022-23, it was observed that CEO and three other DDOs made payment of inadmissible allowances amounting to Rs 76.991 million to various employees for the Financial Years 2018-19 to 2022-23 on account of SSB after regularization of services, Conveyance Allowance during vacations / leave due to wrong fixation of pay, payment of Integrated Allowance etc. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Financial Year(s)	Amount
1	CEO, DEA Pakpattan	Pay and allowances during leave	2022-23	1.431
		Conveyance Allowance during summer & winter vacations		8.980
		Charge Allowance		1.131
		Social Security Benefit despite regularization of employees		35.150
2	Deputy DEO (EE-M), Arifwala	Payment of inadmissible allowance		2.570
		Inadmissible allowances		1.140
3	Deputy DEO (EE-W), Arifwala	Payment of inadmissible allowances		2.800
4	DEO (SE), Pakpattan	Payment of inadmissible allowances	2018-19 to 2022-23	23.789
Total				**76.991**

Due to weak internal controls, inadmissible allowances were paid to employees which resulted in loss to the Authority.

The matter was reported to PAO in August, 2023. DDOs replied that recovery was in process. Audit stressed to expedite the recovery.

DAC in its meeting held on 30.01.2024, directed the DDOs to produce progress of recovery and get record verified from Audit. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para(s) number 2.13.10, 4.2.4.3, 15.6.1, 15.2.5.2.9, 15.2.5.2.11, 15.2.5.2.16 and 15.2.3.4 respectively having financial impact of Rs 94.832 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 5, 19, 20, 21, 3, 7, 14, 4]

2.3.4.16 2.14 District Education Authority, Rahim Yar Khan

There are 348 formations in DEA Rahim Yar Khan out of which 05 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.14.1 Irregular appointment of over-aged employees – Rs 9.523 million

According to Para (5)(b)(c) of Recruitment Policy 2022 issued by Government of the Punjab, S&GAD (Regulation wing) vide No.SOR-IV (S&GAD)10-142/2021 dated 09.03.2022, "No recruitment shall be made without observing rules and prescribed procedure. Hence, no question arises for relaxation of qualification, experience, physical criteria etc. as provided in the relevant service rules, except as prescribed under the rules. The relevant Selection Committees shall ensure that recruitments are made strictly on merit and in accordance with the rules, selection criteria and other provisions of this policy."

During audit of DEA Rahim Yar Khan for the FY 2022-23, it was observed that CEO allowed payment of Rs 9.523 million on account of pay & allowances to 51 new appointees out of 388 selected candidates who were appointed without observing codal formalities specially age limit for the Financial Years 2021-22 to 2022-23. **(Annexure-11)**

Due to weak internal controls, candidates were selected without observing selection criteria which resulted in irregular appointments.

The matter was reported to PAO in August, 2023. CEO replied that appointments were made after observing procedural and codal formalities in accordance with appointment rules. Reply was not tenable as department recruited candidates without observing the age limit.

DAC in its meeting held on 18.01.2024 directed the CEO to inquire the matter within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para: 19]

Others

2.14.2 Irregular payment of salaries against erratic posting of teachers – Rs 199.627 million

According to Government of the Punjab, DPI (SE) letter No.1236/AdmnF-1 dated 01.02.2005 and Education Department (School Wing) letter No.SO(S-V)1-33/2003 dated 19.05.2006 "Ensure the postings / transfers of all the officers in commensurate with their regular grade / subject / cadre and the existing erratic / mismatch postings be rectified."

During audit of DEA Rahim Yar Khan for the FY 2022-23, it was observed that CEO made irregular payment of salaries amounting to Rs 199.627 million to two hundred and seven teachers who remained posted against irrelevant posts as evident from School Information System (SIS) data.

Due to weak internal controls, teachers were not posted against their relevant posts which resulted in irregular payment.

The matter was reported to PAO in August, 2023. CEO replied that reflection of erratic postings on SIS was due to system error. However, necessary rectifications had been made in the system. Reply was not tenable as erratic postings were not rectified.

DAC in its meeting held on 18.01.2024 directed the CEO to get the expenditure regularized from the competent authority within a month besides rectification of erratic posts. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.14.3 having financial impact of Rs 170.943 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 8]

2.14.3 Loss due to theft of solar panels and allied accessories – Rs 27.450 million

According to Rule 2.33 of PFR Volume-I, "Every Government servant 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."

During audit of DEA Rahim Yar Khan for the FY 2022-23, it was observed that head teachers of 205 schools working under administrative control of CEO failed to ensure safe custody of solar panels and allied accessories installed in various elementary and primary schools. Resultantly, solar panels and its allied accessories costing Rs 27.450 million were stolen.

Due to weak internal controls, solar panels and its allied accessories were stolen which resulted in loss.

The matter was reported to PAO in August, 2023. CEO replied that incidents of theft of solar panels in different schools were occurred due to non-availability of school guards. However, FIRs had been lodged with Police Department. Reply was not tenable as no proper follow-up was carried out for recovery of loss from the concerned.

DAC in its meeting held on 18.01.2024 directed the CEO to ensure recovery of stolen items besides fixing responsibility against the person(s) at fault. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.14.8 having financial impact of Rs 5.431 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 5]

2.14.4 Loss due to payment of inadmissible allowances to employees – Rs 10.872 million

According to Government of the Punjab, Finance Department letter No.FD.PR-9-4/86(P)(PT.II) (PR) dated 21.08.2015, "Conveyance Allowance is compensation to those employees who spend daily expenditure either to reach offices or back to home." Further, according to Rule 2.31 of the PFR, Volume-I, "A drawer of bill for pay, allowances, contingent and other expenses will be held responsible for any overcharges, frauds and misappropriation."

During audit of DEA Rahim Yar Khan for the FY 2022-23, it was observed that CEO and two other DDOs made payment of inadmissible allowances amounting to Rs 10.872 million to five hundred and thirty three employees for the Financial Years 2021-22 and 2022-23 on account of Qualification Allowance, Special Allowance, Conveyance Allowance during vacations / leave / lock down period etc. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Nature of Allowance	No. of Employees	Amount
1	CEO, DEA Rahim Yar Khan	Special Allowance	150	7.547

2	Deputy DEO (EE-M), Sadiqabad	CA and Special Allowance to AEOs etc.	222	2.213
3	Deputy DEO (EE-W), Khanpur	Science Teaching Allowance, Qualification Allowance etc.	161	1.112
Total			**533**	**10.872**

Due to weak internal controls, inadmissible allowances were paid to employees which resulted in loss to the Authority.

The matter was reported to PAO in August, 2023. DDOs replied that recovery was in progress. Reply was not tenable as recovery of overpayment was not made from the concerned.

DAC in its meeting held on 18.01.2024 directed the DDOs to expedite the recovery. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s).

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para(s) number 2.14.11, 3.2.4.5, 3.5.2, 3.2.5.2.7 and 3.2.4.1 respectively having financial impact of Rs 522.725 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 6, 4, 7]

2.3.4.17 2.15 District Education Authority, Rajanpur

There are 111 formations in DEA Rajanpur out of which 05 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.15.1 Unauthorized diversion of funds to other schemes – Rs 87.910 million

According to clause 2.106 of B&R Code, “It must be distinctly understood that contributions on account of one work can, in no circumstances, be utilized in meeting outlay on account of another work, the contributions for which may be in arrears.”

During audit of DEA Rajanpur for the FY 2022-23, it was observed that CEO transferred funds amounting to Rs 176.273 million to XEN, Buildings Division Rajanpur vide letter number 01/DD(B&A)/DEV dated 28.9.2022 for execution of 39 ongoing development schemes for the year 2021-22. Later on, the administrative approval was forwarded by the CEO, DEA vide No. 2094/P&D/ dated 19.10.2022 for execution of 41 development schemes for the financial year 2022-23 without transfer of funds. The funds amounting to Rs 87.910 million allocated for the schemes started earlier were utilized for the schemes endorsed on later stage. The progress report showed that the earlier schemes physical progress was 0% to 72% which mean those were incomplete due to diversion of funds. The detail is as under:

(Rupees in million)

Description of Schemes	**No. of Schemes**	**Expenditure**
Construction of shelter less schools	7	24.892
Missing facilities	6	11.181
Dangerous schools	4	10.789
Additional class rooms	9	19.361
Partially dangerous	15	21.687
Total	**41**	**87.910**

Due to weak financial management, funds of already sanctioned schemes were diverted toward other schemes which resulted in unauthorized diversion / utilization of funds.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests made by Audit vide letter No.RDA/DGK/CD-982 dated 14.09.2023, No.1034 dated 22.09.2023 and No.1176 dated 13.10.2023.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR Para: 7]

2.15.2 Irregular expenditure out of NSB – Rs 67.628 million

According to School Council Policy 2007, issued by Government of the Punjab (PESRP) vide No.SO(S-III)2-12/2006 dated 06.08.2007, "All expenditure shall be incurred with prior approval of the school council and all purchases / execution of work shall be carried out in a transparent and economical manner."

During audit of DEA Rajanpur for the FY 2022-23, it was observed that CEO and three other DDOs made payment of Rs 67.628 million out of NSB to various suppliers on account of purchase of stores and repair & maintenance work. However, expenditure was incurred without approval of school councils, maintenance of cash book, stock register and consumption record. Physical verification of repair works was not conducted by the school councils. Further, the payments were made to vendors in cash instead of crossed cheques. Further the amount was paid to shelter less schools without justification. The detail is given in the following table.

(Rupees in million)

Sr. No.	DDOs	Description	Amount
1	CEO, DEA Rajanpur	Unauthorized release of grant to shelter less schools.	2.490
2	Deputy DEO (EE-M), Rajanpur	Purchase of stores and repair & maintenance works etc.	0.443
			11.607
3	Deputy DEO (EE-M), Jampur		49.134
4	Principal, Government Tariq Shaheed Higher Secondary School Kot Mithan	Non-refund of loan taken for payment of electricity bills.	1.231
		Purchase of stores and repair & maintenance work etc.	2.723
Total			**67.628**

Due to weak internal controls, expenditure was made without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para(s) number, 4.2.4.4, 7.4.1, 7.2.5.3.5 and 7.2.2.7 respectively having financial impact of Rs 110.112 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 12, 12, 13, 3, 2, 6]

2.15.3 Unauthorized / excess release of funds to building department – Rs 26.677 million

According to Government of the Punjab, Finance Department Notification No.SO(H-1)I-41/2017(P&SHCD)(AD)(Prov) dated 04.04.2019 regarding guidelines for Deposit Works, "The authority shall make the payment of approved cost of the scheme to the concerned XEN. XEN shall execute the schemes and report progress to the authority. After execution of scheme, the XEN shall return the balance amount if any to the authority.” Furthermore, according to Rule 2.7 of the B&R Code, “In cases in which it becomes apparent during the execution of work that the amount administratively approved will be exceeded by more than 10.25 % or the amount of the technical sanction will be exceeded by more than 5 %, owing to increase of rates or other causes, the revised administrative approval of the competent authority must be obtained to the increased expenditure without any delay.”

During audit of DEA Rajanpur for the FY 2022-23, it was observed that CEO transferred / released funds amounting to Rs 308.203 million to XEN, Buildings Division for execution of various development schemes upto 30th June 2023 but the contractor’s agreement / work order cost against the on-going development schemes was Rs 281.526 million. So, the excess amount of Rs 26.677 million was released unauthorizedly and without justification.

Due to weak internal financial controls, funds were released without considering agreement cost which resulted in excess transfer of funds.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the persons at fault besides recovery of excess than agreed cost from the concerned.

[AIR Para: 3]

2.15.4 Irregular payment of Inspection Allowance – Rs 22.550 million

According to Government of the Punjab, School Education Department letter No.SO(Budget)1-15/2013(V-II) dated 15.01.2018 read with clarification issued by Government of the Punjab, Finance Department vide letter No. IT(FD) 6-23/91(Vol-III) dated 09.08.2019, "Payment of Inspection Allowance @ Rs 25,000 per month was granted to Assistant Education Officers (AEO) subject to verifiable Key Performance Indicators (KPIs) developed by School Education Department in consultation with DFID and their verification by the CEOs of respective DEAs."

During audit of DEA Rajanpur for the FY 2022-23, it was observed that Deputy DEO (EE-M), Rajanpur and two other DDOs made payment of Inspection Allowance amounting to Rs 22.550 million for the Financial Years 2021-22 and 2022-23 to the 61 AEOs without ensuring compliance of KPIs. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Financial Year(s)	No. of AEOs	Amount
1	Deputy DEO (EE-M), Rajanpur	2021-22 to 2022-23	17	10.250
2	Deputy DEO (EE-M), Jampur	2021-22 to 2022-23	34	9.400
3	Deputy DEO (EE-M), Rojhan	2021-22	10	2.900
Total			**61**	**22.550**

Due to weak internal controls, Inspection Allowance was paid to the AEOs without ensuring compliance of KPIs which resulted in irregular payment.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR Paras: 11, 8, 11]

Value for money and service delivery issues

2.15.5 Loss due to theft of solar panels and allied accessories – Rs 6.509 million

According to Rule 2.33 of PFR Vol-I, “every government servant should realize fully and clearly that he will be held personally responsible for any loss sustained to Government through fraud on negligence on his part.”

During audit of DEA Rajanpur for the FY 2022-23, it was observed that Deputy DEO (EE-M), Rajanpur failed to ensure safe custody of solar panels installed in fifty elementary and primary schools. Resultantly solar panels and its allied accessories costing Rs 6.509 million were stolen. Moreover, prompt action was not taken to recover the stolen items.

Due to weak internal controls, solar panels and allied accessories were stolen which resulted in loss.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends proper action be taken for prompt recovery of stolen items besides fixing responsibility against the person(s) at fault.

[AIR Para: 10]

2.15.6 Irregular payment of salaries against erratic posting of teachers – Rs 4.466 million

According to Government of the Punjab, DPI (SE) letter No.1236/AdmnF-1 dated 01.02.2005 and Education Department (School Wing) letter No.SO(S-V)1-33/2003 dated 19.05.2006 “Ensure the postings / transfers of all the officers in commensurate with their regular grade / subject / cadre and the existing erratic / mismatch postings be rectified.”

During audit of DEA Rajanpur for the FY 2022-23, it was observed that Principal Government Tariq Shaheed, Higher Secondary School (Boys), Kot Mithan made irregular payment of salaries amounting to Rs 4.466 million for the Financial Years 2018-19 to 2022-23 to five teachers who remained posted against irrelevant posts as evident from School Information System (SIS) data.

Due to weak internal controls, teachers were not posted against their relevant posts which resulted in irregular payment.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends regularization of expenditure besides fixing responsibility against the person(s) at fault.

[AIR Para: 8]

Others

2.15.7 Loss due to payment of inadmissible pay and allowances to employees – Rs 19.144 million

According to Government of the Punjab, School Education Department Notification No. SO(SE-III)2-16/2007(P-V) dated 07.08.2015, "The Educators already appointed on contract basis under the provision of contract policy are regularized w.e.f. 19.10.2019, and their pay was to be fixed at the initial of the respective pay scale and services period of contract shall not be counted for any purpose Pension, gratuity, leave, etc.). These appointees shall not be entitled to the payment of 30% SSB." Further, according to Government of the Punjab, Finance Department Notification No.FD.PR.21-35/2013 dated 14.12.2016, "Conveyance Allowance is not admissible to the staff of vacation departments during vacations."

During audit of DEA Rajanpur for the FY 2022-23, it was observed that CEO and four other DDOs made overpayment of Rs 19.144 million to employees on account of inadmissible pay and allowances including SSB, Conveyance Allowance, Charge Allowance, Inspection Allowance, unauthorize scale promotion etc. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Amount
1	CEO, DEA Rajanpur	Inadmissible allowances	0.217
2	Deputy DEO (EE-M), Rajanpur	Pay & allowance during absent period	1.015
		Pay & allowance due to unauthorized grant of BPS-16	0.884
		SSB and pay & allowances	4.927
3	Deputy DEO (EE-M), Jampur	Salaries due to non-fixation of pay after regularization	1.676
		Unauthorized pay & allowance	5.176
4	DeputyDEO (EE-M), Rojhan	Unauthorized Conveyance Allowance	3.323

Sr. No.	DDOs	Description	Amount
5	DeputyDEO (EE-W), Rojhan	Conveyance Allowance during vacation	1.866
		Conveyance Allowance despite allotment of designated vehicle	0.060
Total			**19.144**

Due to weak internal controls, inadmissible pay and allowances were paid to employees which resulted in loss to the Authority.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry, fixing responsibility against the person(s) at fault for allowing inadmissible allowances and immediate stoppage of such allowances coupled with recovery of overpaid amount.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para(s) number 2.15.11, 4.2.4.2, 7.4.2, 7.2.5.3.6 and 7.2.2.4 respectively having financial impact of Rs 127.225 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 10, 14, 3, 5, 1, 2, 4, 11, 6, 7, 8, 8]

2.15.8 Loss due to non recovery of Government receipts – Rs 15.384 million

According to Rule 2.31 of the PFR Vol-I, "a drawer of bill for pay, allowances, contingent and other expenses will be held responsible for any overcharges, frauds and misappropriation." Furthermore, according to Rule 4.7(1) of the Punjab Financial Rule Vol-I, "It is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to Government, which have to be brought to account, are credited correctly and promptly." Moreover, according to Rule 146(d) of the Punjab Local Government (Accounts) Rules, 2017, "The Collecting Officers shall ensure collection of local Government in a transparent manner beyond any doubt misappropriation, fraud, embezzlement or compromise."

During audit of DEA Rajanpur for the FY 2022-23, it was observed that Deputy DEO (EE-M), Rajanpur and Deputy DEO (EE-M), Jampur failed to recover government receipts amounting to Rs 15.384 million and deposit into Government treasury for the Financial Years 2021-22 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	**DDOs**	**Description**	**Amount**
1	Deputy DEO (EE-M), Rajanpur	Non recovery / deposit of FTF	10.673
2	Deputy DEO (EE-M), Jampur	Non-recovery of embezzled amount	0.192
		Recovery against fake appointments	4.519
Total			**15.384**

Due to weak internal controls, receipts were not realized and deposited into Government treasury which resulted in loss to the Government exchequer.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and ensure recovery from the defaulters besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21 and 2019-20 vide para(s) number 2.15.12, 4.2.4.8, 7.4.7 and 7.2.5.3.8 respectively having financial impact of Rs 17.179 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 3, 5, 5]

2.3.4.18 2.16 District Education Authority, Sahiwal

There are 241 formations in DEA Sahiwal out of which 05 formations were audited during Audit Year 2023-24.

Value for money and services delivery issues

2.16.1 Unauthorized retention of public money in DDO bank accounts – Rs 41.788 million

According to Rule 2.10(3) (5) of PFR Vol-1, "All inevitable payments are ascertained and liquidated at the earliest possible date. No money is withdrawn from the treasury unless it is required for immediate disbursement or has already been paid out of the permanent advance as per rule 2.10(5) of PFR Vol-1."

During audit of DEA Sahiwal for the FY 2022-23, it was observed that as per bank statements of DDO bank accounts of CEO and Deputy DEO (EE- M), Chichawatni amount of Rs 41.788 million was available as on 30.06.2023. However, status of available balance was not produced during audit. Whereas, as per cash book all payments received were shown disbursed. Resultantly, whereabouts of said amount were unknown and detail of closing balance was not given in the cash book. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Financial Year	Amount
1	CEO, DEA Sahiwal	2022-23	38.034
2	Deputy DEO (EE-M), Chichawatni		3.754
Total			**41.788**

Due to weak internal controls, Government funds were parked in the DDO bank accounts without proper justification which resulted in unauthorized retention of public funds.

The matter was reported to PAO in August, 2023. DDOs replied that the funds were received under different programs which were not required to be disbursed immediately and most of the funds had been disbursed and remaining would be disbursed accordingly. The reply was not tenable as record was not produced in support of the reply to Audit for verification.

DAC in its meeting held on 22.01.2024, directed the DDOs to get the record verified from Audit within fifteen days. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2021-22 vide para(s) number 2.16.6 and 5.2.4.5 respectively having financial impact of Rs 9.200 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 10, 6]

2.16.2 Irregular payment of Inspection Allowance – Rs 22.305 million

According to Government of the Punjab, School Education Department letter No.SO(Budget)1-15/2013(V-II) dated 15.01.2018 read with clarification issued by Government of the Punjab, Finance Department vide letter No. IT(FD) 6-23/91(Vol-III) dated 09.08.2019, "Payment of Inspection Allowance @ Rs 25,000 per month was granted to Assistant Education Officers (AEO) subject to verifiable Key Performance Indicators (KPIs) developed by School Education Department in consultation with DFID and their verification by the CEOs of respective DEAs."

During audit of DEA Sahiwal for the FY 2022-23, it was observed that CEO allowed payment of Inspection Allowance amounting to Rs 22.305 million to the AEOs without ensuring compliance of KPIs.

Due to weak internal controls, Inspection Allowance was paid to the AEOs without ensuring compliance of KPIs which resulted in irregular payment.

The matter was reported to PAO in August, 2023. It was replied that DDOs concerned had been directed to get the expenditure regularized and stop submission of bills of Inspection Allowance without compliance of KPIs. Audit stressed that DDO admitted the irregularity.

DAC in its meeting held on 22.01.2024, directed the DEO (SE) to inquire the matter regarding achievement of KPIs issued by School Education Department. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2018-19 vide para(s) number 16.2.2.15 having financial impact of Rs 1.275 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 11]

2.16.3 Irregular payments to vendors in cash – Rs 17.234 million

According to Rule 4(1)(a)&(b) of the Punjab District Authorities (Accounts) Rules 2017, "The mode of making payment from local fund of a District Authority shall be that the payment up to rupees one thousand may be made in cash and payment exceeding one thousand shall be made through crossed non-negotiable cheque."

During audit of DEA Sahiwal for the FY 2022-23, it was observed that CEO and three other DDOs made payments amounting to Rs 17.234 million for the Financial Years 2019-20 to 2022-23 from DDO / NSB account to the vendors / suppliers in cash instead of cross non-negotiable cheques in violation of above rules.

The detail is given below:

(Rupees in million)

Sr. No.	DDOs	Description	Financial Year(s)	Amount
1	CEO, DEA Sahiwal	Payments made in cash instead of cheques	2022-23	1.546
2	Deputy DEO (EE-M), Chichawatni	Payments made in cash instead of cheques	2021-22 to 2022-23	5.418
3	Deputy DEO (EE-W), Sahiwal	Payments made in cash instead of cheques	2022-23	1.253
4	Principal, Government Boys High School Sahiwal	Payments made in cash instead of cheques	2019-20 to 2022-23	9.017
Total				**17.234**

Due to weak internal controls, payments were made in cash to vendors resulting in irregular payments.

The matter was reported to PAO in August, 2023. DDOs admitted the irregularity and submitted that payments were made in cash due to unavoidable reasons. Audit stressed to get regularized the matter from the competent authority.

DAC in its meeting held on 22.01.2024, directed the DDOs to get the expenditure regularized from the competent authority. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

<u>Note:</u> The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2021-22 vide para(s) number 2.16.9 and 5.2.4.4 respectively having financial impact of Rs 4.216 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 4, 11, 11, 7]

Others

2.16.4 Loss due to payment of inadmissible pay and allowances to employees – Rs 25.094 million

According to Government of the Punjab, Finance Department letter No.FD.PR.21-35/2013 dated 14.12.2016, "Conveyance Allowance is not admissible to the staff of vacation departments during vacations." Further, according to Government of the Punjab, School Education Department Notification No.SO(SE-III)2-16/2007 dated 19.10.2009 read with S&GAD Punjab letters No.(O&M) S&GAD)5-3/2013 dated 01.03.2013, "The contract employees will not be entitled for SSB after regularization of their services."

During audit of DEA Sahiwal for the FY 2022-23, it was observed that CEO and four other DDOs made payment of inadmissible pay and allowances amounting to Rs 25.094 million to employees for the Financial Years 2015-16 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Financial Year(s)	Amount
1	CEO, DEA Sahiwal	Inadmissible allowances	2022-23	1.030
2	Deputy DEO (EE-M), Chichawatni		2021-22 to 2022-23	8.008
3	Deputy DEO (EE-W), Sahiwal	Conveyance Allowance during vacations	2022-23	2.394
		Inadmissible allowances		3.037
		Conveyance Allowance during leave		1.986
4	DEO (SE), Sahiwal	Inadmissible pay and allowances	2015-16 to 2022-23	3.233
		Conveyance Allowance during leave		1.891
5	Principal, Government Boys High School Sahiwal	Inadmissible allowances	2017-18 to 2022-23	3.515
Total				**25.094**

Due to weak internal controls, inadmissible pay and allowances were paid to employees which resulted in loss to the Authority.

The matter was reported to PAO in August, 2023. DDOs replied that recovery was in process and progress would be shown to Audit. The reply was not tenable as no record in support of reply was produced to Audit for verification.

DAC in its meeting held on 22.01.2024, directed the DDOs to submit updated status of recovery and produce record to Audit for verification. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para(s) number 2.13.6, 5.2.4.6, 16.4.2, 16.2.5.2.8, 16.2.5.2.10, 16.2.5.3.2 and 16.2.3.5 respectively having financial impact of Rs 229.023 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 19, 9, 1, 4, 5, 4, 8, 9]

2.17 District Education Authority, Toba Tek Singh

There are 291 formations in DEA Toba Tek Singh out of which 05 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.17.1 Irregular payments without creation of Pension Fund – Rs 37.755 million

According to Rule 6 of the Punjab District Authorities (Budget) Rules, 2017, "The Budget and Accounts Officer shall be responsible to maintain Pension Fund for the Government employees of Education or Health sectors adjusted in the District Authority." Further, according to Para 5 of Government of the Punjab, Finance Department Letter No.FD(DG)1-Insructions-Act-13/2016 dated 25.05.2017, "The concerned District Authority shall deposit monthly pension contribution @ 40% of the pay of serving employees w.e.f. 01.01.2017 to District Education Authority Pension Fund or District Health Authority Pension Fund, as the case may be, in prescribed manner."

During audit of DEA Toba Tek Singh for the FY 2022-23, it was observed that CEO transferred funds of Rs 37.755 million under GL Accounts "A04110" to pension payment bank account of local government cadre employees without creating Pension Fund as required under the rules.

Due to weak internal controls and poor financial management, Pension Fund was not created which resulted in irregular payment.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/ 1474 dated 30.11.2023, No.1485 dated 04.12.2023 and No. 1546 dated 18.12.2023.

Audit recommends to make efforts for creation of Pension Fund besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2018-19 vide para number 11.2.3.3 having financial impact of Rs 10.456 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 6]

2.17.2 Irregular payment of Inspection Allowance – Rs 5.772 million

According to Government of the Punjab, School Education Department letter No.SO(Budget)1-15/2013(V-II) dated 15.01.2018 read with clarification issued by Government of the Punjab, Finance Department vide letter No. IT(FD) 6-23/91(Vol-III) dated 09.08.2019, "Payment of Inspection Allowance @ Rs 25,000 per month was granted to Assistant Education Officers (AEO) subject to verifiable Key Performance Indicators (KPIs) developed by School Education Department in consultation with DFID and their verification by the CEOs of respective DEAs."

During audit of DEA Toba Tek Singh for the FY 2022-23, it was observed that Deputy DEO (EE-M), Kamalia paid Inspection Allowance amounting to Rs 5.772 million to eight AEOs for the Financial Years 2021-22 and 2022-23 without ensuring compliance of the KPIs.

Due to weak internal controls, Inspection Allowance was paid to the AEOs without ensuring compliance of KPIs which resulted in irregular payment.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against person(s) at fault.

[AIR Para: 1]

Others

2.17.3 Non-imposition of penalty and non-realization of revenue from unregistered schools – Rs 49.575 million

According to the Punjab Private Educational Institutions (Promotions and Regulation) Ordinance 2016, “The owner of every institution shall get it registered from registering authority before starting the business of the institution and in case of failure, penalty / fine to the extent of Rs 0.300 million to Rs 4 million may be imposed.” Further, according to Government of the Punjab, School Education Department letter No.SO(A-II)3-3/99(P) dated 22.01.2009, “The registration and annual inspection fee for each elementary / primary school will be Rs 5,000 and Rs 500 respectively.” Furthermore, the registration and annual inspection fee for each high / higher secondary school was Rs 7,000 and 1,000 respectively.”

During audit of DEA Toba Tek Singh for the FY 2022-23, it was observed that CEO failed to get 162 private schools registered and also not imposed penalty amounting to Rs 48.600 million against the owners of unregistered schools. Moreover, inaction against the owners of unregistered schools resulted in non-realization revenue amounting to Rs 0.975 million on account of Registration Fee and Annual Inspection Fee.

Due to weak internal controls, action was not taken against unregistered schools under the Law which resulted in non-imposition of penalty as well as realization of revenue.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends fixing responsibility against the person(s) at fault besides imposition of penalty and recovery of fees from the defaulters.

[AIR Para: 5]

2.17.4 Non-vacation of encroached school land – Rs 4.123 million

According to Rule 4 of the Punjab Local Government (Property) Rules, 2018, “The manager shall take as much care of the property entrusted to him as a man of ordinary prudence would, under similar circumstances, take of his own property of like nature. The manager shall be vigilant about and to check encroachments or wrongful occupations on property and in case there is any encroachment or wrongful occupation take necessary steps for the removal thereof.”

During audit of DEA Toba Tek Singh for the FY 2022-23, it was observed that CEO failed to get vacate the land of Government Elementary School 370/JB measuring 31 marlas valuing Rs 4.123 million (31 marlas x 0.133 million per marla as per valuation table) from five illegal occupants.

It was pertinent to mention here that writ petition pertaining to encroached land was also disposed of by the honorable Lahore High Court Lahore in favor of Education Department since 14.04.2023 but CEO did not make strenuous efforts for vacation of land till the date of audit.

Due to weak internal controls, action was not taken against illegal occupants which resulted in non-vacation of encroached school land.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends to make concrete efforts for vacation of land from illegal occupants besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2021.22, 2018-19 and 2017-18 vide para(s) number 4.2.4.10, 11.2.3.4 and 16.2.4.3 respectively having financial impact of Rs 68.270 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 7]

2.17.5 Loss due to payment of inadmissible pay and allowances to employees – Rs 3.759 million

According to Government of the Punjab, School Education Department Notification No.SO(SE-III)2-16/2007 dated 19.10.2009 read with Punjab S&GAD letters No.(O&M)S&GAD)5-3/2013 dated 01.03.2013 & 19.08.2013 and No.SOR-III(S&GAD)2-8/2018 dated 29.10.2019, "The pay of contract employees, upon regularization of their services, shall be fixed at the initial of the respective pay scales. Furthermore, according to Government of the Punjab, Finance Department letter No.FD.PR-9-4/86(P)(PT.II)(PR) dated 21.08.2015, "Conveyance Allowance is compensation to those employees who spend daily expenditure either to reach offices or back to home." Moreover, according to Rule 2.31 of the PFR, Volume-I, "A drawer of bill for pay, allowances, contingent and other expenses will be held responsible for any overcharges, frauds and misappropriation."

During audit of DEA Toba Tek Singh for the FY 2022-23, it was observed that Deputy DEO (EE-M), Kamalia and three other DDOs made excess payment of pay and allowances amounting to Rs 3.759 million to 72 employees for the Financial Years 2017-18 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	No. of Employees	Amount
1	Deputy DEO (EE-M), Kamalia	SSB after regularization of services	12	1.207
		Charge Allowance	01	0.012
2	Deputy DEO (EE-W), Kamalia	Special Allowance 2021	08	0.289
		SSB after regularization of services and other allowances at excessive rates	07	0.671
3	DEO (SE), Toba Tek Singh	Pay & allowances despite non-obtaining professional degree	01	0.263
		HRA, Conveyance Allowance and non-deduction of 5% HRC despite availability of designated residence	01	0.753
		Conveyance Allowance despite availability of official vehicle	01	0.060
4	Principal, GGHSS Rajana	Conveyance Allowance during vacation	41	0.504
Total			**72**	**3.759**

Due to weak internal controls, inadmissible pay and allowances were paid to employees resulting in loss to the Authority.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends recovery of overpayment from the employees concerned besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021.22, 2020-21, 2019-20 and 2018-19 vide para(s) number 2.17.16, 4.2.4.3, 11.3.1 & 11.3.6 to 11.3.7, 11.2.5.2.5 and 11.2.2.8 respectively having financial impact of Rs 109.599 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 4, 3, 4, 7]

2.17.6 Excess payment due to non-deduction of taxes – Rs 1.719 million

According to Serial No.1(b)(ii), 2(ii)(b) and 3(iii) of Division III of Part III of First Schedule of the Income Tax Ordinance, 2001, "The rate of tax to be deducted from a payment for goods or services shall be 4.5% of gross amount payable. In the case of rendering of or providing of services, Income Tax shall be deducted @ 10% of the gross amount payable." Further, according to Serial No. 11 of the Second Schedule to the Punjab Sales Tax on Services Act, 2012, "Punjab Sales Tax on Services @ 16% shall be applicable on services provided."

During audit of DEA Toba Tek Singh for the FY 2022-23, it was observed that Deputy DEO (EE-M), Kamalia and two other DDOs failed to deduct Income Tax, PST and General Sales Tax amounting to Rs 1.719 million on prescribed rates from the claims of service providers and vendors for the Financial Years 2008-09 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Amount
1	Deputy DEO (EE-M), Kamalia	Non-deduction of PST before making payments	0.038
		Non-deduction of Income Tax before making payments	0.023
		Charging of Income Tax in bills instead of payment by the supplier(s)	0.010
		Charging of 2% extra billing charges by suppliers(s)	0.004
2	Deputy DEO (EE-W), Kamalia	Non-deduction of 20% of GST and non-verification of 80% of GST	1.032
3	Principal, GGHSS Rajana	Non-deduction of Income Tax before making payments	0.056
		Non-deduction of PST before making payments	0.016
		Non-deduction of GST before making payments	0.469
		Charging of GST against exempted supplies	0.071
Total			**1.719**

Due to weak internal controls, taxes were not deducted before making payments which resulted in excess payment to vendors.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends recovery of taxes besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021.22, 2020-21, 2019-20 and 2018-19 vide para(s) number 2.17.17, 4.2.4.7, 11.5.3, 11.2.5.2.9 and 11.2.2.9 & 11.2.2.12 respectively having financial impact of Rs 12.592 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 6, 6, 4]

2.3.4.19 2.18 District Education Authority, Vehari

There are 380 formations in DEA Vehari out of which 05 formations were audited during Audit Year 2023-24.

Value for money and service delivery issues

2.18.1 Loss due to theft of solar panels and allied accessories – Rs 17.600 million

According to Rule 2.33 of PFR Volume-I, "Every Government servant 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."

During audit of DEA Vehari for the FY 2022-23, it was observed that head teachers of 88 schools working under administrative control of CEO failed to ensure safe custody of solar panels and allied accessories installed in various elementary and primary schools. Resultantly, solar panels and its allied accessories costing Rs 17.600 million were stolen.

Due to weak internal controls, solar panels and its allied accessories were stolen which resulted in loss.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests made by Audit vide letter No. RDDA-MLN/F.164/CD-1492 dated 18.09.2023, No. 1709 dated 21.11.2023 and No. 1797 dated 22.12.2023.

Audit recommends proper action be taken for prompt recovery of stolen items besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 vide para(s) number 2.18.13 having financial impact of Rs 3.150 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 4]

2.18.2 Irregular payment of Inspection Allowance – Rs 3.192 million

According to Government of the Punjab, School Education Department letter No.SO(Budget)1-15/2013(V-II) dated 15.01.2018 read with clarification issued by Government of the Punjab, Finance Department vide letter No. IT(FD) 6-23/91(Vol-III) dated 09.08.2019, "Payment of Inspection Allowance @ Rs 25,000 per month was granted to Assistant Education

Officers (AEO) subject to verifiable Key Performance Indicators (KPIs) developed by School Education Department in consultation with DFID and their verification by the CEOs of respective DEAs."

During audit of DEA Vehari for the FY 2022-23, it was observed that Deputy DEO (EE-M), Mailsi allowed payment of Inspection Allowance amounting to Rs 3.192 million for the Financial Years 2021-22 and 2022-23 to the 19 AEOs without ensuring compliance of KPIs.

Due to weak internal controls, Inspection Allowance was paid to the AEOs without ensuring compliance of KPIs which resulted in irregular payment.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2019-20 and 2018-19 vide para(s) number 17.2.5.2.1 and 17.2.3.4 respectively having financial impact of Rs 29.973 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 8]

2.18.3 Unauthorized retention of public money in DDO bank accounts – Rs 1.112 million

According to Rule 2.10(3) and 2.10(5) of PFR Vol-1, "All inevitable payments are ascertained and liquidated at the earliest possible date. No money is withdrawn from the treasury unless it is required for immediate disbursement or has already been paid out of the permanent advance as per rule 2.10(5) of PFR Vol-I."

During audit of DEA Vehari for the FY 2022-23, it was observed that as per bank statement of DDO bank accounts of CEO and Deputy DEO (EE-M), Mailsi amount of Rs 1.112 million was available as on 30.06.2023. However, status of available balance was not produced during audit. Whereas, as per cash book all payments received were shown disbursed. Resultantly, whereabouts of said amount were unknown and detail of closing balance was not given in the cash book. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Financial Year(s)	Amount
1	CEO, DEA Vehari	2022-23	0.527

2	Deputy DEO (EE-M), Mailsi	2021-22 and 2022-23	0.585
Total			**1.112**

Due to weak internal controls, funds were parked in DDO bank accounts without plausible justification which resulted in unauthorized retention of public money.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends fixing responsibility against the person(s) at fault.

[AIR Paras: 20, 6]

Others

2.18.4 Loss due to payment of inadmissible pay and allowances to employees – Rs 45.027 million

According to Government of the Punjab, Finance Department letter No.FD.PR.21-35/2013 dated 14.12.2016, "Conveyance Allowance is not admissible to the staff of vacation departments during vacations." Further, according to Rule 2.31 of the PFR, Volume-I, "A drawer of bill for pay, allowances, contingent and other expenses will be held responsible for any overcharges, frauds and misappropriation."

During audit of DEA Vehari for the FY 2022-23, it was observed that CEO and four other DDOs made payments of inadmissible pay and allowances to employees amounting to Rs 45.027 million for the Financial Years 2020-21 to 2022-23 on account of Conveyance Allowance, Integrated allowance, Charge Allowance, salary etc. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Financial Year(s)	Amount
1	CEO, DEA Vehari	Inadmissible pay and allowances	2022-23	10.830
		Recovery of salary due to forged degree		5.383
2	Deputy DEO (EE-M), Mailsi	Inadmissible Special Allowance	2022-23	1.153
		Inadmissible pay and allowances		13.226
3	Deputy DEO (EE-M), Vehari	Inadmissible pay and allowances	2021-22 to 2022-23	9.893
4	DEO (SE), Vehari	Inadmissible allowances	2020-21 to 2022-23	1.275
		Salary during leave without Pay		1.750
5	Headmaster, Government Boys Higher Secondary Model School Vehari	Inadmissible allowances	2020-21 to 2022-23	1.517
Total				**45.027**

Due to weak internal controls, inadmissible pay and allowances were paid to employees which resulted in loss to the Authority.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of overdrawn amount.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21 and 2019-20 vide para(s) number 2.18.12, 6.2.4.6, 17.5.2, 17.6.1 and 17.2.5.2.6, 17.2.5.2.9 and 17.2.5.2.10 respectively having financial impact of Rs 288.775 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 7, 14, 3, 12, 5, 2, 5, 1]

2.18.5 Irregular drawl of salary more than sanctioned post – Rs 1.810 million

According to Rule 9 (b) of the Punjab District Authorities (Accounts) Rules 2017, "The drawing and disbursing officer shall be responsible the drawing and disbursing officer and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any overcharge, fraud or misappropriation and shall be liable to make good that loss."

During audit of DEA Vehari for the FY 2022-23, it was observed that HM, Government Model Higher Secondary School Vehari allowed to draw the salary amounting to Rs 1.810 million in excess than the sanctioned post for the Financial Years 2018-19 to 2022-23. Upon comparison with HR / SAP data, it was observed that salary of security guard was drawn in excess than the sanctioned posts. The detail is as under:

(Rupees in million)

Personnel No.	Name of Employee	Cost Center	Job Title	Amount	Remarks
31729779	Muhammad Shafiq	VY6205	Guard	0.905	Sanctioned post was one but two Security Guards were working
32124135	Asif Latif	VY6205	Security Guard	0.905	
Total				**1.810**	

Due to weak management unjustified excess drawl of salary was made against the sanctioned post which resulted in irregular payment.

The matter was reported to PAO in August, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR Para: 3]

AUDIT REPORT

ON

THE ACCOUNTS OF

PUBLIC SECTOR COMPANIES

OF PUNJAB (SOUTH)

AUDIT YEAR 2023-24

PUBLIC SECTOR COMPANIES OF PUNJAB (SOUTH)

CHAPTER 1

Public Sector Companies - LG&CD Department

1.1 Introduction

Local Government and Community Development Department Government of the Punjab established PSCs in various Divisions of the Punjab during 2013-14 under the Punjab Local Government Act (PLGA) 2013. The PSCs (Punjab Cattle Market Management and Development Company and Waste Management Companies), were incorporated under Section 42 of the Companies Ordinance, 1984 and Companies Act, 2017 as companies limited by guarantee to function within the local government framework and adhere to the company laws and local government rules. Subsequently, during Financial Year 2022-23 cattle market management companies at divisional level were merged into Punjab Cattle Market Management and Development Company which has its divisional offices across the province.

A. Regulatory Framework

PSCs are state-owned entities working under the umbrella of Punjab Local Government and Community Development Department and their functions are governed under:

i. The Punjab Local Government Act, 2022
ii. The Companies Act, 2017
iii. Public Sector Companies (Corporate Governance Rules), 2013
iv. State Owned Enterprises (Governance and Operations) Act, 2023
v. The Punjab Procurement Rules, 2014
vi. Memorandum of Association
vii. Articles of Association
viii. Accounting and Financial Reporting Manual
ix. HR Manual and Procurement Manual

The Public Sector Companies (WMCs and PCMMDC) were incorporated under Section 42 of Companies Act, 2017. The operations of these Public Sector Companies (PSCs) are governed by a Board of Directors (BoD) nominated by Government of the Punjab. Board appoints the MD / CEO and may constitute other bodies, committees, sub-committees or panels from time to time. The PSC is competent to acquire, hold or transfer moveable and immovable property, enter into any contract and may sue & be sued in its name through MD / CEO.

The CEO / MD is the Principal Accounting Officer of the Company and is accountable to the Board and Public Accounts Committee of the Provincial Assembly. 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 Laws and applicable 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.

The responsibilities, powers and functions of Board are as under:

i. The directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.
ii. The Board shall ensure that professional standards and corporate values are in place that promotes integrity for the Board, senior management and other employees in the form 10 of a "Code of Conduct".
iii. The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders.
iv. The Board shall adopt a vision or mission statement and corporate strategy for the Public Sector Company.
v. The Board shall also formulate significant policies of the Public Sector Company.
vi. The Board shall define the level of materiality, keeping in view the specific context of the Public Sector Company and the recommendations of any committee of the Board that may be set up for the purpose.
vii. The Board shall ensure compliance with policy directions received from Government from time to time.
viii. The Board shall ensure compliance with the reporting requirements received from the Government within the specified time-frame, related to, including but not limited to, audit, finance, parliamentary business, performance and ancillary matters.

B. Purpose and objectives for establishment of PSCs

The Waste Management Companies were organized & established for development in the field of solid waste management for the benefit of people and to provide sustainable, efficient and affordable waste management services for the citizens and also to provide necessary facilities in order to enable the existing Solid Waste Management System to undertake activities of income generation and enhance the quality of existing system.

The Punjab Cattle Market Management and Development Company was established to organize, operate and regulate cattle markets, to frame the contracts to outsource internal services, to manage and maintain the services of cattle markets in the Punjab.

C. Functions of PSCs

The key functions of Waste Management Companies are as under:

i. Developing and implementing framework for regulating Solid Waste Management service delivery.

ii. Managing the activities directly or indirectly related to generation, collection, separation, storage, reuse, recycling, transportation, transfer, reduction, treatment and disposal of Solid Waste.

iii. Taking all such steps as are deemed necessary and expedient for effective management of solid waste in order to safeguard public health, ensure that waste is reduced, collected, stored, transported, recycled, reused or disposed off, in an environmentally sound manner and promoting safety standards in relation to such waste.

iv. Promoting public awareness for waste reduction and comprehensive and efficient solid waste management.

v. Proposing cost recovery measures for services provided and suggesting actions regarding taxes, fees, user charges, surcharges, rents, rates in respect of solid waste management, receiving and appropriating all receipts recovered in respect thereof.

The functions of Punjab Cattle Market Management Company are as under:

i. Manage and maintain the services of Cattle Markets.

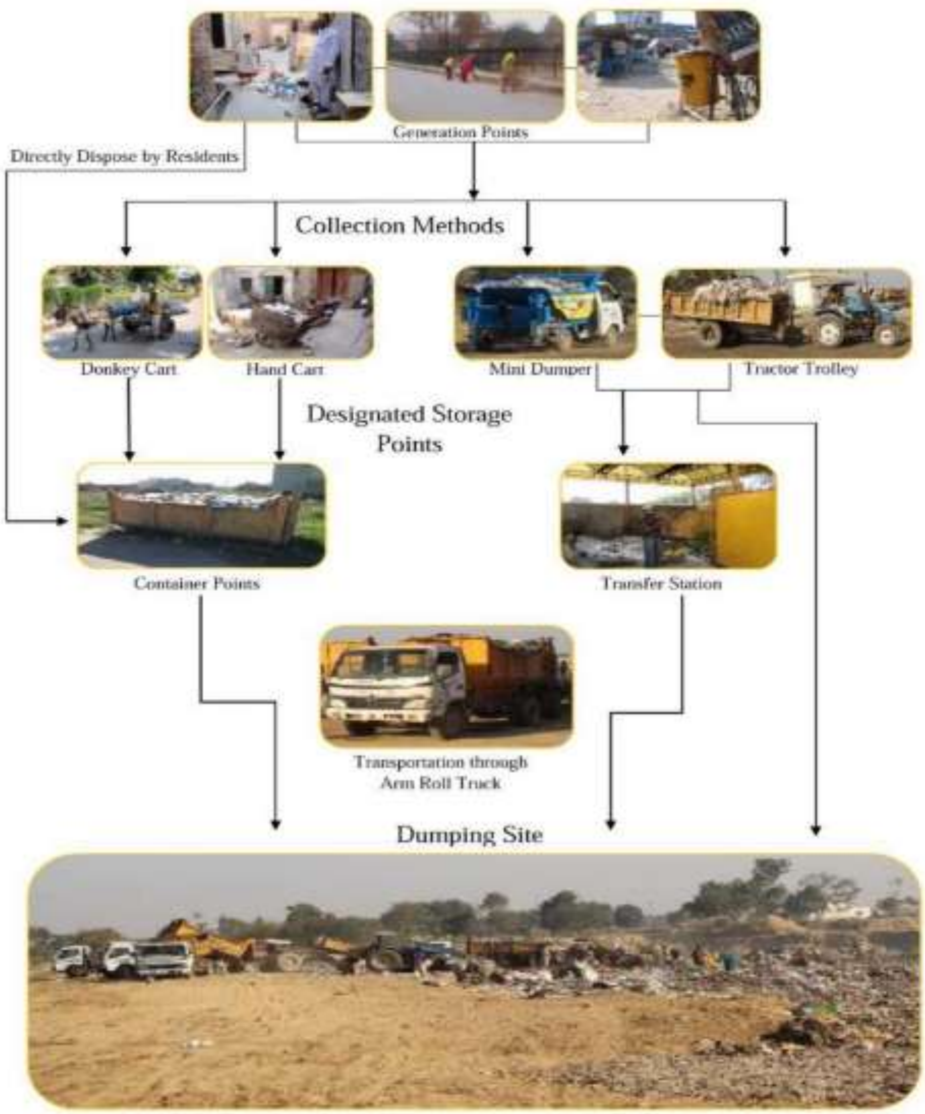
ii. Manage the data and record of the Company related to sale and purchase of animals.

iii. Devise framework for capacity building/guidance of different stakeholders regarding Cattle Market Management.

iv. Define the set of infrastructure and services for the Cattle Markets.

v. Develop revenue sources from animal waste, by-product and garbage and utilize it in the affairs of the Company.

Solid Waste Management: Management of solid waste is associated with the control of generation, storage, collection, transfer and transport, processing, and disposal of solid waste in a manner that is in accordance with the best principles of public health, economics, engineering, conservation, aesthetics and other environment considerations. The solid waste management process followed by the WMCs is highlighted in pictorial form as under:



D. Jurisdictional and service profile of PSCs

i. BWMC is providing services to 0.9 million people of 21 Union councils.

ii. DGKWMC is providing its services to a population of 0.399 million. The area under jurisdiction comprises of 17 union councils.

iii. FWMC is providing services in 157 Union Councils having 3.600 million population.

iv. MWMC is providing services in 68 Union Councils having 2.1 million population.

v. The 05 operational Divisions of PCMMDC in the Punjab South are managing the 83 cattle markets in 17 Districts.

Administrative structure of PSCs is given below:

Administrative Structure of PSC

Description	No. of Administrative Offices
Chief Executive Officer / Managing Director	01
Chief Financial Officer	01
Company Secretary	01
Chief Internal Auditor	01
General Manager (HR & Admn)	01
Manager (HR & Admn)	01
Manager (IT)	01

*Source: Data obtained from the management of PSCs

PSC wise list of 05 formations is attached as **Annexure-B**.

The following table shows detail of total & audited formations of PSCs:

Audit Profile of PSCs of the Punjab (South)
(Rupees in million)

Sr. No.	Description	Total Nos.	Audited	Expenditure Audited FY 2022-23	Revenue / Receipts Audited FY 2022-23
1	Formations	9	9	3,357.361	2,808.574
2	Assignments Accounts (excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAOs	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

PSC wise detail of total & audited formations is attached as **Annexure-C.**

E. Comments on Budget and Accounts (Variance Analysis)

Consolidated statement of budget, expenditure and receipts of 05 PSCs for Financial Year 2022-23 is given below:

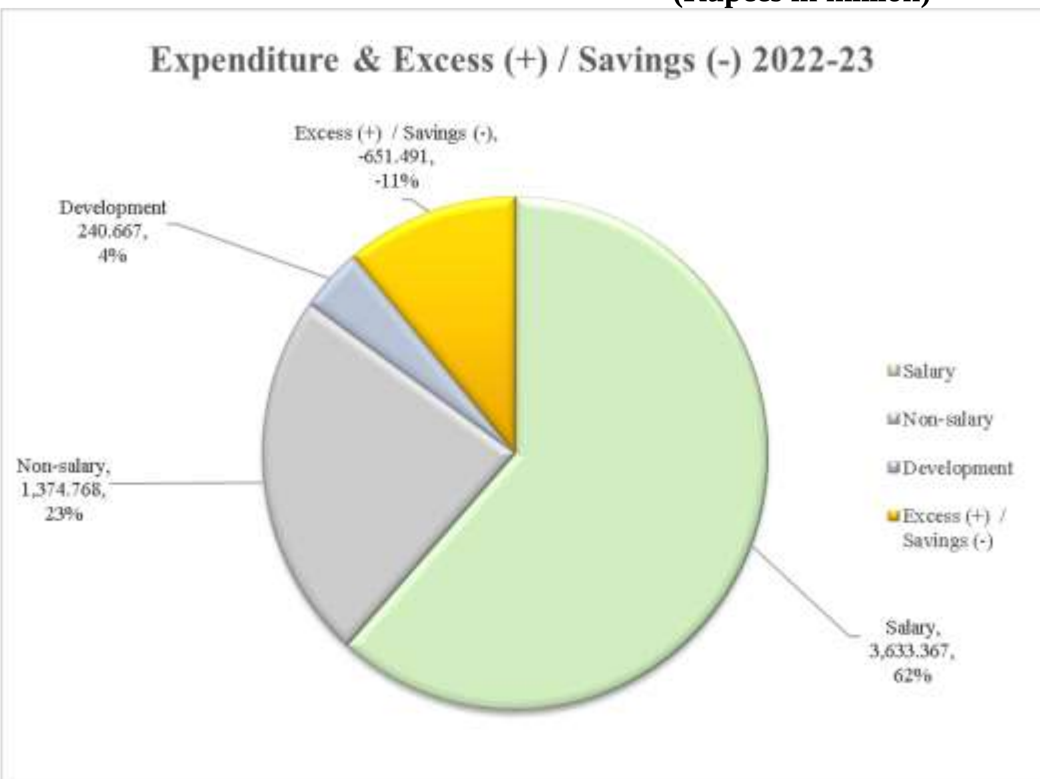
(Rupees in million)

Description	Budget	Expenditure	Excess (+) / Savings (-)	Variance
Salary	3,576.771	3,633.367	56.596	2%

Description	Budget	Expenditure	Excess (+) / Savings (-)	Variance
Non-Salary	1,504.816	1,374.768	(130.048)	(9%)
Development	818.706	240.667	(578.039)	(71%)
Total	**5,900.293**	**5,248.802**	**(651.491)**	**(11%)**
Description	**Target**	**Actual**	**Surplus (+) / Shortfall (-)**	**Variance**
Receipts	6,293.179	5,990.029	(303.150)	(5%)

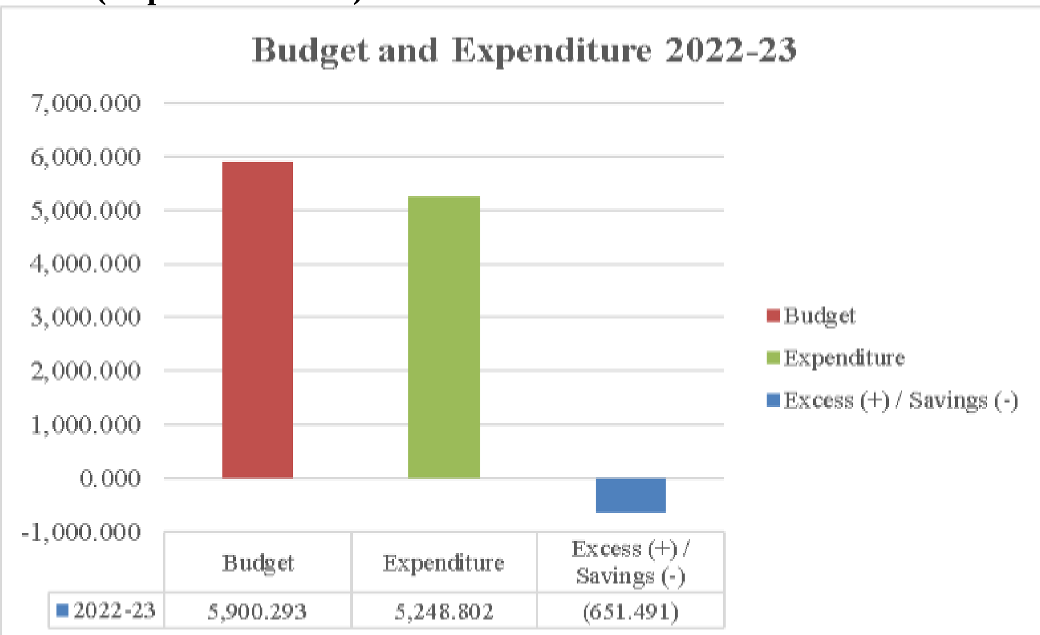
PSC wise detail of budget, expenditure and receipts of 05 PSCs for Financial Year 2022-23 is attached as **Annexure-D**.

(Rupees in million)



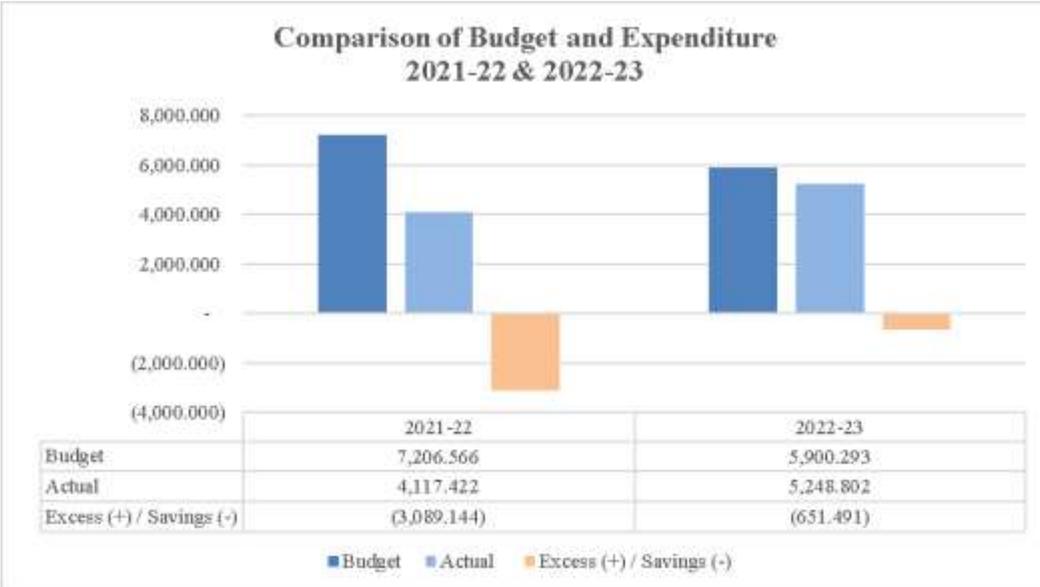
Against budget (development / non-development) of Rs 5,900.293 million for Financial Year 2022-23, PSCs could utilize only Rs 5,248.802 million, whereas 9% of non-salary component and 71% of development funds remained unspent and 2% of salary component was in excess of budget, reflecting poor financial management. The management exaggerated the allocation under the different components of budget to make the whole exercise unrealistic and prone to overspending. The unspent percentage of the allocation was due to shortage of cash flow which resulted in less expenditure on development work to the extent of 71% which clearly shows poor planning and non-implementation of revenue generation plan. Poor financial management resulted in depriving the local population of the benefits likely to have accrued to them because of development planned but not properly undertaken by the management.

(Rupees in milllion)



The comparative analysis of the budget and expenditure of current and previous financial years is depicted as under:

(Rupees in milllion)



The comparative analysis of the budget and expenditure for the Financial Years 2021-22 and 2022-23 depicts poor planning and cash flow management. During the Financial Year 2022-23 the allocation decreased whereas the expenditure increased by 27% with substantial less expenditure under head of development and non-salary components due to less cash inflow.

The comparative data for the Financial Years 2021-22 and 2022-23 reflects the systemic issue of poor cash flow management and non-preparation of and implementation of revenue generation plan.

F. Sectoral Analysis on the Achievements against Targets

i. Analysis of Financial Resources

PSCs got the budgets approved from the Board concerned with unrealistic allocations under all three components of budget namely salary, non-salary and development. Less expenditure amounting to Rs 651.491 million (as reflected above) equivalent to 9% and 71% of the budgeted amount against non-salary and development components respectively and 2% excess than budgeted amount in salary component reflects poor financial management, resulting in reduced service delivery and non-achievement of infrastructure targets during the financial year. Consequently, the management failed to provide basic facilities such as establishment of model cattle markets and provision of up to mark cleanliness services.

ii. Analysis of Targets and Achievements

Sectoral analysis of the PSCs was made on the basis of various indicators for Financial Year 2022-23. The PSCs were required to achieve the objectives / targets set in their Memorandum of Association and Board meetings. Further, management was required to operate according to PSCs Corporate Governance Rules, 2013. Major performance indicators and bench marks set by the PSCs were as under:

i. Establishment of efficient land fill sites
ii. Enhancement of solid waste management services
iii. Enhancement of revenue generation capacity
iv. Establishment of model cattle markets
v. Regulation of cattle markets
vi. Facilitation of end users in cattle markets including breeders and traders
vii. Establishment of pension / provident / benevolent fund, group insurance fund
viii. Establishment / formulation of sound system of internal controls, anti-corruption policy and procurement policy
ix. Development of Key Performance Indicators

PSCs failed to achieve any of their stated objectives from service delivery to sound financial management. No mechanism has been put in place to assess service delivery by these entities or achieve self-sufficiency in financial domain through revenue generation.

iii. Service Delivery Issues

The management of Waste Management Companies failed to achieve its predetermined objectives to provide better solid waste collection, transportation and disposal and dumping on selected sites to keep the city jurisdictions safe and clean. The WMCs did not enhance the coverage of collection and disposal of waste. Scientific land fill sites were not developed despite lapse of considerable time. Mechanism for segregation of waste could not be developed. The WMCs failed to generate more revenue for ensuring best service delivery to general public. Key performance indicators were not formulated.

Further, the management of 05 operational Divisions of PCMMDC also had partial target achievement portfolio. Various services were not outsourced to facilitate the cattle traders. The revenue collected through self-collection remained short of target. Illegal cattle markets were not removed, animals were not tagged and cattle traders were not registered. Key performance indicators were not formulated.

iv Expectation Analysis and Remedial Measures

PSCs were established to improve the services in line with their prescribed objectives. However, the PSCs failed to achieve any of their stated objectives including enhancement of solid waste coverage area and cleanliness services to facilitate the end users, establishment of model cattle markets, to regulate the operations of illegal cattle markets.

Following remedial measures need to be taken to achieve the minimum service delivery standards of PSCs:

i. Preparation and implementation of revenue generation plan in order to increase the revenue stream of the companies.
ii. Ensure implementation of best solid waste management practices during collection and disposal of solid waste.
iii. Establish the environment friendly land fill sites for disposal of solid waste.
iv. Take immediate steps for regulation of illegal cattle markets.
v. Formulation of Key Performance Indicators (KPIs) should be ensured.

1.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 5,060.455 million[8] were raised as a result of this audit. This amount also includes recoverable of Rs 437.097 million as pointed out by Audit. Consolidated summary of audit observations on the accounts of PSCs classified by nature is as under:

Overview of the Audit Observations

(Rupees in million)

Sr. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	**Procedural irregularities**	
A	HR / Employees related irregularities	676.468
B	Procurement related irregularities	361.359
C	Management of Accounts with Commercial Banks	21.835
4	Value for money and service delivery issues	2,311.315
5	Others	1,689.478
Total		**5,060.455**

PSC wise summary of audit observation classified by nature is attached as **Annexure-E**.

[8] Amount of observations exceeds total expenditure as expenditure was objected in many paras i.e. procurement, budgeting issues and receipts as well.

1.3 Comments on the Status of Compliance with PAC Directives

The Audit Reports pertaining to following years were submitted to Governor of the Punjab but have not been examined by the Public Accounts Committee.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2016-17	44	PAC meeting was not convened
2	2017-18	168	PAC meeting was not convened
3	2018-19	201	PAC meeting was not convened
4	2019-20	99	PAC meeting was not convened
5	2020-23	112	PAC meeting was not convened

PSC wise status of previous audit reports is attached as **Annexure-F**.

Note: Non-convening of PAC has seriously hampered the accountability process and has encouraged the Public Sector Companies to repeat the irregularities.

CHAPTER 2

2.1 Public Financial Management

Public Financial Management (PFM) is a central element of a functioning administration, underlying all government activities. It encompasses the mechanisms through which public resources are collected, allocated, spent and accounted for.

It is a proven fact that fiscal governance of any country is closely linked to an effective Public Financial Management system, which focuses on principles of fiscal discipline, legitimacy, transparency and accountability of public finances. PFM is framed around achieving an overall discipline which specifically includes resource allocation and operational efficiency and effectiveness of public expenditure. The maintenance of “aggregate fiscal discipline” is foremost and primary objective of PFM which revolves around interaction of two streams; revenue and expenditure. Revenue generation and Public Expenditure Management complement each other in attaining the strategic macroeconomic objectives of the state.

Punjab Public Financial Management Act 2022 provides a broad framework for regulating the public sector financial management from budget making, revenue generation, cash management, expenditure, accounting to scrutiny through public audit.

Severe issues pertaining to Financial Management of PSCs continued to plague the companies since their inception. Management of the companies failed to make significant progress in making them self-sustainable as was envisaged at the time of their inception. Revenue generation for WMCs through their own resources remained well below their annual expenditure. Resultantly, companies had to rely on funds received from Government of the Punjab through Provincial Finance Commission (PFC) amounting to Rs 2,096.928 million during Financial Year 2021-22 and Rs

2,104.940 million for Financial Year 2022-23 for their financial sustainability. Furthermore, management of WMCs had to obtain loan of Rs 969.120 million during Financial Year 2021-22 and Rs 1,874.00 million in Financial Year 2022-23 from Government of the Punjab to bridge the deficit. However, even loan was not sufficient to meet the shortfall. Therefore, liabilities of Rs 230.838 million were carried forward for the Financial Year 2022-23. Hence, serious questions hang over the financial viability of WMCs making them perpetual recipient of Government Grants.

Stream of finances of PSCs is given as below:

Income and Expenditure of Public Sector Companies FY 2022-23

(Rupees in million)

Sr. No.	**Name of Company**	**PFC Share**	**Loan from Govt. of Punjab**	***Own source receipts**	**Total Receipts**	**Total Exp.**	**Difference**
1	Bahawalpur WMC	144	300	91.000	535.000	565.250	(30.250)
2	DGK WMC	0	300	94.692	394.692	385.877	8.815
3	Faisalabad WMC	1,142.660	774	16.780	1,933.440	2,241.510	(308.070)
4	Multan WMC	818.280	500	132.000	1,450.280	1351.612	98.669
Total 2022-23 (WMCs)		**2,104.94**	**1,874**	**334.472**	**4,313.412**	**4,544.249**	(230.838)
Total PCMMDC (South) 2022-23		**0**	**0**	**1,676.617**	**1,676.617**	**704.553**	**972.063**

* Income from auction of collection rights, self-collection, bank profit and MC share.

i. Bahawalpur Waste Management Company (BWMC) could generate only Rs 91 million receipts against expenditure of Rs 565.250 million. The remaining cash flow deficit was met from PFC share for Rs 144 million and loan from Government of Punjab Rs 300 million respectively. Just meeting the 16 % financial needs from own source income is a serious issue for the financial soundness of the company.

ii. DGKWMC met its total financial needs from debt financing through Government of the Punjab, and MC Dera Ghazi Khan share received under Services and Asset Management Agreement (SAAMA). The company could not prove concept of going concern for itself.

iii. FWMC earned income from own sources just Rs 16.780 million against expenditure of Rs 2,241.510 million. Rest of the financial needs were met from PFC share and loan from Government of the Punjab.

iv. MWMC remained dependent on the PFC share and loan from Government of Punjab. Only Rs 132 million revenue was generated against the expenditure of Rs 1,351.611 million. Meeting the 10% need from own source income showed the worst financial management of the company whereas 61% received from PFC share and 29% was managed through debt financing loan from Government of the Punjab.

Income and Expenditure of Public Sector Companies FY 2021-22

(Rupees in million)

Sr. No.	**Name of Company**	**PFC Share**	**Loan from Govt. of Punjab**	***Own source receipts**	**Total Receipts**	**Total Exp.**	**Difference**
1	Bahawalpur WMC	144.000	262.120	70.304	476.424	513.031	(36.607)
2	** DGK WMC			120.673	120.673	348.58	(227.907)
3	Faisalabad WMC	1,134.648	707.000	7.658	1,849.306	1,815.272	34.034
4	Multan WMC	818.280	-	80.000	898.280	952.200	(53.920)
Total (WMCs) 2021-22		**2,096.928**	**969.120**	**278.635**	**3,344.683**	**3629.083**	**(284.400)**
Total PCMMDC (South) 2021-22		**-**	**-**	**2,203.590**	**2,203.590**	**488.339**	**1,715.251**

* Income from auction of collection rights, self-collection, bank profit and MC share.
** DGKWMC managed its financial deficit through funds received as seed money during Financial Year 2021-22 Rs 64 million as well as opening bank balance.

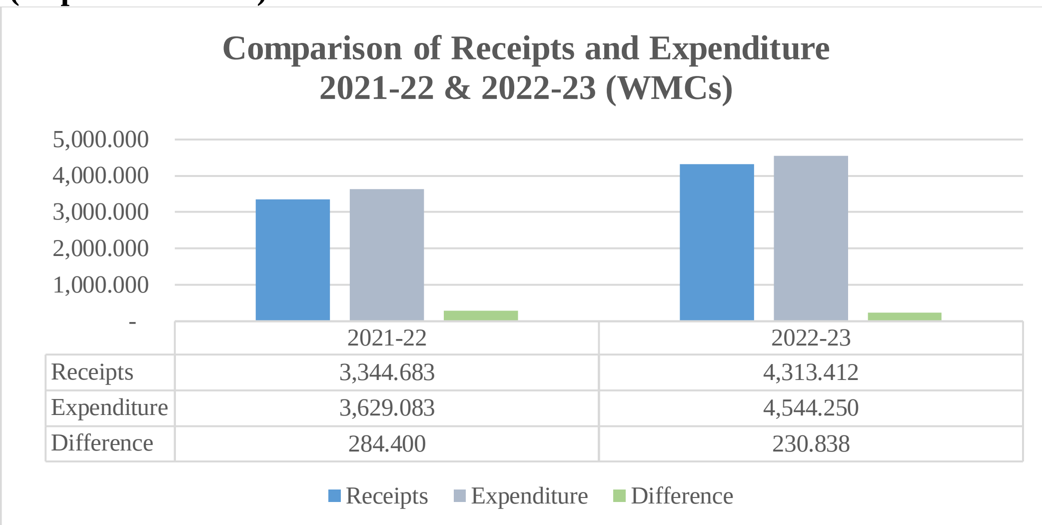
i. BWMC could generate only Rs 70.304 million receipts against expenditure of Rs 513.031 million. The remaining cash flow deficit was met from PFC share for Rs 144 million and loan from Government of the Punjab Rs 262.120 million respectively. Having deficit of Rs 36.607 million. Own source income was just 13% to meet the expenditure, which is serious issue for the financial soundness of the company.

ii. DGKWMC met its total financial needs from Government of the Punjab loans and MC Dera Ghazi Khan share received under SAAMA. The company could not prove concept of going concern for itself.

iii. FWMC earned income from own sources just Rs 7.658 million against expenditure of Rs 1,815.272 million. Rest of the financial needs were met from PFC share and loan from Government of the Punjab.

iv. MWMC remained dependent on the PFC share and loan from Government of Punjab. Only Rs 80 million revenue was generated against the expenditure of Rs 952.200 million. Meeting the 8% need from own source income showed the worst financial management of the company.

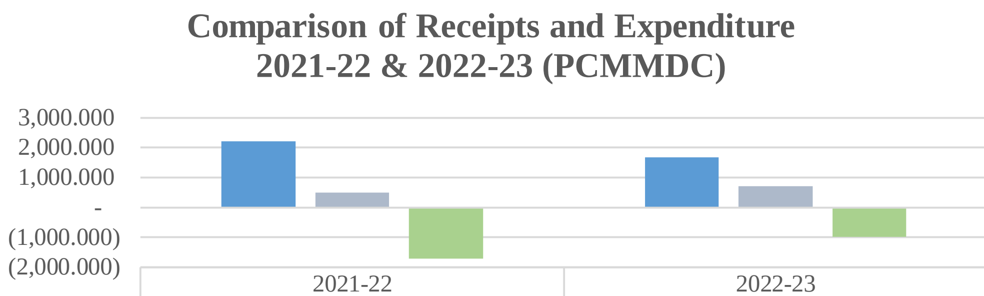
(Rupees in million)



	2021-22	2022-23
Receipts	3,344.683	4,313.412
Expenditure	3,629.083	4,544.250
Difference	284.400	230.838

Total expenditure exceeded total receipts (including PFC and loan from Government of Punjab) during Financial Years 2021-22 & 2022-23 amounting to Rs 284.400 million and Rs 230.838 million respectively. Year to year receipts increased by 29% while expenditure shot up by 25% in comparison to Financial Year 2021-22.

(Rupees in million)



	2021-22	2022-23
Receipts	2,203.590	1,676.617
Expenditure	488.339	704.554
Difference	(1,715.251)	(972.063)

Comparatively, financial position of PCMMDC is better than WMCs Companies as their receipts are excess than expenditure by Rs 1,715.251 million and Rs 972.063 million during Financial Years 2021-22 & 2022-23 respectively. However, receipts decreased by 24% in comparison to Financial Year 2021-22.

Loans obtained by Waste Management Companies
(Rupees in million)

Sr. No.	Name of Company	Year	Loan amount	Mark up rate (%)
1	BWMC	2022-23	300.000	0.25
		2021-22	262.120	0.25
		2020-21	210.000	0.25
2	DGKWMC	2022-23	300.000	0.25
3	FWMC	2022-23	774.000	0.25
		2021.22	707.000	0.25
		2020-21	827.000	0.25
4	MWMC	2022-23	500.000	0.25
Total			**3,880.120**	

The above- mentioned data of loans received by the Waste Management Companies depicts that the financial sustainability of the companies has become fragile over period of last three years. Waste Management Companies have obtained Rs 3,880.120 million from Government of the Punjab without repayment plan. During audit of accounts statements for the Financial Year 2022-23, audit emphasized on the following matters:

i. Non-preparation of certified accounts and financial statements in violation of Clause 72 of Article of Association "The Directors shall cause to be prepared and to be laid before the Company in Annual General Meeting such Balance Sheet and Income and Expenditure Account and Cash Flow Statement duly audited and reports as required under the Act.”

ii. Non-constitution of different committees by the companies in violation of Rules 12(1) of Public Sector Companies (Corporate Governance) Rule 2013, “The Board shall setup the audit committee, risk management committee, human resources committee, procumbent committee and nomination committee to support it in performing its functions efficiently and for seeking assistance in the decision-making process.”

iii. Non-preparation of revenue generation / business plan in violation of Rules 7(2)(a) of Public Sector Companies (Corporate Governance) Rule 2013, “The Board shall revise annual business plan cash flow projection and long-term plans.”

iv. Debt financing without re-payment plan in violation of cannon of financial propriety.

Audit was of the view that in the absence of certified accounts, financial statements and preparation of debt re-payment plan the financial sustainability of the Public Sector Companies cannot be ascertained as a going concern.

Audit Paras - Compliance with Authority Audit

2.2 Bahawalpur Waste Management Company, Bahawalpur

Procedural irregularities

2.2.1 Unauthorized payment beyond delegated financial powers – Rs 59.674 million

According to Para 3.1 of Procurement Manual of Lahore Waste Management Company (LWMC) adopted by BWMC, “The Board of Directors has the ultimate authority for utilization of BWMC's funds. As per Authority matrix, in case of revenue expenditure (recurring), MD/CEO is empowered to incur expenditure upto Rs 5 million for purchase of goods and services for BWMC.”

During audit of BWMC for the FY 2022-23, it was observed that CEO allowed unauthorized payment of Rs 59.674 million to the M/s Outriders (Pvt) Ltd. for the period January to May 2023, on account of provision of services of unskilled, semiskilled and skilled workers without approval and extension of contract agreement from Board of Directors. Record showed that contract agreement was expired on 31.12.2022 but no approval was taken during three meetings of Board convened from January to June 2023. The detail is as under:

(Rupees in million)

Sr. No.	Description of payment	Period	Amount
1	Management cost (un-skilled labour)	January, 2023 to May, 2023	0.837
2	Payment of un-skilled labour		41.586
3	Management cost (semi-skilled labour)		0.202

Sr. No.	Description of payment	Period	Amount
4	Payment of semi-skilled labour		14.105
5	Management cost (skilled labour)		0.028
6	Payment of skilled labour		2.916
Total			**59.674**

Due to weak internal controls, payment was allowed by the CEO beyond delegated financial powers which resulted in unauthorized expenditure.

The matter was reported to PAO in November, 2023. The management replied that advertisement, tender document and draft agreement was approved by the Board in its 42nd Board meeting held on 14.12.2021. As per clause of agreement, the contract could be extended for three years on annual basis. Therefore, there was no need to get fresh approval from Board. The reply of the management was not tenable as CEO BWMC was empowered to incur expenditure upto Rs 5 million on recurring expenditure as per Para 3.1 of Procurement Manual. Whereas, expenditure for five months was Rs 59.674 million which required approval of the Board.

DAC in its meeting held during January, 2024 directed the management to get the expenditure regularized besides fixing responsibility on the person (s) at fault. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2018-19 vide para number 1.2.1.7 having financial impact of Rs 31.516 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 11]

2.2.2 Mismanagement in banking operations – Rs 21.835 million

According to decision of 4th Annual General Meeting (AGM) held on 28.01.2021, "A separate profit bearing security account was to be opened by the management of BWMC."

During audit of BWMC for the FY 2022-23, it was observed that CEO failed to open profit bearing security account in violation of Board decision. Scrutiny of bank statement of account No.6010002517700024 maintained in Bank of Punjab (BOP) revealed that Rs 16.189 million was available as on 01.07.2022. Rs 8.843 million was received and Rs 3.196 million was withdrawn during the year leaving a balance of Rs 21.835 million at the close of financial year. But due to current account, company management could not avail benefit of bank profit for Rs 2.190 million (Approx).

Due to weak financial controls, company management mismanaged the banking operations which resulted in loss.

The matter was reported to PAO in November, 2023. The management replied that no contractor demanded profit earned on securities from BWMC. Hence, funds were kept in current account. However, efforts were being made to open “Profit and Loss Account” for securities in BOP. Reply was not tenable as Board in its 4th AGM held on 28.01.2021 directed the management of BWMC to maintain profit bearing account of securities.

DAC in its meeting held during January, 2024 directed the management of BWMC to ensure compliance of the decision of Board in true letter and spirit. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC’s directives besides fixing responsibility against the person(s) at fault.

[AIR Para: 13]

2.2.3 Non finalization of annual accounts

According to Clause 72 of Articles of Association, “The Directors shall cause to be prepared and to be laid before the Company in Annual General Meeting such Balance Sheet, Income and Expenditure Account and Cash Flow Statement duly audited and reports as required under the Act.”

During audit of BWMC for the FY 2022-23, it was observed that CEO incurred expenditure amounting to Rs 565.255 million but failed to prepare and get its annual accounts audited from a Chartered Accountant firm. Similarly, annual accounts for the Financial Year 2021-22 were also not got certified from any Chartered Accountant firm in violation of Companies Act, 2017 and Articles of Association. Annual General Meeting was also not convened due to non- certification of accounts.

Due to weak internal controls, the Accounts of the company were not got certified from external auditors which resulted in irregular expenditure.

The matter was reported to PAO in November, 2023. The management replied that draft statement of accounts was prepared however, the same was yet to be certified from the Chartered Accountant Firm. Reply of the department was not tenable as financial statements were not prepared and laid before Board.

DAC in its meeting held during January, 2024 directed the management to prepare financial statements followed by certification from external auditor at the earliest. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC’s directives.

[AIR Para: 6]

Others

2.2.4 Debt financing without repayment plan – Rs 300 million

According to Government of the Punjab Finance Department Letter No. FD (L) 1-383/2018 dated 14.02.2018, "The loan will be repaid within five years with two years of grace period and 0.25% interest rate. If the payment is not made on the due date in accordance with amortization schedule, penalty on the default amount @ 4% per annum shall be paid by the company."

During audit of BWMC for the FY 2022-23, it was observed that CEO received loan of Rs 300 million from Government of the Punjab. Sustainability of the company was at stake as the company had received loans amounting to Rs 1,222.120 million during last five years including Financial Year 2022-23 but had no source of income to repay such huge amount of loan except annual receipts of Rs 5.778 million as collection charges as a result of MOUs with some private land sub divisions and commercial units.

Due to poor financial management, loans were received without repayment plans which resulted in compromised sustainability of the company.

The matter was reported to PAO in November, 2023. The management replied that BWMC had no legal power to impose fee on services. The Board of Directors of BWMC approved the Revenue Generation Plan Six times and forwarded the same to Government for approval but the same was not approved. Reply was not tenable as plan for repayment of loan was not devised by the management of BWMC.

DAC in its meeting held during January, 2024 directed the CEO to take up the matter with the Secretary LG&CD Department for approval of Revenue Generation Plan at the earliest. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2022-23, 2020-21 vide para numbers 2.1.4 and 2.4.11 respectively having financial impact of Rs 922.120 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 2]

2.2.5 Loss due to non-collection of share from MC – Rs 13.270 million

According to Clause 9(i) of the SAAMA, "The budget / amount for collection of solid waste management agreed by the MC Ahmed Pur East and BWMC shall be transferred on quarterly basis to the BWMC for credit into commercial bank account of the BWMC."

During audit of BWMC for the FY 2022-23, it was observed that CEO failed to recover an amount of Rs 13.270 million on account of share of budget from Municipal Committee Ahmed Pur East during the Financial Years 2021-22 and 2022-23 as per agreement. The detail is as under:

(Rupees in million)

Financial Year	Quarter	Detail	Recoverable amount
2021-22	4th	Non-Salary	4.890
2022-23	3rd	Non-Salary	4.190
2022-23	4th	Non-Salary	4.190
Total			**13.270**

Due to weak financial management, prescribed share was not recovered by the company which resulted in loss to the company.

The matter was reported to PAO in November, 2023. The management replied that efforts were being made to collect share from MC Ahmed Pur East.

DAC in its meeting held during January, 2024 directed the management to collect share from MC Ahmed Pur East at the earliest. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

[AIR Para: 5]

2.2.6 Blockage of funds due to purchase of plastic bags without requirement – Rs 2.448 million

According to Para 3.3 of Procurement Manual of Lahore Waste Management Company adopted by BWMC, "A person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by BWMC if he misrepresents, misconstrues and / or misunderstands his authority and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him."

During audit of BWMC for the FY 2022-23, it was observed that CEO incurred expenditure amounting to Rs 3.300 million for procurement of 6,500 kg plastic bags. Record showed that biodegradable plastic bags for the occasion of Eid-ul-Azha 2023 were purchased without considering stock position as (34,219 plastic bags) / 2850 kg plastic bags were already available at the time of purchase. A huge quantity of 4,450 kg plastic bags amounting to Rs 2.448 million remained unutilized till 30.06.2023. Further, 1,099 plastic bags of Eid-ul-Azha 2022 were still in balance on 30.06.2023.

Due to weak internal controls, shopping bags were purchased without immediate requirement which resulted in blockage of funds.

The matter was reported to PAO in November, 2023. The management replied that there were chances of price hikes in coming year, therefore, advantage was taken by keeping in hand some extra quantity in stock. At present, 2,900 Kg plastic bags were in stock. The management admitted the irregularity for purchase of shopper bags without immediate requirement.

DAC in its meeting held during January, 2024 directed the management to get regularization of expenditure besides fixing responsibility on the person(s) at fault. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.1.3 having financial impact of Rs 1.066 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 9]

2.3 Dera Ghazi Khan Waste Management Company, Dera Ghazi Khan

Procedural irregularities

2.3.1 Irregular expenditure on POL – Rs 77.823 million

According to Government of the Punjab, Services & General Administration Department (Transport Pool) letter No. MTO(S&GAD) AT-II/2-9/2006 dated 26.12.2008, "Necessary arrangements are required for sealing of speedometer / milometer of all the vehicles under use in Government offices to minimize the chances of pilferage/misappropriation of fuel to save Government exchequer."

During audit of DGKWMC for the FY 2022-23, it was observed that CEO incurred an expenditure of Rs 77.823 million on account of POL of 46 tractors trollies, 5 dumpers, 29 loader rickshaws, 4 sweeping machines and 5 truck containers. The vehicles remained operational throughout the year without functioning of speedo / hours meters. The entries in the logbooks were recorded on assumption basis instead of actual meter readings.

Due to weak internal controls, expenditure on POL was incurred without functional meters which resulted in irregular expenditure.

The matter was reported to PAO in November, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests made by Audit vide letter No.RDA/DGK/CD-1272 dated 10.11.2023, No.1290 dated 20.11.2023 and No.1323 dated 01.12.2023.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 2.2.4 having financial impact of Rs 72.479 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 10]

2.3.2 Irregular payment of salaries to work charged employees – Rs 20.754 million

According to Para 3 of Government of the Punjab LG & CD Department letter No.SO-ADMN-II (LG) 3-55/2007 dated 03.03.2016, "It has also come to the notice of the Department that the Local Governments in Punjab are appointing the work charged / daily wages employees without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules. Therefore, it has been decided that in future no work charged / daily wages employee will be appointed without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of DGKWMC for the FY 2022-23, it was observed that CEO paid salaries amounting to Rs 20.754 million to 86 work charged employees. 48 of the said work charged employees were adjusted from MC Dera Ghazi Khan and 38 were hired by the DGKWMC for 89 days, at the time of inception of the Company (three years ago). The said employees were working without any extension of service or fresh appointment. Furthermore, upon contracting with the third party for provision HR resources of 410 un-skilled, semi-skilled and skilled workers, the retention of services of work charged employees was unjustified.

Due to weak financial controls, salaries were paid to the work charged employees without valid extension and justification which resulted in irregular expenditure.

The matter was reported to PAO in November, 2023. No reply was submitted by the management.

DAC meeting was not convened despite repeated written requests till finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person (s) at fault.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 2.2.5 having financial impact of Rs 37.654 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 7]

2.3.3 Unauthorized purchase of stores beyond competency – Rs 9.490 million

According to powers delegated in 21st Board meeting dated 19.01.2023 of DGKWMC, "CEO is competent to approve and accept the tender for procurement up to Rs 2 million." Further, according to 7.5.4.1.5 of Accounting and Financial Reporting Manual of LWMC, as adopted by DGKWMC, all bank accounts shall be operated upon by the joint signatures of two persons from the following signatories:

Sr. No.	Financial Limit	Authorized Signatures
1	Up to Rs 1 million	CFO & GM (Operation, Procurement or HR)
2	Rs 1 million to 20 million	MD/CEO & CFO. In the absence of any authority the cheque will be signed by the next higher level authority
3	Above Rs 20 million	MD with any member of Board authorized by the board for this purpose.

During audit of DGKWMC for the FY 2022-23, it was observed that CEO made procurement of 157 tyres for tractors, trucks and dumpers valuing Rs 9.490 million. The approval of tender was granted by CEO beyond delegated schedule of powers. Further, the cheque No. 76307 dated 23.06.2023 amounting to Rs 9.490 million was signed by the CEO and Manager HR & Admn instead of CEO and CFO or next higher authority.

Due to poor financial management, tender was accepted and payment was made without observing the Board's decision which resulted in unauthorized expenditure.

The matter was reported to PAO in November, 2023. No reply was submitted by the management.

DAC meeting was not convened despite repeated written requests till finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR Para: 14]

2.3.4 Non finalization of annual accounts

According to Clauses 56 (a) & 48 of Article of Association, "The Company shall get its annual accounts audited from a firm of Chartered Accountants. The directors shall require to prepare and lay before the Company in Annual General Meeting such balance sheet, income and expenditure account, cash flow statement duly audited and reports as required under the act."

During audit of DGKWMC for the FY 2022-23, it was observed that CEO incurred expenditure amounting to Rs 385.877 million but failed to prepare and get annual accounts audited from a Chartered Accountant firm. Similarly, annual accounts for Financial Year 2021-22 had also not been audited from any Chartered Accountant firm which was clear violation of clauses of Companies Act, 2017 and Articles of Association. Annual General Meeting was also not be convened due to non-certification of accounts.

Due to weak internal controls, the Accounts of the company were not audited which resulted in irregular and doubtful expenditure.

The matter was reported to PAO in November, 2023. No reply was submitted by the management.

DAC meeting was not convened despite repeated written requests till finalization of this Report.

Audit recommends the provision of audited accounts of the company for audit scrutiny besides fixing responsibility against the person(s) at fault.

[AIR Para: 9]

Others

2.3.5 Loss due to non-collection of share from MC – Rs 95.101 million

According to Clause 10 of the SAAMA, DGKWMC, “Amounts budgeted in the approved annual budget of the MC Dera Ghazi Khan for solid waste management shall be transferred through credit into commercial bank account of the DGKWMC.”

During audit of DGKWMC for the FY 2022-23, it was observed that CEO did not collect Rs 95.101 million on account of share of budget from Municipal Corporation Dera Ghazi Khan. Total share from MC Dera Ghazi Khan was Rs 185.798 million out of which Rs 90.697 million was received and Rs 95.101 million was not collected during Financial Year 2022-23.

Due to weak financial management, prescribed share was not recovered by the company which resulted in loss to the company.

The matter was reported to PAO in November, 2023. No reply was submitted by the management.

DAC meeting was not convened despite repeated written requests till finalization of this Report.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 2.2.9 having financial impact of Rs 65.480 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 2]

2.3.6 Loss due to payment of inadmissible allowances – Rs 5.549 million

According to Government of the Punjab, S&GAD letter No.(O&M)S&GAD)5-3/2013 dated 01.03.2013, “The contract employees will not be entitled for Social Security Benefit (SSB) after regularization of their services and their pay shall be fixed at the initial of the respective pay scales.”

During audit of DGKWMC for the FY 2022-23, it was observed that CEO made overpayment of Rs 5.549 million on account of pay and allowances. Scrutiny of service record of the MC employees transferred to the Company showed that social security benefits in lieu of pension after regularization of services and adhoc relief allowances were not deducted from the pay. The detail is as under:

(Rupees in million)

Sr. No.	Description	No. of employees	Amount
1	Social Security Benefits after regularization	114	3.747
2	Adhoc Relief Allowances	76	1.802
Total		**190**	**5.549**

Due to weak internal controls, inadmissible allowances were paid to the employees which resulted in loss to the company.

The matter was reported to PAO in November, 2023. No reply was submitted by the management.

DAC meeting was not convened despite repeated written requests till finalization of this Report.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 2.2.11 having financial impact of Rs 3.340 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 3, 17]

2.3.7 Non-establishment of Provident Fund – Rs 1.424 million

According to Clause 6.1 of HR Manual of LWMC adopted by the DGKWMC, "The decision as to the nature of the trust and the policy and procedures for maintenance of the Provident Fund Trust shall be developed by GM (HR & A). The company and the employees shall contribute to the provident fund at the rate of ten (10) percent of basic salary, in equal proportion."

During audit of DGKWMC for the FY 2022-23, it was observed that CEO failed to establish Provident Fund Trust which resulted in non-deduction of share from the employees and non-contributing of share by the company amounting to Rs 1.424 million.

Due to weak internal controls, the employees' Provident Fund Trust was not established and the contribution was not deposited which resulted in violation of HR Manual.

The matter was reported to PAO in November, 2023. No reply was submitted by the management.

DAC meeting was not convened despite repeated written requests till finalization of this Report.

Audit recommends to establish Provident Fund Trust at the earliest.

<u>Note:</u> The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 2.2.13 having financial impact of Rs 1.459 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 15]

2.3.8 Loss due to delay in approval of company as non-profit organization – Rs 1.100 million

According to Section 100C of the Income Tax Ordinance 2001, “The income of non-profit organization, trust, or welfare institutions, shall be allowed a tax credit equal to one hundred percent of the tax payable including minimum tax and final taxes payable under any of the provisions of this Ordinance.”

During audit of DGKWMC for the FY 2022-23, it was observed that CEO failed to get approval of status of DGKWMC as non-profit organization from Federal Board of Revenue (FBR) till date. Withholding tax amounting to Rs 1.100 million was deducted by bank on profit earned on the balances available in the bank accounts during Financial Year 2022-23. DGKWMC was incorporated on 10.02.2020 as non-profit organization.

Due to weak financial controls and negligence of management approval of company as non-profit organization was delayed which resulted in loss to the Company.

The matter was reported to PAO in November, 2023. No reply was submitted by the management.

DAC meeting was not convened despite repeated written requests till finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR Para: 20]

2.4 Faisalabad Waste Management Company, Faisalabad

Procedural irregularities

2.4.1 Unauthorized expenditure on hiring of temporary establishment – Rs 579.074 million

According to letter No.RO(Tech)FD2-2/2018 dated 20.09.2019 issued by the Finance Department, Government of the Punjab and Para 2 of preface of schedule of wage rate 2019, "Appointment of temporary establishment to be made by the competent authority subject to the following conditions, the post(s) shall be advertised properly in the leading newspapers, the recruitment to all the posts be made on the basis of merit specified for regular establishment and terms and conditions of employee shall be governed under Rules 7.12 to 7.14 & 7.37 to 7.41 of DFR (Punjab Financial Handbook No.03)."

During audit of FWMC for the FY 2022-23, it was observed that CEO incurred expenditure of Rs 579.074 million on wages of 3,432 daily wage employees including waste workers, helpers, drivers, office boys, cleaners etc. The daily wage workers were hired / recruited without adopting prescribed procedure. Recruitment and attendance record of 44 Daily wage workers was not available in the office. Furthermore, 303 daily wage workers were hired excess than the sanctioned posts and 150 employees were paid without marking attendance through iris attendance system. Moreover, 88 employees of the company were found performing duties in different offices i.e. offices of Commissioner & Deputy Commissioner, Municipal Corporation, District Courts etc.

Due to weak internal controls, temporary establishment was hired and expenditure on wages was incurred in violation of prescribed procedure which resulted in unauthorized expenditure.

The matter was reported to PAO in November, 2023. The management replied that FWMC hired the staff after advertisement and walk in interviews. Further, in pursuance of clause 2(c) and 2(g) of SAAMA, FWMC hired 500 waste workers to enhance the existing organizational structure with the approval of the Board after taking the LG&CD Department in loop. The reply was not tenable as the staff was hired without adopting prescribed procedure and paid salary through manual attendance.

DAC in its meeting held during January, 2024 directed CEO to hold inquiry with special focus on sanctioned strength, recruitment of excess employees, process of recruitment and action against absentee employees within 30 days. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23 and 2019-20 vide para numbers 2.3.5 and 5.2.6.1.4 respectively having financial impact of Rs 42.338 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 10]

2.4.2 Irregular payment of honorarium in violation of policy criteria – Rs 65.336 million

According to provision 6.2 of HR Manual of FWMC, "The purpose of bonus policy is to ensure that the recommendations, the approval and payment of bonuses are applied in a fair and consistent manner in accordance with the FWMC's overall remuneration strategy and structure, and its employment contracts. Any employee who has completed at least 180 days' service with FWMC during the year shall be entitled for consideration for bonus. Bonus shall be paid according to performance of the management employees at the sole discretion of the Management."

During audit of FWMC for the FY 2022-23, it was observed that CEO made payment of honorarium amounting to Rs 65.336 million to corporate employees, regular staff and daily wage workers in October, 2022 on performing duty during Eid-ul-Azha days. However, the honorarium was paid in violation of provisions of HR Manual, the detail is as under:

i. Honorarium was paid to the corporate employees & regular staff amounting to Rs 38.491 million who were also compensated with incentive of 13^{th} salary, equal to one month's gross salary, as bonus in January, 2023 for performance of duty on special days. The bonus was paid despite the Company was running huge deficit.

ii. Honorarium amounting to Rs 26.845 million was paid to daily wage workers who were employed for 89 days whereas qualifying length of service during the year for eligibility of incentive was 180 days as per HR Manual.

Due to weak internal controls and financial indiscipline, honorarium was paid to the employees in violation of criteria of HR Manual which resulted in irregular expenditure.

The matter was reported to PAO in November, 2023. The management replied that FWMC awarded one general bonus in shape of 13^{th} salary, under the provisions of Section 6.2.2 of HR Manual to regular and corporate employees for performing special duties on public holidays. Moreover, in pursuance of Section of HR Manual, FWMC awarded another special bonus to all employees (Corporate, Regular and Daily Wage) to acknowledge the outstanding performance of the employees on major event of Eid-ul-Azha after due approval of the Board. The reply was not tenable as bonuses were paid either without devising policy or in violation of provisions of Company's HR Manual.

DAC in its meeting held during January, 2024 directed the CEO to provide devised policy to Audit for verification. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23 and 2020-21 vide para numbers 2.3.4 and 5.4.1.1 respectively having financial impact of Rs 85.730 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 18]

2.4.3 Irregular expenditure due to ineffective monitoring of fuel consumption – Rs 53.008 million

According to Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2013, "The Chief Executive is responsible for making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively." Further, according to Provision 12.1 of the Accounting and Financial Reporting Manual FWMC, "The Managing Director or his designee has delegated authority to maximize the use of resources, through the achievement of economy, efficiency and effectiveness and for ensuring that financial considerations are taken into account, at all stages of the decision-making process."

During audit of FWMC for the FY 2022-23, it was observed that transport pool of FWMC had various operational vehicles including dumper trucks, arm-roll vehicle etc. for collection and transportation of waste to dumping site and eight vehicles including Suzuki Mehran and Suzuki Bolan as pool vehicles to be used as staff cars during Financial Year 2022-23. However, following discrepancies were observed in fuel consumption costing Rs 53.008 million of these vehicles:

i. The operational vehicles were monitored through automated Vehicle Tracking System (VTS) as well as through maintenance of manual logbooks. However, a comparative analysis of milage recorded in logbooks and milage covered as per VTS report of 15 vehicles depicted that tracker of 8 vehicles remained non-responsive in different months and trackers of 07 vehicles showed zero millage in monthly monitoring reports. Whereas, log books of these vehicles showed millage of 520,514 kilometers which resulted in unauthentic utilization of fuel costing Rs 50.927 million during FY 2022-23.

ii. Moreover, pool vehicles used as staff cars consumed fuel costing Rs 2.081 million during Financial Year 2022-23. However, these vehicles were used without any policy and approval of competent authority. **(Annexure-1)**

Due to weak internal controls, consumption of POL of vehicles were not monitored effectively which resulted in irregular expenditure.

The matter was reported to PAO in November, 2023. The management replied that VTS was a tool to monitor the real time location and running of vehicles on specified routes. However, logbooks of the vehicles maintained on actual reading of milometers which was further rechecked through Vehicle Trip Counting Slip System at FWMC weighbridge. Further, most of the vehicles in FWMC were of 2007/2010 models having weak battery/self-start, deteriorated electric wiring and tracker unit fuse issues which put the trackers on non-responsive mode. Reports of non-responding trackers were shared with service provider on quarterly basis. Moreover, non-transmission of data on server due to interrupted internet supply, weak tracker signals in some areas and overcast weather conditions also caused server as not reporting mode. Furthermore, pool vehicles were used for routine office work, upon requisition form personnel concerned and approval by Pool Officer. The reply was not tenable as vehicles were not properly monitored and tackers remained on non-responsive mode for a maximum period in the year. Pool vehicles were retained and used without devising policy.

DAC in its meeting held during January, 2024 directed CEO to probe the matter and produce relevant record to Audit for verification. Non progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2022-23, 2020-21, 2019-20 and 2018-19 vide paras number 2.3.1, 5.4.1.2, 5.2.6.3.3, 5.2.6.3.2, 5.2.6.3.1, 5.2.6.1.3, and 5.2.4.3 respectively having financial impact of Rs 213.189 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 12, 13]

2.4.4 Non-transfer of deducted House Rent Allowance and Insurance Premium to MCF – Rs 2.541 million

According to Provisions 10.1.1.4 of Accounting and Financial Reporting Manual of the Company, "The Accounts and Finance Department shall process mandatory deductions from an employee's pay-cheque in compliance with governmental regulations, and voluntary deductions within its scope in accordance with employee election. Voluntary deductions shall be made upon evidence of employee's authorization for such deductions. The Accounts and Finance Department shall ensure the timely disbursement of amounts withheld from employees' pay-cheques to government in accordance with statutory regulations."

During audit of FWMC for the FY 2022-23, it was observed that CEO made mandatory deductions on account Group Insurance and House Rent Allowance from salaries of the regular employees residing in Metropolitan Corporation Faisalabad (MCF) residences amounting to Rs

2.541 million. However, the amount was not transferred to MCF and same was retained by the FWMC without any plausible reasons.

Due to weak internal controls and financial indiscipline, FWMC unduly retained the amount deducted from salaries of the employees which resulted in unauthorized retention of MCF fund.

The matter was reported to PAO in November, 2023. The management replied that due to the budget constraints funds were used to pay salaries to staff. However, pendency of Insurance & House rent would be cleared on provision of additional funds from Government of Punjab. Audit stressed to clear the liability at the earliest.

DAC in its meeting held during January, 2024 directed the CEO to transfer the amount to the quarters concerned at the earliest. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 2.3.7 having financial impact of Rs 9.921 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 6]

Value for money and service delivery issues

2.4.5 Uncertain financial sustainability due to high budget deficit – Rs 1,371.820 million

According to Clauses 10 & 12 of the SAAMA, "FWMC shall achieve self-sufficiency through cost recovery measure in respect of solid waste management services." Furthermore, according to decision 6 of 41st FWMC Board of Directors Meeting, "The company shall levy user charges according to Revenue Generation Plan."

During audit of FWMC for the FY 2022-23, it was observed that CEO failed to achieve financial self-sufficiency even after lapse of 9 years since its establishment in Year 2014 as detailed under:

i. The company had budget estimate of Rs 2,531.260 million during Financial Year 2022-23 against PFC share of Rs 1,142.660 million and generated own sources revenue of Rs 16.780 million which resulted in budget deficit of Rs 1,371.820 million. Against the budget estimate, an expenditure of Rs 2,199.630 million was incurred. The cash deficit was met by obtaining loan of Rs 774 million from the Government of Punjab and carrying forward the liabilities of Rs 266.190 million.

ii. The Management of FWMC Faisalabad failed to implement its Revenue Generation Plan, which was levy of User Charges @ Rs 15 per Marla leviable on households and commercial entities in connection with solid waste management. Resultantly, the Company failed to realize potential revenue amounting to Rs 1,345.110 million (approximate).

Due to weak financial management and lack of planning, comprehensive business strategy / financial plans were not implemented which resulted in high budget deficit and uncertain financial sustainability of FWMC.

The matter was reported to PAO in November, 2023. The management replied that Revenue Generation Plan was discussed in Resource Mobilization Committee meeting in May, 2023 which recommended the Proposal-1 and forwarded it to Provincial Cabinet in June, 2023. LG&CD Department initiated a summary for Chief Minister's for approval and matter was pending with Government of Punjab for final decision. Audit stressed to pursue the case and expedite the process of approval.

DAC in its meeting held during January, 2024 directed CEO, FWMC to take up the matter with Administrative Department for early approval of Revenue Generation Plan. No progress was intimated till finalization of this report.

Audit recommends early compliance of DAC's directives.

[AIR Para: 16]

2.5 Multan Waste Management Company, Multan

Procedural irregularities

2.5.1 Irregular opening of tenders by management – Rs 68.226 million

According to Clause 4.3 of Procurement and Contracts Manual of LWMC adopted by the MWMC in its 46th meeting of Board dated 27.06.2020, "Procurement Committee shall consist of the GM (P&C), GM (Operations), Chief Financial Officer, one person from Board / nominated by Board and concerned Departmental Head involved in the requisition process." Further, according to 54th meeting of Board dated 16.10.2021, "Procurement Committee of Board of Directors was constituted under Rule 12(2) Public Sector Code of Corporate Governance (PSCCG) Rules, 2013 consisting of Mr. Malik Masroor Haider Usman as convener, Mr. Yasir Asghar Bucha, Mr. Javed Iqbal, representative of Secretory Finance and CEO MWMC as members."

During audit of MWMC for the FY 2022-23, it was observed that CEO incurred expenditure amounting to Rs 68.226 million on account of procurement of different items i.e. tyres for vehicles, lubricants and hiring of machinery etc. The expenditure was irregular as the tendering process was not transparent. The tenders were opened by management in violation of procurement and contracts manual and in absence of procurement committee of Board. **Annexure-2**

Due to weak internal controls, tenders were opened by the company management in absence of procurement committee nominated by Board which resulted in irregular tendering process and expenditure.

The matter was reported to PAO in November, 2023. The management replied that MWMC being a public sector entity always followed the rule of law and all the procurements were made in conformity with principles of procurement. MWMC had its own Procurement Department with proper team. The reply was not tenable as the violation of Procurement and Contract Manual was not justified.

DAC in its meeting held during January, 2024 issued directions to the CFO to constitute a committee to verify each and every aspect of procurement in the lights of TORs of procurement committee and submit report for regularization. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 2.4.5 having financial impact of Rs 55.585 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 13]

Others

2.5.2 Doubtful consumption of POL – Rs 181.801 million

According to Section 49 of PFR-Vol-II, "Record of petrol, oil, lubricants and spare parts should be maintained separately for each vehicle. Full particulars of journey, distances between two places and purpose of journey indicating the brief particulars of the journey performed should be recorded in logbook. Furthermore, according to Government of the Punjab, Services & General Administration Department (Transport Pool) letter No. MTO(S&GAD) AT-II/2-9/2006 dated 26.12.2008, "Necessary arrangements were required for sealing of speedometer/milometer of all the vehicles under use in Government offices to minimize the chances of pilferage/misappropriation of fuel to save Government exchequer."

During audit of MWMC for the FY 2022-23, it was observed that CEO incurred expenditure amounting to Rs 181.801 million on account of purchase of POL of vehicles, tractors, rickshaws, container lifters, loaders and dumper trucks etc. Vehicle Trip Counting (VTC) System was installed in 2017 by the company for recording usage of POL and operation of each vehicle but no trackers report was available for verification of logbooks entries. Further, 48,428 liters' petrol was claimed against 86 loader rickshaws without obtaining fuel consumption certificate. **Annexure-3**

Due to weak monitoring mechanism, POL was drawn without recording usage of POL through VTC system which resulted in doubtful consumption of POL.

The matter was reported to PAO in November, 2023. The management replied that Vehicle Tracking and Monitoring System was installed in 126 operational vehicles by TPL Trackers Limited in 2017. The agreement expired on 31.03.2021 and was not renewed by the Authority. The trackers unit had completed 4 years and needed to be replaced. MWMC had signed a new contract with "Connexis (Pvt) Ltd" for vehicle monitoring & tracking. New trackers were installed in all active operational vehicles of MWMC. This system was under trial as reports and dashboard was not ready as per required formats and no any payment was made for those services. The VTMS had been made functional and SOP approved from competent authority. The reply was not tenable as the delay in replacing the VTC was not justified and the expenditure against POL was incurred without obtaining fuel consumption certificate.

DAC in its meeting held during January, 2024 issued direction to conduct an inquiry though LG&CD Department Lahore to probe the matter. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2018-19 vide para number 7.2.1.4 having financial impact of Rs 11.404 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 14]

2.5.3 Loss due to hiring of staff through contractor – Rs 23.933 million

According to Clause 4.2 & 10.1.1 of Procurement and Contractual Manual, "All MWMC employees involved in the procurement process shall have the responsibility for ensuring that the procurement of goods and services for Company is carried out in a cost effective manner."

During audit of MWMC for the FY 2022-23, it was observed that CEO incurred expenditure amounting to Rs 109.020 million on account of hiring of sanitary workers from contractor instead of direct hiring of contingent paid staff. Company incurred excess expenditure amounting to Rs 23.933 million by hiring of daily wages / contingent paid staff through contractor by paying income tax Rs 8.176 million, Punjab Sales Tax on Services (PSTS) Rs 15.037 million and contractor's profit Rs 0.720 million.

Due to weak financial controls, excess expenditure was incurred on hiring of daily wagers which resulted in loss to the Company.

The matter was reported to PAO in November, 2023. The management replied that MWMC hired the third-party workers through tendering process as per PPRA rules, 2014 which was most economical method. The reply was not tenable as the loss due to hiring of staff though contractor was not justified.

DAC in its meeting held during January, 2024 issued directions to the company's representative to conduct a study in consultation with other PSCs and report on best economic model for hiring of sweepers for waste collection by companies. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

[AIR Para: 6]

2.5.4 Irregular expenditure on hiring of machinery – Rs 23.136 million

According to Rules 59 (d)(iii& iv) of the Punjab Procurement Rules 2014, "A procuring agency may engage in negotiated tendering but this procedure shall only be used when for reasons of extreme urgency brought about by events unforeseeable by the procuring agency, the time limits laid down for open and limited bidding methods cannot be met, however, the circumstances invoked to justify extreme urgency must not be attributable to the procuring agency and the

Provincial Cabinet, for reason to be recorded in writing, approves any specific procurement to be made on urgent basis and shall fix the time for such urgency."

During audit of MWMC for the FY 2022-23, it was observed that CEO incurred expenditure amounting to Rs 23.136 million on account of hiring of machinery after declaring urgency by the Deputy Commissioner as Chairman MWMC without prior approval of Provincial Cabinet, mentioning time period for reasons recorded in writing. Management initiated process for hiring of machinery and floated advertisement on 11.05.2022 with tender opening date of 30.05.2022. But after opening of financial bid procurement committee in its 17th meeting decided to cancel the tender and approved that expenditure would be incurred through quotations by declaring urgency. Audit also compared the rates paid through quotations with rates received through tender which revealed that excess payment of Rs 4.381 million was made than tender price. **Annexure-4**

Due to weak internal controls, machinery was hired by declaring urgency against procurement rules which resulted in irregular expenditure.

The matter was reported to PAO in November, 2023. The management replied that the MWMC operational fleet was not sufficient to handle grand cleanliness operations at the event of Eid-ul-Azha. For that purpose, MWMC had to hire the machinery on rent. That year Operations Department of MWMC devised a plan for hiring of rental machinery services for Eid-ul-Azha 2022 (PROC # 30)" at an estimated cost of Rs 16.283 million. The reply was not tenable as no reason was offered to violate the procurement rules by declaring so called urgency.

DAC in its meeting held during January, 2024 directed the CEO to get the expenditure regularized from the Finance Department. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para:1]

2.5.5 Loss due to delay in approval of company as non-profit organization – Rs 18.178 million

According to Section 100C of the Income Tax Ordinance 2001, "The income of non-profit organization, trust, or welfare institutions, shall be allowed a tax credit equal to one hundred percent of the tax payable including minimum tax and final taxes payable under any of the provisions of this Ordinance." Furthermore, according to Rule 4(3) of the Public Sector Companies (Corporate Governance) Rules, 2017, "The Chief Executive is responsible to implement strategies and policies approved by the Board, make 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 MWMC for the FY 2022-23, it was observed that CEO failed to get approval of status of MWMC as non-profit organization from Federal Board of Revenue (FBR) till date. Withholding tax amounting to Rs 18.178 million was deducted by bank on profit earned on the balances available in the bank accounts during Financial Year 2022-23. MWMC was incorporated on 12.07.2013 as non-profit organization. **Annexure-5**

Due to weak financial controls and negligence of management approval of company as non-profit organization was delayed which resulted in loss to the Company.

The matter was reported to PAO in November, 2023. The management replied that MWMC had applied for the non-profit organization certificate with the Commissioner Tax Multan. MWMC was also focusing on completing all the formalities for availing the Tax exemption as per rules. The reply was not tenable as the MWMC was still not declared as non-profit organization.

DAC in its meeting held during January, 2024 directed the management to expedite the efforts to get approval. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number, 2.4.20 having financial impact of Rs 11.278 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 19]

2.5.6 Loss due to unauthorized payment of integrated allowance – Rs 11.242 million

According to Government of the Punjab, Finance Department, Lahore, notification No. FD.PC.2-1/2001dated 11.07.2011, "Integrated allowance is allowed to Naib Qasids, Qasids, Daftries, Frashes, Chowkidars, Sweepers and Security Guards."

During audit of MWMC for the FY 2022-23, it was observed that CEO made payment amounting to Rs 11.242 million on account of integrated allowance to 2,000 sanitary workers, supervisors, inspectors, beldars etc. without entitlement.

Due to weak financial controls, integrated allowance was paid without entitlement which resulted in loss to the company.

The matter was reported to PAO in November, 2023. The management replied that MWMC paid the integrated allowance to the employees up to BPS-4 of CDGM handed over to

MWMC through SAAMA as per Letter No. FD. PC-2-I/2005 dated 16-07-2005 issued from Finance Department, Government of Punjab, wherein revised integrated allowance to civil servants was Rs 450 per month. The reply was not tenable as the integrated allowance was not admissible to the employees of above mentioned categories.

DAC in its meeting held during January, 2024 directed the management to sort clarification from the Finance Department. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2020-21 vide para number 7.4.12 having financial impact of Rs 12.373 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para:10]

2.5.7 Loss due to non-imposition of penalty for late disbursement of wages – Rs 2.515 million

According to Clause xviii of terms & conditions of bidding documents, "The Contractor shall disburse salaries till 7th of each month. In case of delay, penalty @ of PKR 200 per worker/day will be imposed. If the salaries are not disbursed till 15th of each month, client has the right to terminate the contract under Clause 16."

During audit of MWMC for the FY 2022-23, it was observed that CEO failed to impose penalty against vendor amounting to Rs 2.515 million against the late payment of salaries to workers from the month of June, 2022 to April,2023. As per agreement, salaries to workers were to be paid by 7th day of each month but the vendor delayed in payments up to 17th days in payment of salaries for month of April, 2023. Almost in each month the salary was not paid within the time period mentioned in the contract. The detail is as under:

(Rupees in million)

Billing Month	Due date for disbursement of salary	Salary payment date	Number of workers	Late payment days	Fine Rs 200 Per person per day
Aug, 2022	7-Sep-22	9-Sep-22	4	2	0.002
Sep, 2022	7-Oct-22	12-Oct-22	300	5	0.300
Nov,2022	7-Dec-22	9-Dec-22	298	2	0.119
Jan, 2023	7-Feb-23	10-Feb-23	300	3	0.180
Feb, 2023	7-Mar-23	10-Mar-23	298	3	0.179
Feb, 2023	7-Mar-23	11-Mar-23	1	4	0.001
Mar, 2023	7-Apr-23	19-Apr-23	299	12	0.718
April, 2023	7-May-23	24-May-23	299	17	1.017
Total					**2.515**

Due to weak financial controls, penalty for late payment of wages to workers was not imposed against the venders which resulted in loss to the Company.

The matter was reported to PAO in November, 2023. The management replied that there were few delays in payment of salaries by the contractor to workers. The same matter was also highlighted during internal audit and Procurement Committee & Audit Committee of the Board directed to present the matter before Board for final approval. The reply was not tenable as no recovery was made from the vendors.

DAC in its meeting held during January, 2024 directed the management to recover the amount of penalty from defaulter. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 2.4.21 having financial impact of Rs 7.232 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 5]

2.5.8 Non-deduction of Group Insurance – Rs 1.657 million

According to Para 10.1.1.4 of Accounting and Financial Reporting Manual, "The Accounts and Finance Department shall process mandatory deductions from an employee's pay-cheque in compliance with governmental regulations."

During audit of MWMC for the FY 2022-23, it was observed that CEO failed to deduct Group Insurance amounting to Rs 1.657 million from the salaries of regular / permanent government employees working in MWMC. The detail is as under:

(Rupees in million)

BPS	No. of employees	Group Insurance rate	No. of months	Amount
BPS-1	949	67	12	0.763
BPS-2	663	67	12	0.533
BPS-3	28	67	12	0.023
BPS-4	94	67	12	0.076
BPS-5	187	79	12	0.177
BPS-6	31	79	12	0.029
BPS-8	4	79	12	0.004
BPS-9	19	79	12	0.018
BPS-11	15	135	12	0.024
BPS-14	2	135	12	0.003
BPS-16	1	202	12	0.002
BPS-18	1	392	12	0.005
Total				**1.657**

Due to weak financial controls, group insurance was not deducted which resulted in violation of Government instructions.

The matter was reported to PAO in November, 2023. The management replied that all the matters of employees were dealt as per directions received from CDGM now MCM as per SAAMA and no direction whatsoever had been received in HR department since the establishment of company regarding deductions of group insurance of regular employees of MWMC. Audit stressed deductions of group insurance of regular employees.

DAC in its meeting held during January, 2024 directed the management to make compliance of audit observation. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

[AIR Para: 7]

2.6 Punjab Cattle Market Management and Development Company, Lahore

Procedural irregularities

2.6.1 Irregular expenditure for arrangements of Eid-ul-Azha – Rs 32.898 million

According to Rules 64A and 59(d)(iii) of the Punjab Procurement Rules 2014, "A procuring agency may assign whole or part of procurement process to another procuring agency with the consent of that other procuring agency. A procuring agency may engage in negotiated tendering with one or more contractors with or without prior publication of a procurement notification but this procedure shall only be used when for reasons of extreme urgency brought about by events unforeseeable by the procuring agency, the time limits laid down for open and limited bidding methods cannot be met, however, the circumstances invoked to justify extreme urgency must not be attributable to the procuring agency."

During audit of PCMMDC for the FY 2022-23, it was observed that Chief Operating Officers (COOs) of Faisalabad and 02 other Divisions incurred expenditure amounting to Rs 32.898 million on purchase of uniforms, hiring of tentage / lighting equipment, generators, furniture, purchase of fuel, limestone, medicines, pana-flexes, janitorial items etc. The procurement process including advertisement, obtaining / evaluation of technical & financial bids, award of contracts etc. was initiated and finalized by the Head Office PCMMDC, Lahore without consent of the procuring agencies. Quantities and estimated value of items to be procured was not specified in advertisement notice. Supply orders were issued and supply received by Head Office whereas payments were made by the Chief Operating Officers. Furthermore, the HQ office issued the material to the COOs against the payment made. Transparency of the tendering process and quality assurance of the material supplied were compromised by the centralized procurement. Moreover, the field offices were not taken on board during the tendering process. The detail is as under:

(Rupees in million)

Sr. No.	**Sub Office of PCMMDC**	**Detail**	**Amount**
1	Faisalabad	Procurement for Eid-ul-Azha arrangement	10.086
2	Multan		12.620
3	Sahiwal		10.192
Total			**32.898**

Due to weak internal controls, centralized bidding process was carried out without the participation of the consumer which resulted in irregular expenditure.

The matter was reported to PAO in November, 2023. The COOs of Faisalabad and Multan Divisions replied that PCMMDC was a single entity being operated on Provincial level with field offices at divisional level. The Board being competent forum, after reviewing the whole procurement with excess amount, approved the payments of Eid-ul-Azha at agenda item No.11 of the 10th Board meeting on 07-09-2022. The divisional offices made payment to the suppliers / vendors. Therefore, no irregularity in procurement was committed by the PCMMDC. The reply was not tenable as procurement without consent of the procuring entity was not justified. The COO of Sahiwal Division did not submit any reply.

DAC in its meetings held during January, 2024 directed the COOs to get the matter regularized from the competent authority. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Paras: 10,4,3]

2.6.2 Irregular transfer of funds for capital expenditure – Rs 22.285 million

According to Serial No. 4 of approved PC-1, "Provincial Government will provide full grant in aid for establishment of model market (ADP 2016-17) GR No. 2526." Further, according to Admn Approval dated 29.03.2017 of Secretary Local Government, "Funds will be placed into SDA of Divisional Commissioner, Sahiwal for execution of scheme through Communication & Works Department, Government of Punjab." Furthermore, according to Rule 4(3) of the Public Sector Companies (Corporate Governance) Rules, 2013, "The chief executive is responsible for 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 PCMMDC for the FY 2022-23, it was observed that COO Sahiwal Division transferred funds amounting to Rs 22.285 million to the XEN (Buildings) Pakpattan for construction of Model Cattle Market Arifwala which was the responsibility of the Punjab Government. The amount was transferred to the XEN (Buildings) without revising the source of funding in PC-1. Audit also observed the following irregularities:

i. Unjustified delay in the scheme was made due to which PCMMDC Sahiwal Division had to bear the extra financial expenses of Rs 9.296 million on account of rent of leased land for organizing cattle market Arifwala near Cattle Market Kameer.

ii. The work was awarded in June 2017 with completion period up to June, 2019 but the same remained incomplete till July, 2023. Due to delay, cost of scheme was increased to Rs 148.743 million which was also loss to PCMMDC.

Due to weak financial controls, Government of Punjab share was paid by the PCMMDC which resulted in irregular transfer of funds for capital expenditure.

The matter was reported to PAO in November, 2023. No reply was submitted by the management.

DAC meeting was not convened despite repeated written requests till finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR Para: 2]

2.6.3 Irregular expenditure on rent of land acquired for establishment of cattle markets – Rs 13.666 million

According to Article 42(r) of the Articles of Association (AoA) of the PCMMDC, "The Board of Directors shall ensure compliance with the applicable laws and rules as well as company's internal rules and procedures." Further, according to Rule 12 of the Punjab Procurement Rules 2014, "The procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of thee million rupees on the website of the Authority in the manner and format specified by regulations."

During audit of PCMMDC for the FY 2022-23, it was observed that COOs Faisalabad and Sahiwal Divisions incurred expenditure amounting to Rs 13.666 million for acquiring land on lease / rental basis from private persons for establishment of 16 cattle markets / sales point. The land was acquired without uploading procurement opportunities on the Punjab Procurement Regulatory Authority (PPRA) website and seeking availability of state land for the said purpose from the Government of the Punjab, Revenue Department. The detail is as under:

(Rupees in million)

Sr. No.	Sub Office of PCMMDC	Detail	Amount
1	Faisalabad	Expenditure on establishment of cattle markets on private land	8.315
2		Expenditure on establishment of temporary sale point in Chiniot	0.589
3	Sahiwal	Expenditure on establishment of cattle markets on private land	4.762
Total			**13.666**

Due to weak managerial controls, land was acquired on lease without due process which resulted in irregular expenditure.

The matter was reported to PAO in November, 2023. The COO Faisalabad Division replied that efforts were being made for allocation of state land for 5 cattle markets being managed on lease land. Till acquiring of state land, the company had to obtain lease land as per rental assessments taken from the relevant district administrations. The reply was not tenable because the management did not make any efforts to acquire the state land. The COO of Sahiwal Division did not submit any reply.

DAC in its meetings held during January, 2024 directed COO to expedite the efforts for obtaining the state land for establishment of cattle markets. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Paras: 9,18,11]

2.6.4 Irregular appointment of daily wages employees – Rs 11.304 million

According to Para 3 of Government of the Punjab LG & CD Department letter No.SO-ADMN-II (LG) 3-55/2007 dated 03.03.2016, "It has also come to the notice of the Department that the Local Governments in Punjab are appointing the work charged / daily wages employees without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules. Therefore, it has been decided that in future no work charged / daily wages employee will be appointed without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of PCMMDC for the FY 2022-23, it was observed that COO Multan Division made payment amounting to Rs 11.304 million to different staff appointed on daily wages without adopting proper recruitment procedures.

Due to weak financial management, appointments of daily wages staff were made without due process which resulted in irregular expenditure.

The matter was reported to PAO in November, 2023. The COO replied that daily wages staff recruited as per approval of MD & budget approved by Board in its 36th meeting dated 22.07.2020. The reply was not tenable as the recruitment process was not properly adopted.

DAC in its meeting held during January, 2024 directed the COO to get the matter regularized from the competent authority. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para: 15]

2.6.5 Loss due to shifting of cattle markets from state land to private land – Rs 9.137 million

According to Government of the Punjab LD&CD Department letter No.AO(Dev)2-25/2014 dated 13.06.2014, under Section 195-B of the Punjab Local Government Ordinance, 2001, (as amended on 06.06.2014), "A cattle market established by a Cattle Market Management Company shall be deemed to be a cattle market organized by a Tehsil / Town Municipal Administration (TMA)." According to Rule 4(3) of the Public Sector Companies (Corporate Governance) Rules, 2013, "The Chief Executive is responsible for 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 PCMMDC for the FY 2022-23, it was observed that COO Bahawalpur Division made payment amounting to Rs 9.137 million against rent of land for three cattle markets which were shifted from state lands to private lease lands irregularly, whereas the same were already on state lands even before inception of company. Land was acquired in excess than requirement. The detail is as under:

(Rupees in million)

Sr. No.	District	Name of Cattle Market	Name of Land Owner (s)	Area of Land	Agreement Amount
1	Rahim Yar Khan	Sadiqabad	1. Mr. Asjad Hassan Saqib	09A-06K-14M	0.738
		Sheikh Wahan	1. Mr. M Saleem Khan	30 Acres	3.300
		Bagh O Bahar	1. Mr. Farrukh Iqbal	03 Acres	0.165
		Khanpur	1. Mr. Ghulam Mustafa	11K-15M	0.128
2	Bahawalnagar	Chak Madrisa	1. Mr. M Naseer 2. Mr. Adil Naseer & 1. Mr. Khaliq ur Rehman 2. Mr. Muhammad Ashraf	20 Acres, & 17 Acres	2.737
		Haroonabad	1. Mr. Khadim Hussain	03 Acres	0.165
		Bahawalnagar	1. Mr. M Khan 2. Mr. Ahmed Khan	10 Acres	0.733
3	Bahawalpur	Uch Sharif	1. Mr. Ahmed Jamshed	03 Acres	0.192
		Tranda M Panah	1. Mr. Irshad Ahmed 2. Mr. Sardar Shamim Khan 3. Mr. Abdul Aziz Khan	27K-07M-45Ft	0.325
		Bahawalpur (Khanqah)	1. Mr. Muhammad Osman Awiasi	03 Acres	0.564
		Khairpur Tamewali	1. Mr. Tariq Javed 2. Ms. Sughran Bibi	13K-08M-81Ft	0.090
Total					**9.137**

Due to poor financial management, cattle markets were shifted from state lands to private lands against the instructions and policy which resulted in loss to the company.

The matter was reported to PAO in November, 2023. COO Bahawalpur Division replied that an amount of Rs 316 million was earned by outsourcing of animal levy & parking fee and self-collection. Location and direct access to cattle markets were very important factors. The expense was only 2.9% of the receipts from Cattle markets. Further, out of 17 cattle markets, 8 of them were operating on state land. Reply was not tenable as rational / reasons / minutes of Board meeting to shift cattle markets from state land to private land were not produced.

DAC in its meeting held during January, 2024 directed the management to provide approval of Board to shift cattle markets from state land to private land within three days. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC’s directives besides fixing responsibility against the person(s) at fault.

[AIR Para: 15]

2.6.6 Irregular expenditure through managed quotations – Rs 6.522 million

According to Rules 12(2) and 25 of Punjab Procurement Rules, 2014, “Any procurement exceeding two million rupees shall be advertised on the website of the Authority, the website of the procuring agency, if any, and in at least two national daily newspapers of wide circulation, one in English and one in Urdu.” Further, according to Rule 9 of Punjab Procurement Rules, 2014, “A procuring agency shall announce in an appropriate manner all proposed procurement for each financial year and shall proceed accordingly without any splitting or regrouping of the procurement so planned. The annual requirements thus determined would be advertised in advance on the PPRA’s website.”

During audit of PCMMDC for the FY 2022-23, it was observed that COO Multan Division incurred expenditure amounting to Rs 6.522 million on account of hiring of canopies for cattle markets and cleaning of land. The award of works was made without competition by arranging three quotations from same person. The contact numbers and address given on the both quotations were same. Further the owner / representative of participating firms was same.

Due to weak financial controls, framework contract was executed through managed quotations which resulted in irregular expenditure.

The matter was reported to PAO in November, 2023. The COO replied that hiring of canopies and cleanliness of solid waste services for cattle markets were procured through quotation process as per PPRA rules 2014. Works were verified by Manager Operations. Comparative statement of quotations obtained from market were verified by the management of PCMMDC Multan. The reply submitted by the management was not relevant to the audit finding.

DAC in its meeting held during January, 2024 directed the COO to probe the matter and report within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC’s directives.

[AIR Para: 11]

Value for money and service delivery issues

2.6.7 Unauthorized collection of levies / fees – Rs 525.046 million

According to Rule 90 of PLGA, 2022, "A local government may collect, through a notification published in the official Gazette, levy all or any of the taxes, fees, rates, tolls, rent and other charges." Furthermore, according to Government of the Punjab Local Government and Community Development Department, letter No.AO-DEV (LG) 9-3/ 2016(Transparency) Dated 27.06.2016 read with minutes of meeting of the expert Sub-committee for Outsourcing of Services & Facilities in Cattle Markets of Punjab dated 18.02.2015, "It is obligatory for the Companies to strictly adhere to the provisions of the Local Government laws / rules including relevant laws, rules, manuals, policies and instructions of Government of the Punjab to ensure transparency in functioning of the Companies."

During audit of PCMMDC for the FY 2022-23, it was observed that COOs Dera Ghazi Khan and Sahiwal Divisions allowed the contractors of cattle markets to collect receipts amounting to Rs 525.046 million against levies and fee without any notification in official Gazette. The rates of said levies were not officially published for stakeholders and general public information. The detail is as under:

(Rupees in million)

Sr. No.	Sub Office of PCMMDC	Amount
1	Dera Ghazi Khan	346.416
2	Sahiwal	178.630
Total		**525.046**

Due to weak financial controls, receipts were collected without gazette notification of levies which resulted in unauthorized collection of receipts.

The matter was reported to PAO in November, 2023. The COO Dera Ghazi Khan Division replied that the animal levy fee and parking fee was dully approved by the Board and same was prominently displayed in the cattle markets for all stakeholder. The reply was not tenable as the said fees were not notified in the official Gazette. The COO of Sahiwal Division did not submit any reply.

DAC in its meeting held during January, 2024 directed the COO Dera Ghazi Khan to get the levy and fee notified in official Gazette as well as regularization of preceding matter from the competent authority. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Paras: 13,8]

2.6.8 Loss due to auction of collection rights at abnormally low price than potential revenue – Rs 414.449 million

According to Clause IV (11) of the Memorandum of Association (MoA), "Objectives of the company include to devise the most suitable mechanism for animal fee collection." Further, according to Article 42(a,f) of the AoA, "The Board shall establish operational policies and procedures and shall prepare and execute detailed plans and programs for the furtherance of the objects of the Company." Furthermore, according to Rule 2.33 of PFR Volume-I, "Every Government servant 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."

During audit of PCMMDC for the FY 2022-23, it was observed that COO Faisalabad Division auctioned the collection right of Animal Levy and Parking Fee to contractors at auction amount of Rs 290.626 million without assessing potential revenue from these revenue sources. However, review of operational activity reports of five cattle markets depicted that the contractors realized income amounting to Rs 705.075 million from the said revenue sources which was 143% more than the contract value of the collection rights and earned gross profit of Rs 414.449 million. The detail is as under:

(Rupees in million)

Sr. No.	Market Name	Revenue earned by Contractors	Contract Value	Difference	% of Contract value
1	Cattle Market Jaranwala	10.650	2.615	8.035	307.3%
2	Cattle Market Maluhana Jhang	465.075	162.260	302.815	186.6%
3	Cattle Market Shorkot City	15.861	7.051	8.810	124.9%
4	Cattle Market Chiniot	123.007	67.200	55.807	83.0%
5	Cattle Market Niamoana	90.482	51.500	38.982	75.7%
Grand Total		**705.075**	**290.626**	**414.449**	**142.6%**

Due to negligence on the part of management, collection rights were awarded without consideration of potential revenue which resulted in loss to the Company.

The matter was reported to PAO in November, 2023. The management replied that PCMMDC at Head Office level advertised outsourcing / auctioning of collection rights of animal levy / parking fee in all cattle markets of the Punjab. Subsequently Board of the PCMMDC approved the received bids which were higher than the reserve price. The reply was not tenable as revenue sources were auctioned without assessing the potential revenue from the said income sources.

DAC in its meeting held during January, 2024 directed COO to produce basis of reserve price and detailed assessment of actual collection / revenue from the income sources on which the contracts were awarded. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

[AIR Para: 12]

Others

2.6.9 Non-recovery / deposit of taxes – Rs 295.610 million

According to Sr. No.56 of the 2nd Schedule read with Rule 10(1) of Punjab Sales Tax on Services Act 2012, "PSTS shall be paid @ 16% of value of taxable services provided by a contractor of debt collection, rent collection, or similar other recovery or collection services including right to collect the toll or fee or regulatory fee or duty or any other similar collection." Further, according to Section 236(A)(1,2) of Income Tax Ordinance 2001, "Advance tax @10% of the gross sale price of any property or goods sold by auction shall be recovered along with each instalment."

During audit of PCMMDC for the FY 2022-23, it was observed that COOs of Bahawalpur and 04 other Divisions auctioned the collection rights of income sources of animal levy and parking fee to different contractors. Contrary to the above provisions, the management did not recover PST @ 16% and Income Tax @ 10% amounting to Rs 295.610 million from the contractors. The detail is as under:

(Rupees in million)

Sr. No.	Sub Office of PCMMDC	Detail	Amount
1	Bahawalpur	Punjab Sales Tax on Services	54.448
		Income tax	0.323
2	Dera Ghazi Khan	Income tax	0.493
		Punjab Sales Tax on Services	58.570
3	Faisalabad	Punjab Sales Tax on Services	55.042
		Income tax	6.668
4	Multan	Punjab Sales Tax on Services	94.276
5	Sahiwal	Punjab Sales Tax on Services	25.790
Total			**295.610**

Due to poor financial management, either taxes were not recovered from the contractors or collected taxes were not deposited into the Government Treasury which resulted in loss to Government and unauthorized retention of public money.

The matter was reported to PAO in November, 2023. The COOs Bahawalpur, Dera Ghazi Khan and Multan Divisions replied that PSTS was not applicable on parking and entry fee whereas efforts were being made to recover outstanding amount of income tax. Reply was not tenable as PSTS was applicable on fee collection and parking fee vide Para No. 4(12)(VII) and 4(12)(X) of Punjab Finance Act, 2018. The COO, Faisalabad Division replied that after incorporating rebate to the contractors, all income tax had been deposited on realized amount. Reply was not tenable as rebate was granted in violation of Rule 29 of the Punjab Local Governments (Auctioning of Collection Rights) Rules 2016 and the terms & conditions shown at Sr. No. 27 of the agreement deed between the contractors and the PCMM&DC. The COO of Sahiwal Division did not submit any reply.

DAC in its meetings held during January, 2024 directed the COOs to recover income tax from the concerned within a month and sort clarification from Punjab Revenue Authority for applicability of PSTS. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 2.5.30 having financial impact of Rs 390.880 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 6,16, 3, 5,2, 5, 3,10]

2.6.10 Loss of revenue due to unjustified fixing of reserve price and auction at lower price – Rs 237.172 million

According to Rule 12(4) a & b of PCMMDC Auction & Enlistment Policy 2022, "The highest bid, above the reserved price, shall reasonably justifiable and not have scope of future enhancement in view of the company."

During audit of PCMMDC for the FY 2022-23, it was observed that COO Multan Division accepted the bid for auction of animal entry fee as well as parking fee less than the last year auction price for Rs 164.312 million. Further, COO, PCMMDC Sahiwal Division, fixed the reserve price without considering the income from sources of allied services in the cattle markets having last year bench mark of Rs 72.860 million. The detail is as under:

(Rupees in million)

Sr. No.	Sub Office of PCMMDC	Description	Amount
1	Multan	In 04 cattle markets auction price of financial year 2022-23 was less than auction amount of financial year 2021-22	164.312
2	Sahiwal	In 17 cattle markets reserve price was calculated without taking income of allied services during financial year 2021-22 and 2022-23	72.860
Total			**237.172**

Due to weak financial controls, cattle markets were auctioned at less auction price as compare to last year which resulted in loss to the company.

The matter was reported to PAO in November, 2023. The COO Multan replied that Board of PCMMDC in its 11th meeting held on 28-10-2022 approved the formula for calculation / fixation of reserve prices of Cattle Markets for Financial Year 2023-24. The reply was not tenable as no minutes of the Board describing the reducing of reserve price was produced. The COO Sahiwal Division did not submit any reply.

DAC in its meeting held during January, 2024 directed the COO Multan to inquire the matter and submit report within one month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Paras: 19,13]

2.6.11 Loss due to non-recovery of arrears from the defaulting contractors - Rs 165.311 million

According to Para IV(10) of Memorandum of Associations of PCMMDC, "Objective of the company was to collect fee on animal in the cattle markets of the Punjab as per directions of Government of the Punjab."

During audit of PCMMDC for the FY 2022-23, it was observed that COOs of Bahawalpur and 02 other Divisions failed to recover arrears amounting to Rs 165.311 million from the contractors of collection rights of revenue sources pertaining to the Financial Years 2019-20 & 2021-22. However, management of the Company referred the case to the Deputy Commissioner, Faisalabad to declare outstanding dues of contractors as arrears of land revenue but the matter was not persuaded vigorously as a result receivables were still outstanding despite lapse of considerable period of time. The detail is as under:

(Rupees in million)

Sr. No.	Sub Office of PCMMDC	Detail	Amount
1	Bahawalpur	Vehicle parking fee / animal levy fee	21.600
			3.848
2	Dera Ghazi Khan		24.734
3	Faisalabad		115.129
Total			**165.311**

Due to weak financial controls, due efforts were not made to effect recovery from the contractors which resulted in loss to the Company.

The matter was reported to PAO in November, 2023. The COOs of Bahawalpur and Dera Ghazi Khan Division replied that all out efforts were being made to recover outstanding arrears from the concerned. COO Faisalabad replied that said arrears pertained to 2019-2020 for the era of covid-19. This office had forwarded the request to district collector / Addl. Commissioner Revenue for recovery of the said amounts. Reply was not tenable as recovery was not affected from the concerned despite lapse of a considerable time.

DAC in its meetings held during January, 2024 directed the COOs to recover outstanding arrears from the concerned within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 2.5.31 having financial impact of Rs 322.912 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 10,13, 2,8]

2.6.12 Grant of inadmissible rebate to contractors – Rs 154.745 million

According to Rule 29 of the Punjab Local Governments (Auction of Collection Rights) Rules, 2016 and Para 29 of PCMMDC Auction & Enlistment policy 2022, "The contractor shall not be entitled to rebate on any ground what so ever." Further, according to Article 42(r) of AoA of the PCMMDC, "The Board of Directors shall ensure compliance with the applicable laws and rules as well as company's internal rules and procedures." Further, according to Clause No.27 of the contract agreement between the contractors and PCMMDC, "The company shall not be responsible for the loss sustained by the contractor due to any reason including crises in the country, emergency conditions, natural calamities, pandemics (Covid-19 etc.), litigation from general public, force majeure etc. and the contractor shall not be entitled to claim any rebate."

During audit of PCMMDC for the FY 2022-23, it was observed that COOs of Bahawalpur and 03 other Divisions allowed rebates of Rs 154.745 million to the contractors of outsource income. As per auction terms and conditions and according to agreement, rebate was not allowed on any ground. But rebate was allowed due to the Limpi Skin Disease (LSD) and heavy rains. The rebate was given as relief in 10th Board meeting and same was retained in the 11th Board meeting despite the Secretary Local Government and Community Development Punjab showed its serious concern on 60% relief and proposed to follow the Auction & Enlistment Policy 2022 where rebate was not admissible on any ground. The detail is as under:

(Rupees in million)

Sr. No.	Sub Office of PCMMDC	No. of Cattle Markets	Rebate Amount
1	Bahawalpur	16	50.556
2	Dera Ghazi Khan	22	52.974
3	Faisalabad	14	33.795
4	Sahiwal	16	17.420
Total			**154.745**

Due to negligence on the part of management, rebate was granted without admissibility which resulted in loss to the Company.

The matter was reported to PAO in November, 2023. The COOs Bahawalpur, Dera Ghazi Khan and Faisalabad Division replied that Board of PCMMDC was empowered to take all financial and administrative decisions. The matter related to policy of the Company which was dully approved by the Board as per powers conferred under Companies Act, 2017. Reply was not tenable as rebate was allowed without amendment in enlistment policy in violation of para 30 of said policy. Further, rebate was allowed to all contractors without report / recommendation of concerned COO regarding areas effected by flood and lumpy skin disease. The COO of Sahiwal Division did not submit any reply.

DAC in its meetings held during January, 2024 directed the COOs to regularize the matter from Administrative Department. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directive.

[AIR Paras: 18,9,11,7]

2.6.13 Loss due to non-recovery of accounts receivables – Rs 61.688 million

According to Rule 28 of the Punjab Local Governments (Auction of Collection Rights) Rules 2016, "If a contractor fails to pay dues on due date and time and fails to abide by any terms & conditions of the contract, the Local Government shall cancel the contract and may decide to re-auction the income for the remaining period of contract or may make self-collection. In both situations if the income so received is found less than the contractual amount, the difference shall be recovered from the contractor as arrears of land revenue."

During audit of PCMMDC for the FY 2022-23, it was observed that COOs of Multan and Sahiwal Divisions failed to recover the accounts receivables of Rs 61.688 million from the defaulting contractors.

Due to weak financial and operational management, non-recovery of dues from the contractors resulted in loss to the Company.

The matter was reported to PAO in November, 2023. COO Multan replied that case was under litigation and proceedings were pending in Lahore High Court. The COO of Sahiwal Division did not submit any reply.

DAC in its meeting held during January, 2024 issued direction to the COO Multan to follow-up the matter with the Honorable Court. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Paras: 13,9]

2.6.14 Unjustified expenditure against hired vehicles and fuel – Rs 5.302 million

According to Rule 9 (1) and (20) of the West Pakistan Government Staff Vehicles (Use and Maintenance) Rules, 1969, "There shall be maintained, in respect of every Government vehicle, a logbook in Form 'A' wherein shall be entered in the journeys performed by a Government vehicle. The logbook maintained under sub-rule (1) shall remain in the custody of the driver in-charge of the vehicle and shall be examined and signed by the Officer in charge every day at the time the driver is relieved from duty." Further, 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 PCMMDC for the FY 2022-23, it was observed that COO Multan Division hired two vehicles (1000CC & 1600CC) for transportation of field staff from office to cattle markets. An amount of Rs 1.625 million for rent and Rs 3.677 million for fuel was paid. The vehicles were continuously hired throughout the year for amounting to Rs 59,982 and Rs 76,986 per month but neither any duty roaster (deployment plan) nor detail of staff travelled in the hired vehicles was available. All the cattle markets along with allied services were auctioned to different contractors and monitoring was feasible by the operational staff having approved fuel limits, hence hiring of private vehicle was not justified.

Due to weak internal controls, expenditure was incurred without maintenance of satisfactory record to authenticate the actual expenditure which resulted in unjustified expenditure.

The matter was reported to PAO in November, 2023. COO replied that rental vehicles were hired for transporting the field operation staff to far away cattle markets within the division for smooth operation and monitoring purposes. The staff was not paid any kind of travelling allowance / fuel to cattle attendants performing duties in cattle markets. The reply submitted without duty roaster and detail of staff using the vehicle, was not considerable.

DAC in its meetings held during January, 2024 directed the COO to probe the matter in the light of audit observation and submit report within one month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para: 12]

2.6.15 Loss due to non recovery of late payment surcharge – Rs 2.619 million

According to Clauses 06 & 12 of the Contract Agreement between the contractors and PCMMDC, "The contractor is bound to deposit monthly instalment in advance upto 5^{th} of each month. In case of genuine reasons, the Company may grant grace period upto seven days' subject to payment of late payment charge @ 0.2% per day, and in case of default or non-compliance to contractual obligations the Company will have right to initiate necessary action including revoking of contract with forfeiture of securities on the risk & cost of the contractor and blacklisting of the firm."

During audit of PCMMDC for the FY 2022-23, it was observed that COO Faisalabad Division auctioned the collection rights of parking fee and animal entry fee for three cattle markets. Scrutiny of record depicted that contractors did not deposit monthly instalments within due date and management imposed late payment surcharge @ 0.2 % per day amounting to Rs 2.619 million but the amount was neither recovered from the defaulting contractors nor adjusted from their security deposits. The detail is as under:

(Rupees in million)

Sr. No.	Name of Cattle Markets etc.	Name of Contractors	Description	Amount
1	Cattle Market Niamiana	Zaheer Mughal		0.148

Sr. No.	Name of Cattle Markets etc.	Name of Contractors	Description	Amount
2	Cattle Market Malhuana		Non-recovery of late payment surcharge	2.451
3	Cattle Market Shorkot	Anayat Ullah Khan		0.020
Total				**2.619**

Due to weak financial controls, penalty was not recovered from contractors which resulted in loss to the Company.

The matter was reported to PAO in November, 2023. The management replied that notices were served to contractors for clearance of late payment surcharges. Audit stressed to expedite the process of recovery without further delay.

DAC in its meeting held during January, 2024 directed the COO to provide relevant record to Audit for verification. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

[AIR Para: 3]

AUDIT REPORT
ON
THE ACCOUNTS OF
DISTRICT HEALTH AUTHORITIES
OF 17 DISTRICTS OF PUNJAB (SOUTH)

AUDIT YEAR 2023-24

DISTRICT HEALTH AUTHORITIES OF 17 DISTRICTS OF PUNJAB (SOUTH)

CHAPTER 1

District Health Authorities - Primary & Secondary Healthcare Department

1.1 Introduction

A. District Health Authorities (DHAs) were established on 01.01.2017. Each DHA is a body corporate having perpetual succession and a common seal with power to acquire / hold property and enter into any contract and may sue and be sued in its name.

Chief Executive Officer is the Principal Accounting Officer (PAO) of DHA and is accountable to the Public Accounts Committee of the Provincial Assembly. He is responsible to ensure that the business of the DHA is carried out in accordance with the laws and to coordinate the activities of the groups of offices for coherent, effective and efficient functioning of DHAs.

The functions of DHAs are to:

i. Establish, manage and supervise primary and secondary healthcare facilities and institutions of the district.
ii. Approve budget of the Authority and allocate funds to health institutions.
iii. Coordinate health related emergency response during any natural calamity or emergency.
iv. Develop referral and technical support linkages between primary, secondary and tertiary level healthcare facilities.
v. Ensure human resource management and capacity development of health service delivery personnel.
vi. Ensure timely reporting of progress on health indicators relating to disease surveillance, epidemic control and disaster management to the Government.
vii. Ensure implementation of minimum service delivery standards in infrastructure, patient safety, hygiene and public health as prescribed by the Punjab Healthcare Commission.

Administrative structure of DHAs is given below:

Administrative Structure of DHA

Description	**No. of Administrative Offices**
Chief Executive Officer	1
District Health Officers	4
Deputy District Health Officers	1 in each Tehsil

*Source: Data received from CEO, DHA Offices

Total number of health facilities / institutions in 17 DHAs under jurisdiction of DGA, Local Governments, Punjab (South), Multan is given below:

Health Facilities / Institutions

Description	Total No. of Health Facilities / Institutions
Basic Health Units	1222
Government Rural Dispensaries	490
Rural Health Centers	167
Tehsil Head Quarter Hospitals	52
District Head Quarter Hospitals	12
District Health Development Centers	16
Nursing Schools	11

*Source: Data received from CEO, DHA Offices

DHA wise detail of health facilities / institutions is attached as **Annexure-B**.

The following table shows detail of total & audited formations of 17 DHAs:

Audit Profile of DHAs of the Punjab (South)
(Rupees in million)

Sr. No.	Description	Nos.	Nos. Audited	Expenditure Audited FY 2022-23	Revenue / Receipts Audited FY 2022-23
1	Formations	397	105	25,464.649	284.620
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

DHA wise detail of total & audited formations is attached as **Annexure-C**.

B. Comments on Budget and Accounts (Variance Analysis)

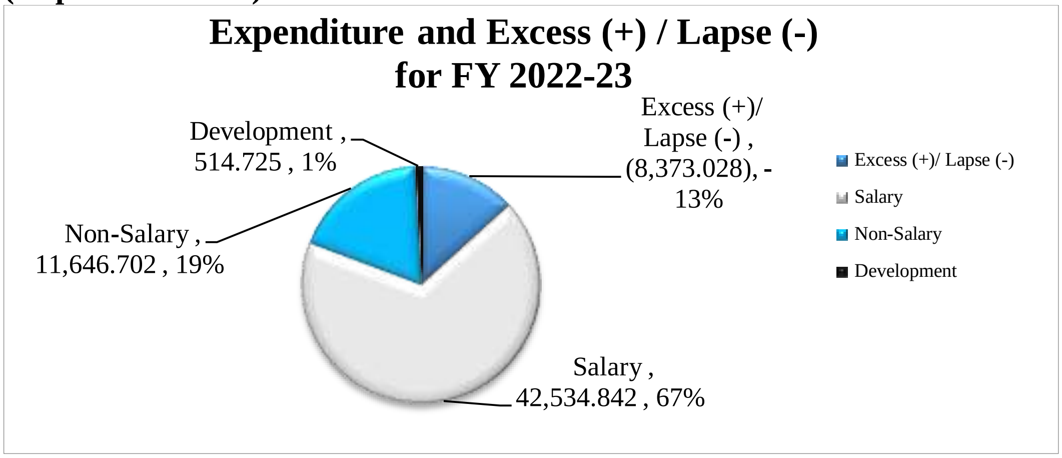
Consolidated statement of budget, expenditure and receipts of 17 DHAs for Financial Year 2022-23 is given below:

(Rupees in million)

Description	Budget	Expenditure	Excess (+)/ Lapse (-)	Variance
Salary	45,971.017	42,534.842	(3,436.175)	7.475%
Non-Salary	13,641.508	11,646.702	(1,994.806)	14.623%
Development	3,456.772	514.725	(2,942.047)	85.110%
Total	**63,069.297**	**54,696.269**	**(8,373.028)**	13.276%
Description	**Target**	**Actual**	**Surplus (+) / Shortfall (-)**	**Variance**
Receipts	293.359	639.275	345.916	117.92%

DHA wise detail of budget, expenditure and receipts of 17 DHAs for Financial Year 2022-23 is attached as **Annexure-D**.

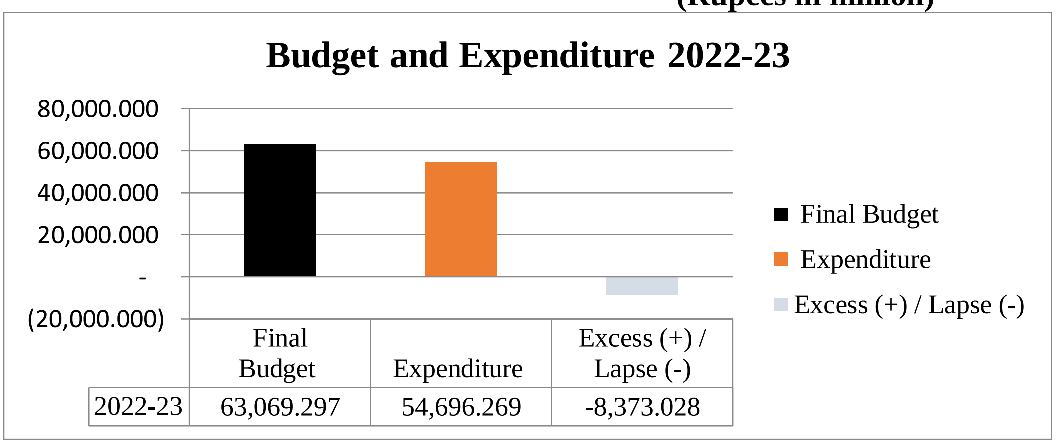
(Rupees in million)



Against budget (development / non-development) of Rs 63,069.297 million for Financial Year 2022-23, DHAs could utilize only Rs 54,696.269 million, whereas 7 % of salary component, 15 % of non-salary component and 85 % of development funds remained unspent, reflecting poor financial management. The management exaggerated the allocation under the different components of budget to make the whole exercise unrealistic and prone to overspending. The unspent percentage of the allocation clearly shows poor planning and budgeting. An overall lapse of Rs 8,373.028 million was more than 13 % of total budget allocation.

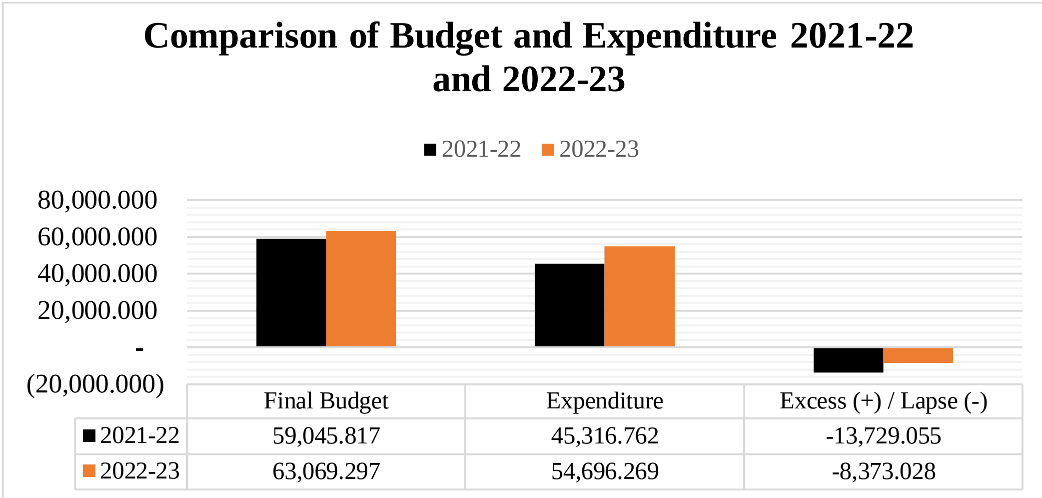
Poor financial management resulted in depriving the local population of the benefits likely to have accrued to them because of development planned but not properly undertaken by the management.

(Rupees in million)



The comparative analysis of the budget and expenditure of current and previous financial year is depicted as under:

(Rupees in million)



The comparative analysis of the budget and expenditure for the Financial Years 2021-22 and 2022-23 depicts poor planning and budgeting. During the Financial Year 2022-23 the budget allocation increased by 7% viz-a-viz FY 2021-22 whereas the expenditure increased by 21% despite significant saving ranging from 7% to 85% in all three components of budget with overall saving of more than 13%. Comparatively during the Financial Year 2021-22 there was huge saving ranging from 15% to 74% in all three components of budget culminating at 23% of overall budget during the concerned year. **Annexure-D**

The comparative data for the Financial Years 2021-22 and 2022-23 reflects the systemic issue of poor planning, budgeting, and implementation. The tendency reflects poor financial management, withholding the higher portfolio with the health sector, depriving the other sectors from the re-allocation of resources, and defeating the likely benefits to be achieved through proper utilization of funds.

C. Sectoral Analysis on the Achievements against Targets

i. Analysis of Financial Resources

Lapse of funds (as reflected above) equivalent to 7%, 15% and 85% of the budgeted amount against salary, non-salary and development heads respectively reflect poor financial management especially considering that the Authority failed to achieve many of its core indicators and infrastructure targets during the financial year. Available funds to the tune of Rs 8,373.028 million were not utilized to help to achieve the targets. The same resulted in depriving the community of necessary health services / facilities.

ii. Analysis of Targets and Achievements

Sectoral analysis of DHAs was made on the basis of various indicators of all the health units for Financial Year 2022-23. These indicators were introduced, implemented and monitored through PMU (Project Management Unit) established at P&SHD. The objective of such indicators was to ascertain better service delivery through monitoring at appropriate level in order to help improve health facilities, facilitation to patients in OPD, vaccination and free of cost deliveries. Detail of indicators and achievements is given below:

Status regarding indicators and their achievements

Sr. No.	Description	Achievements in number (FY- 2022-23)
1	OPD	88,592,838
2	Indoor	2,528,023
3	Surgery	352,425
4	Cardiology	407,410
5	Total Lab Investigations	8,929,554
6	Total Family Planning Visits	1,817,289
7	Pediatric	2,345,585
8	Operations under GA	291,440
9	TB/Chest Suspects	570,454
10	EPI Vaccination	15,808,342

Source: Data received from CEO (17 DHAs)

iii. Service Delivery Issues

Allocating financial resources without proper planning, prioritizing the targets, need based assessment and monitoring mechanism shows poor financial management. Due to poor planning and ineffective monitoring, DHAs failed to deliver basic services to the end users. Funds for procurement of medicines and development remained under-utilized due to inefficiency of the management.

iv. Expectation Analysis and Remedial Measures

DHAs were established to ensure better service delivery through a dedicated organization in each district through a focused, target oriented and need based intervention. The basic premise of establishment of DHAs was also to enable better supervision through a professional Chairman / vice Chairman of DHA. The same could not be achieved due to non conduct of electoral process. Further, poor service delivery, occurrence of irregularities, improper / under utilization of funds and violation of procurement rules clearly reflects the failure of the management to meet the expectations of the administration in general and public in particular.

Following remedial measures need to be taken to achieve the minimum service delivery standards:

i. Ensure proper formulation of DHAs as notified in Punjab District Authorities (Composition) Rules, 2016.

ii. Ensure sound public financial management through effective budgeting and proper utilization of allocated funds.

iii. Ensure an authentic database for effective planning and better service delivery especially through an integrated hospital management information system / patient referral system.

iv. Strengthen internal controls, follow regulatory framework and ensure fair tendering process.

v. Ensure provision of medical equipment, human resource as well as allied resources at all health facilities.

1.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 3,852.305 million were raised as a result of this audit. This amount also includes recoverable of Rs 1,506.657 million as pointed out by the audit. Consolidated summary of audit observations on the accounts of 17 DHAs classified by nature is as under:

Overview of Audit Observations

(Rupees in million)

Sr. No.	Classification	Amount
1	Non-production of record	0
2	Reported cases of fraud, embezzlement and misappropriation	30.830
3	**Procedural irregularities**	0
A	HR / employees related irregularities	625.894
B	Procurement related irregularities	1,509.058
C	Management of Accounts with Commercial Banks	33.400
4	Value for money and service delivery issues	7.124
5	Others*	1,645.999
Total		**3,852.305**

*It includes issues of overpayment of pay & allowances, non-deposit of hospital receipts etc.

DHA wise summary of audit observations classified by nature is attached as **Annexure-E.**

DHA / DDO wise summary of audit observations included in this Report is attached as **Annexure-F**.

1.3 Comments on the Status of Compliance with PAC Directive

The Audit Reports pertaining to following years were submitted to Governor of the Punjab but have not been examined by the Public Accounts Committee.

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
1	2017-18	310	PAC meeting was not convened

Sr. No.	Audit Year	No. of Paras	Status of PAC Meetings
2	2018-19	647	PAC meeting was not convened
3	2019-20	576	PAC meeting was not convened
4	2020-21	254	PAC meeting was not convened
5	2021-22	226	PAC meeting was not convened
6	2022-23	270	PAC meeting was not convened

DHA wise status of previous Audit Reports is attached as **Annexure G**.

Note: Non-convening of PAC has seriously hampered the accountability process and has encouraged the departments to repeat the irregularities.

CHAPTER 2

2.1 Public Financial Management

Public Financial Management (PFM) is a central element of a functioning administration, underlying all government activities. It encompasses the mechanisms through which public resources are collected, allocated, spent and accounted for.

It is a proven fact that fiscal governance of any country is closely linked to an effective Public Financial Management (PFM) system, which focuses on principles of fiscal discipline, legitimacy, transparency and accountability of public finances. PFM is framed around achieving an overall discipline which specifically includes resource allocation and operational efficiency and effectiveness of public expenditure. The maintenance of "aggregate fiscal discipline" is foremost and primary objective of PFM which revolves around interaction of two streams; revenue and expenditure. Revenue generation and Public Expenditure Management complement each other in attaining the strategic macroeconomic objectives of the state.

Punjab Public Financial Management Act, 2022 provides a broad framework for regulating the public sector financial management from budget making, revenue generation, cash management, expenditure, accounting to scrutiny through public audit.

DHAs were established on 01.01.2017 under PLGA 2013 in thirty-six (36) districts of the Punjab. The purpose was to provide better health facilities to the local community. DHA is body corporate having perpetual succession and common seal, with power to acquire / hold property and enter into any contract and may sue and be sued in its name.

The Chief Executive Officer / Principal Accounting Officer shall be responsible:

a) To adhere to and enforce the principles of financial propriety, including the compliance of laws, rules, regulations, maintaining high standard of prudence, vigilance, due diligence and ensuring value for money while incurring expenditure and collecting government receipts;

b) To prepare budgetary proposals within the indicative budget ceilings agreed by the Finance Department. All expenditure proposals shall be based on well-defined plans. Budget allocation to various heads of expenditures, to the offices under his control may be made as per government plans and priorities and in such a way that during the currency of year, requirements for additional budget or re-appropriation are minimized if not eliminated altogether;

c) To ensure the availability of budgetary allocations in various heads of accounts especially under the employee related expenditure in order to ensure timely payment of employee emoluments;

d) To prepare development budget proposals and include the realization of economic forecasts and projections as well as achievement of goals and targets committed with reference to development budget;

e) To sanction expenditure as per the delegated financial powers. Such sanctioning of expenditure shall not exceed the allocated budget. Prior to approving of expenditure sanction, principal accounting officer shall ensure that the required budget is available in the relevant head of account. Sanctioning of expenditure shall be based on the purpose for which the funds are allocated;

f) To ensure revenue collection particularly non-tax revenue pertaining to concerned Authority to be realised on timely basis;

g) To monitor the budget execution progress, and undertake reconciliation with accounting offices on monthly basis, related to revenues and expenditure of the Authority through Budget and Accounts Officer and furnish reconciled statement of revenue and expenditure, separately to Finance Department on quarterly basis, through Budget and Accounts Officer;

h) To ensure that departmental accounts of a District Authority are maintained correctly and effectiently;

i) Any sums due to a District Authority are promptly realized and credited to the Local Fund / Public Account.

Resource Mobilization

DHAs of South Punjab, like previous year, relied on the share / grants received through Provincial Finance Commission (PFC) during the FY 2022-23 to meet their administrative and operating expenses. Out of total receipts of DHAs, PFC share consisted of 98% in FY 2022-23 as compared to 96% in FY 2021-22.

(Rupees in million)

Description	**2022-23**		**2021-22**	
	Amount	**%**	**Amount**	**%**
Tax Revenue	104.977	0.19	1,007.333	2.15
Non-Tax Revenue Share of PFC / Grants	53,288.623	98.48	45,137.945	96.56
Other receipts	715.994	1.32	602.840	1.29
Total	**54,109.594**		**46,748.118**	

DHA wise detail of Tax and Non-Tax Revenue of 17 DHAs for Financial Years 2022-23 and 2021-22 is attached as **Annexure-1**.

An overall view of budget and expenditure of 17 DHAs for the FY 2022-23 is given in the table below, whereas, Authority wise detail of budget and expenditure is placed at **Annexure-D**.

(Rupees in million)

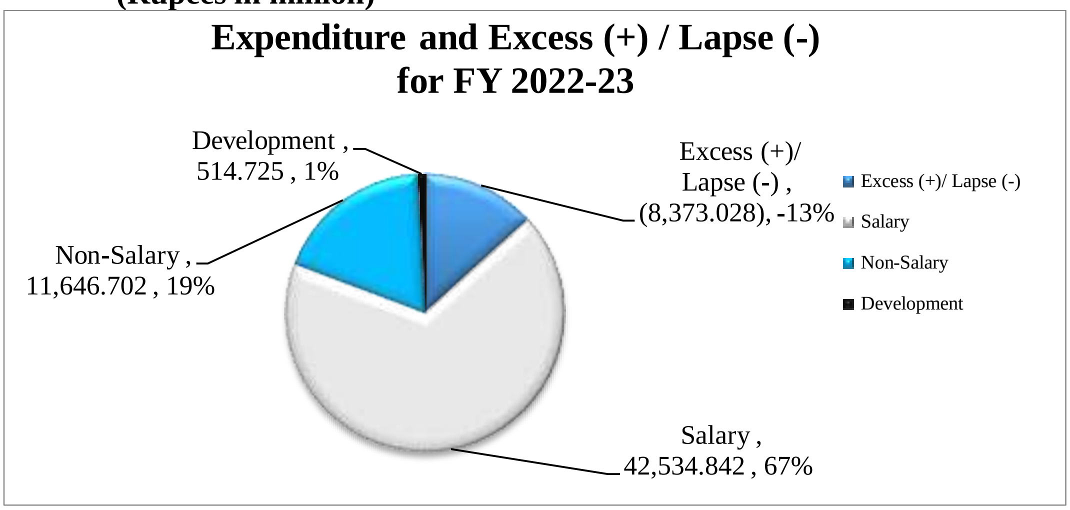
Description	**Budget**	**Expenditure**	**Excess (+)/ Lapse (-)**	**Variance %**

Salary	45,971.017	42,534.842	(3,436.175)	7.475
Non-Salary	13,641.508	11,646.702	(1,994.806)	14.623
Development	3,456.772	514.725	(2,942.047)	85.110
Total	**63,069.297**	**54,696.269**	**(8,373.028)**	13.276

Audit also noted that material payments were made from Account-VI of DHAs without valid authorization during FY 2022-23. Administrators of Authorities were appointed vide notification No. SOR(LG)38-5/2014 dated 01.01.2017 under section 30(3) of the PLG Act 2013. However, the period of appointment under above notification lapsed on 31-12-2018. Moreover, there is no provision for extension and continuity of the Administrators in PLGA, 2022 after the expiry of notified period.

DHA wise detail of budget and expenditure and receipts of 17 DHAs for Financial Year 2022-23 is attached as **Annexure-D**.

(Rupees in million)



Moreover, out of budget of Rs 63,069.297 million for Financial Year 2022-23, DHAs could utilize only Rs 54,696.269 million, resultantly 7% of salary component, 15% of non-salary component and 85% of development funds remained unspent, reflecting poor financial management. The unspent percentage of the allocation clearly shows poor planning and budgeting. An overall lapse of Rs 8,373.028 million was more than 13% of total budget allocation.

Revenue Receipts of DHAs were slightly more than budgeted targets. Authorities did not find themselves in a position to substantially increase receipts, as they relied on Provincial Government funds. Unpredictability of their shares from PFC and other grants in aid / tied grants coupled with capacity issues of their budget and finance wings forced DHAs to prepare, unjustified and unrealistic estimates of receipts.

Revenue expenditure constituted 99% of the total expenditure incurred by the Authorities during the FY 2022-23. Salary expenditure, comprising pay & allowances, pension contribution, financial assistance and leave encashment, was almost 79% of total revenue expenditure, whereas, non-salary was 20% during FY 2022-23.

Capital Receipts comprise receipts such as proceeds from recoveries of loans and advances, debt receipts from internal sources, and loans and advances from government as well as accruals from Public Account.

Appropriation Accounts
(Rupees in million)

Description	Original Budget	Supplementary Grant	Surrender	Final Budget	Actual Expenditure	Excess (+) / Lapse (-)
Salary	47,218.618	3,927.675	5,175.276	45,971.017	42,534.842	(3,436.175)
Non Salary	16,337.603	2,503.268	5,199.363	13,641.508	11,646.702	(1,994.806)
Development	2,612.941	863.240	19.409	3,456.772	514.725	(2,942.047)
Total	**56,169.162**	**7,294.183**	**10,394.048**	**63,069.297**	**54,696.269**	**(8,373.028)**

Original budget, supplementary grants, surrenders and re-appropriations distinctly and indicate actual revenue and capital expenditure on various specified services viz-à-viz those authorized by the Council / Administrator. Appropriation Accounts, thus, facilitate the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

Audit of appropriation accounts seeks to ascertain whether the expenditure incurred under the grant/head of account is in conformity with the laws, relevant rules and regulations. During financial attest audit of appropriation accounts and financial statements of DHAs for the FY 2022-23, audit emphasized on the following matters:

g) 17 DAOs of the Punjab (South) made payments of Rs 54,696.269 million to the DHAs against the budget authorized by the irrelevant authority in violation to the provisions of notification No. SOR(LG)38-5/2014 dated 01.01.2017 under section 30(3) of the PLG Act

2013. However, the period of appointment under above notification lapsed on 31-12-2018. Moreover, there is no provision for extension and continuity of the Administrators in PLGA, 2022 after the expiry of notified period.

h) In violation to Para 5.2.2.2 of Accounting Policies and Procedures Manual, "Public Account receipts, other than revenue, must be banked in the name of the Government without delay and included in the Public Account of the respective Federal or Provincial Government." 16 DAOs of the Punjab (South) did not transfer receipts to concerned Governments and retained in its public account resulting in overstatement of closing balances of Rs 481.716 million. Authorities raised accruals against Public Account and certain heads of account of Consolidated Fund Receipts invariably by retaining an amount of Rs 481.716 million on account of General Provident Fund (GPF), Group Insurance (GI), Benevolent Fund (BF), Income Tax and General Sales Tax (GST) during the FY 2022-23. This phenomenon overstated the cash closing balance of DHAs as given in the following table.

(Rupees in million)

Cash closing balance as on 30.06.2023	**Liabilities**	**Actual cash closing Balance**
7,318.144	481.716	6,836.428

DHA wise detail of closing cash balance and Public Account liabilities of 16 DHAs for Financial Years 2022-23 is attached as **Annexure-2**.

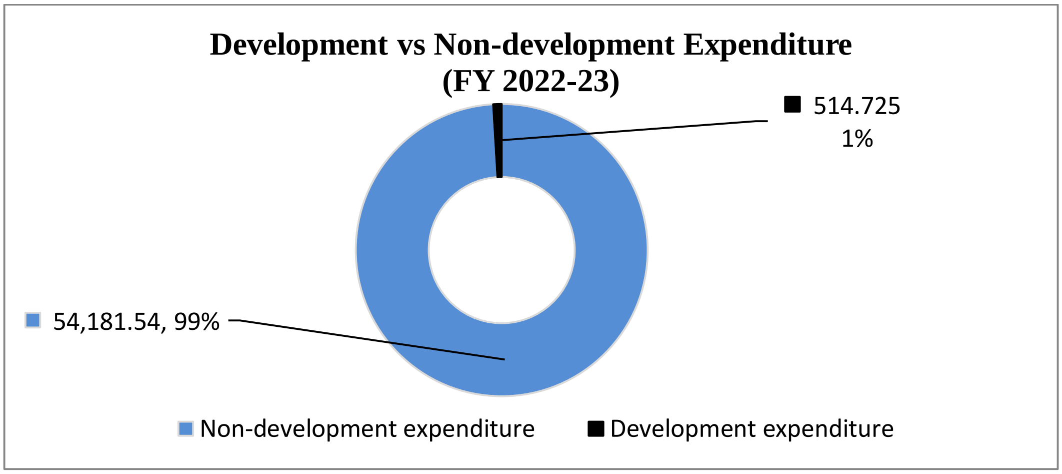
Medium Term Development Framework

The fiscal priority and fiscal capacity of the DHAs with regard to development and non-development expenditure during the FY 2022-23 is tabulated as below:

(Rupees in million)

Description	**Amount**	**Percentage**
Non-development expenditure	54,181.544	99%
Development expenditure	514.725	1%
Total	**54,696.269**	**100**

(Rupees in million)



The table below shows final budget position allocated to 17 DHAs during the FY 2021-22 and 2022-23. As can be seen from the table that final development grant increased from Rs 3,256.007 million in FY 2021-22 to Rs 3,456.772 million in FY 2022-23.

(Rupees in million)

Sr. No.	District	2021-22		2022-23		Budget Variance Increase (+)/ Decrease (-)	Expenditure Variance Increase (+)/ Decrease (-)
		Final Grant	Actual Exp.	Final Grant	Actual Exp.		
1	Bahawalnagar	129.366	40.704	22.348	22.308	(107.018)	(18.396)
2	Bahawalpur	281.000	17.450	24.524	24.524	(256.476)	7.074
3	Chiniot	16.238	4.642	16.024	10.319	(0.214)	5.677
4	Dera Ghazi Khan	609.001	387.378	418.897	46.912	(190.104)	(340.466)
5	Faisalabad	494.922	6.193	885.910	3.140	390.988	(3.053)
6	Jhang	77.040	44.667	23.478	19.408	(53.562)	(25.259)
7	Khanewal	5.008	4.234	59.449	9.879	54.441	5.645
8	Layyah	9.621	6.405	15.500	5.070	5.879	(1.335)
9	Lodhran	6.315	6.012	17.774	12.379	11.459	6.367
10	Multan	930.317	5.729	1155.670	4.771	225.353	(0.958)
11	Muzaffargarh	8.617	8.614	3.320	3.230	(5.297)	(5.384)
12	Pakpattan	7.458	4.411	9.990	7.859	2.532	3.448
13	Rahim Yar Khan	408.627	183.358	499.977	202.492	91.350	19.134
14	Rajanpur	54.697	5.512	84.755	0.000	30.058	(5.512)
15	Sahiwal	24.971	24.971	91.552	91.367	66.581	66.396

Sr. No.	District	2021-22		2022-23		Budget Variance Increase (+)/ Decrease (-)	Expenditure Variance Increase (+)/ Decrease (-)
		Final Grant	Actual Exp.	Final Grant	Actual Exp.		
16	Toba Tek Singh	105.154	47.949	96.733	28.697	(8.421)	(19.252)
17	Vehari	87.655	35.936	30.871	22.370	(56.784)	(13.566)
Total		**3,256.007**	**834.165**	**3,456.772**	**514.725**	**200.765**	**(319.440)**

The table above also shows that development expenditure incurred during the FY 2021-22 and 2022-23 on development schemes executed during the two financial years. It can be seen that expenditure decreased by Rs 319.440 million in FY 2022-23. The major increase was seen in DHA Sahiwal where development expenditure increased from Rs 24.971 million to Rs 91.367 million, whereas, in DHA Dera Ghazi Khan, it decereased from Rs 387.378 million to Rs 46.912 million.

The data presented in the above tables indicates serious inadequacies in the initial planning and resource allocation. The discrepancies underscore the necessity for an in-depth analysis of the planning process within DHAs. Identifying and understanding inconsistencies in the planning phase is crucial for enhancing the effectiveness of future development initiatives.

Overall evaluation of financial data indicated that DHAs had less focus on development activities and available resources were not adequately utilized to improve infrastructure and service delivery. Only 1% of total funds were utilized on developing the infrastructure whereas major part (99%) of available resources were utilized on day to day activities pertaining to salalry and non salarly components.

Compliance with Authority Audit

2.2 District Health Authority, Bahawalnagar

There are 27 formations in District Health Authority, Bahawalnagar out of which 05 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.2.1 Mis-procurement due to non-compliance of PPRA Rules – Rs 67.156 million

According to Rules 9 and 12(1) of the Punjab Procurement Rules 2014, "Procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority in the manner and format specified by regulations but if deemed in public interest, the procuring agency may also advertise the procurement in at least one national daily newspaper."

During audit of DHA Bahawalnagar for the FY 2022-23, it was observed that CEO and two other DDOs incurred expenditure of Rs 67.156 million for repeated purchases of stationery, printing, IT equipment, medicine and X-Ray machine etc. without calling quotations / adopting tendering process. The procurements were made through splitting irregularly. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Period	Amount
1	CEO, DHA, Bahawalnagar	Stationery, printing, general store items and IT equipment	2022-23	4.982
2	MS DHQ Hospital Bahawalnagar	Printing, Oxygen Cylinders, I.T Equipment's and medicines etc.	2022-23	61.121
3	MS THQ Hospital Fort Abbas	Procurement of digital X-Ray machine	2021-23	1.053
Total				**67.156**

Due to weak internal controls, purchases were made in violation of PPRA Rules which resulted in mis-procurement.

The matter was reported to PAO in September, 2023. CEO replied that all the items were purchased through petty purchases on quotation basis under the rules. Further, budget was received by the Finance department on quarterly basis due to which it was not possible to call tenders. MS DHQ Hospital replied that tender was delayed due to unavailability of staff at DHQ and purchases were made under PPRA rule of alternative purchase methods. MS THQ Fort Abbas replied that all purchases were made as per the health council guidelines and in emergent situation. Replies were not tenable as the procurements were made through splitting.

DAC in its meeting held on 06.12.2023 directed the Additional Deputy Commissioner (F&P) and Deputy Director (B&A) to inquire the matter for fixing responsibility besides getting the expenditure regularized from the competent authority within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2019-20, 2018-19 and 2017-18 vide para(s) number 2.2.4, 1.2.4.3, 1.2.5.3.3, 1.2.3.1 and 1.2.2.1 respectively having financial impact of Rs 449.454 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 2, 11 & 16]

2.2.2 Irregular expenditure on local purchase of medicines – Rs 13.806 million

According to Para 2(iv)(c) & 2(xviii) of Guidelines for Local Purchase of Medicine circulated vide Government of the Punjab, P&SHC Department letter No.PSHD-TCO-I(M)6-14/2017 dated 16.12.2017, "Local purchase of medicine would be made through open competitive tendering. Furthermore, purchase order may be emailed to the LP Supplier through LP portal. Contractor will submit invoice / bill with supply on daily basis. Local purchase will be initiated with the order of Consultants / Senior Medical Officer via prescription that will be maintained as record of Local Purchase and it will not be for more than 7 days for one patient. Payment for items out of formulary will be made after receiving report of Drug Testing Laboratory (DTL)."

During audit of DHA Bahawalnagar for the FY 2022-23, it was observed that District Health Officer (PS) Bahawalnagar and SMO RHC Maroot incurred expenditure of Rs 13.806 million for the Financial Years 2019-20 to 2022-23 on account of LP medicines without tendering and on the request of store keeper instead of procuring the same for each particular patient. Furthermore, repeated items were not reported to Procurement Cell for procurement through bulk purchase. Moreover, procurements were made through manual supply orders instead of generating the same through LP Portal. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Period	Amount
1	DHO (PS) Bahawalnagar	2022-23	7.967
2	SMO RHC Maroot	2019-23	5.839
Total			**13.806**

Due to weak internal controls, medicines were procured in violation of policy guidelines which resulted in irregular expenditure.

The matter was reported to PAO in September, 2023. DHO (PS) Bahawalnagar replied that inquiry committee was constituted to inquire the matter. SMO RHC Maroot replied that all codal formalities were followed for purchase of LP medicine. Replies were not tenable as above cited prescribed rules and procedure were violated during purchase of medicines from local market.

DAC in its meeting held on 06.12.2023 directed the Additional Deputy Commissioner (F&P) and Deputy Director (B&A) to inquire the matter for fixing responsibility besides getting the expenditure regularized from the competent authority within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2019-20 and 2018-19 vide para(s) number 2.2.5, 1.2.4.4, 1.2.5.3.9, 1.2.3.10 and 1.2.3.11 respectively having financial impact of Rs 103.919 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 4 & 11]

2.2.3 Unauthorized payment of medicine without ensuring quality – Rs 12.121 million

According to conditions No.4 and 12 of purchase order, "The bill will be cleared after DTL report of standard quality and satisfactory report of the supplied items from the inspection committee. 100% payment to the suppliers will be made by the purchaser / DDO of DHA Bahawalnagar, against satisfactory performance and upon submission of required documents (quality test / analysis report from testing laboratory)."

During audit of DHA Bahawalnagar for the FY 2022-23, it was observed that CEO made unauthorized payments of Rs 12.121 million for procurement of medicine (Bulk) before issuance / receipt of DTL reports in violation of the terms and conditions of purchase orders. The detail is as under:

(Rupees in million)

Sr. No.	Cheque No./date	Batch No. / Date of DTL	Name of payee	Item	Quantity	Rate	Amount
1	0334350 24.06.23	245523/03.07.23, 248623/03.07.23, 248723/03.07.23, 249123/03.07.23, 249223/06.07.23, 249423/06.07.23, 249523/06.07.23, 250523/06.07.23, 250723/03.07.23, 250823/06.07.23	Frontier Dextrose Limited	SCAP-Sterifluid NS-1000ML	78,100	89.88	7.020
2	0334350 24.06.23	246523/27.06.23	Frontier Dextrose Limited	SCAP-Stericipro-1000ML	12,300	118.50	1.457
3	0334350 24.06.23	246323, 246223/27.06.23	Frontier Dextrose Limited	SCAP-Sterifluid RL-500ML	34,600	79.90	2.764
4	0334344 24.06.23	252223/27.06.23	Frontier Dextrose Limited	SCAP-Sterifluid DS-1000ML	2,400	92.90	0.223
5	0334344 24.06.23	254523/27.06.23	Frontier Dextrose Limited	SCAP-Sterifluid Peads-500ML	15,590	39.00	0.608
6	0334344 24.06.23	096123/27.06.23	Frontier Dextrose Limited	Mini-BC-25ML	2,370	20.50	0.049
Total							**12.121**

Due to weak internal controls, payments were made without ensuring quality of medicine which resulted in unauthorized expenditure.

The matter was reported to PAO in September, 2023. DDO replied that the relevant official of DTL Bahawalpur was telephonically contacted who stated that reports were cleared and would be uploaded after Eid holidays. Further, an Affidavit was received from the supplier stating that he would refund the amount if DTL was failed. Reply was tenable as dates of cheques were well before the dates of DTL reports and payments to suppliers could not be made before clearance of DTL reports.

DAC in its meeting held on 06.12.2023 directed the CEO to enquire the matter and fix responsibility for clearing supplier bills before receipt of DTL reports besides getting the irregularity condoned from the competent authority within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para No. 08]

Others

2.2.4 Loss due to drawl of funds through fictitious billing – Rs 40.850 million

According to Rule 2.33 of Punjab Financial Rules Vol-I, "Every Government servant 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."

During audit of DHA Bahawalnagar for the FY 2022-23, it was observed that MS DHQ Hospital Bahawalnagar drew substantial amount of funds through fictitious / doubtful / back dated billings as contradictions were observed among serial numbers and dates of bills claimed by same supplier for consumable items. For example;

	Bill No.	**Date**
107	01.06.2023	
110	***~~29.03.2023~~***	
112	09.06.2023	

This situation clearly indicated that all such purchases and their consumption for the past date was just paper fudging in order to misappropriate the funds amounting to Rs 40.850 million. Further, stock registers of durable goods were not maintained to enable physical verification of permanent stock. **Annexure-3**

Due to intention of misappropriation, doubtful bills were drawn which resulted in loss to the Authority.

The matter was reported to PAO in September, 2023. DDO replied that an inquiry committee was constituted to fix responsibility against the person at fault but no substantiating evidence was produced in support of reply.

DAC in its meeting held on 06.12.2023 directed the Additional Deputy Commissioner (F&P) and Deputy Director (B&A) to inquire the matter within one month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

<u>Note:</u> The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2021-22 and 2017-18 vide para(s) number 1.2.4.16 and 1.2.3.4 respectively having financial impact of Rs 22.353 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 10]

2.2.5 Loss due to payment of inadmissible pay and allowances – Rs 16.440 million

According to Government of the Punjab, Finance Department's letter No.FD.SR-1/6-4/2019 dated 05.04.2021, "If a doctor submits Affidavit that he is not practicing, he may be allowed for Non Practicing Allowance." Further, according to Government of the Punjab, Finance Department letter No. FD(M- I) 1-15/82-F-I dated 15.01.2000, "In case of designated residence, the officer / official for whom the residence was meant cannot draw House Rent Allowance and will have to pay 5% of house rent even if he does not avail the facility and residence remains vacant during the period." Furthermore, according to clarification issued by the Finance Department, Government of the Punjab vide letter No. FD.SR.I.9-4/86(P) (PR) dated 04.12.2012, "The employees who are residing in the residential colonies situated within work premises are not entitled to the facility of Conveyance Allowance." Moreover, according to Government of the Punjab, P&SHD letter No.SO(B&A)1-69/2016 dated 24.06.2022, "Performance based allowances are admissible to an official for the 1st 90 days only during continued period of earned leave, study leave or during the period he remained as OSD (awaiting posting)." Moreover, according to Rule 2.31 (a) of PFR Vol-I, "A drawer of bill for pay, allowances, contingent and other expenses will be responsible for any overcharges, frauds and misappropriation."

During audit of DHA Bahawalnagar for the FY 2022-23, it was observed that CEO and three other DDOs made inadmissible payments of House Rent Allowance, Conveyance Allowance, Dress Allowance, Mess Allowance, Nursing Professional Allowance, Non Practicing Allowance etc. amounting to Rs 16.440 million to various employees for the Financial Years 2019-20 to 2022-23. **Annexure-4**

Due to weak internal controls, payment of inadmissible pay and allowances was made which resulted in loss to the Authority.

The matter was reported to PAO in September, 2023. DDOs replied that DAO Bahawalnagar was requested to effect recoveries and correct account codes wherever needed.

DAC in its meeting held on 06.12.2023 directed the DDOs to immediately stop payment of inadmissible allowances besides ensuring recovery within one month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para(s) number 2.2.9, 1.2.4.7, 1.2.4.9, 1.7.1, 1.7.2, 1.2.5.4.5, 1.2.5.4.6, 1.2.5.4.8, 1.2.5.4.9, 1.2.4.1, 1.2.4.5, 1.2.4.6, 1.2.4.7, 1.2.4.8, 1.2.4.9, 1.2.4.10, 1.2.4.11,1.2.4.19,1.2.3.2 and1.2.3.3 having financial impact of Rs 400.890 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 6, 15, 18, 1, 3,18,3,7, 13 & 4]

2.2.6 Loss due to late tendering on PPRA's website – Rs 13.294 million

According to Rules 9 and 12(1) of the Punjab Procurement Rules 2014, "Procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority in the manner and format specified by regulations but if deemed in public interest, the procuring agency may also advertise the procurement in at least one national daily newspaper."Furthermore, according to Rule 2.33 of Punjab Financial Rules Vol-I, "Every Government servant 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."

During audit of DHA Bahawalnagar for the FY 2022-23, it was observed that MS DHQ Hospital Bahawalnagar did not initiate the tendering process at the start of the financial year and kept on procuring different consumable stores and medicine items at higher rates from local market till May 2023. The rates of different consumable stores and medicines finalized during May 2023 through tendering process were much lesser than rates allowed under local purchases for ten months. This late tendering resulted in paying higher rates and loss amounting to Rs 13.294 million out of expenditure amounting to Rs 129.596 million.

Due to weak financial controls, excess rates of store items were paid which resulted in loss to the Authority.

The matter was reported to PAO in September, 2023. DDO replied that the tendering process was delayed due to non-availability of relevant staff at DHQ Hospital Bahawalnagar. Therefore, the procurements were made under PPRA rule of alternative purchase methods. However, the issue was noticed and conveyed to the higher authorities for posting of appropriate staff at DHQ Hospital Bahawalnagar for proper procurement under the rules. Reply was not tenable as procurements were made in violation of PRRA rules and cannons of financial propriety.

DAC in its meeting held on 06.12.2023 directed the Additional Deputy Commissioner (F&P) and Deputy Director (B&A) to inquire the matter within one month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para No. 12]

2.2.7 Loss due to inadmissible payment of stipend to medical graduates – Rs 11.686 million

According to Clause 27(2) of Pakistan Medical Commission (PMC) Act 2020, letter No. S.O. (ME) 2-26/2010 (P) dated 17.09.2020 issued by the Specialized Healthcare & Medical Education Department, Government of the Punjab and Section 21 of the PMDC Regulations 2018, "Every medical or dental college in Pakistan shall be responsible to provide a paid house job, at its own affiliated teaching hospital to all of its graduates. Failure to provide a house job shall result in the medical or dental college reimbursing the stipend paid to the graduate by the training hospital where the graduate obtains house job training."

During audit of DHA Bahawalnagar for the FY 2022-23, it was observed that MS DHQ Hospital Bahawalnagar paid stipend amounting to Rs 11.686 million to House Officers of public and private sector medical institutions despite the fact that same was to be paid by concerned parent colleges / universities.

Due to weak administrative control, unauthorized payment of stipend was made to house officers graduated from public and private sector medical institutions which resulted in loss to Authority.

The matter was reported to PAO in September, 2023. DDO replied that payments were stopped to the concerned House Officers. Reply was not tenable as recovery was not effected from relevant persons or their medical institutes.

DAC in its meeting held on 06.12.2023 directed the Additional Deputy Commissioner (F&P) and Deputy Director (B&A) to inquire the matter for fixing responsibility besides effecting recovery within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para No. 05]

2.2.8 Loss due to non-deposit of Government dues – Rs 4.034 million

According to Rule 14 (d) of the Punjab District Authorities (Accounts) Rules 2017, "The collecting officers shall be responsible to collect receipts in the transparent manner and guard against misappropriation, fraud, embezzlement or compromise." Further, according to Government of the Punjab, Finance Department letter No. FD (M-C)1-15/82-P-I dated 17.01.2000, "All receipts should be deposited into Government treasury not later than seven days of actual receipts."

During audit of DHA Bahawalnagar for the FY 2022-23, it was observed that MS DHQ Hospital Bahawalnagar and THQ Hospital Fort Abbas collected receipts Rs 4.034 million on account of lab test charges, indoor fees, MLC, ECG, C.T Scan etc. for the Financial Years 2021-22 and 2022-23 but did not deposit into treasury. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Period	Amount
1	MS DHQ Hospital Bahawalnagar	Indoor fees, MLC, ECG, C.T Scan etc.	2022-23	3.215
2	MS THQ Hospital Fort Abbas	Lab test fees, canteen fees etc.	2021-23	0.819
Total				**4.034**

Due to weak financial and administrative controls, hospital receipts were misappropriated / not-deposited in Government Treasury which resulted in loss to Authority.

The matter was reported to PAO in September, 2023. DDOs replied that efforts were being made to effect recovery and deposit it into the treasury.

DAC in its meeting held on 06.12.2023 directed the DDOs to effect recovery within one month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2019-20 and 2017-18 vide para(s) number 1.2.5.4.12 and 1.2.3.6 respectively having financial impact of Rs 4.973 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 10 & 14]

2.3 District Health Authority, Bahawalpur

There are 27 formations in District Health Authority, Bahawalpur out of which 10 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.3.1 Irregular Adhoc appointments – Rs 45.115 million

According to Rule 22 (2) of Punjab Civil Servants (Appointment & Conditions of Service) Rules, 1974 "After forwarding a requisition to the selection authority, the appointing authority may, if considers necessary in the public interest, fill the post on adhoc basis for a period not exceeding one year pending nomination of a candidate by the selection authority." Further, according to letter No. SO (AHP-1)1-1/MISC/2021 dated 01.04.2021 issued by P&SHC department, Government of the Punjab, "All appointments made on adhoc basis in BS-16 and below were illegal appointments."

During audit of DHA Bahawalpur for the FY 2022-23, it was observed that CEO and two other DDOs incurred expenditure of Rs 45.115 million on pay and allowances of 135 employees who were appointed in BPS-16 or below on adhoc basis in violation of relevant rules. Further, their orders were also not withdrawn despite clear directions from P&SHC Department, Government of the Punjab. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Period	No. of employees	Amount
1	CEO, DHA Bahawalpur	2022-23	120	35.344
2	MS THQ Hospital Ahmed Pur East		12	8.700
3	MS THQ Hospital Hasilpur		03	1.071
Total			**135**	**45.115**

Due to weak internal controls, irregular adhoc appointments were made which resulted in irregular expenditure.

The matter was reported to PAO in September, 2023. CEO replied that the matter was in Lahore High Court Bahawalpur Bench Bahawalpur. Medical Superintendents of THQ Hospitals replied that all the appointments were made by the Government of the Punjab, Primary & Secondary Healthcare Department Lahore, as per adhoc appointment policy, till the arrival of regular incumbents. Replies were not tenable as the appointments were irregular as per letter No. SO (AHP-1)1-1/MISC/2021 dated 01.04.2021 issued by P&SHC Department. Further, stay order (if any) granted by honorable LHC was not shown to Audit.

DAC in its meeting held on 05.01.2024 directed the Additional Deputy Commissioner (F&P) and Deputy Director (B&A) to inquire the matter for fixing responsibility besides withdrawal of appointment orders within one month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22 and 2020-21 vide para(s) number 2.3.3, 2.3.10, 2.2.4.14 and 2.4.2 respectively having financial impact of Rs 218.696 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 16, 10 & 10]

2.3.2 Mis-procurement due to non-compliance of PPRA Rules – Rs 10.433 million

According to Rules 9 and 12(1) of the Punjab Procurement Rules 2014, "Procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority in the manner and format specified by regulations but if deemed in public interest, the procuring agency may also advertise the procurement in at least one national daily newspaper."

During audit of DHA Bahawalpur for the FY 2022-23, it was observed that CEO incurred expenditure of Rs 10.433 million for repeated purchases of similar stationery, printing and H.B strips without calling quotations / adopting tendering process. The procurements were made through splitting irregularly.

Due to weak internal controls, purchases were made without compliance of PPRA rules which resulted in mis-procurement.

The matter was reported to PAO in September, 2023. CEO replied that budget was received in piecemeal, hence tendering was not possible. Reply was not tenable as annual expenditure was more than threshold limit and expenditure was incurred through splitting instead of adopting fair tendering process.

DAC in its meeting held on 05.01.2024 directed the Additional Deputy Commissioner (F&P) and Deputy Director (B&A) to inquire the matter for fixing responsibility besides getting the expenditure regularized from the competent authority within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2019-20, 2018-19 and 2017-18 vide para(s) number 2.3.7, 2.2.4.10, 2.2.5.2.8, 2.2.2.5 and 2.2.2.2 respectively having financial impact of Rs 86.586 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 13]

2.3.3 Irregular expenditure on local purchase of medicine – Rs 6.730 million

According to Para 2(iv)(c) & 2(xviii) of Guidelines for Local Purchase of Medicine circulated vide Government of the Punjab, P&SHC Department letter No.PSHD-TCO-I(M)6-14/2017 dated 16.12.2017, "Local purchase of medicine would be made through open competitive tendering. Furthermore, purchase order may be emailed to the LP Supplier through LP portal. Contractor will submit invoice / bill with supply on daily basis. Local purchase will be initiated with the order of Consultants / Senior Medical Officer via prescription that will be maintained as record of Local Purchase and it will not be for more than 7 days for one patient. Payment for items out of formulary will be made after receiving report of Drug Testing Laboratory (DTL)."

During audit of DHA Bahawalpur for the FY 2022-23, it was observed that MS THQ Hospital Yazman and two other DDOs incurred expenditure of Rs 6.730 million for the Financial Years 2018-19 to 2022-23 on account of LP medicines without tendering and on the request of store keeper instead of procuring the same for particular patient. Furthermore, repeated items were not reported to Procurement Cell for procurement through bulk purchase. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Period	Amount
1	MS THQ Hospital Yazman	2022-23	4.112
2	SMO RHC Mubarak Pur	2018-23	1.271
3	SMO RHC Dera Bakha		1.347
Total			**6.730**

Due to weak internal controls, medicines were procured in violation of policy guidelines which resulted in irregular expenditure.

The matter was reported to PAO in September, 2023. DDOs replied that the medicines were purchased through LP portal as per demands of end users. Replies were not tenable as medicines were purchased on the request of store keeper instead of procuring the same for particular patient. Further, tendering was avoided.

DAC in its meeting held on 05.01.2024 directed the Additional Deputy Commissioner (F&P) and Deputy Director (B&A) to inquire the matter for fixing responsibility besides getting the expenditure regularized from the competent authority within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

<u>Note:</u> The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2019-20 and 2018-19 vide para(s) number 2.3.8, 2.2.4.7, 2.2.5.2.6 and 2.2.2.6 respectively having financial impact of Rs 387.282 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 17, 09 & 10]

Others

2.3.4 Unauthorized payment of salary instead of stipend to postgraduate trainees – Rs 209.131 million

According to clarification issued by Finance Department vide U.O. No. FD.SR-/6-6/2022 dated 12.04.2022, “Training and study leave are separate categories. Doctors who proceed on postgraduate training are paid stipend in the light of Para-4 of U.O. letter of Finance Department bearing No. FD.SR-I/9-34/2011(P) dated 01.11.2013.”

During audit of DHA Bahawalpur for the FY 2022-23, it was observed that Primary & Secondary Healthcare Department issued orders for posting of 71 doctors at the disposal of CEO Bahawalpur for pay purpose only with the direction to relieve the doctors for postgraduate training. Orders of P&SHD and payment of salary amounting to Rs 209.131 million by various DDOs of DHA was unauthorized as the PGRs were entitled to receive stipend instead of pay & allowances.

Due to weak administrative and financial controls, payment of salary instead of stipend resulted in unauthorized expenditure.

The matter was reported to the PAO during October, 2023. CEO replied that notices were served for effecting recovery.

DAC in its meeting held on 05.01.2024 directed the CEO to effect recovery within one month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC’s directives besides fixing responsibility against the person(s) at fault.

[AIR Para: 22 (3)]

2.3.5 Loss due to payment of inadmissible pay and allowances – Rs 69.237 million

According to Government of the Punjab, Finance Department’s letter No.FD.SR-1/6-4/2019 dated 05.04.2021, “If a doctor submits Affidavit that he is not practicing, he may be allowed for Non Practicing Allowance.” Further, according to Government of the Punjab, Finance Department letter No. FD(M- I) 1-15/82-F-I dated 15.01.2000, “In case of designated residence, the officer / official for whom the residence was meant cannot draw House Rent Allowance and will have to pay 5% of house rent even if he does not avail the facility and residence remains vacant during the period.” Furthermore, according to clarification issued by the Finance Department, Government of the Punjab vide letter No. FD.SR.I.9-4/86(P) (PR) dated 04.12.2012, “The employees who are residing in the residential colonies situated within work premises are not entitled to the facility of Conveyance Allowance.” Moreover, according to Government of the Punjab, P&SHD letter No.SO(B&A)1-69/2016 dated 24.06.2022, “Performance based allowances are admissible to an official for the 1st 90 days only during continued period of earned leave, study leave or during the period he remained as OSD (awaiting posting).” Moreover, according to Rule 2.31 (a) of PFR Vol-I, “A drawer of bill for pay, allowances, contingent and other expenses will be responsible for any overcharges, frauds and misappropriation.”

During audit of DHA Bahawalpur for the FY 2022-23, it was observed that CEO and nine other DDOs made inadmissible payments of Conveyance Allowance, Dress Allowance, Mess Allowance, Nursing Professional Allowance, Non-Practicing Allowance etc. amounting to Rs 69.237 million to various employees for the Financial Years 2017-18 to 2022-23. **Annexure-5**

Due to weak internal controls, payment of inadmissible pay and allowances was made which resulted in loss to the Authority.

The matter was reported to PAO in September, 2023. DDOs replied that recovery was in progress.

DAC in its meeting held on 05.01.2024 directed the DDOs to effect recovery within one month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC’s directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18 vide para(s) number 2.3.12, 2.2.4.11, 2.2.4.13, 2.6.1, 2.6.2, 2.2.5.4.1, 2.2.5.4.5, 2.2.5.4.7, 2.2.5.4.9, 2.2.3.1, 2.2.3.6, 2.2.3.9, 2.2.3.12, 2.2.2.13, 2.2.3.2 and 2.2.3.3 having financial impact of Rs 264.811 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 22, 3, 7, 8, 1, 4, 1, 19, 20, 5, 13, 19, 6, 8, 10, 7, 7 & 8]

2.3.6 Non recovery of proportionate share of pension – Rs 37.528 million

According to paras 4(c) and 5 of the letter No.FD(DG)1-instructions-Act- 13/2016 dated 19.06.2017 issued by the Finance Department, Government of the Punjab, “In order to resolve the issue of pension payments of retired/retiring employees of defunct local governments, adjusted in District Health Authorities, the Pension Fund maintained by erstwhile District Governments shall be apportioned proportionately amongst the District Education Authority, District Health Authority and respective District Council. The Deputy Commissioner shall issue cheque(s) in favor of the respective successor District Education Authority Pension Fund and District Health Authority Pension Fund, respectively, which shall be established and maintained as prescribed in rule 3(2) of the Punjab District Authorities (Accounts) Rules, 2017 and the pension, including arrears, if any, shall be disbursed from new bank account District Education Authority Pension Fund and District Health Authority Pension Fund respectively to the pensioners.”

During audit of DHA Bahawalpur for the FY 2022-23, it was observed that CEO failed to recover proportionate share of pension amounting to Rs 37.528 million from District Council Bahawalpur in respect of those employees of erstwhile local government who were retired from District Health Authority Bahawalpur during Financial Year 2022-23. **Annexure-6**

Due to weak internal controls, share of pension fund was not collected from defunct local Government which resulted in financial burden for the Authority.

The matter was reported to PAO in September, 2023. No reply was submitted by the management.

DAC in its meeting held on 05.01.2024 directed the CEO to collect share from District Council Bahawalpur within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para:3]

2.3.7 Loss due to non-deposit of Government dues – Rs 3.613 million

According to Rule 14 (d) of the Punjab District Authorities (Accounts) Rules 2017, "The collecting officers shall be responsible to collect receipts in the transparent manner and guard against misappropriation, fraud, embezzlement or compromise." Further, according to Government of the Punjab, Finance Department letter No. FD (M-C)1-15/82-P-I dated 17.01.2000, "All receipts should be deposited into Government treasury not later than seven days of actual receipts."

During audit of DHA Bahawalpur for the FY 2022-23, it was observed that MS THQ Hospital Ahmed Pur East and three other DDOs collected receipts of Rs 3.613 million on account of lab test charges, X-Ray charges, ultrasound charges, indoor fees etc. for the Financial Years 2017-18 to 2022-23 but did not deposit into treasury. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Period	Amount
1	MS THQ Hospital Ahmad Pur East	Lab test fees, X-Ray charges, ultrasound fees, ECG fees etc.	2022-23	1.435
2	MS THQ Hospital Yazman	MLC, USG, ECG, X-ray charges, Lab test charges, Dental OPD fees, indoor fees, tender fees etc.		0.980
3	SMO RHC Lal Sohanra	MLC, USG, ECG, X-Ray fees, Lab test charges, Dental OPD fees & indoor fees.	2017-23	0.322

Sr. No.	DDOs	Description	Period	Amount
4	SMO RHC Mubarak Pur	USG, X-Ray charges, Lab test charges & Dental OPD fees etc.	2018-23	0.876
		Total		**3.613**

Due to weak financial and administrative controls, amount was not-deposited in Government Treasury which resulted in loss to Authority.

The matter was reported to PAO in September, 2023. DDOs replied that recovery was in progress.

DAC in its meeting held on 05.01.2024 directed the DDOs to effect recovery within one month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

[AIR Para No. 11, 14, 09 & 01]

2.4 District Health Authority, Chiniot

There are 13 formations in District Health Authority, Chiniot out of which 05 formations were audited during Audit Year 2023-24.

2.3.4.20 Procedural irregularities

2.4.1 Unauthorized payment of previous year's liabilities – Rs 180.855 million

According to Rule 15(g) of the Punjab District Authorities (Accounts) Rules, 2017, "The DDO shall be responsible to prepare statement of outstanding payments on the close of each financial year, carrying them forward and including the same in the register of liabilities to be paid in the relevant financial year."

During audit of DHA Chiniot for the FY 2022-23, it was observed that CEO and MS, DHQ Hospital made payments amounting to Rs 180.855 million against procurements made during preceding financial years. However, payments were made without maintaining liability register, reflecting them in annual budget of current financial year and obtaining approval from the competent authority. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Amount

1	CEO DHA Chiniot	Bulk purchase of medicine and surgical items	126.845
2	MS DHQ Hospital Chiniot	LP medicine, lab items etc.	54.010
Total			**180.855**

Due to weak internal controls, payments against previous year liabilities were made without separate budget allocation which resulted in unauthorized expenditure.

The matter was reported to PAO in September, 2023. DDOs did not submit reply of the audit observation.

DAC meeting was not convened despite repeated written requests made by Audit vide this office letter No.Dir/Aud/LocalGovts/Fsd/1199 dated 28.09.2023, followed by subsequent reminders dated 06.10.2023, 11.10.2023 and 30.11.2023.

Audit recommends inquiry and fixing responsibility against the DDOs concerned.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2018-19 vide para(s) number 2.4.3 and 8.2.3.2 respectively having financial impact of Rs 126.520 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 14&19]

2.3.4.21 Others

2.4.2 Loss due to payment of inadmissible pay and allowances – Rs 67.435 million

According to Government of the Punjab, Finance Department's letter No.FD.SR-1/6-4/2019 dated 05.04.2021, "If a doctor submits Affidavit that he is not practicing, he may be allowed for Non Practicing Allowance." Moreover, according to Government of the Punjab, P&SHD letter No.SO(B&A)1-69/2016 dated 24.06.2022, "Performance based allowances are admissible to an official for the 1st 90 days only during continued period of earned leave, study leave or during the period he remained as OSD (awaiting posting)." Moreover, according to Rule 2.31 (a) of PFR Vol-I, "A drawer of bill for pay, allowances, contingent and other expenses will be responsible for any overcharges, frauds and misappropriation."

During audit of DHA Chiniot for the FY 2022-23, it was observed that CEO and four other DDOs made inadmissible payments on account of HSRA, NPA, CA, Risk Allowance, Nursing Allowance, Health Professional Allowance, Supervisory Allowance, salaries during EOL, after resignation / retirement from service, reversion to lower scale etc. amounting to Rs 67.435 million to various employees for the Financial Years 2021-22 and 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Period	Amount
1	CEO, DHA Chiniot	Overpayment due to non-reversion of upgradation and overpayment of CA, HSRA, HPA etc.	2022-23	51.002
		Overpayment of Non-Practicing Allowance without admissibility		5.282
2	DHO (PS), Chiniot	Overpayment of Risk Allowance, Conveyance Allowance and HSRA etc.	2022-23	2.513
3	MS DHQ Hospital, Chiniot	Payment of Special Allowance, HSRA and House Rent Allowance etc. without admissibility	2022-23	3.253
		Payment of Non-Practicing Allowance without admissibility		1.237
4	MS THQ Hospital, Lalian	Payment of NPA without admissibility and pay & allowances during LFP etc.	2022-23	2.538
5	SMO RHC Chak No.14/JB	Drawal of pay & allowance during LHP, LFP without admissibility	2021-23	1.610
Total				**67.435**

Due to weak internal controls, payment of inadmissible pay and allowances was made which resulted in loss to the Authority.

The matter was reported to PAO in September, 2023. DDOs did not submit reply of the audit observation.

DAC meeting was not convened till finalization of this Report despite repeated

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of overpaid amount.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18 vide para(s) number 2.4.18, 1.2.4.9, 8.4.7, 8.2.5.3.7, 8.2.2.10 and 3.2.15 respectively having financial impact of Rs 59.181 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 11,12,4,11,7,12&22]

2.4.3 Non collection of share of Pension Fund– Rs 5.856 million

According to paras 4(c) and 5 of the letter No.FD(DG)1-instructions-Act- 13/2016 dated 19.06.2017 issued by the Finance Department, Government of the Punjab, "In order to resolve the issue of pension payments of retired/retiring employees of defunct local governments, adjusted in District Health Authorities, the Pension Fund maintained by erstwhile District Governments shall be apportioned proportionately amongst the District Education Authority, District Health Authority and respective District Council. The Deputy Commissioner shall issue cheque(s) in favor of the respective successor District Education Authority Pension Fund and District Health Authority Pension Fund, respectively, which shall be established and maintained as prescribed in rule 3(2) of the Punjab District Authorities (Accounts) Rules, 2017 and the pension, including arrears, if any, shall be disbursed from new bank account District Education Authority Pension Fund and District Health Authority Pension Fund respectively to the pensioners."

During audit of DHA Chiniot for the FY 2022-23, it was observed that CEO failed to collect share of Pension Fund of local Government employees from the concerned local Government amounting to Rs 5.856 million.

Due to weak internal controls, share of pension fund was not collected from defunct local Government which resulted in financial burden for the Authority.

The matter was reported to PAO in September, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides collection of share of Pension Fund.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2020-21 and 2018-19 vide para(s) number 2.4.20, 1.2.4.10 and 8.2.3.6 respectively having financial impact of Rs 12.990 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No.9]

2.4.4 Loss due to unauthorized distribution of hospital receipts and non-deposit of receipts in DHA fund – Rs 5.441 million

According to Government of the Punjab, P&SHC Department Notification No.S.O(H&D)7-9/2017(U.C) dated 17.08.2019 and Notification of even number dated 29.10.2019, "The rates for various services, parking and tests performed in health facilities were notified under the headings: A (Services), B (Parking) and C (Lab Tests). 70% of the revenue from diagnostic tests was to be retained by the Government." Furthermore, according to Accountant General Punjab letter No. Account-V&VI/Bank Advice/2021-22/HM/3212 dated 14.09.2022 and Government of the Punjab, Finance Department letter No.BI-3(120)AGP(2017-18 dated 16.08.2019, "DEAs and DHAs in the Punjab are directed to transfer all Public Account Receipts and Consolidated Fund Receipts to the Provincial Government (Account-I) except GL heads C02856, C02866, C02814, C03616."

During audit of DHA Chiniot for the FY 2022-23, it was observed that MS, DHQ Hospital Chiniot collected receipts on account of different fees. However, proportionate Government share amounting to Rs 1.983 million was distributed among cardiologist, doctors and other hospital staff without admissibility. Further, various DDOs of DHA collected receipts under the GL head C02866 amounting to Rs 3.458 million and deposited the same into Account-I instead of Account-VI. Resultantly, fees amounting to Rs 5.441 million was not deposited into DHA fund. **Annexure-7**

Due to weak internal controls, receipts were either distributed without admissibility or deposited in Account-I which resulted in loss to the Authority.

The matter was reported to PAO in September, 2023. DDOs did not submit reply of the audit observation.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery and deposit of receipts in DHA fund.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2019-20 vide para(s) number 2.4.25 and 8.2.5.4.5 respectively having financial impact of Rs 11.077 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 7&13]

2.5 District Health Authority, Dera Ghazi Khan

There are 19 formations in District Health Authority, Dera Ghazi Khan out of which 10 formations were audited during Audit Year 2023-24.

2.3.4.22 Fraud, embezzlement and misappropriation

2.5.1 Misappropriation of Government receipts and store items – Rs 1.316 million

According to Rule 14 (d) of the Punjab District Authorities (Accounts) Rules 2017, "The primary obligation of the collecting officers shall be to collect receipts in the transparent manner and guard against misappropriation, fraud, embezzlement or compromise." Further, according to Rule 2.33 of the PFR, Volume-I, "Every Government servant 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."

During audit of DHA Dera Ghazi Khan for the FY 2022-23, it was observed that CEO and three other DDOs misappropriated Rs 1.316 million on account of different fees and store items for the Financial Years 2018-19 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Nature of receipts	Period	Amount
1	CEO, DHA Dera Ghazi Khan	Tender sale money	2022-23	0.062
		Double bill claim		0.250
2	MS THQ Hospital Taunsa	Lab, MLC, Tender Fees		0.434
3	MS THQ Hospital Kot Chutta	MLC		0.292
4	SMO RHC Barthi	Lab, MLC, dental and ultrasound fees	2018-23	0.278
Total				**1.316**

Due to weak financial and administrative controls, hospital receipts were misappropriated / not-deposited in Government Treasury which resulted in loss to Authority.

The matter was reported to PAO in September, 2023. No reply was submitted by the management.

DAC meeting was not convened despite repeated written requests made by Audit vide this office letter No.RDA/DGK/CD-869-871 dated 01.08.2023, No. RDA/DGK/CD-1030-1033 dated 22.09.2023 and No. RDA/DGK/CD-1180-1183 dated 13.10.2023.

Audit recommends inquiry be initiated against those responsible for apparent misappropriation besides recovery and deposit of misappropriated amount into Government Treasury.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para(s) number 2.5.2, 1.2.4.7, 4.4.5, 4.2.5.2.14 and 4.2.2.11 respectively having financial impact of Rs 10.971 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 11,15,3,3,3]

2.3.4.23 Procedural irregularities

2.5.2 Doubtful consumption of medicines and store items – Rs 36.961 million

According to Rule 15.4 (a) of PFR Volume-I, "All materials received should be examined, counted, measured and weighed as the case may be, when delivery is taken, and they should be kept in charge of a responsible government servant."

During audit of DHA Dera Ghazi Khan for the FY 2022-23, it was observed that MS THQ Hospital Taunsa and two other DDOs did not ensure maintenance of proper consumption record of medicines and store items amounting to Rs 36.961 million for the Financial Years 2018-19 to 2022-23. Record showed that the medicines were issued from main medicine store to different wards without approval of indents. Furthermore, overwriting was noticed on stock registers and no proof of consumption was available. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Period	Amount
1	MS THQ Hospital Taunsa	2022-23	20.627
2	SMO RHC Barthi	2018-23	9.686
3	SMO RHC Tibbi Qaisrani	2020-23	6.648
Total			**36.961**

Due to weak internal controls, medicines were issued without maintenance of consumption record which resulted in doubtful issuance of medicine.

The matter was reported to PAO in September, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry of the matter and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2019-20 and 2018-19 vide para(s) number 2.5.8, 4.2.5.2.2 and 4.2.2.13 respectively having financial impact of Rs 47.607 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 13,9,9]

2.5.3 Irregular drawl and retention of funds in DDO account – Rs 15.689 million

According to Rule 2.10 (5) of PFR Volume-I, "No money is withdrawn from the treasury unless it is required for immediate disbursement or has already been paid out of the permanent advance."

During audit of DHA Dera Ghazi Khan for the FY 2022-23, it was observed that CEO and two other DDOs withdrew an amount of Rs 15.689 million out of the Government Treasury and retained the same in DDO's account. However, the same was not disbursed to the concerned claimants till June 2023. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Drawl Period	Description	Amount
1	CEO, DHA Dera Ghazi Khan	May, 2022	Upgradation of RHCs	4.235
		May, 2023	"Reach Every Door" vaccination compain training (Covid-19)	8.164
2	MS THQ Hospital, Taunsa	March, 2020	Establishment of Day Care Center	0.737
3	DC IRMNCH, Dera Ghazi Khan	Sep. 2022 to June, 2023	Training claims of master trainers, participants, refreshment and stationery	2.553
Total				**15.689**

Due to weak financial management, the funds were drawn from the Government Treasury without valid claim and remained undisbursed in DDO account which resulted in blockage of funds.

The matter was reported to PAO in September, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends to probe the matter for fixing responsibility against the person(s) at fault besides immediate disbursement of funds to the valid claimants.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2019-20 vide para(s) number 2.5.9 and 4.2.5.3.4 respectively having financial impact of Rs 27.102 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 4,6,5]

2.5.4 Mis-procurement due to non-compliance of PPRA Rules – Rs 14.184 million

According to Rules 4, 9 and 12(1) of Punjab Procurement Rules 2014, "Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. The procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority in the manner and format specified by regulations but if deemed in public interest, the procuring agency may also advertise the procurement in at least one national daily newspaper."

During audit of DHA Dera Ghazi Khan for the FY 2022-23, it was observed that MS THQ Hospital Kot Chutta incurred expenditure of Rs 14.184 million on procurement of medicines and store items without uploading the advertisement on PPRA's website. The procurements were made through regrouping and splitting. The detail is as under:

(Rupees in million)

Sr. No.	Description	Amount
1	Various medicines	4.572
2	Various Store Items	9.612
Total		**14.184**

Due to weak internal controls, purchases were made in violation of PPRA Rules which resulted in mis-procurement.

The matter was reported to PAO in September, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2019-20 and 2018-19 vide para(s) number 2.5.6, 1.2.4.2, 4.2.5.2.1and 4.2.2.1 respectively having financial impact of Rs 312.014 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 4,6]

2.5.5 Unauthorized payment of previous year's liabilities – Rs 7.610 million

According to Rule 15(g) of the Punjab District Authorities (Accounts) Rules, 2017, "The DDO shall be responsible to prepare statement of outstanding payments on the close of each financial year, carrying them forward and including the same in the register of liabilities to be paid in the relevant financial year."

During audit of DHA Dera Ghazi Khan for the FY 2022-23, it was observed that MS THQ Hospital Taunsa made payments of Rs 7.610 million to different firms against procurements of medicines and other store items for preceding financial years. However, payments were made without maintaining liability register, approval of the competent authority and special provision of funds for the clearance of outstanding liabilities.

Due to weak internal controls, previous year's liabilities were paid from budget of current year which resulted in unauthorized expenditure.

The matter was reported to PAO in September, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends fixing responsibility against the person(s) at fault besides regularization of expenditure.

<u>Note:</u> The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2019-20 vide para(s) number 2.5.7 and 4.2.5.2.8 respectively having financial impact of Rs 74.428 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 8]

2.3.4.24 Others

2.5.6 Unauthorized up-gradation of staff – Rs 174.234 million

According to serial No.1 of Delegation of Power 2016, "The power of reciprocal up-gradation and down gradation of posts is rest with Administrative Department. The Administrative Department shall exercise full powers to upgrade or down grade of posts. Moreover, in case the upgraded post is deemed to be a permanent requirement, such post/s shall be got created from Finance Department through SNE." Further according to Government of the Punjab Primary & Secondary Healthcare Department Notification No. SO (NO)1-13/2016 dated 30.3.2018, "The higher scale will be considered personal to incumbents of the posts, shall be granted on the recommendations of the District Selection Committee on seniority cum fitness basis, on the basis of satisfactory service record (three years) and no regular inquiry is pending against the incumbents."

During audit of DHA Dera Ghazi Khan for the FY 2022-23, it was observed that District Coordinator (IRMNCH&NP) paid Rs 174.234 million to 513 LHWs. The LHWs were up-graded from BPS-5 to BPS-7 and BPS-9 w.e.f 03.08.2022 by the Program Director (IRMNCH & NP) Punjab without the recommendations of District Selection Committee, seniority and performance evaluation reports for last three years. The detail is as under:

(Rupees in million)

Description	**No. of employees**	**Pay Drawn**
LHW BS-9	57	17.947
LHW BS-7	456	156.287
Total	**513**	**174.234**

Due to weak internal controls upgradation was made without District Selection Committee and codal formalities which resulted in unauthorized expenditure.

The matter was reported to PAO in September, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends that matter may be investigated and responsibility be fixed against the person(s) at fault.

[AIR Para No.10]

2.5.7 Irregular expenditure on pay and allowances – Rs 24.868 million

According to Rule 17 of the Punjab Civil Servants (Appointment and Conditions of Service) Rules, 1974, "Initial recruitment (either on regular or contract) against all posts in BS-1 and above shall be made on merit after advertisement of vacancies in newspapers. Initial appointment to all posts in grades 1 and above except those filled under rule 16, shall be made on the basis of examination or test to be held by the appropriate committee or the board, as the case may be, after advertisement of the vacancies in newspapers, or in the manner to be determined by the Government."

During audit of DHA Dera Ghazi Khan for the FY 2022-23, it was observed that District Coordinator (IRMNCH&NP) paid amount of Rs 24.868 million to 59 LHVs on account of pay and allowances who were actually appointed on lump sum pay package. The employees were paid upto 30.06.2021 by Program Director (IRMNCH&NP) Lahore @ Rs 27,000 as fixed pay under the project, later on they were adjusted in DHA Dera Ghazi Khan and their pay was allowed under Basic Pay Scale system, without going through the due recruitment process.

Due to weak financial controls, project employees were paid according to Basic Pay Scale instead of lump sum package which resulted in irregular payment of pay and allowances.

The matter was reported to PAO in September, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends to probe the matter for fixing responsibility against the person(s) at fault besides regularization of matter from the competent authority.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.5.10 having financial impact of Rs 20.595 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 3]

2.5.8 Loss due to payment of inadmissible pay and allowances – Rs 20.816 million

According to Government of the Punjab, Finance Department's letter No.FD.SR-1/6-4/2019 dated 05.04.2021, "If a doctor submits Affidavit that he is not practicing, he may be allowed for Non Practicing Allowance." Further, according to Government of the Punjab, Finance

Department letter No. FD(M- I) 1-15/82-F-I dated 15.01.2000, "In case of designated residence, the officer / official for whom the residence was meant cannot draw House Rent Allowance and will have to pay 5% of house rent even if he does not avail the facility and residence remains vacant during the period." Furthermore, according to clarification issued by the Finance Department, Government of the Punjab vide letter No. FD.SR.I.9-4/86(P) (PR) dated 04.12.2012, "The employees who are residing in the residential colonies situated within work premises are not entitled to the facility of Conveyance Allowance." Moreover, according to Government of the Punjab, P&SHD letter No.SO(B&A)1-69/2016 dated 24.06.2022, "Performance based allowances are admissible to an official for the 1st 90 days only during continued period of earned leave, study leave or during the period he remained as OSD (awaiting posting)." Moreover, according to Rule 2.31 (a) of PFR Vol-I, "A drawer of bill for pay, allowances, contingent and other expenses will be responsible for any overcharges, frauds and misappropriation."

During audit of DHA Dera Ghazi Khan for the FY 2022-23, it was observed that DHO (PS) and five other DDOs made inadmissible payments of House Rent Allowance, Conveyance Allowance, Dress Allowance, Mess Allowance, Nursing Professional Allowance, Non-Practicing Allowance, Hill Allowance, pay and allowances amounting to Rs 20.816 million to various employees for the Financial Years 2019-20 to 2022-23. The detail is under:

(Rupees in million)

Sr. No.	DDOs	Description	Period	Amount
1	DHO (PS) Dera Ghazi Khan	House Rent Allowances, CA, NPA, HSRA, SHCA, inadmissible pay and allowances	2022-23	17.478
2	MS THQ Hospital Taunsa	HSRA, Non-deduction of performance-based allowances, pay after quit/left the job		0.468
3	MS THQ Hospital, Kot Chutta	HSRA, Non-deduction of performance-based allowances, inadmissible pay and allowances		0.847
4	DC (IRMNCH&NP) Dera Ghazi Khan	CA and inadmissible allowances		0.279
5	SMO RHC Tibbi Qaisrani	NPA, HSRA, inadmissible pay and allowances	2020-23	0.914
6	SMO RHC Choti Zaireen	NPA, integrated allowance and inadmissible pay and allowances	2019-23	0.830
Total				**20.816**

Due to weak internal controls, payment of inadmissible pay and allowances was made which resulted in loss to the Authority.

The matter was reported to PAO in September, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry, fixing responsibility against the person(s) at fault for allowing inadmissible allowances and immediate stoppage of such allowances coupled with recovery of overpaid amount.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para(s) number 2.5.17, 1.2.4.3, 1.2.4.4, 4.4.2, 4.4.3, 4.2.5.2.4, 4.2.5, 4.2.2.6, 4.2.2.3 and 4.2.2.4 respectively having financial impact of Rs 132.315 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No.12,4,12,8,3,2]

2.5.9 Overpayment due to irregular promotion of allied health professionals – Rs 17.683 million

According to Government of Punjab P&SHC Department Notification No. 1715-21/1059/LC dated 06.06.2022 and No. 767 dated 06.02.2023, "Allied health professionals were eligible for up-gradation / re-designation as one time dispensation under AHP notification dated 24.11.2011 up-gradation under 4-tier beyond one time are not in accordance with the notification dated 24.11.2011. Up gradation beyond one time of AHP should be withdrawn as per direction of Finance department order dated 04.07.2019."

During audit of DHA Dera Ghazi Khan for the FY 2022-23, it was observed that CEO allowed to pay Rs 17.683 million against irregular promotion of allied health professionals' staff who were up-graded / re-designated during 2012 under 4-tier service structure into higher scale with two to four steps at a time instead of one time dispensation in violation of above policy.

Due to weak internal controls, up-gradation was granted to employees into next higher scales in violation of policy guidelines which resulted in overpayment.

The matter was reported to PAO in September, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends immediate withdrawal of irregular promotions besides recovery of over payment from the concerned and correction in payroll.

[AIR Para No.13]

2.6 District Health Authority, Faisalabad

There are 33 formations in District Health Authority, Faisalabad out of which 10 formations were audited during Audit Year 2023-24.

2.3.4.25 Procedural irregularities

2.6.1 Unauthorized payment against previous year's liabilities – Rs 263.068 million

According to Rule 15(g) of the Punjab District Authorities (Accounts) Rules, 2017, "The DDO shall be responsible to prepare statement of outstanding payments on the close of each financial year, carrying them forward and including the same in the register of liabilities to be paid in the relevant financial year."

During audit of DHA Faisalabad for the FY 2022-23, it was observed that CEO and three other DDOs made payments of Rs 263.068 million to different firms against procurements of medicine & surgical items for preceding financial years. However, payments were made without maintaining liability register, approval of the competent authority for time barred claims and special provision of funds for the clearance of outstanding liabilities. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Period	Description	Amount
1	CEO DHA Faisalabad	2022-23	Payment of previous year liabilities against medicine & surgical items	213.137
2	MSTHQ Hospital Samundri	2022-23	Payment of previous year liabilities against LP medicine, laboratory items etc.	12.598
3	MS THQ Hospital Jaranawala	2022-23	Payment of previous year liabilities against LP medicine and laboratory Items	12.176
			Payment of previous year liabilities against medicine & surgical items	9.003
4	MS Government General Hospital Samnabad	2022-23	Expenditure without availability of budget	15.255
			Payment of previous year liabilities	0.899

Total	**263.068**

Due to weak internal controls, previous year's liabilities were paid from budget of current year which resulted in unauthorized expenditure.

The matter was reported to PAO in August & September, 2023. It was replied that all procurements were made after fulfilling guidelines of PPRA. However, funds to clear previous year liabilities were not issued by the higher authorities. The replies were not tenable because no separate budget allocation was made and liability register was not maintained by the authority.

DAC in its meeting held on 14.02.2024 directed the Deputy Director (B&A) to inquire the matter for fixing responsibility for expenditure by creating liabilities due to non-availability against specific head of accounts. DAC further directed to produce head wise allocation in the relevant years besides provision of separate allocation of budget for clearance of liabilities and report progress within two weeks. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2019-20, 2018-19 and 2017-18 vide para(s) number 2.6.5, 2.2.4.2, 9.2.5.2.2, 9.2.3.3 and 5.2.2.1 respectively having financial impact of Rs 507.660 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 7,7,3,4,2&14]

2.6.2 Irregular purchase and consumption of medicine & surgical items – Rs 113.483 million

According to Para 2(iv)(c) & 2(xviii) of Guidelines for Local Purchase of Medicine circulated vide Government of the Punjab, P&SHC Department letter No.PSHD-TCO-I(M)6-14/2017 dated 16.12.2017, "Local purchase of medicine would be made through open competitive tendering. Furthermore, purchase order may be emailed to the LP Supplier through LP portal. Contractor will submit invoice / bill with supply on daily basis. Local purchase will be initiated with the order of Consultants / Senior Medical Officer via prescription that will be maintained as record of Local Purchase and it will not be for more than 7 days for one patient."

During audit of DHA Faisalabad for the FY 2022-23, it was observed that MS THQ Hospital Samundari and four other DDOs incurred expenditure of Rs 113.483 million on account of Local Purchase medicine and surgical items. Contrary to the above provisions, procurements and consumption were made as detailed below:

i) Repeated items of Local Purchase were not reported to procurement cell for procurement through bulk purchase;

ii) Local Purchases were made by health facilities without mentioning reference of the patients; and

iii) Consumption was made without maintaining issuance and disbursement record of medicines.

The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Period	Amount
1	MS THQ Hospital Samundari	Local Purchase / Day to Day Purchase of medicine	2022-23	27.063
2	SMO RHC 65/GB	Local Purchase / Day to Day Purchase of medicine	2010-23	4.885
3	MS THQ Hospital Jaranawala	Unauthentic consumption of medicine	2022-23	15.862
		Irregular award of framework contract		2.382
		Local Purchase / Day to Day Purchase of medicine		21.068
		Expenditure on procurement of medical items		1.845
		Unauthorized centralized procurement of medicine		27.291
4	MS Government General Hospital Samnabad	Local Purchase / Day to Day Purchase of medicine	2022-23	12.199
5	SMO RHC Kanjawani	Irregular Local Purchase / Day to Day Purchase of medicine	2013-23	0.888
Total				**113.483**

Due to weak financial management and internal controls, procurements and consumption of Local Purchase of medicines and surgical items were made in violation of policy guidelines and without maintaining proper consumption record which resulted in irregular expenditure.

The matter was reported to PAO in August & September, 2023. It was replied that LP medicine and other procurements were made through bulk tender which was cost effective than Local purchase. Further, LP medicines were procured on most economical or discounted rates. The decision was made in the best public interest with the goals of preventing pilferage or misuse of medicines and all purchases were done in accordance to the PPRA guidelines. Reply was not tenable as procurements were made in violation of policy guidelines.

DAC in its meeting held on 14.02.2024 directed the DDOs concerned to get the expenditure regularized from Finance Department. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives..

<u>Note:</u> The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2021-22 vide para(s) number 2.6.4 and 2.2.4.1 respectively having financial impact of Rs 580.820 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No.12,5,9,10,11,12,17,3&5]

2.6.3 Loss due to payment of inadmissible pay and allowances – Rs 105.319 million

According to Rule 1.15(2) of the Punjab Travelling Allowance Rules, "Conveyance Allowance will not be admissible during leave." Further, according to Government of the Punjab, Finance Department's letter No.FD.SR-1/6-4/2019 dated 05.04.2021, "If a doctor submits Affidavit that he is not practicing, he may be allowed for Non Practicing Allowance." Further, according to Government of the Punjab, Finance Department letter No. FD(M- I) 1-15/82-F-I dated 15.01.2000, "In case of designated residence, the officer / official for whom the residence was meant cannot draw House Rent Allowance and will have to pay 5% of house rent even if he does not avail the facility and residence remains vacant during the period." Furthermore, according to clarification issued by the Finance Department, Government of the Punjab vide letter No. FD.SR.I.9-4/86(P) (PR) dated 04.12.2012, "The employees who are residing in the residential colonies situated within work premises are not entitled to the facility of Conveyance Allowance." Moreover, according to Government of the Punjab, P&SHD letter No.SO(B&A)1-69/2016 dated 24.06.2022, "Performance based allowances are admissible to an official for the 1st 90 days only during continued period of earned leave, study leave or during the period he remained as OSD (awaiting posting)." Moreover, according to Rule 2.31 (a) of PFR Vol-I, "A drawer of bill for pay, allowances, contingent and other expenses will be responsible for any overcharges, frauds and misappropriation."

During audit of DHA Faisalabad for the FY 2022-23, it was observed that CEO and nine other DDOs made inadmissible payments on account of Conveyance Allowance, House Rent Allowance, Non Practicing Allowance etc. amounting to Rs 105.319 million to various employees for the Financial Years 2017-18 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	**DDOs**	**Description**	**Period**	**Amount**
1	CEO DHA Faisalabad	Overpayments of pay & allowances	2022-23	88.053
2	DHO (PS) Faisalabad	Overpayment of Conv. Allowance and NPA	2022-23	1.549
		Overpayments of pay & allowances		0.185
		Allotment of residencies without recovery of HRA & CA from employees of PHFMC		1.232
3	MS THQ Samundri	Overpayments of pay & allowances	2022-23	1.995
		Overpayment of NPA		0.722
4	SMO RHC 65/GB	Overpayment of NPA	2010-23	0.205
		Overpayments of pay & allowances		1.595
5	MS THQ Jaranawala	Overpayment of NPA	2022-23	1.051
		Overpayments of pay & allowances		3.054
6	MS Govt. General Hospital Samnabad	Overpayments of pay & allowances	2022-23	1.334
7	SMO RHC Kanjawani	Overpayments of pay & allowances	2013-23	1.090
8	DHO-III Faisalabad	Overpayments of pay & allowances	2022-23	0.212
9	Dy DHO Tandlianwala	Overpayments of pay & allowances	2010-23	1.948
		Overpayments of pay & allowances		0.848
10	SMO RHC Mureed Wala	Overpayments of pay & allowances	2011-23	0.246
Total				**105.319**

Due to weak internal controls, payment of inadmissible pay and allowances was made which resulted in loss to the Authority.

The matter was reported to PAO in August & September, 2023. It was replied that recovery on account of overpaid pay & allowances was under progress and compliance in this regard would be shown. Audit stressed to ensure recovery from employees at the earliest.

DAC in its meeting held on 14.02.2024 directed the DDOs concerned to recover the overpaid amount on account of pay & allowances and report progress within two weeks. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing respoinsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18 vide para(s) number 2.6.6, 2.2.4.6, 9.3.3, 9.2.5.2.7, 9.2.1.22, 9.2.2.5, 9.2.2.6 and 5.2.1.6 respectively having financial impact of Rs 143.038 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 10,4,7,10,13,17,4,8,6,7,5,8,6,2,7&3]

2.6.4 Irregular appointment of daily wages/contingent paid staff – Rs 30.873 million

According to letter No. RO(Tech) FD2/2018 dated 20.09.2019 issued by Finance Department, Government of the Punjab and Para 2 of preface of schedule of wage rate 2019, "Appointment of temporary establishment to be made by the competent authority subject to the following conditions, the post(s) shall be advertised properly in the leading newspapers, the recruitment to all the posts be made on the basis of merit specified for the regular establishment."

During audit of DHA Faisalabad for the FY 2022-23, it was observed that DHO(PS) incurred expenditure of Rs 30.873 million for payment of remuneration to five hundred twenty daily wages staff. Record showed that recruitment of staff was made without adhering to instructions of Finance Department and without advertisement in the newspapers, need assessment, data of total applications received and merit list.

Due to weak internal controls, appointments of daily wages staff were made without adhering to Finance Department instructions which resulted in irregular expenditure.

The matter was reported to PAO in September, 2023. It was replied that all appointments were made according to directions / guidelines of Health Department and no irregularity was made in that regard. The reply was not tenable because recruitment was made in violation of the guidelines of Finance Department.

DAC in its meeting held on 14.02.2024 directed to get the record verified from audit within two weeks. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2019-20, 2018-19 and 2017-18 vide para(s) number 2.6.19, 9.2.5.2.6, 9.2.1.5 and 5.2.1.4 respectively having financial impact of Rs 49.264 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 11]

Others

2.6.5 Loss due to unauthorized distribution of hospital receipts & non-deposit of receipts in Account-I – Rs 52.283 million

According to Government of the Punjab, P&SHC Department Notification No.S.O(H&D)7-9/2017(U.C) dated 17.08.2019 and Notification of even number dated 29.10.2019, "The rates for various services, parking and tests performed in health facilities were notified under the headings: A (Services), B (Parking) and C (Lab Tests). 70% of the revenue from diagnostic tests was to be retained by the Government." Furthermore, according to Accountant General Punjab letter No. Account-V &VI/Bank Advice/2021-22/HM/3212 dated 14.09.2022 and Government of the Punjab, Finance Department letter No.BI-3(120)AGP(2017-18 dated 16.08.2019, "DEAs and DHAs in the Punjab are directed to transfer all Public Account Receipts and Consolidated Fund Receipts to the Provincial Government (Account-I) except GL heads C02856, C02866, C02814 and C03616."

During audit of DHA Faisalabad for the FY 2022-23, it was observed that MS THQ Hospital Samundari and SMO RHC 65/GB collected receipts of Rs 3.637 million on account of different fees for the Financial Years 2019-20 to 2022-23. Contrary to the provisions of above notification, an amount of Rs 1.105 million was distributed to staff as share without admissibility. Further, various DDOs of DHA, Faisalabad collected receipts of Rs 51.178 million but CEO failed to ensure its transfer into Account-I during Financial Year 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Period	Description	Share Amount
1	MS THQ Hospital Samundari	2022-23	X-Ray, ECG, Ultrasound Fees	0.922
2	SMO RHC 65/GB	2019-23	X-Ray, ECG, Ultrasound Fees	0.183
3	CEO DHA Faisalabad	2022-23	Receipts collected were not deposited into Account-I	51.178
Total				**52.283**

Due to weak financial and administrative controls, un-authorized distribution of hospital receipts among staff and not deposit of receipts in Government Treasury which resulted in loss to Government.

The matter was reported to PAO in August & September, 2023. It was replied that allowances / share were received according to entitlement whereas matter regarding deposit of receipts into Provincial Account-I related to DAO, Faisalabad. Audit stressed to ensure recovery of overpaid amount of allowances / share besides early transfer of receipts into the relevant head of account.

DAC in its meeting held on 14.02.2024 directed to recover the unauthorized paid amount of share and deposit into relevant head of account. Further, DAC directed Deputy Director (B&A) to get clarify the matter from Finance Department regarding deposit of receipts into relevant head of account. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing respoinsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.6.33 respectively having financial impact of Rs 10.371 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 9,3&11]

2.6.6 Non-recovery of claims of SSP and non-deposit of Government share - Rs 3.797 million

According to Government of the Punjab, Specialized Healthcare and Medical Education Department Notification No.SO(DEV-I)25-69/2020(P-VI) dated 23.01.2023, "20% of total amount of claim received by Government Hospitals shall be utilized for provision of medicines / disposables and arranging diagnostic tests for the patients being created under the UHI / Sehat Sahulat Program (SSP) to ensure cashless medical services for such patients. Out of remaining 80%, share of Government / Insurance Fund shall be 66%."

During audit of DHA Faisalabad for the FY 2022-23, it was observed that MS THQ Hospital Jaranwala failed to collect outstanding claims on account of SSP amounting to Rs 2.829 million from the SLIC. Moreover, Government share of SSP amounting to Rs 0.968 million was not deposited into the treasury. Resultantly, payee claims and Government share of SSP amounting to Rs 3.797 million remained uncollected / non deposited.

Due to weak internal controls, Government share of SSP was not deposited and non-recovery of pending claims from SLIC which resulted in loss to the Government exchequer.

The matter was reported to PAO in August, 2023. It was replied that Sehat Sahulat Program was functioning according to rule policy issued by Government of Punjab and shares was divided amongst concerned employees according to Government policy. Audit stressed to ensure recovery of pending claim besides deposit of Government share into relevant head of account.

DAC in its meeting held on 14.02.2024 directed Deputy Director (B&A) to pursue the matter regarding recovery of Government share from concerned besides early clearance of pending claims. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para No. 14]

2.6.7 Loss due to non-auction of parking stand – Rs 1.071 million

According to Rule 9(b) of the Punjab District Authorities (Accounts) Rules, 2017, "The drawing and disbursing officer and payee of the pay, allowances, contingent expenditure or any other expenses shall be personally responsible for overpayment, fraud or misappropriation and shall be liable to make good that loss." Furthermore, according to Rules 5 & 9 of the Punjab Local Governments (Auction of Collection Rights) Rules 2016, "A Local Government shall award the contract to the highest bidder through public auction and open bid."

During audit of DHA Faisalabad for the FY 2022-23, it was observed that MS THQ Hospital Samandri handed over collection rights of parking fees to Faisalabad Parking Company (FPC) on profit sharing basis instead of through open competition. FPC deposited Rs 1.499 million as THQ Hospital Share for the Financial Years 2021-23 as compared to projected income through open auction amounting to Rs 2.570 million on the basis of last auction for 2020-21. Resultantly, DHA exchequer sustained loss of Rs 1.071 million due to non-auction through open competition.

Due to financial mismanagement and dereliction of duties, parking services were outsourced without open competition which resulted in loss to the Authority.

The matter was reported to PAO in August, 2023. It was replied that contract was signed with Faisalabad Parking Company on instructions of Deputy Commissioner Faisalabad till the FY 2023-24. The reply was not tenable because the contract was required to be auctioned thorugh cometetive bidding..

DAC in its meeting held on 14.02.2024 directed MS THQ Hospital Samundari to communicate the matter to Authority for initiation of auction under rules. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.6.37 having financial impact of Rs 3.684 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 4]

2.7 District Health Authority, Jhang

There are 24 formations in District Health Authority, Jhang out of which 05 formations were audited during Audit Year 2023-24.

2.3.4.26 Procedural irregularities

2.7.1 Loss due to payment of inadmissible pay and allowances – Rs 113.380 million

According to Rule 1.15(2) of the Punjab Travelling Allowance Rules, "Conveyance Allowance will not be admissible during leave." Furthermore, according to Government of the Punjab, Finance Department's letter No.FD.SR-1/6-4/2019 dated 05.04.2021, "If a doctor submits Affidavit that he is not practicing, he may be allowed for Non Practicing Allowance." Further, according to Government of the Punjab, Finance Department letter No. FD(M- I) 1-15/82-F-I dated 15.01.2000, "In case of designated residence, the officer / official for whom the residence was meant cannot draw House Rent Allowance and will have to pay 5% of house rent even if he does not avail the facility and residence remains vacant during the period." Furthermore, according to clarification issued by the Finance Department, Government of the Punjab vide letter No. FD.SR.I.9-4/86(P) (PR) dated 04.12.2012, "The employees who are residing in the residential colonies situated within work premises are not entitled to the facility of Conveyance Allowance." Moreover, according to Government of the Punjab, P&SHD letter No.SO(B&A)1-69/2016 dated 24.06.2022, "Performance based allowances are admissible to an official for the 1st 90 days only during continued period of earned leave, study leave or during the period he remained as OSD (awaiting posting)." Moreover, according to Rule 2.31 (a) of PFR Vol-I, "A drawer of bill for pay, allowances, contingent and other expenses will be responsible for any overcharges, frauds and misappropriation."

During audit of DHA Jhang for the FY 2022-23, it was observed that CEO and four other DDOs made inadmissible payments of Conveyance Allowance, HRA, NPA, HSRA, stipend to the trainee doctors, pay & allowances during EOL and SSB after regularization of services etc. amounting to Rs 113.380 million to various employees for the Financial Years 2021-22 and 2022-23.

The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Period	Description	Amount
1	CEO DHA Jhang	2022-23	Excess payment of pay and allowances	28.136

Sr. No.	DDOs	Period	Description	Amount
2	MS DHQ Hospital Jhang	2021-23	Unjustified payment of stipend to house job graduate's	16.869
		2022-23	Excess payment of pay and allowances	45.882
3	DHO(PS) Jhang	2022-23	Payment of inadmissible pay & allowances	17.270
4	MS THQ Hospital Shorkot	2021-23	Payment of inadmissible pay & allowances	1.259
		2022-23	Unauthorized payment of NPA	1.151
5	MS City Hospital Jhang	2021-23	Unauthorized payment of NPA	0.515
		2021-23	Payment of inadmissible pay & allowances	2.298
Total				**113.380**

Due to weak internal controls, payment of inadmissible pay and allowances was made which resulted in loss to the Authority.

The matter was reported to PAO in August & September, 2023. DDOs did not submit reply of the audit observation.

DAC meeting was not convened despite repeated written requests made by Audit vide this office letter No.Dir/Aud/LocalGovts/Fsd/1200 dated 28.09.2023, followed by subsequent reminders dated 06.10.2023, 11.10.2023 and 30.11.2023.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery from the concerned at the earliest.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2019-20, 2018-19 and 2017-18 vide para(s) number 2.7.3, 10.2.5.3.3, 10.2.5.3.22, 10.2.1.11, 10.2.1.13, 6.2.1.5 and 6.2.1.13 respectively having financial impact of Rs 178.819 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 14,9,11,4,11,12,13&7]

2.7.2 Irregular expenditure on POL – Rs 29.059 million

According to Rule 2.33 of the PFR Volume-I, “Every Government servant 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.” Furthermore, according to Government of the Punjab, Health Department, letter No.SO(B&A)28- 2/2006)P-1 dated 23.05.2011, “For minimizing the POL pilferage in the hospital generators, the DDOs were instructed to authenticate physical verification of meter reading by deputing an officer, record the timing of actual load shedding in a separate register duly got countersigned from the WAPDA Division concerned and keep strict vigilance to control the pilferage of POL by comparing log book entries with actual load shedding register.”

During audit of DHA Jhang for the FY 2022-23, it was observed that CEO and two other DDOs incurred expenditure of Rs 29.059 million on POL for generators and vehicles. Audit observed following discrepancies:

i. CEO DHA Jhang incurred expenditure of Rs 4.749 million on POL of 13 vehicles while only one vehicle was sanctioned;

ii. District Coordinator IRMNCH utilized POL amounting to Rs 2.260 million by exceeding permissible limit of 300 liter per month;

iii. Expenditure of Rs 23.089 million was incurred on POL of generators by tempering/reducing the hour meter reading and by maintaining log books on assumption basis; and

iv. Separate registers to record actual electricity shutdown times were not maintained.

The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Amount
1	MS DHQ hospital Jhang	Irregular and unauthentic expenditure on POL of generators and Vehicle	18.289
2	CEO DHA Jhang	Irregular & unauthentic expenditure on POL of vehicles	7.324
3	MS THQ hospital Shorkot	Irregular drawl of against POL of Generators	3.446
Total			**29.059**

Due to weak internal controls, expenditure on POL of generators/vehicles was incurred without proper maintenance of record which resulted in irregular expenditure.

The matter was reported to PAO in August & September, 2023. DDOs did not submit reply of the audit observation.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2019-20, 2018-19 and 2017-18 vide para(s) number 2.7.11, 2.7.19, 10.2.5.5.3, 10.2.1.23 and 6.2.1.9 respectively having financial impact of Rs 33.329 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 10,12,7,6&11]

2.7.3 Unauthorized payment of previous year's liabilities – Rs 22.068 million

According to Rule 15(g) of the Punjab District Authorities (Accounts) Rules, 2017, "The DDO shall be responsible to prepare statement of outstanding payments on the close of each financial year, carrying them forward and including the same in the register of liabilities to be paid in the relevant financial year."

During audit of DHA Jhang for the FY 2022-23, it was observed that MS THQ Hospital Shorkot made payments of Rs 22.068 million to the different firms against procurements of medicine & POL for the preceding financial year. However, payments were made without maintaining liability register, approval of the competent authority and special provision of funds for the clearance of outstanding liabilities.

Due to weak internal controls, previous year's liabilities were paid from budget of current year which resulted in unauthorized expenditure.

The matter was reported to PAO in August, 2023. DDO did not submit reply of the audit observation.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2019-20, 2018-19 and 2017-18 vide para(s) number 2.7.4, 3.2.4.2, 10.2.5.4.2, 10.2.3.4, and

6.2.2.1 respectively having financial impact of Rs 157.242 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No.16]

Others

2.7.4 Unauthorized distribution of fees and improper maintenance of lab fees record – Rs 24.177 million

According to Government of the Punjab, P&SHC Department Notification No.S.O(H&D)7-9/2017(U.C) dated 17.08.2019 and Notification of even number dated 29.10.2019, "The rates for various services, parking and tests performed in health facilities were notified under the headings: A (Services), B (Parking) and C (Lab Tests). 70% of the revenue from diagnostic tests was to be retained by the Government." Furthermore, according to Rule 9 of the Punjab District Authorities (Accounts) Rules 2017, "In case of any loss accrues to District Authority through negligence of a person or employee, the person functioning on behalf of a District Authority shall be personally responsible on his part and shall be liable to make good the loss."

During audit of DHA Jhang for the FY 2022-23, it was observed that MS DHQ Hospital Jhang failed to maintain patient wise lab test record / proper consumption of lab material / diagnostic kits. Pathology Department reported lab fees amounting to Rs 25.392 million as per number of test whereas an amount of Rs 7.216 million was deposited leaving unexplained difference of Rs 18.176 million. Further, MS, DHQ Hospital and MS Government City THQ Hospital Jhang collected Rs 20.241 million on account of different fees for the Financial Year 2022-23. However, out of collected receipts an amount of Rs 6.00 million was distributed to the staff without admissibility. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Total Fees	Govt. Share Deposited	Undue Staff Share/Not Deposited Amount
1	MS DHQ Hospital Jhang	Government share distributed to the staff	19.761	13.833	5.928
		Fees calculated as per number of tests was less Deposited	25.392	7.216	18.176
2	MS City Hospital Jhang	Government share distributed to the staff	0.480	0.407	0.073

Total	45.633	21.456	24.177

Due to weak financial and administrative controls, hospital receipts were not deposited in Government Treasury which resulted in loss to the Authority.

The matter was reported to PAO in August & September, 2023. DDOs did not submit reply of the audit observation.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends probing the matter for ascertaining actual and excess expense besides fixing responsibility and recovery of loss.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para(s) number 2.7.21 and 2.7.22 having financial impact of Rs 4.968 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 8,4&5]

2.7.5 Non-recovery of SSP claims and less-deposit of Government share – Rs 15.941 million

According to Government of the Punjab, Specialized Healthcare and Medical Education Department Notification No.SO(DEV-I)25-69/2020(P-VI) dated 23.01.2023, "20% of total amount of claim received by Government Hospitals shall be utilized for provision of medicines / disposables and arranging diagnostic tests for the patients being treated under the UHI / Sehat Sahulat Program (SSP) to ensure cashless medical services for such patients. Out of remaining 80%, share of Government / Insurance Fund shall be 66%."

During audit of DHA Jhang for the FY 2022-23, it was observed that MS THQ Hospital Shorkot and DHQ Hospital Jhang failed to collect outstanding claims on account of SSP amounting to Rs 13.827 million from SLIC. Moreover, Government share of SSP amounting to Rs 2.114 million was less deposited into treasury by the MS THQ Hospital Shorkot. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Less Transfer of Govt. Share	Pending SSP Claims	Total
1	MS THQ Hospital Shorkot	Less transfer of Govt. share and non-recovery of claims of SSP	2.114	7.393	9.507
2	MS DHQ Hospital Jhang	Non-transfer of funds from SSP account	-	6.434	6.434
Total			**2.114**	**13.827**	**15.941**

Due to weak internal controls, Government share of SSP was not deposited and no recovery of pending claims was made from SLIC which resulted in loss to the Government exchequer.

The matter was reported to PAO in August & September, 2023. DDOs did not submit reply of the audit observation.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of pending claims from SLIC and deposit share of SSP into Government Treasury.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.7.23 having financial impact of Rs 1.868 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 3&5]

2.7.6 Irregular auction / assessment process of vehicles – Rs 5.970 million

According to Notes I & IV under Sr. No. 6 of Second Schedule of the Punjab District Authorities (Delegation of Financial Powers) Rules, 2017, "Minimum distance of three lac kilometers for vehicles and two lac kilometers for motorcycles / scooters shall be the criterion for replacement / condemnation. Market price shall be determined, after market survey, by a committee constituted by the Authority on recommendations of the Chief Executive Officer." Furthermore, according to approval of Deputy Commissioner vide note dated 20.03.2023 "A four-member committee was constituted to conduct market survey for rates."

During audit of DHA Jhang for the FY 2022-23, it was observed that CEO carried out auction process of unserviceable motorcycles, vehicles, furniture etc. having reserve price of Rs 5.970 million, without observing prescribed rules. Further, following irregularities were also observed:

i) Milage of 94 motorcycles and 11 vehicles was not mentioned in the condemnation / survey reports;
ii) Assessment of reserve price was made from one person / motor vehicle examiner instead of market based competitive rates; and
iii) Bid security of defaulter bidders was not deposited into Government Treasury.

Due to weak internal controls, assessment and auction was made without observing formalities which resulted in irregular auction.

The matter was reported to PAO in August, 2023. DDO did not submit reply of the audit observation.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.7.25 having financial impact of Rs 1.568 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No.11]

2.7.7 Non-recovery / deposit of parking fees and MLC fees – Rs 2.410 million

According to Rule 4.7(1) of the PFR, Volume-I, "It is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government account."

During audit of DHA Jhang for the FY 2022-23, it was observed that MS DHQ Hospital Jhang failed to recover / deposit parking fees amounting to Rs 2.388 million. Further, MLC fees was not deposited into the treasury amounting to Rs 0.022 million. Resultantly, an amount of Rs 2.410 million was not recovered / deposited by the hospital authorities. The detail is as under:

(Rupees in million)

Sr. No.	Head of Income	Total Due	Deposited	Less Deposited Amount
1	Parking Fees	9.110	6.722	2.388
2	MLC Fees	0.022	-	0.022
Total		**9.132**	**6.722**	**2.410**

Due to weak internal controls, parking fees and MLC was not recovered / deposited into the Government Treasury which resulted in loss to the Authority.

The matter was reported to PAO in September, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of fees.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.7.24 having financial impact of Rs 1.746 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 8 (a)]

2.7.8 Non- recovery of utility charges – Rs 2.169 million

According to Clause 14 of the contract agreement for auction of canteen services, "The canteen contractor will pay the utility bills on commercial tariff." Moreover, according to Clauses 13(2) & 15 of the Contracts for Execution of Civil Works, "The contractor shall in connection with the works provide and maintain at his own cost all lights, warning lights, caution boards attendants, guard fencing and watch men, when and where necessary or required by the engineer-in-charge, for the protection of the work or for the safety and convenience of the public or other."

During audit of DHA Jhang for the FY 2022-23, it was observed that MS DHQ Hospital Jhang did not recover electricity charges amounting to Rs 2.169 million from contractors against utilizing electricity from hospital connections.

Due to weak financial controls, electricity charges were not recovered from contractors which resulted in loss to the Authority.

The matter was reported to PAO in September, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of electricity charges from the contractors concerned.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.7.24 having financial impact of Rs 1.746 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No.6]

2.7.9 Non-recovery of taxes – Rs 1.898 million

According to Sr. Nos. 11 and 63 of Second Schedule read with Section 10(1) of the Punjab Sales Tax on Services Act 2012, "There shall be charged, levied, collected and paid the tax on the value of a taxable service at the rates. Rate of Punjab Sales Tax on Services (PST) on parking service was five percent and on Services provided by restaurants including cafes, food (including ice-cream) parlors, coffee houses, coffee shops, deras, food huts, eateries, resorts and similar cooked, prepared or ready-to-eat food service outlets etc. was sixteen percent."

During audit of DHA Jhang for the FY 2022-23, it was observed that MS DHQ Hospital Jhang failed to recover / deposit Income Tax, PST on contracts of Parking and Canteen services amounting to Rs 1.898 million. The detail is as under:

(Rupees in million)

Sr. No.	Head of Income	Total Due	Deposited	Less Deposited Amount
1	Income Tax on Parking Services	0.835	-	0.835
2	PST on Parking Services	0.418	-	0.418
3	PST on Canteen Services	0.645	-	0.645

Total	**1.898**	**-**	**1.898**

Due to weak internal controls, Income Tax and PST were not recovered / deposited into the Government Treasury which resulted in loss to the public exchequer.

The matter was reported to PAO in September, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of taxes.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.7.24 having financial impact of Rs 1.746 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 8(b)]

2.8 District Health Authority, Khanewal

There are 23 formations in District Health Authority, Khanewal out of which 05 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.8.1 Irregular payment of pending liabilities – Rs 89.075 million

According to Rule 17.18 of PFR Volume-I, "Expenditure incurred in one year, should not be left over to be met out of the budget for the next year." Moreover, according to Rule 15(g) of the Punjab District Authorities (Accounts) Rules, 2017, "The DDO shall be responsible to prepare statement of outstanding payments on the close of each financial year, carrying them forward and including the same in the register of liabilities to be paid in the relevant financial year."

During audit of DHA Khanewal for the FY 2022-23, it was observed that two DDOs made payments amounting to Rs 89.075 million against procurements of drugs / medicine, other stores, repair of machinery / equipment of preceding financial years. However, payments were made without maintaining liability register, approval of competent authority for time barred claims and special provision of funds for the clearance of outstanding liabilities. **Annexure-8**

Due to weak internal and financial controls, payments against time barred claims, previous year liabilities were made without separate budget allocation which resulted in irregular expenditure.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened despite repeated written requests made by Audit vide this office letters No.RDDA-MLN/F-163/CD-1480 dated 12.09.2023 and No.RDDA-MLN/F-163/CD-1494 dated 18.09.2023 followed by subsequent reminder No.RDDA-MLN/F-163/CD-1537 dated 27.09.2023. No progress was intimated till finalization of this Report.

Audit recommends regularization of expenditure besides fixing responsibility against the DDOs concerned.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2019-20 and 2018-19, vide para(s) number 12.2.5.1.23 and 12.2.2.3 respectively having financial impact of Rs 156.707 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No.14 & 15]

2.8.2 Mis-procurement of medicine and various store items – Rs 68.253 million

According to Rule 9 and 12 of the Punjab Procurement Rules 2014, "Procuring agency shall announce proposed procurements for each Financial Year and shall proceed accordingly without any splitting or regrouping of the procurements so planned and annual requirements thus determined would be advertised in advance on the PPRA's website. Procurement opportunities over two hundred thousand rupees and up to the limit of three million rupees shall be advertised on the PPRA's website."

During audit of DHA Khanewal for the FY 2022-23, it was observed that CEO and three other DDOs procured LP medicine, stationery, printing and other store items amounting to Rs 68.253 million for the Financial Years 2018- 19 to 2022-23 without uploading the advertisement on PPRA's website. Further, LP medicine was purchased through defective tendering process by hospital-based purchase committee instead of District Purchase Committee. Furthermore, procurement of Bio-medical equipment and medicine beyond the validity of the tender without obtaining approval of the competent authority and without extension of the contract validity. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Period	Description	Amount
1	CEO DHA Khanewal	2022-23	Mis-procurement of Bio-medical equipment beyond the validity of the tender	4.011
			Procurement of LP medicine, stationery, printing and other items through splitting	22.500
2	MS DHQ Hospital Khanewal	2022-23	Procurement of LP medicine through defective tendering process.	14.803
3	SMO RHC Kacha Khuh	2018-23	Purchase of LP medicine through splitting	3.894
			Expenditure on purchase of store items through splitting	2.557
4	MS THQ Hospital Jahanian	2021-23	Mis-procurement of LP medicine by not advertising the proposed procurements in the newspapers	7.305
			Procurement of medicine beyond the validity of the procurement contract	8.546
			Procurement of different general items through splitting	4.637

Total	**68.253**

Due to weak internal controls, purchases were made by splitting to avoid open tendering process / defective tendering process which resulted in irregular expenditure.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends regularization of expenditure besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22 and 2018-19 vide para(s) number 2.8.3, 1.2.4.2 and 12.2.2.8 respectively having financial impact of Rs 74.519 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 21, 16, 17,01,08,13,05 & 12]

2.8.3 Irregular appointment of daily wage staff – Rs 2.423 million

According to Sr. No. 2 of the Preface to the Schedule of Wage Rates, 2021 circulated by Government of the Punjab, Finance Department vide No. RO (Tech) FD 2-2/2018 dated 09.09.2021, "Appointment to a post included in the schedule may be made by the competent authority under Delegation of Financial Powers Rules 2016 subject to proper advertisement in the leading newspapers and on the basis of merit specified for regular establishment."

During audit of DHA Khanewal for the FY 2022-23, it was observed that MS, THQ Hospital Jahanian paid pay and allowances amounting to Rs 2.423 million to contingent / daily wage staff i.e. data entry operators from health council fund without observing codal formalities. No record pertaining to recruitment process was available to authenticate the recruitment process.

Due to weak internal controls, contingent / daily wage staff was hired without observing codal requirement which resulted in irregular expenditure.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2020-21 and 2018-19 vide para(s) number 12.5.1 and 12.2.2.15 respectively having financial impact of Rs 36.790 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 08]

Others

2.8.4 Loss due to payment of inadmissible pay and allowances - Rs 13.969 million

According to Rule 9(b) of Punjab District Authorities (Accounts) Rules 2017, "The drawing and disbursing officer and payee of the pay, allowances, contingent expenditure or any other expense shall be personally responsible for any overcharge, fraud or misappropriation and shall be liable to make good that loss." Further, according to Government of the Punjab, Finance Department, Lahore, notification No. FD.PC.2-1/2001 dated 11.07.2011, "integrated allowance is allowed to N/Qasids, Qasids, Daftries, Frashes, Chowkidars, Sweepers, Sweeperess & Security Guard." Further, "according to Finance Department Notification No. FD.SR-I/9-28/2016 dated 18.07.2016 regarding revision of rates of aforementioned notification dated 11.07.2011 in this notification only rates were revised and no admissibility to the other designations was mentioned." Furthermore, according to Government of the Punjab, Finance Department letter No.FD.PR-9-4/86(P)(PT.II)(PR) dated 21.08.2015, "Conveyance Allowance is compensation to those employees who spend daily expenditure either to reach offices or back to home, whereas, the employees living within work premises do not spend any amount in this regard."

During audit of DHA Khanewal for the FY 2022-23, it was observed that CEO and three other DDOs made excess payment amounting to Rs 13.969 million for the Financial Years 2018-19 to 2022-23 on account of inadmissible pay and allowances to different employees. Pay and allowances were drawn after resignation & retirement. Further, payment of pay and allowances was made for the period of EOL and leave. Furthermore, payment of HSRA, NPA, health risk allowance, conveyance allowance, house rent allowance etc. were paid without entitlement. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Period	Description	Amount
1	CEO DHA Khanewal	2022-23	Payment of pay and allowances after resignation	1.374
			Payment of allowances without entitlement	0.911

Sr. No.	DDOs	Period	Description	Amount
			Payment of Pay and allowances during EOL	1.525
2	MS DHQ Hospital Khanewal	2022-23	Payment of pay and allowances without entitlement	2.936
3	DHO PS Khanewal	2022-23	Payment of HSRA without entitlement	1.023
			Payment of NPA despite doing private practice	0.774
			Inadmissible integrated allowance, Health Risk Allowance	0.724
4	SMO RHC Kacha Khuh	2018-23	Payment of various Allowances	4.702
Total				**13.969**

Due to weak internal controls, payment of inadmissible pay and allowances was made which resulted in loss to the Authority.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends recovery of overpaid pay and allowances besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para(s) number 2.8.5, 1.2.4.5, 12.4.1, 12.2.5.1.19, 12.2.5.1.20, 12.2.5.1.28 and 12.2.2.2.10 respectively having financial impact of Rs 86.072 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No.02, 06, 09, 13, 02, 05, 09 & 09]

2.8.5 Non-forfeiture of performance guarantee – Rs 3.573 million

According to Clause 9 of RFP regarding Bulk Purchase of Medicine, "Wherein the supplier fails to make deliveries as per signed contract & purchase order and within the stipulated time frame, the contract to the extent of non- delivered portion of supplies shall stand cancelled and the amount of Performance Guarantee / Security to the extent of non-delivered portion of supplies shall be forfeited. If the supplier fails to supply the whole consignment, the entire amount of Performance Guarantee / Security shall be forfeited to the Government account and the firm shall be blacklisted minimum for two years for future participation."

During audit of DHA Khanewal for the FY 2022-23, it was observed that CEO neither forfeited performance guarantee amounting to Rs 3.320 million nor blacklisted the suppliers despite failure to supply the medicines worth Rs 66.480 million. Furthermore, MS DHQ Hospital Khanewal did not forfeit Call Deposit Receipt (CDR) amounting to Rs 0.253 million of the highest bidder of collection rights of parking fees i.e. M/S Al-Hadi Engineering Company Khanewal who failed to execute the agreement by depositing 50% dues despite issuance of notice by the MS DHQ Hospital Khanewal. **Annexure-9**

Due to weak internal controls, performance guarantee and Call Deposit Receipts (CDR) were not forfeited which resulted in loss to Authority.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends forfeiture of performance guarantee / Call Deposit Receipt and blacklisting of firms besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21 and 2019-20 vide para(s) number 2.8.7, 1.2.4.7, 12.4.1 and 12.2.5.1.22 respectively having financial impact of Rs 9.561 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 08 & 03]

2.8.6 Irregular drawl and retention of funds in DDO account – Rs 2.318 million

According to Rule 2.10(3) of PFR Volume-I, "All inevitable payments are ascertained and liquidated at the earliest possible date. No money is withdrawn from the treasury unless it is required for immediate disbursement or has already been paid out of the permanent advance as per rule 2.10(5) of PFR Volume-I."

During audit of DHA Khanewal for the FY 2022-23, it was observed that as per bank statement of bank account of CEO and three other DDOs amount of Rs 2.318 million was available as on 30.06.2023. However, status of available balance was not produced during audit. Whereas, as per cash book all payments received were shown disbursed. Resultantly, whereabouts of said amount were unknown and detail of closing balance was not given in the cash book. The detail is as under:

(Rupees in million)

Sr. No.	**DDOs**	**Amount**
1	MS DHQ Hospital Khanewal	2.128
2	SMO RHC Kacha Khuh	0.096
3	CEO DHA Khanewal	0.064
4	DHO (PS) Khanewal	0.030
Total		**2.318**

Due to weak financial management, funds were drawn from the Government Treasury without valid claim and remained undisbursed in DDO account which resulted in blockage of funds.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry of matter and deposit of retained funds in the Government Treasury besides fixing responsibility against the person(s) at fault.

[AIR Para No. 08, 05, 25 & 06]

2.9 District Health Authority, Layyah

There are 22 formations in District Health Authority, Layyah out of which 05 formations were audited during Audit Year 2023-24.

2.3.4.27 Fraud, embezzlement and misappropriation

2.9.1 Misappropriation of Government dues – Rs 6.302 million

According to Rule 14 (d) of the Punjab District Authorities (Accounts) Rules 2017, "The collecting officers shall be responsible to collect receipts in the transparent manner and guard against misappropriation, fraud, embezzlement or compromise." Further, according to Government of the Punjab, Finance Department letter No. FD (M-C)1-15/82-P-I dated 17.01.2000, "All receipts should be deposited into Government treasury not later than seven days of actual receipts."

During audit of DHA Layyah for the FY 2022-23, it was observed that MS DHQ Hospital Layyah and two other DDOs misappropriated Rs 6.302 million on account of different hospital receipts for the Financial Years 2017-18 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Nature of receipts	FYs	Amount
1	MS DHQ Hospital, Layyah	Hospital receipts	2022-23	5.187
2	MS THQ Hospital, Kot Sultan	Hospital receipts	2019-20 to 2022-23	0.618
3	SMO RHC, Paharpur	Hospital receipts	2017-18 to 2022-23	0.497
Total				**6.302**

Due to weak internal controls, Government receipts were misappropriated which resulted in loss to the authority.

The matter was reported to PAO in September, 2023. MS DHQ Hospital replied that the contractor of parking and canteen had left after 1st installment without intimation. The contract could not be re-auctioned despite repeated tenders. The reply was not tenable because the loss to Government was to be recovered from contract under risk and cost basis. The other DDOs replied that recovery was in process.

DAC in its meeting held on 14.02.2024 directed MS DHQ Hospital to pursue the case under Land Revenue Act. The other DDOs were also directed to ensure the recovery within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22 and 2020-21vide para(s) number 2.9.2, 2.2.4.8 and 5.4.7 respectively having financial impact of Rs 16.343 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 2,7,8]

2.3.4.28 Procedural irregularities

2.9.2 Irregular expenditure out of Health Council Funds – Rs 13.277 million

According to Government of the Punjab P&SHC Department Notification No. SO(B&A)1-48/2017-18 dated 20.11.2018, "All expenditure from Health Council is required to be incurred after obtaining approval of respective Health Council and after observing all legal and codal formalities." Further, according to Rule 41 of the Punjab District Authorities (Accounts) Rules 2017, "No payment for work shall be made unless technical sanction of a detailed design and estimate has been accorded by a sanctioning authority and the DDO and head of respective offices shall ensure that the claims submitted for payment are valid claims for the works actually executed at site in accordance with the specification, agreed quality and quantity and entered in the relevant books or register of accounts."

During audit of DHA Layyah for the FY 2022-23, it was observed that MS THQ Hospital, Kot Sultan and SMO RHC, Paharpur incurred expenditure of Rs 13.277 million without approval of Health Councils for the Financial Years 2017-18 to 2022-23. The payments were made against procurement of various items, repair and maintenance without adopting prescribed procedure laid down in policy guidelines. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	FYs	Amount
1	MS THQ Hospital, Kot Sultan	2019-20 to 2022-23	11.085
2	SMO RHC Paharpur	2017-18 to 2022-23	2.192
Total			**13.277**

Due to weak internal controls, payments were made without observing rules which resulted in irregular expenditure.

The matter was reported to PAO in September, 2023. The DDOs replied that all the expenditure was incurred after observing the Health Council guidelines issued by the Administrative Department. The reply was not tenable as no supporting record was provided.

DAC in its meeting held on 14.02.2024 directed the Dy. Director (F&B) and DHO(MS) to inquire the matter and submit report within a month No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2019-20 and 2018-19 vide para(s) number 5.2.5.2.9 and 5.2.2.2 respectively having financial impact of Rs 64.528 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 17,9]

2.9.3 Unauthorized payment of previous year's liabilities – Rs 6.346 million

According to Rule 15(g) of the Punjab District Authorities (Accounts) Rules, 2017, "The DDO shall be responsible to prepare statement of outstanding payments on the close of each financial year, carrying them forward and include the same in the register of liabilities to be paid in the relevant financial year."

During audit of DHA Layyah for the FY 2022-23, it was observed that MS DHQ Hospital Layyah made payments for Rs 6.346 million to different firms against procurements of various store items for preceding financial years. However, payments were made without maintaining liability register, approval of the competent authority and special provision of funds for the clearance of outstanding liabilities.

Due to weak internal controls, previous year's liabilities were paid from budget of current year which resulted in unauthorized expenditure.

The matter was reported to PAO in September, 2023. The DDO replied that the expenditure were increased due to inflation and the request was forwarded to CEO(DHA) for provision of additional budget. The reply not tenable as no proof for grant of additional budget specific for liabilities was provided.

DAC in its meeting held on 14.02.2024 directed the DDO to get the expenditure regularized from competent authority. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2021-22 vide para(s) number 2.9.4 and 5.2.5.2.2 respectively having financial impact of Rs 74.409 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 10]

2.9.4 Irregular appointment of contingent paid staff – Rs 3.769 million

According to Sr. No. 2 of the Preface to the Schedule of Wage Rates, 2021 circulated by Government of the Punjab, Finance Department vide No. RO (Tech) FD 2-2/2018 dated 09.09.2021, "Appointment to a post included in the schedule may be made by the competent authority under Delegation of Financial Powers Rules 2016 subject to proper advertisement in the leading newspapers and on the basis of merit specified for regular establishment."

During audit of DHA Layyah for the FY 2022-23, it was observed that MS DHQ Hospital Layyah incurred expenditure of Rs 3.769 million of wages of contingent paid staff. Scrutiny of record revealed that recruitment of staff was made without adhering to the instructions of Finance Department.

Due to weak internal controls, appointments of daily wages staff were made without adhering to the instructions of Finance Department which resulted in irregular expenditure.

The matter was reported to PAO in September, 2023. The DDO replied that the different employees were hired as daily wages for 89 days, to perform various tasks. Their period had been extended during the year after every 89 days interval by keeping a gap of one or two days. The reply not tenable as hiring of staff was not adopted by observing the prescribed procedure.

DAC in its meeting held on 14.02.2024 directed the DDO to get the expenditure regularized from the competent authority. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2019-20 and 2018-19 vide para(s) number 2.9.11, 5.2.5.2.10 and 5.2.2.3 respectively having financial impact of Rs 29.060 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No.12]

2.3.4.29 Value for money and service delivery issues

2.9.5 Non-forfeiture of performance guarantee – Rs 2.235 million

According to Clause 9 of RFP regarding Bulk Purchase of Medicine, "Wherein the supplier fails to make deliveries as per signed contract & purchase order and within the stipulated time frame, the contract to the extent of non- delivered portion of supplies shall stand cancelled and the amount of Performance Guarantee / Security to the extent of non-delivered portion of supplies shall be forfeited. If the supplier fails to supply the whole consignment, the entire amount of Performance Guarantee / Security shall be forfeited to the Government account and the firm shall be blacklisted minimum for two years for future participation."

During audit of DHA Layyah for the FY 2022-23, it was observed that CEO issued supply orders for procurement of medicines but 12 firms failed to supply medicines costing Rs 25.432 million. No action was taken by the Authority for forfeiture of performance guarantee amounting to Rs 2.235 million besides blacklisting the defaulting firms.

Due to weak internal controls, action was not taken against defaulting firms for non supply which resulted undue favor to the firms and loss to the Authority.

The matter was reported to PAO in September, 2023. The DDO replied that the medicine by the said firms were received and payment was made after necessary deduction of liquidated damages for late supply. The reply not tenable as no record for supply of medicine was provided during verification.

DAC in its meeting held on 14.02.2024 directed the Deputy Director (F&B) and DHO(MS) to inquire the matter and submit a report within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2020-21 vide para number 6.5.6 having financial impact of Rs 2.968 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 4]

2.3.4.30 Others

2.9.6 Loss due to payment of inadmissible pay and allowances – Rs 26.540 million

According to Rule 9 of the Punjab Regularization of Service Act, 2018, "A contract employee, on regularization, shall be allowed the initial stage of the respective pay scale and the increments earned by him during the contract appointment shall be converted into personal allowance but no other privilege allowed to a contract employee shall be admissible." Further, according to Government of the Punjab, Finance Department letter No. FD(M-I) 1-15/82-F-I dated 15.01.2000, "In case of designated residence, the officer / official for whom the residence was meant could not draw house rent allowance." Furthermore, according to Government of the Punjab, Finance Department Letter No. FD.SR.I.9- 4/86 (P) (PR) dated 04.12.2012, "The employees who are residing in the residential colonies situated within work premises are not entitled to the facility of Conveyance Allowance." Moreover, according to Government of the Punjab, Finance Department letter No. FD.SR-I/6-8/2018 dated 30.09.2020 endorsed by Government of the Punjab, Primary & Secondary Healthcare Department vide letter No. SO(B&A)2-27/2017-18 dated 16.10.2020, "Health Professional Allowance, Special Healthcare Allowance, Non-Practicing Allowance and Health Sector Reform Allowance are not admissible to the doctors during any kind of leave."

During audit of DHA Layyah for the FY 2022-23, it was observed that CEO and four other DDOs made inadmissible payments of House Rent Allowance, Conveyance Allowance, Dress Allowance, Mess Allowance, Nursing Professional Allowance, Non-Practicing Allowance, SSB, Risk allowance and pay amounting to Rs 26.540 million to various employees for the Financial Years 2017-18 to 2022-23. The detail is under:

(Rupees in million)

Sr. No.	DDOs	Description	FYs	Amount
1	CEO, DHA, Layyah	Incentive allowance, Executive Allowance and Conveyance Allowance	2022-23	4.482
2	DHO (PS), Layyah	NPA, SSB, Inadmissible CA, pay after quit/left the job/after transfer		5.932

Sr. No.	DDOs	Description	FYs	Amount
3	MS DHQ Hospital, Layyah	Incentive allowance, HSRA, Qualification Allowance, inadmissible pay and allowances, Non-deduction of performance based allowances, pay after quit/left the job		8.463
4	MS THQ Hospital, Kot Sultan	CA, Increments, HSRA, SSB, inadmissible pay and allowances, Health Risk Allowances and NPA	2019-20 to 2022-23	6.108
5	SMO RHC, Paharpur	CA, HSRA	2017-18 to 2022-23	0.726
		Over payment of pay & allowances after resignation/transfer		0.829
Total				**26.540**

Due to weak internal controls, payment of inadmissible pay and allowances was made which resulted in loss to the Authority.

The matter was reported to PAO in September, 2023. The DDOs replied that the recovery was initiated from the concerned. Audit stressed that DDOs should ensure the recovery within minimum possible time.

DAC in its meeting held on 14.02.2024 directed the DDOs to expedite the recovery and submit progress within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para(s) number 2.9.17, 2.2.4.2, 5.4.2, 5.2.5.2.3 and 5.2.2.4 respectively having financial impact of Rs 108.290 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 7,5,14,14,5,11]

2.9.7 Overpayment due to irregular promotion of allied health professionals – Rs 22.078 million

According to Government of Punjab P&SHC Department Notification No. 1715-21/1059/LC dated 06.06.2022 and No. 767 dated 06.02.2023, "Allied health professionals were eligible for up gradation / re-designation as one time dispensation under AHP notification dated 24.11.2011. Up gradation under 4-tier beyond one time are not in accordance with the notification dated 24.11.2011. Up gradation beyond one time of AHP should be withdrawn as per direction of Finance department order dated 04.07.2019."

During audit of DHA Layyah for the FY 2022-23, it was observed that CEO and two other DDOs allowed to pay Rs 22.078 million against irregular promotion of allied health professionals' staff who were up-graded / re-designated during 2012 under 4-tier service structure into higher scale with two to four steps at a time instead of one time dispensation in violation of above policy. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	FYs	No. of Employees	Amount
1	CEO, DHA, Layyah	2022-23	57	9.223
2	SMO RHC, Paharpur	2017-18 to 2022-23	02	1.090
3	DHO(PS), Layyah	2022-23	124	11.765
Total			**183**	**22.078**

Due to weak internal controls, up-gradation was granted to employees into next higher scales in violation of policy guidelines which resulted in overpayment.

The matter was reported to PAO in September, 2023. The DDOs replied that the illegal upgradation under four tier structure had been withdrawn. However, the recovery process had still not been initiated. Audit stressed that DDOs should ensure the recovery within minimum possible time.

DAC in its meeting held on 14.02.2024 directed the DDOs to expedite the recovery and submit progress within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

[AIR Para No. 6,10,2]

2.10 District Health Authority, Lodhran

There are 14 formations in District Health Authority, Lodhran out of which 05 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.10.1 Irregular payment of pending liabilities – Rs 77.773 million

According to Rule 17.18 of the PFR, Volume-I, "Under no circumstances may charges incurred be allowed to stand over to be paid from the grant of another year." Further, according to Rule 15(g) of the Punjab District Authorities (Accounts) Rules 2017, "The DDO shall be responsible to prepare statement of outstanding payments on the close of each financial year, carrying them forward and include the same in the register of liabilities to be paid in the relevant financial year."

During audit of DHA Lodhran for the FY 2022-23, it was observed that CEO and two other DDOs made payments amounting to Rs 77.773 million against the procurements of drugs / medicine, other stores items and repair of machinery / equipment of preceding financial years. However, payments were made without maintaining liability register, approval of the competent authority for time barred claims and special provision of funds for the clearance of outstanding liabilities. The detail is given in **Annexure-10.**

(Rupees in million)

Sr. No.	DDOs	Description	Amount
1	CEO DHA Lodhran	Payment of pending liabilities of bulk medicines	76.020
2	MS THQ HospitalDunyapur	Payment of pending liabilities under the head of account "A03970 - Others"	0.708
3	DHO (PS) Lodhran	Payment of pending liabilities of medicines, other stores and repair items	1.045
Total			**77.773**

Due to weak internal and financial controls, payments against time barred claims, previous year liabilities were made without separate budget allocation which resulted in irregular expenditure.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened despite repeated written requests made by Audit vide this office letters No.RDDA-MLN/F-163/CD-1480 dated 12.09.2023 and No.RDDA-MLN/F-163/CD-1494 dated 18.09.2023 followed by subsequent reminder No.RDDA-MLN/F-163/CD-1537 dated 27.09.2023. No progress was intimated till finalization of this Report.

Audit recommends regularization of expenditure besides fixing responsibility against the DDOs concerned.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2019-20 and 2018-19 vide para(s) number 13.2.5.2.20 and 13.2.2.16 respectively having financial impact of Rs 13.747 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 16, 7 & 14]

2.10.2 Irregular procurement of medicine – Rs 23.474 million

According to Para 2(iv)(c) & 2(xviii) of Guidelines for Local Purchase of Medicine circulated vide Government of the Punjab, P&SHC Department letter No.PSHD-TCO-I(M)6-14/2017 dated 16.12.2017, "Local purchase of medicine would be made through open competitive tendering. Furthermore, purchase order may be emailed to the LP Supplier through LP portal. Contractor will submit invoice / bill with supply on daily basis. Local purchase will be initiated with the order of Consultants / Senior Medical Officer via prescription that will be maintained as record of Local Purchase and it will not be for more than 7 days for one patient. Payment for items out of formulary will be made after receiving report of Drug Testing Laboratory (DTL)." Moreover, according to Rule 23 (1) (a) (i) of the Drug Sale Act 1976, "No person shall himself or by any other person on his behalf sell any drug without having a warranty in the prescribed form bearing the name and batch number of the drug issued."

During audit of DHA Lodhran for the FY 2022-23, it was observed that MS, DHQ Hospital Lodhran incurred expenditure of Rs 23.474 million on LP medicine against the policy guidelines of the Government. Following irregularities / discrepancies were observed:

i. Day to day purchase of medicine was initiated irregularly on the demand of dispensers / pharmacists in bulk quantities by violating the condition that local purchase will be initiated with the orders of Consultants / Senior Medical Officers only via prescription that will be maintained as record of Local Purchase and it will not be for more than7 days for one patient.

ii. Successful bidders / suppliers held the license to supply the medicine underForm-9 & 11 but were not authorized to issue warranty certificates of supplied medicines as same were neither manufactured by them nor concerned suppliers provided the authorized distributor license issued by the manufacturers of supplied medicines but the Pharmacy Manager as well asthe physical inspection committee accepted the warranty certificates issued by the supplier written on sale invoices in violation of above clauses of the Drug Sale Act 1976. Thus, unauthorized payments to concerned supplier for the medicines supplied with fictitious warranties were made and chancesof substandard receipt of LP medicines while putting the patients' life onrisk cannot be ruled out.

iii. The firm supplied medicines without defacing / stamp stating 'Government property, not for sale'. These medicines had greater chances of being misappropriated.

Due to weak internal controls, expenditure was incurred against the policy guidelines which resulted in irregular expenditure.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends regularization of expenditure besides fixing responsibility against the person(s) at fault.

[AIR Para No.18]

2.10.3 Mis-procurement of printing material and X-Ray films – Rs 5.723 million

According to Rules 9 and 12(1) of the Punjab Procurement Rules 2014, "Procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority in the manner and format specified by regulations but if deemed in public interest, the procuring agency may also advertise the procurement in at least one national daily newspaper."

During audit of DHA Lodhran for the FY 2022-23, it was observed that MS, DHQ Hospital Lodhran incurred expenditure of Rs 3.194 million on repeated purchases of X-Ray films without uploading the advertisement on PPRA's website. Moreover, MS DHQ Hospital Lodhran mis-procured printing services amounting to Rs 2.529 million from M/S Nine Star Printing Corporation without tendering process in violation of PPRA Rules. **Annexure-11**

Due to weak internal controls, purchases were made in violation of PPRA Rules which resulted in mis-procurement.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 vide para(s) number 2.10.4 having financial impact of Rs 14.744 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 14 & 17]

2.10.4 Irregular appointment of daily wages staff – Rs 1.584 million

According to Sr. No. 2 of the Preface to the Schedule of Wage Rates, 2021 circulated by Government of the Punjab, Finance Department vide No. RO (Tech) FD 2-2/2018 dated 09.09.2021, "Appointment to a post included in the schedule may be made by the competent authority under Delegation of Financial Powers Rules 2016 subject to proper advertisement in the leading newspapers and on the basis of merit specified for regular establishment."

During audit of DHA Lodhran for the FY 2022-23, it was observed that MS THQ Hospital Dunyapur paid pay and allowances amounting to Rs 1.584 million to contingent / daily wage staff i.e, data entry operators from health council fund without observing codal formalities. No record pertaining to recruitment process was available to authenticate the recruitment process. **Annexure-12**

Due to weak internal controls, contingent / daily wage staff was hired without observing codal requirement which resulted in unauthorized expenditure.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2019-20 and 2018-19 vide para(s) number 13.2.5.2.14 and 13.2.2.14 respectively having financial impact of Rs 19.673 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 04]

Others

2.10.5 Loss due to payment of inadmissible pay and allowances – Rs 13.432 million

According to Government of the Punjab, Finance Department letter No. FD(M- I) 1-15/82-F-I dated 15.01.2000, "In case of designated residence, the officer / official for whom the residence was meant cannot draw House Rent Allowance and will have to pay 5% of house rent even if he does not avail the facility and residence remains vacant during the period." Furthermore, according to clarification issued by the Finance Department, Government of the Punjab vide letter No. FD.SR.I.9-4/86(P) (PR) dated 04.12.2012, "The employees who are residing in the residential colonies situated within work premises are not entitled to the facility of Conveyance Allowance." Moreover, according to Government of the Punjab, P&SHD letter No.SO(B&A)1-69/2016 dated 24.06.2022, "Performance based allowances are admissible to an official for the 1st 90 days only during continued period of earned leave, study leave or during the period he remained as OSD (awaiting posting)." Moreover, according to Rule 2.31 (a) of PFR Vol-I, "A drawer of bill for pay, allowances, contingent and other expenses will be responsible for any overcharges, frauds and misappropriation."

During audit of DHA Lodhran for the FY 2022-23, it was observed that CEO and four other DDOs made unauthorized payments amounting to Rs 13.432 million for the Financial Years 2021-22 to 2022-23 on account of various allowances like house rent allowance, conveyance allowance, NPA, HSRA and 30% SSB etc. without entitlement as detailed below:

(Rupees in million)

Sr. No.	DDOs	Period	Description	Amount
1	CEO DHA Lodhran	2022-23	Payment of mobility allowance, technical allowance and integrated allowance without entitlement	0.432
2	MS DHQ Hospital Lodhran	2022-23	Payment of inadmissible pay and allowances	8.012
3	MS THQ Hospital Dunyapur	2022-23	Payment of pay and allowances during leave and HSRA without entitlement	0.785
4	DHO PS Lodhran	2022-23	Payment of various inadmissible allowances	2.735
5	SMO RHC Makhdum Ali	2018-23	Payment of HRA and CA	1.268
			Payment of CA during leave	0.200
Total				**13.432**

Due to weak internal controls, payment of inadmissible pay and allowances was made which resulted in loss to the Authority.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry, fixing responsibility against the person(s) at fault for allowing inadmissible allowances and immediate stoppage of such allowances coupled with recovery of overpaid amount.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para(s) number 2.10.6, 2.2.4.9, 13.4.2,13.2.3.2 and 13.2.3.3 respectively having financial impact of Rs 55.840 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No.9,12, 12, 12, 01 & 08]

2.10.6 Irregular drawl and retention of funds in DDO account – Rs 3.314 million

According to Rule 2.10(3) of PFR Volume-I, "All inevitable payments are ascertained and liquidated at the earliest possible date. No money is withdrawn from the treasury unless it is required for immediate disbursement or has already been paid out of the permanent advance as per rule 2.10(5) of PFR Volume-I."

During audit of DHA Lodhran for the FY 2022-23, it was observed that as per bank statement of DDO bank account of CEO and two other DDOs amount of Rs 3.314 million was available as on 30.06.2023. However, status of available balance was not produced during audit. Whereas, as per cash book all payments received were shown disbursed. Resultantly, whereabouts of said amount were unknown and detail of closing balance was not given in the cash book. The detail is given below:

(Rupees in million)

Sr. No.	DDOs	Amount
1	CEO DHA Lodhran	0.430
2	MS DHQ Hospital Lodhran	2.343
3	MS THQ Hospital Dunyapur	0.541
Total		**3.314**

Due to weak financial management, the funds were drawn from the Government Treasury without valid claim and remained undisbursed in DDO account which resulted in blockage of funds.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends to probe the matter for fixing responsibility against the person(s) at fault besides immediate disbursement of funds.

[AIR Para No. 10, 4 & 11]

2.10.7 Non-forfeiture of performance guarantee – Rs 1.334 million

According to Clause-10 (i), (ii) and (iii) of bidding documents, "Performance guarantee / security of the successful bidder was liable to be forfeited to the extent of non-supplied medicine as well as black listing of firm in case of failure to supply the entire supply order."

During audit of DHA Lodhran for the FY 2022-23, it was observed that CEO neither forfeited performance guarantee amounting to Rs 1.334 million nor blacklisted the suppliers despite failure to supply the medicines as per quantity not supplied. **Annexure-13**

Due to weak internal controls, neither performance guarantee was forfeited nor were the firms blacklisted which resulted in loss to the Government Treasury.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends forfeiture of performance guarantee and blacklisting of firms besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2020-21 and 2019-20 vide para(s) number 13.4.3 and 13.2.5.4.3 respectively having financial impact of Rs 17.183 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 13]

2.11 District Health Authority, Multan

There are 23 formations in District Health Authority, Multan out of which 10 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.11.1 Irregular appointment of daily wages staff – Rs 235.725 million

According to Sr. No. 2 of the Preface to the Schedule of Wage Rates, 2021 circulated by Government of the Punjab, Finance Department vide No. RO (Tech) FD 2-2/2018 dated 09.09.2021, "Appointment to a post included in the schedule may be made by the competent authority under

Delegation of Financial Powers Rules 2016 subject to proper advertisement in the leading newspapers and on the basis of merit specified for regular establishment."

During audit of DHA Multan for the FY 2022-23, it was observed that DHO (PS) and two other DDOs paid pay and allowances amounting to Rs 235.725 million to contingent / daily wage staff i.e., data entry operators from health council fund without observing codal formalities. No record pertaining to recruitment process was available to authenticate the recruitment process. The detail is as under:

(Rupees in million)

Sr. No.	**DDOs**	**Amount**
1	DHO (PS) Multan	228.765
2	MS Government Shehbaz Sharif DHQ Hospital Multan	4.419
3	MS THQ Hospital Jalalpur Pirwala	2.541
Total		**235.725**

Due to weak internal controls, contingent / daily wage staff was hired without observing codal requirement which resulted in unauthorized expenditure.

The matter was reported to PAO in October, 2023. DDOs replied that contingent paid staff was hired in emergency after fulfillment of codal formalities. Replies were not tenable as recruitment record was not produced and payments were made without ensuring codal formalities.

DAC in its meeting held on 14.02.2024 directed the DDOs to get the expenditure regularized from the competent authority. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21 and 2019-20 vide para(s) number 2.11.3, 3.3.4.3, 14.4.1 and 14.2.5.2.2 respectively having financial impact of Rs 394.912 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 12, 3 & 3]

Others

2.11.2 Loss due to payment of inadmissible pay and allowances – Rs 93.945 million

According to Government of the Punjab, Finance Department's letter No.FD.SR-1/6-4/2019 dated 05.04.2021, "If a doctor submits Affidavit that he is not practicing, he may be allowed for Non Practicing Allowance." Further, according to Government of the Punjab, Finance Department letter No. FD(M- I) 1-15/82-F-I dated 15.01.2000, "In case of designated residence, the officer / official for whom the residence was meant cannot draw House Rent Allowance and will have to pay 5% of house rent even if he does not avail the facility and residence remains vacant during the period." Furthermore, according to clarification issued by the Finance Department, Government of the Punjab vide letter No. FD.SR.I.9-4/86(P) (PR) dated 04.12.2012, "The employees who are residing in the residential colonies situated within work premises are not entitled to the facility of Conveyance Allowance." Moreover, according to Government of the Punjab, P&SHD letter No.SO(B&A)1-69/2016 dated 24.06.2022, "Performance based allowances are admissible to an official for the 1st 90 days only during continued period of earned leave, study leave or during the period he remained as OSD (awaiting posting)." Moreover, according to Rule 2.31 (a) of PFR Vol-I, "A drawer of bill for pay, allowances, contingent and other expenses will be responsible for any overcharges, frauds and misappropriation."

During audit of DHA Multan for the FY 2022-23, it was observed that CEO and nine other DDOs made payments of Rs 93.945 million on account of pay and allowances without entitlement. The pay and allowances were not admissible without performance of duty. Further, house rent allowance was paid to the residents of government accommodation and house rent charges were not deducted from the salaries of these employees. Furthermore, inadmissible conveyance / house rent allowance, HSRA, PCA, NPA and personal allowance were paid to employees. **Annexure-14**

Due to weak internal controls, payment of inadmissible pay and allowances was made which resulted in loss to the Authority.

The matter was reported to PAO in October, 2023. DDOs replied that recovery was in progress. Audit stressed to expedite the recovery.

DAC in its meeting held on 14.02.2024 directed the DDOs to effect recovery within one month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22 and 2020-21 vide para(s) number 2.11.7, 3.2.4.7 and 14.4.4 having financial impact of Rs 85.060 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 1,4,9, 6,10,11,14,7,9,24,2,5,6,19,4,1,2,7,9,12 & 14]

2.11.3 Irregular drawl and retention of funds in DDO account – Rs 28.683 million

According to Rule 2.10(3) of PFR Volume-I, "All inevitable payments are ascertained and liquidated at the earliest possible date. No money is withdrawn from the treasury unless it is required for immediate disbursement or has already been paid out of the permanent advance as per rule 2.10(5) of PFR Volume-I."

During audit of DHA Multan for the FY 2022-23, it was observed that as per bank statement of DDO bank account of CEO and four other DDOs amount of Rs 28.683 million was available as on 30.06.2023. However, status of available balance was not produced during audit. Whereas, as per cash book all payments received were shown disbursed. Resultantly, whereabouts of said amount were unknown and detail of closing balance was not given in the cash book. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Amount
1	CEO DHA Multan	22.388
2	DHO (MS) Multan	0.186
3	MS Government Shehbaz Sharif DHQ Hospital Multan	5.754
4	MS THQ Hospital Jalalpur Pirwala	0.186
5	SMO RHC Mumtazabad	0.169
Total		**28.683**

Due to weak financial management, the funds were drawn from the Government Treasury without valid claim and remained undisbursed in DDO account which resulted in blockage of funds.

The matter was reported to PAO in October, 2023. DDOs replied that payments were made to the relevant suppliers / vendors. Replies were not tenable as the amounts were not disbursed till 30.06.2023 and record of disbursements after 30.06.2023 (if any) was not produced in support of the replies.

DAC in its meeting held on 14.02.2024 directed the Deputy Director (B&A) to probe the matter within one month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para No.16, 7, 13, 4 & 5]

2.11.4 Loss due to non-deposit of Government dues – Rs 4.692 million

According to Rule 14 (d) of the Punjab District Authorities (Accounts) Rules 2017, "The collecting officers shall be responsible to collect receipts in the transparent manner and guard against misappropriation, fraud, embezzlement or compromise." Further, according to Government of the Punjab, Finance Department letter No. FD (M-C)1-15/82-P-I dated 17.01.2000, "All receipts should be deposited into Government treasury not later than seven days of actual receipts."

During audit of DHA Multan for the FY 2022-23, it was observed that MS Government Shehbaz Sharif DHQ Hospital Multan and MS THQ Hospital Shujabad failed to recover government dues amounting to Rs 4.692 million. The loss was sustained by the government due to non-recovery of government dues. The detail is as under:

(Rupees in million)

Sr. No.	**DDOs**	**Description**	**Amount**
1	MS Government Shehbaz Sharif DHQ Hospital Multan	Non deposit of fees collected from services	2.149
		Non deposit of Government receipts	1.314
2	MS THQ Hospital Shujabad	Non deposit of diagnostic test fees and MLC	1.229
Total			**4.692**

Due to weak internal controls, government fees was not recovered which resulted in loss to Authority.

The matter was reported to PAO in October, 2023. DDOs replied that recovery was in progress. Audit stressed to expedite the recovery.

DAC in its meeting held on 14.02.2024 directed the DDOs to effect recovery within one month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 vide para(s) number 2.11.9 having financial impact of Rs 9.085 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No.11, 15 & 13]

2.11.5 Non-forfeiture of performance guarantee – Rs 2.657 million

According to Clause 9 of RFP regarding Bulk Purchase of Medicine, "Wherein the supplier fails to make deliveries as per signed contract & purchase order and within the stipulated time frame, the contract to the extent of non- delivered portion of supplies shall stand cancelled and the amount of Performance Guarantee / Security to the extent of non-delivered portion of supplies shall be forfeited. If the supplier fails to supply the whole consignment, the entire amount of Performance Guarantee / Security shall be forfeited to the Government account and the firm shall be blacklisted minimum for two years for future participation."

During audit of DHA Multan for the FY 2022-23, it was observed that CEO neither forfeited performance guarantee amounting to Rs 2.657 million nor blacklisted the suppliers despite failure to supply the medicines worth Rs 53.140 million.

Due to weak internal controls, performance guarantee was not forfeited which resulted in loss to Authority.

The matter was reported to PAO in October, 2023. CEO replied that security deposit of defaulting suppliers would be forfeited soon.

DAC in its meeting held on 14.02.2024 directed the DDO to forfeit the security deposits within a week. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21 and 2019-20 vide para(s) number 2.8.7, 1.2.4.7, 12.4.1 and 12.2.5.1.22 respectively having financial impact of Rs 9.561 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 22]

2.11.6 Irregular deposit of receipts in Account-VI – Rs 6.797 million

According to Sr. No.2 (iii) of Government of the Punjab P&S Healthcare Department letter No. S.O (H&D) 7-9/2017(U.C) dated 17.08.2019, "70% of diagnostic test fees shall be retained by Government of the Punjab."

During audit of DHA Multan for the FY 2022-23, it was observed that MS THQ Hospital Shujabad did not deposit the Government share of diagnostic fees amounting to Rs 6.797 million. The Government share was required to be deposited in the Account-I of Government of the Punjab but the same was kept in the Account-VI of DHA Multan.

Due to weak internal controls, Government share of diagnostic fees was not deposited in the Account-I which resulted in unauthorized retention of funds in Account-VI.

The matter was reported to PAO in October, 2023. DDO replied that matter was taken with the District Health Authority for guidance. Reply was not tenable as Government share was required to be deposited in the Account-I of Government of the Punjab but the same was kept in the Account-VI.

DAC in its meeting held on 14.02.2024 directed the DDO to ensure transfer of amount from Account-VI to Account-I within a week. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2021-22 vide para(s) number 2.11.8 and 13.2.4.8 respectively having financial impact of Rs 54.240 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No.6]

2.12 District Health Authority, Muzaffargarh

There are 27 formations in District Health Authority, Muzaffargarh out of which 05 formations were audited during Audit Year 2023-24.

Fraud, embezzlement and misappropriation

2.12.1 Fraudulent drawl of Government money – Rs 7.744 million

According to Rule 2.33 of the PFR, Volume-I, "Every Government servant 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."

During audit of DHA Muzaffargarh for the FY 2022-23, it was observed that MS DHQ Hospital Muzaffargarh drew amounting to Rs 7.744 million through bogus vouchers by showing the expenditure against transportation charges, printing, cost of other stores and repair of machinery. The amounts were drawn out of cost center MV9004 which specified for Blood Bank to be used in purchase of blood bags and blood transfusion articles. In the said cost center, the amount was abruptly released by Deputy Director (B&A) on 27.6.2023 without approval of CEO (DHA). The bogus bills relating to the tenure of ex-MS were drawn without sanction of current MS. The sitting MS disowned the expenditure and astonished about the matter. Further, the bills were not entered in the token register as well as utilization record of the articles as shown on the bills was also not available. The condition proved that Government money was misappropriated.

Due to intention of misappropriation, doubtful bills were drawn which resulted in loss to the Authority.

The matter was reported to PAO in September, 2023. The DDO replied that the matter was under inquiry, however expenditure was incurred after obtaining sanction of budget from the CEO(DHA). The reply was not tenable as no documents were provided in support of the reply.

DAC in its meeting held on 14.02.2024 directed the CEO to inquire the matter within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

<u>Note:</u> The issue was also reported earlier in the Audit Report for the Audit Year 2020-21vide para number 6.4.1 having financial impact of Rs 5.519 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 3]

2.12.2 Misappropriation of Government dues – Rs 6.549 million

According to Rule 14 (d) of the Punjab District Authorities (Accounts) Rules 2017, "The primary obligation of the Collecting Officers shall be to collect receipts in the transparent manners and guard against misappropriation, fraud, embezzlement or compromise.” Further, according to Government of the Punjab, Finance Department letter No. FD (M-C)1-15/82-P-I dated 17.01.2000, “All receipts should be deposited into Government treasury not later than seven days of actual receipts.”

During audit of DHA Muzaffargarh for the FY 2022-23, it was observed that MS DHQ Hospital and two other DDOs misappropriated Rs 6.549 million on account of different hospital receipts for the Financial Years 2018-19 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Nature of receipts	FYs	Amount
1	MS DHQ Hospital Muzaffargarh	X-Ray, ultrasound and MLC charges	2022-23	1.314
2	MS THQ Hospital Chowk Sarwar Shaheed	MLC, Indoor and Cycle Stand fees	2019-20 to 2022-23	1.046
		Lab and ECG charges	2018-19 to 2022-23	3.961
3	SMO RHC Shahar Sultan	Hospital Receipts		0.228
Total				**6.549**

Due to weak financial and administrative controls, hospital receipts were misappropriated / not-deposited in Government Treasury which resulted in loss to Authority.

The matter was reported to PAO in September, 2023. The DDOs replied that efforts were being made to effect recovery.

DAC in its meeting held on 14.02.2024 directed the DDOs to effect recovery within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC’s directives besides fixing responsibility against the person(s) at fault.

<u>Note:</u> The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2021-22 vide para(s) number 2.12.2 and 6.5.3 respectively having financial impact of Rs 16.404 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 14, 16, 15, 2]

Procedural irregularities

2.12.3 Mis-procurement due to non-compliance of PPRA Rules – Rs 151.435 million

According to Rules 9 and 12(1) of the Punjab Procurement Rules 2014, "Procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority in the manner and format specified by regulations but if deemed in public interest, the procuring agency may also advertise the procurement in at least one national daily newspaper."

During audit of DHA Muzaffargarh for the FY 2022-23, it was observed that DHO(PS) and three other DDOs incurred expenditure of Rs 151.435 million on procurement of medicines, stationery, printing material, machinery, equipment, civil work and general store items without uploading the advertisement on PPRA's website. The procurements were made through regrouping and splitting for the Financial Years 2018-19 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	FYs	Amount
1	DHO (PS) Muzaffargarh	Stationery, physical assets, other store items, printing & publications, purchase of furniture, machinery and IT equipment	2022-23	70.207
2	MS DHQ Hospital Muzaffargarh	Procurement of stationery, physical assets, other store items, printing & publications		24.027
		Repair work of Health Council		2.898
3	MS THQ Hospital Chowk Sarwar Shaheed	Purchase of store items	2019-20 to 2022-23	52.822
4	SMO RHC Shahar Sultan	Purchase of X-Ray films printing and general store	2018-19 to 2022-23	1.481
Total				**151.435**

Due to weak internal controls, purchases were made in violation of PPRA Rules which resulted in mis-procurement.

The matter was reported to PAO in September, 2023. The DDOs replied that all the procurement process was conducted under PPRA, 2014 as monthly PFC share was released by the Finance Department Punjab Lahore on monthly basis; it was not possible to procure the supplies in bulk quantity. The reply was not tenable because bills were split to avoid tendering process.

DAC in its meeting held on 14.02.2024 directed the DDOs to get the expenditure regularized from the competent authority within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2019-20 and 2018-19 vide para(s) number 2 2.1, 2.6,3.2.4.2, 6.2.5.2.2 and 6.2.2.1 respectively having financial impact of Rs 384.592 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 1, 5,13,17, 9]

2.12.4 Unauthorized payment of previous year's liabilities – Rs 21.016 million

According to Rule 15(g) of the Punjab District Authorities (Accounts) Rules, 2017, "The DDO shall be responsible to prepare statement of outstanding payments on the close of each financial year, carrying them forward and include the same in the register of liabilities to be paid in the relevant financial year."

During audit of DHA Muzaffargarh for the FY 2022-23, it was observed that MS DHQ Hospital Muzaffargarh made payments for Rs 21.016 million to different firms against procurements of medicines for preceding financial year. However, payments were made without maintaining Liability Register, approval of the competent authority and special provision of funds for the clearance of outstanding liabilities.

Due to weak internal controls, previous year's liabilities were paid from budget of current year which resulted in unauthorized expenditure.

The matter was reported to PAO in September, 2023. The DDO replied that the expenditure was increased due to inflation and the request was forwarded to CEO(DHA) for provision of additional budget. The reply not tenable as no proof for grant of additional budget specific for liabilities was provided.

DAC in its meeting held on 14.02.2024 directed the DDO to get the expenditure regularized from the competent authority. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2019-20 vide para(s) number 2.12.5 and 6.2.5.2.3 respectively having financial impact of Rs 177.151 million. Recurrence of same irregularity is a matter of serious concern.
[AIR Para No. 10]

2.12.5 Irregular appointment of contingent paid staff – Rs 6.701 million

According to Sr. No. 2 of the Preface to the Schedule of Wage Rates, 2021 circulated by Government of the Punjab, Finance Department vide No. RO (Tech) FD 2-2/2018 dated 09.09.2021, "Appointment to a post included in the schedule may be made by the competent authority under Delegation of Financial Powers Rules 2016 subject to proper advertisement in the leading newspapers and on the basis of merit specified for regular establishment."

During audit of DHA Muzaffargarh for the FY 2022-23, it was observed that MS DHQ Hospital and THQ Hospital Chowk Sarwar Shaheed incurred expenditure of Rs 6.701 million on account of wages of contingent paid staff for the Financial Years 2019-20 to 2022-23. Scrutiny of record revealed that recruitment of staff was made without adhering to the instructions of Finance Department. The detail is as under:

(Rupees in million)

Sr. No.	**DDOs**	**FYs**	**Amount**
1	MS DHQ Hospital Muzaffargarh	2022-23	3.800
2	MS THQ Hospital Chowk Sarwar Shaheed	2019-20 to 2022-23	2.901
Total			**6.701**

Due to weak internal controls, appointments of daily wages staff were made without adhering to the instructions of Finance Department which resulted in irregular expenditure.

The matter was reported to PAO in September, 2023. The DDOs replied that the different employees were hired as daily wages for 89 days, to perform various tasks. Their period was extended during the year after every 89 days interval by keeping a gap of one or two days. The reply not tenable as hiring of staff was not adopted by observing the prescribed procedure.

DAC in its meeting held on 14.02.2024 directed the DDOs to get the expenditure regularized from the competent authority. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2019-20 and 2018-19 vide para(s) number 2.12.18, 6.2.5.2.5 and 6.2.2.3 respectively having financial impact of Rs 49.307 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 15, 19]

2.12.6 Irregular expenditure out of Health Council Funds – Rs 5.801 million

According to Government of the Punjab, P&SHC Department, Health Council Policy 2016, "It would be mandatory for all Chairpersons to hold fortnightly meetings of respective Health Councils and send minutes to EDO/CEO (District Health Authority) by the councils of

BHU. District Monitoring Committees shall ensure that the funds received by the Health Councils / transfer to Health Councils are spent in a transparent and judicious way."

During audit of DHA Muzaffargarh for the FY 2022-23, it was observed that MS DHQ Hospital and THQ Hospital Chowk Sarwar Shaheed incurred expenditure of Rs 5.801 million without approval of Health Councils for the Financial Years 2019-20 to 2022-23. The payments were made against procurements of various items, repair and maintenance without adopting prescribed procedure laid down in policy guidelines. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	FYs	Amount
1	MS DHQ Hospital Muzaffargarh	2022-23	1.245
2	MS THQ Hospital Chowk Sarwar Shaheed	2019-20 to 2022-23	4.556
Total			**5.801**

Due to weak internal controls, payments were made without observing rules which resulted in irregular expenditure.

The matter was reported to PAO in September, 2023. The DDOs replied that the expenditure was incurred after observing the Health Council guidelines issued by the Administrative Department. The reply was not tenable as no supporting record was provided.

DAC in its meeting held on 14.02.2024 directed the Deputy Director (F&B) to inquire the matter and submit report within a month No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2019-20 and 2018-19 vide para(s) number 2.12.13, 6.2.5.2.8 and 6.2.2.2 respectively having financial impact of Rs 50.705 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 2, 23]

2.12.7 Non-forfeiture of performance guarantee – Rs 4.889 million

According to Clause 9 of RFP regarding Bulk Purchase of Medicine, "Wherein the supplier fails to make deliveries as per signed contract & purchase order and within the stipulated time frame, the contract to the extent of non- delivered portion of supplies shall stand cancelled and the amount of Performance Guarantee / Security to the extent of non-delivered portion of supplies shall be forfeited. If the supplier fails to supply the whole consignment, the entire amount of Performance Guarantee / Security shall be forfeited to the Government account and the firm shall be blacklisted minimum for two years for future participation."

During audit of DHA Muzaffargarh for the FY 2022-23, it was observed that CEO and two other DDOs issued supply orders for procurement of medicines. However, firms failed to supply medicines but no action was taken by the Authority for forfeiture of performance guarantee amounting to Rs 4.889 million besides blacklisting the defaulting firms. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	FYs	Amount
1	CEO, DHA Muzaffargarh	2022-23	3.350
2	MS DHQ Hospital Muzaffargarh		0.590
3	MS THQ Hospital Chowk Sarwar Shaheed	2019-20 to 2022-23	0.949
Total			**4.889**

Due to weak internal controls, action was not taken against defaulting firms for non supply which resulted undue favor to the firms and loss to the Authority.

The matter was reported to PAO in September, 2023. The DDOs replied that the medicine by the said firms had been received and payment had been made after necessary deduction of liquidated damages for late supply. The reply not tenable as no record for supply of medicine had been provided during verification.

DAC in its meeting held on 14.02.2024 directed the Deputy Director (F&B) to inquire the matter within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2020-21 and 2019-20 vide para(s) number 2.12.22, 6.5.6 and 6.2.5.2.19 respectively having financial impact of Rs 5.780 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 8, 7, 2]

Others

2.12.8 Overpayment due to irregular promotion of allied health professionals – Rs 243.152 million

According to Government of Punjab P&SHC Department Notification No. 1715-21/1059/LC dated 06.06.2022 and No. 767 dated 06.02.2023, "Allied health professionals were eligible for up gradation / re-designation as one time dispensation under AHP notification dated 24.11.2011. Up-gradation under 4-tier beyond one time are not in accordance with the notification dated 24.11.2011. Up gradation beyond one time of AHP should be withdrawn as per direction of Finance department order dated 04.07.2019."

During audit of DHA Muzaffargarh for the FY 2022-23, it was observed that CEO and DHO (PS) allowed to pay Rs 243.152 million against illegal promotion of allied health professionals' staff who were up-graded / re-designated during 2012 under 4-tier service structure into higher scale with two to four steps at a time instead of one time dispensation in violation of above policy. The detail is as under:

(Rupees in million)

<table>
<tr><th>Sr. No.</th><th>DDOs</th><th>Description</th><th>Amount</th></tr>
<tr><td>1</td><td>CEO, DHA Muzaffargarh</td><td rowspan="3">Irregular promotion to allied health professionals</td><td>60.600</td></tr>
<tr><td rowspan="2">2</td><td rowspan="2">DHO (PS) Muzaffargarh</td><td>131.649</td></tr>
<tr><td>50.903</td></tr>
<tr><td colspan="3">Total</td><td>243.152</td></tr>
</table>

Due to weak internal controls, up-gradation was granted to employees into next higher scales in violation of policy guidelines which resulted in overpayment.

The matter was reported to PAO in September, 2023. The DDOs replied that the illegal upgradation under four tier structure had been withdrawn. However, the recovery process was not initiated. Audit stressed that DDOs should ensure the recovery within minimum possible time.

DAC in its meeting held on 14.02.2024 directed the DDOs to start recovery within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

[AIR Para No. 11,5,8]

2.12.9 Loss due to payment of inadmissible pay and allowances – Rs 76.338 million

According to Rule 9 of the Punjab Regularization of Service Act, 2018, "A contract employee, on regularization, shall be allowed the initial stage of the respective pay scale and the increments earned by him during the contract appointment shall be converted into personal allowance but no other privilege allowed to a contract employee shall be admissible." Further, according to Government of the Punjab, Finance Department's letter No.FD.SR-1/6-4/2019 dated 05.04.2021, "If a doctor submits Affidavit that he is not practicing, he may be allowed for Non Practicing Allowance." Further, according to Government of the Punjab, Finance Department letter No. FD(M- I) 1-15/82-F-I dated 15.01.2000, "In case of designated residence, the officer / official for whom the residence was meant cannot draw House Rent Allowance and will have to pay 5% of house rent even if he does not avail the facility and residence remains vacant during the period." Furthermore, according to clarification issued by the Finance Department, Government of the Punjab vide letter No. FD.SR.I.9-4/86(P) (PR) dated 04.12.2012, "The employees who are residing in the residential colonies situated within work premises are not entitled to the facility of Conveyance Allowance." Moreover, according to Government of the Punjab, P&SHD letter No.SO(B&A)1-69/2016 dated 24.06.2022, "Performance based allowances are admissible to an official for the 1st 90 days only during continued period of earned leave, study leave or during the period he remained as OSD (awaiting posting)." Moreover, according to Rule 2.31 (a) of PFR Vol-I, "A drawer of bill for pay, allowances, contingent and other expenses will be responsible for any overcharges, frauds and misappropriation."

During audit of DHA Muzaffargarh for the FY 2022-23, it was observed that DHO (PS) and three other DDOs made inadmissible payments of pay, House Rent Allowance, Conveyance Allowance, Dress Allowance, Mess Allowance, Nursing Professional Allowance, Non-Practicing Allowance, Health Sector Reform Allowance and Personal Allowance amounting to Rs 76.338 million to various employees during Financial Years 2018-19 to 2022-23. The detail is under:

(Rupees in million)

Sr. No.	DDOs	FYs	Description	Amount
1	DHO (PS) Muzaffargarh	2022-23	CA, HSRA, HRA, SSB and PCA	42.071
2	MS DHQ Hospital Muzaffargarh		HRA, CA HSRA, Non-deduction of performance based allowances, inadmissible pay and allowances	11.665
3	MS THQ Hospital Chowk Sarwar Shaheed	2019-20 to 2022-23	SHCA, HRA, CA HSRA, Non-deduction of performance based allowances, inadmissible pay and allowances	20.786

Sr. No.	DDOs	FYs	Description	Amount
4	SMO RHC Shahar Sultan	2018-19 to 2022-23	HRA, CA SSB, Non-deduction of performance based allowances	1.816
Total				**76.338**

Due to weak internal controls, payment of inadmissible pay and allowances was made which resulted in loss to the Authority.

The matter was reported to PAO in September, 2023. The DDOs replied that the recovery was initiated from the concerned. Audit stressed that DDOs should ensure the recovery within minimum possible time.

DAC in its meeting held on 14.02.2024 directed the DDOs to effect recovery within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para(s) number 2.12.24, 3.2.4.3 6.5.1, 6.2.5.2.6 and 6.2.2.6 respectively having financial impact of Rs 263.704 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 4,17,5,5]

2.13 District Health Authority, Pakpattan

There are 15 formations in District Health Authority, Pakpattan out of which 05 formations were audited during Audit Year 2023-24.

Procedural Irregularities

2.13.1 Irregular appointment of contingent paid staff – Rs 10.549 million

According to Sr. No. 2 of the Preface to the Schedule of Wage Rates, 2021 circulated by Government of the Punjab, Finance Department vide No. RO (Tech) FD 2-2/2018 dated 09.09.2021, "Appointment to a post included in the schedule may be made by the competent authority under Delegation of Financial Powers Rules 2016 subject to proper advertisement in the leading newspapers and on the basis of merit specified for regular establishment."

During audit of DHA Pakpattan for the FY 2022-23, it was observed that MS DHQ Hospital and two other DDOs incurred expenditure of Rs 10.549 million of wages of contingent paid staff. Scrutiny of record revealed that recruitment of staff was made without adhering instructions of Finance Department and without advertisement for appointment in the newspapers, need assessment for requirement, data for total applications received, merit list prepared before appointment. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Amount
1	MS DHQ Hospital Pakpattan	5.625
2	DHO (PS) Pakpattan	2.425
3	MS THQ Hospital Arifwala	2.499
Total		**10.549**

Due to weak internal controls, appointments of daily wages staff were made without adhering Finance Department instructions which resulted in irregular expenditure.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened despite repeated written requests made by Audit vide this office letters No.RDDA-MLN/F-163/CD-1480 dated 12.09.2023 and No.RDDA-MLN/F-163/CD-1494 dated 18.09.2023 followed by subsequent reminder No.RDDA-MLN/F-163/CD-1537 dated 27.09.2023. No progress was intimated till finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

[AIR Para No. 6, 12 & 12]

Others

2.13.2 Loss due to payment of inadmissible pay and allowances – Rs 28.361 million

According to Government of the Punjab, Finance Department letter No. FD(M- I) 1-15/82-F-I dated 15.01.2000, “In case of designated residence, the officer / official for whom the residence was meant cannot draw House Rent Allowance and will have to pay 5% of house rent even if he does not avail the facility and residence remains vacant during the period.” Furthermore, according to clarification issued by the Finance Department, Government of the Punjab vide letter No. FD.SR.I.9-4/86(P) (PR) dated 04.12.2012, “The employees who are residing in the residential colonies situated within work premises are not entitled to the facility of Conveyance Allowance.” Moreover, according to Government of the Punjab, P&SHD letter No.SO(B&A)1-69/2016 dated 24.06.2022, “Performance based allowances are admissible to an official for the 1st 90 days only during continued period of earned leave, study leave or during the period he remained as OSD (awaiting posting).” Moreover, according to Rule 2.31 (a) of PFR Vol-I, “A drawer of bill for pay, allowances, contingent and other expenses will be responsible for any overcharges, frauds and misappropriation.”

During audit of DHA Pakpattan for the FY 2022-23, it was observed that CEO and four other DDOs made payments of Rs 28.361 million on account of pay and allowances i.e. Conveyance Allowance, HSRA and other allowances to different staff without entitlement or during the period of their leaves / extra ordinary leaves and after resignation etc. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Period	Description	Amount
1	SMO RHC Bunga Hayat	2019-23	Payment of inadmissible allowances during leave	0.069
2	DHO PS Pakpattan	2022-23	Recovery of un-authorized payment of salaries	3.369
			Non-deduction of various allowances	1.196
3	MS DHQ Hospital Pakpattan	2022-23	Payment of inadmissible allowances	2.900
4	MS THQ Hospital Arifwala	2022-23	Recovery of pay & allowance	11.382
5	CEO DHA Pakpattan	2022-23	Payment of pay and allowances	8.845
			Payment of pay and allowances during leaves	0.600
Total				**28.361**

Due to weak internal controls, payment of inadmissible pay and allowances was made which resulted in loss to the Authority.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry, fixing responsibility against the person(s) at fault for allowing inadmissible allowances and immediate stoppage of such allowances coupled with recovery of overpaid amount.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22 and 2020-21 vide para(s) number 2.13.8, 4.2.4.14 and 15.4.3 respectively having financial impact of Rs 56.250 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No.2, 5, 11, 9, 16, 13 & 20]

2.13.3 Irregular deposit of receipts in Account-VI – Rs 7.677 million

According to clarification issued by Punjab Finance Department, Lahore letter No. BI-3(120) (AGP)2017-18 dated 16.08.2019 "That all the District Education & Health Authorities in Punjab are directed regarding account V & VI that all public accounts receipts as well as Consolidated Funds receipts are transferable to the Provincial Consolidated Fund or Provincial Public Account Fund as the case may be except the following heads of accounts which related to Account V & VI of DEAs & DHAs.

Head of Accounts	Descriptions
C02856	Health other contribution
C02866	Health recoveries of overpayments
C02814	Education general recoveries of overpayments
C03616	Share from Provincial allocable grant.

During audit of DHA Pakpattan for the FY 2022-23, it was observed that MS, THQ Hospital Arifwala did not deposit the Government share of auction of parking fees, canteen auction charges and diagnostic fees amounting to Rs 7.677 million. The Government share was required to be deposited in the Account-I of Government of the Punjab but the same was kept in the Account-VI of DHA Pakpattan.

Due to weak internal controls, Government share of diagnostic fees was not deposited in the Account-I which resulted in unauthorized retention of funds in Account-VI.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends transfer of funds in the relevant account besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2021-22 vide para(s) number 2.13.9 and 4.2.4.11 having financial impact of Rs 19.426 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 09]

2.13.4 Non-recovery of parking stand fees – Rs 2.720 million

According to Section 153(1) of Income Tax Ordinance, 2001, "Every prescribed person, while making a payment in full or part, shall deduct tax at the specified rate from the gross amount payable." According to Rule 14 (d) of the Punjab District Authorities (Accounts) Rules 2017, "The collecting officer shall be responsible to collect receipts in the transparent manner and guard against misappropriation, fraud, embezzlement or compromise."

During audit of DHA Pakpattan for the FY 2022-23, it was observed that MS, THQ Hospital Arifwala did not collect government dues amounting to Rs 2.720 million from contractor of parking stand.

Due to weak internal controls, government fees and taxes were not deposited which resulted in loss.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends recovery besides fixing responsibility against the DDO concerned.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 vide para(s) number 2.13.10 having financial impact of Rs 5.695 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No.11]

2.13.5 Irregular drawl and retention of funds in DDO account – Rs 2.003 million

According to Rule 2.10(3) of PFR Volume-I, "All inevitable payments are ascertained and liquidated at the earliest possible date. No money is withdrawn from the treasury unless it is required for immediate disbursement or has already been paid out of the permanent advance as per rule 2.10(5) of PFR Volume-I."

During audit of DHA Pakpattan for the FY 2022-23, it was observed that amount of Rs 2.003 million was available in the bank accounts of two DDOs as on 30.06.2023. Whereas, the cashbooks showed that all payments received were disbursed. Resultantly, whereabouts of said amount were unknown and detail of closing balances was not given in the cashbooks. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Amount
1	MS DHQ Hospital Pakpattan	1.935
2	DHO (PS) Pakpattan	0.068
Total		**2.003**

Due to weak internal controls, Government funds were parked in the bank account of the DDO without proper justification which resulted in unjustified drawl of funds.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends probing the matter for fixing responsibility against the person(s) at fault besides immediate disbursement of funds.

[AIR Para No.16 & 2]2.14 District Health Authority, Rahim Yar Khan

There are 35 formations in District Health Authority, Rahim Yar Khan out of which 05 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.14.1 Irregular expenditure on local purchase of medicine – Rs 29.860 million

According to Para 2(iv)(c) & 2(xviii) of Guidelines for Local Purchase of Medicine circulated vide Government of the Punjab, P&SHC Department letter No. PSHD-TCO-I(M)6-14/2017 dated 16.12.2017, "Local purchase of medicine would be made through open competitive tendering. Furthermore, purchase order may be emailed to the LP Supplier through LP portal. Contractor will submit invoice / bill with supply on daily basis. Local purchase will be initiated with the order of Consultants / Senior Medical Officer via prescription that will be maintained as record of Local Purchase and it will not be for more than 7 days for one patient. Payment for items out of formulary will be made after receiving report of Drug Testing Laboratory (DTL)."

During audit of DHA Rahim Yar Khan for the FY 2022-23, it was observed that MS THQ Hospitals Khanpur and Sadiqabad incurred expenditure of Rs 29.860 million on purchase of LP medicines without tendering and on the request of store keeper instead of procuring the same for particular patient. Furthermore, repeated items were not reported to Procurement Cell for procurement through bulk purchase. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Period	Amount
1	MS THQ Hospital Sadiqabad	2022-23	8.663
2	MS THQ Hospital Khanpur		21.197
Total			**29.860**

Due to weak internal controls, LP medicines were purchased and consumed without adopting prescribed procedure which resulted in irregular expenditure.

The matter was reported to PAO in September, 2023. DDOs replied that the expenditure was incurred by observing prescribed rules. Replies were not tenable as above cited codal formalities were not fulfilled.

DAC in its meeting held on 08.12.2023 directed the Additional Deputy Commissioner (F&P) and Deputy Director (B&A) to inquire the matter for fixing responsibility besides getting the expenditure regularized from the competent authority within a month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2019-20, 2018-19 and 2017-18 vide para(s) number 2.14.5, 3.2.4.4, 3.2.5.2.3, 3.2.5.2.8, 3.2.2.7 and 13.2.2.2 respectively having financial impact of Rs 81.662 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 6 & 21]

Others

2.14.2 Loss due to payment of inadmissible pay and allowances – Rs 55.857 million

According to Government of the Punjab, Finance Department's letter No.FD.SR-1/6-4/2019 dated 05.04.2021, "If a doctor submits Affidavit that he is not practicing, he may be allowed for Non Practicing Allowance." Further, according to clarification issued by the Finance Department, Government of the Punjab vide letter No. FD.SR.I.9-4/86(P) (PR) dated 04.12.2012, "The employees who are residing in the residential colonies situated within work premises are not entitled to the facility of Conveyance Allowance." Moreover, according to Government of the Punjab, P&SHD letter No.SO(B&A)1-69/2016 dated 24.06.2022, "Performance based allowances are admissible to an official for the 1st 90 days only during continued period of earned leave, study leave or during the period he remained as OSD (awaiting posting)." Moreover, according to Rule 2.31 (a) of PFR Vol-I, "A drawer of bill for pay, allowances, contingent and other expenses will be responsible for any overcharges, frauds and misappropriation."

During audit of DHA Rahim Yar Khan for the FY 2022-23, it was observed that CEO and four other DDOs allowed inadmissible payments of Conveyance Allowance, Dress Allowance, Mess Allowance, Nursing Professional Allowance, Non-Practicing Allowance etc. amounting to Rs 55.857 million to the employees for the Financial Years 2019-20 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Period	Description	Amount
1	CEO, DHA Rahim Yar Khan	2022-23	HSRA other than RHCs & BHUs Staff	0.104
2	DHO-III, Rahim Yar Khan	2019-23	Payment of CA to Vaccinators	2.931
			HSRA to employees of rural dispensaries	18.662
			Annual Increment to adhocee doctor	0.041
			Pay & allowances during EOL	0.224
			CA during EOL	0.209
			NPA without affidavit of non-practicing	8.643
3		2022-23	HSRA to deputy Director, and SMO	0.230

Sr. No.	DDOs	Period	Description	Amount
	MS THQ Hospital Sadiqabad		Health Risk allowance to employees of BPS-05	0.010
			CA during leave	0.209
			NPA without affidavit of non-practicing	10.530
4	MS THQ Hospital Khanpur	2022-23	Conveyance Allow, integrated allowance, etc.	0.231
			Pay & allowances during EOL	0.054
			Annual Increment to adhocee doctor	0.128
			Pay & allowances after resignation / transfer	0.418
			NPA without affidavit of non-practicing	0.484
			Pay & allowances for absent period	0.177
			Different allowances	1.886
5	MS THQ Hospital Liaqatpur	2022-23	Conveyance Allowance, NPA, etc.	10.686
Total				**55.857**

Due to weak internal controls, payment of inadmissible pay and allowances was made which resulted in loss to the Authority.

The matter was reported to PAO in September, 2023. MS THQ Hospital Khanpur and DHO-III Rahim Yar did not submit replies whereas other DDOs replied that efforts were being made to effect recovery of amounts due.

DAC in its meeting held on 08.12.2023 directed the DDOs to effect recovery within one month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18 vide para(s) number 2.14.10, 3.2.4.7, 3.6.1, 3.6.2, 3.2.5.4.1, 3.2.5.4.3, 3.2.5.4.5, 3.2.5.4.8, 3.2.3.1, 3.2.3.5,3.2.3.8, 3.2.3.18 and 13.2.3.1 having financial impact of Rs 193.622 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 4, 4, 11, 3, 4, 7, 8, 9,16 & 10]

2.14.3 Loss due to drawl of funds through fictitious billing – Rs 29.596 million

According to Rule 2.33 of Punjab Financial Rules Vol-I, “Every Government servant 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.”

During audit of DHA Rahim Yar Khan for the FY 2022-23, it was observed that CEO drew substantial amount of funds through fictitious / doubtful / back dated billings as contradictions were observed among serial numbers and dates of bills claimed by same supplier for of consumable items. For example;

Bill No.	Date
4134	12.05.2023
4168	***~~15.12.2022~~***
4306	13.05.2023

This situation clearly indicated that all such purchases and their consumption for the past date was just paper fudging in order to misappropriate the funds amounting to Rs 29.596 million. Further, stock registers of durable goods were not maintained to enable physical verification of permanent stock. The detail is as under:

(Rupees in million)

Sr. No.	Name of Supplier	No. of Bills Audited	Amount of Bills Audited	No. of Bills Objected	Amount of Bills Objected
1	M/S Abbott Laboratories	3	2.794	1	0.523
2	M/S Asian Continental	2	2.492	1	2.056
3	M/S Bloom Pharma	7	8.544	4	6.152
4	M/S FDL	20	24.428	4	9.641
5	M/S Geofmen Pharma	2	3.962	1	2.616
6	M/S GSk Consumer	14	33.099	5	3.332
7	M/S Martin Dow	4	6.199	1	0.481
8	AK Associates, Rahim Yar Khan	34	2.942	19	1.660
9	Mhammadia Trader, Rahim Ya Khan	4	0.213	3	0.187

10	R.G. & Company Rahim Yar Khan	2	0.060	1	0.009
11	Umer Traders, Rahim Yar Khan	5	0.140	3	0.060
12	Union Traders, Rahim Yar Khan	32	3.895	26	2.879
Total		**130**	**88.885**	**69**	**29.596**

Due to intention of misappropriation, doubtful bills were drawn which resulted in loss to the Authority.

The matter was reported to PAO in September, 2023. DDO replied that purchases were made as per need after observing all codal formalities. Reply was not tenable bill numbers and their dates contradicted in many cases.

DAC in its meeting held on 08.12.2023 directed the Additional Deputy Commissioner (F&P) and Deputy Director (B&A) to inquire the matter within one month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para No. 12]

2.14.4 Loss due to non-deposit of Government dues – Rs 2.219 million

According to Rule 14 (d) of the Punjab District Authorities (Accounts) Rules 2017, "The collecting officers shall be responsible to collect receipts in the transparent manner and guard against misappropriation, fraud, embezzlement or compromise." Further, according to Government of the Punjab, Finance Department letter No. FD (M-C)1-15/82-P-I dated 17.01.2000, "All receipts should be deposited into Government treasury not later than seven days of actual receipts."

During audit of DHA Rahim Yar Khan for the FY 2022-23, it was observed that MS THQ Hospital Sadiqabad and two other DDOs collected receipts of Rs 2.219 million on account of lab test charges, X-Ray charges, ultrasound fees, MLC, indoor fees etc. but did not deposit into treasury. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Period	Amount
1	MS THQ Hospital Sadiqabad	Lab test charges, X-Ray charges, ultrasound fees, MLC, indoor fees etc.	2022-23	0.344

Sr. No.	DDOs	Description	Period	Amount
2	MS THQ Hospital Khanpur	MLC, X-Rays, Ultrasound, Lab, Dental and parking fees etc.		1.812
3	MS THQ Hospital Liaqatpur	MLC fees		0.063
Total				**2.219**

Due to weak financial and administrative controls, amount was misappropriated / not-deposited in Government Treasury which resulted in loss to the Authority.

The matter was reported to PAO in September, 2023. MS THQ Hospital Liaqatpur replied that recovery notices were issued to concerned doctors for depositing the amount due whereas MS THQ Hospitals Sadiqabad and Khanpur replied that amounts were already deposited. Replies were not tenable as substantiating evidences were not produced in support of replies.

DAC in its meeting held on 08.12.2023 directed the DDOs to effect recovery within one month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

[AIR Para No. 13, 14 & 09]

2.14.5 Loss due to purchases at higher rates – Rs 1.017 million

According to Rule 2.33 of Punjab Financial Rules Volume-I, "Every Government servant 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."

During audit of DHA Rahim Yar Khan for the FY 2022-23, it was observed that CEO did not initiate the tendering process to achieve benefits of competitive bidding and procured similar store items at different rates during the same financial year which resulted in loss of Rs 1.017 million due to purchases at higher rates.

Due to weak financial controls, excess rates of store items were paid which resulted in loss to the Authority.

The matter was reported to PAO in September, 2023. DDO replied that the purchases were made as per need after observing all codal formalities. Reply was not tenable as tendering was avoided and purchases were made at different rates during the same financial year.

DAC in its meeting held on 08.12.2023 directed the Additional Deputy Commissioner (F&P) and Deputy Director (B&A) to inquire the matter within one month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR Para No.13]

2.15 District Health Authority, Rajanpur

There are 16 formations in District Health Authority, Rajanpur out of which 05 formations were audited during Audit Year 2023-24.

Fraud, embezzlement and misappropriation

2.15.1 Misappropriation of Government receipts and store items – Rs 8.919 million

According to Rule 14 (d) of the Punjab District Authorities (Accounts) Rules 2017, "The primary obligation of the collecting officers shall be to collect receipts in the transparent manner and guard against misappropriation, fraud, embezzlement or compromise." Further, according to Rule 2.33 of the PFR, Volume-I, "Every Government servant 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."

During audit of DHA Rajanpur for the FY 2022-23, it was observed that MS DHQ Hospital and two other DDOs misappropriated Rs 8.919 million on account of different fees and store items for the Financial Years 2018-19 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Nature of receipts	FYs	Amount
1	MS DHQ Hospital Rajanpur	MLC fee, Tender sale Money, Medical Board fee,X-Ray charges, parking stand fees and lab test fees	2022-23	7.005
		Lab test devices found short		0.353
2	MS THQ Hospital Rojhan	MLC, Indoor and ultrasound fees		0.096
3	SMO RHC Hajipur	X-Rays charges, Indoor fees	2018-19 to 2022-23	0.195
		Medicines and store items found short		1.270
Total				**8.919**

Due to weak internal controls, Government receipts and store items were misappropriated which resulted in loss to the Government.

The matter was reported to PAO in September, 2023. No reply was submitted by the management.

DAC meeting was not convened despite repeated written requests made by Audit vide this office letter No.RDA/DGK/CD-869-871 dated 01.08.2023, No.RDA/DGK/CD-1030-1033 dated 22.09.2023 and No. RDA/DGK/CD-1180-1183 dated 13.10.2023.

Audit recommends inquiry be initiated against those responsible for apparent misappropriation besides recovery and deposit of misappropriated amount into Government Treasury.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2021-22 and 2018-19 vide para(s) number 4.2.4.6 and 7.2.2.21 respectively having financial impact of Rs 6.164 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 4, 9,3,6,9]

2.3.4.31 Procedural irregularities

2.15.2 Mis-procurement due to non-compliance of PPRA Rules – Rs 11.868 million

According to Rules 9 and 12(1) of the Punjab Procurement Rules 2014, “Procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority in the manner and format specified by regulations but if deemed in public interest, the procuring agency may also advertise the procurement in at least one national daily newspaper.”

During audit of DHA Rajanpur for the FY 2022-23, it was observed that CEO and three other DDOs incurred expenditure of Rs 11.868 million on procurements of medicines, printing material, bedding clothing and general store items without uploading the advertisement on PPRA’s website. The procurements were made through regrouping and splitting for the Financial Years 2018-19 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	FYs	Amount
1	CEO, DHA Rajanpur	Printing, stationery and Transportation		2.663
2	DHO (PS) Rajanpur	Printing and stationery	2022-23	2.114
3	MS DHQ Hospital Rajanpur	LP Medicine and Lab items		3.443
4	SMO RHC Hajipur	Printing, Store items, bedding & clothing and X-Rays	2018-19 to 2022-23	3.648
Total				**11.868**

Due to weak internal controls, purchases were made in violation of PPRA Rules which resulted in mis-procurement.

The matter was reported to PAO in September, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2019-20 and 2018-19 vide para(s) number 2.15.4, 4.2.4.2, 7.2.5.2.1 and 7.2.2.2

respectively having financial impact of Rs 223.232 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No.14,5,11 ,2]

2.15.3 Irregular appointment of contingent paid staff – Rs 6.140 million

According to Sr. No. 2 of the Preface to the Schedule of Wage Rates, 2021 circulated by Government of the Punjab, Finance Department vide No. RO (Tech) FD 2-2/2018 dated 09.09.2021, "Appointment to a post included in the schedule may be made by the competent authority under Delegation of Financial Powers Rules 2016 subject to proper advertisement in the leading newspapers and on the basis of merit specified for regular establishment."

During audit of DHA Rajanpur for the FY 2022-23, it was observed that MS DHQ Hospital and MS THQ Hospital Rojhan incurred expenditure of Rs 6.140 million of wages of contingent paid staff. Scrutiny of record revealed that recruitment of staff was made without adhering to the instructions of Finance Department. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Particulars	Amount
1	MS DHQ Hospital Rajanpur	Salaries of Contingent Paid Staff	4.798
2	MS THQ Hospital Rojhan		1.342
Total			**6.140**

Due to weak internal controls, appointments of daily wages staff were made without adhering to the instructions of Finance Department which resulted in irregular expenditure.

The matter was reported to PAO in September, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2019-20 and 2018-19 vide para(s) number 2.15.9, 7.2.5.2.9 and 7.2.2.3 respectively having financial impact of Rs 26.087 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 3,7]

2.3.4.32 Others

2.15.4 Loss due to payment of inadmissible pay and allowances – Rs 41.185 million

According to Rule 9 of the Punjab Regularization of Service Act, 2018, "A contract employee, on regularization, shall be allowed the initial stage of the respective pay scale and the increments earned by him during the contract appointment shall be converted into personal allowance but no other privilege allowed to a contract employee shall be admissible." Further, according to Government of the Punjab, Finance Department's letter No.FD.SR-1/6-4/2019 dated 05.04.2021, "If a doctor submits Affidavit that he is not practicing, he may be allowed for Non Practicing Allowance." Further, according to Government of the Punjab, Finance Department letter No. FD(M- I) 1-15/82-F-I dated 15.01.2000, "In case of designated residence, the officer / official for whom the residence was meant cannot draw House Rent Allowance and will have to pay 5% of house rent even if he does not avail the facility and residence remains vacant during the period." Furthermore, according to clarification issued by the Finance Department, Government of the Punjab vide letter No. FD.SR.I.9-4/86(P) (PR) dated 04.12.2012, "The employees who are residing in the residential colonies situated within work premises are not entitled to the facility of Conveyance Allowance." Moreover, according to Government of the Punjab, P&SHD letter No.SO(B&A)1-69/2016 dated 24.06.2022, "Performance based allowances are admissible to an official for the 1^{st} 90 days only during continued period of earned leave, study leave or during the period he remained as OSD (awaiting posting)." Moreover, according to Rule 2.31 (a) of PFR Vol-I, "A drawer of bill for pay, allowances, contingent and other expenses will be responsible for any overcharges, frauds and misappropriation."

During audit of DHA Rajanpur for the FY 2022-23, it was observed that CEO and four other DDOs made inadmissible payments of House Rent Allowance, Conveyance Allowance, Dress Allowance, Mess Allowance, Nursing Professional Allowance, Non Practicing Allowance, SSB, Risk allowance and pay amounting to Rs 41.185 million to various employees for the Financial Years 2018-19 to 2022-23. The detail is under:

(Rupees in million)

Sr. No.	**DDOs**	**FYs**	**Description**	**Amount**
1	CEO, DHA Rajanpur	2022-23	Incentive Allowance, NPA	2.270
			30% SSB	0.452
2	DHO (PS) Rajanpur		30% SSB	0.150
			NPA, HRA, CA and Integrated allowance	15.880
3	MS DHQ Hospital Rajanpur		NPA, SSB, HSRA, incentive allowance, Non-deduction of performance based allowances, inadmissible pay and allowances	10.494
4	MS THQ Rojhan		HSRA, incentive allowance, NPA Non-deduction of performance based allowances	9.210
5	SMO RHC Hajipur	2018-19 to 2022-23	House rent, conveyance allowance and maintenance charge	2.729
Total				**41.185**

Due to weak internal controls, payment of inadmissible pay and allowances was made which resulted in loss to the Authority.

The matter was reported to PAO in September, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry, fixing responsibility against the person(s) at fault for allowing inadmissible allowances and immediate stoppage of such allowances coupled with recovery of overpaid amount.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para(s) number 2.15.14, 4.2.4.3, 7.4.2, 7.2.5.2.3 and .2.2.7 respectively having financial impact of Rs 123.422 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 7,8, 4,9,1,14, 11]

2.15.5 Overpayment due to irregular promotion of allied health professionals – Rs 24.841 million

According to Government of Punjab P&SHC Department Notification No. 1715-21/1059/LC dated 06.06.2022 and No. 767 dated 06.02.2023, "Allied health professionals were eligible for up gradation / re-designation as one time dispensation under AHP notification dated 24.11.2011, up-gradation under 4-tier beyond one time are not in accordance with the notification dated 24.11.2011. Up gradation beyond one time of AHP should be withdrawn as per direction of Finance department order dated 04.07.2019."

During audit of DHA Rajanpur for the FY 2022-23, it was observed that CEO and DHO (PS) allowed to pay Rs 24.841 million against irregular promotion of allied health professionals' staff who were up-graded / re-designated during 2012 under 4 tier service structure into higher scale with two to four steps at a time instead of one time dispensation in violation of above policy. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Amount
1	CEO, DHA Rajanpur	Irregular promotion to allied health professionals	15.758
2	DHO (PS) Rajanpur	Irregular promotion to allied health professionals	9.083

Total	24.841

Due to weak internal controls, up-gradation was granted to employees into next higher scales which resulted in overpayment.

The matter was reported to PAO in September, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends immediate withdrawal of irregular promotions besides recovery of over payment from the concerned and correction in payroll.

[AIR Para No. 11,2]

2.15.6 Non-recovery of receipts from State Life Insurance Corporation – Rs 3.085 million

According to Rule 4.7(1) of the PFR, Volume-I, "It is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government account."

During audit of DHA Rajanpur for the FY 2022-23, it was observed that MS DHQ Hospital Rajanpur and MS THQ Hospital Rojhan did not recover amount of Rs 3.085 million from State Life Insurance Corporation on account of 885 number of patients who treated on universal health services (UHS) under Sehat Sahulat Program. The detail is under:

(Rupees in million)

Sr. No.	DDOs	No. of Cases	Amount
1	MS DHQ Hospital Rajanpur	377	1.372
2	MS THQ Hospital Rojhan	436	1.713
Total		**885**	**3.085**

Due to weak internal controls, outstanding receipts were not recovered which resulted in loss.

The matter was reported to PAO in September, 2023. No reply was submitted by the management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.15.16 having financial impact of Rs 3.240 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 7,16]

2.16 District Health Authority Sahiwal

There are 19 formations in District Health Authority, Sahiwal out of which 05 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.16.1 Mis-procurement due to non-compliance of PPRA Rules – Rs 19. 061 million

According to Rules 9 and 12(1) of the Punjab Procurement Rules 2014, "Procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority in the manner and format specified by regulations but if deemed in public interest, the procuring agency may also advertise the procurement in at least one national daily newspaper."

During audit of DHA Sahiwal for the FY 2022-23, it was observed that CEO and two other DDOs incurred expenditure amounting to Rs 19.061 million on procurement of medicine and other miscellaneous items under different heads of accounts without uploading the advertisement on PPRA's website. The procurements were made through regrouping and splitting. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Description	Amount
1	MS THQ Hospital Chichawatni	Expenditure by splitting	9.215
2	DHO (PS) Sahiwal	Expenditure by splitting	1.170
3	CEO, DHA Sahiwal	Defective tendering process of bulk medicines	8.675
Total			**19.061**

Due to weak internal controls, purchases were made in violation of PPRA Rules which resulted in mis-procurement.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened despite repeated written requests made by Audit vide this office letters No.RDDA-MLN/F-163/CD-1480 dated 12.09.2023 and No.RDDA-MLN/F-163/CD-1494 dated 18.09.2023 followed by subsequent reminder No.RDDA-MLN/F-163/CD-1537 dated 27.09.2023. No progress was intimated till finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22 and 2019-20 vide para(s) number 2.16.3, 5.2.4.3 and 15.2.5.2.6 respectively having financial impact of Rs 32.603 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No.11, 6 & 18]

Others

2.16.2 Loss due to payment of inadmissible pay and allowances – Rs 15.905 million

According to Government of the Punjab, Finance Department's letter No.FD.SR-1/6-4/2019 dated 05.04.2021, "If a doctor submits Affidavit that he is not practicing, he may be allowed for Non Practicing Allowance." Further, according to Government of the Punjab, Finance Department letter No. FD(M- I) 1-15/82-F-I dated 15.01.2000, "In case of designated residence, the officer / official for whom the residence was meant cannot draw House Rent Allowance and will have to pay 5% of house rent even if he does not avail the facility and residence remains vacant during the period." Furthermore, according to clarification issued by the Finance Department, Government of the Punjab vide letter No. FD.SR.I.9-4/86(P) (PR) dated 04.12.2012, "The employees who are residing in the residential colonies situated within work premises are not entitled to the facility of Conveyance Allowance." Moreover, according to Government of the Punjab, P&SHD letter No.SO(B&A)1-69/2016 dated 24.06.2022, "Performance based allowances are admissible to an official for the 1st 90 days only during continued period of earned leave, study leave or during the period he remained as OSD (awaiting posting)." Moreover, according to Rule 2.31 (a) of PFR Vol-I, "A drawer of bill for pay, allowances, contingent and other expenses will be responsible for any overcharges, frauds and misappropriation."

During audit of DHA Sahiwal for the FY 2022-23, it was observed that CEO and four other DDOs paid Rs 15.905 million to different staff on account of different allowances i.e. House Rent Allowance, Conveyance Allowance, Incentive Allowance, HSRA etc without entitlement for the Financial Years 2018-19 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Period	Description	Amount
1	MS THQ Hospital Chichawatni	2022-23	Recovery of of pay and allowance	2.501
2	DDHO Sahiwal	2021-23	Inadmissible payment of pay & allowances	0.087
			Payment of travelling allowance and daily allowance	0.031

Sr. No.	DDOs	Period	Description	Amount
3	DHO PS Sahiwal	2022-23	Payment of CA availability of designated residences	1.011
			Recovery of pay and allowances	3.145
4	CEO DHA Sahiwal	2022-23	Payment of NPA	2.860
			Payment of pay and allowance after termination	0.890
			Payment of inadmissible pay and Allowances	2.199
5	SMO RHC Harappa	2018-23	Payment of NPA	2.043
			Payment of HRA and CA	1.116
			Payment of CA during Leave	0.022
Total				**15.905**

Due to weak internal controls, payment of inadmissible pay and allowances was made which resulted in loss to the Authority.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry, fixing responsibility against the person(s) at fault for allowing inadmissible allowances and immediate stoppage of such allowances coupled with recovery of overpaid amount.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22 and 2020-21 vide para(s) number 2.16.5, 5.2.4.5 and 16.6.1 having financial impact of Rs 58.846 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para:8,3,5,2,10,5,7,17 ,5,10 & 2]

2.16.3 Loss due to non-deposit of Government dues – Rs 1.406 million

According to Rule 14 (d) of the Punjab District Authorities (Accounts) Rules 2017, "The collecting officers shall be responsible to collect receipts in the transparent manner and guard against misappropriation, fraud, embezzlement or compromise." Further, according to Government of the Punjab, Finance Department letter No. FD (M-C)1-15/82-P-I dated 17.01.2000, "All receipts should be deposited into Government treasury not later than seven days of actual receipts."

During audit of DHA Sahiwal for the FY 2022-23, it was observed that MS THQ Hospital Chichawatni and SMO RHC Harappa did not deposit government dues of Rs 1.406 million. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Period	Description	Amount
1	MS THQ Hospital Chichawatni	2022-23	Non-deposit of government receipts	0.985
2	SMO RHC Harappa	2018-23	Non deposit of diagnostic test fees and MLC	0.421
Total				**1.406**

Due to weak internal controls, government dues were not deposited which resulted in loss to Authority.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends recovery and deposit of fees besides fixing responsibility against the person(s) at fault.

<u>Note:</u> The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2020-21 vide para(s) number 2.16.6 and 16.5.1 respectively having financial impact of Rs 15.949 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No.4 & 12]

2.17 District Health Authority, Toba Tek Singh

There are 23 formations in District Health Authority, Toba Tek Singh out of which 05 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.17.1 Unauthorized payment of previous year's liabilities – Rs 159.087 million

According to Rule 15(g) of the Punjab District Authorities (Accounts) Rules, 2017, "The DDO shall be responsible to prepare statement of outstanding payments on the close of each financial year, carrying them forward and including the same in the register of liabilities to be paid in the relevant financial year."

During audit of DHA Toba Tek Singh for the FY 2022-23, it was observed that CEO made payments of Rs 159.087 million to different firms against procurements of medicine & surgical items for preceding financial year. However, payments were made without maintaining liability register, approval of the competent authority and special provision of funds for the clearance of outstanding liabilities.

Due to weak internal controls, previous year's liabilities were paid from budget of current year which resulted in unauthorized expenditure.

The matter was reported to PAO in October, 2023. DDO did not submit reply of the audit observation.

DAC meeting was not convened despite repeated written requests made by Audit vide this office letter No.Dir/Aud/LocalGovts/Fsd/1198 dated 28.09.2023, followed by subsequent reminders dated 06.10.2023, 11.10.2023 and 30.11.2023.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2019-20, 2018-19 and 2017-18 vide para(s) number 4.2.4.6, 11.2.5.4.2, 11.2.4.7 and 16.2.2.1 respectively having financial impact of Rs 200.353 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No.12]

2.17.2 Loss due to payment of inadmissible pay and allowances – Rs 21.010 million

According to Government of the Punjab, Finance Department's letter No.FD.SR-1/6-4/2019 dated 05.04.2021, "If a doctor submits Affidavit that he is not practicing, he may be allowed for Non Practicing Allowance." Further, according to Government of the Punjab, Finance Department letter No. FD(M- I) 1-15/82-F-I dated 15.01.2000, "In case of designated residence, the officer / official for whom the residence was meant cannot draw House Rent Allowance and will have to pay 5% of house rent even if he does not avail the facility and residence remains vacant during the period." Furthermore, according to clarification issued by the Finance Department, Government of the Punjab vide letter No. FD.SR.I.9-4/86(P) (PR) dated 04.12.2012, "The employees who are residing in the residential colonies situated within work premises are not entitled to the facility of Conveyance Allowance." Moreover, according to Government of the Punjab, P&SHD letter No.SO(B&A)1-69/2016 dated 24.06.2022, "Performance based allowances are admissible to an official for the 1st 90 days only during continued period of earned leave, study leave or during the period he remained as OSD (awaiting posting)." Moreover, according to Rule 2.31 (a) of PFR Vol-I, "A drawer of bill for pay, allowances, contingent and other expenses will be responsible for any overcharges, frauds and misappropriation."

During audit of DHA Toba Tek Singh for the FY 2022-23, it was observed that CEO and four other DDOs made inadmissible payments of HRA, HSRA, NPA, CA, Risk Allowance, Nursing Allowance, Health Professional Allowance, Supervisory Allowance, salaries during EOL / after resignation / retirement etc. amounting to Rs 21.010 million to various employees for the Financial Years 2018-19 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Period	Description	Amount
1	CEO, DHA Toba Tek Singh	2022-23	Payment of CA during leave, HSRA while residing in official residencies, NPA without evidence of not doing private practice etc.	6.387
			Payment of Supervisory Allowance without satisfactory performance	2.400

Sr. No.	DDOs	Period	Description	Amount
2	DHO (PS), Toba Tek Singh	2020-23	Payment of CA and HRA while occupying official residencies	1.675
			Payment of HSRA and CA during leave	0.446
3	MS DHQ Hospital, Toba Tek Singh	2022-23	Payment of CA, HSRA during leave and payment of NPA while doing private practice	5.281
4	MS Eye Cum General Hospital, Gojra	2022-23	Payment NPA, CA, SSB to employees without admissibility	1.521
5	SMO RHC Chak No.740/GB	2018-23	Payment of CA and HRA while occupying official residencies	1.898
			Payment of CA and HRA while residing in official accommodations	1.118
			Payment of HSRA and CA during leave and without performing duty on RHC	0.284
Total				**21.010**

Due to weak internal controls, payment of inadmissible pay and allowances was made which resulted in loss to the Authority.

The matter was reported to PAO in October, 2023. DDOs did not submit replies of the audit observations.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of overpaid amount.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18 vide para(s) number 2.17.21, 4.2.4.3, 4.2.4.10, 11.3.1, 11.3.4, 11.2.5.2.3, 11.2.5.2.6, 11.2.5.2.9, 11.2.5.2.13, 11.2.5.2.14, 11.2.5.2.15, 11.2.5.2.7, 11.2.2.13, 11.2.2.19, 11.2.2.20,16.2.1.14, 16.2.1.15 and 16.2.1.16 respectively having financial impact of Rs 130.424 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No.14,16,8,2,13,13,5,2&4]

2.17.3 Irregular expenditure in violation of PPRA Rules – Rs 10.872 million

According to Rules 9 and 12(1) of the Punjab Procurement Rules 2014, "Procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority in the manner and format specified by regulations but if deemed in public interest, the procuring agency may also advertise the procurement in at least one national daily newspaper." Moreover, according to Rule 59(1)(c) of Punjab Procurement Rules, 2014, "A procurement agency shall only engage in direct contracting if repeat orders not exceeding fifteen percent of the original procurement."

During audit of DHA Toba Tek Singh for the FY 2022-23, it was observed that MS DHQ Hospital Toba Tek Singh and Eye Cum General Hospital Gojra incurred expenditure of Rs 5.923 million on purchase of laboratory items, food items/lunch, X-Ray films, hiring of tentage material, etc. However, procurements were made through regrouping and splitting. Further, general medical supplies and store items amounting to Rs 4.949 million were procured through repeat orders in excess of allowed limit of 15% of original procurement. The detail is as under:

(Rupees in million)

Sr. No	DDOs	Period	Description	Expenditure Without Observing PPRA	Expenditure by Repeat Order	Total
1	MS DHQ Hospital Toba Tek Singh	2022-23	Procurement of X Ray films, store items, cost of stores, hiring of tenting without open competition and by repeat	5.177	4.949	10.126

			orders without retendering			
2	MS Eye Cum General Hospital Gojra	2022-23	Procurements of store items without Tendering	0.746	-	0.746
Total				**5.923**	**4.949**	**10.872**

Due to weak internal controls, expenditure was incurred by splitting the cost of objects to avoid quotations/tenders and through repeat orders in excess of allowed limit without going through new tendering which resulted in irregular expenditure and violation of PPRA rules.

The matter was reported to PAO in October, 2023. DDOs did not submit reply of the audit observation.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends fixing responsibility against the person(s) at fault besides regularization of expenditure from the competent authority.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22, 2019-20, 2018-19 and 2017-18 vide para(s) number 2.17.9, 4.2.4.5, 11.2.5.2.1, 11.2.2.4, 11.2.2.10, 11.2.2.11 and 16.2.1.6 respectively having financial impact of Rs 87.513 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 3&14]

2.3.4.33 Others

2.17.4 Non-deposit of Government share out of SSP claims and non-recovery of dues from contractors – Rs 38.291 million

According to Rule 14 (d) of the Punjab District Authorities (Accounts) Rules 2017, "The collecting officers shall be responsible to collect receipts in the transparent manner and guard against misappropriation, fraud, embezzlement or compromise." Further, according to Government of the Punjab, Finance Department letter No.FD(M-C)1-15/82-P-I dated 17.01.2000, "All receipts should be deposited into Government treasury not later than seven days of actual receipts."

During audit of DHA Toba Tek Singh for the FY 2022-23, it was observed that MS DHQ Hospital received refund claims amounting to Rs 70.607 million against Sehat Sahulat Program (SSP). However, Government share amounting to Rs 36.601 million was not deposited into the Government Treasury. Further, contract amount of Rs 1.690 million was not recovered from the contractors of canteen and parking stand. The detail is as under:

(Rupees in million)

Sr. No.	DDO	Description	Period	Total Amount Due
1	MS DHQ Hospital Toba Tek Singh	Non-deposit of Government share of SSP claims	2022-23	36.601
		Contract amount of parking and canteen	2022-23	1.690
Total				**38.291**

Due to financial mismanagement, Government share out of SSP claims was not deposited and dues were not recovered from the contractors which resulted in loss to the public exchequer.

The matter was reported to PAO in October, 2023. DDO did not submit reply of the audit observation.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends recovery of deducted amount of inadmissible Advance Income Tax besides production of remaining record.

[AIR Para No.10 (b)&4(b)]

2.17.5 Non-creation of Pension fund – Rs 26.500 million

According to Section 125 of the Punjab Local Government Act, 2013, "Lays down the procedure for constitution of Punjab Local Government Board and its day-to-day administration/business which includes set up and operation of pension fund and such other funds as may be considered necessary for the benefit and welfare of the employees of the Board and the prescribed local government service cadre." Furthermore, according to Rule 6 of the Punjab District Authorities (Budget) Rules, 2017, "The budget and accounts officer shall be responsible to maintain pension fund for the Government employees of Education or Health sectors adjusted in the District Authority."

During audit of DHA Toba Tek Singh for the FY 2022-23, it was observed that CEO incurred expenditure of Rs 26.500 million on pension payment of Local Government employees without creation of Pension Fund as required by the law.

Due to financial mismanagement and weak internal controls, Pension Fund was not created which resulted in extra financial burden on the Authority funds.

The matter was reported to PAO in October, 2023. DDO did not submit reply of the audit observation.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides early creation of Pension Fund.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.17.20 respectively having financial impact of Rs 22.105 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No.10]

2.17.6 Unauthorized deduction of tax / non recovery of taxes – Rs 7.049 million

According to Section 49 of Income Tax Ordinance, 2001, "Any payment received by the Federal Government, a Provincial Government or a Local Government shall not be liable to any collection or deduction of Advance Tax." Furthermore, according to Serial No.1(b)(ii), 2(ii)(b) and 3(iii) of Division III of Part III of First Schedule of the Income Tax Ordinance, 2001, "The rate of tax to be deducted from a payment for goods or services shall be 4.5 percent of gross amount payable. In the case of rendering of or providing of services, Income Tax shall be deducted @ 10 percent of the gross amount payable." Furthermore, according to Serial No. 11 of the Second Schedule to the Punjab Sales Tax on Services Act, 2012, "Punjab Sales Tax on Services (PST) @ 16 percent shall be applicable on services provided."

During audit of DHA Toba Tek Singh for the FY 2022-23, it was observed that MS DHQ Hospital failed to recover Income Tax amounting to Rs 0.909 million from contractors of parking stand and canteen. Further, an amount of Rs 6.140 million was deducted by the SLIC as Advance Income Tax without admissibility before making payment of claims of SSP during the Financial Year 2022-23. Resultantly, public exchequer sustained loss of Rs 7.049 million due to non-deposit of taxes and unauthorized deduction of Advance of Income Tax. The detail is as under:

(Rupees in million)

Sr. No.	DDO	Description	Tax Amount	Total Amount not recovered / recouped
1	MS DHQ Hospital Toba Tek Singh	Deduction of Advance Income Tax by SLIC on SSP claims	6.140	6.140
		Income Tax & PST due from contractors of canteen and parking services	0.909	0.909
Total			**7.049**	**7.049**

Due to dereliction of duties, deduction of Advance Income Tax was made without admissibility and IT and PST were not recovered which resulted in loss to the Government exchequer.

The matter was reported to PAO in October, 2023. DDO did not submit reply of the audit observation.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of taxes.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.17.24 respectively having financial impact of Rs 3.828 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 4&10(a)]

2.18 District Health Authority, Vehari

There are 31 formations in District Health Authority, Vehari out of which 05 formations were audited during Audit Year 2023-24.

Procedural irregularities

2.18.1 Mis-procurement due to non-compliance of PPRA Rules – Rs 48.862 million

According to Rules 9 and 12(1) of the Punjab Procurement Rules 2014, "Procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority in the manner and format specified by regulations but if deemed in public interest, the procuring agency may also advertise the procurement in at least one national daily newspaper."

During audit of DHA Vehari for the FY 2022-23, it was observed that CEO and two other DDOs purchased various items amounting to Rs 48.862 million without uploading the advertisement on PPRA's website. The procurements were made through regrouping and splitting. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Period	Description	Amount
1	CEO, DHA Vehari	2022-23	Purchase of various items	3.313
2	DHO (PS) Vehari	2022-23	Purchase of various items	23.548
			Purchase of furniture, medical equipment, stationery etc.	14.534
3	SMO RHC Garha More	2019-23	Purchase of various items	7.467
Total				48.862

Due to weak internal controls, purchases were made in violation of PPRA Rules which resulted in mis-procurement.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened despite repeated written requests made by Audit vide this office letters No.RDDA-MLN/F-163/CD-1480 dated 12.09.2023 and No.RDDA-MLN/F-163/CD-1494 dated 18.09.2023 followed by subsequent reminder No.RDDA-MLN/F-163/CD-1537 dated 27.09.2023. No progress was intimated till finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2021-22 vide para(s) number 2.18.2 and 6.2.4.4 having financial impact of Rs101.015 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 9,8,10 & 2]

2.18.2 Irregular appointment of daily wages staff – Rs 5.735 million

According to Sr. No. 2 of the Preface to the Schedule of Wage Rates, 2021 circulated by Government of the Punjab, Finance Department vide No. RO (Tech) FD 2-2/2018 dated 09.09.2021, "Appointment to a post included in the schedule may be made by the competent authority under Delegation of Financial Powers Rules 2016 subject to proper advertisement in the leading newspapers and on the basis of merit specified for regular establishment."

During audit of DHA Vehari for the FY 2022-23, it was observed that MS DHQ Hospital and one other DDO incurred expenditure of Rs 5.735 million of wages of contingent paid staff. Scrutiny of record revealed that recruitment of staff was made without adhering instructions of Finance Department and without advertisement for appointment in the newspapers, need assessment for requirement, data for total applications received, merit list prepared before appointment.

(Rupees in million)

Sr. No.	DDOs	Description	Amount
1	MS THQ Hospital Burewala	Appointment of contingent paid staff	1.615
2	MS DHQ Hospital Vehari	Appointment of contingent paid staff	4.120
Total			**5.735**

Due to weak internal controls, appointments of daily wages staff were made without adhering Finance Department instructions which resulted in irregular expenditure.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 vide para(s) number 2.18.5 having financial impact of Rs 2.548 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 5 & 12]

2.18.3 Procurement of medicine against policy guidelines – Rs 4.173 million

According to Government of the Punjab, Primary & Secondary Healthcare Department letter No.PSD-TCO-I(M)6-14/2017 dated 16.12.2017, "Local purchase of only those drugs should be made which are included in formularies and minimum level of doctor recommending the Local Purchase should be Senior Registrar, Assistant Professor, Consultant and Senior Medical Officer/Senior Woman Medical Officer."

During audit of DHA Vehari for the FY 2022-23, it was observed that SMO RHC Garha More incurred expenditure of Rs 4.173 million on purchase of LP medicine against the policy guidelines of the government. The medicine was purchased on the request of dispenser instead of on the recommendation of doctor concerned. The medicine was supplied by the contractor without providing the source of purchase and name of brands were not mentioned on the invoices. Unauthentic procurements were made through manual supply orders instead of generating the same through LP portal of health department.

Due to weak internal controls, expenditure was incurred against the policy guidelines which resulted in irregular expenditure.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends regularization of expenditure besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22 and 2019-20 vide para(s) number 2.18.3, 6.2.4.3 and 17.2.5.1.1.4 having financial impact of Rs 88.746 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No. 6]

Others

2.18.4 Loss due to payment of inadmissible pay and allowances – Rs 13.058 million

According to Government of the Punjab, Finance Department letter No. FD(M- I) 1-15/82-F-I dated 15.01.2000, "In case of designated residence, the officer / official for whom the residence was meant cannot draw House Rent Allowance and will have to pay 5% of house rent even if he does not avail the facility and residence remains vacant during the period." Furthermore, according to clarification issued by the Finance Department, Government of the Punjab vide letter No. FD.SR.I.9-4/86(P) (PR) dated 04.12.2012, "The employees who are residing in the residential colonies situated within work premises are not entitled to the facility of Conveyance Allowance." Moreover, according to Government of the Punjab, P&SHD letter No.SO(B&A)1-69/2016 dated 24.06.2022, "Performance based allowances are admissible to an official for the 1st 90 days only during continued period of earned leave, study leave or during the period he remained as OSD (awaiting posting)." Moreover, according to Rule 2.31 (a) of PFR Vol-I, "A drawer of bill for pay, allowances, contingent and other expenses will be responsible for any overcharges, frauds and misappropriation."

During audit of DHA Vehari for the FY 2022-23, it was observed that CEO and three other DDOs made payment of Rs 13.058 million on account of conveyance allowance during leave, availing the facility of official vehicles / bikes, payment of salary during EOL / after retirement and non recovery of maintenance charges on availing Government residences. The detail is as under:

(Rupees in million)

Sr. No.	DDOs	Period	Description	Amount
1	CEO DHA Vehari	2022-23	Excess payment of pay and allowances after retirement	0.257
			Drawl of inadmissible allowances	9.143
2	SMO RHC Garha More	2019-23	Recovery of pay & allowance	0.182
3	MS DHQ Hospital Vehari	2022-23	Recovery of inadmissible allowances	2.984
			Payment of pay & allowance during leave without pay	0.130

4	MS THQ Hospital Burewala	2022-23	Payment of Pay & Allowances during leaves	0.362
Total				**13.058**

Due to weak internal controls, payment of inadmissible pay and allowances was made which resulted in loss to the Authority.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends inquiry, fixing responsibility against the person(s) at fault for allowing inadmissible allowances and immediate stoppage of such allowances coupled with recovery of overpaid amount.

<u>Note:</u> The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2021-22 and 2020-21 vide para(s) number 2.18.7, 6.2.4.7 and 17.5.3 respectively having financial impact of Rs 69.919 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para No.10, 6, 4, 7, 20 & 25]

2.18.5 Irregular drawl and retention of funds in DDO account – Rs 7.019 million

According to Rule 2.10(3) of PFR Volume-I, "All inevitable payments are ascertained and liquidated at the earliest possible date. No money is withdrawn from the treasury unless it is required for immediate disbursement or has already been paid out of the permanent advance as per rule 2.10(5) of PFR Volume-I."

During audit of DHA Vehari for the FY 2022-23, it was observed that as per bank statement of DDO bank account of CEO and two other DDOs amount of Rs 7.019 million was available as on 30.06.2023. However, status of available balance was not produced during audit.

Whereas, as per cash book all payments received were shown disbursed. Resultantly, whereabouts of said amount were unknown and detail of closing balance was not given in the cash book.

(Rupees in million)

Sr. No.	DDOs	Amount
1	CEO DHA Vehari	1.026
2	MS DHQ Hospital Vehari	4.932
3	MS THQ Burewala	1.061
Total		**7.019**

Due to weak internal controls, Government funds were parked in the bank account of the DDO without proper justification which resulted in unjustified drawl of funds.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends to probe the matter for fixing responsibility against the person(s) at fault besides immediate disbursement of funds.

[AIR Para No. 8, 13 & 10]

2.18.6 Less recovery on auction of parking stand – Rs 2.551 million

According to Rule 14 (d) of the Punjab District Authorities (Accounts) Rules 2017, “The collecting officer shall be responsible to collect receipts in the transparent manner and guard against misappropriation, fraud, embezzlement or compromise.”

During audit of DHA Vehari for the FY 2022-23, it was observed that MS, DHQ Hospital Vehari did not collect government dues amounting to Rs 2.551 million from contractor of parking stand.

Due to weak internal controls, less recovery from auction of parking stand was made which resulted in loss.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends recovery besides fixing responsibility against the DDO concerned.

[AIR Para No.19]

2.18.7 Non-recovery of taxes – Rs 1.825 million

According to Section 153(1) of Income Tax Ordinance, 2001, "Every prescribed person, while making a payment in full or part, shall deduct tax at the specified rate from the gross amount payable."

During audit of DHA Vehari for the FY 2022-23, it was observed that MS THQ Hospital Burewala and MS DHQ Hospital Vehari did not recover of Rs 1.825 million on account of government taxes. The DDOs failed to ensure deduction of taxes from employee's share of hospital receipts. The detail is as under:

(Rupees in million)

Sr. No	DDOs	Description	Amount
1	MS THQ Hospital Burewala	Non-deduction of advance income tax on employees share on diagnostic tests receipts	0.259
2	MS DHQ Hospital Vehari	Non-deduction of advance income tax on employees share on diagnostic tests receipts	1.566
Total			**1.825**

Due to weak internal controls, government taxes were not collected which resulted in loss to the Government Treasury.

The matter was reported to PAO in October, 2023. No reply was submitted by the Management.

DAC meeting was not convened till finalization of this Report despite repeated written requests.

Audit recommends recovery besides fixing responsibility against the DDOs concerned.

[AIR Para No.6 & 7]

CHAPTER 3

Impact Audit

"Establishment of 40-Bedded Gynae / Children and Emergency Ward with Allied Facilities for 24-Hours Services at City Hospital Toba Tek Singh”

3.1 Introduction:

3.1.1 Impact Audit

Impact Audit aimed at determining impact of project. Specifically, impact audit focuses on determining the outcomes related to an initiative. It answers cause and effect questions about the outcomes attributable to an initiative by separating other contributing factors or variables, and adequacy of the results. Impact audit was conducted to evaluate the impact of project with particular focus on the delivery of routine, emergency, Gynaecological, obstetric, preventive and diagnostic services before and after completion of the Project, evaluate the optimum utilization of resources and provide recommendations to the policy makers as well as management for improvement in service delivery.

3.1.2 Background and Role of Project:

City Hospital Toba Tek Singh was established in October, 2010 and declared as Gynae Hospital in July, 2014 with 14 bedded Emergency / Gynae Ward providing outdoor & indoor medical facilities to the patients of all malaises. The existing 14 bedded hospital was insufficient to cope with the increasing healthcare needs owing to ever-growing population from 1.622 million (population Census, 1998) to 2.191 million (population Census, 2017). Keeping in view the hardships of ailing community, Primary and Secondary Healthcare Department, Government of the Punjab approved a new Project in 2017-18 titled “Establishment of 40 bedded Gynae / Children and Emergency Ward with allied facilities for 24 hours service” at City Hospital Toba Tek Singh at an estimated cost of Rs 56.573 million.

3.2 Overview

The Project initially aimed at establishing 40 bedded Gynae/children and emergency ward with allied health facilities. Scope of the Project was revised in October, 2017 that included construction of doctors’ rooms, labour rooms, operation theater, and X-Ray room etc. The revision of the Project excluded the construction of wards. It was approved with the objectives to provide:

i) High quality emergency Gynaecological and Obstetric services round the clock;

ii) Routine medical and surgical services through well-trained and well-equipped staff;

iii) Consultancy advice and Preventive services to minimize the mother and infant mortality rate;

iv) Family planning services to decrease birth rate and

v) Rehabilitation services for the handicapped.

Status of completion:

The project commenced on 17.01.2018. The capital component of the project was completed on 30.06.2020 leaving revenue component to be completed.

3.3 Scope and Methodology

3.3.1 Scope

Impact Audit was planned to evaluate data pertaining to the achievements of objectives of the project viz-a-viz outcomes during FYs 2017-18 to 2022-23 with the aim to:

i) Evaluate the impact of Project with particular focus on the delivery of routine, emergency, Gynaecological, obstetric, preventive and diagnostic services before and after completion of the Project.

ii) Evaluate the optimum utilization of resources.

iii) Provide recommendations to the policy makers as well as management for improvement in service delivery.

3.3.2 Methodology

Following methodology was adopted to assess the impact of the project:

i) Collection of historical data regarding key service areas.

ii) Study of monitoring reports.

iii) Visit to project's site.

iv) Discussions with the management.

v) Analysis of collected data including trend analysis.

vi) Review of utilization of human, financial and infrastructure resources.

3.4 Findings

3.4.1 Impact of Project on Outdoor Patient Department (OPD) activities

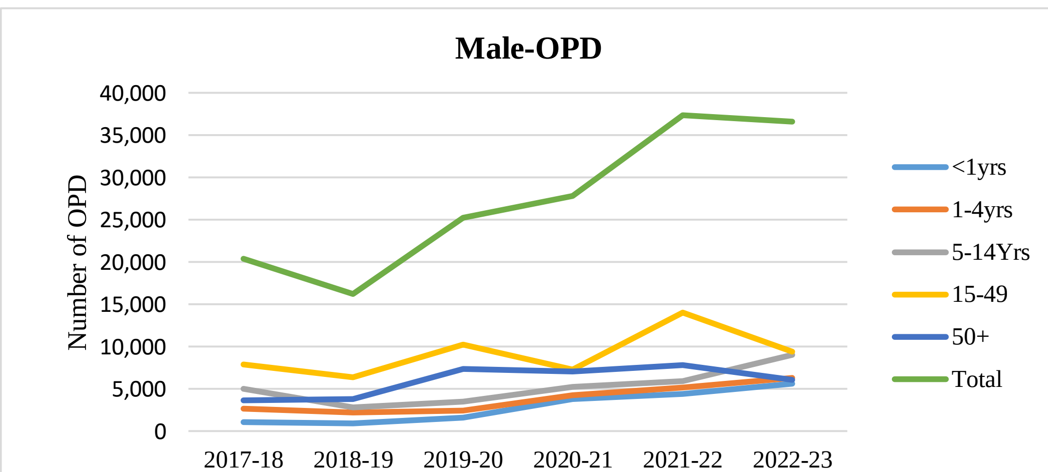
Audit conducted a comprehensive analysis of OPD activities regarding different categories of patients age-wise, gender-wise etc. The detail is given as under:

Male-OPD

(No. of patients)

Age	Pre-Project				Post Project				%age Change in three years avg.
	2017-18	**2018-19**	**2019-20**	**Three Years Avg.**	**2020-21**	**2021-22**	**2022-23**	**Three Years Avg.**	
<1yrs	1,065	924	1,636	1,208	3,814	4,404	5,673	4,630	283%
1-4yrs	2,684	2,239	2,436	2,453	4,264	5,150	6,348	5,254	114%
5-14Yrs	5,025	2,870	3,546	3,814	5,263	5,921	9,083	6,756	77%
15-49	7,946	6,396	10,264	8,202	7,343	14,062	9,393	10,266	25%
50+	3,704	3,786	7,389	4,960	7,114	7,826	6,119	7,020	42%
Total	**20,424**	**16,215**	**25,271**	**20,637**	**27,798**	**37,363**	**36,616**	**33,926**	**64%**

Source: DHIS Reports



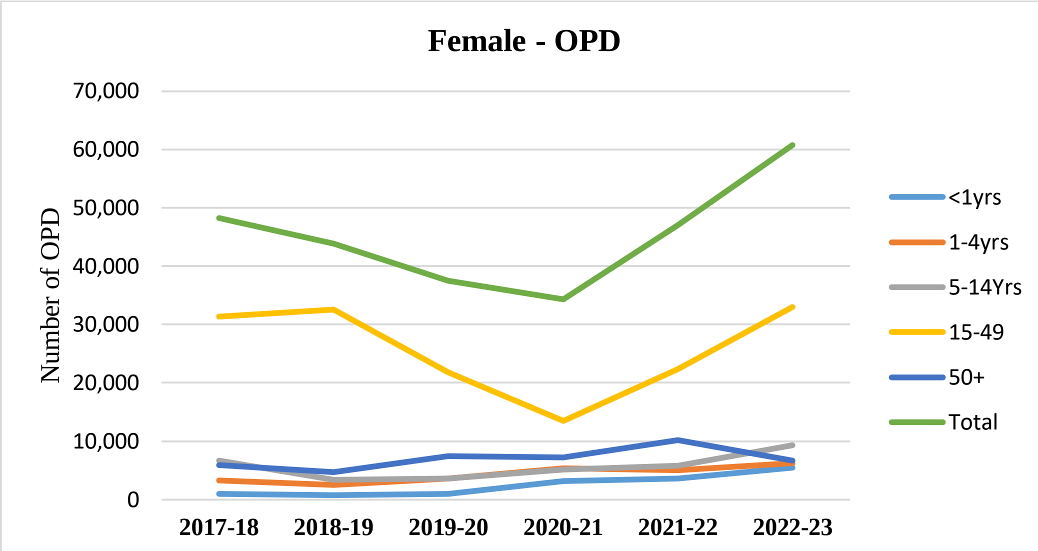
Comparison of average Male OPD patients of different age groups for the three years prior and post completion of the Project. Audit observed remarkable increase of 283% and 114% for OPD patients of under 1 year and of 1-4 years respectively and 64% in total No. of Male OPD patients.

Female-OPD

(No. of patients)

Age	Pre-Project				Post Project				%age Change in three years avg.
	2017-18	2018-19	2019-20	Total	2020-21	2021-22	2022-23	Total	
<1yrs	1,002	710	997	2,709	3,184	3,582	5,455	12,221	351%
1-4yrs	3,311	2,450	3,611	9,372	5,392	5,017	6,273	16,682	78%
5-14Yrs	6,697	3,415	3,649	13,761	5,086	5,837	9,285	20,208	47%
15-49	31,351	32,604	21,816	85,771	13,454	22,402	33,018	68,874	-20%
50+	5,904	4,648	7,461	18,013	7,239	10,142	6,680	24,061	34%
Total	48,265	43,827	37,534	129,626	34,355	46,980	60,711	142,046	**10%**

Source: DHIS Reports



Comparison of average Female OPD patients of different age groups for the three years prior and post completion of the Project revealed staggering increase of 351% for Female OPD patients of under 1 year. Further, No. of female OPD patients for the age group of 15-49 experienced decline of 20%. It is worth mentioning that the Project was primarily aimed at improving health related indicators of female population. However, there was only 10% increase in total Female OPD patients as compared to 64% increase in total Male OPD patients.

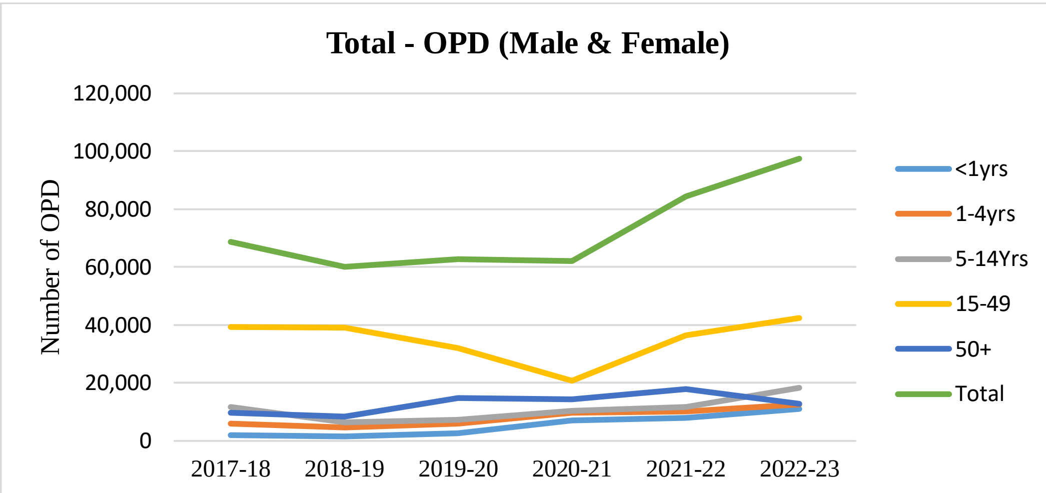
Total - OPD (Male & Female)

(No. of patients)

Age	**Pre-Project**				**Post Project**				**%age Change in three years avg.**
	2017-18	**2018-19**	**2019-20**	**Total**	**2020-21**	**2021-22**	**2022-23**	**Total**	
<1yrs	2,067	1,634	2,633	6,334	6,998	7,986	11,128	26,112	312%
1-4yrs	5,995	4,689	6,047	16,731	9,656	10,167	12,621	32,444	94%
5-14Yrs	11,722	6,285	7,195	25,202	10,349	11,758	18,368	40,475	61%
15-49	39,297	39,000	32,080	110,377	20,797	36,464	42,411	99,672	-10%
50+	9,608	8,434	14,850	32,892	14,353	17,968	12,799	45,120	37%

Total	68,689	60,042	62,805	191,536	62,153	84,343	97,327	243,823	**27%**

Source: DHIS database reports



Comparison of average total OPD patients of different age groups for the three years prior and post completion of the Project reflected significant hike of 312% for OPD patients of under 1 year. However, No. of OPD patients for the age group of 15-49 experienced decline of 10%. Further, total No. of OPD patients experienced increase of 27%.

Hence, overall impact of the project is positive on No. of Outdoor Patient visits.

The matter was reported to the management in August, 2023. No response was received till finalization of this Report.

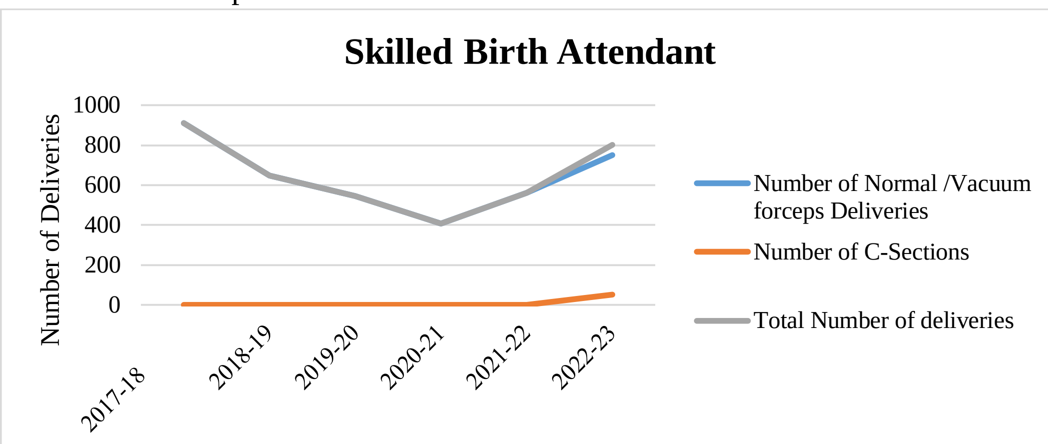
3.4.2 Impact of Project on deliveries through Skilled Birth Attendants

Audit conducted a comprehensive analysis of availability of skilled birth attendants for normal / vacuum forceps deliveries and C-Sections before and after the completion of the Project that showed downward trend upto 2020-21 but reflected slight increase in subsequent years. The detail is as under:

Description	Pre-Project				Post Project				%age Change in three years avg.
	2017-18	**2018-19**	**2019-20**	**Three Years Avg.**	**2020-21**	**2021-22**	**2022-23**	**Three Years Avg.**	
Number of Normal /Vacuum	911	647	546	2,104	406	562	749	1717	**-18%**

Description	Pre-Project				Post Project				%age Change in three years avg.
	2017-18	2018-19	2019-20	Three Years Avg.	2020-21	2021-22	2022-23	Three Years Avg.	
forceps Deliveries									
Number of C-Sections	0	0	0	0	0	0	53	53	
Total Number of deliveries	**911**	**647**	**546**	**2,104**	**406**	**562**	**802**	**1770**	**-16%**

Source: DHIS Reports



Comparison of average No. of Normal / Vacuum forceps deliveries for three years prior and post completion of the Project reflected decline of 18%. Further, C-Section procedure was not carried out till 2021-22 and only 53 C-Sections were performed during 2022-23.

Hence, the project began to manifest positive impact in 2022-23 due to appointment of anesthetist.

The matter was reported to the management in August, 2023. No response was received till finalization of this Report.

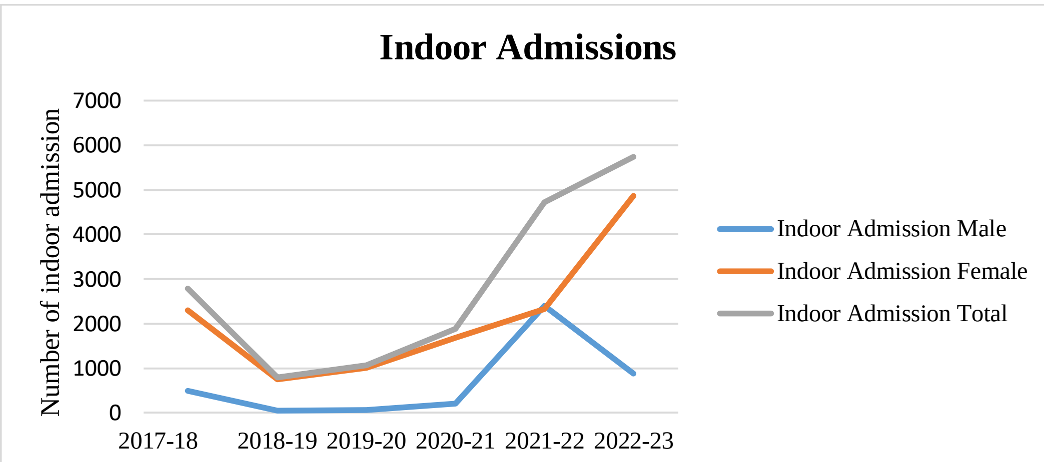
3.4.3 Impact of Project on Indoor Patients

Enhancing the indoor patient facility was one of the main objectives of the project. Audit analyzed the impact of the project on this indicator, as detailed in the following table:

Indoor Patients
(No. of patients)

Description	Pre-Project				Post Project				%age Change in three years avg.
	2017-18	2018-19	2019-20	Three Years Avg.	2020-21	2021-22	2022-23	Three Years Avg.	
Male	497	54	59	610	212	2,397	886	3495	473%
Female	2,298	746	1,011	4,055	1,677	2,324	4,861	8,862	119%
Total	**2,795**	**800**	**1,070**	**4,665**	**1,889**	**4,721**	**5,747**	**12,357**	**165%**

Source: DHIS Reports



Analysis of average No. of Indoor Patients for the three years prior and post completion of the Project revealed stunning increase of 473% for male indoor patients and 119% increase in Female indoor patients. Further, total indoor patients increased by 165%.

Hence, impact of this project is positive on number of Indoor Patients Admissions.

The matter was reported to the management in August, 2023. No response was received till finalization of this Report.

3.4.4 Impact of Project on Family Planning Visits

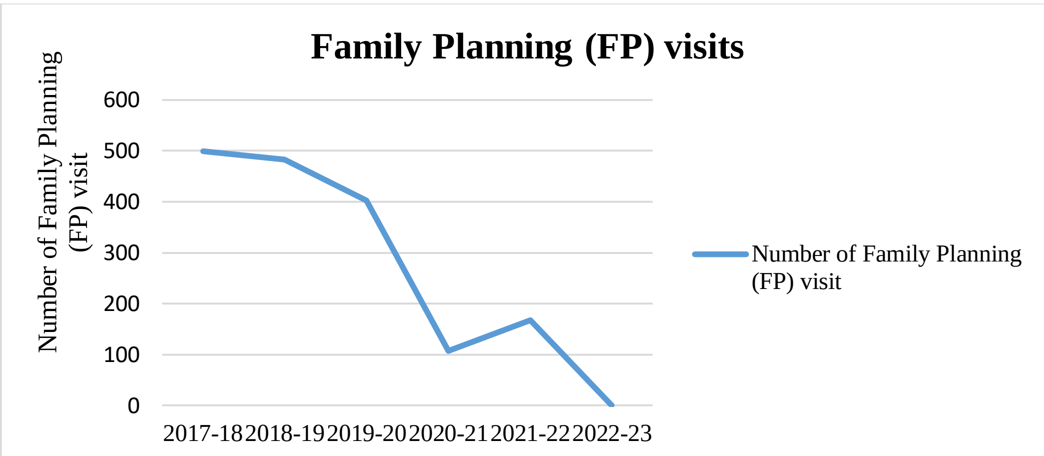
Provision of efficient family planning service to decrease growth rate is also one of the critical deliverables of the project. However, analysis of data regarding family planning visits depicted downward trend. The detail is as under:

Family Planning Visits

Description	Pre-Project				Post Project				%age Change in three
	2017-18	2018-19	2019-20	Three Yea	2020-21	2021-22	2022-23	Three Yea	

				rs Avg.				rs Avg.	years avg.
Number of Family Planning visit	499	483	403	1,385	107	168	-	275	-80%

Source: DHIS Reports



Analysis of average No. of visits for family planning for the three years prior and post completion of the Project experienced 80% decline and reached zero in 2022-23.

This analysis strongly indicates that patients were dissatisfied with the family planning services of the facility.

The matter was reported to the management in August, 2023. No response was received till finalization of this Report.

3.4.5 Impact of Project on Antenatal and Postnatal Care Visits

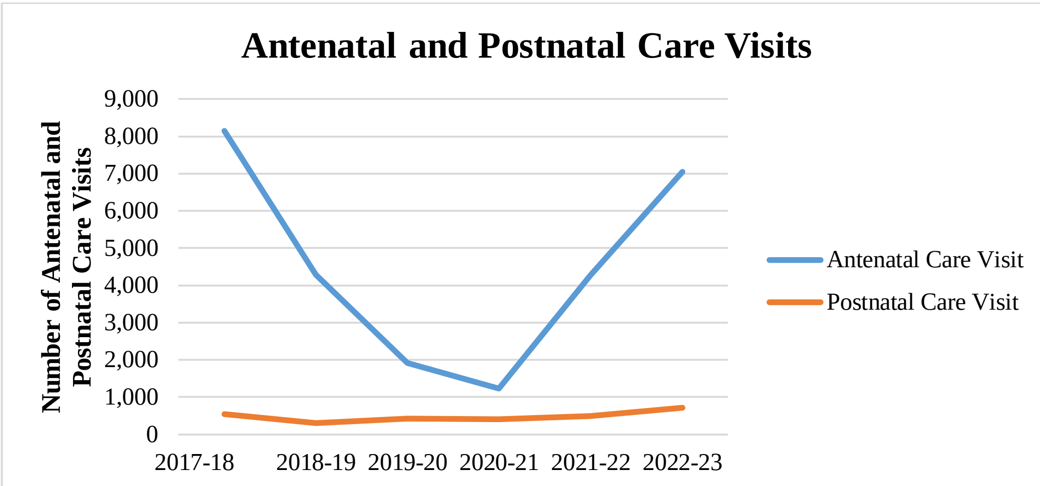
Project laid special emphasis on improving Antenatal and Postnatal care. It involves a series of consultations with a health care provider to ensure the health and well-being of both the mother and the child. Analysis of data of depicted overall upward trend with the exception of few years. The detail is as under:

Antenatal and Postnatal Care Visits

Description	Pre-Project				Post Project				%age Change in three years avg.
	2017-18	2018-19	2019-20	Three Years Avg.	2020-21	2021-22	2022-23	Three Years Avg.	

Antenatal Care Visit	8,151	4,293	1,916	14,360	1,232	4,266	7,056	12,554	-13%
Postnatal Care Visit	550	311	415	1,276	407	489	709	1,605	26%

Source: DHIS Reports



Comparison of average No. of Antenatal Care Visits and Postnatal Care Visits for the three years prior and post completion of the Project revealed decline of 13% for Antenatal Care Visits and increase of 26% in Postnatal Care Visits.

Hence, Antenatal Care Visits did not show improvement, which hindered the provision of timely obstetric interventions by skilled professionals and preventive services to mother.

The matter was reported to the management in August, 2023. No response was received till finalization of this Report.

3.4.6 Impact of Project on Hospital Beds availability

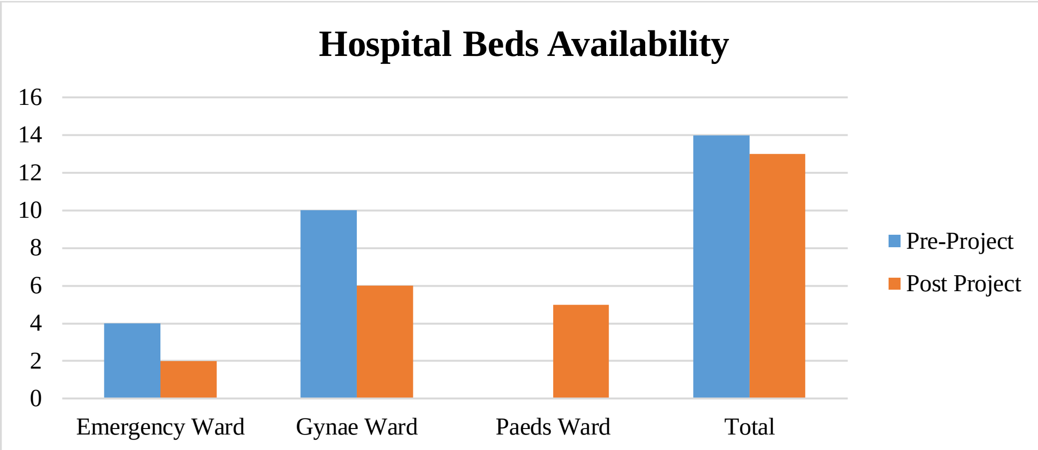
Comparison of hospital bed availability before and after the project reflected dismal situation due to change in scope of project by excluding construction of Gynae ward and conversion of old building into medicine store by DHA. The detail is as under:

Hospital Beds Availability
(No. of beds)

Description	Pre-Project			Post Project			%age Change
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	
Emergency Ward	4	4	4	2	2	2	-50%
Gynae Ward	10	10	10	6	6	6	-40%
Paeds Ward	0	0	0	5	5	5	-

Total	14	14	14	13	13	13	-7%

Source: DHA Report



The above data highlighted that number of beds for Emergency Ward and Gyane Ward decreased by 50% and 40% respectively. However, No. of beds in Paeds Ward increased by 5. Further, it is pertinent to mention that space available for Emergency and Gyane Ward in old building was re-purposed as medical store of DHA.

The matter was reported to the management in August, 2023. No response was received till finalization of this Report.

3.4.7 Impact of Project on Diagnostic Services

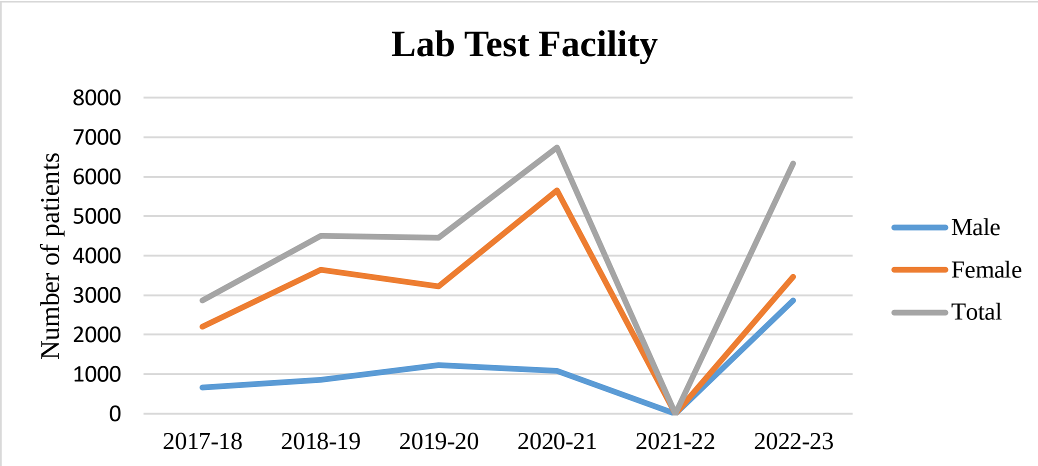
Provision of diagnostic services was the core objective of the project. Data analysis of number of patients who availed diagnostic facilities showed an overall upward trend with the exception of 2021-22. The detail is as under:

Laboratory Test Facility

(No. of patients)

Description	**Pre-Project**				**Post Project**				**%age Change in three years avg.**
	2017-18	**2018-19**	**2019-20**	**Three Years Avg.**	**2020-21**	**2021-22**	**2022-23**	**Three Years Avg.**	
Male	660	858	1,228	2,746	1,075	0	2,866	3,941	44%
Female	2,208	3,650	3,224	9,082	5,657	0	3,467	9,124	0%
Total	2,868	4,508	4,452	11,828	6,732	0	6,333	13,065	10%

Source: DHIS Reports



Analysis of average No. of male and female patients who availed laboratory test facility for the three years prior and post completion of the Project revealed 44% increase in lab test facility availed by male patients whereas number of female patients who used lab service remained unchanged. While, no patient was served during 2021-22 due to non-availability of concerned staff.

Hence, Project had positive impact on number of patients availing laboratory test facility as 10% increase in laboratory test facility to total patients was observed.

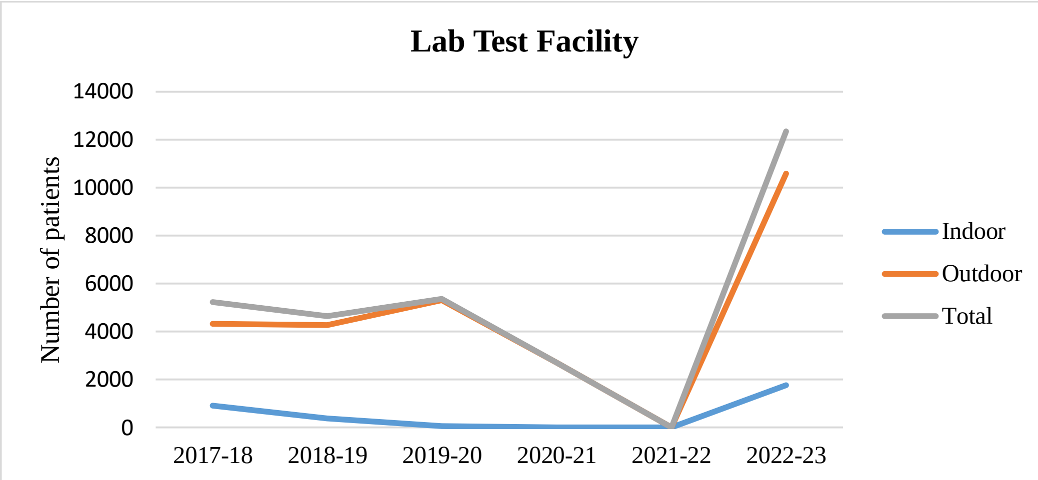
Laboratory Test Performed for Indoor and Outdoor Patients

It was observed that Laboratory Test facility was available in morning shift only instead of 24/7. Detail of number of laboratory tests performed during 2017-18 to 2022-23 is as detailed below:

(No. of tests performed)

Description	**Pre-Project**				**Post Project**				**%age Change in three years avg.**
	2017-18	**2018-19**	**2019-20**	**Three Years Avg.**	**2020-21**	**2021-22**	**2022-23**	**Three Years Avg.**	
Indoor	922	377	55	1354	0	0	1,767	1767	31%
Outdoor	4,313	4,264	5,315	13892	2,694	0	10,569	13263	-5%
Total	5,235	4,641	5,370	15246	2,694	0	12,336	15030	-1%

Source: DHIS Reports

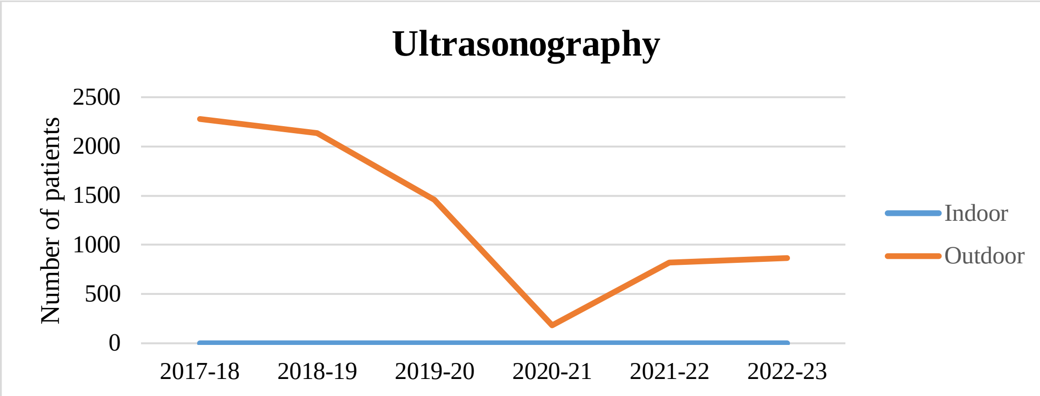


Scrutiny of average No. of Laboratory Tests performed for indoor and outdoor patients for the three years prior and post completion of the Project revealed 31% increase in case of indoor patients and 5% decrease in case of outdoor patients. Further, complete absence of indoor patient testing in 2020-21 & 2021-22 and outdoor patient testing in 2021-22 was noticed due to non-availability of concerned staff. However, a significant resurgence was observed in tests performed for both indoor and outdoor patients during 2022-23.

Ultrasonography Performed

Description	**Pre-Project**				**Post Project**				**%age Change in three years avg.**
	2017-18	**2018-19**	**2019-20**	**Three Years Avg.**	**2020-21**	**2021-22**	**2022-23**	**Three Years Avg.**	
Indoor	0	0	0	0	0	0	0	0	-
Outdoor	2,282	2,138	1,456	5876	183	821	863	1867	-68%
Total	2,282	2,138	1,456	5876	183	821	863	1867	-68%

Source: DHIS Reports



Ultrasonography service was not provided to indoor patients before or after completion of the Project. Whereas, analysis of average No. of Ultrasonography service for the three years prior and post completion of the Project revealed 68% decrease in case of outdoor patients.

Hence, the Project did not bring about any improvement in Ultrasonography service.

The matter was reported to the management in August, 2023. No response was received till finalization of this Report.

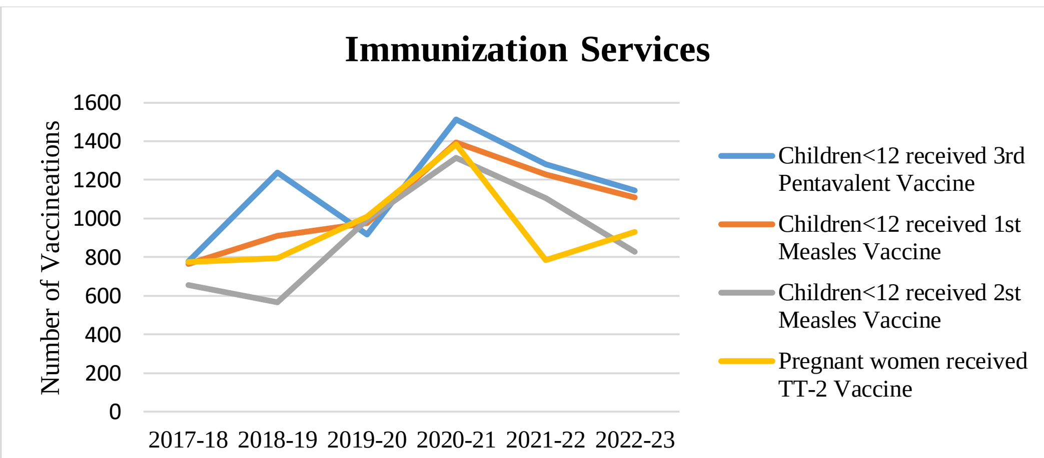
3.4.8 Impact of Project on Immunization Services

Immunization is one of the preventive measures to protect the mother and child from communicable and non-communicable diseases. The analysis showed that immunization services were not consistently provided to patients. The detail is as under:

Description	**Pre-Project**				**Post Project**				**%age change in three years avg.**
	2017-18	**2018-19**	**2019-20**	**Three Years Avg.**	**2020-21**	**2021-22**	**2022-23**	**Three Years Avg.**	
Children< 12 received 3rd Pentavalent Vaccine	777	1,239	916	2,932	1,512	1,282	1,145	3,939	34%
Children< 12 received 1st	765	911	976	2,652	1,394	1,228	1,109	3,731	41%

Measles Vaccine									
Children< 12 received 2st Measles Vaccine	655	565	994	2,214	1,313	1,104	828	3,245	47%
Pregnant women received TT-2 Vaccine	774	795	1,011	2,580	1,384	784	929	3,097	20%
Total	**2,971**	**3,510**	**3,897**	**10,378**	**5,603**	**4,398**	**4,011**	**14,012**	**35%**

Source: DHIS Reports



Comparison of average total No. of Immunization Service / Vaccination for the three years prior and post completion of the Project revealed increase of 35%. However, the No. of Immunization Service / Vaccination went downward during 2021-22 & 2022-23 by 22% and 28% respectively in comparison with 2020-21.

The matter was reported to the management in August, 2023. No response was received till finalization of this Report.

3.4.9 Impact of Poor Resource Management

During the impact audit following discrepancies regarding resource management were observed:

3.4.9.1 Human Resource Management:

Human resource was not properly managed to improve the health service delivery. It was noticed that doctors including SMO, SWMO and allied healthcare staff of the hospital remained on general duty in other health facilities and offices. Moreover, drivers recruited for provision ambulance service were not performing their prescribed duty despite availability of ambulance.

3.4.9.2 Financial Resource Management:

The Project Completion Report (PC-IV) indicated expenditure of Rs 2.570 million incurred on construction of link passage between old and new buildings. But no link passage was constructed on-site.

3.4.9.3 Non-provision of Official Residences:

Official residences were not provided to key medical personnel, including doctors and allied healthcare staff to ensure availability of 24/7 health facilities to patients. It was pertinent to mention here that two existing residences were occupied by employees of the CEO, DHA.

3.4.9.4 Repurposing of Hospital Building:

Newly constructed x-ray room, general store, recovery room, stage-I room and passage to proposed ward were not being utilized for intended purpose. Moreover, old building was not properly utilized and was occupied by District Surveillance Coordinator.

3.4.9.5 Non-provision of Generator:

Provision of backup power source was ignored, which is crucial for uninterrupted healthcare services, especially during power outages.

3.4.9.6 Data base management:

Data regarding mortality rates, including maternal, infant, neonatal, and under-5 mortality, were not being maintained. Therefore, impact regarding mortality rate could not be quantified.

3.4.10 Impact of delay in completion of revenue component:

Most of the essential equipment approved in PC-I including baby carts, gynae / delivery table, drip stands, general surgery set, delivery sets, hysterectomy set, auto clave etc. were not procured by the management. Moreover, Lab incubator was procured but not installed since June, 2021 and seven x-ray illuminators were procured at a cost of Rs 0.302 million without availability of x-ray plant.

Delay in procurement of furniture, medical instruments / equipment was also observed which resulted in cost overrun of Rs 7.721 million in comparison to the cost of approved PC-I.

3.4.11 Impact of lack of Service Delivery:

Despite handing over of hospital building in June, 2020, operation theater was not made functional till October, 2022. Further, hospital also not provided nutritional screening, ECG, and X-ray facilities to patients, which are critical for patient healthcare and diagnosis. Moreover, necessary infrastructure for rehabilitation of individuals with disabilities was missing.

3.5 Conclusion:

Overall impact of the project was not up to the mark as project faced significant challenges. Audit observed improvements in OPD visits, deliveries through Skilled Birth Attendants, indoor admissions, Laboratory tests and Immunization Services. Audit concluded that project achieved partial predetermined deliverables due to limited bed capacity, non-utilization of existing resources, exclusion of construction of Gynae ward and delay in procurement of machinery & equipment.

Audit recommends following steps for improvement in service delivery:

i. Efficient utilization of human, financial and infrastructural resources;

ii. Round the clock availability of Lab tests, ECG, Ultrasound, X-Ray services and SBAs;

iii. Optimal patient care through effective immunization services to mother and child.

iv. Establishment of new indoor wards; and

v. Creation of comprehensive database for patient follow-ups.

vi. Designated residences may be got vacated from unentitled employees of DHA alongwith recovery of enhanced House Rent.

AUDIT REPORT
ON
THE ACCOUNTS OF
LOCAL GOVERNMENTS
OF PUNJAB (SOUTH)

AUDIT YEAR 2023-24

LOCAL GOVERNMENTS OF PUNJAB (SOUTH)

CHAPTER 1

Local Governments - LG&CD Department

1.1 Introduction

A. Local Governments i.e. Metropolitan Corporations, Municipal / Town Committees, District / Tehsil / Union Councils were established under Punjab Local Government Act, 2013 amended from time to time. In recent past Provincial Assembly of the Punjab has enacted Punjab Local Government Act, 2022. These Local Governments are a body corporate having perpetual succession and a common seal with power to acquire / hold property and enter into any contract and may sue & be sued in its name.

The Chief Officer is the PAO of these Local Governments except for Union Councils where Secretary of the concerned Union Council acts as such. The PAO manages functions of these Local Governments through four offices i.e. Planning, Finance, Regulation and Infrastructure & Services. Chief Officer of the Local Government being PAO is responsible to the Public Accounts Committee of the Provincial Assembly. He / she is responsible to ensure that business of the Local Government is carried out in accordance with the applicable laws. He / she is also responsible for coherent planning, development, proper coordination of respective offices and ensuring effective and efficient functioning of the Local Government.

Administrative structure of Local Governments is given below:

Administrative Structure of a Local Government

Description	Administrative Structure
Chief Officer MC / DC / TC	1
Municipal / District / Tehsil Officer (Planning)	1
Municipal / District / Tehsil Officer (Finance)	1
Municipal / District / Tehsil Officer (Regulation)	1
Municipal / District / Tehsil Officer (Infrastructure & Services)	1

Local Government wise detail of administrative offices of 123 formations is attached as **Annexure-B**.

The following table shows detail of total & audited formations of Local Governments:

Audit Profile of Local Governments of Punjab (South)
(Rupees in million)

Sr. No.	Description	Nos.	Nos. Audited	Expenditure audited FYs 2021-23	Revenue / Receipts Audited FYs 2021-23
1	Formations	123	123	19,111.093	21,624.341
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAOs	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Local Government wise audit profile is attached as **Annexure-C**.

B. Comments on Budget and Accounts (Variance Analysis)

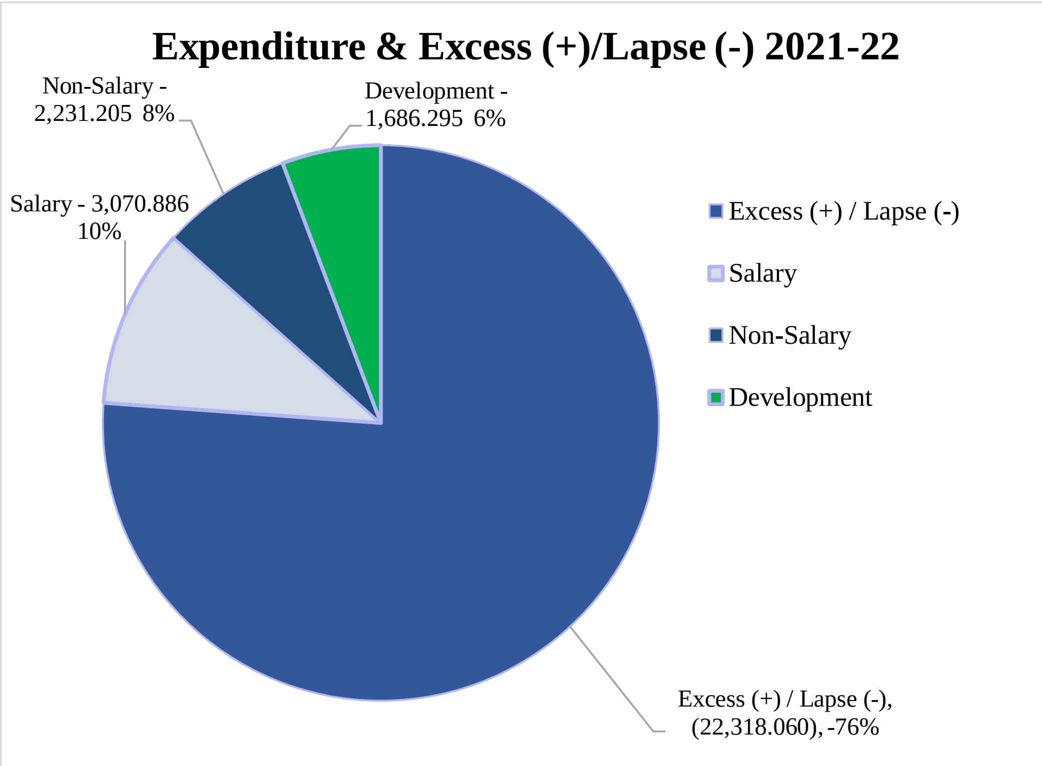
Consolidated statement of receipts and expenditure (budget and expenditure) of Local Governments is given below:

(Rupees in million)

FY	Description	Budget	Expenditure	Excess (+) / Lapse (-)	Variance %
2021-22 53 audited formations	Salary	6,983.106	3,070.886	-3,912.220	-56.02
	Non-Salary	10,819.880	2,231.205	-8,588.675	-79.38
	Development	11,503.460	1,686.295	-9,817.165	-85.34
	Total	**29,306.446**	**6,988.386**	**-22,318.060**	**-76.15**
	Receipts	11,840.592	5,687.565	-6,153.027	-51.97
2022-23	Salary	19,066.471	13,274.136	-5,792.335	-30.38
	Non-Salary	33,700.206	20,229.015	-13,471.191	-39.97
	Development	38,886.257	7,497.095	-31,389.162	-80.72
	Total	**91,652.934**	**41,000.246**	**- 50,652.687**	**-55.27**
	Description	**Target**	**Actual**	**Surplus (+) / Shortfall (-)**	**Variance**
	Receipts	45,483.698	38,142.751	-7,340.947	-16.14
Grand Total of Expenditure		**120,959.380**	**47,988.632**	**-72,970.747**	**-60.33**
Grand Total of Receipts		**57,324.290**	**43,830.316**	**-13,493.974**	**-23.54**

Local Government wise detail of receipts and expenditure (budget and expenditure) is attached as **Annexure-D**.

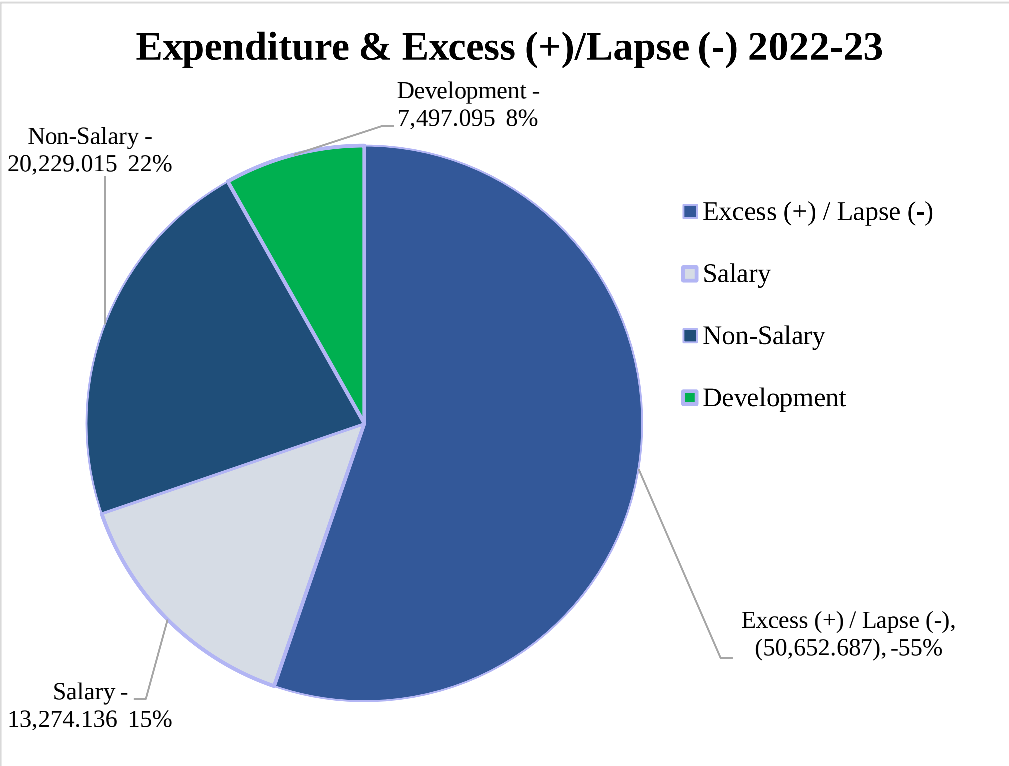
(Rupees in million)



Against budget (development / non-development) of Rs 29,306.446 million for Financial Year 2021-22, Local Governments could utilize only Rs 6,988.386 million. 85% development funds remained unspent during the financial year reflecting poor financial management of the Local Governments. Whereas 56% and 79% of budget allocation for financial year 2021-22 was allowed to lapse in salary and non-salary components of non-development expenditure. An overall lapse of Rs 22,318.060 million, which was 76% of total budget allocation of these Local Governments, came to the notice of Audit due to weak internal controls of the Local Governments.

Poor financial management by COs of Local Governments resulted in depriving the local population of the benefits likely to have accrued to them as a consequence of development undertaken by the management. Further, lapse of funds in salary / non-salary components adversely affected the overall performance of Local Governments.

(Rupees in million)



Against budget (development / non-development) of Rs 91,652.934 million for Financial Year 2022-23, Local Governments could utilize only Rs 41,000.246 million. 81% development funds remained unspent during the financial year reflecting poor financial management of the Local Governments. Whereas 30% and 40% of budget allocation for Financial Year 2022-23 was allowed to lapse in salary and non-salary components of non-development expenditure. An overall lapse of Rs 50,652.687 million, which was 55% of total budget allocation of these Local Governments, came to the notice of Audit due to weak internal controls of the Local Governments.

Poor financial management by COs of Local Governments resulted in depriving the local population of the benefits likely to have accrued to them as a consequence of development undertaken by the management. Further, lapse of funds in salary / non-salary components adversely affected the overall performance of Local Governments.

C. Sectoral Analysis on the Achievements against Targets

v. Analysis of Financial Resources

Lapse of funds (as reflected above) equivalent to 30%, 40% and 81% of the budgeted amount against salary, non-salary and development components respectively culminating at 55% of overall budget. Resultantly the Local Governments failed to achieve minimum service delivery / infrastructure targets during the year. Available funds to the tune of Rs 72,970.747 million (60%) during the years under audit were not utilized to help achieve the targets. The same resulted in depriving the local populace of necessary facilities, such as provision of municipal services, sanitation, water supplies, roads and street lights etc.

vi. Analysis of Targets and Achievements

Sectoral analysis of the Local Governments was made on the basis of various performance indicators for the Financial Years 2021-22 and 2022-23. The Local Governments were required to achieve the objectives / targets set in annual budget. Major objectives / targets set by the Local Governments were as under:

x. Control over land use, spatial planning, land sub-division, land development and zoning by public and private sector for any purpose.

xi. Provide, improve and maintain public open spaces, graveyards, public gardens and play grounds.

xii. Sanitation & solid waste collection / disposal.

xiii. Enhancement of revenue generation capacity.

xiv. Provision of water supply and control / development of water sources.

xv. Establishment / formulation of sound system of internal controls, anti-corruption policy and procurement policy.

The management failed to achieve its revenue targets during the Financial Years 2021-22 & 2022-23 of Rs 13,493.974 million (24%) against the original revenue targets.

(Rupees in million)

FY	**Description**	**Target**	**Actual**	**Surplus (+) / Shortfall (-)**	**Variance %**
2021-22	Receipts	11,840.592	5,687.565	-6,153.027	52%
2022-23		45,483.698	38,142.751	-7,340.947	16%
Total		**57,324.290**	**43,830.316**	**-13,493.974**	**24%**

The above analysis reflects that Local Governments had failed to achieve any of their stated objectives from service delivery to sound financial management. No mechanism has been put in place to assess service delivery by these entities or achieve self-sufficiency in financial domain through revenue generation.

vii. Service Delivery Issues

Service delivery issues such as non-utilization of funds for development of municipal infrastructure, asset management, spatial planning, non-achievement of revenue collection targets, non-availability of operational vehicles and human resource management were observed and highlighted in this Audit Report. The Local Government failed to generate more revenues for ensuring best service delivery to general public. The significant irregularities pertaining to service delivery issues are given as under:

i. Non-utilization of development funds for provision / improvement of municipal services and infrastructure.
ii. Non-completion of development schemes within stipulated time period.
iii. Non-auction of Local Governments properties at re-assessed market rate.
iv. Encroachment of Local Governments properties.
v. Non-registration of Housing Schemes / Land Sub-divisions.

viii. Expectation Analysis and Remedial Measures

The Local Governments were established to ensure provision of municipal services like civic infrastructure development in health / sanitation / water supply etc. as well as to put in place the effective system of revenue generation and collection. However, Local Governments could not perform their functions. Further, poor financial management like poor budgeting and expenditure thereof as well as in-effective internal controls and monitoring mechanism regarding revenue collection especially from enforcement and weekly bazars were very weak.

Following remedial measures need to be taken to achieve the minimum service delivery standards of Local Governments:

i. Establishment of effective internal controls and proper implementation of the monitoring system.
ii. Strengthening the internal controls, adopting and following strong regulatory framework, fair tendering and judicious use of funds.
iii. Holding those accountable who are responsible for irregularities.
iv. Expediting the realization of Government receipts and overpayments.
v. Budget should be rationalized with respect to utilization.

1.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 23,130.449[9] million were raised as a result of this audit. This amount also includes recoverable of Rs 7,155.606 million as pointed out by Audit. Consolidated summary of audit observations on the accounts of Local Governments classified by nature is as under:

Overview of Audit Observations
(Rupees in million)

Sr. No.	**Classification**	**Amount**
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	1.020
3	**Procedural irregularities**	-
A	HR / employees related irregularities	296.108
B	Procurement related irregularities	1,674.649
C	Management of Accounts with Commercial Banks	411.545
4	Value for money and service delivery issues	-
5	Others issues also include assets and receipts related issues	20,747.127
Total		**23,130.449**

Local Government wise summary of audit observations classified by nature is attached as **Annexure-E**.

1.3 Comments on the Status of Compliance with PAC Directives

The Audit Reports pertaining to following years were submitted to Governor of the Punjab but have not been examined by the Public Accounts Committee.

Sr. No.	**Audit Year**	**No. of Paras**	**Status of PAC Meetings**
1	2018-19	405	PAC meeting was not convened
2	2019-20	895	PAC meeting was not convened
3	2020-21	418	PAC meeting was not convened
4	2022-23	890	PAC meeting was not convened

Local Government wise status of previous audit reports is attached as **Annexure-F**.

<u>Note:</u> Non-convening of PAC has seriously hampered the accountability process and has encouraged the different tiers of Local Governments to repeat the irregularities.

[9]Amount of observations exceeds total expenditure as several issues of encroached / non-transfer of land cost and outstanding receipts have also been objected in many paras.

CHAPTER 2

2.1 Public Financial Management

Public Financial Management (PFM) is a central element of a functioning administration, underlying all government activities. It encompasses the mechanisms through which public resources are collected, allocated, spent and accounted for.

It is a proven fact that fiscal governance of any country is closely linked to an effective Public Financial Management (PFM) system, which focuses on principles of fiscal discipline, legitimacy, transparen-cy and accountability of public finances. PFM is framed around achieving an overall discipline which specifically includes resource allocation and operational efficiency and effectiveness of public expenditure. The maintenance of "aggregate fiscal discipline" is foremost and primary objective of PFM which revolves around interaction of two streams; revenue and expenditure. Revenue generation and Public Expenditure Management (PEM) complement each other in attaining the strategic macroeconomic objectives of the state.

Punjab Public Financial Management Act, 2022 provides a broad framework for regulating the public sector financial management from budget making, revenue generation, cash management, expenditure, accounting to scrutiny through public audit. The regularity framework of the Local Governments during different phases of evolution is as under:

i. The Punjab Local Government Act, 2019 (during 01.07.2021 to 15.10.2021).

ii. The Punjab Local Government Act, 2013 (during 16.10.2021 to 24.06.2022).

iii. The Punjab Local Government Act, 2022 (during 25.06.2022 till date).

The Chief Officer is the Principal Accounting Officer (PAO) of respective Local Government and carries out functions through offices as notified. Local Fund and Public Account constitute the fund of respective Local Government. Due to delay in electoral process, Chairmen were not elected. Therefore, the annual budget statements were authorized, in each District / Tehsil, by the Assistant Commissioner / Deputy Commissioner whoever was notified as Administrator by Government of the Punjab.The purpose was to provide better municipal services to the local community.

The Chief Officer / Principal Accounting Officer shall be responsible:

a) To adhere to and enforce the principles of financial propriety, including the compliance of laws, rules, regulations, maintaining high standard of prudence, vigilance, due diligence and ensuring value for money while incurring expenditure and collecting government receipts;

b) To prepare budgetary proposals within the indicative budget ceilings agreed by the Finance Department. All expenditure proposals shall be based on well-defined plans. Budget allocation to various heads of expenditures, to the offices under his control may be made as per government plans and priorities and in such a way that during the currency of year, requirements for additional budget or re-appropriation are minimized if not eliminated altogether;

c) To ensure the availability of budgetary allocations in various heads of accounts especially under the employee related expenditure in order to ensure timely payment of employee emoluments;

d) To prepare development budget proposals and include the realization of economic forecasts and projections as well as achievement of goals and targets committed with reference to development budget;

e) To sanction expenditure as per the delegated financial powers. Such sanctioning of expenditure shall not exceed the allocated budget. Prior to approving of expenditure sanction, principal accounting officer shall ensure that the required budget is available in the relevant head of account. Sanctioning of expenditure shall be based on the purpose for which the funds are allocated;

f) To ensure revenue collection tax and non-tax revenue pertaining to concerned tiers of Local Governments on timely basis;

g) To monitor the budget execution progress, and undertake reconciliation with accounting offices on monthly basis, related to revenues and expenditure of the concerned tiers of the Local Governments;

h) To ensure that accounts of concerned tiers of Local Governments are maintained correctly and effetiently;

i) Any sums due to concerned tiers of Local Governments are promptly realized and credited to the Local Fund / Public Account.

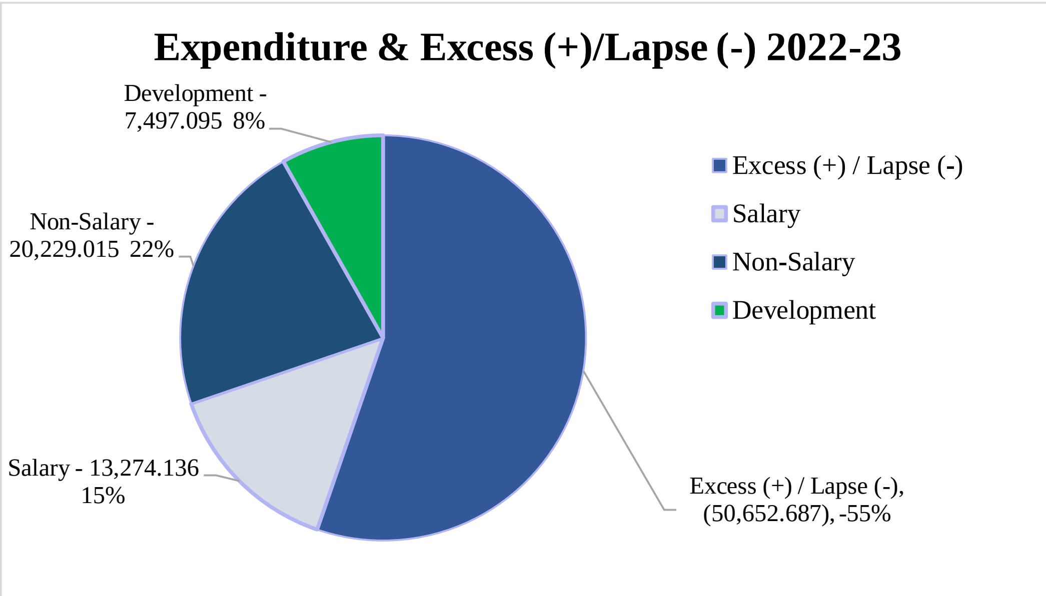
Resource Mobilization

An overall view of budget and expenditure of 93 Local Governments for the FY 2022-23 is given in the table below, whereas, tier wise budget and expenditure of Local Governments is placed at **Annexure-D**.

(Rupees in million)

FY	Description	Budget	Expenditure	Excess (+) / Lapse (-)	Variance %
2022-23	Salary	19,066.471	13,274.136	-5,792.335	-30
	Non-Salary	33,700.206	20,229.015	-13,471.191	-40
	Development	38,886.257	7,497.095	-31,389.162	-81
	Total	**91,652.934**	**41,000.246**	**- 50,652.687**	**-55**

	Description	Target	Actual	Surplus (+) / Shortfall (-)	Variance %
	Receipts	45,483.698	38,142.751	-7,340.947	-16



Against budget (development / non-development) of Rs 91,652.934 million for Financial Year 2022-23, different tiers of Local Governments could utilize only Rs 41,000.246 million. 81% development funds remained unspent during the financial year reflecting poor financial management of the concerned tiers of Local Governments. Whereas 30% and 40% of budget allocation for Financial Year 2022-23 was allowed to lapse in salary and non-salary components of non-development expenditure. An overall lapse of Rs 50,652.687 million, which was 55% of total budget allocation of these Local Governments, came to the notice of Audit due to weak internal controls mechanism.

Revenue Receipts of almost all tiers of Local Governments fell short of their budgeted targets. They did not increase the receipts as they heavily relied on Provincial Government funds.

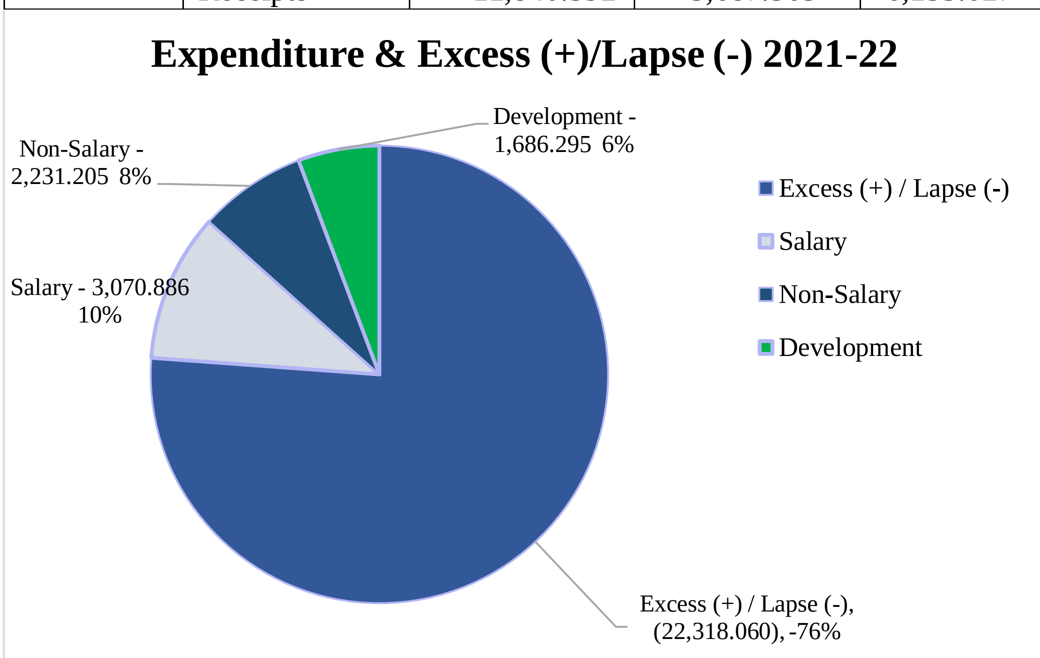
Revenue expenditure constituted 82% of the total expenditure incurred by the Local Governments during the FY 2022-23. Salary expenditure, comprising pay & allowances, pension contribution, financial assistance and leave encashment, was almost 33% of total revenue expenditure, whereas, non-salary was 49% during FY 2022-23.

Capital Receipts comprise receipts such as proceeds from recoveries of loans and advances, debt receipts from internal sources, and loans and advances from government as well as accruals from Public Account.

An overall view of budget and expenditure of 53 formations of different tiers of Local Governments for the FY 2021-22 is given in the table below, whereas, tier wise budget and expenditure of Local Governments is placed at **Annexure-D**.

(Rupees in million)

FY	Description	Budget	Expenditure	Excess (+) / Lapse (-)	Variance %
2021-22	Salary	6,983.106	3,070.886	-3,912.220	-56
	Non-Salary	10,819.880	2,231.205	-8,588.675	-79
	Development	11,503.460	1,686.295	-9,817.165	-85
	Total	**29,306.446**	**6,988.386**	**-22,318.060**	**-76**
	Description	**Target**	**Actual**	**Surplus (+) / Shortfall (-)**	**Variance %**
	Receipts	11,840.592	5,687.565	-6,153.027	-52



The 53 formations audited during the audit year under report related to Financial Year 2021-22 had budget (development / non-development) of Rs 29,306.446 million. These formations could only utilize Rs 6,988.386 million against the total allocated budget of Rs 29,306.446 million. Whereas 56% and 79% of budget allocation for Financial Year 2021-22 was allowed to lapse in salary and non-salary components of non-development expenditure. Moreover, the different tiers of the Local Governments exhibited poor financial management in the development port-folio with 85% lapse of funds. An overall lapse of Rs 22,318.060 million, which was 76% of total budget allocation of 53 formations of Local Governments, came to the notice of Audit due to weak internal controls of these Local Governments.

Revenue Receipts of almost all tiers of Local Governments fell short of their budgeted targets. They did not increase the receipts as they heavily relied on Provincial Government funds.

Revenue expenditure constituted 76% of the total expenditure incurred by 53 formations during the FY 2021-22. Salary expenditure, comprising pay & allowances, pension contribution, financial assistance and leave encashment, was almost 44% of total revenue expenditure, whereas, non-salary was 32% during FY 2021-22.

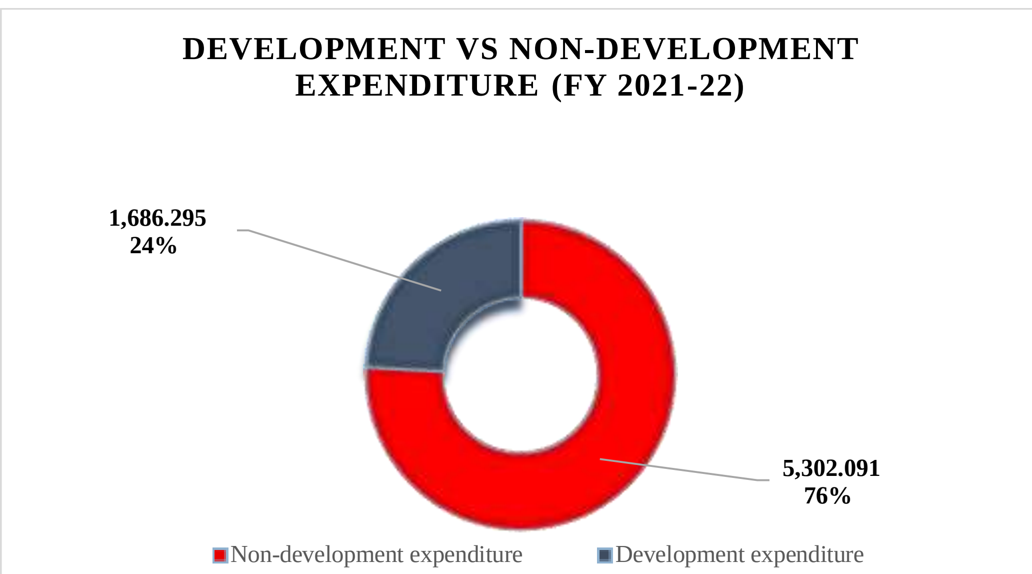
Capital Receipts comprise receipts such as proceeds from recoveries of loans and advances, debt receipts from internal sources, and loans and advances from government as well as accruals from Public Account.

Medium Term Development Framework

The fiscal priority and fiscal capacity of the 53 formations of Local Governments with regard to development expenditure during FY 2021-22 is as under:

(Rupees in million)

Description	Amount	Percentage
Non-development expenditure	5,302.091	76%
Development expenditure	1,686.295	24%
Total	**6,988.386**	**100%**

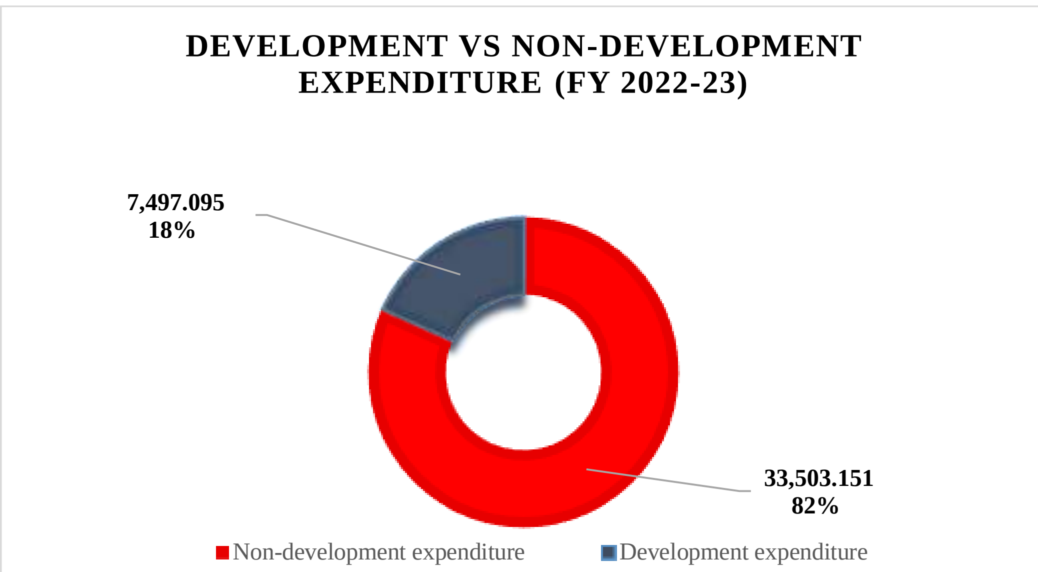


Overall evaluation of financial data indicated that Local Governments had less focus on development activities and available resources were not adequately utilized to improve infrastructure and service delivery. Only 24% of total funds were utilized on developing the infrastructure whereas major part (76%) of available resources were utilized on day-to-day activities pertaining to salalry and non-salarly components.

The fiscal priority and fiscal capacity of the 93 formations of Local Governments with regard to development expenditure during FY 2022-23 is as under:

(Rupees in million)

Description	Amount	Percentage
Non-development expenditure	33,503.151	82%
Development expenditure	7,497.095	18%
Total	**41,000.246**	**100%**



Overall evaluation of financial data indicated that Local Governments had less focus on development activities and available resources were not adequately utilized to improve infrastructure and service delivery. Only 18% of total funds were utilized on developing the infrastructure whereas major part (82%) of available resources were utilized on day-to-day activities pertaining to salalry and non-salarly components.

Annual Accounts

(Rupees in million)

Description	Budget	Expenditure	Excess (+) / Lapse (-)	Variance (%)

Salary	26,049.576	16,345.021	-9,704.555	-37
Non-Salary	44,520.086	22,460.220	-22,059.866	-50
Development	50,389.717	9,183.390	-41,206.327	-82
Total	**120,959.379**	**47,988.631**	**-72,970.747**	**-60**
Description	**Target**	**Actual**	**Surplus (+) / Shortfall (-)**	**Variance (%)**
Receipts	57,324.290	43,830.316	-13,493.974	-24

Financial Attest / Certificaion Audit of Annual Accounts of all the formations of Local Governments were audited in order to ascertain whether the expenditure incurred under the grant / head of account is in conformity with the laws, relevant rules and regulations. During financial attest audit of Annual Accounts of Local Governments for the FY 2021-22 audit emphasized on the following matter:

In violation of Rule 7 of the Punjab Local Government (Accounts) Rules 2017, "The accounts of the receipts and expenditures of the local government shall be maintained in such form and in accordance with such principles and methods as are given in the new accounting model (NAM) prescribed by the Auditor-General of Pakistan." Resident Audit Officer, District Council Rajanpur prepared appropriation and finance accounts of receipts and expenditures amounting to Rs 848.781 million. Resultantly, Annual Accounts were prepared variedly which failed to present a true and fair view as required by Annual Accounts duly prescribed.

Audit Paras

2.2 Metropolitan Corporation Bahawalpur

Procedural irregularities

2.2.1 Irregular expenditure by misclassification – Rs 46.461 million

According to Rule 12(b) (ii) of the Punjab Local Government (Accounts) Rules 2017, "The head of finance shall ensure that the expenditure is charged to relevant object code and remains within allocation." Further, according to Rule 32 (d) of the Punjab Local Government (Accounts) Rules 2017, "The sanctioning authority shall ensure that the head of account to which the voucher is to be charged is correct and is recorded on the face of each voucher."

During audit of MC Bahawalpur for the FY 2022-23, it was observed that CCO incurred expenditure of Rs 46.461 million on different heads of pay, contingent expenditure, purchase of assets and repair heads by using irrelevant head of accounts. Same nature bills were charged to different head of accounts. Further, assets were purchased from contingent heads as well as contingent items were purchased under heads of assets.

Due to weak internal controls, expenditure was incurred by misclassification which resulted in irregular expenditure.

The matter was reported to PAO in October, 2023. DDO replied that payments were made from irrelevant head of accounts due to weak financial position of this office. Reply was not tenable as expenditure was incurred from irrelevant head of accounts.

DAC in its meeting held on 11.12.2023 directed the Chief Officer to get the expenditure regularized from the competent authority besides action against responsible(s). No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

[AIR 2022-23 Para No. 02]

2.2.2 Irregular expenditure on contingent paid staff – Rs 7.591 million

According to Government of the Punjab, Finance Department Notification No. RO (Tech) FD 2-2/2022 dated 15.07.2022, "Appointment of work charge / daily wages employee shall be made with procedure that the post(s) shall be advertised properly in the leading newspapers and recruitment to all posts shall be made on the basis of merit specified for regular establishment."

During audit of MC Bahawalpur for the FY 2022-23, it was observed that CCO hired contingent paid / daily wager staff and made payment of Rs 7.591 million. The recruitments were made without advertisement in the newspapers and other codal formalities.

Due to weak internal controls, payment to contingent paid staff was made without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in October, 2023. DDO replied that contingent paid staff did not fall within the category of contract and regular employees, however, the demand for contingent paid staff was advertised in the newspapers. Reply of the department was irrelevant as complete process of recruitment was not adopted.

DAC in its meeting held on 11.12.2023 directed the Chief Officer to get the expenditure regularized from the competent authority besides fixing responsibility against the responsible(s). No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2020-21 vide para(s) number 2.2.4 and 1.4.3 respectively having financial impact of Rs 19.622 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 13]

Others

2.2.3 Non-execution of mortgage and land transfer deed – Rs 1,831.333 million

According to Rule 17 (e) & (f) and Rule 42 (h) of the Punjab Private Housing Schemes and Land Sub-division Rules 2010, "The developers are required to transfer the area reserved for roads, open space, park and solid waste management as well as one percent of the area under land sub-division for public buildings, excluding the area of mosque in favor of relevant development authority / body and should submit mortgage deed of 20% of the saleable area, in accordance with Form C, as security for completion of development works."

During audit of MC Bahawalpur for the FY 2022-23, it was observed that CCO neither got transferred nor mortgaged the required area valuing Rs 1,831.333 million from five housing schemes / land sub-divisions in the name of MC Bahawalpur.

Due to weak internal controls, mortgage and land transfer deed was not executed which resulted in irregular approval of housing schemes / LSDs and loss to MC.

The matter was reported to PAO in October, 2023. DDO replied that all the Housing Schemes / Land Sub-division Schemes were not cleared / approved from DPDC (District Planning & Design Committee) Bahawalpur. Reply was not tenable as required area was neither transferred nor mortgaged in the name of MC.

DAC in its meeting held on 11.12.2023 directed the Chief Officer to make efforts for transfer and mortgage of required property in the name of MC besides fixing responsibility against the person(s) at fault. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2019-20 vide para(s) number 2.2.10 and 1.6.1 respectively having financial impact of Rs 6,609.822 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 34]

2.2.4 Loss of revenue due to non-vacation of encroached property – Rs 1,155.273 million

According to Rule 4 (L) of the Punjab Local Government (Property) Rules, 2018, "The manager shall be vigilant about and to check encroachments or wrongful occupations on property and in case, there is any encroachment or wrongful occupation, take necessary steps for the removal thereof."

During audit of MC Bahawalpur for the FY 2022-23, it was observed that CCO failed to get three (03) valuable lands vacated from illegal occupants valuing Rs 1,155.273 million. The detail is as under:

(Rupees in million)

Sr. No	Name / Place of Land	Encroached Area (In Marla)	Encroached by	Rate / Marla	Total Amount
1	Majeed Abad	538	General Public	399,000	214.662
2	Mousa Colony	3,156	General Public	273,000	861.588
3	Saray Godomal	53	General Public	1,491,000	79.023
Total		**3,747**			**1,155.273**

Due to weak internal controls, encroached property was not got vacated from illegal occupants which resulted in potential revenue loss to the corporation.

The matter was reported to PAO in October, 2023. DDO did not submit reply.

DAC in its meeting held on 11.12.2023 directed the Chief Officer for vacation of encroached property from illegal occupants besides fixing responsibility against the person(s) at fault. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2019-20 and 2018-19 vide para(s) number 2.2.7, 1.2.5.3.3 and 1.2.5.2 respectively having financial impact of Rs 28,735.127 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 30]

2.2.5 Loss due to non-recovery of revenue – Rs 114.606 million

According to Rule 47 (1) of the Punjab Local Government (Budget) Rules 2017, "Collecting officer shall ensure that all revenue due is claimed, realized and credited immediately into Local Government Fund and entered in the proper receipt head."

During audit of MC Bahawalpur for the FY 2022-23, it was observed that CCO did not collect revenue on account of rent of property, water rates, sewerage fees, conversion fees and map fees resulting in loss of Rs 114.606 million. The income was either less deposited or misappropriated by the collection staff. The detail is as under:

(Rupees in million)

Sr. No.	Description	Financial Year	Amount
1	Rent of property, water rates and sewerage fees	2022-23	110.393
2	Map and conversion fees		4.213
Total			**114.606**

Due to weak internal controls, non-recovery of revenue resulted in loss to MC.

The matter was reported to PAO in October, 2023. DDO replied that field staff visited the sites and served notices for recovery to the concerned. Reply was not tenable as efforts for recovery were not made.

DAC in its meeting held on 11.12.2023 directed the Chief Officer to recover the amount from the concerned besides fixing responsibility against the responsible(s). No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2020-21, 2019-20 and 2018-19 vide para(s) number 2.2.9, 1.4.12, 1.2.5.3.4 and 1.2.5.3 respectively having financial impact of Rs 7,690.366 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 06, 33]

2.2.6 Loss due to payment of inadmissible allowances and non-recovery of HBA – Rs 1.960 million

According to Government of the Punjab, Finance Department letter No. FD. S.R-I 9-4/86 (P) PR dated 04.12.12, "The employees who were residing in the residential colonies situated within work premises were not entitled to draw Conveyance Allowance." Further, according to Rule 1.15 of the Punjab Travelling Allowance Rules 1976, "Conveyance allowance is not admissible during the period of leave". Furthermore, according to Government of the Punjab, Finance Department letter No. FD (M- I) 1-15/82-F-I dated 15.01.2000, "In case of designated residence, the officer / official for whom the residence was meant cannot draw House Rent Allowance." Moreover, according to clarification issued by the Finance Department, Government of the Punjab vide letter No. FD.SR.I.9-4/86 (P) (PR) dated 04.12.2012, "The employees who are residing in the residential colonies situated within work premises are not entitled to the facility of Conveyance Allowance."

During audit of MC Bahawalpur for the FY 2022-23, it was observed that CCO paid inadmissible allowances against entitlement and did not recover HBA amounting to Rs 1.960 million. The detail is as under:

(Rupees in million)

Sr. No.	Nature of recovery	Amount
1	House Rent and CA having Govt. accommodation	1.024
2	Conveyance allowance for using Govt. Vehicle	0.557
3	Recovery CA during leaves	0.006

4	Recovery of CA during leaves	0.288
5	Recovery of House Building Advance	0.085
Total		**1.960**

Due to weak internal controls, payment of inadmissible allowances and non-recovery of HBA resulted in loss to MC.

The matter was reported to PAO in October, 2023. DDO replied that required deductions were made from the salaries of employees to whom residence were allotted. Reply was not tenable as relevant record in support of reply was not produced during verification.

DAC in its meeting held on 11.12.2023 directed the Chief Officer for recovery from the concerned besides fixing responsibility against the person(s) at fault. No progress was intimated till the finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2020-21 vide para(s) number 2.2.18 and 1.4.6 respectively having financial impact of Rs 4.152 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 29]

2.3 Metropolitan Corporation Dera Ghazi Khan

Procedural irregularities

2.3.1 Irregular expenditure on purchase of store items – Rs 7.215 million

According to Rule 9 of Punjab Procurement Rules 2014, "A procuring agency shall announce in an appropriate manner all proposed procurement for each financial year and shall proceed accordingly without any splitting or regrouping of the procurement so planned. The annual requirements thus determined would be advertised on PPRA website in case of over two hundred thousand rupees to 3 million rupees."

During audit of MC Dera Ghazi Khan for the FY 2022-23, it was observed that CCO incurred expenditure of Rs 7.215 million on account of purchase of various store items without tendering process by splitting the indents. The same items were purchased repeatedly with or without quotations to avoid the advertisement. These purchases were made on higher rates due to cartel and non-availability of competition.

Due to weak internal controls, expenditure was incurred on purchase of various items without observing procurement rules which resulted in irregular expenditure.

The matter was reported to PAO in October, 2023. CO replied that all the procurements were made after fulfilling codal and legal formalities. The reply was not tenable as the purchases were made without advertisement, through splitting the bills.

DAC in its meeting held on 25.01.2024 directed the CO to get the matter regularized from competent authority. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.3.11 having financial impact of Rs 4.964 million. Recurrence of same irregularity is a matter of serious concern.
[AIR 2022-23 Para No. 21]

2.3.2 Irregular expenditure on work charged staff – Rs 6.615 million

According to Government of the Punjab LG & CD Department letter No.SO-ADMN-II (LG) 3-55/2007 dated 03.03.2016, "No work charged / daily wages employee will be appointed in the local governments without the approval of LG&CD Department and without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of MC Dera Ghazi Khan for the FY 2022-23, it was observed that CCO incurred expenditure amounting to Rs 6.615 million on account of work charged staff. The work charged employees were appointed without eligibility criteria provided in the relevant service rules, advertisement and permission from LG&CD Department. The detail is as under:

(Rupees in million)

Head of Account	Budget	Expenditure	Remarks
A01277 - Contingent paid staff	2.500	2.469	Appointment of work charge employees.
A0397021- COVID-19	4.500	4.146	120 work charge employees hired to combat Covid-19.
Total		**6.615**	

Due to weak internal controls, work charge employees were appointed without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in October, 2023. CO replied that staff had been appointed as permanent workman in compliance of Court's Order. Further, under head COVID-19, staff had been hired for sewerage & sanitation purpose on monthly basis after sanction of the Government. The reply was not tenable as the due hiring process was not observed by the management.

DAC in its meeting held on 25.01.2024 directed the CO to get the matter regularized from competent authority. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC’s directives.

[AIR 2022-23 Para No. 04]

2.3.3 Doubtful expenditure on development schemes without mentioning site location – Rs 3.069 million

According to Rule 9(b) of Punjab Local Government (Accounts) Rules 2017, “The drawing and disbursing officer and payee of the pay, allowances, contingent expenditure, or any other expense shall be personally responsible for overcharge, fraud or misappropriation and shall be liable to make good that loss.”

During audit of MC Dera Ghazi Khan for the FY 2022-23, it was observed that CCO executed the development schemes and repair & maintenance amounting to Rs 3.069 million but site location for providing and laying of RCC slab were neither mentioned in technical sanctioned estimates nor recorded in measurement book. The detail is as under:

(Rupees in million)

Schemes	Contractor	Item	Amount
Providing and laying of RCC slab on Different Nala Jaat of DG Khan City Metropolitan corporation DG Khan	M. Ramzan work order No.557/ 20.05.2022	P/L of RCC slab	0.500
(1) Maintenance & repair of sewerage lines & Manhole including crown failures in City DG Khan up to 5 million (2) Maintenance of Manhole and manhole in city Dera Ghazi Khan up to 03 million	Nazir work order No. 1886/05.10.21	P/F of RPE Manhole covers with RPC Frame	1.032
		P/L of PCC	0.095
		Pacca brick work F&P 1:3	0.054
		Dismantling of PCC	0.013
		Pacca brick work F&P 1:3	0.101
		P/F 6" thick PCC	0.178
		P/F 6" thick RFC manhole cover 22" diameter	1.096
Total			**3.069**

Due to weak internal controls, development works were executed without exact location which resulted in doubtful expenditure.

The matter was reported to PAO in October, 2023. CO replied that the work was properly recorded in measurement books which were available for ready reference. The reply was not tenable as the measurement books containing required entries were not produced during verification as well as to DAC.

DAC in its meeting held on 25.01.2024 directed the CO to provide complete record within one month for verification. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

<u>Note:</u> The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.3.12 having financial impact of Rs 4.794 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 11]

Others

2.3.4 Loss due to non-recovery of revenue – Rs 1,210.275 million

According to Rule 14(d) of the Punjab Local Governments (Accounts) Rules, 2017, "The Collecting Officer shall collect the receipt of local government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement, or compromise."

During audit of MC Dera Ghazi Khan for the FY 2022-23, it was observed that CCO failed to recover arrears of revenue amounting to Rs 1,210.275 million on account of rent of municipal property / shops, slaughter house, adda fees, water rates, conversion and other fees.

Due to weak internal controls, arrears of revenue were not recovered from the concerned which resulted in loss to the MC Dera Ghazi Khan.

The matter was reported to PAO in October, 2023. CO replied that the recovery process was initiated and the arrears / default amount was being declared as arrears of land revenue. Audit stressed to expedite the process of recovery without further delay.

DAC in its meeting held on 25.01.2024 directed the CO to ensure the recovery within one month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

[AIR Para No. 8, 10, 24]

2.3.5 Non-deposit of government taxes and non-recovery of PST – Rs 6.811 million

According to Serial No.1 (b) (ii), 2(ii) (b) and 3(iii) of Division III of Part III of First Schedule of the Income Tax Ordinance, 2001, "The rate of Income Tax to be deducted from a payment for goods or services shall be 4.5 per cent and 10 per cent respectively of the gross amount payable." Further, according to Serial No. 11 of the Second Schedule to the Punjab Sales Tax on Services Act 2012, "Punjab Sales Tax on Services @ 16 percent shall be applicable on services provided." Furthermore, according to Para 1.3, 4(b) & 4(3) of the Sales Tax Special Procedure (Withholding) Rules 2007, "1/5th of GST shall be withheld by withholding agent / DDO and same shall be submitted along with monthly return to concerned Collector of Sales Tax."

During audit of MC Dera Ghazi Khan for the FY 2022-23, it was observed that CCO did not deposit Rs 4.952 million on account of GST, Income Tax and Punjab Sales Tax during the year which were deducted at source from the bills of contractors / employees. Further, Punjab Sales Tax @ 16% amounting to Rs 1.859 million was not recovered from the contractors having collection rights of slaughter house and adda fees during the year.

Due to weak internal controls, taxes deducted at source were not deposited into government treasury and PST was not recovered which resulted in loss to the Government.

The matter was reported to PAO in October, 2023. CO replied that the recovery process had been initiated where the taxes were not / less deducted. Further, taxes deducted as source had been deposited into Government treasury. The reply was not tenable as no proof of deposited amount was produced for verification. Audit stressed to expedite the process of recovery without further delay.

DAC in its meeting held on 25.01.2024 directed the CO to ensure the recovery / deposit of taxes within one month. No progress was intimated till finalization of this Report.

Audit recommends early compliance of DAC's directives besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 7, 12]

2.4 Metropolitan Corporation Faisalabad

Procedural irregularities

2.4.1 Irregular approval of development scheme through splitting - Rs 68 million

According to Rule 5(7) & 5(8) of the Punjab Local Governments (Works) Rules, 2017, "The Development Committee of Municipal Corporation is empowered to accord administrative approval of the works costing up to Rs 20 million."

During audit of MC Faisalabad for the FY 2022-23, it was observed that Development Committee of MC Faisalabad accorded administrative approval of works costing Rs 68 million in its meeting dated 31.10.2022 by splitting the scheme into four different components to avoid administrative approval of next higher forum i.e. District Development Committee, as detailed below:

(Rupees in million)

Sr. No.	Name of Scheme	Amount
1	Repair / Improvement / Rehabilitation / Providing and fixing of LED Street Lights in CC-80,81,82,84,85,86,87, 88,89,90 (NA-108)	16.300
2	Repair / Improvement / Rehabilitation / Providing and fixing of LED Street Lights in City Council Nos. 91 to 101 (NA-108)	17.000
3	Repair / Improvement / Rehabilitation / Providing and fixing of LED Street Lights in CC-102,106,108,109,110, 111,112,113 (NA-108)	17.500
4	Repair / Improvement / Rehabilitation / Providing and fixing of LED Street Lights in CC-114,115,116,117,118, 119,120,141,157 (NA-108)	17.200
Total		**68.000**

Due to weak internal controls, development scheme was split into sub-components which resulted in irregular administrative approval.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. Dir / Aud / Local. Govts / Fsd / 1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 11]

2.4.2 Irregular and unauthentic expenditure on hiring of vehicles & machinery – Rs 57.324 million

According to Rule 59(d)(iii)&(iv) of the Punjab Procurement Rules, 2014, "A procuring agency may engage in negotiated tendering with one or more contractors with or without prior publication of a procurement notification for reasons of extreme urgency brought about by events unforeseeable by the procuring agency, however, the circumstances invoked to justify extreme urgency must not be attributable to the procuring agency; and the Provincial Cabinet, for reason to be recorded in writing, approves any specific procurement to be made on urgent basis and shall fix the time for such urgency."

During audit of MC Faisalabad for the FY 2022-23, it was observed that CCO incurred expenditure of Rs 57.324 million on hiring of tractors, trollies and excavators for removal of malba. However, the expenditure was held irregular / unauthentic on the following grounds:

i. Expenditure of Rs 22.085 million was incurred on hiring of machinery (for removing encroachments at Old Vegetable Market, Nazimabad) without inviting tenders and unauthorized invoking urgency clause without justification and approval of the Provincial Cabinet. Further, whereabouts of saleable material were not forthcoming from the record. Furthermore, excess expenditure of Rs 2.859 million was incurred by paying rent on per trip basis instead of preparing analysis of rates on the basis of Input Rates.

ii. Expenditure of Rs 35.239 million was incurred by showing removal of malba from different locations of city area without justifying existence of malba in huge quantities, without preparing detailed estimate describing exact location. Moreover, some of the claim vouchers regarding removal of malba from different locations of city contained same pictorial evidence which was attached with the claim vouchers regarding removal of encroachment from Old Vegetable Market, Nazimabad. **Annexure-1**

Due to weak internal controls, expenditure was incurred in non-transparent manner and without inviting tenders which resulted in irregular and unauthentic expenditure.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meetings were not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry for recovery and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.4.16 having financial impact of Rs 9.686 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para Nos. 9, 20]

2.4.3 Non-transparent expenditure on sports activities – Rs 20.545 million

According to Rule 59(d)(iii)&(iv) of the Punjab Procurement Rules, 2014, "A procuring agency may engage in negotiated tendering with one or more contractors with or without prior publication of a procurement notification for reasons of extreme urgency brought about by events unforeseeable by the procuring agency, however, the circumstances invoked to justify extreme urgency must not be attributable to the procuring agency; and the Provincial Cabinet, for reason to be recorded in writing, approves any specific procurement to be made on urgent basis and shall fix the time for such urgency."

During audit of MC Faisalabad for the FY 2022-23, it was observed that CCO incurred expenditure of Rs 20.545 million on arrangement of sports activities. However, expenditure was incurred by invoking urgency without approval of Provincial Cabinet to avoid tendering and funds were drawn by showing expenditure twice for the same dates, recording doubtful stock entries etc. **Annexure-2**

Due to weak internal controls, expenditure was incurred without inviting tenders and without maintaining proper record which resulted in non-transparent expenditure.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meetings were not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of excess paid amount.

[AIR 2022-23 Para No. 15]

2.4.4 Irregular expenditure on behalf of PCMMDC – Rs 5.355 million

According to Rule 8(b) of the Punjab Local Governments (Budget) Rules 2017, "The Drawing and Disbursing Officers shall incur expenditure strictly against the allocation under the relevant object code and in accordance with the rules and keep in safe custody the departmental expenditure record. Moreover, according to Para 4.5 of the West Pakistan Buildings & Roads Department Code, "No payment should be made without detailed measurement in the measurement book. The description of the work must be lucid so as to admit of easy identification and check."

During audit of MC Faisalabad for the FY 2022-23, it was observed that CCO made payment of Rs 5.355 million on behalf of Punjab Cattle Market Management & Development Company (PCMMDC) against scheme for Construction of Cattle Mandi, Chak No. 235/RB Nia Moana, Faisalabad. However, payment was held irregular on the following grounds:

i. PCMMDC had its own source of income to incur expenditure.

ii. Substantial record i.e. estimate, technical sanction, administrative approval, contractor's bill, measurement book etc. was not maintained / produced to Audit.

iii. Claim was not submitted to PCMMDC or LG&CD Department for reimbursement.

Due to weak internal controls, expenditure was incurred on behalf of PCMMDC without fulfilling codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meetings were not convened till finalization of this Report despite repeated requests.

Audit recommends reimbursement of expenditure from PCMMDC besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 13]

Others

2.4.5 Non-recovery of conversion fees – Rs 150.368 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee."

During audit of MC Faisalabad for the FY 2022-23, it was observed that CCO did not recover conversion fees amounting to Rs 150.368 million from owners of commercial buildings who constructed commercial sites without approval. **Annexure-3**

Due to weak internal controls, the non-recovery of conversion fees resulted in loss to MC.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of conversion fees from the concerned.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23, 2020-21, 2019-20 and 2018-19 vide paras number 2.4.9, 4.4.5, 3.2.5.2.6, and 3.2.2.3 respectively having financial impact of Rs 741.677 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 7]

2.4.6 Non-recovery of Government dues – Rs 50.640 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head." Moreover, according to Clause 4 of the Memorandum of Understanding between TMAs, Madina Town, Lyallpur Town, Iqbal Town, Jinnah Town (the 1st Party) and Faisalabad Parking Company Limited (the 2nd Party), "75% of the revenue generated by the 2nd Party through provision of parking facilities and service under the agreement shall be paid by the 2nd party to the 1st party."

During audit of MC Faisalabad for the FY 2022-23, it was observed that CCO failed to recover Government dues amounting to Rs 50.640 million on account of road cut charges, property rent and parking share, as detailed below:

(Rupees in million)

Sr. No.	Description	Amount
1	Non-recovery of restoration of road cut charges from WASA and SNGPL against 05 and 04 demand notices respectively	14.685
2	Non-recovery of rent from the lessees / occupants of various properties located at Sahulat Bazars and Darrajat under Jhaal Khanuana, Tariqabad & Novelty overhead bridges	22.955
3	Non-recovery of parking share from Parking Company as per MOU	13.000
Total		**50.640**

Due to weak internal controls, Government dues were not recovered which resulted in loss to MC.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meetings were not convened till finalization of this Report despite repeated requests.

Audit recommends early recovery of Government dues besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23, 2019-20 and 2018-19 vide paras number 2.4.12, 2.4.14, 3.2.5.9 and 3.2.2.9 having financial impact of Rs 77.722 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 4, 5, 21]

2.4.7 Loss to Government due to non-recovery of PST – Rs 6.896 million

According to Serial No.56 of the Second Schedule to the Punjab Sales Tax on Services Act, 2012, "Rate of sales tax is sixteen percent on debt collection, rent collection and similar other recovery or collection services including right to collect the toll or fee or regulatory fee or duty or any other similar collection."

During audit of MC Faisalabad for the FY 2022-23, it was observed that CCO did not recover PST on auction of collection rights of fees from slaughter house amounting to Rs 6.896 million @ 16% from the contractor.

Due to weak internal controls, PST was not recovered which resulted in loss to the Government.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

<u>Note:</u> The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.4.21 having financial impact of Rs 4.416 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 8, 16]

2.4.8 Loss due to payment of inadmissible allowances – Rs 6.442 million

According to Government of the Punjab, Finance Department letter No. FD (M- I) 1-15/82-F-I dated 15.01.2000, "In case of designated residence, the officer / official for whom the residence was meant cannot draw House Rent Allowance." Moreover, according to Government of the Punjab, S&GAD letter No.(O&M)S&GAD)5-3/2013 dated 01.03.2013, "The contract employees will not be entitled for Social Security Benefit (SSB) after regularization of their services and their pay shall be fixed at the initial of the respective pay scales."

During audit of MC Faisalabad for the FY 2022-23, it was observed that CCO made inadmissible payment of house rent and SSB amounting to Rs 6.442 million to the employees, as detailed below:

(Rupees in million)

Sr. No.	**Description**	**Amount**
1	Payment of house rent allowance to employees residing in MC residences	5.277
2	30% SSB paid after regularization of services of contract employees	1.165
Total		**6.442**

Due to weak internal controls, inadmissible house rent and SSB were paid which resulted in loss to MC.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meetings were not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of inadmissible allowances besides fixing responsibility against the person(s) at fault.

<u>Note:</u> The issue was also reported earlier in the Audit Report for the Audit Year 2022-23vide para number 2.4.22 having financial impact of Rs 4.088 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 6, 27]

2.4.9 Overpayment to the contractor due to wrong calculation – Rs 2.274 million

According to Para 4.5(5) of the Buildings and Works Department Code, “Every Officer making or ordering payment on behalf of Government should satisfy himself that work has been actually done in accordance with the bill submitted for payment.”

During audit of MC Faisalabad for the FY 2022-23, it was observed that CCO made excess payment of Rs 2.274 million to contractor against item No. 7 regarding providing / laying of 2-inch thick bituminous carpeting, as detailed below:

(Rupees in million)

Name of Scheme	**Quantity of premixed carpeting**	**Rate per 100 Sft**	**Actual Amount**	**Amount Paid**	**Excess Amount**
a	**b**	**c**	**d = b x c / 100**	**e**	**f = e - d**
Repair / improvement / rehabilitation of carpet road in Main Bazar Islam Pura	15,450 Sft	14,654.52	2.264	4.538	2.274

Due to weak internal controls, wrong calculation was made which resulted in excess payment to the contractor.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meetings were not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery from the concerned.

[AIR 2022-23 Para No. 26]

2.5 Metropolitan Corporation Multan

Procedural irregularities

2.5.1 Irregular purchases and consumption of store items – Rs 36.408 million

According to Rule 9 and 12 of the Punjab Procurement Rules 2014, “A procuring agency shall announce in an appropriate manner all proposed procurement for each financial year and shall proceed accordingly without any splitting or regrouping of the procurement so planned. The annual requirements thus determined would be advertised on PPRA website in case of over two hundred thousand rupees to 3 million rupees.” Furthermore, according to Rule 15.4 (a) and 15.5 of the PFR, Vol-I, “The receiving Government servant should also be required to give a certificate that he has actually received the materials and recorded them in his appropriate stock registers. When materials are issued a written acknowledgement should be obtained from the person to whom they are ordered to be delivered or dispatched and when materials are issued from stock for departmental use, manufacture or sale, etc., the Government servant in charge of the stores should see that an indent in PFR Form 26 has been made by a properly authorized person.”

During audit of MC Multan for the FY 2022-23, it was observed that CCO incurred expenditure amounting to Rs 36.408 million on purchase of sports items, refreshment and food, stationery, street lights, general store items etc. without maintenance of proper stock entries / receiving issuance of store / stocks. Stock entries were not attested by the DDO and consumable items were shown consumed at once. Furthermore, all items were required to be purchased based on annual demand and requirement through competitive bidding instead of simple quotations by keeping bills below Rs 200,000. The detail is as under:

(Rupees in million)

Object Code	**CO**	**MO(F)**	**MO(I)**	**MO(S)**	**MO(P)**	**MO(R)**	**Total**
Stationery	1.472	0.420	0.478	0.274	0.252	-	2.896
Cost of store	0.494	-	-	0.331	-	-	0.825
Other	0.787	-	0.773	0.000	0.319	-	1.879
Other assets	2.476	0.361	4.209	0.462	-	-	7.508
Unforeseen expenditure	4.927	-	0.000	0.963	-	0.468	6.358
Unforeseen for disaster	-	-	0.000	0.327	-	-	0.327
IT equipment	-	-	0.284	-	-	-	0.284
Repair transport	0.895	0.346	1.482	0.772	0.387	1.669	5.551
Furniture & fixture repair	0.388	-	-	-	-	-	0.388
Sports	2.386	-	-	-	-	-	2.386
National celebration	8.006	-	-	-	-	-	8.006
Total							**36.408**

Due to weak internal controls, purchases were made without observing procurement rules and maintenance of proper record of consumption which resulted in irregular procurement.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1489 dated 08.09.2023, followed by subsequent reminders vide No. 1535 dated 27.09.2023 and No. 1623 dated 20.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.5.3 having financial impact of Rs 20.249 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 9]

2.5.2 Loss due to payment against sub-standard work – Rs 7.095 million

According to clause 6 of the contract executed between contractor and Chief Corporation Officer MC Multan, "The contractor will execute work as per approved specification and up to entire satisfaction of authorities of Metropolitan Corporation Multan. In case of sub-standard work, the payment will not be made till rectification of defective work."

During audit of MC Multan for the FY 2022-23, it was observed that CCO made payment to the contractors amounting to Rs 7.095 million against execution of different schemes. As per TS estimates and work orders issued to the contractors, tuff tiles of 60mm 7,000 PSI had to be used while according to test reports, tuff tiles were used having crushing strength ranging between 3,250 PSI to 5,640 PSI. Furthermore, the securities were also refunded to the contractors without removal of defects. **Annexure-4**

Due to weak internal controls, payment was made against sub-standard work without removal of defects from the contractors which resulted in loss to MC.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides removal of defects.

[AIR 2022-23 Para No.5]

Others

2.5.3 Non-recovery of conversion and map fees – Rs 162.601 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee."

During audit of MC Multan for the FY 2022-23, it was observed that CCO did not recover conversion and building plan approval fees amounting to Rs 162.601 million from owners of commercial buildings and land sub-divisions who constructed commercial sites without approval.

Due to weak internal controls, conversion and building plan approval fees were not recovered from owners of commercial sites which resulted in loss to MC.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of conversion and building plan approval fees from the concerned at the earliest.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23, 2020-21 and 2018-19 vide paras number 2.5.7, 5.4.21 and 4.2.2.9, 4.2.2.11, 4.2.3.2, 4.2.3.5, 4.2.4.10 respectively having financial impact of Rs 469.679 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No.15, 16]

2.5.4 Loss due to non-re-auctioning and recovery of rent of shops – Rs 78.673 million

According to Rule 4(d) of the Punjab Local Government (Property) Rules, 2018, "The Manager shall ensure that the rented Property fetches the maximum rent." Further, according to clause 14 of the lease agreement, "If the tenant violate any condition of lease agreement TMA has right to get vacated shop and would recover arrears if any."

During audit of MC Multan for the FY 2022-23, it was observed that CCO did not take any measure to re-auction shops to fetch maximum revenue. These shops were leased out during different financial years by defunct TMAs in accordance with the Punjab Local Government (Property) Rules, 2003 and the period of such lease was up to five years at a time which was already expired. Neither the management made efforts to get re-assessment of rent of shops nor fresh lease/rent agreement was executed between tenants and MC for next period. Furthermore, rent of shops amounting to Rs 78.673 million was not recovered from the different tenants during the financial year.

Due to weak internal controls, neither arrear recovered nor shops were re-auctioned to fetch maximum revenue which resulted in loss to MC.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of arrears at the earliest and re-auctioning of shops at current market rates.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23, 2020-21 and 2018-19 vide paras number 2.5.8, 5.4.23 and 4.2.3.1 respectively having financial impact of Rs 281.996 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 3, 7]

2.5.5 Loss due to short recovery of revenue – Rs 1.925 million

According to Rule 20 (7) of the Punjab Local Governments (Accounts) Rules 2017, "Receipts of the Local Government shall be collected in transparent manner, beyond any doubt of misappropriation, fraud, embezzlement or compromise."

During audit of MC Multan for the FY 2022-23, it was observed that CCO made short recovery of revenue from different contractors amounting to Rs 1.925 million on account of different auctions of parking stand fees, entry fees of Art Gallery / Dam Dama etc**.** The detail is as under:

Detail of auction	Total demand	Recovery	Balance
Parking Gardezi Market	0.400	0.343	0.057
Entry fees Art Gallery / Dam Dama	8.150	8.129	0.021
Parking stand Hussain Agahi	5.511	3.664	1.847
Total	**14.061**	**12.136**	**1.925**

Due to weak financial controls, revenue was short recovered which resulted in loss.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of revenue besides fixing responsibility against the person(s) at fault.

<u>Note:</u> The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23 and 2020-21 vide paras number 2.5.6 and 5.4.19 respectively having financial impact of Rs 417.594 million. Recurrence of same irregularity is a matter of serious concern

[AIR 2022-23 Para No.4, 13]

2.6 Metropolitan Corporation Sahiwal

Procedural irregularities

2.6.1 Irregular expenditure in violation of Procurement Rules – Rs 197.664 million

According to Rule 9 and 12(1) & (2) of Punjab Procurement Rules 2014, "A procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. A procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority in the manner and format specified by regulations. Any procurement exceeding three million rupees shall be advertised on the website of the Authority, the website of the procuring agency, if any, and in at least two national daily newspapers of wide circulation, one in English and one in Urdu."

During audit of MC Sahiwal for the FY 2022-23, it was observed that CCO incurred expenditure amounting to Rs 197.664 million on purchase of various store items i.e, sports items, COVID safety items, stationary, street lights, material of filteration plant, uniforms and bamboos etc. and repair of buidings and roads. The expenditure was incurred by splitting to avoid tendering process.

Due to weak internal controls, procurement rules were not observed which resulted in irregular expenditure.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1489 dated 08.09.2023, followed by subsequent reminders vide No. 1535 dated 27.09.2023 and No. 1623 dated 20.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

<u>Note:</u> The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23 and 2020-21 vide paras number 2.6.2 and 6.4.7 respectively having financial impact of Rs 40.037 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 2, 3, 7]

Others

2.6.2 Loss due to less recovery of revenue - Rs 389.502 million

According to Rule 4.1 of PFR Vol-I, “The departmental controlling officer should see that all sums due to Government are regularly received and checked against demand and that they are paid into treasury.”

During audit of MC Sahiwal for the FY 2022-23, it was observed that CCO less recovered rent of building, shops and other receipts amounting to Rs 389.502 million from the tenants and water connection holders. Further, less recovery was made on account of water rates, sanitation tax and rent of shops during the years. The detail is as under:

(Rupees in million)

Sr. No.	Description	Amount
1	Less recovery of rent of building	44.635
2	Less recovery of water rates and sanitation tax	2.661
3	Less recovery of rent of shops	342.206
	Total	**389.502**

Due to weak internal controls, revenue were less recovered which resulted in loss to MC.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery from the concerned besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2018-19 vide para number 5.2.3.6 having financial impact of Rs 2.830 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 5, 6, 14]

2.6.3 Non-recovery of conversion and map fees – Rs 18.513 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, “The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case

the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee."

During audit of MC Sahiwal for the FY 2022-23, it was observed that CCO did not recover conversion and map fees amounting to Rs 18.513 million from owners of commercial buildings and land sub-divisions who constructed commercial sites without approval.

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of conversion and building plan approval fees from the concerned.

<u>Note:</u> The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23, 2020-21 and 2018-19 vide paras number 2.6.8, 6.4.15 and 5.2.3.1 respectively having financial impact of Rs 200.008 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 15, 16, 20]

2.7 Municipal Committee Abdul Hakim

Procedural irregularities

2.7.1 Irregular payment of bitumen without proof of standard quality – Rs 6.182 million

According to Chief Engineer Punjab District Support and Monitoring Department, Lahore vide his office letter No. 3357-93/W (I), Dated 26-08-2015 addressed all the EDOs (W&S) in Punjab stating that, "The chief Minister has direct all contractors to use bitumen of approved refineries already notified by the Finance Department and payment against the bitumen related items shall not be entertained without invoices and gate passes of the approved / notified Refineries."

During audit of MC Abdul Hakim for the FY 2021-22, it was observed that CO made payments of Rs 6.182 million for use of bitumen in surface treatment work of roads but did not ensure to obtain invoices and gate passes of the approved / notified Refineries. Further, test reports of bitumen used in surface treatment work of roads were also not on record.

Due to weak financial management, payment was made on account of surface treatment of roads without production of invoices and gate pass regarding quality of bitumen which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1489 dated 08.09.2023, followed by subsequent reminders vide No. 1535 dated 27.09.2023 and No. 1623 dated 20.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides provision of necessary record for verification.

[AIR 2019-22 Para No. 15]

Others

2.7.2 Non-recovery of conversion and map fees – Rs 11.015 million

According to Rule 50 (1)(C) of Chapter-XI of Punjab Local Government Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "A Local Government shall levy the conversion fee for the conversion site development zone (agriculture area) to residential use shall be two percent of the agricultural value of the land or plot or property as per valuation table and in case the valuation table is not available two percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee.” Further, according to Sr. No. 22 (II) read with Municipal Committee Abdul Hakim, Khanewal, notification MC/ABK/574 dated 05.10.2018, “map fees of land sub-division is @ Rs 1,500/- per Marla”

During audit of MC Abdul Hakim for the FY 2022-23, it was observed that CO did not recover conversion and map fees amounting to Rs 11.015 million for the Financial Years 2019-20 to 2022-23 from owners of commercial buildings and land sub-divisions who constructed commercial sites without approval.

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in April, 2023 and July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of conversion and building plan approval fees from the concerned.

[AIR 2022-23 Para No. 02, 03]
[AIR 2019-22 Para No. 07]

2.8 Municipal Committee Ahmed Pur East

Others

2.8.1 Loss due to non-realization of revenue – Rs 84.349 million

According to Rule 50 (1) (a) (e) of the Punjab Land Use (Classification, Reclassification and Redevelopment) Rules 2020, "A local government shall levy the conversion fee for the conversion of any land use to educational, healthcare institutional or commercial use @ ten percent of the existing value of the land or plot or property as per valuation table and in case valuation table is not available, ten percent of the average sale price of preceding twelve months of the land in the vicinity as determined by the District Price Assessment Committee." Further, according to Rule 47 (1) of the Punjab Local Government (Budget) Rules 2017, "Collecting officer shall ensure that all revenue due is claimed, realized and credited immediately into Local Government Fund and entered in the proper receipt head."

During audit of MC Ahmed Pur East for the FY 2022-23, it was observed that CO did not collect revenue on account of parking fees, rent of shops, arrears of receipts and conversion fees amounting to Rs 84.349 million. The income was either less collected or misappropriated by the collection staff. The detail is as under:

(Rupees in million)

Sr. No.	Description	Amount
1	Parking fees, rent of shops and arrears of receipts	1.005
2	Conversion fees	83.344
Total		**84.349**

Due to weak internal controls, the non-realization of revenue resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA/BWP /Reports/2023-24/F-39/CD-1026 dated 08.09.2023, followed by subsequent reminders vide No. 1118-20 dated 25.09.2023 and No. 1174-77 dated 28.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

Note: This issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2019-20 vide para(s) number 2.9.4 and 7.2.5.3.3 respectively having financial impact of Rs 129.49 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Paras No. 6, 19]

2.9 Municipal Committee Ahmad Pur Sial

Procedural irregularities

2.9.1 Irregular execution of civil works – Rs 12.263 million

According to Rules 4(3), 5(2) and 5(5) of the Punjab Local Governments (Works) Rules, 2017, "The work costing Rupees 1.5 million or above shall be prepared on the PC-I prescribed by the Government and approved in the manner prescribed for approval of PC-I. For the preparation of rough cost estimates, the engineering staff shall inspect the site and work out the feasibility of the work through images or photographs of the site. The estimate on the basis of which a work is to be undertaken shall be subject to technical sanction by the competent authority in the prescribed manner."

During audit of MC Ahmad Pur Sial for the FY 2022-23, it was observed that CO executed three works for construction of drainage / sewer schemes through different contractors at agreement cost of Rs 12.263 million. However, works were executed without identification of sites, preparation of PC-I, technical sanction of estimates and incorporating photographs / images of sites. Moreover, record entries regarding replacement and repairing of manhole covers were not made in the Measurement Books (MBs).

Due to weak internal controls, works were executed without identification of sites, preparing PC-I, TS of estimates and recording entries in MB which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 10, 11]

2.9.2 Irregular expenditure on procurement of street lights – Rs 1.169 million

According to Rule 4 of the Punjab Procurement Rules, 2014, "A procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical." Further, according to Rule 18(3) of the Punjab

Local Governments (Works) Rules 2017, “Any payment either for the work done or procurement made for more than rupees fifty thousand shall be entered in the Measurement Book.”

During audit of MC Ahmad Pur Sial for the FY 2022-23, it was observed that CO incurred expenditure of Rs 1.169 million for purchase of street lights without preparing drawings, recording entry in MB / stock register and considering market rates. Moreover, payment of 45-watt bulbs was made against supply of 40-watt bulbs.

Due to weak internal controls, procurement of LED lights was made without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends to probe the matter for fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 17]

Others

2.9.3 Non-recovery of conversion fees – Rs 9.905 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee."

During audit of MC Ahmad Pur Sial for the FY 2022-23, it was observed that CO and MO (P) failed to collect conversion fees amounting to Rs 9.905 million from the owners of commercial sites for the Financial Years 2019-20 to 2022-23.

Due to weak internal controls, conversion fees was not recovered which resulted in loss to MC.

The matter was reported to PAO in March and July, 2023 but management did not reply.

DAC meetings were not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of conversion fees from the concerned besides fixing responsibility against the person(s) at fault.

Note: The issue was reported in the Audit Report for Audit Year 2019-20 vide para No.52.4.2 having financial impact of Rs 1.006 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2019-22 Para No. 7]
[AIR 2022-23 Para No. 12]

2.10 Municipal Committee Alipur

Procedural irregularities

2.10.1 Irregular payment on account of tuff tiles – Rs 4.459 million

According to input rates issued by the Government of Punjab, Finance Department, "The strength of tuff pavers should be 7000-PSI and these should be of approved manufacturers i.e. Tuff Pavers (Pvt) Ltd., Izhar Building Material (Pvt) Ltd. Further, as per Government of Punjab Communication and Works Department, Lahore letter No.PA/SECY(C&W) 26-5/2009 dated 25.05.2009, "Payment be made only for quality works which conform to the given specifications."

During audit of MC Alipur for the FY 2022-23, it was observed that CO made payment of Rs 4.459 million to the contractor on account of 41,139 sft tuff tiles used in development scheme "Rehabilitation / repair of metal road, soling drain tuff tiles ward No. 1 to 12 Alipur." No gate pass or any other document was provided to prove that tiles were purchased from approved manufacturer. The rate of the tuff tile was based on the input rate of Izhar & Co. Taxila, but the tuff tiles were purchased of local manufacturer. Furthermore, lab tests for assessing the strength and quality were not conducted.

Due to weak internal controls, payment was made without supporting documents which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-1008 dated 15.09.2023, followed by subsequent reminders vide No. 1047 dated 26.09.2023 and No. 1080 dated 02.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.10.1 having financial impact of Rs 11.865 million. Recurrence of same irregularity is a matter of serious concern.
[AIR 2022-23 Para No.11]

2.10.2 Irregular expenditure on work charged staff – Rs 2.253 million

According to Government of the Punjab LG & CD Department letter No.SO-ADMN-II (LG) 3-55/2007 dated 03.03.2016, "No work charged / daily wages employee will be appointed in the local governments without the approval of LG&CD Department and without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of MC Alipur for the FY 2022-23, it was observed that CO incurred expenditure amounting to Rs 2.253 million on account of work charged staff. The work charged employees were appointed without eligibility criteria provided in the relevant service rules, advertisement and permission from LG&CD Department. The detail is as under:

(Rupees in million)

Payment Date	**No. of Employees**	**Amount**
23-09-22	25	0.480
30-09-22	6	0.150
30-09-22	13	0.325
13-12-22	1	0.020
13-12-22	15	0.303
13-01-23	19	0.475
03-02-23	20	0.500
Total		**2.253**

Due to weak internal controls, work charge employees were appointed without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 23]

Others

2.10.3 Loss due to non-recovery of outstanding dues / revenue – Rs 134.980 million

According to Rule 14(d) of the Punjab Local Governments (Accounts) Rules, 2017, "The Collecting Officer shall collect the receipt of local Government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement, or compromise."

During audit of MC Alipur for the FY 2022-23, it was observed that CO failed to recover dues / revenue amounting to Rs 134.980 million on account of advances, fees and miscellaneous arrears. The detail is as under:

(Rupees in million)

Sr. No.	Type of Recovery/Overpayment	Amount
1	Non-recovery / adjustment of advances from Govt. departments and MC employees	2.977
2	Unauthorized inclusion of Provincial Sales Tax in estimates	2.373
3	Non-recovery of conversion fees	108.746
4	Non-recovery of departmental charges	2.550
5	Non-recovery of arrears	18.227
6	Non-recovery of House Building Advances	0.107
Total		**134.98**

Due to weak internal controls, government dues / revenue were not recovered from the concerned which resulted in loss to the MC.

The matter was reported to PAO in July, 2023 but management did not reply

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of revenue from the concerned.

[AIR 2022-23 Para No. 2, 4, 5, 6, 10, 21]

2.10.4 Non-deposit of Government taxes – Rs 6.943 million

According to Serial No.1 (b) (ii), 2(ii) (b) and 3(iii) of Division III of Part III of First Schedule of the Income Tax Ordinance, 2001, "The rate of Income Tax to be deducted from a payment for goods or services shall be 4.5 per cent and 10 per cent respectively of the gross amount payable." Further, according to Serial No. 11 of the Second Schedule to the Punjab Sales Tax on Services Act 2012, "Punjab Sales Tax on Services @ 16 percent shall be applicable on services provided." Furthermore, according to Para 1.3, 4(b) & 4(3) of the Sales Tax Special Procedure (Withholding) Rules 2007, "1/5th of GST shall be withheld by withholding agent / DDO and same shall be submitted along with monthly return to concerned Collector of Sales Tax."

During audit of MC Alipur for the FY 2022-23, it was observed that CO did not deposit Rs 6.943 million on account of GST, Income Tax and Punjab Sales Tax during the year which were deducted at source from the bills of contractors / employees.

Due to weak internal controls, taxes deducted at source were not deposited into government treasury resulting in loss to government.

The matter was reported to PAO in October, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends deposit of GST, Income Tax and Punjab Sales Tax to the concerned departments immediately besides action against the person(s) at fault.

[AIR 2022-23 Para No. 07, 13, 24]

2.11 Municipal Committee Arifwala

Procedural irregularities

2.11.1 Irregular expenditure in violation of Procurement Rules – Rs 14.294 million

According to Rule 9 of the Punjab Procurement Rules, 2014, "Procuring agency shall announce proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned and annual requirements thus determined would be advertised in advance on the PPRA's website."

During audit of MC Arifwala for the FY 2022-23, it was observed that CO incurred expenditure amounting to Rs 14.294 million against purchase of various items i.e. supply and fixing manhole covers and rings, lying sewer lines, white wash repair of transport, transformers, motors and machinery of disposal works and hiring of tent and other items for arrangement of various events etc. The expenditure was incurred by splitting to avoid tendering process and TS from the higher authority.

Due to weak internal controls, purchases were made without observing the procurement rules which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1489 dated 08.09.2023, followed by subsequent reminders vide No. 1535 dated 27.09.2023 and No. 1623 dated 20.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 17, 19]

2.11.2 Inadmissible payment of integrated allowance to sanitary workers - Rs 1.890 million

According to Government of the Punjab, Finance Department, Lahore, Notification No. FD.PC.2-1/2001 dated 11.07.2011, "Integrated allowance is allowed to N/Qasids, Qasids, Daftries, Frashes, Chowkidars, Sweepers, Sweeperesses & Security Guard." Furthermore, according to Finance Department Notification No. FD.SR-I/9-28/2016 dated 18.07.2016 regarding revision of rates of aforementioned notification dated 11.07.2011, in this notification only rates were revised and no admissibility to the other designations was mentioned.

During audit of MC Arifwala for the FY 2022-23, it was observed that CO made payment amounting to Rs 1.890 million on account of integrated allowance to 175 sanitary workers and 8 water carriers without admissibility in violation of above mentioned notification. Audit just calculated recovery w.e.f. 01.07.2022 to 30.06.2023. The actual recovery may be calculated by the DDO accordingly. **Annexure-5**

Due to weak financial controls, inadmissible integrated allowance was paid to sanitary workers which resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery besides immediate stoppage of such inadmissible allowances besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 16]

Others

2.11.3 Loss due to non-recovery of revenue – Rs 64.040 million

According to Rule 11(2) (c) of the Punjab Local Governments (Accounts) Rules, 2017, "Chief Officer shall ensure that any sums due to local government are promptly realized and credited into the local fund." Furthermore, according to Punjab Gazette Notification No. SOTAX(LG)1-25/17(MC Arifwala) dated 27.09.2017 of revised schedule of taxes / fee of Municipal Committee, Arifwala District Pakpattan imposes water rate @ Rs 40 to Rs 1,000 per month and drainage rate (sewerage fee / sanitation fee) @ Rs 500 to Rs 5,000 per year will be charged from the users for domestic and commercial use.

During audit of MC Arifwala for the FY 2022-23, it was observed that CO did not recover government revenue amounting to Rs 64.040 million on account of rent of shops, water rates and sewerage / sanitation fees during the financial year.

Due to weak financial and internal controls, government revenue was not recovered which resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of government dues at the earliest.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.11.2 having financial impact of Rs 102.323 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 02, 11]

2.11.4 Non-execution of land transfer deed – Rs 48 million

According to Rule 42 (h) of the Punjab Private Housing Schemes and Land Sub-division Rules 2010, "A developer shall submit a transfer deed in accordance with Form B, for free of cost transfer to a Town Municipal Administration, a Tehsil Municipal Administration or a Development Authority, the area reserved for roads, open space, park, solid waste management and two percent of the area under land sub-division for public buildings."

During audit of MC Arifwala for the FY 2022-23, it was observed that CO approved land sub-division but area of roads, parks, open space, solid waste management and public buildings was not transferred in the name of MC Arifwala valuing Rs 48 million. The detail is as under:

(Rupees in million)

Name of Scheme	Address (Main Road, Village/ Mauza)	Rate Per Marla	Open Space 7% in Marla	Area of Roads in Marla	Public Building @ 2% in Marla	Solid Waste in Marla	Total Area to be transferred	Total Value of Land
Gulshan-e-Nawab Block	147/EB Burewala Road, Arifwala	0.200	43	175	12	10	240	48

Due to weak internal controls, land transfer deed was not executed which resulted in irregular approval of land sub-division and loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides transfer deed as per rule be executed in the name of MC.

[AIR 2022-23 Para No. 6]

2.11.5 Non-recovery of conversion and map fees – Rs 30.098 million

According to Rule 50 (1) of the Punjab Local Government Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, “A Local Government shall levy fee for conversion of land use from agricultural, residential, peri-urban area to commercial use conversion fee at the rate of 10% of the commercial value of the land. Conversion fee for the conversion of agricultural land to industrial use shall be 5% of the agricultural value of land. Conversion fee for the conversion of land to health / educational institutions shall be 10% of the value of existing land.”

During audit of MC Arifwala for the FY 2022-23, it was observed that CO did not recover the conversion fees, development charges and map fees from the owners / developers of different commercial buildings and land sub-divisions amounting to Rs 30.098 million.

Due to weak internal controls, conversion and building plan approval fees were not recovered which resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of dues at the earliest.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.11.3 having financial impact of Rs 19.243 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 4, 9]

2.12 Municipal Committee Athara Hazari

Procedural irregularities

2.12.1 Non-award of works at risk & cost of original contractors – Rs 2.118 million

According to Clause 3(a) and 3(c) of contract for civil works, "In any case in which under any clause or clauses of the contract the contractor shall have rendered himself liable to pay compensation amounting to whole of the security deposit, the Municipal Engineer shall have power to adopt any of the following sources as he may have deemed best suited to the interest of the Committee. To rescind the contract of which rescission notice in writing to contractor under the hand of the Municipal Engineer shall be conclusive evidence, and in which case the security deposit of the contractor shall stand forfeited, and be absolutely at disposal of the Committee. To measure up the work of the contractor and to take such part thereof as shall be executed out of his hand, and to give it to another contractor to complete, in which case any expense which may be incurred in excess of the sum, which would have been paid to the original contractor, if the whole work had been executed by him, shall be born and paid by the original contractor and may be deducted from any money due to him by the Committee under contract or otherwise, or from his security deposit or the proceeds of sale thereof or a sufficient part thereof."

During audit of MC Athara Hazari for the FY 2021-22, it was observed that CO awarded two works costing Rs 8.246 million for supply of garbage containers / carriers, tractor MF-240 and supply / erection of street lights during Financial Year 2020-21. However, the contractor / supplier executed the work / made partial supply amounting to Rs 6.128 million and failed to complete the balance work amounting to Rs 2.118 million despite lapse of stipulated time period. MC authorities neither took action for completion of work / supply of items nor awarded the balance works at risk & cost of original contractors.

Due to weak internal controls, works were neither got completed within stipulated time nor were awarded at risk & cost of original contractors which resulted in deprival of public from envisaged benefits.

The matter was reported to PAO in March, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends awarding the balance works at risk & cost of original contractors besides fixing responsibility against the person(s) at fault.

[AIR 2019-22 Para No. 3]

2.13 Municipal Committee Bahawalnagar

Others

2.13.1 Non-execution of mortgage and land transfer deed – Rs 744.695 million

According to Rule 17 (e) & (f) and Rule 42 (h) of the Punjab Private Housing Schemes and Land Sub-division Rules 2010, "The developers are required to transfer the area reserved for roads, open space, park and solid waste management as well as one percent of the area under land sub-division for public buildings, excluding the area of mosque in favor of relevant development authority / body and should submit mortgage deed of 20% of the saleable area, in accordance with Form C, as security for completion of development works."

During audit of MC Bahawalnagar for the FY 2022-23, it was observed that CO neither got transferred nor mortgaged the required area valuing Rs 744.695 million from various housing schemes / Land Sub-Division in the name of MC Bahawalnagar.

Due to weak internal controls, mortgage and land transfer deed was not executed which resulted in irregular approval of housing schemes / LSDs and loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA/BWP /Reports/2023-24/F-39/CD-1026 dated 08.09.2023, followed by subsequent reminders vide No. 1118-20 dated 25.09.2023 and No. 1174-77 dated 28.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends transfer / mortgage of property in the name of MC besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 4]

2.13.2 Non-realization of conversion and map fees – Rs 177.416 million

According to Rule 50 (1) (a) (e) of the Punjab Land Use (Classification, Reclassification and Redevelopment) Rules 2020, "A local government shall levy the conversion fee for the conversion of any land use to educational, healthcare institutional or commercial use @ ten percent of the existing value of the land or plot or property as per valuation table and in case valuation table is not available, ten percent of the average sale price of preceding twelve months of the land in the vicinity as determined by the District Price Assessment Committee."

During audit of MC Bahawalnagar for the FY 2022-23, it was observed that CO did not collect conversion / map fees amounting to Rs 177.416 million from new commercial units / shops and from the owners of residential buildings who have converted their buildings into commercial units.

Due to weak internal controls, conversion and map fees were not recovered which resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No.16]

2.14 Municipal Committee Bhowana

Procedural irregularities

2.14.1 Execution of substandard civil works – Rs 1.111 million

According to Government of the Punjab, Public Health Engineering Department (North Zone), Lahore letter No.664-67/PSD-1 dated 29.05.2015, “The standard thickness of Plain Cement Concrete (PCC) pavement with ratio (1:2:4) was required to be 3”, 4” and 10” for PCC pavement width of 6’, 10’ and exceeding 10’ respectively.”

During audit of MC Bhowana for the FY 2021-22, it was observed that CO executed PCC pavement in 3 schemes for the Financial Years 2019-20 to 2021-22 without observing the standard specifications regarding thickness of PCC which resulted in substandard execution of works amounting to Rs 1.111 million. The detail is as under:

(Rupees in million)

Sr. No.	Name of Scheme	Width of Street	PCC Thickness Required	PCC Thickness Executed	Quantity (Cft)	Amount
1	Repair of drain / soling and PCC Mohalla Khwjaabad	9’	4”	3”	2,761	0.634
2	Construction and repair drain soling and PCC ward No.6	9’	4”	3”	1,074	0.234
3	Repair of drain / soling and PCC ward No.8	9’	4”	3”	1,072	0.243
Total						**1.111**

Due to weak internal controls and negligence of MO (I&S), PCC pavement was executed in violation of standard specifications which resulted in execution of substandard works.

The matter was reported to PAO in March, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends fixing responsibility against concerned MO (I) for execution of substandard works besides initiating proceedings under PEEDA Act.

[AIR 2019-22 Para No. 9]

Others

2.14.2 Non-recovery of conversion and building plan approval fees – Rs 5.425 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, “The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee.”

During audit of MC Bhowana for the FY 2022-23, it was observed that CO did not recover the conversion and building plan approval fees amounting to Rs 5.425 million from the owners of different commercial & residential buildings for the Financial Years 2019-20 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	Description	Amount
1	06 commercial buildings / residential	4.410
2	06 commercial buildings	0.623
3	41 residential & 19 commercial buildings	0.392
Total		**5.425**

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in March and July, 2023 but management did not reply.

DAC meetings were not convened till finalization of this Report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

Note: The issue was reported in the Audit Report for Audit Year 2019-20 vide Para No.40.3.4 having financial impact of Rs 1.336 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2019-22 Para No. 2, 8]
[AIR 2022-23 Para No. 7]

2.15 Municipal Committee Burewala

Procedural irregularities

2.15.1 Irregular expenditure without recording entries in measurement book – Rs 2.698 million

According to Rule 18 (1), (3) and (6) of the Punjab Local Government (Works) Rules, 2017, “The bills of work for payment shall be prepared in the form prescribed in the Punjab Local Governments (Accounts) Rules, 2017 and any payment either for the work done or procurement made for more than rupees fifty thousand shall be entered in the measurement book. The Head of Finance Branch of the local government, on his satisfaction, shall submit, through Chief Officer, the bills for sanction by the Mayor or Chairman.”

During audit of MC Burewala for the FY 2022-23, it was observed that CO incurred expenditure and made payment amounting to Rs 2.698 million for different works of repair of pipe line and supply of manhole covers etc. without recording entries in measurement book despite the claims were more than fifty thousand rupees. The detail is as under:

(Rupees in million)

Sr. No.	Date	Name of service provider	Description	Amount
1	123/12-22	Farrukh Shahzad Imran	Supply of man hole covers	2.533
2	1393/ 05-23	Sajid Mehmood Builder Government Contractor	Repair of water supply pipe line Chak No. 435/EB	0.096
3	1237	AL-Aziz Traders	Repair of swing, dust bin and see saw Park 447/EB MC Burewala	**0.069**
	Total			**2.698**

Due to weak internal controls, the payment was made without recording entries in the measurement book which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1489 dated 08.09.2023, followed by subsequent reminders vide No. 1535 dated 27.09.2023 and No. 1623 dated 20.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

[AIR 2022-23 Para No. 16]

Others

2.15.2 Non-recovery of conversion and map fees – Rs 19.356 million

According to Rule 50 (1) of Chapter-XI of Punjab Local Government Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "A Local Government shall levy fee for conversion of land use from agricultural, residential, peri-urban area to commercial use conversion fee at the rate of 10% of the commercial value of the land. Conversion fee for the conversion of agricultural land to industrial use shall be 5% of the agricultural value of land. Conversion fee for the conversion of land to health / educational institutions shall be 10% of the value of existing land."

During audit of MC Burewala for the FY 2022-23, it was observed that CO did not recover conversion and map fees amounting to Rs 19.356 million from the owner / developers of commercial buildings and land sub-divisions who constructed commercial sites without approval.

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of conversion and building plan approval fees at the earliest.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23 and 2019-20 vide paras number 2.7.2 and 74.3.7, 74.3.10 respectively having financial impact of Rs 96.751 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 4, 23]

2.15.3 Non-recovery of rent of shops – Rs 17.394 million

According to Rule 7 of the PLG (Budget) Rules 2017, "The collecting officer shall ensure timely recoveries against each demand." Further, according to Rule 11 (2) (C) of the Punjab Local Governments (Accounts) Rules 2017, "Chief Officer shall ensure that any sums due to local government are promptly realized and credited into local fund." Moreover, according to condition 19 of rent agreement, "If the tenant failed to pay the rent for six-months, agreement will be automatically cancelled and will be restored on the approval of Administrator after payment of advance rent of one year."

During audit of MC Burewala for the FY 2022-23, it was observed that CO failed to recover Rs 17.394 million on account of rent of shops. Neither any proceeding for recovery of rent nor any action for cancellation of agreement was initiated against defaulter tenants.

Due to weak internal controls, the rent of shops was not recovered which resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of rent of shops at the earliest besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 14]

2.16 Municipal Committee Chak Jhumra

Others

2.16.1 Non-recovery of water rates – Rs 12.122 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of MC Chak Jhumra for the FY 2022-23, it was observed that CO failed to recover water rates amounting to Rs 12.122 million as recovery of Rs 1.995 million was made against total demand of Rs 14.117 million on account of 2,050 water connections for the Financial Years 2020-21 to 2022-23.

Due to weak internal controls, water rates were not recovered which resulted in short realization of revenue.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends to probe the matter for fixing responsibility against the person(s) at fault besides effecting recovery from the concerned.

Note: The issue was reported in the Audit Report(s) for Audit Year(s) 2022-23 and 2019-20 vide Para(s) No.2.13.5 and 44.4.3 respectively having financial impact of Rs 17.895 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 5]

2.17 Municipal Committee Chenab Nagar

Others

2.17.1 Non-recovery of water rates – Rs 13.594 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of MC Chenab Nagar for the FY 2022-23, it was observed that CO failed to recover receipts amounting to Rs 13.594 million on account of water rates for the Financial Years 2019-20 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	Description	Financial Year	Amount
1	Arrears of water rates	2022-23	2.618
		2021-22	2.816
		2020-21	2.389
		2019-20	5.771
Total			**13.594**

Due to weak internal controls and negligence, the water rates were not recovered from the defaulters which resulted in loss.

The matter was reported to PAO in March and July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends fixing responsibility against the person(s) at fault besides recovery of arrears.

Note: The issue was reported in the Audit Report for Audit Year 2019-20 vide Para No.41.4.1 having financial impact of Rs 6 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2019-22 Para No. 1]
[AIR 2022-23 Para No. 6]

2.17.2 Non-recovery of conversion, approval and map fees – Rs 4.204 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee."

During audit of MC Chenab Nagar for the FY 2022-23, it was observed that CO failed to realize revenue amounting to Rs 4.204 million on account of conversion fees, design approval fees and building plan approval fees from the sponsor / owners of a housing scheme and 09 commercial buildings for the Financial Years 2019-20 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	**Description of Buildings**	**Description**	**Financial Years**	**Amount**
1	Rasheed Town Housing Scheme	Conversion, approval & design fees	2019-20 to 2022-23	1.750
2	03 commercial buildings	Conversion & building plan approval fees	2022-23	1.024
3	06 commercial buildings		2019-20 to 2021-22	1.430
Total				**4.204**

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in March and July, 2023 but management did not reply.

DAC meetings were not convened till finalization of this Report despite repeated requests.

Audit recommends fixing responsibility against the person(s) at fault besides recovery of prescribed fees from the concerned.

[AIR 2019-22 Para No. 9, 12]
[AIR 2022-23 Para No. 3, 10]

2.17.3 Less deduction of PST on repair works – Rs 1.684 million

According to Punjab Revenue Authority letter No. PRA/MTN/1974 dated 17.08.2017 and Punjab Sales Tax Act, "Sales Tax should be charged @ 5% on original construction works and @ 16% on Maintenance and Repair (M&R) works."

During audit of MC Chenab Nagar for the FY 2021-22, it was observed that CO less deducted PST amounting to Rs 1.684 million for the Financial Years 2019-20 to 2021-22. Audit observed that PST was deducted @ 5% instead of 16% on repair works.

Due to weak internal controls, PST was less deducted which resulted in loss to the Government.

The matter was reported to PAO in March, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of PST besides fixing responsibility against the person(s) at fault.

[AIR 2019-22 Para No. 4]

2.18 Municipal Committee Chichawatni

Procedural irregularities

2.18.1 Irregular expenditure on work charged staff - Rs 1.287 million

According to Government of the Punjab LG & CD Department letter No.SO-ADMN-II (LG) 3-55/2007 dated 03.03.2016, "No work charged / daily wages employee will be appointed in the local governments without the approval of LG&CD Department and without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of MC Chichawatni for the FY 2022-23, it was observed that CO incurred expenditure of Rs 1.287 million on account of work charged staff. The work charged employees were appointed without eligibility criteria provided in the relevant service rules, advertisement and permission from LG&CD Department.

Due to weak internal controls, work charge employees were appointed without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1489 dated 08.09.2023, followed by subsequent reminders vide No. 1535 dated 27.09.2023 and No. 1623 dated 20.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

[AIR 2022-23 Para No. 7]

2.18.2 Inadmissible payment of integrated allowance to sanitary workers - Rs 1.264 million

According to Government of the Punjab, Finance Department, Lahore, Notification No. FD.PC.2-1/2001 dated 11.07.2011, "Integrated allowance is allowed to N/Qasids, Qasids, Daftries, Frashes, Chowkidars, Sweepers, Sweeperesses & Security Guard." According to Finance Department Notification No. FD.SR-I/9-28/2016 dated 18.07.2016 regarding revision of rates of aforementioned notification dated 11.07.2011, in this notification only rates were revised and no admissibility to the other designations was mentioned.

During audit of MC Chichawatni for the FY 2022-23, it was observed that CO made payment amounting to Rs 1.264 million on account of integrated allowance to 117 sanitary workers without admissibility in contradiction of above mentioned letter. Audit just calculated recovery for the period w.e.f. 01.07.2022 to 30.06.2023. The actual recovery may be calculated by the DDO accordingly. The detail is an under:

(Rupees in million)

Month checked by audit	**Amount drawn as per July 2022**	**Total number of month July 2022, June2023 (audit period**	**Total amount drawn/ Amount of Recovery**
7/2022	105,300	12	1.264

Due to weak financial controls, inadmissible integrated allowance was paid to sanitary workers which resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery besides immediate stoppage of such inadmissible allowances besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 6]

2.18.3 Irregular payment of contractor profit – Rs 1.102 million

According to Government of the Punjab, Finance Department letter No.RO (Tech) FD-18-29/2004 dated 03.03.2005, "20% contractor's profit and overheads (CPOH) on electric motors, turbines, audio video systems, street lights, machinery, furnishing items etc. are not allowed."

During audit of MC Chichawatni for the FY 2022-23, it was observed that CO purchased generator and paid amounting to Rs 5.511 million including irregular contractor profit amounting to Rs 1.102 million in violation of the above mentioned instruction of Finance Department, Government of the Punjab.

Due to weak internal controls, irregular contractor profit was paid which resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 10]

Others

2.18.4 Non-recovery of conversion and map fees – Rs 54.698 million

According to Rule 50 (1) of Chapter-XI of Punjab Local Government Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "A Local Government shall levy fee for conversion of land use from agricultural, residential, peri-urban area to commercial use conversion fee at the rate of 10% of the commercial value of the land. Conversion fee for the conversion of agricultural land to industrial use shall be 5% of the agricultural value of land. Conversion fee for the conversion of land to health / educational institutions shall be 10% of the value of existing land."

During audit of MC Chichawatni for the FY 2022-23, it was observed that CO did not recover conversion and building plan approval fees amounting to Rs 54.698 million from the owners / developers of commercial buildings, schools and land sub-divisions.

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of conversion and building plan approval fees at the earliest.

[AIR 2022-23 Para No.14, 17]

2.19 Municipal Committee Chiniot

Others

2.19.1 Loss due to non-recovery of Government dues – Rs 4.499 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of MC Chiniot for the FY 2022-23, it was observed that CO failed to recover Government dues amounting to Rs 4.499 million under different receipt heads i.e. rent of shops, water rates, TTIP receipts, parking fees and sanitation fees. The detail is as under:

(Rupees in million)

Sr. No.	Description	Amount
1	Non/Less recovery of rent of shops	1.208
2	Less recovery of water rates	2.185
3	Non-deposit of TTIP receipts	0.491
4	Non-recovery of parking fees	0.356
5	Less recovery of sanitation fees	0.259
Total		**4.499**

Due to weak internal controls and negligence, Government dues were not recovered from the defaulters which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends fixing responsibility against the person(s) at fault besides recovery of Government dues.

Note: The issue was reported in the Audit Report for Audit Year 2019-20 vide Para No.42.5.7 having financial impact of Rs 2.307 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 10]

2.19.2 Non-recovery of conversion fees – Rs 2.394 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee."

During audit of MC Chiniot for the FY 2022-23, it was observed that CO and MO (P) failed to recover conversion fees amounting to Rs 2.394 million from the developer of land sub-division situated within the territorial jurisdiction of MC, Chiniot. The detail is as under:

(Rupee in million)

Name of Scheme	Land Area	Rate per Marla	Total Marla	Conversion Fees
Al-Fateh Garden	98 K, 2 M	122,000	1,962	2.394

Due to weak internal controls, the non-recovery of conversion fees resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends early action for realization of conversion fees from the developer of land sub-division.

<u>Note:</u> The issue was reported in the Audit Report(s) for Audit Year(s) 2022-23 and 2020-21 vide para(s) No.2.15.10 and 19.4.8 respectively having financial impact of Rs 8.777 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 8]

2.19.3 Non-recovery of PST from contractors – Rs 1.042 million

According to Serial No. 56 of the Second Schedule to the Punjab Sales Tax on Services Act, 2012, "Rate of sales tax is sixteen percent on debt collection, rent collection and similar other recovery or collection services including right to collect the toll or fee or regulatory fee or duty or any other similar collection."

During audit of MC Chiniot for the FY 2022-23, it was observed that CO auctioned collection rights of two revenue sources comprising advertisement and slaughter house fees amounting to Rs 6.510 million. However, PST amounting to Rs 1.042 million was not recovered from the contractors concerned. The detail is as under:

(Rupees in million)

Sr. No.	Description of Lease	Contract Amount	PST @ 16%
1	Advertisement fees	5.500	0.880
2	Slaughter House	1.010	0.162
Total		**6.510**	**1.042**

Due to weak internal controls, PST was not recovered which resulted in loss to the public exchequer.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of PST from the concerned besides fixing responsibility against the person(s) at fault.

Note: The issue was reported in the Audit Report for Audit Year 2019-20 vide Para No.42.5.5 having financial impact of Rs 2.784 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 7]

2.20 Municipal Committee Chishtian

Others

2.20.1 Non-execution of mortgage and land transfer deed – Rs 85.197 million

According to Rule 17 (e) & (f) and Rule 42 (h) of the Punjab Private Housing Schemes and Land Sub-division Rules 2010, "The developers are required to transfer the area reserved for roads, open space, park and solid waste management as well as one percent of the area under land sub-division for public buildings, excluding the area of mosque in favor of relevant development authority / body and should submit mortgage deed of 20% of the saleable area, in accordance with Form C, as security for completion of development works."

During audit of MC Chishtian for the FY 2022-23, it was observed that Chief Officer neither got transferred nor mortgaged the required area from various housing schemes / land sub-division amounting to Rs 85.197 million in the name of MC Chishtian.

Due to weak internal controls, mortgage and land transfer deed was not executed which resulted in irregular approval of housing schemes / LSDs and loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA/BWP /Reports/2023-24/F-39/CD-1026 dated 08.09.2023, followed by subsequent reminders vide No. 1118-20 dated 25.09.2023 and No. 1174-77 dated 28.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends transfer / mortgage of property in the name of MC besides fixing responsibility against the person(s) at fault.

Note: This issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2019-20 vide para number 2.16.1 and 2.2.5.3.1 respectively having financial impact of Rs 1,267.039 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 15, 16]

2.20.2 Loss due to non-realization of revenue – Rs 7.141 million

According to Rule 50 (1) (a) (e) of the Punjab Land Use (Classification, Reclassification and Redevelopment) Rules 2020, "A local government shall levy the conversion fee for the conversion of any land use to educational, healthcare institutional or commercial use @ ten percent of the existing value of the land or plot or property as per valuation table and in case valuation table is not available, ten percent of the average sale price of preceding twelve months of the land in the vicinity as determined by the District Price Assessment Committee." Further, according to Rule 47 (1) of the Punjab Local Government (Budget) Rules 2017, "Collecting officer shall ensure that all revenue due is claimed, realized and credited immediately into Local Government Fund and entered in the proper receipt head."

During audit of MC Chishtian for the FY 2022-23, it was observed that Chief Officer did not collect revenue on account of rent of shops, conversion fees and government taxes amounting to Rs 7.141 million. The income was either less collected or misappropriated by the collection staff. The detail is as under:

(Rupees in million)

Sr. No.	Description	Amount
1	Rent of shops	3.537
2	General bus stand fees, advertisement fees, slaughter house fees and toilets general bus stand fees	2.543
3	Conversion fees	1.061
Total		**7.141**

Due to weak internal controls, revenue was not recovered which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Paras No. 8, 12, 20]

2.21 Municipal Committee Choubara

Procedural irregularities

2.21.1 Irregular payments in cash – Rs 4.714 million

According to Rule (4)(1) of the Punjab Local Governments (Accounts) Rules 2017, "The mode of payment from the Local Funds shall be, the payment up to rupees ten thousand may be made by cash, the payment exceeding rupees ten thousand shall be made through cross and non-negotiable cheques."

During audit of MC Chaubara for the FY 2022-23, it was observed that CO made payment amounting to Rs 4.714 million on account of various heads. The payments were made in cash instead of crossed cheques and without any disbursement record.

Due to weak internal controls, payments were made in cash instead of crossed cheques which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-1008 dated 15.09.2023, followed by subsequent reminders vide No. 1047 dated 26.09.2023 and No. 1080 dated 02.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 9]

Others

2.21.2 Loss due to non-recovery of revenue – Rs 2.050 million

According to Rule 14(d) of the Punjab Local Governments (Accounts) Rules, 2017, "The Collecting Officer shall collect the receipt of local Government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement, or compromise."

During audit of MC Chaubara for the FY 2022-23, it was observed that CO failed to recover the revenue amounting to Rs 2.050 million on account of water rates and conversion fees. The detail is as under:

(Rupees in million)

Sr. No.	Detail of recovery	Amount
1	Loss due less recovery of water rates	0.498
2	Loss due to non-recovery of building map fees and conversion charges	1.348
Total		**2.050**

Due to weak internal controls, government revenue were not recovered from the concerned which resulted in loss to the MC.

The matter was reported to PAO in July 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of revenue from the concerned.

[AIR 2022-23 Para No. 2, 4]

2.22 Municipal Committee Chowk Sarwar Shaheed

Procedural irregularities

2.22.1 Irregular expenditure on work charged staff – Rs 1.621 million

According to Government of the Punjab LG & CD Department letter No.SO-ADMN-II (LG) 3-55/2007 dated 03.03.2016, "No work charged / daily wages employee will be appointed in the local governments without the approval of LG&CD Department and without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of MC Chowk Sarwar Shaheed for the FY 2022-23, it was observed that CO incurred expenditure amounting to Rs 1.621 million on account of work charged staff. The work charged employees were appointed without eligibility criteria provided in the relevant service rules, advertisement and permission from LG&CD Department. The detail is as under:

(Rupees in million)

Date	Cheque No.	Amount
16.01.2023	203035500	0.400
16.01.2023	293035401	0.025
16.01.2023	293035402	0.050
11.02.2023	293035434	0.024
11.02.2023	293035435	0.024
05.09.2022	66367246	0.935
05.09.2022	66367247	0.163
Total		**1.621**

Due to weak internal controls, work charge employees were appointed without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-1008 dated 15.09.2023, followed by subsequent reminders vide No. 1047 dated 26.09.2023 and No. 1080 dated 02.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

[AIR 2022-23 Para No. 7]

Others

2.22.2 Loss due to non-recovery of outstanding dues / revenue – Rs 14.687 million

According to Rule 14(d) of the Punjab Local Governments (Accounts) Rules, 2017, “The Collecting Officer shall collect the receipt of local Government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement, or compromise.”

During audit of MC Chowk Sarwar Shaheed for the FY 2022-23, it was observed that CO failed to recover the revenue amounting to Rs 14.687 million on account of conversion fees, wagon/bus stand fees and rent of shops.

Due to weak internal controls, government revenue were not recovered from the concerned which resulted in loss to the MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of revenue from the concerned.

[AIR2022-23 Para No. 3]

2.22.3 Non-deposit of government taxes – Rs 4.580 million

According to Serial No.1 (b) (ii), 2(ii) (b) and 3(iii) of Division III of Part III of First Schedule of the Income Tax Ordinance, 2001, “The rate of Income Tax to be deducted from a payment for goods or services shall be 4.5 per cent and 10 per cent respectively of the gross amount payable.” Further, according to Serial No. 11 of the Second Schedule to the Punjab Sales Tax on Services Act 2012, “Punjab Sales Tax on Services @ 16 percent shall be applicable on services provided.” Furthermore, according to Para 1.3, 4(b) & 4(3) of the Sales Tax Special Procedure (Withholding) Rules 2007, “$1/5^{th}$ of GST shall be withheld by withholding agent / DDO and same shall be submitted along with monthly return to concerned Collector of Sales Tax.

During audit of MC Chowk Sarwar Shaheed for the FY 2022-23, it was observed that CO did not deposit Rs 4.580 million on account of GST, Income Tax and Punjab Sales Tax during the year which were deducted at source from the bills of contractors / employees.

Due to weak internal controls, taxes deducted at source were not deposited into government treasury resulting in loss to government.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends deposit of GST, Income Tax and Punjab Sales Tax to the concerned departments immediately besides action against the person(s) at fault.

[AIR 2022-23 Para No. 05]

2.23 Municipal Committee Chowk Azam

Others

2.23.1 Non-recovery of revenue and over payments of Government dues – Rs 18.819 million

According to Rule 14(d) of the Punjab Local Governments (Accounts) Rules, 2017, "The Collecting Officer shall collect the receipt of local Government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement, or compromise."

During audit of MC Chowk Azam for the FY 2022-23, it was observed that CO failed to recover Rs 18.819 million on account of rent of Municipal Property/ shops, conversion fees and inadmissible payment of pay and allowances. The detail is as under:

(Rupees in million)

Sr. No.	Detail of recovery	Amount
1	Less recovery due to non-award of new contract for lease	1.528
2	Loss due to non-recovery of Conversion fees	17.164
3	Unauthorized payment of Pay and Allowances	0.127
Total		**18.819**

Due to weak internal controls, government revenue were not recovered from the concerned which resulted in loss to the MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-1008 dated 15.09.2023, followed by subsequent reminders vide No. 1047 dated 26.09.2023 and No. 1080 dated 02.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends recovery of revenue from the concerned.

[AIR 2022-23 Para No. 6, 9, 13]

2.23.2 Non-deposit of government taxes – Rs 3.060 million

According to Serial No.1 (b) (ii), 2(ii) (b) and 3(iii) of Division III of Part III of First Schedule of the Income Tax Ordinance, 2001, "The rate of Income Tax to be deducted from a payment for goods or services shall be 4.5 per cent and 10 per cent respectively of the gross amount payable." Further, according to Serial No. 11 of the Second Schedule to the Punjab Sales Tax on Services Act 2012, "Punjab Sales Tax on Services @ 16 percent shall be applicable on services provided." Furthermore, according to Para 1.3, 4(b) & 4(3) of the Sales Tax Special Procedure

(Withholding) Rules 2007, "1/5th of GST shall be withheld by withholding agent / DDO and same shall be submitted along with monthly return to concerned Collector of Sales Tax.

During audit of MC Chowk Azam for the FY 2022-23, it was observed that CO did not deposit Rs 3.060 million on account of GST, Income Tax and Punjab Sales Tax during the year which were deducted at source from the bills of contractors / employees.

Due to weak internal controls, taxes deducted at source were not deposited into government treasury resulting in loss to government.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends deposit of GST, Income Tax and Punjab Sales Tax to the concerned departments immediately besides action against the person(s) at fault.

[AIR 2022-23 Para No. 14]

2.24 Municipal Committee Dijkot

Procedural irregularities

2.24.1 Irregular expenditure on remuneration of daily wage employees – Rs 11.825 million

According to Government of the Punjab, Finance Department Notification No. RO (Tech) FD 2-2/2022 dated 15.07.2022, "Appointment of work charge / daily wages employee shall be made with procedure that the post(s) shall be advertised properly in the leading newspapers and recruitment to all posts shall be made on the basis of merit specified for regular establishment."

During audit of MC Dijkot for the FY 2022-23, it was observed that CO recruited sanitary workers on daily wages and made payment of Rs 11.825 million. However, recruitments were made without advertisement in the newspapers. Further, 31 to 100 sanitary workers (in different months) were appointed on daily wages against 09 vacant posts of sanitary workers.

Due to weak internal controls, recruitments were made without adopting prescribed procedure and beyond sanctioned strength which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure from the competent authority.

[AIR 2022-23 Para No. 4]

2.24.2 Irregular expenditure without observing procurement rules – Rs 4.897 million

According to Rules 4 & 9 of the Punjab Procurement Rules, 2014, "A procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical. All proposed procurements for each financial year shall be announced in an appropriate manner and the procuring agency shall proceed accordingly without any splitting or regrouping of the procurements so planned." Further, according to Rule 18(3) of the Punjab Local Governments (Works) Rules, 2017, "Any payment either for the work done or procurement made for more than rupees fifty thousand shall be entered in the Measurement Book."

During audit of MC Dijkot for the FY 2022-23, it was observed that CO incurred expenditure amounting to Rs 4.897 million for procurement of goods & services and execution of works. However, expenditure was held irregular on the following grounds:

i. Objects of procurement were split by keeping the amount of each purchase below the financial limits of Rs 75,000 and Rs 200,000 to avoid quotations and tenders respectively.

ii. Expenditure on sports activities sponsored by District Sports Board was incurred by the MC.

iii. Payments were made without entries in MBs where required.

Due to weak internal controls, procurements were made in violation of procurement rules and without adopting prescribed procedure which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility besides regularization of expenditure.

[AIR 2022-23 Para No. 14]

2.24.3 Irregular expenditure by changing scope of work – Rs 3.622 million

According to Rule 5(17) of the Punjab Local Government (Works) Rules, 2017, "In case the site of the work or nomenclature is changed, fresh administrative approval shall be obtained from the respective Development Committee."

During audit of MC Dijkot for the FY 2022-23, it was observed that CO incurred expenditure amounting to Rs 3.622 million on execution of a development scheme namely "Construction of rural drainage scheme in Chak No. 263/RB Dijkot" for the Financial Years 2020-21 to 2022-23. However, execution of scheme / incurrence of expenditure was held irregular and unauthorized on the following grounds:

i. Site of the scheme and the scope of work were changed without administrative approval and technical sanction from the competent authority.

ii. Entries were recorded in the MB, bill and completion certificate without dates.

Due to weak internal controls, scope of the scheme was changed without approval which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 9]

Others

2.24.4 Non-imposition of fine on the sponsors / developers / owners – Rs 19.136 million

According to Section 172(2)(a) & 172(2)(b) read with Sr. Nos. 2 & 18 of Eighth Schedule of the PLGA 2022, "If a person commits an offence like development of a private housing scheme without approval of a local government; or on a non-conforming use, such person shall be punishable with imprisonment for a term which may extend to seven years, or with fine which may extend to five hundred thousand rupees or with both and if a person commits offence of erection or re-erection of a building without the sanction required under this Act or using a building for a purpose which may endanger the security of people, such person shall be punishable with imprisonment for a term which may extend to three years, or with fine which may extend to one hundred thousand rupees or with both."

During audit of MC Dijkot for the FY 2022-23, it was observed that CO failed to take appropriate action and impose fine amounting to Rs 19.136 million against the sponsors / developers / owners of 28 housing schemes / land subdivisions and 50 buildings constructed / being constructed without approval / payment of prescribed fees.

Due to dereliction of duties, efforts were not made either to regulate housing schemes / buildings or to impose fine which resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends imposition of fine besides recovery of fees and fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 8]

2.24.5 Less realization of water rates – Rs 13.829 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of MC Dijkot for the FY 2022-23, it was observed that CO failed to recover water rates from water users amounting to Rs 13.829 million as recovery of Rs 7.639 million was made against total demand of Rs 21.468 million during Financial Years 2021-22 to 2022-23.

Due to weak internal controls, recovery of water rates was not made which resulted in less realization of income and loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of water rates besides fixing responsibility against the person(s) at fault.

Note: The issue was reported in the Audit Report for Audit Year 2019-20 vide para No.45.4.1 having financial impact of Rs 3.414 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2019-22 Para No. 11]
[AIR 2022-23 Para No. 5]

2.25 Municipal Committee Dunga Bunga

Others

2.25.1 Loss due to non-realization of revenue – Rs 7.428 million

According to Rule 50 (1) (a) (e) of the Punjab Land Use (Classification, Reclassification and Redevelopment) Rules 2020, "A local government shall levy the conversion fee for the conversion of any land use to educational, healthcare institutional or commercial use @ ten percent of the existing value of the land or plot or property as per valuation table and in case valuation table is not available, ten percent of the average sale price of preceding twelve months of the land in the vicinity as determined by the District Price Assessment Committee." Further, according to Rule 47 (1) of the Punjab Local Government (Budget) Rules 2017, "Collecting officer shall ensure that all revenue due is claimed, realized and credited immediately into Local Government Fund and entered in the proper receipt head."

During audit of MC Dunga Bunga for the FY 2022-23, it was observed that CO did not collect revenue on account of rent of shops, conversion and map fees amounting to Rs 7.428 million. The income was either less collected or misappropriated by the collection staff. The detail is as under:

(Rupees in million)

Sr. No.	Description	Amount
1	Rent of shops	0.514
2	Conversion and map fees	6.914
Total		**7.428**

Due to weak internal controls, revenue was not recovered which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA/BWP /Reports/2023-24/F-39/CD-1026 dated 08.09.2023, followed by subsequent reminders vide No. 1118-20 dated 25.09.2023 and No. 1174-77 dated 28.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.
[AIR 2022-23 Para No. 3, 6]

2.26 Municipal Committee Dunyapur

Procedural irregularities

2.26.1 Irregular expenditure on civil work items – Rs 2.391 million

According to Rule 9 (b) of Punjab Local Governments (Accounts) Rules 2017, "The drawing and disbursing officer and payee of the pay, allowance, contingent expenditure or any other expense shall be personally responsible for any overcharge, fraud or misappropriation and shall be liable to make good that loss." Further, according to Rule 18(3) of PLG Works Rules 2017, "Any payment either for the work done or procurement made for more than rupees fifty thousand shall be entered in the measurement book."

During audit of MC Dunyapur for the FY 2021-22, it was observed that CO incurred expenditure amounting to Rs 2.391 million on construction / repair work of sewerage line, main holes and Muharrum routes, etc. through quotations irregularly. The development works were carried out without adopting prescribed tendering process and expenditure was not shown in annual accounts under development head. Further, the payments of the civil works were made without recording the measurements in MB.

Due to weak internal controls, expenditure was incurred without adopting the tendering process and recording measurements in MB which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1489 dated 08.09.2023, followed by subsequent reminders vide No. 1535 dated 27.09.2023 and No. 1623 dated 20.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR 2019-22 Para No.9]

Others

2.26.2 Non-recovery of conversion and map fees – Rs 9.835 million

According to Rule 50 (1) of Chapter-XI of Punjab Local Government Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "A Local Government shall levy fee for conversion of land use from agricultural, residential, peri-urban area to commercial use conversion fee at the rate of 10% of the commercial value of the land. Conversion fee for the conversion of agricultural land to industrial use shall be 5% of the agricultural value of land. Conversion fee for the conversion of land to health / educational institutions shall be 10% of the value of existing land."

During audit of MC Dunyapur for the FY 2022-23, it was observed that CO did not recover conversion and map fees amounting to Rs 9.835 million from owners of commercial buildings and land sub-divisions who constructed commercial sites without approval during Financial Years 2020-21 to 2022-23.

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in April, 2023 and July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of conversion and building plan approval fees from the concerned at the earliest.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2019-20 vide para number 65.4.3 having financial impact of Rs 3.758 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 5]
[AIR 2019-22 Para No.13]

2.26.3 Loss due to non-recovery of revenue - Rs 7.037 million

According to Rule 11(2) (c) of the Punjab Local Governments (Accounts) Rules, 2017, "Chief Officer shall ensure that any sums due to local government are promptly realized and credited into the local fund."

During audit of MC Dunyapur for the FY 2022-23, it was observed that CO failed to recover of Rs 7.037 million from various connection holders on account of water rates charges and tenants of shops during Financial Years 2020-21 to 2022-23.

Due to weak financial and internal controls, MC authorities did not recover government dues which resulted in short realization of revenue.

The matter was reported to PAO in April, 2023 and July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2019-20 vide para number 65.4.2 having financial impact of Rs 7.848 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 03]
[AIR 2019-22 Para No.5, 7]

2.27 Municipal Committee Fatehpur

Procedural irregularities

2.27.1 Irregular payments in cash – Rs 34.184 million

According to Rule (4)(1) of the Punjab Local Governments (Accounts) Rules 2017, “The mode of payment from the Local Funds shall be, the payment up to rupees ten thousand may be made by cash, the payment exceeding rupees ten thousand shall be made through cross and non-negotiable cheques.”

During audit of MC Fatehpur for the FY 2022-23, it was observed that CO made payment of Rs 34.184 million on account of various contingent heads. The payments were made in cash instead of crossed cheques and without any disbursement record.

Due to weak internal controls, payments were made in cash instead of crossed cheques which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-1008 dated 15.09.2023, followed by subsequent reminders vide No. 1047 dated 26.09.2023 and No. 1080 dated 02.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends fixing responsibility against the person(s) at fault besides regularization of expenditure.

[AIR 2022-23 Para No 11]

2.27.2 Non-obtaining of additional performance securities – Rs 9.500 million

According to Rule 9 (9)(d) of Punjab Local Government Works Rules 2017, “The work order shall be issued by the engineer In-charge to a person offering the lowest bid after approval of the Chairman or Mayor or the engineer In-charge authorized by him subject to the condition that in case the rates of the lowest bid are equal to or less than 5% of the estimated cost, the lowest bidder shall be bound to deposit additional performance security from a scheduled bank from 5% to 10% (including CDR deposited at the time of tendering) within 15 days of issuance of notice”.

During audit of MC Fatehpur for the FY 2022-23, it was observed that CO awarded 15 works of construction / improvement of roads / PCC streets valuing Rs 50 million to the contractors ranging from 24 % to 29.91% below the estimated cost during Financial Year 2020-21 but additional performance security amounting to Rs 9.500 million was not obtained from the contractors in violation of above rule.

Due to weak internal controls, additional performance security was not obtained from contractors which resulted in irregular award of works.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends regularization besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No.23]

Others

2.27.3 Loss due to non-recovery of outstanding dues / revenue – Rs 213.883 million

According to Rule 14(d) of the Punjab Local Governments (Accounts) Rules, 2017, "The Collecting Officer shall collect the receipt of local Government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement, or compromise."

During audit of MC Fatehpur for the FY 2022-23, it was observed that CO failed to recover of revenue amounting to Rs 213.883 million on account of conversion fees, rent of Municipal Property/ shops, tender fees, advertisement fees and other fees. The detail is as under:

(Rupees in million)

Sr. No.	Detail of recovery	Amount
1	Deliberately non-recovery of conversion and building map fees	129.948
2	Loss due to delayed / non-lease of rent of shops on market rate	63.415
3	Misappropriation on account of tender fees	0.515
4	Loss due to less recovery of advertisement fees	0.428
5	Loss to Govt. due to less realization and less recovery of license fees	2.045
6	Non / less-recovery of conversion & map fees from construction	8.157
7	Illegal payment of electricity bills of rented out shops	9.375
Total		**213.883**

Due to weak internal controls, government revenue were not recovered from the concerned which resulted in loss to the MC Fatehpur.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 1, 2, 6, 9, 10, 13, 17]

2.28 Municipal Committee Fazilpur

Procedural irregularities

2.28.1 Irregular expenditure on work charged staff – Rs 2.971 million

According to Government of the Punjab LG & CD Department letter No.SO-ADMN-II (LG) 3-55/2007 dated 03.03.2016, "No work charged / daily wages employee will be appointed in

the local governments without the approval of LG&CD Department and without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of MC Fazilpur for the FY 2022-23, it was observed that CO incurred expenditure amounting to Rs 2.971 million on account of work charged staff. The work charged employees were appointed without eligibility criteria provided in the relevant service rules, advertisement and permission from LG&CD Department. The detail is as under:

(Rupees in million)

Month	**No. of Daily Wages Staff**	**Amount**
Sep-2022	21	0.893
Oct-2022	24	0.591
Mar-2023	11	0.275
Jun-2023	24	1.212
Total		**2.971**

Due to weak internal controls, work charge employees were appointed without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-1008 dated 15.09.2023, followed by subsequent reminders vide No. 1047 dated 26.09.2023 and No. 1080 dated 02.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

[AIR 2022-23 Para No. 6]

Others

2.28.2 Non-deposit of government taxes – Rs 1.196 million

According to Serial No.1 (b) (ii), 2(ii) (b) and 3(iii) of Division III of Part III of First Schedule of the Income Tax Ordinance, 2001, "The rate of Income Tax to be deducted from a payment for goods or services shall be 4.5 per cent and 10 per cent respectively of the gross amount payable." Further, according to Serial No. 11 of the Second Schedule to the Punjab Sales Tax on Services Act 2012, "Punjab Sales Tax on Services @ 16 percent shall be applicable on services provided." Furthermore, according to Para 1.3, 4(b) & 4(3) of the Sales Tax Special Procedure (Withholding) Rules 2007, "1/5th of GST shall be withheld by withholding agent / DDO and same shall be submitted along with monthly return to concerned Collector of Sales Tax.

During audit of MC Fazilpur for the FY 2022-23, it was observed that CO did not deposit Rs 1.196 million on account of GST, Income Tax and Punjab Sales Tax during the year which were deducted at source from the bills of contractors / employees.

Due to weak internal controls, taxes deducted at source were not deposited into government treasury resulting in loss to government.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends deposit of GST, Income Tax and Punjab Sales Tax to the concerned departments immediately besides action against the person(s) at fault.

[AIR 2022-23 Para No. 2, 4]

2.29 Municipal Committee Fort Abbas

Procedural irregularities

2.29.1 Irregular expenditure by non-observance of PPRA Rules – Rs 1.566 million

According to Rule 9 and 12 (1) of Punjab Procurement Rules 2014, "A procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The procuring agency shall advertise in advance annual requirements for procurement on the website of the Authority as well as on its own website. A procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority in the manner and format specified by regulations."

During audit of MC Fort Abbas for the FY 2022-23, it was observed that Chief Officer incurred expenditure of Rs 1.566 million on account of repeated local purchase of manhole covers without observing PPRA Rules.

Due to weak internal controls, procurements were made without observing PPRA rules which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA/BWP /Reports/2023-24/F-39/CD-1026 dated 08.09.2023, followed by subsequent reminders vide No. 1118-20 dated 25.09.2023 and No. 1174-77 dated 28.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 18]

Others

2.29.2 Loss due to non-transfer / mortgage of property – Rs 231.572 million

According to Rule 17 (e) & (f) and Rule 42 (h) of the Punjab Private Housing Schemes and Land Sub-division Rules 2010, "The developers are required to transfer the area reserved for roads, open space, park and solid waste management as well as one percent of the area under land sub-division for public buildings, excluding the area of mosque in favor of relevant development authority / body and should submit mortgage deed of 20% of the saleable area, in accordance with Form C, as security for completion of development works."

During audit of MC Fort Abbas for the FY 2022-23, it was observed that CO neither got transfer nor mortgage the required area valuing Rs 231.572 million from various housing schemes / land sub-divisions in the name of MC Fort Abbas. The detail is as under:

(Rupees in million)

Sr. No.	**Name of Housing Scheme**	**Total Area in Kanal**	**Valuation Table Rate per Marla**	**Land Transferred in Marla**	**Land Mortgaged in Marla**	**Total Value of land transfer**	**Land Mortgaged in Marla**	**Total Value of mortgage**	**Grand Total**
1	Al-Aziz Town	88K-14M	110,000	638	0	70.180	0	0.000	70.180
2	Barkat City	35K-	154,000	290	82 Marla	44.660	82	12.628	57.288
3	Park View Garden	38K-13M-02S	154,000	263	103 Marla	40.502	103	15.862	56.364
4	Park View Green	32K-10M	154,000	225	85 Marla	34.650	85	13.090	47.740
Total						**189.992**	**270**	**41.580**	**231.572**

Due to weak internal controls, no action was taken for transfer and mortgage of land in the name of MC which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this report despite repeated requests.

Audit recommends transfer / mortgage of property in the name of MC besides fixing responsibility against the person(s) at fault.

Note: This issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2020-21 and 2019-20 vide para(s) number 2.21.2, 2.4.4 and 4.2.5.3.1 respectively having financial impact of Rs 837.966 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 11]

2.29.3 Non-realization of revenue – Rs 9.996 million

According to Rule 50 (1) (a) (e) of the Punjab Land Use (Classification, Reclassification and Redevelopment) Rules 2020, "A local government shall levy the conversion fee for the conversion of any land use to educational, healthcare institutional or commercial use @ ten percent of the existing value of the land or plot or property as per valuation table and in case valuation table is not available, ten percent of the average sale price of preceding twelve months of the land in the vicinity as determined by the District Price Assessment Committee." Further, according to Rule 47 (1) of the Punjab Local Government (Budget) Rules 2017, "Collecting officer shall ensure that all revenue due is claimed, realized and credited immediately into Local Government Fund and entered in the proper receipt head."

During audit of MC Fort Abbas for the FY 2022-23, it was observed that CO did not collect revenue on account of arrears of receipts, map fees and conversion fees from housing schemes amounting to Rs 9.996 million. The income was either less collected or misappropriated by the collection staff. The detail is as under:

(Rupees in million)

Sr. No.	Description	Amount
1	Arrears of receipts	3.245
2	Map fees	3.269
3	Conversion fees	3.482
Total		**9.996**

Due to weak internal controls, revenue was not recovered which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 3, 9, 10]

2.30 Municipal Committee Garh Maharaja

Others

2.30.1 Non-recovery of cost of land and development charges – Rs 25.160 million

According to Directorate General of Kachi Abadies Colonies Department, Board of Revenue, Punjab, letter No.DG(KA) BOR/8-200/2012 dated 22.11.2012, "In supersession of all previous decisions, the price of land (Urban areas) will be @ 2% of the current valuation table at the time of grant of proprietary rights for area under occupation up to 5-Marlas, price of land for occupation above 5-Marlas and up to 10-Marlas will be current valuation table rate at the time of grant of proprietary rights and price of land for occupation for above 10-Marlas will be the current valuation rate with additional surcharge 50% thereof at the time of grant of proprietary rights."

During audit of MC Garh Maharaja for the FY 2022-23, it was observed that CO failed to recover cost of land and development charges amounting to Rs 25.160 million from 35 occupants of Kachi Abadi. No action was taken by the MC authorities to recover cost of land and development charges despite lapse of considerable time.

Due to weak internal controls, cost of land and development charges were not recovered which resulted in loss and less realization of revenue.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 15]

2.30.2 Non-recovery of parking fees – Rs 2.631 million

According to Rule 47 (1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately in the local fund and entered in the proper receipt head."

During audit of MC Garh Maharaja for the FY 2021-22, it was observed that CO did not recover Rs 2.631 million on account of parking fees.

Due to weak internal controls, parking fees was not recovered which resulted in loss.

The matter was reported to PAO in March, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of parking fees besides fixing responsibility against the person(s) at fault.

[AIR 2019-22 Para No. 2]

2.30.3 Non-recovery of PST – Rs 1.506 million

According to serial No. 56 of the second schedule to the Punjab Sales Tax on Services Act, 2012, "Rate of sales tax is sixteen percent on debt collection, rent collection and similar other recovery or collection services including right to collect the toll or fee or regulatory fee or duty or any other similar collection."

During audit of MC Garh Maharaja for the FY 2022-23, it was observed that CO auctioned collection rights of four revenue sources of general bus stand, advertisement, rickshaw stand and slaughtering of animal fees to different contractors at an agreement amount of Rs 9.410 million. However, PST amounting to Rs 1.506 million was not recovered from the contractors.

Due to negligence and weak financial management, PST was not recovered from the contractors which resulted in loss of Government revenue.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends fixing responsibility against the person(s) at fault besides recovery of taxes from the contractors concerned.

[AIR 2022-23 Para No. 4, 6]

2.30.4 Non-deduction of Social Security Contribution – Rs 1.123 million

According to Section 20(1) & (9) of the Provincial Employees Social Security Ordinance, 1965, "The competent authority, before final settlement of the claims of contractors or licensee, shall require the production of a certificate from the institution showing that the necessary contributions have been paid and in default of such certificates, it shall deduct from the amount otherwise payable in settlement of such claim @ 6 percent and pay such amount directly to the institution."

During audit of MC Garh Maharaja for the FY 2021-22, it was observed that CO executed various civil works through 15 contractors for the Financial Years 2019-20 to 2021-22 but payments for works were made without obtaining certificates regarding payment of Social Security Contribution of workers employed by the contractors. MC authorities did not make efforts to deduct the Social Security Contribution amounting to Rs 1.123 million from claims of the contractors before making payments. The detail is as under:

(Rupees in million)

No. of Contractors	No. of Employees	Average Wage Rate per Annum	Total Wages	Amount @ 6%
15	120	0.156	18.72	1.123

Due to weak internal controls, Social Security Contribution was not deducted from claims of the contractors which resulted in excess payment to the contractors.

The matter was reported to PAO in March, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends to probe the matter besides recovery of Social Security Contribution from the concerned.

Note: The issue was reported in the Audit Report for Audit Year 2019-20 vide Para No.53.3.1 having financial impact of Rs 1.328 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2019-22 Para No. 13]

2.30.5 Non-recovery of miscellaneous fees from the owners of buildings – Rs 1.023 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee."

During audit of MC Garh Maharaja for the FY 2022-23, it was observed that CO failed to recover conversion fees, map fees etc. from owners of five private buildings who converted the land for commercial use without depositing the prescribed fees. Resultantly, an amount of Rs 1.023 million was not recovered from the owners of private buildings.

Due to weak internal controls, miscellaneous fees were not recovered from the owners which resulted in less realization of revenue and loss to the Government.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends strenuous efforts be made for realization of revenue the owners at the earliest.
[AIR 2022-23 Para No. 9]

2.31 Municipal Committee Gojra

Others

2.31.1 Non-recovery of Government dues from contractors / lessees – Rs 24.109 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of MC Gojra for the FY 2022-23, it was observed that CO leased out eleven collection rights of advertisement fees, adda / auto rickshaw / cycle stand fees, slaughter house, canteen etc. to various contractors at total agreement price of Rs 43.343 million. However, the contractors left the contracts / leases incomplete after depositing initial installments amounting to Rs 19.235 million. Resultantly, an amount of Rs 24.109 million remained un-recovered from the contractors. No action was taken by the MC authorities for getting the works resumed by the contractors besides recovery of balance amount.

Due to weak financial controls and negligence, recovery of dues was not made and works were not got resumed from the contractors which resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends actions against defaulting contractors besides recovery of Government dues from contractors at the earliest.

Note: The issue was reported in the Audit Report(s) for Audit Year(s) 2022-23 and 2020-21 vide para(s) No.2.22.14 and 26.4.2 respectively having financial impact of Rs 19.695 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 5]

2.31.2 Non-recovery of cost of land and development charges – Rs 22.836 million

According to Directorate General of Kachi Abadies Colonies Department, Board of Revenue Punjab letter No.DG(KA) BOR/8-200/2012 dated 22.11.2012, "In supersession of all previous decisions, the price of land (Urban areas) will be @ 2% of the current valuation table at the time of grant of proprietary rights for area under occupation up to 5-Marlas, price of land for occupation above 5-Marlas and up to 10-Marlas will be current valuation table rate at the time of grant of proprietary rights and price of land for occupation for above 10-Marlas will be the current valuation rate with additional surcharge 50% thereof at the time of grant of proprietary rights."

During audit of MC Gojra for the FY 2022-23, it was observed that CO failed to collect cost of land and development charges amounting to Rs 22.836 million from thirty five occupants of Kachi Abadies. Audit observed that occupants were living in these Kachi Abadies since 1985 / 2006 but MC authorities did not recover cost of land and development charges.

Due to weak internal controls, cost of land and development charges were not recovered which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

Note: The issue was reported in the Audit Report for Audit Year 2022-23 vide para No.2.22.9 having financial impact of Rs 21.353 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No.7]

2.31.3 Non-recovery of arrears of revenue – Rs 20.097 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of MC Gojra for the FY 2022-23, it was observed that CO failed to recover arrears of water rates from defaulting connection holders. Audit observed that total demand of arrears from 7,415 connection holders was Rs 20.199 million as on 30.06.2022. However, collecting authorities could recover an amount of Rs 4.480 million leaving recoverable balance of Rs 15.719 million. Further, MC authorities failed to recover arrears of Rs 4.378 million on account of Chapper Tax, rent of shops / property and Tehbazari fees from defaulting owners / lessees. Resultantly, total arrears of Rs 20.097 million were not recovered by the MC authorities. The details are given in the following table.

(Rupees in million)

Sr. No.	Head of Income	Arrears Opening	Recovery of Arrears during FY 2022-23	Balance Amount
1	Water Rates	20.199	4.480	15.719
2	Chapper Tax	0.761	0.330	0.431
3	Rent of Municipal Property	2.400	1.524	0.876
4	Tehbazari Fees	5.263	2.192	3.071
Total		**28.623**	**8.526**	**20.097**

Due weak internal controls, MC authorities could not recover arrears / due which resulted in less realization of revenue.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends to recover the arrears of revenue from the defaulters besides fixing responsibility against the person(s) at fault.

Note: The issue was reported in the Audit Report(s) for Audit Year(s) 2022-23, 2020-21 and 2019-20 vide para(s) No.26.4.2, 56.5.1 and 56.5.7 respectively having financial impact of Rs 32.038 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 2, 6]

2.31.4 Less charging / recovery of PST – Rs 2.758 million

According to Serial No.56 & 63 of the Second Schedule to the Punjab Sales Tax on Services Act, 2012, "Rate of sales tax is sixteen percent on debt collection, rent collection and similar other recovery or collection services including right to collect the toll or fee or regulatory fee or duty or any other similar collection and rate of sales tax is five percent on parking services."

During audit of MC Gojra for the FY 2022-23, it was observed that CO awarded eight contracts of auction and collection rights to different contractors at total auction amount of Rs 25.342 million. Scrutiny of record revealed that PST was charged @ 5% amounting to Rs 1.267 million instead of actual of Rs 4.055 million @16%. Resultantly, less amount of PST amounting to Rs 2.758 million was charged to the contactors.

Due to weak internal controls, PST was charged at lesser than the prescribed rate which resulted in loss to the public exchequer.

The matter was reported to PAO in July, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of PST at prescribed rate from the contractors concerned besides fixing responsibility against the person(s) at fault.

Note: The issue was reported in the Audit Report(s) for Audit Year(s) 2022-23, 2020-21 and 2019-20 vide para(s) No.2.22.13, 26.4.4 and 56.5.4 respectively having financial impact of Rs 6.655 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No.8]

2.31.5 Non-recovery of miscellaneous fees – Rs 2.252 million

According to Rule 50(c) of the Punjab Local Governments Land Use Plan (Classification, Reclassification and Redevelopment) Rules 2020, "The conversion fee for conversion of site development zone (agriculture area) to residential use shall be two percent of the agricultural value of the land or plot or property as per valuation table and in case the valuation table is not available two percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee."

During audit of MC Gojra for the FY 2022-23, it was observed that CO failed to ensure recovery of conversion fees amounting to Rs 1.315 million from the sponsors / developers of two land sub-divisions. Further, MC authorities did not recover conversion fees, NOC fees, Naqsha fees etc. amounting to Rs 0.937 million from owners of 6 commercial / residential sites. Resultantly, an amount of Rs 2.252 million was not recovered by the MC authorities from the developers / owners of land sub-division and commercial / residential sites.

Due to weak internal controls, conversion, NOC and Naqsha fees were not recovered which resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends to ensure recovery of fees from the developers / owners of land sub-division, commercial / residential sites besides fixing responsibility against the person(s) at fault.

Note: The issue was reported in the Audit Report(s) for Audit Year(s) 2022-23, 2020-21 and 2019-20 vide para(s) No.2.22.10, 26.4.5 and 56.5.3 respectively having financial impact of Rs 8.396 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 4, 11]

2.32 Municipal Committee Haroonabad

Others

2.32.1 Non-realization of revenue – Rs 76.681 million

According to Rule 50 (1) (a) (e) of the Punjab Land Use (Classification, Reclassification and Redevelopment) Rules 2020, "A local government shall levy the conversion fee for the conversion of any land use to educational, healthcare institutional or commercial use @ ten percent of the existing value of the land or plot or property as per valuation table and in case valuation table is not available, ten percent of the average sale price of preceding twelve months of the land in the vicinity as determined by the District Price Assessment Committee." Further, according to Rule 47 (1) of the Punjab Local Government (Budget) Rules 2017, "Collecting officer shall ensure that all revenue due is claimed, realized and credited immediately into Local Government Fund and entered in the proper receipt head."

During audit of MC Haroonabad for the FY 2022-23, it was observed that CO did not collect revenue on account of sewerage fees and conversion fees amounting to Rs 76.681 million. The income was either less collected or misappropriated by the collection staff. The detail is as under:

(Rupees in million)

Sr. No.	Description	Amount
1	Sewerage fees	14.261
2	Conversion fees	62.420
Total		**76.681**

Due to weak internal controls, revenue was not recovered which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA/BWP /Reports/2023-24/F-39/CD-1026 dated 08.09.2023, followed by subsequent reminders vide No. 1118-20 dated 25.09.2023 and No. 1174-77 dated 28.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

Note: This issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2019-20 vide para(s) number 2.34.4 and 5.3.5.3.3 respectively having financial impact of Rs 54.211 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 8, 13]

2.33 Municipal Committee Hasilpur

Others

2.33.1 Loss due to non-recovery of revenue – Rs 455.929 million

According to Rule 50 (1) (a) (e) of the Punjab Land Use (Classification, Reclassification and Redevelopment) Rules 2020, "A local government shall levy the conversion fee for the conversion of any land use to educational, healthcare institutional or commercial use @ ten percent of the existing value of the land or plot or property as per valuation table and in case valuation table is not available, ten percent of the average sale price of preceding twelve months of the land in the vicinity as determined by the District Price Assessment Committee." Further, according to Rule 47 (1) of the Punjab Local Government (Budget) Rules 2017, "Collecting officer shall ensure that all revenue due is claimed, realized and credited immediately into Local Government Fund and entered in the proper receipt head."

During audit of MC Hasilpur for the FY 2022-23, it was observed that Chief Officer failed to collect different receipts amounting to Rs 455.929 million. The detail is as under:

(Rupees in million)

Sr. No.	Description	Amount
1	Arrears of receipts	121.043
2	Conversion Fees	90.900
3	Katchi Abadi's dues	220.790
4	Different fees from private housing schemes / Land sub-divisions	22.766
5	Risk and cost from contractor	0.430
Total		**455.929**

Due to weak internal controls, revenue receipts were not recovered which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA/BWP /Reports/2023-24/F-39/CD-1026 dated 08.09.2023, followed by subsequent reminders vide No. 1118-20 dated 25.09.2023 and No. 1174-77 dated 28.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

Note: This issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2020-21 and 2019-20 vide para(s) number 2.24.3, 4.4.6 and 8.2.5.3.2 respectively having financial impact of Rs 259.546 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 1, 6, 8, 9, 10]

2.33.2 Non-deposit of government taxes deducted at source – Rs 5.902 million

According to Rule 14 (1) of the Punjab Sales Tax (Withholding) Rules 2015, “A withholding agent shall be considered defaulter and personally liable to pay the amount of tax to the government and an officer of the Authority may pass an order to that effect and proceed to recover the same in the manner prescribed by Punjab Sales Tax on Services (Recovery) Rules, 2012, if a withholding agent under the rules (a) fails to withhold or deduct tax under the rules or (b) having withheld or deducted tax under the rules, fails to deposit the tax to the government.”

During audit of MC Hasilpur for the FY 2022-23, it was observed that CO did not deposit Rs 5.902 million on account of different taxes deducted from the contractors in the government treasury. The detail is as under:

(Rupees in million)

Sr. No.	Detail	Amount
1	Income Tax	1.340
2	GST	0.302
3	PST	4.260
Total		**5.902**

Due to weak internal controls, taxes deducted from contractors and employees were not deposited into government treasury which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this report despite repeated requests.

Audit recommends deposit of taxes to the quarter concerned besides action against the person(s) at fault.

[AIR 2022-23 Para No.3]

2.34 Municipal Committee Jahanian

Others

2.34.1 Loss due to non-recovery of revenue – Rs 133.087 million

According to Rule 11(2) (c) of the Punjab Local Governments (Accounts) Rules, 2017, "Chief Officer shall ensure that any sums due to local government are promptly realized and credited into the local fund."

During audit of MC Jahanian for the FY 2022-23, it was observed that CO failed to recover Rs 133.087 million on account of rent of shops from the tenants, loss due to non-re-auctioning of shops according to approved new rent of shops of DRAC Khanewal after expiry of lease period and recovery of tehbazari fees during Financial Years 2019-20 to 2022-23.

Due to weak financial and internal controls, government dues were not recovered which resulted in loss to MC.

The matter was reported to PAO in April, 2023 and July, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1489 dated 08.09.2023, followed by subsequent reminders vide No. 1535 dated 27.09.2023 and No. 1623 dated 20.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of dues at the earliest.

[AIR 2022-23 Para No.3, 4, 8]
[AIR 2019-22 Para No.8, 10]

2.34.2 Non-execution of land transfer deed – Rs 46.713 million

According to Chapter III Section 17 (e) & (f) and Chapter VIII Section 42 (h) of Punjab Private Housing Schemes and Land Sub-division Rules 2010, "A developer shall submit a transfer deed in accordance with Form B, for free of cost transfer to a Town Municipal Administration, a Tehsil Municipal Administration or a Development Authority, the area reserved for roads, open space, park, solid waste management; and two percent of the area under land sub-division for public buildings."

During audit of MC Jahanian for the FY 2022-23, it was observed that CO approved land sub-division but area of roads, parks, open space, solid waste management and public buildings was not transferred in the name of MC valuing Rs 46.713 million.

Due to weak administrative controls, non-execution of land transfer deed resulted in irregular approval of land sub-division.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides transfer deed as per rule be executed in the name of MC.

[AIR 2022-23 Para No. 12]

2.34.3 Non-recovery of conversion and map fees – Rs 45.796 million

According to Rule 50 (1) of Chapter-XI of Punjab Local Government Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "A Local Government shall levy fee for conversion of land use from agricultural, residential, peri-urban area to commercial use conversion fee at the rate of 10% of the commercial value of the land. Conversion fee for the conversion of agricultural land to industrial use shall be 5% of the agricultural value of land. Conversion fee for the conversion of land to health / educational institutions shall be 10% of the value of existing land."

During audit of MC Jahanian for the FY 2022-23, it was observed that CO did not recover conversion and map fees amounting to Rs 45.796 million during the Financial Year 2019-20 to 2022-23 from owners of commercial buildings and land sub-divisions who constructed commercial sites without approval.

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in April, 2023 and July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of conversion and map fees at the earliest.

[AIR 2019-22 Para No.13]
[AIR 2022-23 Para No. 11, 15]

2.35 Municipal Committee Jalalpur Pirwala

Procedural irregularities

2.35.1 Irregular expenditure due to defective tendering process - Rs 50 million

According to Rule 6 & 9 (5) (6) of the Punjab Local Government (Works) Rules, 2017, "The bids shall be opened at the time and place specified in the public notice in the presence of the bidders or their representatives who care to be present by the committee comprising on Chief Officer (Convener), Representative of Dy. Commissioner (Member), Assistant Engineer (Member), Municipal Officer (Finance) and Municipal Officer (Infrastructure), the members of the committee shall affix their initials and date on every bid so opened and also on the comparative statement. The execution of work shall be undertaken after the detailed estimates and the scheme is approved by the competent authority." Further, according to Finance Department letter No. RO (TECH) FD–1–2/83/-VI dated 29.03.2005, "The particulars of technical sanction i.e. amount, number and date of orders of technical sanction to be mentioned in the tender inviting notice."

During audit of MC Jalalpur Pirwala for the FY 2021-22, it was observed that CO issued, received and opened tenders of development works amounting to Rs 50 million in absence of external members of tender opening committee i.e. representative of Deputy Commissioner and Assistant Engineer for the Financial Years 2019-20 to 2021-22. Further, technical sanction number and date were not mentioned in the advertisement.

Due to weak internal controls, tenders were opened in absence of two external members and TS number and date were not mentioned in the advertisement which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1489 dated 08.09.2023, followed by subsequent reminders vide No. 1535 dated 27.09.2023 and No. 1623 dated 20.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends regularization of expenditure besides fixing responsibility against the person(s) at fault.

[AIR 2019-22 Para No.13, 14]

2.35.2 Irregular expenditure on work charged staff - Rs 14.622 million

According to Government of the Punjab LG & CD Department letter No.SO-ADMN-II (LG) 3-55/2007 dated 03.03.2016, "No work charged / daily wages employee will be appointed in

the local governments without the approval of LG&CD Department and without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of MC Jalalpur Pirwala for the FY 2022-23, it was observed that CO incurred expenditure of Rs 14.622 million on account of work charged staff. The work charged employees were appointed without eligibility criteria provided in the relevant service rules, advertisement and permission from LG&CD Department.

Due to weak internal controls, work charge employees were appointed without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

[AIR 2022-23 Para No. 10]

Others

2.35.3 Loss due to non-recovery of revenue – Rs 50.676 million

According to Rule 11(2) (c) of the Punjab Local Governments (Accounts) Rules, 2017, “Chief Officer shall ensure that any sums due to local government are promptly realized and credited into the local fund.”

During audit of MC Jalalpur Pirwala for the FY 2022-23, it was observed that CO failed to recover Rs 50.676 million on account of rent of shops and water rates from the connection holders of the water supply and sale of disposal water of treatment plant for the Financial Years 2020-21 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	Description	Mode of collection	Amount
1	Less recovery of water rates	Self-collection	16.104
2	Less-recovery of outsourced disposal water receipts from contractor	Outsourced	1.952
3	Non-recovery of rent of shops	Self-collection	5.620
4	Non-recovery of rent of 25 shops illegally occupied at General bus stand by private persons	Non-recovery	27.000
Total			**50.676**

Due to weak financial and internal controls, government dues were not recovered which resulted in loss to MC.

The matter was reported to PAO in April, 2023 and July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery at the earliest.

[AIR 2019-22 Para No.2, 5]
[AIR 2022-23 Para No. 3]

2.35.4 Non-recovery of conversion and map fees - Rs 19.576 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, “The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee.”

During audit of MC Jalalpur Pirwala for the FY 2022-23, it was observed that CO did not recover conversion and map fees amounting to Rs 19.576 million for the Financial Years 2020-21 to 2022-23 from owners of commercial buildings and land sub-divisions who constructed commercial sites without approval. Developers / owners / property dealers were running their business but same were not got regulated.

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in April, 2023 and July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends to probe the matter for fixing responsibility against the person(s) at fault besides recovery of conversion and building plan approval fees from the concerned at the earliest.

[AIR 2019-22 Para No.10]
[AIR 2022-23 Para No. 15, 16]

2.36 Municipal Committee Jampur

Procedural irregularities

2.36.1 Irregular expenditure on work charged staff – Rs 2.706 million

According to Government of the Punjab LG & CD Department letter No.SO-ADMN-II (LG) 3-55/2007 dated 03.03.2016, "No work charged / daily wages employee will be appointed in the local governments without the approval of LG&CD Department and without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of MC Jampur for the FY 2022-23, it was observed that CO made payment of Rs 2.706 million to work charged employees. The work charged employees were appointed without eligibility criteria provided in the relevant service rules, advertisement and permission from LG & CD Department.

Due to weak internal controls, work charge employees were appointed without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-1008 dated 15.09.2023, followed by subsequent reminders vide No. 1047 dated 26.09.2023 and No. 1080 dated 02.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.25.3 having financial impact of Rs 13.989 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 3]

Others

2.36.2 Non-recovery of revenue and over-payments of pay and allowances – Rs 53.401 million

According to Rule 14(d) of the Punjab Local Governments (Accounts) Rules, 2017, "The Collecting Officer shall collect the receipt of local Government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement, or compromise."

During audit of MC Jampur for the FY 2022-23, it was observed that CO failed to recover the revenue amounting to Rs 53.401 million on account of conversion fees and over-payments of pay and allowances. The detail is as under:

(Rupees in million)

Sr. No.	Type of Recovery/Overpayment	Amount
1	Recovery of unauthorized payment of pay and allowances	1.052
2	Less recovery of conversion fees	49.291
3	Recovery of non-deputing of MC employees for right of collection	3.058
Total		**53.401**

Due to weak internal controls, arrears of revenue were not recovered from the concerned which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of revenue from the concerned.

[AIR 2022-23 Para No. 2, 5, 9]

2.36.3 Non-deposit of government taxes – Rs 2.756 million

According to Serial No.1 (b) (ii), 2(ii) (b) and 3(iii) of Division III of Part III of First Schedule of the Income Tax Ordinance, 2001, "The rate of Income Tax to be deducted from a payment for goods or services shall be 4.5 per cent and 10 per cent respectively of the gross amount payable." Further, according to Serial No. 11 of the Second Schedule to the Punjab Sales Tax on Services Act 2012, "Punjab Sales Tax on Services @ 16 percent shall be applicable on services provided." Furthermore, according to Para 1.3, 4(b) & 4(3) of the Sales Tax Special Procedure (Withholding) Rules 2007, "1/5th of GST shall be withheld by withholding agent / DDO and same shall be submitted along with monthly return to concerned Collector of Sales Tax.

During audit of MC Jampur for the FY 2022-23, it was observed that CO did not deposit Rs 2.756 million on account of GST, Income Tax and Punjab Sales Tax during the year which were deducted at source from the bills of contractors / employees.

Due to weak internal controls, taxes deducted at source were not deposited into government treasury resulting in loss to government.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends deposit of GST, Income Tax and Punjab Sales Tax to the concerned departments immediately besides action against the person(s) at fault.

[AIR 2022-23 Para No. 10]

2.37 Municipal Committee Jaranwala

Procedural irregularities

2.37.1 Irregular expenditure on remuneration of daily wage employees – Rs 32.714 million

According to Government of the Punjab, Finance Department Notification No. RO (Tech) FD 2-2/2022 dated 15.07.2022, "Appointment of work charge / daily wages employee shall be made with procedure that the post(s) shall be advertised properly in the leading newspapers and recruitment to all posts shall be made on the basis of merit specified for regular establishment."

During audit of MC Jaranwala for the FY 2022-23, it was observed that CO made payment of Rs 32.714 million to the sanitary workers appointed on daily wages. Audit observed that appointments / recruitments were made without advertising jobs along with selection / recruitment criteria in the newspapers. Further, in various months sanitary workers were appointed on daily wages beyond the sanctioned posts as per schedule of establishment / vacant posts of sanitary workers.

Due to weak internal controls, recruitments were made without adopting prescribed procedure and beyond sanctioned strength which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure from the competent authority.

[AIR 2022-23 Para No. 18]

2.37.2 Irregular procurement in violation of PPRA Rules – Rs 2.636 million

According to Rules 4 & 9 of the Punjab Procurement Rules, 2014, "A procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical. All proposed procurements for each financial year shall be announced in an appropriate manner and the procuring agency shall proceed accordingly without any splitting or regrouping of the procurements so planned."

During audit of MC Jaranwala for the FY 2022-23, it was observed that CO incurred expenditure of Rs 2.636 million on procurement of street light /electric material, and sports items. Street light equipment and electric material was procured by splitting the cost of objects to avoid tendering. Moreover, expenditure on procurement of sports material was made without advertising on PPRA's website.

Due to weak financial management and monitoring mechanism, expenditure was incurred without open competitive bidding in violation of procurement rules which resulted in mis-procurement and irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends fixing responsibility against the person(s) at fault besides regularization of expenditure from the competent authority.

Note: The issue was reported in the Audit Report for Audit Year 2022-23 vide Para No.2.26.3 having financial impact of Rs 3.728 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 17]

2.37.3 Non-recovery of restoration cost of road cut – Rs 1.074 million

According to Rule 4 of the Punjab Local Governments (Property) Rules 2018, "The Manager shall take such care of the property of the local government as a man of ordinary prudence would take care of his own property of like nature and under similar circumstances. Prevent the property against nuisance, damage or misuse. The Manager shall be personally responsible to the local government for any loss, destruction or deterioration of the property, if such loss, destruction or deterioration is caused as a result of his default or negligence in the discharge of responsibilities. In case any difficulty arises in the maintenance of the property, the Manager shall immediately report the matter to the Mayor or Chairman as the case may be."

During audit of MC Jaranwala for the FY 2022-23, it was observed that CO incurred expenditure amounting to Rs 1.074 million for restoration of road cut. Scrutiny of record depicted that road cut was made by Sui Northern Gas Pipelines Limited (SNGPL) for repair of existing gas pipeline. However, restoration cost of road cut was not recovered from the SNGPL.

Due to weak monitoring and lack of due diligence, cost of restoration of road cut was either not recovered from the department concerned which resulted in unauthentic expenditure and loss to the Government.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends fixing responsibility against the person(s) at fault besides recovery of restoration cost from the department concerned.

[AIR 2022-23 Para No. 7]

Others

2.37.4 Non-recovery of Government dues from lessees - Rs 11.466 million

According to Schedule-II of the Punjab Local Governments (Conduct of Business) Rules 2017, “Municipal Officer (Finance) is responsible for the collection of approved taxes, fees, rates, tolls, charges, etc.” Further, according to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017 read with Rule 11(2)(c) of the Punjab Local Governments (Accounts) Rules 2017, “The Chief Officer and collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head.”

During audit of MC Jaranwala for the FY 2022-23, it was observed that CO auctioned collection rights of parking fees, wagon stand, general bus stand, motorcycle / auto rickshaw stand, taxi stand, slaughtering of animal fees, advertisement fees, stalls at general bus stand, parking stand land record center to different lessees at an auction amount of 37.757 million. However, the authorities could recover an amount of Rs 26.291 million from the lessees and failed to recover the remaining amount of Rs 11.466 million from the defaulters.

Due weak monitoring mechanism and financial controls, MC authorities could not recover lease amount and other Government dues from the defaulting lessees which resulted in short realization of revenue.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends to probe the matter for recovery from the concerned besides fixing responsibility against the person(s) at fault.

Note: The issue was reported in the Audit Report(s) for Audit Year(s) 2022-23 and 2020-21 vide para(s) No.2.26.10 and 21.4.4 respectively having financial impact of Rs 12.581 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 3]

2.37.5 Non-recovery of PST from contractors – Rs 5.492 million

According to Government of the Punjab, Finance Department Notification No.SO(Tax)5-24/2016 dated 05.10.2016, "The Punjab Sales Tax on Services was levied on services specified in the Sr. No 56 of the Second Schedule (Taxable Services) given in the notification."

During audit of MC Jaranwala for the FY 2022-23, it was observed that CO auctioned collection rights of eight revenue sources including advertisement fees, parking fees and slaughter of animal fees to different contractors at an auction amount of Rs 34.325 million but PST amounting to Rs 5.492 million was not recovered from the contractors.

Due to negligence and weak financial management, PST was not recovered from the contractors which resulted in loss of Government revenue.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery from the contractors concerned besides depositing the same into the Government Treasury.

Note: The issue was reported in the Audit Report(s) for Audit Year(s) 2020-21 and 2019-20 vide para(s) No.21.4.5 and 46.5.6 respectively having financial impact of Rs 4.524 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 5]

2.37.6 Non-recovery of arrears of revenue – Rs 5.392 million

According to Schedule-II of the Punjab Local Governments (Conduct of Business) Rules 2017, "Municipal Officer (Finance) is responsible for the collection of approved taxes, fees, rates, tolls, charges, etc." Further, according to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017 read with Rule 11(2)(c) of the Punjab Local Governments (Accounts) Rules 2017, "The Chief Officer and collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of MC Jaranwala for the FY 2022-23, it was observed that CO leased out 11 shops to tenants on monthly rental basis. However, tenants did not deposit rent of shops amounting to Rs 4.163 million. Further, MC authorities could recover amount of Rs 0.420 million on account of water rates charges from connection holders of water supply against billing of Rs 1.650 million leaving a balance of Rs 1.229 million. Resultantly, total arrears of Rs 5.392 million were not recovered by the MC authorities.

Due weak monitoring mechanism and financial controls, MC authorities could not recover arrears of rent of shops and water rates charges from the defaulters which resulted in short realization of revenue.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends fixing responsibility against the person(s) at fault besides recovery from the concerned.

Note: The issue was reported in the Audit Report(s) for Audit Year(s) 2022-23 and 2019-20 vide para(s) No.2.26.9 and 46.4.5 respectively having financial impact of Rs 15.805 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 8, 9]

2.38 Municipal Committee Jatoi

Procedural irregularities

2.38.1 Irregular expenditure on work charged staff – Rs 2.540 million

According to Government of the Punjab LG & CD Department letter No.SO-ADMN-II (LG) 3-55/2007 dated 03.03.2016, "No work charged / daily wages employee will be appointed in the local governments without the approval of LG&CD Department and without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of MC Jatoi for the FY 2022-23, it was observed that CO incurred expenditure of Rs 2.540 million on account of work charged staff. The work charged employees were appointed without eligibility criteria provided in the relevant service rules, advertisement and permission from LG&CD Department.

Due to weak internal controls, work charge employees were appointed without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-1008 dated 15.09.2023, followed by subsequent reminders vide No. 1047 dated 26.09.2023 and No. 1080 dated 02.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

[AIR 2022-23 Para No. 8]

Others

2.38.2 Non-recovery of outstanding dues / revenue – Rs 18.462 million

According to Rule 14(d) of the Punjab Local Governments (Accounts) Rules, 2017, "The Collecting Officer shall collect the receipt of local Government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement, or compromise."

During audit of MC Jatoi for the FY 2022-23, it was observed that CO failed to recover revenue amounting to Rs 18.462 million on account of under various head of accounts. The detail is as under:

(Rupees in million)

Sr. No.	Type of Recovery/Overpayment	Amount
1	Non-recovery of revenue	5.169
2	Recovery advertisement / Sullage water fees	0.533
3	Non-recovery Govt. dues from housing Schemes	7.815
4	Less recovery of conversion fees	4.945
Total		**18.462**

Due to weak internal controls, government revenue were not recovered from the concerned which resulted in loss to the MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of revenue from the concerned.

[AIR 2022-23 Para No. 1, 3, 5, 19]

2.38.3 Non-deposit of government taxes – Rs 4.073 million

According to Serial No.1 (b) (ii), 2(ii) (b) and 3(iii) of Division III of Part III of First Schedule of the Income Tax Ordinance, 2001, "The rate of Income Tax to be deducted from a payment for goods or services shall be 4.5 per cent and 10 per cent respectively of the gross amount payable." Further, according to Serial No. 11 of the Second Schedule to the Punjab Sales Tax on Services Act 2012, "Punjab Sales Tax on Services @ 16 percent shall be applicable on services provided." Furthermore, according to Para 1.3, 4(b) & 4(3) of the Sales Tax Special Procedure (Withholding) Rules 2007, "1/5th of GST shall be withheld by withholding agent / DDO and same shall be submitted along with monthly return to concerned Collector of Sales Tax.

During audit of MC Jatoi for the FY 2022-23, it was observed that CO did not deposit Rs 4.073 million on account of GST, Income Tax and Punjab Sales Tax during the year which were deducted at source from the bills of contractors / employees.

Due to weak internal controls, taxes deducted at source were not deposited into government treasury resulting in loss to government.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends deposit of GST, Income Tax and Punjab Sales Tax to the concerned departments immediately besides action against the person(s) at fault.

[AIR 2022-23 Para No. 10, 14]

2.39 Municipal Committee Jhang

Procedural irregularities

2.39.1 Irregular payment of SSB after regularization – Rs 40.862 million

According to Clause 9 of the Punjab Regularization of Service Act 2018, "Contract employee, on regularization, shall be allowed the initial stage of pay and the increments earned shall be converted into Personal Allowance but no other privilege allowed to a contract employee shall be admissible including SSB."

During audit of MC Jhang for the FY 2022-23, it was observed that CO regularized services of 200 contract employees w.e.f. 01.03.2013 and 47 contract employees under 17-A from their respective dates of appointments. However, recovery of Social Security Benefit (SSB) amounting to Rs 40.862 million was not made from the employees after regularization of their services.

Due to weak internal controls, recovery of SSB was not made from the employees after regularization of their services which resulted in excess payment to the employees and loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends recovery of overpaid amount of SSB from the employees concerned besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 13]

2.39.2 Irregular expenditure on hiring of generators – Rs 3.285 million

According to Rule 9 of the Punjab Procurement Rules, 2014, "A procuring agency shall announce in an appropriate manner all proposed procurement for each financial year and shall proceed accordingly without any splitting or regrouping of the procurement so planned. The annual requirements thus determined would be advertised in advance on the PPRA's website."

During audit of MC Jhang for the FY 2022-23, it was observed that CO incurred expenditure of Rs 3.285 million on hiring of generators on the event of Muharrum-ul-Haram. However, the expenditure was incurred by splitting the cost of object to avoid tendering.

Due to weak internal controls, hiring of generators was made by splitting and payment of contractor profit was made without admissibility which resulted in irregular expenditure and excess payment.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault beside recovery of excess paid amount from the contractor.

Note: The issue was reported in the Audit Report for Audit Year 2022-23 vide para No.2.28.3 having financial impact of Rs 1.386 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 11]

Others

2.39.3 Non-recovery of miscellaneous fees – Rs 85.855 million

According to Rule 50(a) of the Punjab Local Governments Land Use (Classification, Reclassification, and Redevelopment) Rules 2020, "The conversion fee for the conversion zone (agriculture area) abutting list "A" roads to commercial use shall be ten percent of the commercial value of the land." Further, according to Rule 24(1) of the Punjab Private Housing Schemes Rules 2022, "The sponsor shall deposit to the local Government or the agency concerned, as the case may be a fee for approval of a housing scheme at the rate of rupees one thousand per kanal for the total housing scheme area, approval of service design and specification for water supply, sewerage and drainage at the rate of rupees five hundred per kanal for the total housing scheme area and approval of service design and specifications for roads, bridges, underpasses and footpaths of a housing scheme at the rate of rupees five hundred per kanal for the total housing scheme area."

During audit of MC Jhang for the FY 2022-23, it was observed that CO failed to recover conversion fees, sanction fees and designs approval fees amounting to Rs 85.855 million from the owners of 33 commercial buildings and sponsor / developer of a housing scheme.

Due to weak internal controls, the conversion and other prescribed fees were not recovered from the owners of commercial buildings & hosing scheme which resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends appropriate action for recovery of fees besides fixing responsibility against the person(s) at fault.

Note: The issue was reported in the Audit Report for Audit Year 2022-23 vide Para No.2.28.6 having financial impact of Rs 4.242 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 7, 10, 12]

2.39.4 Loss due to non-recovery of rent of shops – Rs 35.993 million

According to Rule 7 of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall be responsible to prepare estimates of receipts for each head of income and timely submission to the head of the finance office, making assessments of tax, a fee of the levy by the local government, on a periodical basis, for evaluating its potential and new tax proposal, ensure timely recoveries of each demand and ensure that all revenue collected against demand is credited into the Local Fund."

During audit of MC Jhang for the FY 2022-23, it was observed that CO failed to recover arrears on account of rent of shops from tenants amounting to Rs 35.993 million. The detail is as under:

(Rupees in million)

Head of Income	**No. of Shops**	**Recoverable Rent**	**Remarks**
Shops and plots	313	27.393	Arrears of Rent of shops including litigation cases
Arrears of Gur Mandi shops	48	8.600	Rent of shops not realized since 2001 as per decision by the supreme court in favor of MC, Jhang
Total	**313**	**35.993**	

Due to weak internal controls, recovery of arrears of rent of shops was not made which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of rent of shops besides fixing responsibility against the person(s) at fault.

<u>Note:</u> The issue was reported in the Audit Report(s) for Audit Year(s) 2022-23 and 2020-21 vide para(s) No.2.28.5 and 24.4.8 respectively having financial impact of Rs 9.029 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 5]

2.39.5 Non-recovery of Government dues – Rs 6.310 million

According to Rule 47 of the Punjab Local Governments (Budget) Rules, 2017, "The collecting Officer shall ensure that all revenue due is claimed, realized, and credited immediately in Local Government Account and entered in the proper receipt head." Further, according to Clause 25(e) of the Contract for Auction of Collection Rights, "The contractor shall not appoint his staff for the collection of income without the prior approval of the local government and all collections shall be carried out by him through the staff of the local government concerned assigned to him for this purpose."

During audit of MC Jhang for the FY 2022-23, it was observed that CO failed to recover arrears on account of parking fees, general bus stand, rickshaw stand and cycle stand amounting to

Rs 1.866 million. Further, MC authorities did not recover pay & allowances of staff deputed with the contractors amounting to Rs 4.444 million.

Due to weak financial controls, arrears of auction and pay & allowances of MC staff were not recovered from the contractors which resulted in the loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery from contractors concerned besides fixing responsibility against the person(s) at fault.

Note: The issue was reported in the Audit Report for Audit Year 2022-23 vide Para No.2.28.7 having financial impact of Rs 3.969 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 1, 14]

2.39.6 Non-recovery of cost of land and development charges – Rs 2.992 million

According to Directorate General of Kachi Abadies Colonies Department, Board of Revenue, Punjab, letter No.DG(KA) BOR/8-200/2012 dated 22.11.2012, "In supersession of all previous decisions, the price of land (Urban areas) will be @ 2% of the current valuation table at the time of grant of proprietary rights for area under occupation up to 5-Marlas, price of land for occupation above 5-Marlas and up to 10-Marlas will be current valuation table rate at the time of grant of proprietary rights and price of land for occupation for above 10-Marlas will be the current valuation rate with additional surcharge 50% thereof at the time of grant of proprietary rights."

During audit of MC Jhang for the FY 2022-23, it was observed that CO failed to recover cost of land and development charges amounting to Rs 2.992 million from occupants of Kachi Abadies. No action was taken by the MC authorities to recover cost of land and development charges despite lapse of considerable time.

Due to weak internal controls, outstanding dues of Kachi Abadies were not recovered which resulted in loss to public exchequer.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends fixing responsibility against the person(s) at fault besides recovery of cost of land and development charges.

[AIR 2022-23 Para No. 4]

2.40 Municipal Committee Kabirwala

Procedural irregularities

2.40.1 Non-obtaining of additional performance security – Rs 4.676 million

According to Rule 9 of the Punjab Local Governments (Works) Rules, 2017, "In case the rates of the lowest bid are equal to or less than 5% of the estimated cost, the lowest bidder shall be bound to deposit additional performance security from a scheduled bank from 5% to 10% (including CDR deposited at the time of tendering) within 15 days of issuance of notice and the same shall be refunded after issuance of the completion certificate by the in-charge of the engineering branch."

During audit of MC Kabirwala for the FY 2021-22, it was observed that CO awarded seven development works without getting additional performance security amounting to Rs 4.676 million during Financial Year 2019-20. The works were awarded @ 25% to 33% below the estimated costs. However, no documentary evidence, regarding receipt of additional performance security and refund of the same was on record.

Due to weak internal controls, additional performance security was not obtained which resulted in irregular award of contract.

The matter was reported to PAO in April, 2023. No reply was submitted by the DDO concerned.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1489 dated 08.09.2023, followed by subsequent reminders vide No. 1535 dated 27.09.2023 and No. 1623 dated 20.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR 2019-22 Para No. 5]

Others

2.40.2 Non-recovery of conversion and map fees – Rs 20.421 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee.”

During audit of MC Kabirwala for the FY 2022-23, it was observed that CO did not recover conversion fees, map fees, approval of design and specification fees amounting to Rs 20.421 million from the developers / owners on account of establishment of land sub-divisions for the Financial Years 2019-20 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	Particulars	Amount
1	Loss due to non-registration of three private housing schemes established without paying government fees	2.692
2	Loss to Government due to non-recovery of dues from established land sub-divisions, eight housing schemes did not pay the government fees	15.278
3	Non-recovery of conversion and map fees	2.451
Total		**20.421**

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in April, 2023 and July, 2023. No reply was submitted by the DDO concerned.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of government dues besides fixing responsibility against the person(s) at fault.

[AIR 2019-22 Para No. 7, 8]

[AIR 2022-23 Para No.4, 7]

2.40.3 Non-recovery of rent of shops – Rs 6.062 million

According to Rule 11(2) (c) of the Punjab Local Governments (Accounts) Rules, 2017, “Chief Officer shall ensure that any sums due to local government are promptly realized and credited into the local fund.”

During audit of MC Kabirwala for the FY 2022-23, it was observed that CO failed to recover receipts amounting to Rs 6.062 million on account of arrears of rent of shops as on 30.06.2022 for the Financial Years 2019-20 to 2022-23.

Due to weak financial and internal controls, rent of shops was not recovered which resulted in loss to MC.

The matter was reported to PAO in April, 2023 and July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery at the earliest.

[AIR 2019-22 Para No.3]
[AIR 2022-23 Para No.5]

2.41 Municipal Committee Kamalia

Others

2.41.1 Non-recovery of arrears of MC revenue – Rs 17.815 million

According to Rule 4.7(1) of the Punjab Financial Rules, Vol-I, "It is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government account."

During audit of MC Kamalia for the FY 2022-23, it was observed that CO could recover an amount of Rs 10.670 million on account of water rates charges from connection holders of water supply against total demand of Rs 27.483 million leaving recoverable balance of Rs 16.813 million. Further, staff of MC failed to recover rent of shops and accumulated arrears up to June, 2023 from 90 occupants of municipal property amounting to Rs 1.002 million. Resultantly, total arrears / revenue of Rs 17.815 million were not recovered.

Due weak monitoring mechanism, MC authorities failed to recover water rates charges and rent of shops which resulted in less realization of revenue and loss to the Government.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery from the concerned.

Note: The issue was reported in the Audit Report(s) for Audit Year(s) 2022-23 and 2020-21 vide para(s) No.2.29.6 and 27.4.8 respectively having financial impact of Rs 17.085 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 5, 10]

2.41.2 Non-recovery of conversion and approval fees – Rs 12.754 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case

the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee."

During audit of MC Kamalia for the FY 2022-23, it was observed that CO failed to recover conversion and building plan approval fees amounting to Rs 10.934 million from the owner of a marriage hall who converted land for commercial use without depositing prescribed fees. Further, conversion and approval fees of housing scheme amounting to Rs 1.820 million was also not recovered from owner / developer.

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of conversion fees, building plan approval fees from the concerned at the earliest.

Note: The issue was reported in the Audit Report(s) for Audit Year(s) 2022-23 and 2020-21 vide para(s) No.2.29.8 and 27.4.7 respectively having financial impact of Rs 6.591 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 8]

2.41.3 Non-recovery of PST from contractors – Rs 1.946 million

According to serial No. 56 of the second schedule to the Punjab Sales Tax on Services Act, 2012, "Rate of sales tax is sixteen percent on debt collection, rent collection and similar other recovery or collection services including right to collect the toll or fee or regulatory fee or duty or any other similar collection."

During audit of MC Kamalia for the FY 2022-23, it was observed that CO auctioned collection rights of advertisement fees, parking fees and slaughter of animal fees to different contractors at auction amount of Rs 12.160 million. However, PST amounting to Rs 1.946 million was not recovered from the contractors.

Due to negligence and weak financial management, PST was not recovered from the contractors which resulted in loss of Government revenue.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends fixing responsibility against the person(s) at fault besides recovery from the lessees concerned.

Note: The issue was reported in the Audit Report(s) for Audit Year(s) 2022-23, 2020-21 and 2019-20 vide para(s) No.2.29.9, 27.4.10 and 57.5.2 respectively having financial impact of Rs 3.648 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 4]

2.41.4 Non-recovery of Government dues from contractor – Rs 1.094 million

According to Rule 28(3) and 28(4) of the Punjab Local Governments (Auction of Collection Rights) Rules, 2016, "After cancellation of contract, the House may decide to re-auction the income for the remaining period of contract or may make self-collection and in both situations mentioned under sub-rule (3), if the income so received is found less than the contractual amount, the difference shall be recovered from the contractor as arrears of land revenue."

During audit of MC Kamalia for the FY 2022-23, it was observed that CO awarded auction of collection rights of motorcycle rickshaw fees amounting to Rs 2.150 million. However, the contractor deposited Rs 1.056 million into MC account by leaving the balance of Rs 1.094 million unrecovered.

Due to weak internal controls and financial mismanagement, balance amount was not recovered from the contractor which resulted in less realization of revenue and loss to the Government.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery from the defaulting contractor.

Note: The issue was reported in the Audit Report for Audit Year 2022-23 vide Para No.2.29.10 having financial impact of Rs 2.148 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 2]

2.42 Municipal Committee Kameer

Procedural irregularities

2.42.1 Unauthorized payment of previous year's liabilities – Rs 1.125 million

According to Rule 17.18 of PFR Vol-I, "Expenditure incurred in one year, should not be left over to be met out of the budget for the next year."

During audit of MC Kameer for the FY 2021-22, it was observed that CO made payment for Rs 1.125 million against procurement of POL and repair etc. for preceding financial years out of budget for the Financial Years 2019-20 to 2021-22. However, payments were made without maintaining liability register, approval of the competent authority and special provision of funds for the clearance of outstanding liabilities.

Due to weak internal controls, previous year's liabilities were paid from budget of current year which resulted in unauthorized expenditure.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1489 dated 08.09.2023, followed by subsequent reminders vide No. 1535 dated 27.09.2023 and No. 1623 dated 20.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends fixing responsibility against the person(s) at fault besides regularization of expenditure.

[AIR 2019-22 Para No. 06]

Others

2.42.2 Non-execution of land transfer deed – Rs 93.939 million

According to Chapter III Section 17 (e) & (f) and Chapter VIII Section 42 (h) of Punjab Private Housing Schemes and Land Sub-division Rules 2010, "A developer shall submit a transfer deed in accordance with Form B, for free of cost transfer to a Town Municipal Administration, a Tehsil Municipal Administration or a Development Authority, the area reserved for roads, open space, park, solid waste management and two percent of the area under land sub-division for public buildings."

During audit of MC Kameer for the FY 2022-23, it was observed that CO approved land sub-division but area of roads, parks, open space, solid waste management and public buildings was not transferred in the name of MC valuing Rs 93.939 million. The detail is as under:

(Rupees in million)

Sr. No.	Name of Housing Schemes	Address	Total Area	Area under Roads & Public Places	Valuation Table Rate Per Marla F.Y 2022-23	Transfer Deed Amount
1	Jahangir Gardens	Chak No.120/9-L	48 Kanal	18-Kanal 09 Marla	Rs.254,789	93.939

Due to weak administrative controls, non-execution of land transfer deed resulted in irregular approval of land sub-division.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides transfer deed as per rule be executed in the name of MC.

[AIR 2022-23 Para No. 12]

2.42.3 Non-recovery of conversion and map fees – Rs 1.699 million

According to Rule 50 (1) of Chapter-XI of Punjab Local Government Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020 a Local Government shall levy fee for conversion of land use from agricultural, residential, peri-urban area to commercial use conversion fee at the rate of 10% of the commercial value of the land. Conversion fee for the conversion of agricultural land to industrial use shall be 5% of the agricultural value of land. Conversion fee for the conversion of land to health / educational institutions shall be 10% of the value of existing land.

During audit of MC Kameer for the FY 2022-23, it was observed that CO failed to recover conversion and map fees amounting to Rs 1.699 million from the owners of commercial buildings and LSDs constructed. The buildings were constructed without approval but no action was taken by the MC authorities.

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of conversion and map fees at the earliest.

[AIR 2022-23 Para No. 3, 5]

2.43 Municipal Committee Karor

Others

2.43.1 Non-recovery of outstanding dues / revenue – Rs 20.677 million

According to Rule 14(d) of the Punjab Local Governments (Accounts) Rules, 2017, "The Collecting Officer shall collect the receipt of local Government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement, or compromise."

During audit of MC Karor for the FY 2022-23, it was observed that CO failed to recover of revenue, over-payment and fees etc. amounting to Rs 20.677 million from the concerned. The detail is as under:

(Rupees in million)

Sr. No.	Detail of recovery	Amount
1	Loss due to non-recovery of building map fees and conversion charges	19.932
2	Less-Recovery against Rent of Shops	0.745
Total		**20.677**

Due to weak internal controls, the government revenue were not recovered from the concerned resulting in loss to the MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-1008 dated 15.09.2023, followed by subsequent reminders vide No. 1047 dated 26.09.2023 and No. 1080 dated 02.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends recovery of revenue from the concerned.

[AIR 2022-23 Para No. 2, 11]

2.44 Municipal Committee Kehror Pacca

Procedural irregularities

2.44.1 Irregular advance withdrawal for purchase of vehicles – Rs 6.593 million

According to Para 4.2.15 of the Accounting Policies and Procedural Manual (APPM), "Payment must not be made in advance unless it is required by the agreement with the supplier and supported by a bank guarantee for the value of the advance. Officers should ensure that before agreeing to make advance payment or enter into an interim payment arrangement, approval from an officer, as specified by the delegation of Financial Powers, is obtained."

During audit of MC Kehror Pacca for the FY 2021-22, it was observed that CO made advance payment amounting to Rs 6.593 million for purchase of chassis of sewer jetting machine and tractor without obtaining the sanction from the Punjab Finance Department for the Financial Years 2019-20 to 2021-22. Bank guarantee of Rs 0.405 million was obtained instead of Rs 4.050 million for purchase of chassis but no bank guarantee was taken against the purchase of tractor. Chassis of "Mitsubishi Canter Truck" was purchased from M/S FUSO Master Motors without inviting bids from HINO and ISUZU. Hence, the purchase process was not transparent.

Due to weak internal controls, advance payment was made without taking the sanction which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1489 dated 08.09.2023, followed by subsequent reminders vide No. 1535 dated 27.09.2023 and No. 1623 dated 20.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

[AIR 2019-22 Para No. 2, 3]

Others

2.44.2 Non-recovery of conversion and map fees – Rs 25.281 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case

the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee."

During audit of MC Kehror Pacca for the FY 2022-23, it was observed that CO did not recover conversion fees, map fees, approval of design and specification fees amounting to Rs 25.281 million from the developers/ owners on account of establishment of various commercial buildings and land sub-divisions for the Financial Years 2019-20 to 2022-23.

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in April, 2023 and July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of the government dues at the earliest.

[AIR 2019-22 Para No. 8, 10]

[AIR 2022-23 Para No. 10, 11]

2.45 Municipal Committee Khairpur Tamewali

Others

2.45.1 Loss due to non-recovery of revenue – Rs 35.722 million

According to Rule 50 (1) (a) (e) of the Punjab Land Use (Classification, Reclassification and Redevelopment) Rules 2020, "A local government shall levy the conversion fee for the conversion of any land use to educational, healthcare institutional or commercial use @ ten percent of the existing value of the land or plot or property as per valuation table and in case valuation table is not available, ten percent of the average sale price of preceding twelve months of the land in the vicinity as determined by the District Price Assessment Committee." Further, according to Rule 47 (1) of the Punjab Local Government (Budget) Rules 2017, "Collecting officer shall ensure that all revenue due is claimed, realized and credited immediately into Local Government Fund and entered in the proper receipt head."

During audit of MC Khairpur Tamewali for the FY 2022-23, it was observed that CO failed to collect different receipts amounting to Rs 35.722 million. The detail is as under:

(Rupees in million)

Sr. No.	Description	Amount
1	Conversion Fees	5.061
2	Arrears of receipts	19.215
3	Katchi Abadi's dues	11.446
Total		**35.722**

Due to weak internal controls, revenue receipts were not recovered which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA/BWP /Reports/2023-24/F-39/CD-1026 dated 08.09.2023, followed by subsequent reminders vide No. 1118-20 dated 25.09.2023 and No. 1174-77 dated 28.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

Note: This issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2019-20 vide para(s) number 2.31.2 and 9.2.5.3.4 respectively having financial impact of Rs 296.023 million. Recurrence of same irregularity is a matter of serious concern.
[AIR 2022-23 Para No. 4, 6, 8]

2.45.2 Non-deposit of government taxes deducted at source – Rs 1.069 million

According to Rule 14 (1) of the Punjab Sales Tax (Withholding) Rules 2015, "A withholding agent shall be considered defaulter and personally liable to pay the amount of tax to the government and an officer of the Authority may pass an order to that effect and proceed to recover the same in the manner prescribed by Punjab Sales Tax on Services (Recovery) Rules, 2012, if a withholding agent under the rules (a) fails to withhold or deduct tax under the rules or (b) having withheld or deducted tax under the rules, fails to deposit the tax to the government."

During audit of MC Khairpur Tamewali for the FY 2022-23, it was observed that CO did not deposit Rs 1.069 million on account of different taxes deducted from the contractors in the government treasury. The detail is as under:

(Rupees in million)

Sr. No.	**Description**	**Amount**
1	Income Tax	0.033
2	GST	0.354
3	PST	0.682
Total		**1.069**

Due to weak internal controls, taxes deducted from contractors and employees were not deposited into government treasury which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this report despite repeated requests.

Audit recommends deposit of taxes to the quarter concerned besides action against the person(s) at fault.

[AIR 2022-23 Para No. 3]

2.46 Municipal Committee Khan Pur

Others

2.46.1 Non-deposit of government taxes deducted at source – Rs 7.240 million

According to Rule 14 (1) of the Punjab Sales Tax (Withholding) Rules 2015, "A withholding agent shall be considered defaulter and personally liable to pay the amount of tax to the government and an officer of the Authority may pass an order to that effect and proceed to recover the same in the manner prescribed by Punjab Sales Tax on Services (Recovery) Rules, 2012, if a withholding agent under the rules (a) fails to withhold or deduct tax under the rules or (b) having withheld or deducted tax under the rules, fails to deposit the tax to the government."

During audit of MC Khan Pur for the FY 2022-23, it was observed that CO failed to deposit Rs 7.240 million on account of taxes deducted on purchase and repair of various items etc. from the bills of contractors. The detail is as under:

(Rupees in million)

Sr. No.	Description	Amount
1	Income Tax	2.179
2	GST	3.684
3	PST	1.377
	Total	**7.240**

Due to weak internal controls, taxes deducted from contractors and employees were not deposited into government treasury which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA/BWP /Reports/2023-24/F-39/CD-1026 dated 08.09.2023, followed by subsequent reminders vide No. 1118-20 dated 25.09.2023 and No. 1174-77 dated 28.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends deposit of taxes besides action against the person(s) at fault.

[AIR 2022-23 Para No. 9]

2.46.2 Non-realization of revenue – Rs 2.431 million

According to Rule 47 (1) of the Punjab Local Government (Budget) Rules 2017, "Collecting officer shall ensure that all revenue due is claimed, realized and credited immediately into Local Government Fund and entered in the proper receipt head."

During audit of MC Khan Pur for the FY 2022-23, it was observed that CO did not collect revenue on account of bus stand fees, publicity tax and cycle stand fees amounting to Rs 2.431 million.

Due to weak internal controls, revenue was not recovered which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 18]

2.47 Municipal Committee Khanewal

Procedural irregularities

2.47.1 Irregular expenditure on work charged staff - Rs 14.477 million

According to Government of the Punjab LG & CD Department letter No.SO-ADMN-II (LG) 3-55/2007 dated 03.03.2016, "No work charged / daily wages employee will be appointed in the local governments without the approval of LG&CD Department and without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of MC Khanewal for the FY 2022-23, it was observed that CO incurred expenditure of Rs 14.477 million on account of work charged staff. The work charged employees were appointed without eligibility criteria provided in the relevant service rules, advertisement and permission from LG&CD Department.

Due to weak internal controls, work charge employees were appointed without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1489 dated 08.09.2023, followed by subsequent reminders vide No. 1535 dated 27.09.2023 and No. 1623 dated 20.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.32.2 having financial impact of Rs 9.001 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 12]

2.47.2 Doubtful payments of civil work – Rs 1.096 million

According to Rule 2.33 of PFR Vol-I, "Every Government servant 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."

During audit of MC Khanewal for the FY 2022-23, it was observed that CO awarded work order of scheme “Repair of roads, patch work of metaled roads, in city Khanewal” on 14.06.2022 with a time limit of 45 days up to 31.07.2022. The contractor executed work valuing Rs 2.970 million which was paid through 1st running bill dated 11.08.2022, 2nd running bill dated 26.09.2022 and 3rd running bill dated 22.11.2022. Physical verification dated 21.07.2023 indicated that no work was performed in 03 segments of the schemes located at Tehsin Lab road, Tariqabad to Naqsh Qamar printing chowk and civil line. Further, the segment of civil line was already executed through PCP project. Situation indicated that payment of Rs 1.096 million was made to the contractor through doubtful record entries. The detail is as under:

(Rupees in million)

Sr. No.	**Description of work**	**Tehsin Lab road**	**Tariqabad to Naqsh Qamar printing chowk**	**Civil line**	**Total**	**Rate paid**	**Loss**
1	P/L of base course of crushed stone aggregate (Cft)	1,584	148	176	1,908	17,542	0.335
2	P/L Triple Surface Treatment	4,800	448	533	5,781	5,933	0.343
3	Double Surface Treatment with 32 lbs. bitumen	-	8,512	6,127	14,639	2,858	0.418
	Total						**1.096**

Due to weak internal controls, payment was made against doubtful billing which may result in loss to government.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.
[AIR 2022-23 Para No. 20]

Others

2.47.3 Non-recovery of conversion and map fees – Rs 87.513 million

According to Rule 50 (1) of Chapter-XI of Punjab Local Government Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "A Local Government shall levy fee for conversion of land use from agricultural, residential, peri-urban area to commercial use conversion fee at the rate of 10% of the commercial value of the land. Conversion fee for the conversion of agricultural land to industrial use shall be 5% of the agricultural value of land. Conversion fee for the conversion of land to health / educational institutions shall be 10% of the value of existing land."

During audit of MC Khanewal for the FY 2022-23, it was observed that CO did not recover conversion and map fees amounting to Rs 87.513 million from owners / developers of commercial buildings and land sub-divisions who constructed commercial sites without approval.

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of conversion and building plan approval fees at the earliest.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.32.7 having financial impact of Rs 8.313 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No.5, 17]

2.47.4 Loss due to non-recovery of revenue – Rs 33.640 million

According to Rule 11(2) (c) of the Punjab Local Governments (Accounts) Rules, 2017, "Chief Officer shall ensure that any sums due to local government are promptly realized and credited into the local fund."

During audit of MC Khanewal for the FY 2022-23, it was observed that CO failed to recover government dues amounting to Rs 33.640 million from the tenants of shops and water connection holders. The non-recovery was consisting of Rs 31.309 million on account of rent of shops and Rs 2.331 million on account of water rates charges.

Due to weak financial and internal controls, government dues were not recovered which resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of dues at the earliest.

[AIR 2022-23 Para No. 13, 16]

2.48 Municipal Committee Khangarh

Others

2.48.1 Non-recovery of revenue and over-payment of pay and allowances – Rs 26.780 million

According to Rule 14(d) of the Punjab Local Governments (Accounts) Rules, 2017, "The Collecting Officer shall collect the receipt of local Government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement, or compromise."

During audit of MC Khangarh for the FY 2022-23, it was observed that CO failed to recover the revenue amounting to Rs 26.780 million on account of conversion fees, advances and overpayments on the account of pay and allowances. The detail is as under:

(Rupees in million)

Sr. No.	Type of Recovery/Overpayment	Amount
1	Less recovery of conversion fees	25.785
2	Recovery of Conveyance Allowance	0.045
3	Recovery of House Building Advances	0.950
Total		**26.78**

Due to weak internal controls, government revenue were not recovered from the concerned which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDA / DGK/CD-1008 dated 15.09.2023, followed by subsequent reminders dated 26.09.2023 and 02.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends recovery of revenue from concerned.

<u>Note:</u> The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.33.6 having financial impact of Rs 163.269 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 2, 7, 8]

2.48.2 Non-deposit of government taxes – Rs 5.014 million

According to Serial No.1 (b) (ii), 2(ii) (b) and 3(iii) of Division III of Part III of First Schedule of the Income Tax Ordinance, 2001, "The rate of Income Tax to be deducted from a payment for goods or services shall be 4.5 per cent and 10 per cent respectively of the gross amount payable." Further, according to Serial No. 11 of the Second Schedule to the Punjab Sales Tax on Services Act 2012, "Punjab Sales Tax on Services @ 16 percent shall be applicable on services provided." Furthermore, according to Para 1.3, 4(b) & 4(3) of the Sales Tax Special Procedure (Withholding) Rules 2007, "1/5th of GST shall be withheld by withholding agent / DDO and same shall be submitted along with monthly return to concerned Collector of Sales Tax.

During audit of MC Khangarh for the FY 2022-23, it was observed that CO did not deposit Rs 5.014 million on account of GST, Income Tax and Punjab Sales Tax during the year which were deducted at source from the bills of contractors / employees.

Due to weak internal controls, taxes deducted at source were not deposited into government treasury resulting in loss to government.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends deposit of GST, Income Tax and Punjab Sales Tax to the concerned departments immediately besides action against the person(s) at fault.

[AIR 2022-23 Para No. 13]

2.49 Municipal Committee Khurrianwala

Procedural irregularities

2.49.1 Irregular execution of development schemes – Rs 53.283 million

According to Rule 4(6) of the Punjab Local Governments (Works) Rules 2017, "The execution of work shall be undertaken after detailed estimates and the scheme is approved by the competent authority." Further, according to Government of the Punjab, C&W Department letter No.PA/Secy. (C&W) 26-5/2009 dated 25.05.2009, "Job Mix Formula (JMF) for asphalt base course and asphalt wearing course must invariably be approved from Road Research & Material Testing Institute (RR&MTI). After its approval, it must be strictly followed at site and no deviation be allowed under any circumstances." Furthermore, according to Government of the Punjab, Finance Department Notification No. RO. (Tech) FD.2-3/2004 dated 02.08.2004, "The rate of item of carpeting shall be fixed by the Chief Engineer on the basis of different percentages of bitumen i.e. 3% to 6%. However, payment will be made to contractor as per JMF or bitumen used in the work."

During audit of MC Khurrianwala for the FY 2022-23, it was observed that CO got executed eighteen development works costing Rs 53.283 million. Audit observed following discrepancies in execution of the works:

i. Thirteen schemes costing Rs 52.00 million were awarded without prior sanction of technical estimate and expenditure of Rs 6.624 million was incurred; and

ii. Carpeting amounting to Rs 1.283 million was done in one scheme without formulation and approval of JMF and obtaining certificate from the RR&MTI;

Due to weak internal controls, payments were made prior sanction of technical estimate and without approval of JMF resulted in irregular execution of civil works.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure from the competent authority.

[AIR 2022-23 Para No. 11]

2.49.2 Irregular payment to daily wage staff – Rs 10.343 million

According to Government of the Punjab, Finance Department, Notification No.RO (Tech) FD-2-2/2001 dated 03.11.2008, “Appointment of work charge / daily wages employee shall be made with procedure that the post(s) shall be advertised properly in the leading newspapers and recruitment to all posts shall be made on the basis of merit specified for regular establishment.”

During audit of MC Khurrianwala for the FY 2022-23, it was observed that CO made payment to sanitary workers appointed on daily wages amounting to Rs 10.343 million. Audit observed that appointments / recruitments were made in non-transparent manner, without advertising jobs along with selection/ recruitment criteria in the newspapers.

Due to weak internal controls, recruitment of contingent paid staff was made without adopting prescribed procedure which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends fixing responsibility against the person(s) at fault besides regularization of expenditure from the competent Authority.

[AIR 2022-23 Para No. 9]

Others

2.49.3 Non-recovery of PST – Rs 1.437 million

According to Rule 20(3) of the Punjab Local Governments (Auction of Collection Rights) Rules 2016, "The income tax, sales tax, professional tax or any other levies enforced by law or instructions issued by the Government shall be recovered from the contractor." Further, according to Serial No.56 of the Second Schedule to the Punjab Sales Tax on Services Act, 2012, "Rate of sales tax is sixteen percent on debt collection, rent collection and similar other recovery or collection services including right to collect the toll or fee or regulatory fee or duty or any other similar collection."

During audit of MC Khurrianwala for the FY 2022-23, it was observed that CO leased out collection rights of advertisement fees, taxi and rickshaw stands to the contractors at an agreement amount of Rs 6.980 million. However, PST amounting to Rs 1.437 million was not recovered from the contractors.

Due to weak internal controls, PST was not recovered from the contractors which resulted in loss to the public exchequer.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends fixing responsibility against the person(s) at fault besides recovery of PST from the contractors concerned.

[AIR 2022-23 Para No. 2]

2.50 Municipal Committee Kot Addu

Procedural irregularities

2.50.1 Irregular clearance of outstanding liabilities – Rs 9.303 million

According to rule 17.18 of PFR Volume-I, "expenditure incurred in one year, should not be left over to be met out of the budget for the next year."

During audit of MC Kot Addu for the FY 2022-23, it was observed that CO made payment amounting to Rs 9.303 million on account of purchases, repair and civil work against the expenditure pertaining to Financial Year 2021-22 without maintenance of pending liabilities register. Approval of competent authority and additional budget was not obtained to clear the pending liabilities.

Due to weak internal controls, pending liabilities were paid without budget and approval of competent authority which resulted in irregular payments.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-1008 dated 15.09.2023, followed by subsequent reminders vide No. 1047 dated 26.09.2023 and No. 1080 dated 02.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

[AIR 2022-23 Para No. 14]

2.50.2 Irregular release of securities without maintenance of record – Rs 5.876 million

According to para 5.1(II)(d), of B&R Code, "When a sum so held in deposit is ultimately paid to the contractor concerned, his acknowledgement should be set forth such particulars as would establish the settlement of this account in connection with the work concerned. It is further explained that Security Deposit Register shall be maintained and any receipt and return will be debited and credited in the concerned account."

During audit of MC Kot Addu for the FY 2022-23, it was observed that CO made payment of securities amounting to Rs 5.876 million. The works were completed by the contractors in 2012 and securities were lapsed in 2014-15. Further, the securities were released without proof of deduction i.e. security register for said claim.

Due to weak internal controls, securities were paid after the expiry of due period which resulted in irregular payment of securities.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 05]

Others

2.50.3 Non-recovery of outstanding dues / revenue – Rs 34.709 million

According to Rule 14(d) of the Punjab Local Governments (Accounts) Rules, 2017, "The Collecting Officer shall collect the receipt of local Government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement, or compromise."

During audit of MC Kot Addu for the FY 2022-23, it was observed that CO failed to recover the revenue amounting to Rs 34.709 million on account of various rents, and fees. The detailed as under:

(Rupees in million)

Sr. No.	Type of Recovery/Overpayment	Amount
1	Non-recovery of dues against advertising Fees	1.100
2	Less recovery of conversion fees, Building map Fees and NOC Fees	31.232
3	Recovery of Rent of Shops	2.330
4	Recovery of House Rent	0.047
Total		**34.709**

Due to weak internal controls, government revenue were not recovered from the concerned which resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of revenue from concerned.

[AIR 2022-23 Para No. 1, 4, 16, 18]

2.51 Municipal Committee Kot Chutta

Procedural irregularities

2.51.1 Irregular expenditure on work charged staff – Rs 15.800 million

According to Government of the Punjab LG & CD Department letter No.SO-ADMN-II (LG) 3-55/2007 dated 03.03.2016, "No work charged / daily wages employee will be appointed in the local governments without the approval of LG&CD Department and without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of MC Kot Chutta for the FY 2022-23, it was observed that CO incurred expenditure amounting to Rs 15.800 million on account of salary payment to the work charged staff. The work charged employees were appointed without eligibility criteria provided in the relevant service rules, advertisement and permission from LG&CD Department.

Due to weak internal controls, work charge employees were appointed without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-1008 dated 15.09.2023, followed by subsequent reminders vide No. 1047 dated 26.09.2023 and No. 1080 dated 02.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

[AIR 2022-23 Para No. 18]

2.51.2 Unauthorized payment of tuff tile – Rs 2.726 million

According to input rates issued by the Finance Department "The strength of tuff pavers should be 7000-PSI and these should be of approved manufacturers i.e. Tuff Pavers (Pvt) Ltd., Izhar Building Material (Pvt) Ltd. Further, as per Government of Punjab Communication and Works Department letter No.PA/SECY(C&W) 26-5/2009 dated 25.05.2009, "Payment be made only for quality works which conform to the given specifications."

During audit of MC Kot Chutta for the FY 2022-23, it was observed that CO made payment of Rs 2.726 million to the contractors on account of tuff tiles used in development schemes. No gate pass or any other documents was provided to prove that tiles were purchased from approved manufacturer. The rate of the tuff tile was based on the input rate of Izhar & Co. Taxila, but the tuff tile was purchased of local built. Furthermore, lab test from approved laboratory for assessing the quality were not made. The detail is as under:

(Rupees in million)

Name of scheme	Contractor	Quantity	Rate	Amount	MB & page No.
Construction/Rehabilitation of surface drain/nala P/L of sewer line P.C.C tuff tiles earth filling Ward No. 2 MC Kot Chutta	Shabir Husnain Balouch	25473 sft	109/107 p/sft	2.726	619-26,18,76
Total				**2.726**	

Due to weak internal controls, payment was made without supporting documents resulted in unauthorized expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 15]

Others

2.51.3 Non-recovery of outstanding dues / revenue – Rs 17.470 million

According to Rule 14(d) of the Punjab Local Governments (Accounts) Rules, 2017, "The Collecting Officer shall collect the receipt of local Government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement, or compromise."

During audit of MC Kot Chutta for the FY 2022-23, it was observed that CO failed to recover Government revenue amounting to Rs 17.470 million on account of rent of shops, conversion fees and commercialization fees from defaulters. The detail is as under:

(Rupees in million)

Sr. No.	Type of Recovery	Amount
1	Loss to Govt. due to non-collection of conversion fees	10.382
2	Non-recovery of rent of shops	4.104
3	Non / less recovery of conversion fees, registration fees, advertisement fees and NOC fees	0.563
4	Loss due to non-recovery of conversion fees and map fees from housing schemes	2.421
Total		**17.47**

Due to weak internal controls, government revenue were less realized which resulted in loss.to the Government.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of government revenue from concerned.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2019-20 vide para(s) number 2.36.4 and 19.5.2 respectively having financial impact of Rs 93.921 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 1, 3, 4, 6, 7]

2.52 Municipal Committee Kotmithan

Procedural irregularities

2.52.1 Irregular expenditure on work charged staff – Rs 2.964 million

According to Government of the Punjab LG & CD Department letter No.SO-ADMN-II (LG) 3-55/2007 dated 03.03.2016, "No work charged / daily wages employee will be appointed in

the local governments without the approval of LG&CD Department and without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of MC Kotmithan for the FY 2022-23, it was observed that CO made payment of Rs 2.964 million to work charged employees. The work charged employees were appointed without eligibility criteria provided in the relevant service rules, advertisement and permission from LG & CD Department.

Due to weak internal controls, work charge employees were appointed without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-1008 dated 15.09.2023, followed by subsequent reminders vide No. 1047 dated 26.09.2023 and No. 1080 dated 02.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

[AIR 2022-23 Para No. 7]

Others

2.52.2 Non-recovery of outstanding dues / revenue – Rs 16.239 million

According to Rule 14(d) of the Punjab Local Governments (Accounts) Rules, 2017, “The Collecting Officer shall collect the receipt of local Government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement, or compromise.”

During audit of MC Kotmithan for the FY 2022-23, it was observed that CO failed to recover the revenue amounting to Rs 16.239 million on account of various rents, fees and arrears. The detail is as under:

(Rupees in million)

Sr. No	Type of Recovery/Overpayment	Amount
1	Non-recovery of Rent of Shops	11.466
2	Less / non-recovery of conversion and map fees	3.005
3	Recovery of pay and allowances	1.768
Total		**16.239**

Due to weak internal controls, government revenue were not recovered from the concerned which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of revenue from the concerned.

[AIR 2022-23 Para No. 2, 8, 11]

2.52.3 Non-deposit of government taxes – Rs 4.323 million

According to Serial No.1 (b) (ii), 2(ii) (b) and 3(iii) of Division III of Part III of First Schedule of the Income Tax Ordinance, 2001, “The rate of Income Tax to be deducted from a payment for goods or services shall be 4.5 per cent and 10 per cent respectively of the gross amount payable.” Further, according to Serial No. 11 of the Second Schedule to the Punjab Sales Tax on Services Act 2012, “Punjab Sales Tax on Services @ 16 percent shall be applicable on services provided.” Furthermore, according to Para 1.3, 4(b) & 4(3) of the Sales Tax Special Procedure (Withholding) Rules 2007, “1/5th of GST shall be withheld by withholding agent / DDO and same shall be submitted along with monthly return to concerned Collector of Sales Tax.

During audit of MC Kotmithan for the FY 2022-23, it was observed that CO did not deposit Rs 4.323 million on account of GST, Income Tax and Punjab Sales Tax during the year which were deducted at source from the bills of contractors / employees.

Due to weak internal controls, taxes deducted at source were not deposited into government treasury resulting in loss to government.

The matter was reported to PAO in October, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends deposit of GST, Income Tax and Punjab Sales Tax to the concerned departments immediately besides action against the person(s) at fault.

[AIR 2022-23 Para No. 9, 10]

2.53 Municipal Committee Lalian

Procedural irregularities

2.53.1 Irregular procurement of vehicle and equipment – Rs 11.404 million

According to the Government of the Punjab, Finance Department letter No.RO (Tech) FD-18-23/2004 dated 21.09.2004, "Rate analysis for the non-standardized items shall be prepared by the Executive Engineer, clearly giving the specifications of the material used and approved by the Competent Authority, not below the rank of Superintendent Engineer based on input rates of relevant quarter placed at the website of Finance Department and rates shall not be more than the market rates."

During audit of MC Lalian for the FY 2021-22, it was observed that CO incurred expenditure amounting to Rs 11.404 million for the procurement of different sanitation vehicles and machinery. The said expenditure was held irregularly due to the following discrepancies:

i. Technical inspection was not carried by the inspection committee;

ii. Penalty for late supply of vehicles and equipment was not mentioned in supply order and LD charges were not recovered from the concerned supplier;

iii. The date of delivery/supply of the lifter was not on record; and

iv. The advance payment was made for the purchase of a tractor amounting to Rs 1.990 million.

Due to weak internal controls, machinery was procured without technical inspection which resulted in irregular expenditure.

The matter was reported to PAO in March, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR 2019-22 Para No. 8]

2.54 Municipal Committee Layyah

Other

2.54.1 Non-recovery of Government dues / revenue – Rs 16.604 million

According to Rule 14(d) of the Punjab Local Governments (Accounts) Rules, 2017, "The Collecting Officer shall collect the receipt of local Government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement, or compromise."

During audit of MC Layyah for the FY 2022-23, it was observed that CO failed to recover the revenue amounting to Rs 16.604 million on account of conversion fees and rent of shops. The detail is as under:

(Rupees in million)

Sr. No.	Detail of recovery	Amount
1	Non-Recovery of rent of shops and water rates	2.381
2	Unauthorized award of leases resulting non-recovery of balance leased amount	0.648
3	Loss due to non-auction of shops	8.028
4	Loss due to non-recovery of conversion fees from Housing Schemes	2.487
5	Loss due to non-recovery of conversion fees from Commercial buildings	3.060
	Total	**16.604**

Due to weak internal controls, government revenue were less realized which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-1008 dated 15.09.2023, followed by subsequent reminders vide No. 1047 dated 26.09.2023 and No. 1080 dated 02.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends recovery of revenue from the concerned.

[AIR 2022-23 Para No. 4, 7, 8, 14, 15]

2.54.2 Non-deposit of government taxes – Rs 1.707 million

According to Serial No.1 (b) (ii), 2(ii) (b) and 3(iii) of Division III of Part III of First Schedule of the Income Tax Ordinance, 2001, "The rate of Income Tax to be deducted from a payment for goods or services shall be 4.5 per cent and 10 per cent respectively of the gross amount payable." Further, according to Serial No. 11 of the Second Schedule to the Punjab Sales Tax on Services Act 2012, "Punjab Sales Tax on Services @ 16 percent shall be applicable on services provided." Furthermore, according to Para 1.3, 4(b) & 4(3) of the Sales Tax Special Procedure (Withholding) Rules 2007, "1/5th of GST shall be withheld by withholding agent / DDO and same shall be submitted along with monthly return to concerned Collector of Sales Tax.

During audit of MC Layyah for the FY 2022-23, it was observed that CO did not deposit Rs 1.707 million on account of GST, Income Tax and Punjab Sales Tax during the year which were deducted at source from the bills of contractors / employees.

Due to weak internal controls, taxes deducted at source were not deposited into government treasury resulting in loss to government.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends deposit of GST, Income Tax and Punjab Sales Tax to the concerned departments immediately besides action against the person(s) at fault.

[AIR 2022-23 Para No. 12]

2.55 Municipal Committee Liaqat Pur

Others

2.55.1 Non-realization of revenue – Rs 168.856 million

According to Rule 50 (1) (a) (e) of the Punjab Land Use (Classification, Reclassification and Redevelopment) Rules 2020, "A local government shall levy the conversion fee for the conversion of any land use to educational, healthcare institutional or commercial use @ ten percent of the existing value of the land or plot or property as per valuation table and in case valuation table is not available, ten percent of the average sale price of preceding twelve months of the land in the vicinity as determined by the District Price Assessment Committee." Further, according to Rule 47 (1) of the Punjab Local Government (Budget) Rules 2017, "Collecting officer shall ensure that all revenue due is claimed, realized and credited immediately into Local Government Fund and entered in the proper receipt head."

During audit of MC Liaqat Pur for the FY 2022-23, it was observed that CO did not collect revenue on account of arrears of receipts, conversion fees and fees from approval of land sub-divisions amounting to Rs 168.856 million. The income was either less collected or misappropriated by the collection staff. The detail is as under:

(Rupees in million)

Sr. No.	Description	Amount
1	Arrears of receipts	35.235
2	Conversion fees	99.404
3	Fees from approval of land sub-divisions	34.217
Total		**168.856**

Due to weak internal controls, revenue was not recovered which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA/BWP /Reports/2023-24/F-39/CD-1026 dated 08.09.2023, followed by subsequent reminders vide No. 1118-20 dated 25.09.2023 and No. 1174-77 dated 28.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

Note: This issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2020-21 and 2019-20 vide para(s) number 2.39.4, 7.4.3 and 14.2.5.3.2 respectively having financial impact of Rs395.542 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 1, 4, 16]

2.55.2 Non-deposit of government taxes – Rs1.348 million

According to Rule 14 (1) of the Punjab Sales Tax (Withholding) Rules 2015, "A withholding agent shall be considered defaulter and personally liable to pay the amount of tax to the government and an officer of the Authority may pass an order to that effect and proceed to recover the same in the manner prescribed by Punjab Sales Tax on Services (Recovery) Rules, 2012, if a withholding agent under the rules (a) fails to withhold or deduct tax under the rules or (b) having withheld or deducted tax under the rules, fails to deposit the tax to the government."

During audit of MC Liaqat Pur for the FY 2022-23, it was observed that CO did not deposit Rs 1.348 million on account of different taxes deducted from the contractors in the government treasury.

Due to weak internal controls, taxes deducted from contractors and employees were not deposited into government treasury which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this report despite repeated requests.

Audit recommends deposit of taxes to the quarter concerned besides action against the person(s) at fault.

[AIR 2022-23 Para No. 5]

2.56 Municipal Committee Lodhran

Others

2.56.1 Non-execution of mortgage deed – Rs 411.787 million

According to Chapter III Section 17 (e) & (f) and Chapter VIII Section 42 (h) of Punjab Private Housing Schemes and Land Sub-division Rules 2010, "A developer shall submit in the name of a Town Municipal Administration, a Tehsil Municipal Administration or a Development Authority a mortgage deed of 20% of the saleable area, in accordance with Form C, as security for completion of development works."

During audit of MC Lodhran for the FY 2022-23, it was observed that CO approved 05 land sub-divisions but 20% of saleable area valuing Rs 411.787 million was not mortgaged by the developer of these land sub-divisions in the name of MC.

Due to weak administrative controls, non-execution of mortgage deed resulted in irregular approval of LSDs.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1489 dated 08.09.2023, followed by subsequent reminders vide No. 1535 dated 27.09.2023 and No. 1623 dated 20.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides mortgage and transfer deed as per rule be executed in the name of MC.

[AIR 2022-23 Para No.09, 11]

2.56.2 Non-recovery of conversion and map fees – Rs 17.951 million

According to Rule 50 (1) of the Punjab Local Government Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020 "A local government shall levy fee for conversion of land use from agricultural, residential, peri-urban area to commercial use conversion fee at the rate of 10% of the commercial value of the land." Further, according to Rule 39 of Punjab Private Housing Schemes and Land Sub-Division Rules, 2010, "A developer shall deposit fee for conversion of peri-urban area to scheme use at the rate of one percent of the value of the residential land."

During audit of MC Lodhran for the FY 2022-23, it was observed that CO did not recover conversion and building plan approval fees amounting to Rs 17.951 million from owners / developers of commercial buildings and land sub-divisions who constructed commercial sites without approval. Notices were served to the owners of these sites to deposit conversion and building plan approval fees.

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of conversion and building plan approval fees at the earliest.

<u>Note:</u> The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.40.4 having financial impact of Rs 19.373 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No.13, 14, 17]

2.57 Municipal Committee Mailsi

Procedural irregularities

2.57.1 Irregular expenditure due to tendering process before technical sanction – Rs 20.740 million

According to Finance Department Letter No. RO (TECH) FD–1–2/83/-VI dated 29.03.2005, "The particulars of technical sanction i.e. amount, number and date of orders of technical sanction to be mentioned in the Draft Notice Inviting Tenders (DNIT)."

During audit of MC Mailsi for the FY 2021-22, it was observed that CO invited tenders for seven development schemes amounting to Rs 20.740 million for the Financial Years 2020-21 and 2021-22. No particulars of technical sanction i.e. TS number and date of technical sanctions were mentioned in the advertisement which was evidence that tendering process was started before technical sanction. The detail is as under:

(Rupees in million)

Sr. No.	Financial Year	No. of Schemes	Amount
1	2020-21	47	15.960
2	2021-22	19	4.780
Total			**20.740**

Due to weak internal controls, tenders were advertised without observing procurement rules and FD directions which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023. No reply was submitted by the DDO concerned.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1489 dated 08.09.2023, followed by subsequent reminders vide No. 1535 dated 27.09.2023 and No. 1623 dated 20.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

[AIR 2020-22 Para No.16]

2.57.2 Irregular expenditure in violation of Procurement Rules – Rs 4.040 million

According to Rule 9 of the Punjab Procurement Rules, 2014, "Procuring agency shall announce proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned and annual requirements thus determined would be advertised in advance on the PPRA's website."

During audit of MC Mailsi for the FY 2022-23, it was observed that CO incurred expenditure amounting to Rs 4.040 million on account of purchase / hiring of various items on national events. The expenditure was incurred by splitting to avoid tendering process.

Due to weak internal controls, procurement rules were not observed which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No.12]

2.57.3 Irregular expenditure without entry in measurement book - Rs 3.060 million

According to Rule No. 18(3) of the Punjab Local Governments (Works Rules) 2017, "Any payment either for the work done or procurement made for more than rupees fifty thousand shall be entered in the measurement book."

During audit of MC Mailsi for the FY 2021-22, it was observed that CO irregularly made payment amounting to Rs 3.060 million for different expenditure without ensuring of material received and entered in the MBs for the Financial Years 2020-21 and 2021-22.

Due to weak internal controls, payment was made without making entries in MBs which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR 2020-22 Para No.8]

2.57.4 Irregular payment in cash instead of crossed cheques – Rs 2.460 million

According to Rule XV Chapter 2 of Receipts & Payment Rules 2021, "Payments shall be only made to contractors, vendors, suppliers, employees, etc. through direct credit or through crossed cheque." Further, according to Rule 27 (3) Chapter 2 of Receipts & Payment Rules 2021, "Account's officer may, as far as possible, disburse miscellaneous contingent payments to the contractors / suppliers by direct credit advice into their respective bank accounts or in exceptional cases by system generated cheques on submission of claim on bills / voucher to the Accounts Office."

During audit of MC Mailsi for the FY 2021-22, it was observed that CO made cash payment of Rs 2.460 million to the different vendors and daily wages staff for the Financial Years 2020-21 and 2021-22. Salary of daily wages staff was paid in cash instead of bank advice.

Due to weak internal controls, cash payments were made which resulted in irregular payment.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.
[AIR 2020-22 Para No.07]

Others

2.57.5 Non-recovery of conversion and map fees – Rs 102.658 million

According to Rule 50 (1) of the Punjab Local Government Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020 "A local government shall levy fee for conversion of land use from agricultural, residential, peri-urban area to commercial use conversion fee at the rate of 10% of the commercial value of the land." Further, according to Rule 39 of Punjab Private Housing Schemes and Land Sub-Division Rules, 2010, "A developer shall deposit fee for conversion of peri-urban area to scheme use at the rate of one percent of the value of the residential land."

During audit of MC Mailsi for the FY 2022-23, it was observed that CO did not recover conversion and building plan approval fees amounting to Rs 102.658 million for the Financial Years 2020-21 to 2022-23 from owners of commercial buildings and land sub-divisions who constructed commercial sites without approval. Notices were served to the owners of these sites to deposit conversion and building plan approval fees. The detail is as under:

(Rupees in million)

Sr. No.	Particulars	Amount
1	Less recovery of dues from owners of commercial buildings, schools /colleges, hospital and BT tower	76.339
2	Less recovery of dues from owners of schools, commercial shops and petrol pumps	5.510
3	Less recovery of dues from owner of land subdivisions	20.809
Total		**102.658**

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in April, 2023 and July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of conversion and building plan approval fees at the earliest.

[AIR 2022-23 Para No.02, 03, 08]
[AIR 2020-22 Para No. 6]

2.57.6 Loss due to non-recovery of revenue – Rs 17.683 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of MC Mailsi for the FY 2022-23, it was observed that CO did not recover Rs 17.683 million for the Financial Years 2016-17 to 2022-23 on account of water rates and rent of shops. Tenant of some shops ran away without paying the arrears of rent and shops were got vacated. Neither the management of MC made any effort to get the recovery under Land Revenue Act-1976 nor the arrears were got condoned from the competent authority. The detail is as under:

(Rupees in million)

Sr. No.	Head of receipts	Year / period	Target	Recovery made	Less recovery
1	Rent of shops	2021-22	28.515	24.489	4.026
2	Arrears of rent of shops of 20 shop keepers	20.10.2022 to 30.06.2023	3.131	-	3.131
3	Arrears of rent of shops of 32 shop keepers	2016-21	1.010	-	1.010
4	Water rates	2020-21	7.082	5.347	1.735
5	Arrear of water rates	2021-22	8.411	6.167	2.244
6	Arrear of water rates	2022-23	11.000	5.463	5.537
Total			**59.153**	**41.467**	**17.683**

Due to weak internal controls and poor performance of collecting officer Government dues were not recovered which resulted in loss to MC.

The matter was reported to PAO in April, 2023 and July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of the government dues at the earliest.

[AIR 2022-23 Para No. 11, 14]
[AIR 2020-22 Para No.11]

2.58 Municipal Committee Mamukanjan

Procedural irregularities

2.58.1 Irregular payment to daily wage employees – Rs 13.669 million

According to Government of the Punjab, Finance Department Notification No.RO (Tech) FD 2-2/2022 dated 15.07.2022, "Appointment of work charge / daily wages employee(s) shall be made with procedure that the post(s) shall be advertised properly in the leading newspapers and recruitment to all posts shall be made on the basis of merit specified for regular establishment."

During audit of MC Mamukanjan for the FY 2022-23, it was observed that CO recruited sanitary workers on daily wages and made payment of Rs 13.669 million. However, recruitments were made in non-transparent manner / without advertisement in the newspapers. Further, 56 to 73 sanitary workers (in different months) were appointed on daily wages against 12 to 20 vacant posts of sanitary workers.

Due to weak internal controls, recruitments of daily wage staff were made without adopting prescribed procedure and beyond sanctioned posts which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure from the competent authority.

[AIR 2022-23 Para No. 8]

Others

2.58.2 Non-recovery of conversion and building plan approval fees – Rs 20.974 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, “The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee.”

During audit of MC Mamukanjan for the FY 2022-23, it was observed that CO failed to recover conversion / building plan approval fees amounting to Rs 20.974 million from 114 buildings respectively for the Financial Years 2019-20 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	Description	Financial Year(s)	Amount
1	Non-recovery of conversion fees from the owners 42 buildings for conversion of land use	2019-20 to 2021-22	3.901
2	Non-recovery of building plan approval fees from the owners of 72 buildings	2022-23	17.073
Total			**20.974**

Due to weak internal controls, non-recovery of conversion and building plan approval fees from the concerned resulted in loss to MC.

The matter was reported to PAO in March and July, 2023 but management did not reply.

DAC meetings were not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of Government dues from the defaulters at the earliest.

<u>Note:</u> The issue was reported in the Audit Report for Audit Year 2019-20 vide Para(s) No.48.4.1 and 48.4.2 respectively having financial impact of Rs 11.176 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2019-22 Para No. 10]
[AIR 2022-23 Para No. 12]

2.58.3 Non-imposition of fine on the sponsors / developers / owners – Rs 15.023 million

According to Section 172(2)(a) & 172(2)(b) read with Sr. Nos. 2 & 18 of Eighth Schedule of the PLGA 2022, "If a person commits an offence like development of a private housing scheme without approval of a local government; or on a non-conforming use, such person shall be punishable with imprisonment for a term which may extend to seven years, or with fine which may extend to five hundred thousand rupees or with both and if a person commits offence of erection or re-erection of a building without the sanction required under this Act or using a building for a purpose which may endanger the security of people, such person shall be punishable with imprisonment for a term which may extend to three years, or with fine which may extend to one hundred thousand rupees or with both."

During audit of MC Mamukanjan for the FY 2022-23, it was observed that CO did not take appropriate action against the sponsors / developers / owners of housing schemes. Neither, fine amounting to Rs 6.500 million was imposed nor efforts were made to realize income amounting to Rs 8.523 million on account of conversion fees, preliminary planning permission fees, plans approval fees etc.

Due to dereliction of duties, appropriate action was not taken against the owners / developers of housing schemes which resulted in non-imposition / non-recovery of fine and other Government dues.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends imposition / recovery of fine and Government dues besides taking appropriate action against the person(s) at fault.

[AIR 2022-23 Para No. 5]

2.58.4 Non-recovery of rent of shops – Rs 12.030 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of MC Mamukanjan for the FY 2022-23, it was observed that CO failed to recover rent of shops amounting to Rs 12.030 million from 145 lessees for the Financial Years 2019-20 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	**Description**	**Financial Year(s)**	**Amount**
1	Non-recovery of rent from the lessees of 145 shops	2019-20 to 2021-22	10.771
2	Non-recovery of rent from the lessees of 137 shops	2022-23	1.259
Total			**12.030**

Due to weak internal controls, efforts were not made for recovery of Government dues which resulted in non-recovery of rent of shops from the concerned.

The matter was reported to PAO in March and July, 2023 but management did not reply.

DAC meetings were not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of Government dues from the defaulters at the earliest.

Note: The issue was reported in the Audit Report for Audit Year 2019-20 vide Para(s) No.48.4.1 and 48.4.2 respectively having financial impact of Rs 11.176 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2019-22 Para No. 2]
[AIR 2022-23 Para No. 7]

2.59 Municipal Committee Mian Channu

Procedural irregularities

2.59.1 Irregular expenditure in violation of Procurement Rules – Rs 4.410 million

According to Rule 9 of the Punjab Procurement Rules, 2014, "Procuring agency shall announce proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned and annual requirements thus determined would be advertised in advance on the PPRA's website."

During audit of MC Mian Channu for the FY 2022-23, it was observed that CO incurred expenditure amounting to Rs 4.410 million on account of purchase of various items for establishment of temporary cattle markets for Eid-ul-Azha, filters for filtration plants and manhole cover etc. The expenditure was incurred by splitting to avoid tendering process.

Due to weak internal controls, procurement rules were not observed which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1489 dated 08.09.2023, followed by subsequent reminders vide No. 1535 dated 27.09.2023 and No. 1623 dated 20.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.41.2 having financial impact of Rs 3.877 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No.14]

2.59.2 Irregular expenditure on work charged staff - Rs 1.287 million

According to Government of the Punjab LG & CD Department letter No.SO-ADMN-II (LG) 3-55/2007 dated 03.03.2016, "No work charged / daily wages employee will be appointed in the local governments without the approval of LG&CD Department and without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of MC Mian Channu for the FY 2022-23, it was observed that CO incurred expenditure of Rs 1.287 million on account of work charged staff. The work charged employees were appointed without eligibility criteria provided in the relevant service rules, advertisement and permission from LG&CD Department.

Due to weak internal controls, work charge employees were appointed without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

[AIR 2022-23 Para No.13]

Others

2.59.3 Inadmissible payment of integrated allowances to sanitary workers – Rs 2.041 million

According to Government of the Punjab, Finance Department, notification No. FD.PC.2-1/2001 dated 11.07.2011, "Integrated allowance is allowed to N/Qasid, Qasid, Daftries, Frash, Chowkidar, Sweeper, Sweeperess & Security Guard." According to Finance Department Notification No. FD.SR-I/9-28/2016 dated 18.07.2016 regarding revision of rates of aforementioned notification dated 11.07.2011 in this notification only rates were revised and no admissibility to the other designations was mentioned.

During audit of MC Mian Channu for the FY 2022-23, it was observed that CO made payment amounting to Rs 2.041 million on account of integrated allowance to 196 sanitary workers without admissibility. Audit just calculated recovery for the period 01.07.2022 to 30.06.2023. The actual recovery since date of payment is the responsibility of DDO. The detail is as under:

(Rupees in million)

Month checked by audit	**Amount drawn as per July 2022**	**Total number of month July 2022, June2023(audit period)**	**Total amount drawn/ Amount of Recovery**
7/2022	0.170	12	**2.041**

Due to weak internal controls, integrated allowance was paid to sanitary workers irregularly which resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery and immediate stoppage of inadmissible allowance besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No.07]

2.59.4 Non-recovery of conversion and building plan approval fees – Rs 2.034 million

According to Rule 50 (1) (a) & (d) of the PLG Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "A Local Government shall levy fee for conversion of land use subject to scrutiny and clearance from District Planning and Design Committee, from agricultural, residential, peri-urban area to commercial use shall be 10% of the commercial value of the land. Conversion fee for the conversion of agricultural land to industrial use shall be 5% of the agricultural value of land." Further, according to Rules 4 & 38 of the Punjab Private Housing Schemes and Land Sub-Division Rules 2010, "The developer shall submit an application to the TMA/Local Government, for seeking preliminary planning permission for a scheme before initiating any planning or development activity and shall pay the prescribed fee." Furthermore, Rule 35(1) of said rules "Empowers the TMO to monitor the development work of the schemes and ensure that there is no deviation from the sanctioned scheme plan."

During audit of MC Mian Channu for the FY 2022-23, it was observed that CO did not recover conversion and building plan approval fees amounting to Rs 2.034 million from owners of commercial building and land sub-division who constructed commercial sites without approval. Notices were served to the owners of these sites to deposit conversion and building plan approval fees. The detail is as under:

(Rupee in million)

Particulars	**Name of owner**	**Location**	**Area**	**Rate per M/K**	**Conversion fees**	**Map fees @20 per SFT/@600 per Marla of saleable area**	**Total Recoverable**
Commercial shop	Abdul Jabbar	Block No. 03	1 M	5.00	500,000	5,440	0.505
Land sub-division	Afzal Shah	125/15L	98 K	7.00	857,500	672,000	1.529
Total							**2.034**

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of conversion and building plan approval fees at the earliest.

[AIR 2022-23 Para No.15]

2.60 Municipal Committee Minchinabad

Others

2.60.1 Irregular approval of LSD and non-mortgage of property – Rs 40.240 million

According to Rule 17 (e) & (f) and Rule 42 (h) of the Punjab Private Housing Schemes and Land Sub-division Rules 2010, "The developers are required to transfer the area reserved for roads, open space, park and solid waste management as well as one percent of the area under land sub-division for public buildings, excluding the area of mosque in favor of relevant development authority / body and should submit mortgage deed of 20% of the saleable area, in accordance with Form C, as security for completion of development works."

During audit of MC Minchinabad for the FY 2022-23, it was observed that CO granted irregular approval of LSD without reserving a plot for waste management. Moreover, required 20% of saleable area was not mortgaged in the name of MC. Further, development work was not completed by the owners of the LSD despite lapse of more than 8 years. The detail is as under:

(Rupees in million)

Sr. No.	Name of Scheme	Name of Owner	Area	Area Under Plots	Commercial Area	Area to be mortgaged	DC Rate / Marla (2022-23)	Amount in million
1	Model City under land sub-division	M. Arshad s/o M. Yaqoob	80K 0M 0Sft	971	80	210	110,000	23.122
2	Kamal Garden	M. Abbas s/o Kamal Din	64K 1M 6Sft	714	64	156	110,000	17.118
Total				**1,685**	**144**	**366**		**40.240**

Due to weak internal controls, no action was taken for transfer and mortgage of land in the name of MC which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA/BWP /Reports/2023-24/F-39/CD-1026 dated 08.09.2023, followed by subsequent reminders vide No. 1118-20 dated 25.09.2023 and No. 1174-77 dated 28.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends mortgage of property in the name of MC besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 12]

2.60.2 Non-realization of revenue – Rs 28.372 million

According to Rule 50 (1) (a) (e) of the Punjab Land Use (Classification, Reclassification and Redevelopment) Rules 2020, "A local government shall levy the conversion fee for the conversion of any land use to educational, healthcare institutional or commercial use @ ten percent of the existing value of the land or plot or property as per valuation table and in case valuation table is not available, ten percent of the average sale price of preceding twelve months of the land in the vicinity as determined by the District Price Assessment Committee." Further, according to Rule 47 (1) of the Punjab Local Government (Budget) Rules 2017, "Collecting officer shall ensure that all revenue due is claimed, realized and credited immediately into Local Government Fund and entered in the proper receipt head."

During audit of MC Minchinabad for the FY 2022-23, it was observed that CO did not collect revenue on account of auctioned amount, conversion fees and different receipts amounting to Rs 28.372 million. The income was either less collected or misappropriated by the collection staff. The detail is as under:

(Rupees in million)

Sr. No.	Description	Amount
1	Auctioned receipt	1.057
2	Conversion and map fees	23.553
3	Different receipts	3.762
Total		**28.372**

Due to weak internal controls, revenue was not recovered which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 3, 5, 7]

2.61 Municipal Committee Muzaffargarh

Procedural irregularities

2.61.1 Unauthorized payment of salaries – Rs 8.936 million

According to Rule 2.33 of PFR Volume-I, "Every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by the Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government servant to the extent to which it may be shown that he contributed to the loss by his own action or negligence."

During audit of MC Muzaffargarh for the FY 2022-23, it was observed that CO paid arrears of salary amounting to Rs 8.936 million to daily wages employees for the Financial Years 2019-20 to 2022-23 in contradiction to a writ petition decision given by the Deputy Commissioner on the directives of the honorable Lahore High Court Multan Bench.

Due to weak internal controls, unauthorized salary was paid to daily wages staff which resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not submit reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-1008 dated 15.09.2023, followed by subsequent reminders vide No. 1047 dated 26.09.2023 and No. 1080 dated 02.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing the responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 15]

Others

2.61.2 Non-recovery of outstanding dues / revenue – Rs 81.493 million

According to Rule 14(d) of the Punjab Local Governments (Accounts) Rules, 2017, "The Collecting Officer shall collect the receipt of local government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement, or compromise."

During audit of MC Muzaffargarh for the FY 2022-23, it was observed that CO failed to recover the revenue amounting to Rs 81.493 million on account of various rents and other dues. The detail is as under:

(Rupees in million)

Sr. No	Type of Recovery/Overpayment	Amount
1	Recovery of rent of shops	2.707
2	Recovery of Government dues / conversion fees	74.146
3	Recovery of house rent	0.360
4	Recovery of Govt. dues from private housing societies.	4.280
Total		**81.493**

Due to weak internal controls, government revenue were not recovered from the concerned which resulted in loss.

The matter was reported to PAO in July, 2023 but Management did not submit reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of outstanding revenue from the concerned.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.8.3 having financial impact of Rs 535.705 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 10, 12, 13, 14]

2.61.3 Non-deposit of government taxes– Rs 6.943 million

According to Serial No.1 (b) (ii), 2(ii) (b) and 3(iii) of Division III of Part III of First Schedule of the Income Tax Ordinance, 2001, "The rate of Income Tax to be deducted from a payment for goods or services shall be 4.5 per cent and 10 per cent respectively of the gross amount payable." Further, according to Serial No. 11 of the Second Schedule to the Punjab Sales Tax on Services Act 2012, "Punjab Sales Tax on Services @ 16 percent shall be applicable on services provided." Furthermore, according to Para 1.3, 4(b) & 4(3) of the Sales Tax Special Procedure

(Withholding) Rules 2007, “1/5th of GST shall be withheld by withholding agent / DDO and same shall be submitted along with monthly return to concerned Collector of Sales Tax.

During audit of MC Muzaffargarh for the FY 2022-23, it was observed that CO did not deposit Rs 6.943 million on account of GST, Income Tax and Punjab Sales Tax during the year which were deducted at source from the bills of contractors / employees.

Due to weak internal controls, taxes deducted at source were not deposited into government treasury resulting in loss to government.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends deposit of GST, Income Tax and Punjab Sales Tax to the concerned departments immediately besides action against the person(s) at fault.

[AIR 2022-23 Para No. 01. 4]

2.62 Municipal Committee Pakpattan

Procedural irregularities

2.62.1 Irregular expenditure in violation of Procurement Rules – Rs 22.095 million

According to Rule 9 and 12 (1) of Punjab Procurement Rules 2014, "A procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The procuring agency shall advertise in advance annual requirements for procurement on the website of the Authority as well as on its own website. A procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority in the manner and format specified by regulations."

During audit of MC Pakpattan for the FY 2022-23, it was observed that CO incurred expenditure amounting to Rs 22.095 million on account of celebrating national days, religious days, youth cultural and arrangements of other routine activities. The expenditure was incurred by splitting to avoid tendering process.

Due to weak internal controls, procurement rules were not observed which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1489 dated 08.09.2023, followed by subsequent reminders vide No. 1535 dated 27.09.2023 and No. 1623 dated 20.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide paras number 2.43.2 and 2.43.4 having financial impact of Rs 5.585 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No.15]

Others

2.62.2 Non-execution of mortgage deed – Rs 312.480 million

According to Chapter III Section 17 (e) & (f) and Chapter VIII Section 42 (h) of Punjab Private Housing Schemes and Land Sub-division Rules 2010, "A developer shall submit in the name of a Town Municipal Administration, a Tehsil Municipal Administration or a Development Authority a mortgage deed of 20% of the saleable area, in accordance with Form C, as security for completion of development works."

During audit of MC Pakpattan for the FY 2022-23, it was observed that CO approved land sub-division / housing scheme but 20% of saleable area valuing Rs 312.480 million was not mortgaged by the developer of these housing schemes in the name of MC. The detail is as under:

(Rupees in million)

Sr. No.	Name of Scheme / LSD	Road/ location	T. Area Kanals	Date of Application	Area of Saleable Plots Kanals approx.	20% of Area of Saleable Plots Kanals	Rate per Kanal	Amount
1	Pine Garden, Housing Scheme	Gunj Shakar Road Pakpattan	104.5	30.03.2022	70	14	14.000	196.000
2	Gunjshakar Garden LSD	Farid Nagar Road Pakpattan	66.7	20.02.2017	40	8	5.860	46.880
3	Fahad Block LSD	Muhammad Pur Road Pakpattan	15.15	14.11.2016	10	2	5.500	11.000
4	Gulshan Iqbal Villas LSD	Behind District courts Pakpattan	82.85	02.12.2017	50	10	5.860	58.600
Total								**312.480**

Due to weak administrative controls, non-execution of mortgage deed resulted in irregular approval of housing schemes / LSDs.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides mortgage and transfer deed as per rule be executed in the name of MC.

[AIR 2022-23 Para No.05]

2.62.3 Non-recovery of conversion and map fees – Rs 65.462 million

"According to Rule 50 (1) of Chapter-XI of Punjab Local Government Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "A Local Government shall levy fee for conversion of land use from agricultural, residential, peri-urban area to commercial use conversion fee at the rate of 10% of the commercial value of the land. Conversion fee for the conversion of agricultural land to industrial use shall be 5% of the agricultural value of land. Conversion fee for the conversion of land to health / educational institutions shall be 10% of the value of existing land."

During audit of MC Pakpattan for the FY 2022-23, it was observed that CO did not recover conversion and building plan approval fees amounting to Rs 65.462 million from owners / developers of commercial buildings and land sub-divisions who constructed commercial sites without approval. Notices were served to the owners of these sites to deposit conversion and building plan approval fees.

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of conversion and building plan approval fees from the concerned at the earliest.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.43.6 having financial impact of Rs 14.594 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No.03, 04]

2.62.4 Loss due to non-recovery of auction amount – Rs 2.664 million

"According to Rule 14 (d) of PLG (Account) Rules, 2017 the collecting officer shall collect the receipts of the local government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement or compromise." Further, "according to Rule 7 of PLG (Budget) Rules 2017, the collecting officer shall ensure timely recoveries against each demand. According to Rule 11

(2) (C) of the Punjab Local Governments (Accounts) Rules 2017, Chief Officer shall ensure that any sums due to local government are promptly realized and credited into local fund.”

During audit of MC Pakpattan for the FY 2022-23, it was observed that CO failed to recover Rs 2.664 million on account of auction of collection rights from contractors of advertisement fees, sale of sullage water and car parking fees. The detail is as under:

(Rupees in million)

Sr. No.	Detail Receipt Head	Mode of Recovery	Recoverable	Recovered	Shortfall
1	C03555 - Car parking fees	Auction	0.510	0.370	(0.140)
2	C0388058 - Sale of sullage/ waste-water	Auction	2.703	1.127	(1.576)
3	C0388077 - Advertisement Fees on sign boards of shops/ commercial places	Auction	3.400	2.452	(0.948)
	Total		**6.613**	**3.949**	**(2.664)**

Due to weak internal controls, dues were not recovered which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No.10]

2.63 Municipal Committee Pir Mahal

Procedural irregularities

2.63.1 Irregular payments to daily wage workers – Rs 3.734 million

According to Government of the Punjab, Finance Department, Notification No.RO (Tech) FD-2-2/2001 dated 03.11.2008, "Appointment of work charge / daily wages employee shall be made with procedure that the post(s) shall be advertised properly in the leading newspapers and recruitment to all posts shall be made on the basis of merit specified for regular establishment."

During audit of MC Pir Mahal for the FY 2022-23, it was observed that CO made payment amounting to Rs 3.734 million to sanitary workers appointed on daily wages. Audit observed that appointments / recruitments were made in non-transparent manner / without advertising jobs along with selection criteria in the newspapers. Further, 72 sanitary workers were appointed on daily wages against 52 vacant posts.

Due to weak internal controls, recruitments of daily wage staff were made without adopting prescribed procedure and beyond sanctioned posts which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends fixing responsibility against the person(s) at fault besides regularization of expenditure from the competent authority.

[AIR 2022-23 Para No. 15]

Others

2.63.2 Non-recovery of Government dues – Rs 15.703 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of MC Pir Mahal for the FY 2022-23, it was observed that CO failed to recover Government dues amounting to Rs 15.703 million on account of rent of shops, water rates and dues from contractors for the Financial Years 2019-20 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	**Description**	**Amount**
1	Non-recovery of rent of 09 shops	2.678
2	Non-recovery of water rates	2.440
3	Non-recovery of dues on account of auction of collection rights against 04 sources of income	1.307
4	Non-recovery of rent of 90 shops	4.546
5	Non-recovery of water rates charges	4.732
Total		**15.703**

Due to weak internal controls, efforts were not made for recovery of government dues which resulted in non-realization of revenue.

The matter was reported to PAO in March and July, 2023 but management did not reply.

DAC meetings were not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of government dues from the defaulters at the earliest.

<u>Note:</u> The issue was reported in the Audit Report for Audit Year 2019-20 vide Para(s) No.58.6.1 and 58.6.2 having financial impact of Rs 2.621 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2019-22 Para No. 1, 2, 3]
[AIR 2022-23 Para No. 6, 10]

2.63.3 Non-recovery of miscellaneous fees – Rs 11.916 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee."

During audit of MC Pir Mahal for the FY 2022-23, it was observed that CO failed to recover Government dues amounting to Rs 11.916 million on account of conversion and building plan approval fees for the Financial Years 2019-20 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	Description	Amount
1	Non-recovery of conversion and building plan approval fees from the owners of 07 marble factories	5.420
2	Non-recovery of conversion and building plan approval fees from the owners of 08 commercial buildings	3.848
3	47 residential buildings converted into commercial use during financial year 2022-23	2.648
Total		**11.916**

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in March and July, 2023 but management did not reply.

DAC meetings were not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of government dues from the defaulters at the earliest.

Note: The issue was reported in the Audit Report for Audit Year 2019-20 vide Para(s) No.58.6.1 and 58.6.2 having financial impact of Rs 2.621 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2019-22 Para No. 4, 8]
[AIR 2022-23 Para No. 11]

2.63.4 Non-recovery of taxes – Rs 2.212 million

According to Government of the Punjab, Finance Department Notification No.SO (Tax) 5-24/2016 dated 05.10.2016, "The Punjab Sales Tax on Services was levied on services specified in the Second Schedule (Taxable Services) given in the notification."

During audit of MC Pir Mahal for the FY 2021-22, it was observed that CO auctioned the collection rights of various revenue sources of Rs 12.568 million on account of advertisement fees, general bus stand / adda parking fees, motorcycle / rickshaw parking fees, taxi stand, slaughtering of animal fees etc. for the Financial Years 2019-20 to 2021-22 to different contractors. Out of total auctioned amount, PST amounting to Rs 2.212 million was not recovered from the contractors.

Due to negligence and weak internal controls, PST was not recovered from the contractors and GST on exempted supplies was charged by the suppliers which resulted in undue favor to the contractors/suppliers concerned.

The matter was reported to PAO in March, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of taxes from the contractors/suppliers concerned besides depositing the same into the Government treasury.

[AIR 2019-22 Para No. 5, 14]

2.64 Municipal Committee Rahim Yar Khan

Others

2.64.1 Loss due to non-transfer / mortgage of property – Rs 333.825 million

According to Rule 17 (e) & (f) and Rule 42 (h) of the Punjab Private Housing Schemes and Land Sub-division Rules 2010, "The developers are required to transfer the area reserved for roads, open space, park and solid waste management as well as one percent of the area under land sub-division for public buildings, excluding the area of mosque in favor of relevant development authority / body and should submit mortgage deed of 20% of the saleable area, in accordance with Form C, as security for completion of development works."

During audit of MC Rahim Yar Khan for the FY 2022-23, it was observed that CO neither got transferred nor mortgaged the required area from Khyaban Iqbal Housing Scheme in the name of MC Rahim Yar Khan. The detail is as under:

(Rupees in million)

Name of Housing Scheme	**Location**	**Total Area in Marla**	**Per Marla DC rate**	**Total Area to be transfer in Marla**	**Total Area to be Mortgage in Marla**	**Total Area required to be Transfer & Mortgage**	**Amount of Area to be transfer and Mortgage**
1	**2**	**3**	**4**	**5**	**6**	**7=5+6**	**8=4x7**
Khyaban Iqbal Housing Scheme	Mouza Sadiqabad	2234.2	301,875	829.4	276.44	1105.84	333.825

Due to weak internal controls, no action was taken for transfer and mortgage of land in the name of MC which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA/BWP /Reports/2023-24/F-39/CD-1026 dated 08.09.2023, followed by subsequent reminders vide No. 1118-20 dated 25.09.2023 and No. 1174-77 dated 28.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends transfer / mortgage of property in the name of MC besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 16]

2.64.2 Non-realization of revenue – Rs 328.663 million

According to Rule 50 (1) (a) (e) of the Punjab Land Use (Classification, Reclassification and Redevelopment) Rules 2020, "A local government shall levy the conversion fee for the conversion of any land use to educational, healthcare institutional or commercial use @ ten percent of the existing value of the land or plot or property as per valuation table and in case valuation table is not available, ten percent of the average sale price of preceding twelve months of the land in the vicinity as determined by the District Price Assessment Committee." Further, according to Rule 47 (1) of the Punjab Local Government (Budget) Rules 2017, "Collecting officer shall ensure that all revenue due is claimed, realized and credited immediately into Local Government Fund and entered in the proper receipt head."

During audit of MC Rahim Yar Khan for the FY 2022-23, it was observed that CO did not collect revenue on account of arrears of revenue, auction fees, conversion fees and sewerage fees amounting to Rs 328.663 million. The income was either less collected or misappropriated by the collection staff. The detail is as under:

(Rupees in million)

Sr. No.	**Description**	**Amount**
1	Arrears of receipts	133.482
2	Auction fees	0.306
3	Conversion and map fees	42.885
4	Sewerage fees	151.990
Total		**328.663**

Due to weak internal controls, revenue was not recovered which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

Note: This issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2019-20 vide para(s) number 2.44.3 and 15.2.5.3.3 respectively having financial impact of Rs 682.152 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 3, 9, 12, 22]

2.65 Municipal Committee Rajanpur

Procedural irregularities

2.65.1 Irregular expenditure on work charged staff – Rs 13.262 million

According to Government of the Punjab LG & CD Department letter No.SO-ADMN-II (LG) 3-55/2007 dated 03.03.2016, "No work charged / daily wages employee will be appointed in the local governments without the approval of LG&CD Department and without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of MC Rajanpur for the FY 2022-23, it was observed that CO incurred expenditure amounting to Rs 13.262 million on account of work charged staff. The work charged employees were appointed without eligibility criteria provided in the relevant service rules, advertisement and permission from LG&CD Department.

(Rupees in million)

Financial Year	Type of Staff	Amount
2022-23	Contingent paid staff	10.566
	Contingent paid staff (Covid-19)	2.695
Total		**13.262**

Due to weak internal controls, work charge employees were appointed without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-1008 dated 15.09.2023, followed by subsequent reminders vide No. 1047 dated 26.09.2023 and No. 1080 dated 02.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

[AIR 2022-23 Para No. 11]

Others

2.65.2 Non-recovery of outstanding dues / revenue – Rs 47.484 million

According to Rule 14(d) of the Punjab Local Governments (Accounts) Rules, 2017, "The Collecting Officer shall collect the receipt of local Government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement, or compromise."

During audit of MC Rajanpur for the FY 2022-23, it was observed that CO failed to recover arrears of revenue amounting to Rs 47.484 million on account of rent of Municipal Property/ shops, overpayment of integrated allowance and conveyance allowance and other fees. The detail is as under:

(Rupees in million)

Sr. No.	Type of Recovery/Overpayment	Amount
1	Recovery due to allowing of extra width of road	0.136
2	Recovery of conversion fees and arrear of leases	1.341
3	Recovery of rent of shops	4.103
4	Recovery of fees from private housing schemes	41.178
5	Recovery of Integrated Allowance	0.594
6	Recovery of House Rent and Conveyance Allowance	0.132
Total		**47.484**

Due to weak internal controls, arrears of revenue were not recovered from the concerned which resulted in loss to the MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of revenue from the concerned.

[AIR 2022-23 Para No. 2, 3, 6, 7, 8, 13]

2.66 Municipal Committee Rojhan

Procedural irregularities

2.66.1 Irregular expenditure on work charged staff – Rs 1.130 million

According to Government of the Punjab LG & CD Department letter No.SO-ADMN-II (LG) 3-55/2007 dated 03.03.2016, "No work charged / daily wages employee will be appointed in the local governments without the approval of LG&CD Department and without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of MC Rojhan for the FY 2022-23, it was observed that CO incurred expenditure amounting to Rs 1.13 million on account of work charged staff. The work charged employees were appointed without eligibility criteria provided in the relevant service rules, advertisement and permission from LG&CD Department.

Due to weak internal controls, work charge employees were appointed without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-1008 dated 15.09.2023, followed by subsequent reminders vide No. 1047 dated 26.09.2023 and No. 1080 dated 02.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

[AIR 2022-23 Para No. 01]

2.67 Municipal Committee Sadhar

Others

2.67.1 Non-undertaking of community initiatives – Rs 1.350 million

According to Section 214 of the Punjab Local Government Act, 2019, "Every local government shall allocate a portion of its funds, being not less than five per centum of the total expenditure to be incurred by it in a particular financial year on construction works, to support such activities which are proposed by the residents and implemented by them directly through a Neighborhood Council in case of an urban local government and a Panchayat in case of a Tehsil Council."

During audit of MC Sadhar for the FY 2021-22, it was observed that CO did not allocate five percent of development budget amounting to Rs 1.350 million as community initiatives to support activities to be implemented through Neighborhood Council for the Financial Years 2020-21 and 2021-22.

Due to weak internal controls, funds were not allocated as community initiatives which resulted in violation of provision of rules.

The matter was reported to PAO in March, 2023 but management did not reply.

DAC meeting was not convened despite efforts made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/420 dated 13.04.2023, followed by subsequent reminders vide No.524 dated 28.04.2023 and No.548 dated 05.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends fixing responsibility against the person(s) at fault besides regularization of the matter.

[AIR 2019-22 Para No. 1]

2.68 Municipal Committee Sadiq Abad

Others

2.68.1 Loss due to non-transfer / mortgage of property – Rs 420.185 million

According to Rule 17 (e) & (f) and Rule 42 (h) of the Punjab Private Housing Schemes and Land Sub-division Rules 2010, "The developers are required to transfer the area reserved for roads, open space, park and solid waste management as well as one percent of the area under land sub-division for public buildings, excluding the area of mosque in favor of relevant development authority / body and should submit mortgage deed of 20% of the saleable area, in accordance with Form C, as security for completion of development works."

During audit of MC Sadiq Abad for the FY 2022-23, it was observed that CO neither got transferred nor mortgaged the required area from two housing schemes in the name of MC Sadiq Abad. The detail is as under:

(Rupees in million)

Sr. No.	Name of housing Schemes	Area (In Kanal)	DC Rate Per Marla	Area to Be transferred (in Kanal)	Remaining Area to Be Mortgaged (in Kanal)	Total Marla	Amount
1	Kamal City	80	0.226	10.27	28.46	774.6	174.866
2	Link City	98	0.249	12.14	37.22	987.2	245.319
Total		**178**		**22.41**	**65.68**	**1,761.8**	**420.185**

Due to weak internal controls, no action was taken for transfer and mortgage of land in the name of MC which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA/BWP /Reports/2023-24/F-39/CD-1026 dated 08.09.2023, followed by subsequent reminders vide No. 1118-20 dated 25.09.2023 and No. 1174-77 dated 28.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends transfer / mortgage of property in the name of MC besides fixing responsibility against the person(s) at fault.

Note: This issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2019-20 vide para(s) number 2.47.3 and 16.2.5.3.4 respectively having financial impact of Rs 1,647.8 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 3]

2.68.2 Non-realization of conversion and map fees – Rs 4.139 million

According to Rule 50 (1) (a) (e) of the Punjab Land Use (Classification, Reclassification and Redevelopment) Rules 2020, "A local government shall levy the conversion fee for the conversion of any land use to educational, healthcare institutional or commercial use @ ten percent of the existing value of the land or plot or property as per valuation table and in case valuation table is not available, ten percent of the average sale price of preceding twelve months of the land in the vicinity as determined by the District Price Assessment Committee."

During audit of MC Sadiq Abad for the FY 2022-23, it was observed that CO did not recover conversion and map fees amounting to Rs 4.139 million from the owner of buildings who had converted their buildings into commercial units in violation of rule. Further, non-recovery resulted in loss to government. The detail is as under:

(Rupees in million)

Sr. No	Name of Owner	Location	Area (In Marla)	Map Fees	Conversion Fees
1	M. Iqbal	Old k.L.P Road	01.40	0.003	0.490
2	Safyan Ali	Ahmad pur lama Road	02.47	0.010	0.418
3	Tahir Iqbal	Manthar Road	13.70	0.055	1.933
4	Ashiq Ali	Jamal din wali Road	20.00	0.040	0.878
5	Muhammad Kashif	Ahmad pur lama Road	02.00	0.008	0.304
Total			**39.57**	**0.116**	**4.023**
Grand Total (Map & Conversion Fees)					**4.139**

Due to weak internal controls, conversion and map fees were not recovered which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this report despite repeated requests

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 8]

2.68.3 Non-deposit of government taxes deducted at source – Rs 2.507 million

According to Rule 14 (1) of the Punjab Sales Tax (Withholding) Rules 2015, "A withholding agent shall be considered defaulter and personally liable to pay the amount of tax to the government and an officer of the Authority may pass an order to that effect and proceed to recover the same in the manner prescribed by Punjab Sales Tax on Services (Recovery) Rules, 2012, if a withholding agent under the rules (a) fails to withhold or deduct tax under the rules or (b) having withheld or deducted tax under the rules, fails to deposit the tax to the government."

During audit of MC Sadiq Abad for the FY 2022-23, it was observed that CO failed to deposit Rs 2.507 million on account of income tax and PST deducted from the bills of contractors regarding development schemes.

Due to weak internal controls, taxes were not deposited into government treasury which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this report despite repeated requests.

Audit recommends deposit of taxes besides action against the person(s) at fault.

[AIR 2022-23 Para No. 16]

2.69 Municipal Committee Samundri

Procedural irregularities

2.69.1 Irregular payments to daily wage workers – Rs 12.460 million

According to Government of the Punjab, Finance Department, Notification No.RO (Tech) FD-2-2/2001 dated 03.11.2008, "Appointment of work charge / daily wages employee shall be made with procedure that the post(s) shall be advertised properly in the leading newspapers and recruitment to all posts shall be made on the basis of merit specified for regular establishment."

During audit of MC Samundri for the FY 2022-23, it was observed that CO made payments of Rs 12.460 million to the sanitary workers appointed on daily wages. Audit observed that appointments / recruitments were made in non-transparent manner, without advertising jobs along with selection criteria in the newspapers. Further, 67 to 100 sanitary workers were appointed on daily wages against 55 vacant posts.

Due to weak internal controls, recruitments of daily wage staff were made without adopting prescribed procedure and beyond sanctioned posts which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends fixing responsibility against the person(s) at fault besides regularization of expenditure from the competent authority.

[AIR 2022-23 Para No. 7]

Others

2.69.2 Non-recovery of miscellaneous fees – Rs 32.568 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee."

During audit of MC Samundri for the FY 2022-23, it was observed that CO did not recover conversion and building plan approval fees amounting to Rs 32.568 million from owners of commercial buildings and land sub-divisions who constructed commercial sites without approval. The detail is as under:

(Rupees in million)

Sr. No.	**Description**	**Amount**
1	Non-recovery of conversion and building plan approval fees from the owners of 12 commercial buildings	4.375
2	Non-recovery of conversion and building plan approval fees from the owners of 07 commercial buildings situated in Government Housing Schemes No.1 & 2	28.193
Total		**32.568**

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in March and July, 2023 but management did not reply.

DAC meetings were not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of government dues from the defaulters at the earliest.

<u>Note:</u> The issue was reported in the Audit Report for Audit Year 2020-21 vide Para No.22.4.8 having financial impact of Rs 12.329 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 4, 3]

2.69.3 Non-imposition of fine on the sponsors / developers / owners – Rs 12.130 million

According to Section 172(2)(a) & 172(2)(b) read with Sr. Nos. 2 & 18 of Eighth Schedule of the PLGA 2022, "If a person commits an offence like development of a private housing scheme without approval of a local government; or on a non-conforming use, such person shall be punishable with imprisonment for a term which may extend to seven years, or with fine which may extend to five hundred thousand rupees or with both and if a person commits offence of erection or re-erection of a building without the sanction required under this Act or using a building for a purpose which may endanger the security of people, such person shall be punishable with imprisonment for a term which may extend to three years, or with fine which may extend to one hundred thousand rupees or with both."

During audit of MC Samundri for the FY 2022-23, it was observed that CO did not take appropriate action against the sponsors / developers / owners of housing schemes. Neither, fine amounting to Rs 4 million was imposed nor efforts were made to realize income amounting to Rs 8.130 million on account of conversion fees, preliminary planning permission fees, plans approval fees etc.

Due to dereliction of duties, appropriate action was not taken against the owners / developers of housing schemes which resulted in non-imposition / non-recovery of fine and other Government dues.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends imposition / recovery of fine and Government dues besides taking appropriate action against the person(s) at fault.

[AIR 2022-23 Para No. 11]

2.69.4 Non-recovery of Government dues – Rs 8.937 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of MC Samundri for the FY 2022-23, it was observed that CO did not recover rent of shops amounting to Rs 8.617 million from 63 lessees for the Financial Years 2020-21 to 2022-23. Further, an amount of Rs 0.320 million on account of auction of collection rights of Adda fees was also not recovered during Financial Year 2021-22. Resultantly, an amount of Rs 8.937 million remained unrecovered. The detail is as under:

(Rupees in million)

Sr. No.	Description	Period	Amount
1	Recovery on account of rent of 63 shops	2020-21 to 2021-22	5.193
2	Recovery on account of rent of 27 shops	2022-23	3.424
3	Recovery on account of auction of collection rights of Adda Fees	2021-22	0.320
Total			**8.937**

Due to weak internal controls, outstanding amount could not be recovered which resulted in less realization of income to the Municipal Committee.

The matter was reported to PAO in March, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery from the defaulters concerned at the earliest besides fixing responsibility against the officials(s) concerned.

<u>Note:</u> The issue was reported in the Audit Report for Audit Year 2019-20 vide Para No.49.4.1 having financial impact of Rs 27.839 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2020-22 Para No. 3, 13]
[AIR 2022-23 Para No. 5]

2.69.5 Less recovery of taxes – Rs 2.793 million

According to Rule at serial No. 56 of the second schedule to the Punjab Sales Tax on Services Act, 2012, "Rate of sales tax is sixteen percent on debt collection, rent collection and similar other recovery or collection services including right to collect the toll or fee or regulatory fee or duty or any other similar collection." Further, according to Section 236(A) of the Income Tax Ordinance, 2001, "Any person making sale by public auction of any property or goods, shall collect Advance Tax, computed on the basis of sale price of such property @ 10% if the person is a filer and @ 15% if the person is non-filer."

During audit of MC Samundri for the FY 2021-22, it was observed that CO leased out different collection rights at agreement amount of Rs 17.456 million for the Financial Years 2020-21 & 2021-22. Contrary to the above referred rule, PST amounting to Rs 2.793 million was not recovered from the concerned.

Due to weak internal controls and financial mismanagement, taxes were not recovered which resulted in violation of rules and less collection of receipts to the Federal / the Punjab Government.

The matter was reported to PAO in March, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry for less / non-recovery besides recovery from the concerned at the earliest.

<u>Note:</u> The issue was reported in the Audit Report for Audit Year 2019-20 vide Para No.49.5.3 having financial impact of Rs 1.344 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2020-22 Para No. 10]

2.69.6 Non-deduction of Social Security Contribution – Rs 1.244 million

According to Section 20(1) and (9) of the Provincial Employees Social Security Ordinance, 1965, "In case of works executed or undertakings carried on behalf of the state by a contractor or licensee, the competent public authority shall before final settlement of the claims of contractors or licensee, require the production of a certificate from the institution showing that the necessary contributions have been paid, and in default of such certificates, it shall deduct from the amount otherwise payable in settlement of such claim, the appropriate amount of the contributions payable, and pay such amount direct to the institution."

During audit of MC Samundri for the FY 2021-22, it was observed that CO did not deduct the Social Security Contribution @ 6 percent amounting to Rs 1.244 million from claims of the contractors before making payment for the Financial Years 2020-21 & 2021-22. Further, management got executed different development works through 16 contractors but payments were made without obtaining certificate regarding payment of Social Security contribution of workers employed by the contractors. The detail is as under:

(Rupees in million)

No. of Contractors	**No. of Employees**	**Average wage rate/Annum**	**Total Wages**	**Amount @ 6%**
16	96	18,000*12=216,000	20.736	1.244

Due to weak internal controls, deduction of Social Security Contribution was not made which resulted in excess payment to the contractors.

The matter was reported to PAO in March, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery from the concerned at the earliest.

Note: The issue was reported in the Audit Report(s) for Audit Year(s) 2020-21 and 2019-20 vide para(s) No.22.4.13 and 49.5.2 respectively having financial impact of Rs 3.287 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2020-22 Para No. 11]

2.70 Municipal Committee Shorkot

Procedural irregularities

2.70.1 Irregular expenditure in violation of PPRA Rules – Rs 2.893 million

According to Rules 4 & 9 of the Punjab Procurement Rules, 2014, "A procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical. All proposed procurements for each financial year shall be announced in an appropriate manner and the procuring agency shall proceed accordingly without any splitting or regrouping of the procurements so planned."

During audit of MC Shorkot for the FY 2022-23, it was observed that CO incurred expenditure of Rs 2.893 million on account of purchase of bags, tyres, sports material and CCTV cameras. Audit observed that the expenditure was incurred by splitting the same nature objects to avoid the tendering and by keeping the expenditure below 200,000 for non-uploading of tenders on PPRA's websites.

Due to weak internal controls, expenditure was incurred by splitting the object to avoid tendering process which resulted in uneconomical and irregular purchases.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends fixing responsibility against the person(s) at fault besides regularization of expenditure from the competent authority.

[AIR 2022-23 Para No. 5]

Others

2.70.2 Less recovery of Government dues – Rs 7.506 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of MC Shorkot for the FY 2022-23, it was observed that CO recovered Government dues from four contractors amounting to Rs 10.825 million out of Rs 18.331 leaving a balance of Rs 7.506 million. The detail is as under:

(Rupees in million)

Sr. No.	Description	Recoverable Amount	Recovered Amount	Remaining Amount
1	Car Parking Fees	0.746	0.459	0.288
2	Slaughter House	0.450	0.243	0.207
3	Adda Fees / Parking Fees	13.570	8.127	5.443
4	Tanga Rickshaw Fees	3.564	1.996	1.568
Total		**18.331**	**10.825**	**7.506**

Due to weak internal controls, Government dues were not recovered from defaulters which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends fixing responsibility against the person(s) at fault besides recovery of Government dues from the defaulters.

Note: The issue was reported in the Audit Report(s) for Audit Year(s) 2022-23 and 2020-21 vide para(s) No.2.48.6 and 25.4.20 respectively having financial impact of Rs 3.581 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 4]

2.71 Municipal Committee Shujabad

Procedural irregularities

2.71.1 Irregular expenditure on tuff tile pavers – Rs 6.990 million

According to Market Rate Schedule of Government of Punjab Finance Department, "The strength of tuff pavers should be 7000-PSI and these should be of approved manufacturers i.e. Tuff Pavers (Pvt) Ltd., Izhar building material (Pvt) Ltd."

During audit of MC Shujabad for the FY 2021-22, it was observed that CO made payment amounting to Rs 6.990 million to the contractors on account of tuff tile without ensuring the approved manufacturers for the Financial Years 2019-20 to 2021-22. No gate pass or any other documents were provided to prove that tiles were purchased from approved manufacturer. The rate of the tuff tile was based on the input rate of Izhar & Co. Taxila, but the tuff tile was purchased of local built. Furthermore, lab tests from approved laboratory for assessing the quality were also not got conducted.

Due to weak internal controls, payment was made without availability of gate pass of tuff tile and lab tests which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1489 dated 08.09.2023, followed by subsequent reminders vide No. 1535 dated 27.09.2023 and No. 1623 dated 20.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends regularization of expenditure besides fixing responsibility against the person(s) at fault.

[AIR 2019-22 Para No.18]

2.71.2 Irregular expenditure on execution of civil works - Rs 2.761 million

According to Rule 9 of Punjab Procurement Rules 2014, "A procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority in the manner and format specified by regulations but if deemed in public interest, the procuring agency may also advertise the procurement in at least one national daily newspaper."

During audit of MC Shujabad for the FY 2022-23, it was observed that CO incurred expenditure of Rs 2.761 million on account of repair of sewer lines, repair of manhole slabs, replacement of RCC pipes, replacement of damaged sewer line etc. on quotations basis. In mostly cases, the amount of works was taken below the limit of Rs 200,000 just to avoid tendering process and TS from the relevant authority. Specific site plan / map, nomenclature of the work was also not on record, due to which, physical verification / spot verification of repair work could not be verified.

Due to weak internal controls, works were split up to avoid the tendering process which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

[AIR 2022-23 Para No.12]

2.71.3 Irregular expenditure on work charged staff - Rs 1.944 million

According to Government of the Punjab LG & CD Department letter No.SO-ADMN-II (LG) 3-55/2007 dated 03.03.2016, "No work charged / daily wages employee will be appointed in the local governments without the approval of LG&CD Department and without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of MC Shujabad for the FY 2022-23, it was observed that CO incurred expenditure of Rs 1.944 million on account of work charged staff. The work charged employees were appointed without eligibility criteria provided in the relevant service rules, advertisement and permission from LG&CD Department.

Due to weak internal controls, work charge employees were appointed without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

[AIR 2022-23 Para No. 09]

Others

2.71.4 Non-recovery of conversion and map fees – Rs 80.400 million

According to Rule 50 (1) of Chapter-XI of Punjab Local Government Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "A Local Government shall levy fee for conversion of land use from agricultural, residential, peri-urban area to commercial use conversion fee at the rate of 10% of the commercial value of the land. Conversion fee for the conversion of agricultural land to industrial use shall be 5% of the agricultural value of land. Conversion fee for the conversion of land to health / educational institutions shall be 10% of the value of existing land."

During audit of MC Shujabad for the FY 2022-23, it was observed that CO did not recover conversion and map fees amounting to Rs 80.400 million for the Financial Years 2019-20 to 2022-23 from owners of commercial buildings and land sub-divisions who constructed commercial sites without approval.

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in April, 2023 and July, 2023. No reply was submitted by the DDO concerned.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends to probe the matter for fixing responsibility against the person(s) at fault besides recovery of conversion and building plan approval fees from the concerned at the earliest.

[AIR 2022-23 Para No.02, 03, 17]
[AIR 2019-22 Para No. 10, 11]

2.71.5 Loss due to non-recovery of rent of shops – Rs 19.857 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of MC Shujabad for the FY 2022-23, it was observed that CO did not recover rent of shops amounting to Rs 19.857 million. It was observed that shopkeepers have not deposited rent of shops since 1998 but neither tenancy agreement was cancelled nor re-auction of the shops was made by the management. The detail is as under:

(Rupees in million)

Sr. No.	Particulars	Amount
1	Non-recovery of rent of shops	2.191
2	Non-recovery of rent of shops and non-vacation of shops from occupants	17.666
Total		**19.857**

Due to weak internal controls, arrears of rent of shops were not recovered which resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery at the earliest.

[AIR 2022-23 Para No. 05, 14]

2.71.6 Loss due to short recovery of outsource income – Rs 3.221 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of MC Shujabad for the FY 2021-22, it was observed that CO did not collect rented income of shops and various leased income of parking stands of Rs 3.221 million from the contractors for the Financial Years 2018-19 to 2020-21. The amount of agreement was Rs 7.642 million but contractors paid only Rs 5.971 million leaving the balance of Rs 1.671 million unpaid. Similarly, amount of Rs 1.550 was not recovered on account of rent of sops. No appropriate action was taken by the management for recovery of remaining amount of auctions.

Due to weak internal controls, the amount of auction of collection rights was not recovered which resulted in loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

[AIR 2019-22 Para No.6, 23]

2.71.7 Inadmissible payment of integrated allowance - Rs 1.485 million

According to Government of the Punjab, Finance Department, Lahore, notification No. FD.PC.2-1/2001 dated 11.07.2011, "Integrated allowance is allowed to Naib Qasid, Qasid, Daftries, Frash, Chowkidar, Sweeper, Sweeperess and Security Guards." Further, according to Finance Department Notification No. FD.SR-I/9-28/2016 dated 18.07.2016 regarding revision of rates of aforementioned notification dated 11.07.2011 in this notification only rates were revised and no admissibility to the other designations was mentioned.

During audit of MC Shujabad for the FY 2021-22, it was observed that CO allowed payment of Rs 1.485 million on account of integrated allowance to 75 sanitary workers without admissibility for the Financial Years 2019-20 to 2021-22. The said allowance was only admissible to those employees whose designations were mentioned in above referred letter. Audit calculated recovery for the period of 01.07.2019 to 30.06.2022. The detail is as under:

(Rupees in million)

No. of Sanitary Workers	Rate Per Month	Amount Drawn as per August, 2019	Total No. of months July, 2019 to June, 2022	Amount drawn
75	550	41250	36	1.485

Due to weak internal controls, integrated allowance was paid to sanitary workers without entitlement which resulted in loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery and immediate stoppage of allowance in future besides fixing responsibility against the person(s) at fault.

[AIR 2019-22 Para No.1]

2.72 Municipal Committee Sinawan

Procedural irregularities

2.72.1 Irregular expenditure on work charged staff – Rs 3.953 million

According to Government of the Punjab LG & CD Department letter No.SO-ADMN-II (LG) 3-55/2007 dated 03.03.2016, "No work charged / daily wages employee will be appointed in the local governments without the approval of LG&CD Department and without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of MC Sinawan for the FY 2022-23, it was observed that CO incurred expenditure amounting to Rs 3.953 million on account of work charged staff. The work charged employees were appointed without eligibility criteria provided in the relevant service rules, advertisement and permission from LG&CD Department.

Due to weak internal controls, work charge employees were appointed without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-1008 dated 15.09.2023, followed by subsequent reminders vide No. 1047 dated 26.09.2023 and No. 1080 dated 02.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

[AIR 2022-23 Para No. 16]

Others

2.72.2 Non-recovery of revenue and over payment of allowances – Rs 104.234 million

According to Rule 47 of the Punjab Local Government (Budget) Rules 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited to the Local Fund."

During audit of MC Sinawan for the FY 2022-23, it was observed that CO failed to recover revenue amounting to Rs 104.234 million on account of rent of Municipal Property/ shops, conversion fees and other fees. The detail is as under:

(Rupees in million)

Sr. No.	Type of Recovery/Overpayment	Amount
1	Recovery of Rent of Shops	29.475
2	Recovery of Integrated allowances	0.421
3	Recovery of different fees from private housing societies	15.398
4	Recovery of rent of shops from unauthorized occupants	13.979
5	Recovery of conversion fees	44.961
Total		**104.234**

Due to weak internal controls, government revenue were less realized which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this report despite repeated requests.

Audit recommends recovery of revenue from the concerned.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.49.5 having financial impact of Rs 259.803 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 1, 10, 13, 15, 17]

2.73 Municipal Committee Tandlianwala

Others

2.73.1 Non-recovery of Government dues – Rs 8.393 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of MC Tandlianwala for the FY 2022-23, it was observed that CO did not recover rent of shops amounting to Rs 8.393 million from 81 lessees for the Financial Years 2020-21 to 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	Description	Period	Amount
1	Recovery on account of rent of 81 shops	2022-23	4.784
2	Recovery on account of rent of 34 shops of MC at general bus stand	2020-21 to 2021-22	3.609
Total			**8.393**

Due to weak internal controls, outstanding amount could not be recovered which resulted in less realization of income to the MC.

The matter was reported to PAO in March and July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends recovery from the defaulters concerned at the earliest besides fixing responsibility against the officials(s) concerned.

Note: The issue was reported in the Audit Report for Audit Year 2019-20 vide Para No.50.4.3 having financial impact of Rs 1.677 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2020-22 Para No. 3]
[AIR 2022-23 Para No. 4]

2.73.2 Non-deduction of Social Security Contribution – Rs 1.123 million

According to Section 20(1) & (9) of the Provincial Employees Social Security Ordinance, 1965, "The competent authority shall before final settlement of the claims of contractors or licensee shall require the production of a certificate from the institution showing that the necessary contributions have been paid and in default of such certificates, it shall deduct from the amount otherwise payable in settlement of such claim @ 6 percent and pay such amount directly to the institution.”

During audit of MC Tandlianwala for the FY 2021-22, it was observed that CO executed various civil works through 12 contractors for the Financial Years 2020-21 & 2021-22 but payments were made without obtaining certificates regarding payment of Social Security Contribution of workers employed by the contractors. MC authorities did not make efforts to deduct the Social Security contribution amounting to Rs 1.123 million from claims of the contractors before making payments. The detail is as under:

(Rupees in million)

No. of Contractors	**No. of Employees**	**Average Wage Rate per Annum**	**Total Wages**	**Amount @ 6%**
12	120	0.156	18.720	1.123

Due to weak internal controls, Social Security Contribution was not deducted from claims of the contractors which resulted in excess payment to the contractors.

The matter was reported to PAO in March, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends to probe the matter besides recovery of Social Security Contribution from the concerned.

Note: The issue was reported in the Audit Report for Audit Year 2020-21 vide Para No.23.4.15 having financial impact of Rs 1.705 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2020-22 Para No. 6]

2.74 Municipal Committee Taunsa

Others

2.74.1 Non-recovery of outstanding dues / revenue – Rs 18.362 million

According to Rule 14(d) of the Punjab Local Governments (Accounts) Rules, 2017, "The Collecting Officer shall collect the receipt of local Government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement, or compromise."

During audit of MC Taunsa for the FY 2022-23, it was observed that CO did not recover the revenue amounting to Rs 18.362 million on account of water rates charges and conversion fees. No serious efforts were made to recover the outstanding revenue. The detail is as under:

(Rupees in million)

Sr. No.	Receipt head	Auction /Demand amount	Amount deposited	Balance amount
1	Water rates charges	12.643	9.453	3.197
2	Conversion fees of commercial, residential buildings	-	-	15.165
Total				**18.362**

Due to weak internal controls, government revenue were not recovered from the concerned which resulted in loss to the MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDA / DGK/CD-1008 dated 15.09.2023, followed by subsequent reminders dated 26.09.2023 and 02.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends recovery of government revenue from the concerned.

[AIR 2022-23 Para No. 2, 7, 8]

2.75 Municipal Committee Toba Tek Singh

Procedural irregularities

2.75.1 Irregular payment to daily wage employees – Rs 11.068 million

According to Government of the Punjab, Finance Department Notification No. RO (Tech) FD 2-2/2022 dated 15.07.2022, "Appointment of work charge / daily wages employee shall be made with procedure that the post(s) shall be advertised properly in the leading newspapers and recruitment to all posts shall be made on the basis of merit specified for regular establishment."

During audit of MC Toba Tek Singh for the FY 2022-23, it was observed that CO made payment amounting to Rs 11.068 million to sanitary workers appointed on daily wages. Audit observed that appointments were made in non-transparent manner / without advertising jobs along with selection criteria in the newspapers. Further, 53 to 65 sanitary workers were appointed on daily wages against 47 vacant posts.

Due to weak internal controls, recruitments of daily wage staff were made without adopting prescribed procedure and beyond sanctioned posts which resulted in irregular expenditure.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends fixing responsibility against the person(s) at fault besides regularization of expenditure from the competent authority.

[AIR 2022-23 Para No. 8]

Others

2.75.2 Non-recovery of rent from lessees of municipal property – Rs 148.070 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head." Further, according to Rule 11(2) (c) of the Punjab Local Governments (Accounts) Rules, 2017, "In the discharge of his responsibilities, the Chief Officer shall ensure that any sums due to the local government are promptly realized and credited to the local fund."

During audit of MC Toba Tek Singh for the FY 2022-23, it was observed that CO failed to recover the rent of shops from 207 occupants of municipal property and accumulated arrears up to June, 2023 were amounting to Rs 148.070 million. Contrary to the above, efforts were not made for recovery of arrears from lessees.

Due to weak internal controls, arrears of rent of shops were not recovered which resulted in less realization of revenue and loss to the Government.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry for fixing responsibility against the person(s) at fault besides recovery from the concerned at the earliest.

Note: The issue was reported in the Audit Report(s) for Audit Year(s) 2022-23, 2020-21 and 2019-20 vide para(s) No.2.51.7, 28.4.3 and 59.5.1 respectively having financial impact of Rs 132.25 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 7]

2.75.3 Non-recovery of water rate charges – Rs 39.683 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head." Further, according to Rule 11(2) (c) of the Punjab Local Governments (Accounts) Rules, 2017, "In the discharge of his responsibilities, the Chief Officer shall ensure that any sums due to the local government are promptly realized and credited to the local fund."

During audit of MC Toba Tek Singh for the FY 2022-23, it was observed that CO could recover an amount of Rs 33.074 million on account of water rate charges against total demand of Rs 72.757 million leaving balance of Rs 39.683 million unrecovered.

Due to weak monitoring mechanism, MC authorities could not recover water rate charges which resulted in short realization of revenue.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends fixing responsibility against the person(s) at fault besides recovery of arrears.

Note: The issue was reported in the Audit Report for Audit Year 2022-23 vide Para No.2.51.9 having financial impact of Rs 33.811 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 4]

2.75.4 Non-recovery of cost of land and development charges – Rs 14.630 million

According to Directorate General of Kachi Abadies Colonies Department, Board of Revenue, Punjab, letter No.DG(KA) BOR/8-200/2012 dated 22.11.2012, "In supersession of all previous decisions, the price of land (Urban areas) will be @ 2% of the current valuation table at the time of grant of proprietary rights for area under occupation up to 5-Marlas, price of land for occupation above 5-Marlas and up to 10-Marlas will be current valuation table rate at the time of grant of proprietary rights and price of land for occupation for above 10-Marlas will be the current valuation rate with additional surcharge 50% thereof at the time of grant of proprietary rights."

During audit of MC Toba Tek Singh for the FY 2022-23, it was observed that CO failed to recover cost of land and development charges from 151 occupants of two Kachi Abadies. Audit observed that said occupants were living in these Kachi Abadies since 1985 and 2012 but MC authorities did not recover cost of land and development charges amounting to Rs 14.630 million.

Due to weak internal controls, cost of land and development charges were not recovered which resulted in loss and less realization of revenue.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends fixing responsibility against the person(s) at fault besides recovery of cost of land and development charges.

[AIR 2022-23 Para No. 10]

2.75.5 Non-recovery of miscellaneous fees – Rs 7.068 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee."

During audit of MC Toba Tek Singh for the FY 2022-23, it was observed that CO failed to recover conversion fees, building plan and approval of housing schemes from owners of four private buildings and one housing colony who converted the land for commercial use, housing schemes without depositing the prescribed fees. Resultantly, an amount of Rs 7.068 million was not recovered from the owners.

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of conversion fees, building plan, housing colony approval fees from the owners concerned.

Note: The issue was reported in the Audit Report(s) for Audit Year(s) 2022-23 and 2020-21 vide para(s) No.2.51.10 and 28.4.5 respectively having financial impact of Rs 18.909 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 9]

2.75.6 Non-execution of mortgage deed – Rs 3.819 million

According to Chapter III Section 17 (e) & (f) and Chapter VIII Section 42 (h) of Punjab Private Housing Schemes and Land Sub-division Rules 2010, "A developer shall submit in the name of a Town Municipal Administration, a Tehsil Municipal Administration or a Development Authority a mortgage deed of 20% of the saleable area, in accordance with Form C, as security for completion of development works."

During audit of MC Toba Tek Singh for the FY 2022-23, it was observed that CO approved land sub-division / housing scheme but 20% of saleable area 10.9 Kanal valuing Rs 3.819 million was not mortgaged by the developer of these housing schemes in the name of MC. The detail is as under:

(Rupees in million)

Sr. No.	Name of Housing Scheme	Area reserved for public use	Value of Land per Marla	Total value of land
1.	Rai Anwar Town	10 K, 18 M	20,313	3.819

Due to weak administrative controls, non-execution of mortgage deed resulted in irregular approval of housing scheme.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides mortgage and transfer deed as per rule be executed in the name of MC.

[AIR 2022-23 Para No. 12]

2.76 Municipal Committee Tulamba

Others

2.76.1 Non-execution of mortgage deed – Rs 25.550 million

According to Chapter III Section 17 (e) & (f) and Chapter VIII Section 42 (h) of Punjab Private Housing Schemes and Land Sub-division Rules 2010, "A developer shall submit in the name of a Town Municipal Administration, a Tehsil Municipal Administration or a Development Authority a mortgage deed of 20% of the saleable area, in accordance with Form C, as security for completion of development works."

During audit of MC Tulamba for the FY 2022-23, it was observed that CO approved land sub-division but 20% of saleable area valuing Rs 25.550 million was not mortgaged by the developer of land sub-division in the name of MC. The detail is as under:

(Rupee in million)

Name of Land Sub-Division	Name of Owners	Total area	Total saleable area (Marla)	20% of saleable area (Marla)	Rate per Marla (Rs.)	Value of mortgage deed not made in Favour of Govt.
Abdullah Town, in front of Sadiq Filling Station, Mian Channu Road, Tulamba	Hameedan w.o Abdul Ghaffar and Muhammad Tariq, etc. S/o Abdul Ghaffar	31 K 17 M	364 M	73 M	0.350	25.550

Due to weak administrative controls, non-execution of mortgage deed resulted in irregular approval of LSD.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1489 dated 08.09.2023, followed by subsequent reminders vide No. 1535 dated 27.09.2023 and No. 1623 dated 20.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides mortgage and transfer deed as per rule be executed in the name of MC.

[AIR 2022-23 Para No. 09]

2.76.2 Non-recovery of conversion and map fees – Rs 21.194 million

According to Rule 50 (1) of the Punjab Local Government Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020 "A local government shall levy fee for conversion of land use from agricultural, residential, peri-urban area to commercial use conversion fee at the rate of 10% of the commercial value of the land." Further, according to Rule 39 of Punjab Private Housing Schemes and Land Sub-Division Rules, 2010, "A developer shall deposit fee for conversion of peri-urban area to scheme use at the rate of one percent of the value of the residential land."

During audit of MC Tulamba for the FY 2022-23, it was observed that CO did not recover conversion and map fees amounting to Rs 21.194 million for the Financial Years 2019-20 to 2022-23 from owners of commercial buildings and land sub-division who constructed commercial sites without approval. Notices were served to the owners of these sites to deposit conversion and building plan approval fees. However, no action was taken by MC authorities for sealing the commercial sites or recovery of fees.

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends to probe the matter for fixing responsibility against the person(s) at fault besides recovery of conversion and building plan approval fees from the concerned at the earliest.

[AIR 2022-23 Para No. 08]

2.76.3 Non-forfeiture of securities despite non-completion of work - Rs 3.708 million

According to clause 3(a)&(c) of Contract Agreement and Tender Documents of civil works, "In any case in which under any clause or clauses of the contract the contractor shall have rendered himself liable to pay compensation amounting to whole of the security deposit. Local Government Engineer shall have power to adopt any of the following sources as he may have deemed best suited to the interest of the Local Government/Committee. To rescind the contract of which rescission notice in writing to contractor under the hand of the Local Government/Municipal Engineer shall be conclusive evidence, and in which case the security deposit of the contractor shall stand forfeited, and be absolutely at disposal of the Local Government/Committee." Furthermore, according to terms of advertisement, "the successful bidder whose bid is less or more than 5% below of the estimate cost of the work will have to deposit additional performance security as per rules. Failure to do so shall result in the forfeiture of earnest money."

During audit of MC Tulamba for the FY 2022-23, it was observed that CO did not forfeit Rs 3.708 million on account of performance securities obtained and security retained / deducted from the running bills from contractors / additional performance security & earnest money for the Financial Years 2017-18 to 2022-23. Work orders were issued to the different contractors who offered rates below the TS estimate but additional performance security & earnest money was not confiscated from contractors, who did not complete the work till to date. It is pertinent to mention here that despite lapse of 03 years contractors left the remaining work of schemes in violation of contract agreement but the MC authorities did not make efforts for completion of the schemes by awarding the works to other contractor(s) at risk and expense of original contractors.

Due to weak internal controls and monitoring mechanism, action was not taken against the contractors for non-completion of schemes.

The matter was reported to PAO in April, 2023 and July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends execution and completion of work at risk and cost of defaulting contractor, forfeiture of performance securities of contractors besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No.13]
[AIR 2019-22 Para No. 04]

2.77 Municipal Committee Vehari

Procedural irregularities

2.77.1 Irregular award of contract of repair of road - Rs 4.500 million

According to Rule 8 of Punjab Work Rules 2017, "The contractors registered with Pakistan Engineering Council or any person possessing such qualification and experience as may be specified by the Government. The contractors of category C-A, C-B, C-1, C-2, C-3, C-4, C-5, or B, C-6 or C and D may tender in all local Government departments according to the field of specialization." Further, according to letter of membership of Pakistan Engineering Council dated 06.07.2022 valid up to 30th June 2023, Para 2, "M/s Mehtab Shahid Daultana field of specialization EE01 to EE-11 (General Electric Works Only of ten Codes) for detail see overleaf." Furthermore, according to Registration Categories, code and specialization of constructor / operators published by Pakistan Engineering Council Lahore, C06 category is used for repair of road works."

During audit of MC Vehari for the FY 2022-23, it was observed that CO irregularly awarded three tenders amounting to Rs 4.500 million for repair of road and sewerage lines to contractor M/s Mehtab Daultan Enterprises. While as per registration letter of Pakistan Engineering Council, the contractor did not had the expertise / infrastructure of the repair of road and sewerage.

Due to weak internal controls, the contract of repair of road and sewerage line was awarded to irrelevant contractor which resulted in irregular award of contract.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1489 dated 08.09.2023, followed by subsequent reminders vide No. 1535 dated 27.09.2023 and No. 1623 dated 20.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.52.3 having financial impact of Rs 17.990 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No.13]

Others

2.77.2 Loss due to non-recovery of revenue – Rs 93.893 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of MC Vehari for the FY 2022-23, it was observed that CO did not recover receipts amounting to Rs 93.893 million on account of water rates and rent of shops during the financial year.

Due to weak financial and internal controls, government dues were not recovered which resulted in loss of revenue.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery at the earliest.

[AIR 2022-23 Para No. 02]

2.77.3 Non-recovery of conversion and map fees – Rs 6.890 million

According to Rule 50 (1) of the Punjab Local Government Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020 "A local government shall levy fee for conversion of land use from agricultural, residential, peri-urban area to commercial use conversion fee at the rate of 10% of the commercial value of the land." Further, according to Rule 39 of Punjab Private Housing Schemes and Land Sub-Division Rules, 2010, "A developer shall deposit fee for conversion of peri-urban area to scheme use at the rate of one percent of the value of the residential land."

During audit of MC Vehari for the FY 2022-23, it was observed that CO did not recover conversion and building plan approval fees amounting to Rs 6.890 million from owners / developers of commercial buildings and land sub-divisions who constructed commercial sites without approval. Notices were served to the owners of these sites to deposit conversion and building plan approval fees.

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends to probe the matter for fixing responsibility against the person(s) at fault besides recovery of conversion and building plan approval fees from the concerned at the earliest.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.52.11 having financial impact of Rs 12.853 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No.11]

2.77.4 Unauthorized payment of integrated allowance to sanitary workers – Rs 1.588 million

According to Government of the Punjab, Finance Department, Lahore, notification No. FD.PC.2-1/2001 dated 11.07.2011, "Integrated allowance is allowed to N/Qasids, Qasids, Daftries, Frashes, Chowkidars, Sweepers, Sweeperess & Security Guard." According to Finance Department Notification No. FD.SR-I/9-28/2016 dated 18.07.2016 regarding revision of rates of aforementioned notification dated 11.07.2011, in this notification only rates were revised and no admissibility to the other designations was mentioned.

During audit of MC Vehari for the FY 2022-23, it was observed that CO made payment amounting to Rs 1.588 million on account of integrated allowance to 140 sanitary workers and 7 water carriers without admissibility. Audit just calculated recovery for the period 01.07.2022 to 30.06.2023. The department is responsible to recover total inadmissible payment. The detail is as under:

(Rupees in million)

Month checked by audit	Amount drawn as per July 2022	Total number of month July 2022, June2023(audit period	Total amount drawn/ Amount of Recovery
7/2022	0.1323	12	1.588

Due to weak internal controls, integrated allowance was paid to sanitary workers irregularly which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery and immediate stoppage of inadmissible allowance besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No.08]

2.78 Municipal Committee Yazman

Others

2.78.1 Loss due to non-transfer / mortgage of property – Rs 1,269.390 million

According to Rule 17 (e) & (f) and Rule 42 (h) of the Punjab Private Housing Schemes and Land Sub-division Rules 2010, "The developers are required to transfer the area reserved for roads, open space, park and solid waste management as well as one percent of the area under land sub-division for public buildings, excluding the area of mosque in favor of relevant development authority / body and should submit mortgage deed of 20% of the saleable area, in accordance with Form C, as security for completion of development works."

During audit of MC Yazman for the FY 2022-23, it was observed that Chief Officer neither got transferred nor mortgaged the required area amounting to Rs 1,269.390 million from private housing schemes in the name of MC Yazman.

Due to weak internal controls, no action was taken for transfer and mortgage of land in the name of MC which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA/BWP /Reports/2023-24/F-39/CD-1026 dated 08.09.2023, followed by subsequent reminders vide No. 1118-20 dated 25.09.2023 and No. 1174-77 dated 28.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends transfer / mortgage of property in the name of MC besides fixing responsibility against the person(s) at fault.

Note: This issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2019-20 vide para(s) number 2.53.3, 11.2.5.2.2 and 11.2.5.3.1 respectively having financial impact of Rs 2,945.46 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 9]

2.78.2 Non-realization of revenue – Rs 49.602 million

According to Rule 50 (1) (a) (e) of the Punjab Land Use (Classification, Reclassification and Redevelopment) Rules 2020, "A local government shall levy the conversion fee for the conversion of any land use to educational, healthcare institutional or commercial use @ ten percent of the existing value of the land or plot or property as per valuation table and in case valuation table is not available, ten percent of the average sale price of preceding twelve months of the land in the vicinity as determined by the District Price Assessment Committee." Further, according to Rule 47 (1) of the Punjab Local Government (Budget) Rules 2017, "Collecting officer shall ensure that all revenue due is claimed, realized and credited immediately into Local Government Fund and entered in the proper receipt head."

During audit of MC Yazman for the FY 2022-23, it was observed that CO did not collect revenue on account of arrears, sewerage fees, various receipts and map fees amounting to Rs 49.602 million. The income was either less collected or misappropriated by the collection staff. The detail is as under:

(Rupees in million)

Sr. No.	Description	Amount
1	Arrears of receipts	45.517
2	Sewerage fees	1.439
3	Different fees	1.550
4	Map fees	1.096
Total		**49.602**

Due to weak internal controls, revenue was not recovered which resulted in loss.

The matter was reported to PAO in July, 2023 but management did not reply.

DAC meeting was not convened till finalization of this report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

Note: This issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2020-21and 2019-20 vide para(s) number 2.53.4, 5.4.3 and 11.2.5.3.2 respectively having financial impact of Rs 1034.757 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 3, 5, 8, 15]

2.79 District Council Bahawalnagar

Procedural irregularities

2.79.1 Irregular expenditure on contingent paid staff – Rs 4.298 million

According to Government of the Punjab, Finance Department Notification No. RO (Tech) FD 2-2/2022 dated 15.07.2022, "Appointment of work charge / daily wages employee shall be made with procedure that the post(s) shall be advertised properly in the leading newspapers and recruitment to all posts shall be made on the basis of merit specified for regular establishment."

During audit of District Council Bahawalnagar for the FY 2022-23, it was observed that CO recruited sanitary workers on daily wages for Urban Union Council Dahanranwala, Faqir Wala and Mandi Sadiq Gunj and made payment of Rs 4.298 million. However, recruitments were made without advertisement in the newspapers and other codal formalities.

Due to weak internal controls, recruitments were made without adopting prescribed procedure which resulted in irregular expenditure.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / BWP / Reports / 2023-24 / F-39 / CD 1252-1255 dated 04.10.2023, followed by subsequent reminders vide No. 1272-75 dated 10.10.2023 and No. 1357-60 dated 19.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure from the competent authority.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2019-20 and 2018-19 vide para(s) number 1.2.2.14 and 1.4.7 respectively having financial impact of Rs 2.993 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 22]

Others

2.79.2 Non-execution of land transfer deed – Rs 963.369 million

According to section 21 clause (1) (d) pre-requisites for approval of housing scheme of Punjab Private Housing Schemes Rules 2022. The local government concerned before approval of a housing scheme shall ensure fulfillment of the following requirements, "Execute a transfer deed on Form-B, B1, B2 for free of cost transfer to the local government concerned in the office of Sub Registrar, the total area reserved for roads, parks, open spaces, sports facility / playground, graveyard, parking, green strip (prohibited area), solid waste management and such other services and fifty percent area of minimum limit of public building sites excluding the area of mosque or worship."

During audit of District Council Bahawalnagar for the FY 2022-23, it was observed that CO neither got transferred nor mortgaged the required area amounting to Rs 963.369 million from ten (10) housing schemes / LSDs in the name of DC Bahawalnagar.

Due to weak administrative controls, non-execution of land transfer deed resulted in irregular approval of housing schemes / LSDs.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends transfer and mortgage of property in the name of DC besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2018-19 vide para(s) number 2.54.3 and 1.2.4.1 respectively having financial impact of Rs 335.207 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 16]

2.79.3 Non-realization of revenue – Rs 3.597 million

According to Rule 50 (1) (a) (e) of the Punjab Land Use (Classification, Reclassification and Redevelopment) Rules 2020, "A local government shall levy the conversion fee for the conversion of any land use to educational, healthcare institutional or commercial use @ ten percent of the existing value of the land or plot or property as per valuation table and in case valuation table is not available, ten percent of the average sale price of preceding twelve months of the land in the vicinity as determined by the District Price Assessment Committee." Further, according to Rule 47 (1) of the Punjab Local Government (Budget) Rules 2017, "Collecting officer shall ensure that all revenue due is claimed, realized and credited immediately into Local Government Fund and entered in the proper receipt head.”

During audit of District Council Bahawalnagar for the FY 2022-23, it was observed that CO did not collect revenue on account of auction amount and map & conversion fees amounting to Rs 3.597 million. The income was either less collected or misappropriated by the collection staff. The detail is as under:

(Rupees in million)

Sr. No.	**Description**	**Amount**
1	Non-recovery of auctioned amount from contractor	1.451
2	Map and conversion fees	2.146
Total		**3.597**

Due to weak internal controls, revenue was not recovered which resulted in loss.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2019-20 and 2018-19 vide para(s) number 2.54.2, 1.5.1 and 1.2.3.1 respectively having financial impact of Rs 538.844 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 8, 15]

2.80 District Council Bahawalpur

Procedural irregularities

2.80.1 Mis-procurement of goods and services – Rs 53.889 million

According to Rules 9 and 12(1) of the Punjab Procurement Rules 2014, "Procuring agency shall announce proposed procurements for each Financial Year and shall proceed accordingly without any splitting or regrouping of the procurements so planned and annual requirements thus determined would be advertised in advance on the PPRA's website. Procurement opportunities over two hundred thousand rupees and up to the limit of three million rupees shall be advertised on the PPRA's website in the manner and format specified by the PPRA from time to time."

During audit of District Council Bahawalpur for the FY 2022-23, it was observed that CO incurred expenditure of Rs 53.889 million on account of various items without observing PPRA Rules. Annual requirements were not consolidated / advertised in print media / on PPRA's website. Further, purchases were made by splitting the indents. The detail is as under:

(Rupees in million)

Sr. No.	Description	Amount
1	Stationery and different items purchased on eve of fair & exhibitions etc.	20.219
2	Purchased of various items on the arrangements of Independence Day	3.323
3	Purchases on the arrangements of Muharrum-ul-Haram	7.901
4	Purchase of CCTV cameras, bulbs, PVC cables, pana flexs etc.	22.446
Total		**53.889**

Due to weak internal controls, procurements were made without observing procurement rules which resulted in mis-procurement.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / BWP / Reports / 2023-24 / F-39 / CD 1252-1255 dated 04.10.2023, followed by subsequent reminders vide No. 1272-75 dated 10.10.2023 and No. 1357-60 dated 19.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends to probe the matter and fixing responsibility besides regularization of expenditure.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2019-20 and 2018-19 vide para(s) number 2.55.2, 2.3.1 and 2.2.2.5 respectively having financial impact of Rs 50.873 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 2, 22, 25, 29]

2.80.2 Unauthorized expenditure on contingent paid staff – Rs 13.006 million

According to Government of the Punjab, Finance Department Notification No. RO (Tech) FD 2-2/2022 dated 15.07.2022, "Appointment of work charge / daily wages employee shall be made with procedure that the post(s) shall be advertised properly in the leading newspapers and recruitment to all posts shall be made on the basis of merit specified for regular establishment."

During audit of District Council Bahawalpur for the FY 2022-23, it was observed that CO recruited sanitary workers on daily wages and made payment of Rs 13.006 million. However, recruitments were made without advertisement in the newspapers and other codal formalities.

Due to weak internal controls, recruitments were made without adopting prescribed procedure which resulted in irregular expenditure.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure from the competent authority.

[AIR 2022-23 Para No. 4]

Others

2.80.3 Non-execution of land transfer deed – Rs 630.955 million

According to section 21 clause (1) (d) pre-requisites for approval of housing scheme of Punjab Private Housing Schemes Rules 2022. The local government concerned before approval of a housing scheme shall ensure fulfillment of the following requirements, "Execute a transfer deed on Form-B, B1, B2 for free of cost transfer to the local government concerned in the office of Sub Registrar, the total area reserved for roads, parks, open spaces, sports facility / playground, graveyard, parking, green strip (prohibited area), solid waste management and such other services and fifty percent area of minimum limit of public building sites excluding the area of mosque or worship."

During audit of District Council Bahawalpur for the FY 2022-23, it was observed that CO neither got transferred nor mortgaged the required area of thirteen (13) housing schemes / LSDs valuing Rs 630.955 million in the name of DC Bahawalpur.

Due to weak administrative controls, non-execution of land transfer deed resulted in irregular approval of housing schemes / LSDs.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends transfer and mortgage of property in the name of DC besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2019-20 and 2018-19 vide para(s) number 2.55.5, 2.4.1 and 2.2.4.3 respectively having financial impact of Rs 4,458.026 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 21]

2.80.4 Non-recovery of conversion and map fees – Rs 22.815 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee."

During audit of District Council Bahawalpur for the FY 2022-23, it was observed that Chief Officer did not recover conversion and map fees amounting to Rs 22.815 million from the developers of LSDs / Housing Schemes. The detail is as under:

(Rupees in million)

Sr. No.	**Description**	**Amount**
1	Conversion fees	7.681
2	Map fees	15.134
Total		**22.815**

Due to weak internal controls, conversion and map fees was not recovered which resulted in loss.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23, 2019-20 and 2018-19 vide para(s) number 2.55.8, 2.4.4 and 2.2.4.6 respectively having financial impact of Rs 28.005 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 20]

2.80.5 Loss due to misappropriation of funds through fictitious / doubtful billing – Rs 13.291 million

According to Rule 2.31 (a) of PFR Vol-I, "A drawer of bill for pay, allowances, contingent and other expenses will be responsible for any overcharges, frauds and misappropriation." Further, according to Rule 29 of the Punjab Local Government (Accounts) Rules 2001, "Every drawing and disbursing officer signing and authorizing the payments shall be personally responsible for any erroneous payment and claim of bill."

During audit of District Council Bahawalpur for the FY 2022-23, it was observed that Chief Officer withdrew fictitious / doubtful billing amounting to Rs 13.291 million on account of different heads of accounts. Expenditure is unjustified on the basis of below mentioned grounds:

i. Supply orders were issued without ensuring despatch number and date.
ii. Purchases in most of the cases were made after completion of the event.
iii. Expenditure was incurred on repair of Jinnah hall which was already handed over to the Election Commission vide letter No. PA/DC/BWP/278, dated 11.03.2023 issued by the Deputy Commissioner BWP.
iv. Repeated expenditure was incurred on similar nature items without ensuring stock entries and consumption.
v. Expenditure was incurred on hiring of vehicles/ machineries despite having own vehicles/ machineries.
vi. POL was issued to out of order vehicles

Due to intention of misappropriation, fictitious / doubtful bills were drawn which resulted in loss to government.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery from the concerned besides initiating disciplinary proceedings against the person(s) at fault.

[AIR 2022-23 Para No. 27]

2.81 District Council Chiniot

Procedural Irregularities

2.81.1 Unauthorized execution of works without technically sanctioned estimates – Rs 148.432 million

According to Government of the Punjab, Finance Department letter No. FD (TMA) 1-158/2005 dated 21.10.2010 and circular No. FD (FR)-II-2/89 dated 24.06.1996, "Technical

Sanction (TS) must be issued before inviting tenders and TS order number, date and amount must be mentioned in Notice Inviting Tenders (NITs).”

During audit of District Council, Chiniot for the FY 2022-23, it was observed that CO awarded 22 works for construction of soling, drain, PCC slab, nala, improvement of roads etc. at work order cost of Rs 148.432 million. However, the schemes were awarded without technical sanction of estimates. **Annexure-6**

Due to weak internal controls, works were awarded without technically sanctioned estimates which resulted in unauthorized execution of civil works.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 12]

Others

2.81.2 Non-recovery of conversion and map fees – Rs 4.916 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee."

During audit of District Council, Chiniot for the FY 2022-23, it was observed that CO did not recover conversion and map fees amounting to Rs 4.916 million from owners of commercial buildings and petrol pumps who constructed commercial sites without approval.

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery from the concerned at the earliest.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.56.7 having financial impact of Rs 1.245 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 8]

2.81.3 Non-recovery of replenishment cost of trees – Rs 4.143 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of District Council, Chiniot for the FY 2022-23, it was observed that CO failed to recover replenishment cost of trees amounting to Rs 4.143 million from XEN Highway Division Chiniot. Demand notice regarding cutting/removing of trees from the site of scheme "widening / improvement of Lalian-Kandiwaal Road was submitted vide letter No. DC/CHT/CO.465 dated 17.02.2023 but no further efforts were made for recovery of replenishment cost.

Due to weak internal controls, replenishment cost could not be recovered which resulted in non-realization of revenue.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends early recovery of replenishment cost of trees.

[AIR 2022-23 Para No. 4]

2.81.4 Non-recovery of rent of municipal properties – Rs 2.264 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, “The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head.”

During audit of District Council, Chiniot for the FY 2022-23, it was observed that CO failed to recover rent of municipal properties amounting to Rs 2.264 million from the tenants of shops, agricultural land as well as Food Department. The detail is as under:

(Rupees in million)

Sr. No.	Description	Amount
1	Non/Less recovery of rent of shops	2.128
2	Non-recovery of rent of agricultural land	0.007
3	Non-recovery of Godown rent from Food Department	0.129
Total		**2.264**

Due to weak internal controls, rent was not recovered from the defaulters which resulted in loss.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.56.6 having financial impact of Rs 1.545 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 6]

2.82 District Council Dera Ghazi Khan

Procedural irregularities

2.82.1 Irregular expenditure on work charged staff – Rs 29.813 million

According to Government of the Punjab LG & CD Department letter No.SO-ADMN-II (LG) 3-55/2007 dated 03.03.2016, "No work charged / daily wages employee will be appointed in the local governments without the approval of LG&CD Department and without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of District Council Dera Ghazi Khan for the FY 2022-23, it was observed that CO incurred expenditure amounting to Rs 29.813 million on account of work charged staff. The work charged employees were appointed without eligibility criteria provided in the relevant service rules, advertisement and permission from LG&CD Department.

Due to weak internal controls, work charge employees were appointed without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in October, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letters No. RDA/DGK/CD-1184 dated 13.10.2023, followed by subsequent reminders No.1285 dated 17.11.2023 and No.1353 dated 22.12.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2019-20 and 2018-19 vide para(s) number 4.4.4 and 4.2.1.4 respectively having financial impact of Rs 23.097 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 18]

2.82.2 Unauthorized payment of tuff tiles - Rs 6.835 million

According to input rates issued by the Finance Department "The strength of tuff pavers should be 7000-PSI and these should be of approved manufacturers i.e. Tuff Pavers (Pvt) Ltd., Izhar Building Material (Pvt) Ltd. Further, as per Government of Punjab Communication and Works Department letter No.PA/SECY(C&W) 26-5/2009 dated 25.05.2009, "Payment be made only for quality works which conform to the given specifications."

During audit of District Council Dera Ghazi Khan for the FY 2022-23, it was observed that CO made payment of Rs 6.835 million to the contractors on account of tuff tiles used in development schemes. No gate pass or any other documents was provided to prove that tiles were purchased from approved manufacturer. The rate of the tuff tile was based on the input rate of Izhar & Co. Taxila, but the tuff tiles were purchased from the local manufacturer. Furthermore, lab tests for assessing the quality were not conducted. The detail is as under:

(Rupees in million)

Scheme	Agency	Qty Sft	Rate Sft	Amount
Construction of surface drain tuff tiles UC Choti	Kaleem	45,186	109.5	4.835
Construction of surface drain tuff tiles UCs of DGK	Irshad	18,696	107	2.000
Total				**6.835**

Due to weak internal controls, payment was made without supporting documents resulted in un-authorized expenditure.

The matter was reported to PAO in October, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.57.2 having financial impact of Rs 19.277 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 8]

2.82.3 Unauthorized expenditure without technical sanction of estimates – Rs 1.708 million

According to Rule 5(3) of the Punjab Local Government (Works) Rules 2017, "The Local Government Engineer shall prepare rough cost estimate before undertaking the work. The rough cost estimate, detailed estimate and PC-1, shall be approved by the authority competent to do so."

During audit of District Council Dera Ghazi Khan for the FY 2022-23, it was observed that CO executed the scheme having value of Rs 1.708 million and made payment to the contractor. Scrutiny of the record revealed that the estimate was not technically sanctioned by the competent authority as required in above quoted rule.

Due to weak internal controls, the development scheme was executed without technical sanction which resulted in irregular expenditure.

The matter was reported to PAO in October, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 15]

Others

2.82.4 Non-recovery of outstanding dues / revenue – Rs 54.095 million

According to Rule 14(d) of the Punjab Local Governments (Accounts) Rules, 2017, “The Collecting Officer shall collect the receipt of local Government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement, or compromise.”

During audit of District Council Dera Ghazi Khan for the FY 2022-23, it was observed that CO failed to recover the outstanding dues / revenue amounting to Rs 54.095 million on account of conversion fees and other dues. The detail is as under:

(Rupees in million)

<table>
<tr><th>Sr. No.</th><th>Period</th><th>Description of Recovery</th><th>Amount</th></tr>
<tr><td>1</td><td>2022-23</td><td>Loss due to non-reduction of cost of bricks</td><td>0.144</td></tr>
<tr><td>2</td><td>2003-22</td><td>Non-recovery of outstanding receipts</td><td>19.409</td></tr>
<tr><td>3</td><td rowspan="2">2022-23</td><td rowspan="2">Loss due to non-recovery of conversion fees</td><td rowspan="2">34.542</td></tr>
<tr><td>4</td></tr>
<tr><td colspan="3">Total</td><td>54.095</td></tr>
</table>

Due to weak internal controls, government revenue were less realized which resulted in loss.

The matter was reported to PAO in October, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of revenue from the concerned.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.57.7 having financial impact of Rs 183.445 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 6, 7, 12]

2.83 District Council Faisalabad

Others

2.83.1 Loss due to non-leasing of shops through open auction – Rs 65.742 million

According to Rule 16 of the Punjab Local Governments (Property) Rules, 2003 and the Punjab Local Governments (Property) Rules, 2018, "The shops and commercial property shall be leased out through competitive bidding in the prescribed manner." Further, according to Government of the Punjab LG&CD Department letter No.SO(Estate)LG2-18/2016(P) dated 28.06.2019, "Every head of local government shall take fresh market rent rate through DPAC/DRAC and also evaluate it with the market rent and immediately take measures for getting market rates of leases to improve own source revenue of local government. The authorities shall revisit the agreements to ensure market rent of shops and in case of expiry of agreement(s) immediately put properties to fresh auction after assessment of market rent."

During audit of District Council Faisalabad for the FY 2022-23, it was observed that CO failed to lease out 413 shops through open auction and caused loss amounting to Rs 65.742 million to District Council.

Due to weak internal controls, shops were not leased out through open auction on assessed / market rate of rent which resulted in loss to District Council.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2018-19 vide para number 9.2.3.1 having financial impact of Rs 19.226 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 11, 12]

2.83.2 Non-recovery of conversion and map fees – Rs 39.364 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee."

During audit of District Council Faisalabad for the FY 2022-23, it was observed that CO did not recover conversion and map fees amounting to Rs 39.364 million from owners of commercial buildings and petrol pumps who constructed commercial sites without approval. **Annexure-7**

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery from the concerned at the earliest.

[AIR 2022-23 Para No. 3]

2.83.3 Non-recovery of Punjab Sales Tax on Services – Rs 4 million

According to Sr. No.56 of the 2nd Schedule read with Rule 10(1) of the Punjab Sales Tax on Services Act 2012, "The PST shall be paid @ 16% of value of taxable services provided by a contractor on debt collection, rent collection or similar other recovery or collection services including right to collect the toll or fee or regulatory fee or duty or any other similar collection." Further, according to condition No.13 of the agreement deed, "The contractor was bound to pay all taxes levied by Government of Pakistan and Government of the Punjab."

During audit of District Council Faisalabad for the FY 2022-23, it was observed that CO awarded collection rights for advertisement fees to third party for Rs 25 million but Punjab Sales Tax on Services @ 16% amounting to Rs 4 million was not recovered from the contractor in violation of above rules.

Due to weak internal controls, PST was not recovered from the contractor of collection rights which resulted in loss to Government.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of PST from the concerned and depositing the same into relevant account.

[AIR 2022-23 Para No. 6]

2.83.4 Non-recovery of rent of shops – Rs 2.607 million

According to Rule 11(2) (C) of the Punjab Local Governments (Accounts) Rules 2017, "Chief Officer shall ensure that any sums due to local government are promptly realized and credited into local fund."

During audit of District Council Faisalabad for the FY 2022-23, it was observed that CO failed to recover rent of shops amounting to Rs 2.607 million from the tenants of 37 shops.

Due to weak internal controls, rent of shops was not recovered which resulted in loss of revenue.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of rent besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Years 2022-23 and 2018-19 vide paras number 2.58.8 and 9.2.2.13 respectively having financial impact of Rs 4.963 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 2]

2.83.5 Non-forfeiture of bid security due to non-commencement of works – Rs 2.150 million

According to Terms & Conditions of work orders issued by District Officer (I&S), District Council Faisalabad, "The contractors were directed to start the work at site after signing the agreement deed and getting demarcation from Sub Engineer concerned. Failure of the contractor in this regard would result in cancellation of tender and forfeiture of earnest money in favor of District Council Faisalabad."

During audit of District Council Faisalabad for the FY 2022-23, it was observed that DO (I&S) issued 06 work orders for construction of soling, drains, PCC works, repair of roads etc. at estimated cost of Rs 43 million in December, 2022. However, contractors did not start the works at site till the date of audit. DC authorities did not take action to forfeit the bid securities amounting to Rs 2.150 million due to non-commencement of works at sites even after lapse of considerable time. **Annexure-8**

Due to weak internal controls, bid securities of the contractors were not forfeited which resulted in loss to District Council.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends forfeiture of bid security at the earliest besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 8]

2.83.6 Non / less obtaining of additional performance security – Rs 2.094 million

According to Rule 9(9)(d) & 9(10) of the Punjab Local Governments (Works) Rules, 2017, "In case the rates of the lowest bid are equal to or less than 5% of the estimated cost, the lowest bidder shall be bound to deposit additional performance security from a scheduled bank from 5% to 10% (including CDR deposited at the time of tendering) within 15 days of issuance of notice and the same shall be refunded after issuance of the completion certificate by the In-charge of the engineering branch."

During audit of District Council Faisalabad for the FY 2022-23, it was observed that CO awarded 05 works to different contractors for repair / rehabilitation of roads, construction of rural drainage, tuff tiles and PCC schemes valuing Rs 54.890 million. The works were awarded below the estimated cost ranging from 5.11% to 13.05% but additional performance security amounting to Rs 2.094 million was not obtained from the contractors in violation of above rule.

Due to weak internal controls, additional performance security was not / less obtained which resulted in violation of rules.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends fixing responsibility against the person(s) at fault besides regularization of the matter.

[AIR 2022-23 Para No. 9]

2.84 District Council Jhang

Procedural Irregularities

2.84.1 Non-transparent payments to sports teams – Rs 5.621 million

According to Rule 4 of the Punjab Local Governments (Accounts) Rules, 2017, "The payments exceeding rupees ten thousand shall be made through crossed non-negotiable cheque. Further, the payment against accrued liabilities shall be made through crossed non-negotiable cheque and the cheque shall be collected by the payee in person or through his authorized agent or, if so requested, the cheque may be sent through post."

During audit of District Council Jhang for the FY 2022-23, it was observed that CO drew funds amounting to Rs 5.620 million for payment to sports team and made payment to a government contractor instead of making direct payment to actual payees / team members through crossed / non-negotiable cheques. Moreover, essential documents such as names, CNIC / contact numbers and acknowledgements of recipients were also not forthcoming from the record.

Due to weak internal controls, payments were made to contractor instead of actual recipients by mentioning their particulars which resulted in non-transparent payments.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 5]

Others

2.84.2 Non-recovery of Government dues – Rs 21.958 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of District Council Jhang for the FY 2022-23, it was observed that CO failed to recover government dues on account of auction of collection rights, rent of municipal properties etc. amounting to Rs 21.958 million, as detailed below:

(Rupees in million)

Sr. No.	Description of Income Source	Source of Income	Amount Recoverable	Recovery Effected	Remaining Recoverable
1	Collection Rights	Ferries	10.835	8.196	2.639
		Lease of Agricultural Land	2.973	1.478	1.495
		Parking Stand	4.203	3.921	0.282
		Advertisement Fees	11.005	3.644	7.361
2	Rent of Property	Rent of Shops	8.122	1.164	6.958
		Rent of Food Godowns	3.223	-	3.223
Total			**40.361**	**18.403**	**21.958**

Due to weak financial controls, Government dues were not recovered which resulted in loss.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery from the concerned at the earliest.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23, 2019-20 and 2018-19 vide paras number 2.59.9, 10.2.5.1.4, 10.2.3.2 and 10.2.3.3 having financial impact of Rs 27.732 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 10]

2.84.3 Non-recovery of conversion and map fees – Rs 11.200 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee."

During audit of District Council Jhang for the FY 2022-23, it was observed that CO did not recover conversion and map fees amounting to Rs 11.200 million from owners of commercial buildings who constructed commercial sites without approval.

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery from the concerned at the earliest.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23, 2019-20 and 2018-19 vide paras number 2.59.12, 10.2.5.1.2 and 10.2.3.1 respectively having financial impact of Rs 33.025 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 17]

2.84.4 Non-obtaining of additional performance security – Rs 4.925 million

According to Rule 9(9)(d) & 9(10) of the Punjab Local Governments (Works) Rules, 2017, "In case the rates of the lowest bid are equal to or less than 5% of the estimated cost, the lowest bidder shall be bound to deposit additional performance security from a scheduled bank from 5% to 10% (including CDR deposited at the time of tendering) within 15 days of issuance of notice and the same shall be refunded after issuance of the completion certificate by the In-charge of the engineering branch."

During audit of District Council Jhang for the FY 2022-23, it was observed that CO awarded 08 works to different contractors for construction of roads, soling, resoling, sludge, drainage, sludge, sludge carriers, PCC slab and rehabilitation of pull valuing Rs 49.247 million. The works were awarded below the estimated cost ranging from 24 % to 32 % but additional performance security amounting to Rs 4.925 million was not obtained from the contractors in violation of above rule. **Annexure-9**

Due to weak internal controls, additional performance security was not obtained which resulted in violation of rules.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of the matter.

[AIR 2022-23 Para No. 6]

2.85 District Council Khanewal

Fraud and misappropriation

2.85.1 Misappropriation of copy fees – Rs 1.020 million

According to Rule 19 (a) sub-rule 1 of the Punjab Local Government (Registration of Births and Deaths) Rules 2021, amended vide LG&CD Department Notification No. SOR (LG) 8-6/2021 dated 1st September, 2021, "The Governor of the Punjab made following amendment":

(1) The detail of charges is as follows:

Sr. No.	Description	Amount in Rs.
1	Certificate or duplicate certificate	200
2	Late registration of birth (after sixty days to a maximum period of seven years)	200
3	Late registration of birth (after seven years)	300
4	Registration of birth of a foreigner	2000
5	Registration of Pakistani citizen (birth abroad)	1000
6	Late registration of death	1000
7	Correction or change	500

During audit of DC Khanewal for the FY 2022-23, it was observed that CO collected Rs 1.573 million for the Financial Years 2021-22 and 2022-23 on account of copy fees for 7,865 certificates of birth, death and marriage @ Rs 200 each as revealed from annual accounts. NADRA share of Rs 589,839 was paid from District Council fund @ of Rs 75 each certificate / copy issued on security papers. Payment of NADRA share shows that at least 7,865 certificates were issued but annual accounts provided by Finance branch revealed that only Rs 552,787 were deposited against collection of Rs 1,572,904 resulting in non-deposit of Rs 1,020,117 in District Council fund during 2021-23. **Annexure-10**

Due to malafied intension and weak financial controls, copy fees was less deposited which resulted in misappropriation.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1546 dated 02.10.2023, followed by subsequent reminders vide No. 1615 dated 13.10.2023 and No. 1680 dated 01.11.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of entire amount collected.

[AIR 2022-23 Para No. 04]

Procedural irregularities

2.85.2 Less charging of PST on repair works – Rs 31.977 million

According to Punjab Regulatory Authority letter No. PRA/Public Sector/753 dated 20.03.2018 "Government of the Punjab is please to allow reduce rates of PST on Government civil works at the 5% for government civil works in accordance with specific instruction as mentioned in the 2nd schedule of the Punjab Sales Tax on Services Act 2012. However, Repair & Maintenance (R&M), consultancy and contractual execution of works will continue to be taxed @ 16%."

During audit of DC Khanewal for the FY 2022-23, it was observed that CO added PST @ 5% amounting to Rs 31.977 million instead of 16% in TS Estimates for M&R works costing Rs 305.235 million. It was observed that estimates were not yet technically sanctioned and few estimates were sanctioned by the Chief Engineer by charging 5% PST. As per Administrative Approval vide letter No. 45 dated 22.08.2022 and No. 116 dated 19.10.2022 all these works were M&R works hence 16% PST needs to be applied instead of 5% PST.

Due to weak internal controls, PST was less charged in estimates which resulted in loss.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of PST from the concerned contractors besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 11]

Others

2.85.3 Non-recovery of conversion and map fees – Rs 139.921 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee." Further, according to Gazette Notification No. 2404/DCK dated 23.05.2017 of schedule rates published on Tuesday March 06, 2018 map fee of commercial buildings will be charged twelve rupees per Sft and eight rupees for education / health buildings.

During audit of DC Khanewal for the FY 2022-23, it was observed that CO did not recover conversion and map fees amounting to Rs 139.921 million from the owners / developers of commercial, educational, health buildings and housing schemes as summarized below:

(Rupees in million)

Sr. No.	**Particulars**	**Amount**
1	Conversion and map fees of commercial markets / plaza	58.455
2	Conversion and map fees of commercial buildings	68.936
3	Conversion and map fees of housing schemes	12.530
Total		**139.921**

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss.

The matter was reported to PAO in September, 2023. No reply was submitted by the DDO concerned.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of Government dues at the earliest besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 21]

2.85.4 Loss due to non-recovery of revenue – Rs 33.883 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of DC Khanewal for the FY 2022-23, it was observed that CO did not recover Rs 33.883 million on account of rent of shops, rent of land, advertisement fees. Summary is given below:

(Rupees in million)

Sr. No.	Particulars	Amount
1	Rent of shops / municipal property	24.037
2	Rent of Agricultural land	1.987
3	Advertisement fees	3.287
4	Fine for encroachment	0.100
5	Less charged rent of shops	4.472
Total		**33.883**

Due to weak financial and internal controls, government dues were not recovered which resulted in loss of revenue.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 2]

2.86 District Council Layyah

Procedural Irregularities

2.86.1 Irregular payment on account of tuff tiles – Rs 5.439 million

According to input rates issued by the Government of Punjab, Finance Department, "The strength of tuff pavers should be 7000-PSI and these should be of approved manufacturers i.e. Tuff Pavers (Pvt) Ltd., Izhar Building Material (Pvt) Ltd. Further, as per Government of Punjab Communication and Works Department, Lahore letter No.PA/SECY(C&W) 26-5/2009 dated 25.05.2009, "Payment be made only for quality works which conform to the given specifications."

During audit of District Council Layyah for the FY 2022-23, it was observed that CO made payment of Rs 5.439 million to the contractors on account of 34,630 sft tuff tile used in 5 development schemes. No gate pass or any other document was provided to prove that tiles were purchased from approved manufacturer. The rate of the tuff tile was based on the input rate of Izhar & Co. Taxila, but the tuff tiles were purchased from local manufacturer. Furthermore, lab tests for assessing the strength and quality were not conducted. The detail is as under:

(Rupees in million)

Scheme No.	Name of Development Schemes	contractor	MB No. / page from to	Tuff tile sft	Rate sft	Amount as per TS (Million)
31/66	Construction of soling, drainage system, tuff tile, PCC slab, culverts and other allied works at UC Thal Jandi Layyah, Tehsil Layyah District Layyah	Khizer Hayyat khan	504/49 to 58	6,712	157.4	1.056
37/66	Construction of soling, drainage system, tuff tile, PCC slab, culverts and other allied works at Basti Bhutta, Basti Elyaani, UC Kotla Haji Shah Layyah	Ghulam Yaseen Sial	583/79 to 89	10,553	157.4	1.661
26/66	Construction of soling, drainage system, tuff tile, and other allied works at UC Saharan Tehsil Choubara District Layyah	Thal Enterprises	529/1 to 5	1,500	150	0.225

Scheme No.	Name of Development Schemes	contractor	MB No. / page from to	Tuff tile sft	Rate sft	Amount as per TS (Million)
48/66	Construction of drain, soiling, re- soling tuff tile Kot Sultan (Razak Nata)	Khuda Bakhsh	920/39 to 43	8,699	157.4	1.369
56/66	Construction of drain, soiling, re- soling tuff tile Kot Sultan (Sohail Baloch)	Khuda Bakhsh	920/44 to 47	7,166	157.4	1.127
Total				**34630**		**5.439**

Due to weak internal controls, payment was made without supporting documents which resulted in irregular expenditure.

The matter was reported to PAO in October, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letters No. RDA/DGK/CD-1184 dated 13.10.2023, followed by subsequent reminders No.1285 dated 17.11.2023 and No.1353 dated 22.12.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.61.2 having financial impact of Rs 9.130 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No.13]

Others

2.86.2 Non-recovery of revenue/over payments of pay and allowances – Rs 23.531 million

According to Rule 14(d) of the Punjab Local Governments (Accounts) Rules, 2017, “The Collecting Officer shall collect the receipt of local Government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement, or compromise.” Further, according to Rule 2.31 of the PFR Vol-I, “A drawer of bill for pay, allowances, contingent and other expenses will be held responsible for any overcharges, frauds and misappropriation.”

During audit of District Council Layyah for the FY 2022-23, it was observed that CO failed to recover of revenue amounting to Rs 23.531 million on account of over-payments, lease money, commercialization / conversion fees and taxes. The detail is as under:

(Rupees in million)

Sr. No.	**Description / Detail of recovery**	**Amount**
1	Illegal up gradation / promotion of BPS-11 employee in BPS-17 resulted overpayment	2.840
2	Loss to Govt. due to un-approved/ residential housing schemes	5.639
3	Non / less recovery of NOC fees, conversion fees from commercial buildings	9.994
4	Loss to Govt. due to non / less deposit of lease money	4.801
5	Non-collection of professional tax	0.110
6	Recovery of unauthorized payment of allowances (HRA, CA, Holiday Allowance)	0.147
Total		**23.531**

Due to weak internal controls, government revenue were not recovered from the concerned resulting in loss to the DC.

The matter was reported to PAO in October, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of revenue from the concerned.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.61.5 having financial impact of Rs 10.530 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 2, 4, 5, 6, 9, 14]

2.87 District Council Lodhran

Others

2.87.1 Non-recovery of conversion and map fees – Rs 13.401 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "the conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee." Further, according to Gazette Notification No. 2404/DCK dated 23.05.2017 of schedule rates published on Tuesday March 06, 2018 map fee of commercial buildings will be charged twelve rupees per Sft and eight rupees for education / health buildings.

During audit of DC Lodhran for the FY 2022-23, it was observed that CO did not recover conversion and map fees amounting to Rs 13.401 million from the developers / owners of various buildings and housing schemes as summarized below:

(Rupees in million)

Sr. No.	Particulars	Amount
1	Conversion and map fees of housing schemes	7.525
2	Conversion and map fees of commercial buildings	5.876
Total		**13.401**

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1546 dated 02.10.2023, followed by subsequent reminders vide No. 1615 dated 13.10.2023 and No. 1680 dated 01.11.2023. No progress was intimated till the finalization of this Report.

Audit recommends to probe the matter for fixing responsibility against the person(s) at fault besides recovery of conversion and building plan approval fees from the concerned at the earliest.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.62.2 having financial impact of Rs 23.381 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No.10, 14]

2.87.2 Loss due to non-recovery of revenue – Rs 2.926 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of DC Lodhran for the FY 2022-23, it was observed that CO did not recover dues amounting to Rs 2.926 million on account of rent of shops and water rates during the financial year. The detail is as under:

(Rupees in million)

Sr. No.	Particulars	Amount
1	Rent of shops	0.191
2	Water rates	0.198
3	Loss due to less rate then rent assessed by DRAC	2.537
Total		**2.926**

Due to weak financial and internal controls, government dues were not recovered which resulted in loss of revenue.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of government dues at the earliest.

[AIR 2022-23 Para No. 04, 05, 19]

2.88 District Council Multan

Procedural irregularities

2.88.1 Irregular expenditure by splitting – Rs 38.281 million

According to Rule 9 and 12 of the Punjab Procurement Rules, 2014, "Procuring agency shall announce proposed procurements for each Financial Year and shall proceed accordingly without any splitting or regrouping of the procurements so planned and annual requirements thus determined would be advertised in advance on the PPRA's website. Procurement opportunities over Rs 200,000 and up to Rs 3,000,000 shall be advertised on the PPRA's website."

During audit of DC Multan for the FY 2022-23, it was observed that CO incurred expenditure of Rs 38.281 million by splitting on account of celebrating national and religious days, stationery items, panaflex, cleanliness, and manhole covers. The expenditure was incurred by splitting to keep the expenditure below Rs 200,000 to avoid the open tender process.

Due to weak internal controls, expenditure was incurred by splitting to avoid open tender process which resulted in irregular expenditure.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1546 dated 02.10.2023, followed by subsequent reminders vide No. 1615 dated 13.10.2023 and No. 1680 dated 01.11.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.63.2 having financial impact of Rs 40.505 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 02]

2.88.2 Doubtful expenditure on tournament and fun fair – Rs 27.951 million

According to Rule 2.31 of the PFR Vol-I, "A drawer of bill for pay, allowances, contingent and other expenses will be held responsible for any overcharges, frauds and misappropriation."

During audit of DC Multan for the FY 2022-23, it was observed that CO incurred an expenditure of Rs 27.951 million on tournament and fun fair. Audit observed that three members of tender opening committee did not participate in tender process of fun fair as evident from attendance sheet. Heavy rental expenditure was incurred on rent of beam / tower lights, food items, animal fodder, and fans. There was no detail of horses / horse riders participated in the event coming from other areas. The non-scheduled items were paid on assumption basis without approval of rates from concerned competent forum. The detail is as under:

(Rupees in million)

Voucher No	Booking No	Head	Cheque Date	Supplier Name	Narration	Gross Total
2010	915	A03940 | Unforeseen expenses	8/12/2022	M/s Arain Construction	Payment of supply and fixing lights, Pena flex Jashan e Multan	6.850

2011	914	A03940 | Unforeseen expenses	8/12/2022	M/s Green Land	Payment of arrangement regarding Jashn e Multan held on 22 to 23 at PGSHF	12.536
4429	1399	A0397010 | Sports	27-06-2023	M/s Abrar ul Haq	Payment arrangements South Punjab School Sports (South Punjab School Cricket Championship under -16)	8.565
Total						**27.951**

Due to weak financial management, irregular expenditure was incurred which resulted in doubtful expenditure.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry of the matter and fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 22]

Other

2.88.3 Loss due to non-recovery of revenue – Rs 107.313 million

According to Rule 50 (1) (a) & (d) of the Punjab Local Government Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "A Local Government shall levy fee for conversion of land use subject to scrutiny and clearance from District Planning and Design Committee, from agricultural, residential, peri-urban area to commercial use shall be 10% of the commercial value of the land. Conversion fee for the conversion of agricultural land to industrial use shall be 5% of the agricultural value of land."

During audit of DC Multan for the FY 2022-23, it was observed that CO did not recover conversion, map fees and other revenue amounting to Rs 107.313 million from the owners / developers of commercial buildings, educational institutes and housing schemes. The detail is as under:

(Rupees in million)

Sr. No.	Particulars	Amount
1	Non-recovery of dues from owners of commercial buildings	75.810
2	Less recovery of advertisement fees	2.560
3	Non-recovery of dues from educational institutes	17.920
4	Non-recovery of dues from owners of LSDs/Housing schemes	11.023
Total		**107.313**

Due to weak internal controls, government dues were not recovered which resulted in loss.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of government dues at the earliest.

<u>Note:</u> The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23 and 2018-19 vide paras number 2.63.9 and 14.2.2.2, 14.2.2.4, 14.2.2.5 respectively having financial impact of Rs 232.135 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 04, 05, 06, 08]

2.89 District Council Muzaffargarh

Procedural irregularities

2.89.1 Non-execution of mortgage and transfer deed – Rs 213.895 million

According to Chapter III Section 17 € & (f) and Chapter VIII Section 42 (h) of Punjab Private Housing Schemes and Land Sub-division Rules 2010, "A developer shall submit in the name of a Town Municipal Administration, a Tehsil Municipal Administration or a Development Authority a mortgage deed of 20% of the saleable area, in accordance with Form C, as security for completion of development works."

During audit of District Council Muzaffargarh for the FY 2022-23, it was observed that CO approved land sub-division / housing scheme but 20% of saleable area 97.59 Kanal valuing Rs 54.655 million was not mortgaged by the developer of these housing schemes in the name of DC. Moreover, admissible land area 284.35 Kanal of same housing scheme in shape of road, mosque, school, graveyard, etc. valuing Rs 159.240 million was still pending to be transferred in the name of DC.

Due to weak administrative controls, non-execution of mortgage and land transfer deed resulted in irregular approval of housing schemes / LSDs.

The matter was reported to PAO in October, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letters No. RDA/DGK/CD-1184 dated 13.10.2023, followed by subsequent reminders No.1285 dated 17.11.2023 and No.1353 dated 22.12.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides mortgage and transfer deed as per rule be executed in the name of District Council.

[AIR 2022-23 Para No. 14]

2.89.2 Irregular expenditure on work charged staff – Rs 19.079 million

According to Government of the Punjab LG & CD Department letter No.SO-ADMN-II (LG) 3-55/2007 dated 03.03.2016, "No work charged / daily wages employee will be appointed in

the local governments without the approval of LG&CD Department and without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of District Council Muzaffargarh for the FY 2022-23, it was observed that CO incurred an amount of Rs 19.079 million on account of salaries of work charged employees. The recruitment process was conducted without advertisement and recommendations of the recruitment committee.

Due to weak internal control, expenditure was made on the wages of work charged employees appointed without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in October, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2018-19 vide para number 6.2.2.13 having financial impact of Rs 4.351 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 22]

Others

2.89.3 Non-recovery of outstanding dues / revenue – Rs 52.892 million

According to Rule 14(d) of the Punjab Local Governments (Accounts) Rules, 2017, "The Collecting Officer shall collect the receipt of local Government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement, or compromise."

During audit of District Council Muzaffargarh for the FY 2022-23, it was observed that CO failed to recover the revenue amounting to Rs 52.892 million on account of advertisement fees, pattan fees, conversion fees and water rates. The detail is as under:

(Rupees in million)

Sr. No	**Description of recovery**	**Amount**
1	Non-recovery of advertisement and pattan fees	3.286
2	Non-collection of conversion / commercialization fees	44.606
3	Non-recovery of water rates charges	5.000
Total		**52.892**

Due to weak internal controls, local government revenue were not recovered from the concerned which resulted in loss to the DC.

The matter was reported to PAO in October, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of revenue from the concerned.

[AIR 2022-23 Para No. 4, 6, 12, 16, 19]

2.90 District Council Pakpattan

Procedural irregularities

2.90.1 Unauthorized expenditure on sports event by splitting – Rs 4.038 million

According to Rule 2.31 of the PFR Vol-I, "A drawer of bill for pay, allowances, contingent and other expenses will be held responsible for any overcharges, frauds and misappropriation." Further, according to Rule 9 of the Punjab Procurement Rules 2014, "A procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The procuring agency shall advertise in advance annual requirement for procurement on the website of the authority as well as on its website"

During audit of DC Pakpattan for the FY 2022-23, it was observed that CO incurred expenditure of Rs 4.038 million on sports tournament. There was no list of players of 11 teams divided in two groups. Furthermore, entire expenditure was incurred uneconomically by splitting the indents through quotations without adopting proper tender process.

Due to weak financial management, irregular / unauthentic expenditure was incurred resulted in in doubtful procurement and chances of misappropriation.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1546 dated 02.10.2023, followed by subsequent reminders vide No. 1615 dated 13.10.2023 and No. 1680 dated 01.11.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.65.1 having financial impact of Rs 5.598 million. Recurrence of same irregularity is a matter of serious concern.
[AIR 2022-23 Para No. 18]

Others

2.90.2 Non-recovery of conversion and map fees – Rs 88.710 million

According to Rule 50 (1) of Chapter-XI of Punjab Local Government Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020 "A Local Government shall levy fee for conversion of land use from agricultural, residential, peri-urban area to commercial use conversion fee at the rate of 10% of the commercial value of the land. Conversion fee for the conversion of agricultural land to industrial use shall be 5% of the agricultural value of land."

During audit of DC Pakpattan for the FY 2022-23, it was observed that CO did not recover conversion and map fees amounting to Rs 88.710 million from the owners / developers of commercial buildings and housing schemes. The detail is as under:

(Rupees in million)

Sr. No.	Particulars	Amount
1	Non-recovery of dues from owners of commercial buildings	54.422
2	Non-recovery of dues form owners of buildings / land sub-divisions	34.288
Total		**88.710**

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends to probe the matter for fixing responsibility against the person(s) at fault besides recovery of conversion and map fees from the concerned at the earliest.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide paras number 2.65.2 and 2.65.5 having financial impact of Rs 65.508 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 20, 21]

2.90.3 Non-recovery of contract price of advertisement fees – Rs 1.735 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of DC Pakpattan for the FY 2022-23, it was observed that CO did not recover Government dues on account of advertisement fees and applicable taxes amounting to Rs 1.735 million. The detail is as under:

(Rupees in million)

Sr. No.	Financial Year	Head of Income	Contract price	Amount Recovered	Balance Recover-able	I. Tax	Employee salary	Total Recover-able
1	2022-23	Advertisement Fees	2.250	2.099	0.151	0.125	0.966	1.242
2	2021-22	Advertisement Fees	1.900	15.977	0.303	0.190	-	0.493
	Total							**1.735**

Due to weak internal controls, contract price of advertisement fees was not recovered which resulted in loss.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 04]

2.91 District Council Rahim Yar Khan

Procedural irregularities

2.91.1 Mis-procurement due to non-compliance of PPRA Rules –Rs 92.484 million

According to Rules 9 and 12(1) of the Punjab Procurement Rules 2014 (amended 17.08.2020), "Procuring agency shall announce proposed procurements for each Financial Year and shall proceed accordingly without any splitting or regrouping of the procurements so planned and annual requirements thus determined would be advertised in advance on the PPRA's website. Procurement opportunities over two hundred thousand rupees and up to the limit of three million rupees shall be advertised on the PPRA's website in the manner and format specified by the PPRA from time to time."

During audit of District Council Rahim Yar Khan for the FY 2022-23, it was observed that Chief Officer incurred expenditure of Rs 92.484 million for repeated purchases of stationary, medicine, printing, sports and I.T equipment items etc. without determining annual requirements or advertising planned procurements on PPRA's website to achieve benefits of competitive bidding. Moreover, the indents were split-up to avoid fair tendering process.

Due to weak internal controls, purchases were made by splitting which resulted in mis-procurement.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / BWP / Reports / 2023-24 / F-39 / CD 1252-1255 dated 04.10.2023, followed by subsequent reminders vide No. 1272-75 dated 10.10.2023 and No. 1357-60 dated 19.10.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2022-23 and 2018-19 vide para(s) number 2.66.1 and 3.2.2.2 respectively having financial impact of Rs 13.607 million. Recurrence of same irregularity is a matter of serious concern.
[AIR 2022-23 Para No. 17]

Others

2.91.2 Non-execution of mortgage and transfer deed – Rs 1,470.659 million

According to Punjab Private Housing Schemes Rules 2022 section 21 clause (1) (d) pre-requisites for approval of housing scheme: The local government concerned before approval of a housing scheme shall ensure fulfillment of the following requirements, "execute a transfer deed on Form-B, B1, B2 for free of cost transfer to the local government concerned in the office of Sub Registrar, the total area reserved for roads, parks, open spaces, sports facility / playground, graveyard, parking, green strip (prohibited area), solid waste management and such other services and fifty percent area of minimum limit of public building sites excluding the area of mosque or worship."

During audit of District Council Rahim Yar Khan for the FY 2022-23, it was observed that Chief Officer neither got transfer nor mortgage the required area in the name of District Council valuing Rs 1,470.659 million from sixty (60) housing schemes / LSDs.

Due to weak administrative controls, non-execution of mortgage and land transfer deed resulted in irregular approval of housing schemes / LSDs.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends transfer and mortgage of property in the name of DC besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for the Audit Year(s) 2019-20 and 2018-19 vide para(s) number 3.5.1 and 3.2.4.1 respectively having financial impact of Rs 884.577 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 10]

2.91.3 Unauthentic expenditure on purchases – Rs 98.452 million

According to Rule 2.33 of Punjab Financial Rules Vol-I, "Every Government servant 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."

During audit of District Council Rahim Yar Khan for the FY 2022-23, it was observed that Chief Officer drew substantial amount of Rs 98.452 million through doubtful billings as contradictions were observed among serial numbers and dates of bills of consumable items. For example;

Bill No.	**Date**

161	14.01.2023
169	~~*31.12.2022*~~
175	14.01.2023

Due to intention of misappropriation, doubtful bills were drawn which resulted in loss to the Authority.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery from the concerned.

[AIR 2022-23 Para No. 18]

2.92 District Council Rajanpur

Procedural irregularities

2.92.1 Irregular expenditure on work charged staff - Rs 26.163 million

According to Government of the Punjab LG & CD Department letter No.SO-ADMN-II (LG) 3-55/2007 dated 03.03.2016, "No work charged / daily wages employee will be appointed in the local governments without the approval of LG&CD Department and without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of District Council Rajanpur for the FY 2022-23, it was observed that CO incurred expenditure amounting to Rs 26.163 million on account of work charged for the Financial Years 2021-22 and 2022-23. The contingent paid staff were appointed without eligibility criteria provided in the relevant service rules, advertisement and permission from LG&CD Department. The detail is as under:

(Rupees in million)

Period	Description	Amount
2021-22	Payment of Contingent Paid Staff	17.262
	Payment made to Sanitary Workers	7.512
2022-23	Doubtful and Irregular incurrence of expenditure on contingent paid staff	1.389
Total		**26.163**

Due to weak internal control, expenditure was made on the wages of work charged employees appointed without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in April and October, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letters No. RDA/DGK/CD-1184 dated 13.10.2023, followed by subsequent reminders No.1285 dated 17.11.2023 and No.1353 dated 22.12.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2018-19 vide para number 7.2.2.3 having financial impact of Rs 23.744 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2021-22 Para No. 6, 12]
[AIR 2022-23 Para No. 5]

Others

2.92.2 Non-recovery of outstanding dues / revenue – Rs 107.807 million

According to Rule 14(d) of the Punjab Local Governments (Accounts) Rules, 2017, "The Collecting Officer shall collect the receipt of local Government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement, or compromise."

During audit of District Council Rajanpur for the FY 2022-23, it was observed that CO failed to recover Rs 107.807 million under various heads of receipts for the Financial Years 2021-22 and 2022-23. The detail is as under:

(Rupees in million)

Sr. No.	Period	Description of recovery	Amount
1	2021-22	Non-recovery of rent of shops	17.412
2		Less recovery / deposit of General Bus stands fees	1.209
3		Less recovery of water rates	1.594
4		Unauthorized construction of commercial buildings without payment of fees	16.515
5		Unauthorized establishment of housing schemes without approval	5.638
6	2022-23	Loss on account of Conveyance Allowance	0.197
7		Loss due to non-auction of shops and non-realization of receipt targets	47.314
8		Non-recovery of rent of shops / water rates	12.026
9		Loss due to non-recovery of conversion / commercialization fees	5.902
Total			**107.807**

Due to weak internal controls, arrears of revenue were not recovered from the concerned which resulted in loss to the DC Rajanpur.

The matter was reported to PAO in April and October, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of arrears from the concerned.

[AIR 2021-22 Para No.5, 13, 16, 18, 19]
[AIR 2022-23 Para No.3, 6, 9, 13]

2.93 District Council Sahiwal

Procedural irregularities

2.93.1 Irregular expenditure by splitting – Rs 65.941 million

According to Rule 9 and 12 of the Punjab Procurement Rules 2014, "A procuring agency shall announce proposed procurements for each financial year and shall proceed accordingly

without any splitting or regrouping of the procurements so planned and annual requirements thus determined would be advertised in advance on the PPRA's website. Procurement opportunities over
Rs 200,000 and up to Rs 3,000,000 shall be advertised on the PPRA's website."

During audit of DC Sahiwal for the FY 2022-23, it was observed that CO incurred expenditure amounting to Rs 65.941 million by splitting on account of lifting / dumping garbage, procurement of sports material, hiring of vehicles, repair of soling, manholes etc. The expenditure was incurred by splitting to avoid the open tendering process.

Due to weak internal controls, procurements were made by splitting to avoid open tendering process which resulted in irregular expenditure.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1546 dated 02.10.2023, followed by subsequent reminders vide No. 1615 dated 13.10.2023 and No. 1680 dated 01.11.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.67.1 having financial impact of Rs 30.775 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 11]

2.93.2 Unauthorized payment without approval of competent authority – Rs 29.821 million

According to Rule 18(6) of the Punjab Local Governments (Works) Rules, 2017, "The head of Finance Branch of the local Government, on his satisfaction, shall submit, through Chief Officer, the bills for sanction by the Mayor or Chairman."

During audit of DC Sahiwal for the FY 2022-23, it was observed that CO made payment amounting to Rs. 29.821 million on account of different civil works i.e. construction of soling, culverts, manholes, repair of office and residential buildings without approval from the competent authority i.e. Chairman / Administrator.

Due to negligence and financial indiscipline, payment of civil works was made without approval of competent authority which resulted in unauthorized payment.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure.

[AIR 2022-23 Para No. 13]

Other

2.93.3 Non-recovery of conversion and map fees – Rs 33.366 million

According to Rule 39 of Punjab Private Housing Schemes and Land Sub-Division Rules, 2010, "A developer shall deposit fee for conversion of peri-urban area to scheme use at the rate of one percent of the value of the residential land."

During audit of DC Sahiwal for the FY 2022-23, it was observed that CO did not collect conversion and map fees amounting to Rs 33.366 million from the owners / developers of commercial buildings and land sub-divisions. The detail is as under:

(Rupees in million)

Sr. No.	Particulars	Amount recoverable
1	Non-recovery of dues from commercial buildings	19.478
2	Non-recovery of dues from LSDs	13.888
Total		**33.366**

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends to probe the matter for fixing responsibility against the person(s) at fault besides recovery of conversion and map fees from the concerned at the earliest.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23 and 2018-19 vide paras number 2.67.4 and 16.2.3.1, 16.2.3.7 respectively having financial impact of Rs 399.36 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 12, 15]

2.93.4 Loss due to non-recovery of revenue – Rs 8.806 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of DC Sahiwal for the FY 2022-23, it was observed that CO did not recover advertisement fees, TTIP and goods exit tax amounting to Rs 8.806 million as summarized below:

(Rupees in million)

Sr. No.	Contractor Name	Description	Amount Recoverable
1	Shahid Khan	Advertisement fees	3.256
2	Zaheer Ahmad	Tax on transfer of immoveable property	2.364
3	Mumtaz Ahmad	Goods exit tax	3.187
Total			**8.806**

Due to weak financial and internal controls, government dues were not recovered which resulted in loss of revenue.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of government dues at the earliest.

[AIR 2022-23 Para No. 04]

2.94 District Council Toba Tek Singh

Others

2.94.1 Encroachment / unauthorized occupation on Government properties – Rs 2,257.080 million

According to Rule 4 of the Punjab Local Governments (Property) Rules, 2018, "The manager shall be vigilant about encroachments on, or wrongful occupation of, the property and in case of encroachment or wrongful occupation, take necessary steps for the removal thereof and prevent the property against nuisance, damage or misuse."

During audit of District Council Toba Tek Singh for the FY 2022-23, it was observed that CO did not make efforts for vacation of two properties measuring 48 kanals & 04 marlas valuing Rs 2,257.080 million from the encroachers. The detail is as under:

(Rupees in million)

Sr. No.	Identification of Property	Area	Remarks	Amount
1	"Sarai" situated near railway crossing Toba Tek Singh	4 kanal & 16 marla	73 shops were constructed by encroachers on the state land without permission of District Council a	252.000
2	Cattle Fair Ground	43 kanal & 8 marla	Fruit & vegetable market being run under control of Market Committee Toba Tek Singh	2,005.080
Total				**2,257.080**

Due to poor asset management, Government properties were not safeguarded which resulted in encroachment over state land.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/1011 dated 11.09.2023, followed by subsequent reminders vide No.1078 dated 18.09.2023 and No.1114 dated 21.09.2023. No progress was intimated till the finalization of this Report.

Audit recommends vacation of properties from encroachers besides utilization of Government properties for revenue generation in the best public interest.

[AIR 2022-23 Para No. 13]

2.94.2 Non-recovery of conversion and map fees – Rs 81.780 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee."

During audit of District Council Toba Tek Singh for the FY 2022-23, it was observed that CO did not recover conversion and map fees amounting to Rs 81.780 million from owners of commercial buildings and private housing schemes who constructed commercial sites without approval.

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss to MC.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery from the concerned at the earliest.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.68.5 having financial impact of Rs 69.823 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 5, 6]

2.94.3 Excess payment to contractors against un-executed work – Rs 12.405 million

According to Para 4.5(5) of the B & R Department Code, "Every Officer making or ordering payment on behalf of Government should satisfy himself that 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 as per scale laid by the Chief Engineer."

During audit of District Council Toba Tek Singh for the FY 2022-23, it was observed that CO got executed 16 works for repair / improvement and rehabilitation of roads. Scrutiny of TSEs depicted that existing surface of rods was treated as sub grade / sub-base course and overlay of base course was provided with a thickness of 4 inches and an extra quantity of base course was also provided to fill pot holes on roads at a certain percentage of 5 to 20 in addition to above said quantity of overlay. However, record entries made in measurement books at the time of execution of work depicted that above said quantity of overlay of base course was laid with different thickness of 4 inches to 4.5 inches instead of fixed thickness on 4 inches from which it was apprehended that patches were already filled while overlaying of base course therefore, recording of separate quantity of base course to fill pot holes / patches was unjustified. Resultantly, excess payment of Rs 12.405 million was made to contractors for work not actually executed at site.

Due to weak internal controls, measurements were recorded in MB without actual work done at site which resulted in excess payment to contractors.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of excess paid amount from the concerned.

[AIR 2022-23 Para No. 10]

2.94.4 Excess payment to contractors beyond estimated provisions – Rs 4.073 million

According to Rule 40(2) (b) (i) of the Punjab Local Governments (Accounts) Rules, 2017, "The engineer shall ensure that the claims submitted for payment are valid for the works actually executed at site in accordance with the specifications and agreed quantity, or the service actually rendered to the entire satisfaction of the District Authority and entered in the relevant books or register of accounts and there is no reason to stop the payment." Furthermore, according to Provision 4.5(5) of the B & R Department Code, "Every Officer making or ordering payment on behalf of Government should satisfy himself that 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 as per scale laid by the Chief Engineer."

During audit of District Council Toba Tek Singh for the FY 2022-23, it was observed that CO made excess payment of Rs 4.073 million to the contractors of 09 civil works, as detailed below:

i. In seven cases, payment to contractors for earth filling in ordinary soil for embankment was made @ Rs 13,965.90 and Rs 13,413.40 respectively by including ½ mile lead whereas in TSEs only 100 ft lead was provided which resulted in excess payment of Rs 3.922 million.

ii. In two cases, earth filling in ordinary soil for embankment lead up to 1/2 mile i/c ploughing, mixing with blade, or disc harrow or other suitable equipment and compaction of earth to 85% maximum modified AASHO for road berms was provided @ 13,413.40 per 1000% cft but pavement was made @ Rs 13,965.90 per 1000 cft which resulted in excess payment of Rs 0.151 million.

Due to weak internal controls, payment for earthwork execution was made to contractors at excessive rates which resulted in excess payment.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of loss from the defaulters.

[AIR 2022-23 Para No. 9]

2.95 District Council Vehari

Other s

2.95.1 Non-recovery of conversion and map fees – Rs 25.079 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee." According to Rule 39 of Punjab Private Housing Schemes and Land Sub-Division Rules, 2010, "A developer shall deposit fee for conversion of peri-urban area to scheme use at the rate of one percent of the value of the residential land."

During audit of DC Vehari for the FY 2022-23, it was observed that CO did not recover conversion and map fees amounting to Rs 25.079 million from developers of private hosing schemes / LSDs as summarized below:

(Rupees in million)

Sr. No.	Particulars	Amount
1	Commercial buildings	22.594
2	Housing colonies	2.485
Total		**25.079**

Due to weak internal controls, the non-recovery of conversion and building plan approval fees resulted in loss.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1546 dated 02.10.2023, followed by subsequent reminders vide No. 1615 dated 13.10.2023 and No. 1680 dated 01.11.2023. No progress was intimated till the finalization of this Report.

Audit recommends to probe the matter for fixing responsibility against the person(s) at fault besides recovery of conversion and map fees at the earliest.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.69.4 having financial impact of Rs 13.774 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 04]

2.95.2 Loss due to non-recovery of revenue – Rs 4.841 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of DC Vehari for the FY 2022-23, it was observed that CO did not recover rent of shops, water rates and income tax amounting to Rs 4.841 million as summarized below:

(Rupees in million)

Sr. No.	Particulars	Recoverable Amount
1	Rent of shops	4.656
2	Water rates	0.185
Total		**4.841**

Due to weak financial and internal controls, government dues were not recovered which resulted in loss of revenue.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides recovery of government dues at the earliest.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23 and 2018-19 vide paras number 2.69.5 and 17.2.2.2 respectively having financial impact of Rs 74.018 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2022-23 Para No. 06]

2.95.3 Payment of inadmissible pay and allowances – Rs 1.931 million

According to Government of the Punjab, Finance Department, Lahore, notification No. FD.PC.2-1/2001dated 11.07.2011, "Integrated allowance is allowed to N/Qasids, Qasids, Daftries, Frashes, Chowkidars, Sweepers, Sweeperess & Security Guard." Furthermore, according to Para No. 5 of letter No. FD (M-1)1-15/82-P-1, of Government of the Punjab, Finance Department, "In case government servant is allotted below, entitlement residence, he will not be allowed to draw house rent allowance and will have to pay house rent at the rate of 5% of maximum scale of the category for which residence is meant. In case government servant is allotted of above entitlement, he will not be allowed to draw house rent allowance and he will pay 10% rent of maximum of the scale for which residence is meant."

During audit of DC Vehari for the FY 2022-23, it was observed that CO did not recover Rs 1.931 million from different employees on account of integrated allowance and house rent allowance as summarized below:

(Rupees in million)

Sr. No.	**Description**	**Amount**
1	Integrated Allowance	1.209
2	House Rent Allowance	0.722
Total		**1.931**

Due to weak internal controls, inadmissible allowances were paid which resulted in loss.

The matter was reported to PAO in September, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of inadmissible allowances and penal rent from concerned besides fixing responsibility against the person(s) at fault.

[AIR 2022-23 Para No. 05, 08]

2.96 Tehsil Council Ahmed Pur East

Procedural irregularities

2.96.1 Payment of brick work without lab test reports – Rs 2.549 million

According to Rules 9(13), 16(b) of Punjab Local Government (Works) Rule, 2017, the local government engineer and his subordinates shall be responsible for ensuring the work is executed in accordance with the specifications in technically sanctioned estimates and the provisions of the rules. The Engineer In charge and his subordinates shall be responsible for strict implementation of the term of the contract and shall adhere to the roles and responsibilities defined for execution of development work in Building and Road Department works Code.

During audit of TC Ahmed Pur East for the FY 2021-22, it was observed that Chief Officer made payment of Rs 2.549 million on account of brick work / pacca brick works to various contractors. Payment was made in different constructions and repair works without obtaining of lab test reports.

Due to weak internal controls, payment was made without obtaining lab test reports which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite request made by Audit vide letter No. RDA / BWP / Reports / 2022-23 / F-39 / CD 467 dated 02.05.2023, followed by subsequent reminders vide No. 518 dated 12.05.2023 and No. 522 dated 16.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends recovery and regularization of expenditure besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 03]

Others

2.96.2 Non-achievement of targets of revenue – Rs 54.366 million

According to Rule 11(2) (c) of the Punjab Local Government (Accounts) Rules, 2017, “Chief Officer shall ensure that any sums due to local government are promptly realized and credited into local fund.”

During audit of TC Ahmed Pur East for the FY 2021-22, it was observed that Chief Officer did not achieve the targets of various heads of receipts amounting to Rs 54.366 million.

Due to weak financial management and poor performance of staff budgeted targets were not achieved which resulted in loss.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends to probe the matter besides fixing responsibility against the person(s) at fault.

Note: This issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.71.3 having financial impact of Rs 34.519 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2021-22 Para No.06]

2.96.3 Non-undertaking of Community Initiatives – Rs 23.842 million

According to Section 214 of the PLGA, 2019, "Every local government shall allocate a portion of its funds, being not less than five percent of the total expenditures to be incurred by it in a particular financial year on construction works, to support such activities which are proposed by the residents and implemented by them directly through a Neighborhood Council in case of an urban local government and a Panchayat in case of a Tehsil Council."

During audit of TC Ahmed Pur East for the FY 2021-22, it was observed that Chief Officer did not allocate five percent of budgeted expenditure amounting to Rs 23.842 million as community initiatives to support activities proposed by the residents and implemented through Panchayat.

Due to weak budgetary controls, funds were not allocated for community initiatives which resulted in violation of provision of the Punjab Local Government Act, 2019.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends regularization of expenditure besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 16]

2.97 Tehsil Council Arifwala

Procedural irregularities

2.97.1 Irregular cash payment – Rs 3.028 million

According to Rule XV & Rule 27 (3) Chapter 2 of Receipts & Payment Rules 2021, "Payments shall be only be made to contractors, vendors, suppliers, employees, etc. through direct credit or through crossed cheques. Account's officer may, as far as possible, disburse miscellaneous contingent payments to the contractors / suppliers by direct credit advice into their respective bank accounts or in exceptional cases by system generated cheques on submission of claim on bills / voucher to the Accounts Office."

During audit of TC Arifwala for the FY 2021-22, it was observed that CO made cash payment amounting to Rs 3.028 million to the contingent paid staff instead of direct credit or through crossed cheques in violation of above rules. Further, advertisement, CNIC, personal files and other allied record of their recruitment was also not available / produced. The detail is as under:

(Rupees in million)

Month	No. of employees	Amount
July, 2021	56	1.130
August, 2021	47	0.949
September, 2021	47	0.949
Total		**3.028**

Due to weak internal controls, cash payments have been made to the contingent paid staff which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1000 dated 13.04.2023, followed by subsequent reminders vide No. 1051 dated 27.04.2023 and No. 1132 dated 22.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends regularization of expenditure besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 12]

Others

2.97.2 Loss due to less recovery of conversion fees - Rs 1.175 million

According to Rule 50 (1) (a) & (d) of the Punjab Local Government Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "A Local Government shall levy fee for conversion of land use subject to scrutiny and clearance from District Planning and Design Committee, from agricultural, residential, peri-urban area to commercial use shall be 10% of the commercial value of the land. Conversion fee for the conversion of agricultural land to industrial use shall be 5% of the agricultural value of land."

During audit of TC Arifwala for the FY 2021-22, it was observed that CO allowed the establishment of commercial buildings without recovery of conversion fees amounting to Rs 1.175 million.

Due to weak internal controls, government dues were not recovered which resulted in loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of government dues besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.74.4 having financial impact of Rs 549.310 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2021-22 Para No. 07]

2.98 Tehsil Council Bahawalnagar

Others

2.98.1 Non-achievement of targets of revenue – Rs 11.375 million

According to Rule 11(2) (c) of the Punjab Local Government (Accounts) Rules, 2017, "Chief Officer shall ensure that any sums due to local government are promptly realized and credited into local fund."

During audit of TC Bahawalnagar for the FY 2021-22, it was observed that Chief Officer did not achieve the targets of various heads of receipts amounting to Rs 11.375 million.

Due to weak financial management and poor performance of staff budgeted targets were not achieved which resulted in loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite request made by Audit vide letter No. RDA / BWP / Reports / 2022-23 / F-39 / CD 467 dated 02.05.2023, followed by subsequent reminders vide No. 518 dated 12.05.2023 and No. 522 dated 16.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends to probe the matter besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No.06]

2.99 Tehsil Council Burewala

Procedural irregularities

2.99.1 Non-reconciliation of record of Immoveable Property Tax – Rs 26.251 million

According to Government of the Punjab, LG&CD Department letter No. SOTAX (LG) 2-46/08(PI) dated 20.02.2011, "Maintenance of daily recovery register by the TMA staff shall be ensured and recovery of Tax on Transfer of Immoveable Property (TTIP) shall be reconciled with the Revenue Staff preferably on daily basis and any departure from these directions shall be interpreted as misconduct and corrupt practice in terms of Punjab Employees Efficiency and Disciplinary Act (PEEDA)."

During audit of TC Burewala for the FY 2021-22, it was observed that CO collected immoveable property tax amounting to Rs 26.251 million without reconciliation / maintenance of allied record i.e. IP Tax register, rate schedule of the area or average rate, total land transferred, cost of structure, cost of land, location etc. The rate of land was not ascertainable from the produced partial deposit vouchers in absence of copy of registry. The realized income was also not reconciled with the Revenue Staff in violation of above directions. The detail is as under:

(Rupees in million)

Description	Estimated Budget	Total Receipts
TTIP / Tax on Transfer of immovable property	92.000	26.251

Due to weak internal controls, record of TTIP receipts was not maintained and reconciled with Revenue Department which resulted in vulnerability to the leakage of resources and violation of the Government instructions.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1000 dated 13.04.2023, followed by subsequent reminders vide No. 1051 dated 27.04.2023 and No. 1132 dated 22.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends maintenance of record and reconciliation of income with Revenue Department besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 05]

Others

2.99.2 Defective / non-maintenance of accounts - Rs 33.930 million

According to Rule 8(1) of the Punjab Local Government (Accounts) Rules 2017, "The Accounts shall be maintained in the Forms or as prescribed by Auditor-General of Pakistan in APPM and Book of Forms." Furthermore, according to Rule 42(2) read with Rule 43(1) and Form AR-41 of the Punjab Local Government (Accounts) Rules 2017, "The accounts officer shall prepare the monthly accounts in Form AR-38 to AR-42 on the basis of compiled accounts. At the end of each year, the accounts of the local government shall be compiled by the head of finance office in Form AR-38 to AR-42 and reconciled with the accounts on similar forms separately compiled by the Accounts Officer."

During audit of TC Burewala for the FY 2021-22, it was observed that CO did not maintain the annual / monthly accounts according to the COA (Chart of Account) & according to NAM (New Accounting Model). Provided accounts were unsigned by the LFA staff and also by the Chief Officer and Finance Officer. There was no information available about the total assets, total liabilities, general and administration receipts, economic service receipts, trust & other public accounts receipts and payments, general provident receipts and payments, special deposits receipts and payments, cash flow statements etc. Accounts were prepared on different forms which did not provide the prescribed information as mentioned above. The detail is as under:

(Rupees in million)

Period	Budget				Expenditure			
	Salary	Non-salary	Development	Total	Salary	Non-salary	Development	Total
July-2021 -Oct-2021	54.434	670.901	240.032	965.366	12.108	21.822	-	33.930

Due to weak internal controls accounts were not prepared according to Government instructions which resulted in unreliable and irregular reporting of accounts.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends corrective measure be taken besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 04]

2.100 Tehsil Council Chak Jhumra

Others

2.100.1 Non-reconciliation of TTIP receipts – Rs 12.759 million

According to the Government of Punjab, LG&CD Department letter No. SO.TAX(LG)2-46/08(PI) dated 20.02.2011, "Maintenance of Daily Recovery Register by the Council staff shall be ensured and recovery of TTIP shall be reconciled with the Revenue Staff on daily basis and any departure from these directions shall be interpreted as misconduct and corrupt practice in terms of PEEDA Act."

During audit of TC Chak Jhumra for the FY 2021-22, it was observed that CO realized income amounting to Rs 12.759 million on account of TTIP during the period 01.07.2021 to 17.10.2021 but these receipts were not got reconciled with Revenue Department on daily basis in violation of the above directions.

Due to weak internal and financial controls, TTIP income was not reconciled with Revenue Department which resulted in violation of Government instructions.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/420 dated 13.04.2023, followed by subsequent reminders vide No.524 dated 28.04.2023 and No.548 dated 05.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends reconciliation of income with the Revenue Department besides fixing responsibility on the person(s) at fault.

Note: The issue was reported in the Audit Report for Audit Year 2022-23 vide Para No.2.79.2 having financial impact of Rs 65.527 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2021-22 Para No.1]

2.101 Tehsil Council Chichawatni

Procedural irregularities

2.101.1 Irregular payments without pre-audit- Rs 32.030 million

According to Rules 33 (1)(a) of Punjab Local Governments (Accounts) Rules 2017, "The Accounts Officer while pre-auditing the payment, shall ensure that the claims submitted for payment are valid on the basis of certificate dully recorded the drawing and disbursing officer on form AR-3, work has been actually carried out in side according to the specification and agreed quantity, the services has been rendered according to the agreement and supply has been made according to agreed quantity and quality."

During audit of TC Chichawatni for the FY 2021-22, it was observed that CO and Accounts Officer made payment of Rs 32.030 million to contractors on account of development schemes without pre-audit of bills. The bills neither pre-audited nor payment order was signed by Accounts Officer. The payments were authorized/ funds were drawn without applying pre-audit checks.

Due to weak financial control, funds were withdrawn without pre-audit which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1000 dated 13.04.2023, followed by subsequent reminders vide No. 1051 dated 27.04.2023 and No. 1132 dated 22.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends regularization of expenditure besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 08]

2.101.2 Mis-procurement – Rs 3.977 million

According to Rule 8 of the Punjab Procurement Rules 2014, "A procuring agency shall, within one month from the commencement of a financial year, devise annual planning for all proposed procurements with the object of realistically determining the requirements of the procuring agency." Further, according to Rules 9 and 12(1) of the Punjab Procurement Rules 2014, "Procuring agency shall announce proposed procurements for each Financial Year and shall proceed accordingly without any splitting or regrouping of the procurements so planned and annual requirements thus determined would be advertised in advance on the PPRA's website. Procurement opportunities over Rs 200,000 and up to Rs 3,000,000 shall be advertised on the PPRA's website in the manner and format specified by the PPRA from time to time.

During audit of TC Chichawatni for the FY 2021-22, it was observed that CO incurred irregular expenditure amounting to Rs 3.977 million for different items i.e. rental charges, tentage, furniture and panaflex etc. without observing PPRA rules. Annual requirement was neither consolidated nor was planned procurement advertised in print media and on PPRA website. Further, payment was authorized without deduction/ less deduction of taxes amounting to Rs 289,664.

Due to weak internal controls, different items were purchased without observing PPRA Rules, and without deduction/ less deduction of taxes which resulted in mis-procurement and loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends regularization of expenditure, recovery of government loss besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.80.2 having financial impact of Rs 3.359 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2021-22 Para No. 05]

2.101.3 Non-deduction of social security contribution – Rs 2.736 million

According to Section 20(1) & (9) of the Provincial Employees Social Security Ordinance, 1965, "The competent public authority shall before final settlement of the claims of contractors or licensee shall require the production of a certificate from the institution showing that the necessary contributions have been paid and in default of such certificates, it shall deduct from the amount otherwise payable in settlement of such claim @ 6 percent and pay such amount directly to the institution.

During audit of TC Chichawatni for the FY 2021-22, it was observed that CO did not make efforts to deduct the Social Security Contribution @ 6 percent amounting to Rs 2.736 million from claims of the contractors before making payments. Payments were made without obtaining certificate regarding payment of Social Security Contribution of workers employed by the contractors. The detail is as under:

(Rupees in million)

No. of Contractors	No. of Employees	Average wage rate/Annum	Total Wages	Amount @ 6%
171	855	80,000	68.400	2.736

Due to weak internal controls, deduction of Social Security Contribution was not made which resulted in excess payment to the contractors and loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 07]

Others

2.101.4 Loss due to non-deposit of Government taxes – Rs 58.067 million

According to Punjab Sales Tax on Services Act, 2012 Sr. No.14 classification 9824.000 and 9814.2000 rate of tax is five percent without input tax credit/ adjustment in respect of Government civil works and sixteen percent without input tax credit/ adjustment for others. Further according to Section 153(1) (c) of Income Tax Ordinance amended vide Finance Act. 2015 read with clause 3(ii) & (iii) of Division III of Part III of the First Schedule, "The rate of tax to be deducted from a payment referred to in clause (c) of sub-section (1) of section 153 shall be:

(ii) In case of a company, 7% of the gross amount payable, if the company is a filer and 10% if the company is a non-filer; and

(iii) In any other case, 7.5% of the gross amount payable, if the person is a filer and 10% if the person is a non-filer.

During audit of TC Chichawatni for the FY 2021-22, it was observed that CO deducted Income Tax, GST and PST amounting to Rs 58.067 million from the payments of various contractors. The same amount was not deposited into FBR and PRA accounts during the year. The detail is as under:

(Rupees in million)

Name of tax	**Amount**
Income tax	20.065
GST	0.528
PST	37.474
Total	**58.067**

Due to weak internal controls, the Government taxes were not deposited which resulted in loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends deposit of taxes besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 06]

2.102 Tehsil Council Chishtian

Others

2.102.1 Non-achievement of targets of revenue – Rs 13.113 million

According to Rule 11(2) (c) of the Punjab Local Government (Accounts) Rules, 2017, "Chief Officer shall ensure that any sums due to local government are promptly realized and credited into local fund."

During audit of TC Chishtian for the FY 2021-22, it was observed that Chief Officer did not achieve the targets of various heads of receipts amounting to Rs 13.133 million.

Due to weak financial management and poor performance of staff budgeted targets were not achieved which resulted in loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite request made by Audit vide letter No. RDA / BWP / Reports / 2022-23 / F-39 / CD 467 dated 02.05.2023, followed by subsequent reminders vide No. 518 dated 12.05.2023 and No. 522 dated 16.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends to probe the matter besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No.02]

2.103 Tehsil Council Dera Ghazi Khan

Procedural irregularities

2.103.1 Irregular expenditure on daily wage staff – Rs 3.948 million

According to Government of the Punjab, Finance Department, Notification No.RO (Tech) FD-2-2/2001 dated 03.11.2008, “Appointment of work charge / daily wages employee shall be made with procedure that the post(s) shall be advertised properly in the leading newspapers and recruitment to all posts shall be made on the basis of merit specified for regular establishment.” Furthermore, according to Para 3 of Government of the Punjab LG & CD Department letter No.SO-ADMNII (LG) 3-55/2007 dated 03.03.2016, “It has also come to the notice of the Department that the Local Governments in Punjab are appointing the work charge / daily wages employees without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules. Therefore, it has been decided that in future no work charge / daily wages employee will be appointed without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules.”

During audit of TC Dera Ghazi Khan for the FY 2021-22, it was observed that CO incurred expenditure amounting to Rs 3.948 million on wages of work charged / daily wages staff. The recruitment was made by the management without observing prescribed recruitment process i.e. advertisement of the posts, processing of files for preparation of merit list followed by recommendation of recruitment committee etc. The detail is as under:

(Rupees in million)

Period	Employees	No. of Employees	Amount
2021-22	Sanitary Workers	60	2.373
	Work Charge	26	1.575
Total			**3.948**

Due to weak internal controls, recruitment process was made without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-502 dated 08.05.2023, followed by subsequent reminders No. 574 dated 05.06.2023 and No. 808 dated 18.07.2023. No progress was intimated till the finalization of this Report.

Audit recommends that matter may be investigated and responsibility may be fixed against the person(s) at fault.

[AIR 2021-22 Para No. 7, 11]

2.103.2 Defective tendering of development works – Rs 2.980 million

According to Rule 12 (2) of the Punjab Procurement Rules 2014, "All procurement opportunities over two million rupees should be advertised on PPRA website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu." Further According to Rule 9 (2) of the Punjab Local Governments (Works) Rules 2017, "After the administrative approval and technical sanction for the work is accorded, bid shall be invited with the prior approval of the Mayor or Chairman by the Chief Officer or any other officer duly authorized by the Chairman or Mayor." Further, as per Finance Department letter No. RO (TECH) FD – 1 – 2 / 83 /-VI dated 29.03.2005, "Technical Sanction be issued before inviting tenders, the particulars of technical sanction i.e. amount, number and date of orders of Technical Sanction be mentioned in the tender inviting notice as well as in the letter of acceptance of tender to be issued to the contractor."

During audit of TC Dera Ghazi Khan for the FY 2021-22, it was observed that CO invited tenders for development schemes of Rs 2.980 million through advertisement in only PPRA website. No particulars of technical sanction i.e. TS number and date of orders of Technical Sanctions were mentioned in the advertisement. It was evident that work was split into two schemes in violation of above rules.

(Rupees in million)

Sr. No.	**Name of Scheme**	**Contractor**	**Rate tendered by M/s Shahbaz**	**Rate tendered by M/S Ameer Hussain**	**Amount**
1	Construction/Rehabilitation and laying of sub base course schemes and installation of lights with other allied works of Muharrum ul Haram routes Zone-A Tehsil Council D.G Khan	Shahbaz Abbas	0.020% below	0.010% below	1.495
2	Construction/Rehabilitation and laying of sub base course schemes and installation of lights with other allied works of Muharrum Ul Haram routes Zone-B Tehsil Council D.G Khan	Ameer Hussain	0.010% below	0.015% below	1.485
Total					**2.980**

Due to weak internal controls, tender was advertised only on PPRA website which resulted in defective tendering of development schemes.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends proper justification or fixing responsibility against the person(s) at fault besides regularization of expenditure from competent authority.

[AIR 2021-22 Para No. 4]

2.103.3 Unjustified releases of security deposits - Rs 2.814 million

According to para 5.1(II)(d), of B&R Code, "When a sum so held in deposit is ultimately paid to the contractor concerned, his acknowledgement should be set forth such particulars as would establish the settlement of this account in connection with the work concerned. It is further explained that Security Deposit Register shall be maintained and any receipt and return will be debited and credited in the concerned account."

During audit of TC Dera Ghazi Khan for the FY 2021-22, it was observed that CO made a payment of Rs 2.814 million out of Security Bank Account No. PK75PUN 6620200583600040 against refund of security to contractors but security deposit register was not maintained. Further no cashbook was maintained to check opening balance, closing balance, receipts and payments of the whole financial year. The proof of authenticity of security returned to contractors was not available.

Due to poor internal controls, security deposit was released without supporting documents which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends provision of supporting documents besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 8]

Others

2.103.4 Non-recovery of Government revenue – Rs 2.783 million

According to Rule 47 of the Punjab Local Government (Budget) Rules 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited to the Local Fund."

During audit of TC Dera Ghazi Khan for the FY 2021-22, it was observed that CO failed to recover / less recovered and credited revenue / taxes / fees amounting to Rs 2.783 million that was recoverable under various heads of accounts as per detail given below:

(Rupees in million)

Sr. No.	Description	Amount
1	Bank Profit earned on Security Account but not credited to General Fund Account	0.303
2	Income Tax, GST and PST realized but not deposited	2.480
Total		**2.783**

Due to weak internal controls, Local Government revenue were not / less realized which resulted in loss.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of outstanding revenue besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 2, 3]

2.104 Tehsil Council Gojra

Procedural irregularities

2.104.1 Withdrawal of funds without maintenance of record and bank reconciliation – Rs 5.736 million

According to Rule 27 of the Punjab Local Governments (Accounts) Rules, 2017, "The DDO, sanctioning authority, head of finance office and the accounts officer shall ensure the implementation of requirements in all expenditure transactions including pre-audit of claims and authorization of payment, issuance of cheques for payment, recording expenditure in the accounting records, reconciliation of the daily totals as per daily advice note, prepared from the cheque register, with the daily expenditures recorded in the Abstract, reconciliation of expenditure as per daily advice note with the bank scroll, reconciliation of expenditure as per daily advice note and the Abstract with the cash book of the drawing and disbursing officer."

During audit of TC Gojra for the FY 2021-22, it was observed that different transactions amounting to Rs 5.736 million were found in bank statement. However, authorities of TC failed to maintain / provide record of those transactions for audit scrutiny. Moreover, bank reconciliation was also not carried out during the period.

Due to weak internal controls, record of withdrawn funds was not maintained / provided for audit verification and bank reconciliation was not carried out which resulted in irregular withdrawal of funds.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/ 523 dated 28.04.2023, followed by subsequent reminder vide No.549 dated 05.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends to probe the matter for non-reconciliation besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 10]

Others

2.104.2 Less recovery of conversion fees from owner of petrol pump – Rs 1.700 million

According to Rule 60(1)(a)(e) of the Punjab Land Use (Classification, Reclassification and Redevelopment) Rules, 2009 read with letter No.SO(LG)38-18/2009-P dated 06.03.2020 of Government of the Punjab LG&CD Department, "The conversion fee for the conversion of residential, industrial, peri-urban area or intercity service area to commercial use shall be charged

@ of 5% if value of land is less than one million rupees, 10% of value of land one million rupees to ten million rupees and 20 per cent for value of land more than ten million rupees."

During audit of TC Gojra for the FY 2021-22, it was observed that CO recovered less conversion fees amounting to Rs 1.700 million against the land converted for installation of petrol pump during Financial Year 2020-21. Scrutiny of record depicted that owner of land applied for conversion of land measuring 05 Kanals and 10 Marlas, as evident from request sent to Additional Deputy Commissioner (Revenue) via Assistant Commissioner Gojra for assessment of commercial value (rate) of land, whereas the case for recovery was processed against land measuring 02 Kanals and 10 Marlas. The detail is as under:

(Rupees in million)

Description of land	Area of land processed	Actual area of land	Commercial rate per Marla	Actual Value of land	Actual conversion fees @ 20%	Conversion fees recovered	Amount less recovered
Muhammad Saleem S/o Muhammad Deen Square No. 51 Kila No. 6/1Chak No. 370/JB Gojra	2 K & 10 M (50 Marlas)	5 K & 10 M (110 Marlas)	0.100	11.000	2.200	0.500	1.700

Due to weak internal controls, less conversion fees was recovered from the owner of petrol pump which resulted in loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends to probe the matter for recovery of conversion fees from the concerned besides action against defaulters.

[AIR 2021-22 Para No. 8]

2.105 Tehsil Council Jampur

Others

2.105.1 Non-recovery of Government revenue – Rs 81.035 million

According to Rule 47 of the Punjab Local Government (Budget) Rules 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited to the Local Fund."

During audit of TC Jampur for the FY 2021-22, it was observed that CO failed to recover amounting to Rs 81.035 million under various heads of accounts as per detail given below:

(Rupees in million)

Sr. No.	Description of recovery	Amount
1	Recovery of map and conversion fees from building owners	17.397
2	Conversion fees (LSD)	31.005
3	Recovery of map and conversion fees from commercial market	5.640
4	Rent of shops	1.538
5	Water rates charges	10.043

6	Provincial Sales Tax	11.277
7	Transfer fees from tenants	0.980
8	GST not transferred to FBR	3.155
Total		**81.035**

Due to weak internal controls, Local Government revenue were not / less realized which resulted in loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-502 dated 08.05.2023, followed by subsequent reminders No. 574 dated 05.06.2023 and No. 808 dated 18.07.2023. No progress was intimated till the finalization of this Report.

Audit recommends recovery of outstanding revenue besides fixing responsibility against person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.93.4 having financial impact of Rs 11.759 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2021-22 Para No. 1, 2, 3, 4, 5, 6, 9, 10]

2.105.2 Loss due to non-auctioning of shops -Rs 22.094 million

According to Rule 16 (c) of the Punjab Local Government (Property) Rules 2018, “The initial lease period of the shop or commercial property shall not exceed fifteen years.” Furthermore, sub rule (e) of ibid states that “The lease may be extended with mutual consent of the local government and the lessee for any period not exceeding ten-year subject to the revised rent assessed by the District Rent Assessment Committee and there shall be an automatic increase in the rent at the rate of ten percent for each extended year of lease.”

During audit of TC Jampur for the FY 2021-22, it was observed that CO did not re-auction shops after expiry of contract. The agreement period of lease of rent of shops in Dajal city was expired on June, 2018. The shops have to re-auction on 30 June 2018. Due to this, the rent of shops was also not increased/recovered up to market value which cause loss to TC Jampur amounting to Rs 22.094 million.

Due to weak financial controls, shops were not re-auctioned which resulted in less collection of revenue.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends fixing of responsibility against the person(s) at fault for non-auctioning of shops in time.

[AIR 2021-22 Para No.7]

2.106 Tehsil Council Jaranwala

Procedural irregularities

2.106.1 Execution of schemes without fulfilling codal formalities – Rs 31.756 million

According to Rule 4 (3) of the Punjab Local Governments (Works) Rules, 2017, “The work costing rupees 1.5 million or above shall be prepared on the PC-I prescribed by the Government and approved in the manner prescribed for approval of PC-I.” Further, according to Rule 5 (2) of the Rules ibid “For the preparation of rough cost estimates', the engineering staff shall inspect the site and work out the feasibility of the work through images or photographs of the site.” Furthermore, according to Rule 9 of the Rules ibid, “All the contract deeds shall be executed on standard contract form. The contract between the local government and the contractor shall be executed by the Chairman or an officer authorized by him, on the stamp paper of the requisite value.”

During audit of TC Jaranwala for the FY 2021-22, it was observed that CO made payment amounting to Rs 31.756 million to the contractors on account of four works. Estimated cost of works was prepared and technically sanctioned without sites plan, identification of sites of work supported by photographs / images and without approval of PC-I from the competent authority. Further, the contractor failed to complete the work till the date of audit i.e. March, 2023 which was required to be completed up to October, 2021. It is pertinent to mention that most of the payments were made on last working day before dissolution of the Tehsil Council without considering above mentioned formalities by the TC as well as Local Fund Audit authorities.

Due to weak internal controls, schemes were initiated without identification of sites, entering into formal agreements and approval of PC-I which resulted in irregular expenditure.

The matter was reported to PAO in March, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/420 dated 13.04.2023, followed by subsequent reminders vide No.524 dated 28.04.2023 and No.548 dated 05.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry for fixing responsibility against the person(s) at fault.

Note: The issue was reported in the Audit Report for Audit Year 2022-23 vide Para No.2.94.5 having financial impact of Rs 3.354 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2021-22 Para No. 10]

2.106.2 Irregular expenditure on procurement – Rs 2.194 million

According to Rule 12 & 59(a) of the Rules ibid, "A procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority and a procuring agency may engage in petty purchases through at least three quotations where the cost of the procurement is more than seventy-five thousand rupees but less than two hundred thousand rupees."

During audit of TC Jaranwala for the FY 2021-22, it was observed that CO incurred expenditure amounting to Rs 2.194 million for lifting & dumping of garbage, procurement of stationery, repair of computers etc. However, expenditure was incurred without execution of framework contract by splitting and keeping the cost of each bill below the financial limit of Rs 200,000 & 75,000 to avoid tendering. Further procurement were made from unregistered persons without mentioning specifications.

Due to weak internal controls, procurements were made without open competition, advertisement on PPRA's website and maintenance of proper record which resulted in irregular expenditure and mis-procurement.

The matter was reported to PAO in March, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry for fixing responsibility against the person(s) at fault besides regularization of expenditure from the competent authority.

Note: The issue was reported in the Audit Report for Audit Year 2022-23 vide Para No.2.94.6 having financial impact of Rs 1.453 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2021-22 Para No. 3]

2.107 Tehsil Council Kabirwala

Others

2.107.1 Non-achievement of targets of revenue – Rs 20.489 million

According to Rule 11 (2) (C) of Punjab Local Governments (Accounts) Rules 2017, "Chief Officer shall ensure that any sums due to local government are promptly realized and credited into local fund."

During audit of TC Kabirwala for the FY 2021-22, it was observed that CO less achieved the targets amounting to Rs 20.489 million against fixed revenue targets of Rs 28.040 million on account of rent of shops, license & permit fees, advertisement and publicity charges, map fees, conversion fees. Relevant staff did not make due efforts to recover / realize revenue.

Due to weak internal controls, targets of revenue were not achieved which resulted in loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1000 dated 13.04.2023, followed by subsequent reminders vide No. 1051 dated 27.04.2023 and No. 1132 dated 22.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 03]

2.107.2 Undue retention of funds in the bank accounts of defunct LGs – Rs 8.812 million

According to Government of the Punjab, LG&CD Department's Notification No. SOR (LG) 1-11/2019 dated 17.10.2021, "Pursuant to short order dated 25.03.2021 of August Supreme Court of Pakistan and detailed judgment announced in the month of July 2021, notification Nos. SOR (LG) 1-11/2019, SOR (LG) 38-34/2018 dated 04.05.2019, SOR (LG) 1-11/2019 and notifications of constitution of local governments (including Tehsil Councils) under Punjab Local Government Act 2019 dated 07.11.2019 are hereby withdrawn, with immediate effect, subject to outcome of Review Petitions Nos. 117 & 118 of 2021 filed by the Government of the Punjab, pending adjudication before the august Court."

During audit of TC Kabirwala for the FY 2021-22, it was observed that the orders of constitution of Tehsil Councils were withdrawn by the competent authority w.e.f. 17.10.2021 but the defunct Tehsil Council did not close its bank accounts and public money amounting to Rs 8.812 million was unduly retained instead of transferring the same into the bank accounts of succeeding LGs. The detail is as under:

(Rupees in million)

Bank A/C No.	Description of A/C	Closing Balance on 28.03.2023
5550200282200053	General Account- Local Fund Tehsil Council Kabirwala	5.789
5550200282200018	Development Account - Local Fund Tehsil Council Kabirwala	1.702
5550200302000042	General Account - Local Fund Town Committee Sarai Sidhu	1.231
5550200302000020	Pension Account - Public Fund Town Committee Sarai Sidhu	0.090
Total		**8.812**

Due to weak internal controls, neither bank accounts of defunct LGs were closed nor the funds available in those accounts were transferred to succeeding LGs resulted in financial indiscipline.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends transfer of the funds to succeeding LGs besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 02]

2.107.3 Non-recovery of arrears of lease – Rs 1.987 million

According to Rule 11 (2) (C) of Punjab Local Governments (Accounts) Rules 2017, "Chief Officer shall ensure that any sums due to local government are promptly realized and credited into local fund."

During audit of TC Kabirwala for the FY 2021-22, it was observed that CO did not recover arrears of lease rent of agricultural land amounting to Rs 1.987 million from the tenants. Management and staff of Tehsil Council did not make efforts to recover the arrears of land revenue.

Due to weak internal controls, arrears of revenue were not recovered resulted into loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of amount due besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 08]

2.107.4 Loss due to non-registration of private housing schemes– Rs 1.854 million

According to Rule 4&38 of the Punjab Private Housing Schemes and Land Sub-division Rules 2010, "The developer shall submit an application to the TMA, for seeking preliminary planning permission for a scheme before initiating any planning or development activity and shall pay the prescribed fee. Furthermore, Rule 35(1) of said rules "Empowers the TMO to monitor the development work of the schemes and ensure that there is no deviation from the sanctioned scheme plan."

During audit of TC Kabirwala for the FY 2021-22, it was observed that CO did not recover Rs 1.854 million from the owners of 03 private housing schemes / land sub-divisions on account of conversion fees and map / design fees. The detail is as under:

(Rupees in million)

Sr. No.	Name of Housing Scheme	Total Area in Kanal	Scrutiny/ PPP fees @ Rs 1000	Sanction of scheme fees @ Rs 3000 / acre	*Map Fees @ Rs 500/ marla of saleable area	Design and specification for sewerage / water supply @ Rs 500/ kanal	Design and specification for road, bridge fees (Rs.500 /Kanal)	Conversion Fees @ 1 % of current residential prices	Total Fees due (Rs)	Fees deposited (Rs)	Balance (Rs)
1	London Town	42-00	1,000	15,750	420,000	21,000	21,000	0.840	1.319	-	1.319
2	Al-Jannat City (LSD)	42-18	1,000	16,125	429,000	21,500	21,500	0.086	0.575	0.330	0.245
3	Afnan City	50-07	1,000	18,750	528,000	25,500	25,500	0.217	0.816	0.525	0.290

	(LSD)										
Total											**1.854**

Due to weak internal controls, illegal and unauthorized activities were not checked by the staff resulted in loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery and action against concerned owners / developer of land sub-division.

[AIR 2021-22 Para No. 10]

2.108 Tehsil Council Karor

Procedural irregularities

2.108.1 Irregular expenditure without administrative approval – Rs 75.706 million

According to Rule 5 of the Punjab Local Government (Works) Rules, 2017, the Development Committee of the local government shall exercise the powers of according administrative approval of the work, if it has been approved by the House and is reflected in the Annual Development Program. The work estimates beyond the above-mentioned limits shall be submitted to the District Development Committee (DDC), Divisional Development Committee or Departmental Development sub-committee or Provincial Development Working Party, as the case may be. Further, according to Paras x & xii of planning guidelines published in the Punjab Gazette dated 30.09.2020, upon approval/clearance of the development schemes by the Local Planning Board, the schemes shall be considered by the competent forum as stipulated in the PLG (Works) Rules, 2017 and Administrative Approval shall be issued by the competent authority.

During audit of TC Karor for the FY 2021-22, it was observed that CO made payment of Rs 75.706 million on account of development schemes. However, administrative approval was accorded by the committee headed by the Administrator of Tehsil Council instead of competent forum i.e. District Development Committee.

Due to weak internal controls, development schemes were executed without obtaining of administrative approval from competent authority which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-502 dated 08.05.2023, followed by subsequent reminders No. 574 dated 05.06.2023 and No. 808 dated 18.07.2023. No progress was intimated till the finalization of this Report.

Audit recommends regularization of expenditure besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No.11]

2.108.2 Irregular expenditure due to non-conducting of lab tests – Rs 22.298 million

According to the directions issued by the Secretary C&W Department, Government of the Punjab vide letter No. PA/SECY(C&W) 26.05/2009 dated 25.05.2009, the bitumen to be used should be tested from the Road Research & Material Testing Institute (RR&MTI) to ensure that it meets the AASHTO Standards. The bitumen for use on road was to be arranged by the contractor from the National Refinery Limited Karachi and documentary evidence in support thereof was to be produced.

During audit of TC Karor for the FY 2021-22, it was observed that CO incurred expenditure of Rs 22.298 million on provision of constructions of roads. Payments were made without compaction test reports of earth work, sub-base and base course and quality test report of bitumen in violation of above referred instructions of the Government.

Due to weak internal controls, work was executed without ensuring compaction testing of sub-base, base course and quality test of bitumen material which resulted in execution of substandard works and irregular expenditure.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry besides fixing responsibility against the person(s) at fault besides condonation of irregularity.

[AIR 2021-22 Para No.9, 10]

Others

2.108.3 Non-recovery of Government dues – Rs 2.525 million

According to chapter-IV Rule 4.7(1) of the Punjab Financial Rule, Vol-I, "It is primarily the responsibility of the departmental authority to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to the Government account."

During audit of TC Karor for the FY 2021-22, it was observed that CO failed to recover government dues of Rs 16.464 million as pointed out in the previous year audit paras. Further, various fees / taxes / rents were also not recovered. The detail is as under:

(Rupees in million)

Sr. No.	Detail of recovery	Amount
1	Less deduction of Income Tax & Security Deposit	0.461
2	Excess payment of PST	0.134
3	Less deduction of Income Tax	0.822
4	Non-recovery of conversion fees	1.019
5	Payment excess than claim	0.089
Total		**2.525**

Due to weak internal controls, Government dues were not recovered from the defaulters which resulted in loss.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of Government dues besides disciplinary proceedings against the person(s) at fault.

[AIR 2021-22 Para No. 06, 07, 12, 13, 14]

2.109 Tehsil Council Khan Pur

Procedural irregularities

2.109.1 Irregular expenditure by non-observance of PPRA Rules – Rs 2.527 million

According to Rule 8 of the Punjab Procurement Rules 2014, "A procuring agency shall, within one month from the commencement of a financial year, devise annual planning for all proposed procurements with the object of realistically determining the requirements of the procuring agency. Further, according to Rules 9 and 12(1) of the Punjab Procurement Rules 2014 (amended 17.08.2020), procuring agency shall announce proposed procurements for each Financial Year and shall proceed accordingly without any splitting or regrouping of the procurements so planned and annual requirements thus determined would be advertised in advance on the PPRA's website. Procurement opportunities over Rs 200,000 and up to Rs 3,000,000 shall be advertised on the PPRA's website in the manner and format specified by the PPRA from time to time.

During audit of TC Khan Pur for the FY 2021-22, it was observed that Chief Officer incurred expenditure amounting to Rs 2.527 million on purchase of printing and publication, medicines and other store items without observing PPRA Rules. Annual requirement was not consolidated and planned procurement was not advertised in print media and on PPRA website. Further, purchase was made by splitting the indents resulting in irregular expenditure. The detail is as under:

(Rupees in million)

Sr. No.	Particulars	Budget	Expenditure
1	Printing and publication	1.000	0.113
2	Exhibitions, fairs and other national celebrations	2.000	0.925
3	Purchase of drug and medicines	2.000	0.282
4	Cost of other stores	3.000	1.207
Total			**2.527**

Due to weak internal controls, procurements were made without observing PPRA rules which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite request made by Audit vide letter No. RDA / BWP / Reports / 2022-23 / F-39 / CD 467 dated 02.05.2023, followed by subsequent reminders vide No. 518 dated 12.05.2023 and No. 522 dated 16.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends regularization of expenditure from the Competent Authority besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 3]

2.109.2 Irregular execution of schemes without PC-1 – Rs 1.941 million

According to Rule 4(3) (4) of PLG (Works) Rules 2017 "Work costing rupees 1.5 million or above shall be prepared on the PC-1 prescribed by the government and approved in the manner prescribed for approval of PC-I."

During audit of TC Khan Pur for the FY 2021-22, it was observed that Chief Officer allowed execution of development schemes costing Rs 1.941 million. The Chief Officer did not ensure preparation and approval of PC-I in violation of above mentioned rule which resulted in irregular execution of development works. Administrative approval without preparation of PC-1 for projects costing Rs 1.500 million or above was irregular. The detail is as under:

(Rupees in million)

Sr. No.	Financial Year	Name of Scheme	Name of Contractor	Contract Amount	Expenditure Incurred
1	2021-22	Construction and improvement RCC culverts, drain, sewer line Muharrum Routs TC Khan Pur	M/s Jajjvi & Co.	2.500	1.941

Due to weak internal controls, development schemes were executed without preparation of detailed PC-1 which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends regularization of expenditure besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 07]

Others

2.109.3 Loss due to non-transfer of land of housing scheme – Rs 95.100 million

According to Chapter VIII Section 42 (f) & (h) of the Punjab Private Housing Schemes and Land Subdivision Rules, "A developer shall provide and submit a transfer deed in accordance with form "B" for free of cost transfer of open space or park (07%), public buildings (02 to 10%), internal roads and a ten marla plot for solid waste management to a Town Municipal Administration, a Tehsil Municipal Administration or a development authority." Further, As per Chapter VIII Section 42 (i) of the Punjab Private housing Schemes and Land Subdivision Rules, "a developer shall submit in the name of a Town Municipal Administration, a Tehsil Municipal Administration or a Development Authority a mortgage deed of twenty percent of the saleable area, in accordance with Form C, as security for completion of development works."

During audit of TC Khan Pur for the FY 2021-22, it was observed that Chief Officer did not transfer admissible land / area valuing Rs 95.100 million in its name from different approved land sub-division in the city area.

Due to weak internal controls, required area of land could not be transferred in the name of TC which resulted in loss.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends transfer of land area in the name of TC besides fixing responsibility against the person(s) at fault.

Note: This issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.102.2 having financial impact of Rs170.450 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2021-22 Para No. 12]

2.109.4 Loss due to non-recovery of fees from unapproved housing schemes – Rs 3.733 million

According to Land Use Rules 2009 and Chapter VIII Rule 60 (C) of Commercialization Rules 2008 "The conversion fee for the conversion of peri-urban area or intercity services area to residential use shall be one percent (1%) of the value of the land as per valuation table. Further as per Rule 47 of Punjab Local Government (Budget) Rules 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited to the Local Fund."

During audit of TC Khan Pur for the FY 2021-22, it was observed that Chief Officer did not take any action to approve five residential housing schemes and to recover various fees from the owners of residential schemes amounting to Rs 3.733 million.

Due to weak internal control, neither the residential schemes were approved nor various fees were recovered which resulted in loss.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No.11]

2.110 Tehsil Council Khanewal

Others

2.110.1 Non-achievement of targets of revenue – Rs 165.439 million

According to Rule 11(2) (C) of the Punjab Local Government (Accounts) Rules, 2017, "Chief Officer shall ensure that all sums due to local government are promptly realized and credited into local fund."

During audit of TC Khanewal for the FY 2021-22, it was observed that CO fixed revenue targets of Rs 196.92 million on account of TTIP, license fees, map fees, conversion fees etc. Relevant staff did not make due efforts for recovery. As a result, revenue targets of 84 % amounting to Rs 165.439 million were not achieved.

Due to weak internal controls, targets of revenue were not achieved which resulted in loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1000 dated 13.04.2023, followed by subsequent reminders vide No. 1051 dated 27.04.2023 and No. 1132 dated 22.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 14]

2.110.2 Non-recovery of arrears of shops and lease - Rs 4.198 million

According to Rule 47(1) of the Punjab Local Governments (Budget) Rules, 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited immediately into the local fund and entered in the proper receipt head."

During audit of TC Khanewal for the FY 2021-22, it was observed that CO did not recover arrears amounting to Rs 4.198 million from tenants on account of rent of shops and leases. The detail is as under:

(Rupees in million)

Detail Receipt Head	**Budget**	**Actual for the Year (01-07-21 to 17-10-21)**	**Recovery**
Arrears of Shops	4.000	0.502	3.498
Arrears of Leases	0.700	-	0.700
Total			**4.198**

Due to weak internal controls, arrears of rent of shops and leases were not recovered which resulted in loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery from concerned besides fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.103.3 having financial impact of Rs 3.632 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2021-22 Para No. 11]

2.110.3 Non-recovery of municipal property dues – Rs 1.657 million

According to Rule 7 of Punjab Local Governments (Budget) Rules 2017, "The Collecting officer is responsible to ensure timely recovery against each demand." Further, according to Rule 47(1) of Punjab Local Governments (Budget) Rules, 2017, "The Collecting Officers shall ensure that all revenue due is claimed, realized and credited immediately into the Local Government Fund and entered in proper receipt head."

During audit of TC Khanewal for the FY 2021-22, it was observed that CO did not recover municipal property dues amounting to Rs 1.657 million on account of rent of municipal property. The detail is as under:

(Rupees in million)

Code No.	Detail of receipt head	Budget	Actual	Less recovery
Rent of Municipal Properties	Rent of municipal Property - Shops	1.700	0.043	1.657

Due to weak financial controls, municipal property dues were not recovered which resulted in loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 10]

2.111 Tehsil Council Kot Addu

Others

2.111.1 Less realization of revenue – Rs 18.810 million

According to the Rule 13 of the Punjab Local Government (Budget) Rules, 2017, “To ascertain the revenue potential, the Local Government shall conduct a review of tax base.” Further, according to rule 14 of Rules ibid, “After completing the receipts estimates the collecting officer shall sign estimates and forward it to the head of the office.” Furthermore, according to Rules 11(2) and 14(d) of the Punjab Local Government (Accounts) Rules, 2017, “In the discharge of his responsibilities, the Chief Officer shall ensure that any sums due to the local government are promptly realized and credited to the local fund. The collecting officer shall collect receipts of the local government in a transparent manner beyond any doubt of misappropriation, fraud, embezzlement or compromise.”

During audit of TC Kot Adu for the FY 2021-22, it was observed that CO failed to achieve income targets set from 01.07.2021 to 17.10.2021 under various heads of income. No efforts were made by the collecting officers/officials to achieve the set targets due to which income amounting to Rs 18.810 million remained unrealized.

Due to weak internal controls and negligence, income targets were not achieved which resulted in short realization of revenue.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-502 dated 08.05.2023, followed by subsequent reminders No. 574 dated 05.06.2023 and No. 808 dated 18.07.2023. No progress was intimated till the finalization of this Report.

Audit recommends to probe the matter besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No.9]

2.111.2 Non-recovery of Government dues – Rs 3.393 million

According to chapter-IV Rule 4.7(1) of the Punjab Financial Rule, Volume-I, “It is primarily the responsibility of the departmental authority to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to the Government account.”

During audit of TC Kot Adu for the FY 2021-22, it was observed that CO failed to recover government dues amounting to Rs 3.393 million as pointed out in the previous year audit paras. Further, various fees/taxes/rents were also not recovered. The detail is as under:

(Rupees in million)

Sr. No.	Detail of recovery	Amount
1	Non-deposit of Income Tax and Punjab Sales Tax / General Sales Tax	3.393
Total		**3.393**

Due to weak internal controls, Government dues were not recovered from the defaulters which resulted in loss.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of Government dues besides disciplinary proceedings against the person(s) at fault.

[AIR 2021-22 Para No. 2]

2.112 Tehsil Council Layyah

Procedural irregularities

2.112.1 Irregular expenditure without administrative approval – Rs 11.481 million

According to Rule 5 of the Punjab Local Government (Works) Rules, 2017, the Development Committee of the local government shall exercise the powers of according administrative approval of the work, if it has been approved by the House and is reflected in the Annual Development Program. The work estimates beyond the above-mentioned limits shall be submitted to the District Development Committee (DDC), Divisional Development Committee or Departmental Development sub-committee or Provincial Development Working Party, as the case may be. Further, according to Paras x & xii of planning guidelines published in the Punjab Gazette dated 30.09.2020, upon approval/clearance of the development schemes by the Local Planning Board, the schemes shall be considered by the competent forum as stipulated in the PLG (Works) Rules, 2017 and Administrative Approval shall be issued by the competent authority.

During audit of TC Layyah for the FY 2021-22, it was observed that CO did made payment amounting to Rs 11.481 million on account of development schemes. However, administrative approval was accorded by the committee headed by the Administrator of Tehsil Council instead of competent forum i.e. DDC as so such powers of administration of Tehsil Council were not mentioned in the PLG (Works) Rules, referred above.

Due to weak internal controls, development schemes were executed without obtaining of administrative approval from competent authority which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-502 dated 08.05.2023, followed by subsequent reminders No. 574 dated 05.06.2023 and No. 808 dated 18.07.2023. No progress was intimated till the finalization of this Report.

Audit recommends regularization of expenditure besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No.8]

2.112.2 Irregular expenditure on works – Rs 2.616 million

According to item 43 of chapter 10 of MRS, 2nd Bi-Annual-2020 (1st July to 31st December, 2020) District Layyah “Rate was given for providing and laying tuff pavers, having 7,000 PSI crushing strength of approved manufacturer.”

During audit of TC Layyah for the FY 2021-22, it was observed that CO did made payment amounting to Rs 2.616 million to the contractors on account of tuff tile used in two development schemes. Neither gate passes nor other documents were provided to prove that tiles were purchased from approved manufacturers. Furthermore, lab test from approved laboratory for assessing the quality were not made. The detail is as under:

(Rupees in million)

Sr. No.	Scheme	Name of Contractor	Agreement Amount (Rs)	MB No. / Page No.	Quantity	Rate (Rs)	Amount
1	Providing and laying of tuff tile at Ladhana city	Ghulam Abbas Gujjar	2,470,328	22221 / 32 to 36	10,654	110.75	1.180
2	Provision of tuff tile Basti (Dr. Iqbal Dasti)	Khuda Baksh	1,999,960	920 / 03 to 07	12,970	110.75	1.436
Total							**2.616**

Due to weak internal controls, payment was made without proof of purchases from approved manufacturers which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends regularization of expenditure besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No.9]

Others

2.112.3 Irregular award of contracts of collection rights – Rs 11.655 million

According to Condition No. 4 of the Terms & Conditions of Auction of Collection Rights for “Pattans”, successful bidder would be bound to deposit 1/3rd of total amount along with 1st instalment within three days after the bid.

During audit of TC Layyah for the FY 2021-22, it was observed that CO did leased out collection rights of different “Pattans” at an agreement cost of Rs 11.655 million. According to demand notices issued by the Chief Officer Tehsil Council, Layyah, successful bidders were directed to deposit an amount of Rs 4.242 million and execute agreement for issuance of work order. Scrutiny of record depicted that agreements with successful bidders were executed after deposit of only Rs 1.865 million by the contractors in violation of above referred condition.

Resultantly, irregular award of collection rights amounting to Rs 11.655 million was made. The detail is as under:

(Rupees in million)

Sr. No.	Description	Contractor	Lease Amount	Demand Notice Amount for Agreement	Amount Deposited before Agreement
1	Khojay Wala Pattan	M. Saleem	1.750	0.733	-
2	Bakhri Ahmed Khan	Saeed Ahmed	2.560	0.873	-
3	Chandia Wala Pattan	Kashif Mehmood	3.550	1.298	0.800
4	Jhakhar Pattan	Fayyaz Ahmad	0.415	0.148	0.148
5	Khokhar Wala Pattan	Sajjad Hussain	0.580	0.207	0.140
6	Shah Wala Pattan	Ghulam Murtaza	2.800	0.985	0.777
Total			**11.655**	**4.244**	**1.865**

Due to weak internal controls, collection rights were awarded without observing Terms & Conditions of Auction which resulted in irregular award of contracts.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends to probe the matter for fixing responsibility against the person(s) at fault besides regularization of matter from the competent authority.

[AIR 2021-22 Para No.7]

2.112.4 Non-recovery of Government dues – Rs 4.249 million

According to chapter-IV Rule 4.7(1) of the Punjab Financial Rule, Volume-I, "It is primarily the responsibility of the departmental authority to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to the Government account."

During audit of TC Layyah for the FY 2021-22, it was observed that CO did failed to recover government dues amounting to Rs 4.249 million as pointed out in the previous year audit paras. Further, various fees/taxes/rents were also not recovered. The detail is as under:

(Rupees in million)

Sr. No.	Detail of recovery	Amount
1	Non-deposit / recovery of Penal Rent, HRA & HRC	0.140
2	Less / non-recovery of taxes	1.209
3	Non-recovery of conversion and other miscellaneous fees	2.900
Total		**4.249**

Due to weak internal controls, Government dues were not recovered from the defaulters which resulted in loss.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of Government dues besides disciplinary proceedings against the person(s) at fault.

[AIR 2021-22 Para No. 2, 6, 12]

2.113 Tehsil Council Liaqat Pur

Procedural irregularities

2.113.1 Irregular clearance of pending liabilities – Rs 114.521 million

According to Rule 17.17(A) of PFR Vol-I, "Every DDO shall maintain a register of pending liabilities in PFR Form No. 27 in which he will enter all those items of expenditure for which,

- Payment is made by or through another officer.
- Budget allotment or sanction of a higher authority is to be obtained.
- Payment would be required partly of wholly during the next Financial Year or years."

During audit of TC Liaqat Pur for the FY 2021-22, it was observed that Chief Officer made payment amounting to Rs 114.521 million on account of pending liabilities of POL, TA/DA and previous year's development schemes without maintenance of pending liabilities register. Approval of competent authority and additional budget was not obtained to clear the pending liabilities.

Due to weak internal controls, pending liabilities were paid without approval of competent authority which resulted in irregular payments.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite request made by Audit vide letter No. RDA / BWP / Reports / 2022-23 / F-39 / CD 467 dated 02.05.2023, followed by subsequent reminders vide No. 518 dated 12.05.2023 and No. 522 dated 16.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends regularization of expenditure besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 6]

2.113.2 Non-undertaking of Community Initiatives – Rs 22.116 million

According to Section 214 of the PLGA, 2019, "Every local government shall allocate a portion of its funds, being not less than five percent of the total expenditures to be incurred by it in a particular financial year on construction works, to support such activities which are proposed by the residents and implemented by them directly through a Neighborhood Council in case of an urban local government and a Panchayat in case of a Tehsil Council."

During audit of TC Liaqat Pur for the FY 2021-22, it was observed that Chief Officer did not allocate five percent of budgeted expenditure amounting to Rs 22.116 million as community initiatives to support activities in violation of above instructions.

Due to weak internal controls, funds were not allocated for community initiatives which resulted in violation of rules.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends regularization of expenditure besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 9]

Others

2.113.3 Poor performance in service delivery

According to rule 34 of Punjab Local Governments (Rules of business) Rules, 2017 Municipal Officer Infrastructure is responsible to provide, manage, operate, maintain and improve the municipal services including water supply, sewerage, roads, streets etc.

During audit of TC Liaqat Pur for the FY 2021-22, it was observed that resolution of public complaints received through Pakistan Citizen Portal against service delivery were found poor. Non-satisfaction level of public against submitted complaints was only 55.10%. The detail is as under:

Complaints Resolved	Feedback received	Positive Feedback	Citizen Satisfied in %age	Not Satisfied in %age
26 Fully + 22 Partially	98	44	44.9	55.1

Source: Dashboard of Chief Officer TC Liaqat Pur at Pakistan Citizen Portal

Due to weak internal administrative controls, proper service delivery was not ensured by the management of TC which resulted in non-satisfaction of general public.

The matter was reported to PAO in April 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends resolution of public complaints regarding provision of municipal services, besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 10]

2.114 Tehsil Council Mian Channu

Procedural irregularities

2.114.1 Non-transparent bidding and incorrect compaction test report – Rs 3.844 million

According to Rule 4 of the Punjab Procurement Rules 2014, "A procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical." Further, according to Rule 27 (3) (a) of Punjab Local Governments (Accounts) Rules 2017, "Sanctioning authority shall exercise the same vigilance in the expenditure from the local fund as a person of ordinary prudence may exercise in respect of his own money."

During audit of TC Mian Channu for the FY 2021-22, it was observed that CO made payment amounting to Rs 3.844 million for execution of scheme "Rehabilitation of M/R Chak No.47/15 L." Transparent tendering process was not held as the contractor had arranged CDRs on 21.01.2021 well before the date of bid opening (23.01.2021). Further, compaction test report dated 25.06.2021 was also not correct as sub-grade could not be tested after laying sub base and base course. The detail is as under:

(Rupees in million)

Sr. No.	Description	Amount
1	Irregular expenditure due to non-transparent bidding	3.844
2	Irregular expenditure due to incorrect compaction test report	
Total		**3.844**

Due to weak internal controls, tendering process was not held transparently which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1000 dated 13.04.2023, followed by subsequent reminders vide No. 1051 dated 27.04.2023 and No. 1132 dated 22.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends regularization of expenditure besides fixing responsibility against the person(s) at fault.
[AIR 2021-22 Para No. 07]

Others

2.114.2 Non-achievement of targets of revenue – Rs 23.223 million

According to Rule 11 (2) (C) of Punjab Local Governments (Accounts) Rules 2017, "Chief Officer shall ensure that any sums due to local government are promptly realized and credited into local fund."

During audit of TC Mian Channu for the FY 2021-22, it was observed that CO fixed revenue targets of Rs 26.500 million on account of rent of shops, advertisement and publicity charges, conversion fees etc. The concerned staff did not make due efforts to recover / realize revenue. As a result, revenue targets of 88 % amounting to Rs 23.223 million could not be achieved. Furthermore, revised budget/targets (if any) were not produced to Audit. The detail is as under:

(Rupees in million)

Sr. No.	Detail Receipt Head	Budget	Actual Receipts	Recovery
1	Fees for approval of building/ construction plan	2.500	0.136	2.364
2	Conversion fees for change in building use	4.500	0.089	4.411
3	Advertisement fees on billboards/ hoardings	1.500	0.393	1.107
4	Arrears of shops	13.600	2.547	11.053
5	Rent of municipal property / shops	4.400	0.111	4.289
Total		**26.500**	**3.277**	**23.223**

Due to weak internal controls, targets of revenue were not achieved which resulted in loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.
[AIR 2021-22 Para No. 02]

2.115 Tehsil Council Multan Saddar

Procedural irregularities

2.115.1 Non-transfer of area of public amenities – Rs 32.835 million

According to Rule 18 of Punjab Private Housing & Land Sub-division Rules 2010, "Land for roads and public places is to be transferred in the name of local government concerned."

During audit of TC Multan Saddar for the FY 2021-22, it was observed that CO did not get transferred land for roads and public places from land sub-divisions amounting to Rs 32.835 million in the name of TC Multan Saddar. The detail is as under:

(Rupees in million)

Name of LSD	Location	Application date	Name of developer	Total area (kanal)	Area for roads and public places 40% (Marla)	Rate per Marla (Rs)	Amount
Baba Fareed LSD	Mauza khairpur, near Qasim Bela	23.06.2021	Javed Akhtar Bhutta	45	360	46,690	16.808
Nawab city	Near saida wali khoi, Nawabpur road Multan	02.07.2021	Muhammad Asgher	44	280	57,241	16.027
Total							**32.835**

Due to weak internal controls, land sub-divisions were constructed without transfer of land in the name of TC Multan which resulted in loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1000 dated 13.04.2023, followed by subsequent reminders vide No. 1051 dated 27.04.2023 and No. 1132 dated 22.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends transfer of land besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 16]

Others

2.115.2 Non-realization of Government receipts – Rs 15.918 million

According to Rule 4.1 of PFR, Vol-I, "The departmental controlling officers should accordingly see that all sums due to Government are regularly received and checked against demands, and that they are paid into the treasury." Further according to Rule 2.33 of PFR Vol-I, "Every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by the Government through fraud or negligence on his part."

During audit of TC Multan Saddar for the FY 2021-22, it was observed that CO failed to recover government dues amounting to Rs 15.918 million. The detail is as under:

(Rupees in million)

Sr. No.	Nature of receipts	Amount
1	Non-recovery of drainage / sewer fees	3.117
2	Unauthorized construction of petrol pump without payment of fees	2.335
3	Non-approval and recovery of fees from the land sub-divisions	2.036
4	Unauthorized construction of buildings for industrial use without payment of fees	8.430
Total		**15.918**

Due to weak internal controls, the receipts were not realized / deposited which resulted in loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of the government dues besides disciplinary proceedings against the person(s) at fault.

[AIR 2021-22 Para No. 05, 11, 12, 13]

2.115.3 Establishment of land sub-divisions – Rs 2.216 million

According to Rule 39 and 44 (a) of Punjab Private Housing Schemes and Land Sub-Division Rules, 2010, "A developer shall deposit fee for conversion of peri-urban area to scheme use at the rate of one percent of the value of the residential land as per valuation table or one percent of the average sale price of preceding twelve months of residential land in the vicinity, if valuation table is not available. A developer shall submit an application for sub-division of a plot or a land to a TMA or a Development Authority along with rupees one thousand as a scrutiny fee."

During audit of TC Multan Saddar for the FY 2021-22, it was observed that CO allowed establishment of land sub-divisions without recovering conversion, design and map fees amounting to Rs 2.216 million from the developers of land sub-divisions. The detail is as under:

(Rupees in million)

Sr. No.	**Name of colony**	**Name of owner**	**Application date**	**Area of land (Kanal)**	**Per marla rate**	**value of land**	**Conv. fees @1 %**	**design fees @Rs 500 per kanal**	**map fees @ Rs 1000 per kanal**	**Recovery**
1	Roshan LSD, Mauza bind sandeela jhok bahloo wala road	Umer Hayyat	03.05.21	27	0.014	7.799	0.156	0.054	0.027	0.236
2	Rana Shezad LSD, Dera Muhammadai	Rana Shehzad	13.09.2021	90	0.045	81.000	1.620	0.270	0.090	1.980
Total										**2.216**

Due to weak internal controls, LSDs were allowed without approval and recovery of Government dues which resulted in loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 14]

2.116 Tehsil Council Muzaffargarh

Procedural irregularities

2.116.1 Unauthentic / bogus billing – Rs 3.578 million

According to Rule 2.33 of the PFR Vol-I, every Government servant 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.

During audit of TC Muzaffargarh for the FY 2021-22, it was observed that CO made unauthentic / bogus expenditure Rs 3.578 million on account of exhibition, purchase of furniture and photocopies etc. Stock entry was not made nor maintenance/provided of stock registers. Mostly purchases were made from unregistered firms.5. All quotations were made without detail of items just 2%, 3% less from estimate. Proof of deposit of GST by the company was not available. Mostly bills are dateless and all ills were without bill numbers.

Due to weak financial management, unauthentic / bogus billing was made which resulted unauthentic payments.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-502 dated 08.05.2023, followed by subsequent reminders No. 574 dated 05.06.2023 and No. 808 dated 18.07.2023. No progress was intimated till the finalization of this Report.

Audit recommends investigation regarding unauthentic / bogus billing besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No.8]

Others

2.116.2 Non-closure / transfer of funds of defunct tehsil council bank accounts – Rs 104.381 million

According to PFR-Vol-I Rule 2.33, Every Government Servant should realize fully and clearly that he will be hold personally responsible for any loss sustained by Government through fraud or negligence on his part and he will be also hold personally responsible for any loss arriving from fraud or negligence on the part of any other Government servant to the extent to which it may be shown that the contributed to the loss by his own action or negligence.

During audit of TC Muzaffargarh for the FY 2021-22, it was observed that CO neither transferred funds amounting to Rs 104.381 million nor closed all bank accounts of Tehsil Council (Defunct) Muzaffargarh. After closing of TC, CO was required to transfer funds to new accounts of District Council Muzaffargarh but the management neither transferred funds nor closed bank accounts of TC. The detail is as under:

(Rupees in million)

Sr. No.	Name of Bank	Title of Account	Account No.	Closing Balance as on 17.10.21
1	Bank of Punjab	General Account	382100060	96.877
2	Bank of Punjab	Pension Account	382100022	4.135
3	Bank of Punjab	Sinking Fund	382100033	0.002
4	Bank of Punjab	Special Fund	382100044	0.002
5	Bank of Punjab	Development Account	382100055	0.000
6	Bank of Punjab	Security Account	382100077	2.365
7	Bank of Punjab	Special Fund TC Khangarh	507400021	1.000
Total				**104.381**

Due to weak financial control, bank accounts were neither closed nor transfer of funds of TC which resulted chances of misappropriation of funds.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends transferring of fund to new accounts of District Council Muzaffargarh and closure of all bank accounts of TC besides fixing of responsibility against the persons at fault.

[AIR 2021-22 Para No.11]

2.116.3 Non-recovery of Government dues – Rs 8.176 million

According to chapter-IV Rule 4.7(1) of the Punjab Financial Rule, Volume-I, "It is primarily the responsibility of the departmental authority to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to the Government account.”

During audit of TC Muzaffargarh for the FY 2021-22, it was observed that CO failed to recover government dues amounting to Rs 8.176 million as pointed out in the previous year audit paras. Further, various fees/taxes/rents were also not recovered. The detail is as under:

(Rupees in million)

Sr. No.	**Detail of recovery**	**Amount**
1	Unauthorized payment of Conveyance Allowance	0.260
2	Non-deposit of GST, PST and Income Tax	2.659
3	less/non-recovery of arrears of shops and agriculture land	5.257
Total		**8.176**

Due to weak internal controls, Government dues were not recovered from the defaulters which resulted in loss.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of Government dues besides disciplinary proceedings against the person(s) at fault.

[AIR 2021-22 Para No. 2, 4, 10]

2.117 Tehsil Council Pakpattan

Procedural irregularities

2.117.1 Irregular expenditure on hiring of machinery and vehicles - Rs 3.575 million

According to Rule 9 of Punjab Procurement Rules 2014, “A procuring agency shall announce in an appropriate manner all proposed procurement for each financial year and shall proceed accordingly without any splitting or regrouping of the procurement so planned. Procurement over 200,000 and up to Rs 3.00 million shall be advertised on the PPRA website in format specified by PPRA from time to time. All procurements over three million rupees should be advertised on the PPRA website as well as other print media and at least in two national newspapers.”

During audit of TC Pakpattan for the FY 2021-22, it was observed that CO incurred expenditure of Rs 3.575 million on account of hiring of machinery & vehicles under program for “Khidmat Apki Dehleez Par.” It was observed that machinery & vehicles were hired by splitting. Neither advertisement was made on PPRA website nor in two national newspapers. Purchases were made from the single contractor by calling quotation instead of calling the tender. The detail is as under:

(Rupees in million)

Sr. No	Vr. No. / Date	Description	Amount
1	72 / 29.07. 2021	Purchase of Equipment	0.521
2	72 / 29.07. 2021	Hiring charges for Machinery	2.230
3	72 / 29.07.2021	White wash offices	0.330
		PST 16%	0.494
Total			**3.575**

Due to weak internal controls, expenditure was incurred on hiring of machinery & vehicles which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1000 dated 13.04.2023, followed by subsequent reminders vide No. 1051 dated 27.04.2023 and No. 1132 dated 22.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends regularization of expenditure besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 01]

2.117.2 Irregular appointment of contingent paid staff - Rs 2.109 million

According to Government of the Punjab, Finance Department, Notification No.RO(Tech)FD-2-2/2001 dated 03.11.2008, "Appointment of work charge / daily wages employee shall be made with procedure that the post(s) shall be advertised properly in the leading newspapers and recruitment to all posts shall be made on the basis of merit specified for regular establishment" and according to Para 3 of Government of the Punjab LG & CD Department letter No.SO-ADMN-II (LG) 3-55/2007 dated 03.03.2016, "It has also come to the notice of the Department that the Local Governments in Punjab are appointing the work charge / daily wages employees without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules. Therefore, it has been decided that in future no work charge / daily wages employee will be appointed without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of TC Pakpattan for the FY 2021-22, it was observed that CO made payment of Rs 2.109 million on account of payment of daily wages / contingent paid staff of sanitation. The entire recruitment was irregular and unauthorized as no advertisement for appointment of daily wages staff was published in the newspapers. The detail is as under:

(Rupees in million)

Vr. No.	**Date**	**No. of Daily Wages Staff**	**Payment**	**Month**	**Amount**
60	23.08.2021	64	Daily Wages staff	July-2021	1.292
96	23.09.2021	36	Daily Wages staff	September-2021	0.817
Total					**2.109**

Due to weak internal controls appointments of contingent paid staff was made without advertisement of appointment procedure which resulted in in violation of instructions / Rules.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends justification and regularization of expenditure from the competent authority besides fixing of responsibility.

[AIR 2021-22 Para No. 06]

Others

2.117.3 Non-recovery of conversion fees - Rs 2.660 million

According to Rule 39 of the Punjab Private Housing Schemes and Land Sub-division Rules 2010, "A developer shall deposit fee for conversion of peri-urban area to scheme use at the rate of one percent of the value of the residential land as per valuation table or one percent of the average sale price of preceding twelve months of residential land in the vicinity, if valuation table is not available."

During audit of TC Pakpattan for the FY 2021-22, it was observed that CO did not recover amounting to Rs 2.660 million from the owner of housing scheme on account of conversion fees. It was observed that developer established housing scheme and openly sold their plot without approval from the Tehsil Council and payment of the conversion and other fees. Tehsil Officer did not take any action against the violators/developers. The detail is as under:

(Rupees in million)

Sr. #	Name of Housing Schemes	Address	Area	Valuation Table 2022-23 Rate Per Marla	Fees		
					Conversion	LSD	Total
1.	Pak City Housing Scheme	Chungi Baba Sheikh Jamal	120-K,18-M	0.100 /- Per Marla	2.418	0.242	2.660
Total							**2.660**

Due to weak internal controls, neither any action was taken against the land sub-division nor was prescribed fees and land recovered from the owners / developer which resulted in loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery besides fixing of responsibility.

[AIR 2021-22 Para No. 05]

2.117.4 Non-recovery of government dues – Rs 2.509 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available, ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee."

During audit of TC Pakpattan for the FY 2021-22, it was observed that CO did not recover conversion & map fees amounting to Rs 2.509 million from owners of land sub-divisions and commercial market. Audit also conducted physical inspection of buildings in the area in the presence of field staff and noticed commercial market (shops) on the roads without approval of maps and payment of conversion fees. The detail is as under:

(Rupees in million)

Sr. No.	Nature of receipts	Amount
1	Construction of commercial buildings without payment of fees	1.023
2	Non-recovery of Government dues from commercial market	1.486
Total		**2.509**

Due to weak internal controls, the government dues were not recovered which resulted in loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of the government dues besides disciplinary proceedings against the person(s) at fault.

[AIR 2021-22 Para No. 07, 09]

2.118 Tehsil Council Pir Mahal

Others

2.118.1 Non / less realization of revenue - Rs 16.076 million

According to Rule 50(1)(a) of the Punjab Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020, "The conversion fee for the conversion of residential, industrial or site development zone (agriculture area) abutting List "A" roads to commercial use shall be ten percent of the commercial value of the land or plot or property as per valuation table and in case the valuation table is not available ten percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee."

During audit of TC Pir Mahal for the FY 2021-22, it was observed that owners of nine properties located at different places within territorial jurisdiction of TC Pir Mahal submitted building plans for commercial buildings and poultry sheds for the Financial Years 2020-21 and 2021-22. However, conversion fees, approval of map fees, scrutiny fees etc. amounting to Rs 8.390 million was not recovered. Further, conversion fees was less recovered amounting to Rs 7.686 million from owners of seven properties (petrol pumps and commercial buildings) by applying residential rates instead of commercial rates. Resultantly, TC sustained loss of Rs 16.076 million. The detail is as under:

(Rupees in million)

Sr. No.	Nature of Property	Description	Amount
1	07 commercial buildings	Conversion fees, map fees, scrutiny fees not recovered	3.660
2	02 poultry sheds	Conversion fees, map fees, scrutiny fees not recovered	4.730
3	02 petrol pumps	Conversion fees, map fees scrutiny fees recovered at lesser rate	0.903
4	05 commercial buildings	Conversion fees, map fees scrutiny fees recovered at lesser rate	6.783
Total			**16.076**

Due to weak financial and internal controls, either conversion fees, map fees, scrutiny fees was not recovered or recovered at lesser rates which resulted in loss.

The matter was reported to PAO in March, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/ 523 dated 28.04.2023, followed by subsequent reminder vide No.549 dated 05.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry for fixing responsibility against person(s) at fault besides recovery of conversion fees from the concerned.

Note: The issue was reported in the Audit Report for Audit Year 2022-23 vide Para No.2.116.9 having financial impact of Rs 8.729 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2021-22 Para No. 4, 5, 2, 7]

2.119 Tehsil Council Rahim Yar Khan

Others

2.119.1 Non-obtaining of additional performance securities – Rs 3.855 million

According to Rule 9 (9)(d) of Punjab Local Government Works Rules 2017, the work order shall be issued by the engineer In-charge to a person offering the lowest bid after approval of the Chairman or Mayor or the engineer In-charge authorized by him subject to the condition that in case the rates of the lowest bid are equal to or less than 5% of the estimated cost, the lowest bidder shall be bound to deposit additional performance security from a scheduled bank from 5% to 10% (including CDR deposited at the time of tendering) within 15 days of issuance of notice. Further according to terms of advertisement, the successful bidder whose bid is less or more than 5% below of the estimate cost of the work will have to deposit additional performance security as per rules. Failure to do so shall result in the forfeiture of earnest money.

During audit of TC Rahim Yar Khan for the FY 2021-22, it was observed that Chief Officer executed 17 development schemes but neither obtained Additional Performance Securities @ 10% amounting to Rs 3.855 million from the successful bidders nor forfeited their earnest money amounting to Rs 1.927 million. Undue financial benefit was likely awarded to the contractors in violation of above terms of advertisement and rules and no evidence to this effect was on record for audit scrutiny.

Due to weak internal controls, additional Performance Security was not obtained from the contractors quoted below rates than TS value which put the completion of schemes at risk.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite request made by Audit vide letter No. RDA / BWP / Reports / 2022-23 / F-39 / CD 467 dated 02.05.2023, followed by subsequent reminders vide No. 518 dated 12.05.2023 and No. 522 dated 16.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends regularization besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No.7]

2.119.2 Loss due to non-transfer / mortgage of property

According to Rule 17 (e) & (f), Section 42 (h), Chapter III Section 17 (e) & (f) and Chapter VIII Section 42 (h) of the Punjab Private Housing Schemes and Land Sub-division Rules 2010, “The developers are required to transfer the area reserved for roads, open space, park and solid waste management as well as one percent of the area under land sub-division for public buildings, excluding the area of mosque in favour of relevant development authority / body and should submit mortgage deed of 20% of the saleable area, in accordance with Form-C, as security for completion of development works.”

During audit of TC Rahim Yar Khan for the FY 2021-22, it was observed that Chief Officer failed to transfer mortgaged 21 Kanal of land from Palace Land Sub-division to the name of TC Rahim Yar Khan. The detail is as under:

Sr. No.	**Number of Scheme**	**Description**	**Land area(In Kanal)**	**Amount as per valuation table**
1	Palace Villas LSD	Property not transferred in the name of TC	16.15	Schedule rate not available
2		Property not mortgaged in the name of TC	4.85	
		Total	**21**	

Due to weak internal controls, required area of land could not be transferred / mortgaged in the name of TC which resulted in loss.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends transfer / mortgage of property in the name of TC besides fixing responsibility against the person(s) at fault.

<u>Note:</u> This issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.117.1 having financial impact of Rs 2,420.198 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2021-22 Para No. 14]

2.119.3 Poor performance in service delivery

According to Rule 34 of Punjab Local Governments (Rules of Business) Rules, 2017, “Municipal Officer Infrastructure is responsible to provide, manage, operate, maintain and improve the municipal services including water supply, sewerage, roads, streets etc.”

During audit of TC Rahim Yar Khan for the FY 2021-22, it was observed that resolution of public complaints received through Pakistan Citizen Portal regarding service delivery was found poor. As per record 35 complaints were fully resolved and 25 complaints were partially resolved. 197 complainants had sent feedback out of which positive feedback was reported by only 56 complainants which depicted that non-satisfaction level of general public against submitted complaints was only 71.57%. The detail is as under:

Complaints Resolved	Feedback received	Positive Feedback	Citizen Satisfied in %age	Not Satisfied in %age
35 Fully + 25 Partially	197	56	28.43	71.57

Due to weak internal and administrative controls, proper service delivery was not ensured by the management of TC which resulted in low satisfaction level of the general public.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends resolution of public complaints regarding provision of municipal services, besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 5]

2.120 Tehsil Council Rajanpur

Procedural irregularities

2.120.1 Unauthorized deviation in scope of work – Rs 4.028 million

According to Rule 5(17) of the Punjab Local Governments (Works) Rules 2017, "in case, the site of the work or nomenclature is changed, fresh administrative approval shall be obtained from the respective Development Committee." Moreover, according to Para 1.59 of the West Pakistan Buildings and Roads Department Code, "Divisional Officers are strictly prohibited from commencing the construction of any work or expending public funds without the sanction of the competent authority and also from making or permitting any material deviations from any sanctioned design in the course of execution without specific authority."

During audit of TC Rajanpur for the FY 2021-22, it was observed that CO executed development scheme with TS amounting to Rs 4.028 million during Financial Year 2020-21. The items executed were different from the advertised scheme and during execution some items were reduced and only tuff tile / brick pavement was executed on site. The scope of the scheme was changed without obtaining revised administrative approval and processing the scheme as a new scheme after change of scope. The detail as below:

(Rupees in million)

Sr. No.	ADP No.	Nomenclature of Scheme	Contractor Name	MB No. / Page No.	TS Amount
1	20	Construction of Drain, Soling Tuff Tile, Culverts, RCC Pipe Culverts, Sewerage, Small Bridges, Sullage Carrier in U/C Murghai	M/S Sajjad Engineer	968	4.028
Total					**4.028**

Due to weak internal controls, work was executed by deviating original scope of work without approval of the competent authority which resulted in unjustified expenditure.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No. RDA / DGK/CD-502 dated 08.05.2023, followed by subsequent reminders No. 574 dated 05.06.2023 and No. 808 dated 18.07.2023. No progress was intimated till the finalization of this Report.

Audit recommends regularization of expenditure besides fixing responsibility against the person(s) at fault.
[AIR 2021-22 Para No.7]

Others

2.120.2 Non-recovery of Government revenue - Rs 18.246 million

According to Rule 47 of the Punjab Local Government (Budget) Rules 2017, "The collecting officer shall ensure that all the revenue due is claimed, realized and credited to the Local Fund."

During audit of TC Rajanpur for the FY 2021-22, it was observed that CO failed to recover / less recovered revenue / taxes / fees amounting to Rs 18.246 million under various heads of accounts as per detail given below:

(Rupees in million)

Sr. No.	Description of Recovery	Amount
1	Map fees and conversion fees	8.595
2	Non-recovery of rent of shop	0.033
3	Map and conversion fees	9.618
Total		**18.246**

Due to weak internal controls, Local Government revenue were not / less realized which resulted in loss.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of outstanding revenue besides fixing responsibility against person(s) at fault.

[AIR 2021-22 Para No.2, 3, 6]

2.121 Tehsil Council Sahiwal

Procedural irregularities

2.121.1 Irregular expenditure by splitting – Rs 19.949 million

According to Rule 12 of PPRA Rules 2014, "A procuring agency shall advertise procurement of more than one hundred thousand rupees and up to the limit of two million rupees on the website of the Authority in the manner and format specified by regulations. The procurement exceeding two million rupees shall be advertised on the website of the Authority, and in at least two national daily newspapers of wide circulation, one in English and one in Urdu."

During audit of TC Sahiwal for the FY 2021-22, it was observed that CO incurred expenditure amounting to Rs 19.949 million on account of rent of machinery for cleanliness of garbage at different areas, celebrating of National Independence Day, Defense Day 06-09-2021 and celebrating religious days Muharrum ul Haram etc. Audit observed that the expenditure was incurred by splitting the same nature objects intentionally to avoid the tendering process. The expenditure was incurred by keeping the expenditure below Rs 200,000. Further, the expenditure was incurred without making annual procurement planning and by splitting up the indents without advertisement on PPRA. In addition to splitting following discrepancies were also observed:

1) Sealed quotations were not obtained;
2) Most of quotations were date less;
3) Dateless invoices were provided by the service providers.

Due to weak internal controls, expenditure was incurred by splitting the object to avoid tendering which resulted in uneconomical and irregular expenditure.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1000 dated 13.04.2023, followed by subsequent reminders vide No. 1051 dated 27.04.2023 and No. 1132 dated 22.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends action against concerned besides regularization of expenditure from competent authority.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.121.2 having financial impact of Rs 63.899 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2021-22 Para No. 04, 07]

2.121.2 Irregular expenditure on bitumen – Rs 18.350 million

According to Chief Engineer Punjab District Support and Monitoring Department, Lahore vide his office letter No. 3357-93/W (I), Dated 26-08-2015 addressed all the EDOs (W&S) in Punjab stating that, "The chief Minister has direct all contractors to use bitumen of approved refineries already notified by the Finance Department and payment against the bitumen related items shall not be entertained without invoices and gate passes of the approved / notified Refineries." Further, according to Government of the Punjab, Communication & Works (C&W) Department, letter No.PA/SECY(C&W) 26.05/2009 dated 25.05.2009, "The bitumen to be used should be tested from the Road Research & Material Testing Institute (RR&MTI) to ensure that it meets the American Association of State Highway and Transportation Officials (AASHTO) Standards. Further, according to Government of the Punjab, C&W Department Notification No. SOH-I(C&W)1-49/2012(G) dated 13.06.2014, approval was accorded for use of "Parco Biturox" produced by Pak Arab Refinery Limited (PARCO), Mehmood Kot District Muzaffargarh, in projects to be executed by C&W Department, having grade 60/70 & grade 80/100 in addition to bitumen of National Refinery Karachi."

During audit of TC Sahiwal for the FY 2021-22, it was observed that CO made payment of Rs 18.350 million to different contractors for execution of bituminous items in works for improvement of roads in different areas which were in process. These works were executed and payments were made without getting the quality of bitumen tested from the RR&MTI. Documentary evidence i.e. invoices and gate passes for procurement and consumption of bitumen from approved refinery was also not available in record.

Due to weak monitoring mechanism, quality of bituminous items was not got tested from RR&MTI and utilization of approved quality bitumen was also not ensured which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends inquiry and fixing responsibility against the person(s) at fault besides regularization of expenditure from the competent authority.

[AIR 2021-22 Para No. 16]

2.121.3 Irregular expenditure on contingent paid staff – Rs 6.886 million

According to Government of the Punjab, Finance Department, Notification No.RO (Tech) FD-2-2/2001 dated 03.11.2008, "Appointment of work charge / daily wages employee shall be made with procedure that the post(s) shall be advertised properly in the leading newspapers and recruitment to all posts shall be made on the basis of merit specified for regular establishment." Furthermore, according to Para 3 of Government of the Punjab LG & CD Department letter No.SO-ADMNII (LG) 3-55/2007 dated 03.03.2016, "It has also come to the notice of the Department that the Local Governments in Punjab are appointing the work charge / daily wages employees without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules. Therefore, it has been decided that in future no work charge / daily wages employee will be appointed without adhering to the formalities pertaining to appointment and eligibility criteria provided in the relevant service rules."

During audit of TC Sahiwal for the FY 2021-22, it was observed that CO made payments of Rs 6.886 million on account of wages of daily wages / contingent paid staff of sanitation. The entire recruitment was irregular and unauthorized as procedure was not adopted for hiring of daily wages staff as required in letter No. RO (Tech) FD 2-2/2018 dated 20.09.2019 after fulfilling all codal formalities i.e. advertisement in newspaper and interview etc. The detail is as under:

(Rupees in million)

Sr. No.	Voucher No.	Voucher Date	Head of Account	Period of Wages	No. of Daily Wagers	Daily Wage Rate (Rs.)	Payment
1	74	14.07.2021	A01277	June-2021	92	673	1.568
2	213	28.07.2021	A01277	June-2021	2	673	0.035
3	25	16.08.2021	A01277	July-2021	95	673	1.558
4	103	06.09.2021	A01277	31.07.2021 to 05.08.2021	88	673	0.296
5	129	14.09.2021	A01277	08.08.2021 to 06.09.2021	91	769	1.553
6	27	01.10.2021	A01277	31.07.2021 to 05.08.2021	1	673	0.004
7	28	01.10.2021	A01277	31.07.2021 to 05.08.2021	1	673	0.015
8	106	14.10.2021	A01277	07.09.2021 to 06.10.2021	96	769	1.857
Total							**6.886**

Due to weak internal control and willful negligence of the management, contingent paid staff was hired without observing codal formalities which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends regularization of expenditure from the competent authority besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 05]

Others

2.121.4 Establishment and non-receipt of fees – Rs 5.657 million

According to Rule 50 (1)(C) of Chapter-XI of Punjab Local Government Land Use Plan (Classification, Reclassification and Redevelopment) Rules, 2020" A Local Government shall levy the conversion fee for the conversion site development zone (agriculture area) to residential use shall be two percent of the agricultural value of the land or plot or property as per valuation table and in case the valuation table is not available two percent of the average sale price of preceding twelve months of land in the vicinity as determined by the district price assessment committee."

During audit of TC Sahiwal for the FY 2021-22, it was observed that CO did not take notice of establishment of land sub-divisions and did not recover amounting to Rs 5.657 million from the developers of private housing societies / land sub-divisions on account of map, conversion and scrutiny fees. The detail is as under:

(Rupees in million)

Name of LSD	Name of owner	Area	DC rate per Acre	Rate per Marla	Total value of land	Conversion fees @2%	LSD fees Rs4000 per kanal	Design fees Rs 2000 per kanal	NOC fees	Total
Paam Villas 88/6-R	Shahid Hussain, Zahid Hussain Hussain etc.	98K 15M	11.385	71,155	140.531	2.811	0.395	0.197	0.025	3.428
Al-Wali Archard, Chak No. 90/6-R	Mirza Jafer Hussain	56-k	4.621	28,879	32.344	0.647	0.224	0.112	0.025	1.008
Indus City	Burhan Munir	44-K 6-M	8.404	52,525	46.537	0.931	0.177	0.089	0.025	1.221
Total										**5.657**

Due to weak internal controls, action was not taken by the department to recover government fees which resulted in loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery and action against concerned owners / developer of land sub-division.

[AIR 2021-22 Para No. 27]

2.121.5 Unauthorized deduction of withholding tax on bank profit - Rs 1.720 million

According to Section 49(2) & (3) of the Income Tax Ordinance, 2001, "The income of a Provincial Government or a Local Government in Pakistan shall be exempt from tax under this Ordinance, other than income chargeable under the head "Income from Business" derived by a Provincial Government or Local Government from a business carried on outside its jurisdictional area and any payment received by the Federal Government, a Provincial Government or a Local Government shall not be liable to any collection or deduction of advance tax."

During audit of TC Sahiwal for the FY 2021-22, it was observed that CO allowed the deduction of withholding income tax on profit amounting to Rs 1.720 million from bank accounts of Tehsil Council Sahiwal. Management of the Tehsil Council did not take any action to recover the amount. The detail is as under:

(Rupees in million)

Sr. No.	Particulars	Profit Earned	Withholding Income Tax on Profit
1	Bank Account Number 5310010268200019 General Account District Council Sahiwal	8.052	1.208
2	Bank Account Number 5310010283600018 Security Account District Council Sahiwal	0.52	0.007
3	Bank Account Number 5310010268200096 DC & DDLG Account District Council Sahiwal	0.042	0.006
4	Bank Account Number 5310030306000012 General Account District Council Sahiwal	3.326	0.499
Total		**11.94**	**1.720**

Due to weak internal controls, unauthorized deduction of withholding tax on profit was made by the bank which resulted in loss.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends recovery of unauthorized deducted amount besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 08]

2.122 Tehsil Council Vehari

Procedural irregularities

2.122.1 Irregular expenditure without approval of Chairman / Administrator - Rs 20.154 million

According to Rule 18 (6) of PLG (Works) Rules 2017, "The Head of Finance Branch of the local government, on his satisfaction, shall submit, through Chief Officer, the bills for sanction by the Mayor / Chairman."

During audit of TC Vehari for the FY 2021-22, it was observed that CO made payment of Rs 20.154 million on account of development schemes to contractors without sanction of Chairman / Administrator. Bills were not signed by the Administrator and payment was made without sanction of competent authority.

Due to weak internal controls, payments were made to contractors without sanction of Chairman /Administrator which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite repeated requests made by Audit vide letter No. RDDA-MLN/C&R-170/2022-23/CD–1000 dated 13.04.2023, followed by subsequent reminders vide No. 1051 dated 27.04.2023 and No. 1132 dated 22.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends regularization of expenditure besides fixing of responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 13]

2.122.2 Irregular execution of schemes without PC-1 – Rs 9.372 million

According to Rule 4(3) (4) of PLG (Works) Rules 2017 "Work costing rupees 1.5 million or above shall be prepared on the PC-1 prescribed by the government and approved in the manner prescribed for approval of PC-I." Furthermore, according to Rule No.4(5) (2) PLG (Works) Rules 2017 "The engineering staff shall inspect the site and work out the feasibility of the wok through images or photographs of the site, rough cost estimates, detailed estimates and PC-I shall be approved by the authority competent to do so."

During audit of TC Vehari for the FY 2021-22, it was observed that CO executed different development schemes and made payments amounting to Rs 9.372 million. Audit observed that the schemes were executed without preparation of PC-1 in violation of above rules. Further, Audit observed that estimates were prepared without physical inspection of sites as photographs of site before execution of works were not available.

Due to weak internal controls, development schemes were executed without preparation of detailed PC-1 and ensuring site inspections which resulted in irregular expenditure.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends regularization of expenditure besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No. 12]

2.123 Tehsil Council Yazman

Procedural irregularities

2.123.1 Non-obtaining of additional performance Securities – Rs 4.194 million

According to Rule 9 (9)(d) of Punjab Local Government Works Rules 2017, the work order shall be issued by the engineer In-charge to a person offering the lowest bid after approval of the Chairman or Mayor or the engineer In-charge authorized by him subject to the condition that in case the rates of the lowest bid are equal to or less than 5% of the estimated cost, the lowest bidder shall be bound to deposit additional performance security from a scheduled bank from 5% to 10% (including CDR deposited at the time of tendering) within 15 days of issuance of notice. Further according to terms of advertisement, the successful bidder whose bid is less or more than 5% below of the estimate cost of the work will have to deposit additional performance security as per rules. Failure to do so shall result in the forfeiture of earnest money.

During audit of TC Yazman for the FY 2021-22, it was observed that Chief Officer awarded fifteen contracts for construction of soling and construction & repairing of metaled roads costing Rs 41.938 million to the contractors. The works were awarded below the estimated cost ranging from 20% to 36.5% without obtaining additional performance security amounting to Rs 4.194 million.

Due to weak internal controls, additional performance security was not obtained from contractors who were awarded contracts below the estimated cost which resulted in irregular award of works.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite request made by Audit vide letter No. RDA / BWP / Reports / 2022-23 / F-39 / CD 467 dated 02.05.2023, followed by subsequent reminders vide No. 518 dated 12.05.2023 and No. 522 dated 16.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends regularization besides fixing responsibility against the person(s) at fault.

[AIR 2021-22 Para No.10]

Others

2.123.2 Non-achievement of targets of revenue – Rs 51.368 million

According to Rule 47 (1) of the Punjab Local Government (Budget) Rules, 2017, "Collecting officer shall ensure that all revenue due is claimed, realized and credited immediately into Local Government Fund and entered in the proper receipt head."

During audit of TC Yazman for the FY 2021-22, it was observed that Chief Officer did not achieve the targets of various heads of receipts amounting to Rs 51.368 million.

Due to weak financial management and poor performance of staff budgeted targets were not achieved which resulted in loss.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends to probe the matter besides fixing responsibility against the person(s) at fault.

Note: This issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 2.129.3 having financial impact of Rs33.841 million. Recurrence of same irregularity is a matter of serious concern.

[AIR 2021-22 Para No. 4]

2.123.3 Non-undertaking of Community Initiatives – Rs 13.571 million

According to Section 214 of the PLGA, 2019, "Every local government shall allocate a portion of its funds, being not less than five percent of the total expenditures to be incurred by it in a particular financial year on construction works, to support such activities which are proposed by the residents and implemented by them directly through a Neighborhood Council in case of an urban local government and a Panchayat in case of a Tehsil Council."

During audit of TC Yazman for the FY 2021-22, it was observed that Chief Officer did not allocate five percent i.e. Rs 13.571 million of budgeted expenditure amounting to Rs 271.414 million as community initiatives to support activities proposed by the residents and implemented through Panchayat.

Due to weak budgetary controls, funds were not allocated for community initiatives which resulted in violation of rules.

The matter was reported to PAO in April, 2023. DAC meeting was not convened till finalization of this Report despite repeated requests.

Audit recommends regularization of expenditure besides fixing responsibility against the person(s) at fault.
[AIR 2021-22 Para No. 5]

2.124 Town Committee Makkuana

Procedural irregularities

2.124.1 Irregular cash payments to daily wage employees – Rs 1.888 million

According to Rule 4(a) (b) of the Punjab Local Governments (Accounts) Rules, 2017, "The mode of payments from the local fund shall be that the payments up to rupees ten thousand may be made by cash and the payments exceeding rupees ten thousand shall be made through crossed non-negotiable cheque." Further, according to Rule 37(7) of the Rules ibid, "All the employees of the local government shall be paid by direct credit to the bank accounts through a direct credit advice in Form AR-ll but, in case of exigency, the payment may be made by cheque."

During audit of Town Committee Makkuana for the FY 2021-22, it was observed that CO incurred expenditure amounting to Rs 1.888 million for payment to daily wage employees for the Financial Years 2019-20 to 2021-22. Contrary to the above, all payments were made in cash instead of direct credit to the bank accounts through a direct credit advice and cheques were issued in the name of sub engineer. Further, record of disbursements was also not available in the relevant vouchers.

Due to weak financial and internal controls, payments were made in cash instead of direct credit to the bank accounts which resulted in violation of rules.

The matter was reported to PAO in April, 2023 but management did not reply.

DAC meeting was not convened despite requests made by Audit vide letter No.Dir/Aud/Local.Govts/Fsd/420 dated 13.04.2023, followed by subsequent reminders vide No.524 dated 28.04.2023 and No.548 dated 05.05.2023. No progress was intimated till the finalization of this Report.

Audit recommends inquiry for fixing responsibility against the person(s) at fault as well as provision of disbursements record besides regularization of expenditure from the competent authority.

[AIR 2019-22 Para No. 1]

CHAPTER 3

Thematic Audit

3.1 Service Delivery and Performance – Water Supply by Metropolitan Corporations Bahawalpur and Dera Ghazi Khan

3.1.1 Introduction

Pakistan adopted the Sustainable Development Goals (SDGs) as part of its national development agenda in 2016. To meet the international commitments under SDGs Local Government & Community Development Department, Government of the Punjab, established Metropolitan Corporations, Municipal Corporations, Municipal Committees and Town Committees under PLGA, 2022 to improve quality of municipal services.

These local government institutions are responsible for basic services' delivery, provision of water, sanitation, solid waste collection, cleanliness, commercial and town planning etc. in their respective areas of jurisdiction. Further, they are duty bound to maintain minimum standards for quality services.

3.1.2 Background

The Government of Pakistan being signatory to international declarations and conventions is obligated to fulfill international commitments. There has been a major emphasis on addressing the vital issues relating to water supply through pipe supply and filtration plants. The Millennium Development Goals (MDGs) and Sustainable Development Goals (SDGs) are aimed at better provision of water supply. The international covenants like SDGs, agreed by the United Nation Member States in 2015, emphasize on the quality aspect of municipality services and also bind the signatory countries to ensure inclusive, equitable and quality municipality services for all by year 2030.

Pakistan has designed a comprehensive National SDG Framework which was approved by the National Economic Council (NEC), the country's highest economic policy-making forum, in March 2018. This Framework sets baselines and targets for SDG indicators. The SDG 6 sub clauses (1 and 9) composed of numerous outcome targets consisting of water supply through pipe supply and filtration plants for all citizens. The Government intends to provide water supply in well-resourced environment.

3.1.3 Establishing the Audit Theme

The main audit theme and sub-themes were established on the basis of outcomes of sectoral analysis of MCs carried out and recurring observations highlighted during the previous audit years. The objective of Thematic Audit was to assess the achievements of the MCs against the desired outcomes of following main theme and its sub-themes.

Main Theme

Service Delivery and Performance – Water Supply by Metropolitan Corporations Bahawalpur and Dera Ghazi Khan for Financial Year 2022-23.

Sub-Themes

i. Piped supply

ii. Filtration plants

3.1.3.1 Reasons of Selection

The Audit Theme "Service Delivery and Performance – Water Supply by Metropolitan Corporations Bahawalpur and Dera Ghazi Khan" was taken up considering that it encompassed the broad spectrum of terms of reference of Metropolitan Corporations established by the Government of the Punjab. It was also relevant to the SDG 6 sub clauses (1&9) regarding provision of drinking water supply through pipelines and filtration plants which were included as the sub themes along with provision of water supply. It is helpful in assessing the overall performance of the MCs concerned as well as help the Government of Pakistan and Government of the Punjab to measure their achievements with regard to SDG-6 (1&9).

3.1.3.2 Purpose / Objectives

The Government of Punjab had planned to improve following indicators for better service delivery of municipal services up to year 2030:

i. Provision of water supply
   - Piped supply
   - Filtration plants

Thematic Audit of Metropolitan Corporations was carried out with the objectives to:

i. Analyze the provision of water supply to households by Metropolitan Corporation;
ii. Evaluate clean drinking water supply through pipelines and filtration plants is provided as per standards;
iii. Evaluate the results of the services' delivery and
iv. Assess achievement of Key Performance Indicators.

3.1.3.3 Scope

Scope of the Thematic Audit was limited to Metropolitan Corporations Bahawalpur and Dera Ghazi Khan. The Performance of the Metropolitan Corporations were assessed through comparative analysis and critical reviews. The analytical / critical reviews were performed in the light of Audit sub-themes on collected data regarding funds allocation (development and non-development) and financial management of funds with a view to evaluate trickledown effect of funds to the beneficiaries.

3.2 Legal frame work governing the Theme

Punjab Local Government Act, 2022 was launched to provide maximum service delivery.

3.3 Stakeholders and governmental organizations identified as directly / indirectly involved

Punjab Local Government & Community Development Department as well as MCs are the key stakeholders involved in execution and operation / maintenance of the said public service delivery.

3.4 Role of important organizations

Metropolitan Corporations are responsible to provide provision of clean drinking water and sanitation in its city areas whereas Waste Management Companies of Bahawalpur and DG Khan are responsible for collection of solid waste and its disposal. They are also responsible to maintain necessary / relevant data and requisite reporting of the public service delivery. LG&CD Department is responsible for monitoring besides evaluation of the services rendered.

3.5 Organization's Financials

The detail of budget and expenditure for Financial Year 2022-23 is given below:

Table-1 Summary of budget and expenditure of MCs

MCs	FYs	Budget				Actual			
		Salary	Non-Salary	Development	Total	Salary	Non-Salary	Development	Total
MC Bahawalpur	2022-23	451.265	879.566	137.250	1,468.081	299.959	677.650	28.675	1,006.284
MC Dera Ghazi Khan	2022-23	302.850	524.115	68.348	895.312	261.783	390.637	3.875	656.295

3.6 Field Audit Activity

3.6.1. Methodology

Audit was carried out against predefined objectives of the various functions of the Metropolitan Corporations, financial governance provided in relevant rules, strategies and policies of the Government which were formulated to govern the MCs. Audit activity comprised of data collection regarding sub-themes, study of relevant reports / literature and field surveys. Critical analysis regarding optimal utilization of human and financial resources of the MCs was done in accordance with service delivery activities carried out. On spot examination / verification of record and activities were also carried out in accordance with the applicable laws / rules and according to the INTOSAI auditing standards.

3.6.2 Audit Analysis

3.6.2.1 Audit Analysis of Metropolitan Corporation, Bahawalpur

3.6.2.1.1 Review of Internal Controls

Effectiveness of internal controls was assessed on test check basis and a sample was selected for the purpose. Following issues of potential significance were observed regarding weaknesses of internal controls:

i. No service standards, infrastructure standards, healthy and clean water, hygiene standards and minimum service delivery standards for provision of quality municipal services were set.

ii. Targets for receipt collection from municipal services were not achieved.

iii. Record of feedback from general public was not available.

iv. No mechanism was devised to maintain the record of KPIs, its evaluation and remedial measures.

3.6.2.1.2 Critical Review

1. Provision/improvement of municipal services and infrastructure

i. Provision of clean drinking water through water supply schemes

Out of 21 UCs under jurisdiction of MC Bahawalpur, piped water supply was provided only in 7 UCs. Moreover, piped supply had a downward trend as total number of water connections were reduced from 5,575 to 2,495 during 2022-23 in comparison to 2021-22. It was pertinent to mention here that 2,049 (37%) connections were dead and 1,031 (18%) connections had been discontinued on personal request of users etc. The detail is as under:

Sr. No.	Name of Water Supply Scheme	UC No.	Total Households and Water Connections during 2021-22		Total Households and Water Connections during 2022-23			
			Households	water Connections	Households	Water Connections Functional	Dead Connection	Disconnected connections
1	Bahawal Colony	4	2,489	237	2,496	125	-	240
2	Tibba Badar Sher	7	3,926	1,560	3,956	702	800	-
3	Chak No. 09/BC	8	3,762	2,037	3,783	839	1,149	-
4	Maqbool Colony	8	1,780	550	1,821	252	-	166

5	Satellite Town	9	4,711	115	4,733	52	100	-
6	Islam Pura	14	1,896	211	1,916	102	-	120
7	Model Town "C"	16	3,614	393	3,631	241	-	235
8	Rehmat colony	18	3,027	472	3,040	182	-	270
Total			**25,205**	**5,575**	**25,376**	**2,495**	**2,049**	**1,031**

Source: - MC Bahawalpur

ii. Provision of clean drinking water through water filtration plants

Clean drinking water through filtration plants was provided in 15 UCs out of 21UCs of MC, Bahawalpur and populace of 06 UCs (29%) was deprived of clean drinking water. Moreover, in 15 UCs only 25 filtration plants were installed for a total population of 486,925 people and 02 filtration plants were non-functional during 2022-23. The detail is given below:

Sr. No.	Location	UC No.	Status 2021-22	Status 2022-23
1	Model Bazar	4	Functional	Functional
2	Model Town C	16	Functional	Functional
3	Islami Colony	11	Functional	Functional
4	Satellite Town	9	Non-Functional	Functional
5	Model Bazar Filter-2	4	Functional	Functional
6	Model Town C Filter2	16	Functional	Functional
7	Islam Pura Filter	14	Functional	Functional
8	Well Come Chowk Filter	17	Functional	Functional
9	Goth Gani Filter	1	Functional	Functional
10	Bohor Gate Filter	16	Functional	Functional
11	Bindra Puli Filter	2	Non-Functional	Functional
12	Diwan Wali Puli Filter	5	Non-Functional	Functional
13	Muhajir Colony filter	8	Functional	Non-Functional
14	Maqbool Colony Filter	8	Functional	Functional
15	Islami Colony Filter2	11	Functional	Functional
16	University Chowk Filter	4	Functional	Functional
17	Bhatta No.1 filter	19	Functional	Functional
18	Satellite Town Filter2	9	Functional	Functional
19	Thana Bagdad Filter	5	Functional	Non-Functional
20	Dar ul Kabab filter	13	Functional	Functional
21	Habib Colony Filter	18	Functional	Functional
22	Makki Masjid Tibba Bader Sher	7	Non-Functional	Functional
23	Shahdara Park	17	Non-Functional	Functional
24	Mander Phatay Wali Gali	14	Functional	Functional

Sr. No.	Location	UC No.	Status 2021-22	Status 2022-23
25	Girls School Bhatta No.1	19	Functional	Functional

Source: MC Bahawalpur

iii. Non-testing of drinking water at the household level

In Bahawalpur city, 2,495 water connections remained functional during 2022-23. However, water testing quality was not conducted at household and water works level. Consequently, potential contaminants or water quality issues remained undetected which put the health of end users at risk.

iv. Lack of planning for improvement in infrastructure and provision of municipal services

Despite increase in population, the provision of water supply through pipelines was not improved. No steps were taken to restore the 2,049 dead water connections during 2022-23. In order to improve the provision of clean drinking water services no new project was launched by the management of MC, Bahawalpur. Even targets were also not set in this regard.

v. Non-maintenance of historical record of filtration plants and water supply

The management did not maintain historical record of filtration plants regarding repair & maintenance and their replacement including date of repair, description of work performed, associated costs, and the condition of infrastructure before and after maintenance to track or validate the utilization of allocated funds for 10.713 million during Financial Year 2022-23.

vi. Theft of electricity and motors of filtration plants

The management did not take any action against the concerned regarding theft of electricity from filtration plants connections. Further, electric motors of 2 filtration plants were theft away but management did not take action against the concerned.

vii. Shortfall in recovery targets

The management did not achieve recovery targets of water rates from the connection holders. The Chief Officer MC Bahawalpur failed to use e-billing/e-complaint system for collection of water rate. The short recovery of water rate resulted in non-improvement of infrastructure. The detail is as under:

(Rupees in million)

Object Code	Detail Receipt Head	Demand as per D&C register FY 2022-23	Actual Recovery FY 2022-23	Pending Recovery FY 2022-23	Short fall

C0388046	Water connection/ disconnection/ re-connection fees	8.850	2.269	6.581	74%
Total of Arrears		**8.850**	**2.269**	**6.581**	**74%**

viii. Non-utilization of allocated funds for water filtration plants

The management did not utilize allocated funds for repair & maintenance of water filtration plants. Non-utilization of funds for water filtration plants and machinery implied that maintenance of essential infrastructure was neglected by the management. The detail is as under:

(Rupees in million)

Sr. No.	Classification	Budget	Expenditure	Savings
1	Water Filtration Plant	2.000	0.568	1.432
2	Machinery and Equipment (Repairs)	29.150	27.682	1.468
Total				**2.900**

ix. Non-conduction of surveys

The management did not conduct fresh survey regarding water rates of residential as well as commercial connections. D&C register contained data of the period prior to 2010 which was not updated.

x. Contamination of drinking water with sewerage water

As per study report of MC Bahawalpur, more than 451,712 Rft water lines were non-functional in city. All pipelines were of Un-plasticized Polyvinyl Chloride (UPVC) material, which had been damaged during road construction / repair and maintenance and the drinking water was contaminated with sewerage water. Most of the water supply pipelines had completed their life cycle and needed to be replaced.

3.6.2.1.3 Significant Audit Observations

i. Substandard and insufficient provision of drinking water through piped supply and filtration plants was observed in 10 cases[10]

3.6.2.2 Audit Analysis of Metropolitan Corporation, Dera Ghazi Khan

3.6.2.2.1 Review of Internal Controls

Effectiveness of internal controls was assessed on test check basis and a sample was selected for the purpose. Following issues of potential significance were observed regarding weaknesses of internal controls:

[10] Annexure – 11 to 20

i. No service standards, infrastructure standards, healthy and clean water, hygiene standards and minimum service delivery standards for provision of quality municipal services were set.

ii. Record of feedback from general public was not available.

iii. No mechanism was available to maintain the record of KPIs, its evaluation and remedial measures.

3.6.2.2.2. Critical Review

1. Provision of drinking water through Piped Supply and Filtration Plants

i. Non-testing of drinking water at the household level

The management of MC DG Khan did not conduct the testing of drinking water quality at household as well as waterworks level. It showed that the quality and safety of drinking water supplied to individual households (18,676 housing units) and population 149,408 (18,676x8) were not consistently monitored, posing health risks to end users.

ii. Contamination of drinking water with sewerage water due to obsolete infrastructure

The water pump operators and supervisors of water supply reported that most of the water supply pipelines, near about 17,500 Rft were out of order but the authority did not take any action. Further, a feedback from the end users revealed that the quality of water, supplied by Metropolitan Corporation was very low and not suitable for drinking. In some areas, the water supplied through pipelines was being contaminated with the sewerage water. Whereas, discontinuity of water supply due to obsolete / non-repairable infrastructure was also reported.

iii. Unassured continuity of water supply in absence of alternative power supply

Pipeline water was being supplied by 33 tube well /water supply schemes with a daily capacity of 115 lac gallons. But only 05 tube well were provided the alternative power facility of generator. The same were also not in functional position and were not utilized during last year. The lack of continuous water supply due to the absence of a power backup had affected the residents' daily lives badly.

iv. Non-conduction of fresh surveys

A survey conducted by MC Dera Ghazi Khan during 2017-18 showed that 97 commercial connections out of 179 were non-functional which were neither made functional nor removed from the record of MC. Furthermore, fresh survey was not conducted to enhance water supply coverage. The detail is as under:

Description of business	No. of connections as per MC record	No. of connections not available on site	No. of actual connections
Nursery	7	02	05
Barber (Hamam)	57	40	17
Hotel	57	8	49
Ice Factory	16	5	11
Subzi Mondi Market	42	42	0
Total	**179**	**97**	**82**

v. Non-enhancement of water supply facility

MC DG Khan provided 18,676 water supply connections to residents of the city during Financial Year 2022-23. As per National Censes 2017, total population of the UCs under jurisdiction of MC was 397,362 persons with 52,872 housing units. It showed that piped water supply was not provided to 34,196 housing units / 247,954 persons. The detail is as under:

Total population	Total housing unit	Person/ housing unit (1/2)	No. of connections to house hold	Population with water supply	Population without water supply	% age of population without water supply
397,362	52,872	8	18,676	149,408	247,954	62.40 %

vi. Non-establishment of water supply complaints and resolution cell

MC DG Khan did not establish a well-organized complaints cell to receive, document, investigate, and resolve complaints related to water supply. Total 1,731 complaints about pipeline leakage, sewerage water mixing and non supply of water were received during 2022-23. The same were just entered on a simple complaint register without any description about measures taken and time lapsed to resolve the complaints.

vii. Shortfall in recovery targets

The management did not achieve recovery targets of water rates from the connection holders. The Chief Officer MC Dera Ghazi Khan failed to use e-billing/e-complaint system for collection of water rate. The short recovery of water rate resulted in non-improvement of infrastructure. The detail is as under:

(Rupees in million)

Name of receipts	Arrears as on 01.07.2022	Demand 2022-23	Actual recovery	Less recovery
Water rates	713.997	87.414	12.215	789.196

viii. Non-maintenance of historical record of water supply schemes

The management did not maintain historical record of 26 water supply schemes regarding repair & maintenance, description of work performed, associated costs, and the condition of infrastructure before and after maintenance to track or validate the utilization of allocated funds. Moreover, the funds allocated for repair and maintenance during 2022-13 were not fully utilized despite 09 water pumps remained non-functional throughout the year. The detail of funds allocated and utilized is as under:

(Rupees in million)

Description	Budget allocation	Expenditure	Unutilized budget
Repair of turbines / transformers / electric motors	5.000	3.577	1.423

ix. Non-provision of clean drinking water through water filtration plants

Facility of clean drinking water through water filtration plants was not provided by the MC DG Khan. Populace of 397,362 in the city was depending on the filtration plants operated by private sector for clean drinking water.

3.6.2.2.3. Significant Audit Observations

Substandard and insufficient provision of drinking water through piped supply and filtration plants was observed in 10 cases[11]

3.7 Departmental Responses

The matter was reported to PAOs in October, 2023. The CO, MC Bahawalpur replied that water supply was being supplied according to the available resources. Therefore, due to insufficient funds and manpower this issue was persistent. Department ensured drinking water safety through rigorous testing at the source and throughout the distribution network. Efforts were made to increase the income and distribution of computerized bills was also started and monitored by the authority. Reply was not tenable as no record was produced in DAC for verification in support of replies. The CCO, MC Dera Ghazi Khan did not reply.

[11] Annexure – 21 to 30

DAC in its meeting held on 11.12.2023 directed the CO, MC Bahawalpur to produce the relevant record besides initiating action against the responsible(s).

3.8 Recommendations

MCs authorities are required to:

i. Strengthen the internal control system for proper achievement of SDG-6 (1 & 9) including other targets of MCs.

ii. Devise a comprehensive monitoring system for effective service delivery.

iii. Make strenuous efforts for compliance of pending cases of spatial planning.

iv. Make concrete efforts for early completion of development works.

v. Expedite the process of recovery and realization/collection of revenue.

vi. Reconcile the receipts with appropriate authorities on periodic basis.

3.9 Conclusion

Provision of municipal services to public is the primary responsibility of the Government. Government of the Punjab launched an ambitious program to achieve high standards of quality drinking water service delivery in Municipal Sector under PLGA, 2022 by establishing the Metropolitan Corporations / Metropolitan Corporations and Municipal Committees. Many of its aims coincided with the national and provincial commitments under MDGs and their successor SDGs. However, the efforts could not achieve the intended targets due to the following reasons:

i. The management did not prepare and implement the comprehensive program for the frequent testing of drinking water quality at household level.

ii. Non utilization of development funds optimally for provision of drinking water.

iii. No action plan to prevent the mixing of sewerage water in the piped water supply.

iv. Non installation of water filtration plants by MC Dera Ghazi Khan.

v. Non availability of power supply back-up for water supply schemes.

vi. Non conduction of surveys to asses and evaluate increasing demand and population trends.

vii. Absence of business plan to recover the huge outstanding receipts.

viii. Non- maintenance of data bank regarding store and its utilization related to pipelines and filtration plants.

ix. The overall achievement of SDG-6 (sub clauses 1 & 9) was found unsatisfactory in Metropolitan Corporations.

3.10 References

i. Punjab Local Government Act, 2022.

ii. Summary for National Economic Council on SDGs National framework, March 2018.

iii. Local Government Summit on SDGs, March 9, 2017.

AUDIT REPORT

ON
THE ACCOUNTS OF
EXPENDITURE
GOVERNMENT OF THE PUNJAB
AUDIT YEAR 2023-24

EXPENDITURE GOVERNMENT OF THE PUNJAB

CHAPTER 1

Public Financial Management Issues

1.1.1 Unauthorized retention of Consolidated Fund in commercial banks-Rs. 111.779 billion

Article 118 of Constitution of the Islamic Republic of Pakistan, prescribes that all revenues by the Provincial Government, all loans raised by that Government, and all moneys received by it in repayment of any loans, shall form part of a consolidated fund, to be known as the Provincial Consolidated Fund. Further, as per Section 45(c) of the Public Financial Management Act 2022, within six months of the commencement of this Act, the Finance Department shall prepare a plan for implementation of this Act.

During certification audit for the financial year 2022-23, it was observed that a sum of Rs. 111,779 million from various departments and attached departments was lying in several commercial banks' accounts up to 30.09.2022. This amount was deposited with commercial banks in violation of Article 118 of Constitution of the Islamic Republic of Pakistan which makes it binding to deposit these amounts into the provincial consolidated fund. Further, it was also observed that the amounts retained in commercial banks by the departments, attached departments, and autonomous bodies were aggregated to the tune of Rs. 503,394 million. In comparative terms, the grossed-up total of commercial accounts balances had been increased by Rs. 93,329 million i.e. 23% from the previously reported aggregate of such balances amounting to Rs. 410,066 million up to 30.06.2021.

Admittedly, the Finance Department had not adhered to the time- frame for prescribing the implementation plan to roll out PFM Modules within six months of the promulgation of the PFM Act 2022. The Finance Department had not curbed violation of the policy guidelines for the treatment of profits earned in lieu of balances lying in commercial banks which ought to be re-deposited in PCF. The Finance Department had not carried out a detailed census of the operated commercial accounts and balances retained therein.

Audit is of the view that the lapse occurred due to weak internal controls.

The Finance Department replied that to keep financial control and fiscal prudence, all administrative departments were apprised that in case of non-compliance to the directive of depositing profit earned from accounts operated with commercial banks, their budget proposals would not be entertained in the upcoming budget. The Bank of Punjab was also requested to provide the details of all accounts of provincial Government entities for which profit is to be deposited in the PCF vide letter No.FD(W&M)1-1/7-(Vol-XV)/2021/98 dated 09.06.2023.

The matter was discussed in the clearing house meeting between A.G Punjab, D.G Audit Punjab, and the Additional Finance Secretary (Monitoring) Finance Department on 08.11.2023. It was decided in the meeting that the Finance Department will intimate monthly information on retained balances in the commercial bank accounts for each entity including administrative departments, attached departments, autonomous bodies, authorities, public sector companies, and bodies corporate involved in diverting PCF to commercial bank accounts. The letter containing the above directive bearing No.FD(W&M)1-1/7-(Vol-XV)/2021/98 dated 09.06.2023 of the Finance Department had not been complied with to the effect that profits to be deposited in the PCF under the categories mentioned above were still not deposited The Finance Department had not reported the details of the balances up to 30.06.2023 department-wise and bank-wise.

Audit recommends ensuring prompt compliance with the directive of the committee and the amount held in commercial banks sourced from the PCF and public account be deposited into the consolidated fund of the province.

1.1.2 Non-recovery of loan & advances from Companies/ Development Authorities-Rs. 236.334 billion

As per Para 4.7 (1) of PFR Vol-I, it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to the Government, which have to be brought to account, are correctly and promptly assessed, realized, and credited to the Government account.

Scrutiny of Loans & Advances of Finance Account revealed that loans amounting to Rs. 236.334 billion were not recovered from the companies and development authorities. Moreover, further loans amounting to Rs. 27.143 billion were granted during the financial year 2022-23. Furthermore, the provincial cabinet approved the winding up of 20 public sector companies of various departments but despite a significant lapse of period ranging from 2 to 6 years, the winding up process was not finalized.

Audit is of the view that the lapse occurred due to weak internal controls.

The Finance Department replied that it is constantly engaged with these entities to recover the outstanding loan liability following the repayment schedules regularly.

The matter was discussed in the clearing house meeting between A.G Punjab, D.G Audit Punjab, and the Additional Finance Secretary (Monitoring) Finance Department on 08.11.2023 and it was concluded that the accounts of local Government and companies should be shared with the A.G Office every month by the Finance Department. The business plan re-engineering options also needed to be explored to revive the status of the entities as a going concern for early retirement of loans.

Audit recommends that loans be recovered from the companies as companies are bound to prove their credentials as going concerns and the looming threat of default had to be dispelled, taking recourse to business process reengineering.

1.1.3 Inadequate disclosure regarding unmanageable Debt of Account-II (Food)-Rs. 442.814 billion.

As per the Punjab Government Rules of Business 2011, Second Schedule (Distribution of business among departments), the Food Department is responsible for legislation, policy formulation, and planning as a measure of food security through:

(a) wheat procurement
(b) construction and maintenance of storage accommodation
(c) storage of wheat
(d) financial arrangements with the banks
(e) transportation of wheat
(f) release of wheat and its overall monitoring.

Scrutiny of the public debt accounts of Government of the Punjab revealed that the cumulative outstanding debt for commodity operations as of June 30, 2023, in Punjab was Rs. 442.813 billion under the head E03202-Cash Credit Accommodation Account-II while markup paid on the outstanding debt was Rs. 86.738 billion under Grant PC13033 during 2022-23 which had increased 114% as compared to the previous financial year 2021-22 with the cost of interest booked in the said year to the tune of Rs. 40.592 billion. Wheat procurement operations were causing financial loss every year because of the difference between the cost of procurement and storage and the sales price under the wheat release policy. The cumulative financial loss in Punjab from 2000-2001 to 2020- 2021 amounted to Rs. 368 billion, growing at a Compound Annual Growth Rate (CAGR) of 24% since F.Y. 2010 exposing the Provincial Government to a higher risk in the future. Cabinet approval to retire 300 billion worth of debt liability was not fully implemented. In addition, the Food and Finance Departments did not come up with a comprehensive commodity debt management plan to continue these operations sustainably.

Audit is of the view that the lapse occurred due to weak internal controls.

The Finance Department replied that wheat operations subsidy is a function of the gap between the support price and release price determined by the Government, along with costs incurred. Further, the Punjab Food Department was not only required to repay the principal amount of banks from the sale proceeds of wheat but also paid markup and all other incidental charges relating to the purchase, handling, and storage of wheat. Further, the Provincial Cabinet of Punjab in its 8th meeting accorded approval in March 2023 to release accumulated subsidies up to PKR 300 billion for debt retirement during FY 2022-23 and PKR 100 in FY 2023-24. In compliance with the approval of the Provincial Cabinet, PKR 225 billion were released to Food Department in FY 2022-2023 while additional disbursements of PKR 170 billion were made available on 4th July 2023, 17th July 2023, 24th July 2023, 10th August 2023 and 18th August 2023. This amount of PKR 395 billion was immediately disbursed to banks through Accountant General Punjab to reduce the debt burden against commodity operations.

The matter was discussed in the clearing house meeting between A.G Punjab, D.G Audit Punjab, and the Additional Finance Secretary (Monitoring) Finance Department on 08.11.2023. It was decided by the committee that relevant accounting information, covering the entire commodity operations would be furnished by the Food Department supported by the amortization schedule, valuation of scheme-wise stock, and breakup of incidental charges. No further progress to remedy the situation was reported till the finalization of the report.

Audit recommends disclosure of relevant accounting information covering the entire commodity operations, supported by the amortization schedule, besides reporting the valuation of scheme-wise stock and breakup of incidental charges for audit evaluation.

1.1.4 Long outstanding dues not reported as Receivables-Rs. 107.547 billion

As per Para 4.7 (1) of PFR Vol-I, it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to the Government, which have to be brought to account, are correctly and promptly assessed, realized, and credited to the Government account.

During the certification audit for the Financial Year 2022-23, it was observed that the following receivables were outstanding against the Federal Government.

Issues	**Department**	**Receivable Amount (Rs. in billion)**
Net Hydel Profits (NHP)	Energy	69.017
CDA Share for operation, Construction of RWP-ISB Metro Bus	Transport	28.530

Reconciliation of Cross-Adjustments of taxes	PRA	10.000
Total		**107.547**

Source: Reply of Finance Department against Para No. 2023-0000003256_F00003

Audit is of the view that the lapse occurred due to weak management and financial controls.

The Finance Department replied that there exists a long outstanding issue of pending receivables of the Government of the Punjab from the Federal Government. The Finance Department is continuously following up on the said matter.

The matter was discussed in the clearing house meeting between A.G Punjab, D.G Audit Punjab, and the Additional Finance Secretary (Monitoring) Finance Department on 08.11.2023 and it was decided that the Finance Department would make efforts regarding the realization of such outstanding receivables.

Audit recommends that above mentioned outstanding receivables may be collected and deposited into the Government treasury.

1.1.5 Non-transfer of Public Account Receipts from Account-V (Education Authority) & Account-VI (Health Authority) to Account-I-Rs. 6.133 billion

As per Finance Department's letter No.B1-3(120)AGP/2017-18 dated 16.08.2019 regarding the transfer of the amount of Public Account & Consolidated Fund Receipt from District Education Authority Account-V & District Health Authority Account-VI to Government of the Punjab, Provincial Account-I (Non-Food), Finance Department prescribed that recoveries of overpayment are transferable to Provincial Government Account-I.

The Accountant General, Punjab was further advised that all District Education & Health Authorities in Punjab regarding Account-V & VI may be conveyed that all Public Account receipts as well as Consolidated Funds receipts are transferable into the Provincial Consolidated Fund or Provincial Public Account Fund as the case may be.

Scrutiny of the Public Account of Government of the Punjab for the year 2022-23 revealed that consolidated funds' receipts of Rs. 6.133 billion up to 30th June 2023 including receipts of the financial year 2022-23, amounting to Rs. 1.112 billion were not transferred to the public account of Government of the Punjab Account-I,

Audit is of the view that the lapse occurred due to weak internal controls.

The management replied that the matter has been taken up with the District Accounts Officers, Punjab to resolve the outstanding issues of pending transfer of public funds receipts vide letter No.B1-3(120)AGP/2022-23(P) dated 20.10.2023.

The matter was discussed in the clearing house meeting between A.G. Punjab, D.G Audit Punjab, and the Additional Finance Secretary (Monitoring), Finance Department on 08.11.2023. It was decided in the meeting that the tendency on the part of the DAOs to retain the balance of Public Account needed to be curbed. It was decided by the chair that A.G. Office will probe the matter and issue SOPs regarding monitoring the transfer of balances of public funds in Account-I. Furthermore, the A.G. Office will circulate the proforma which will be submitted by DAOs along with the monthly account.

Audit held that the issue of non-transfer to Public Accounts Receipts from Account-V & VI to Account-I needs early remedial action to avoid the recurrence of such lapses in the future.

Audit recommends prompt compliance with directions of the committee ensuring that above mentioned retained balances of Public Account of Account-V & VI be transferred to Account-I (Provincial).

1.1.6 Excess expenditure than budget allocations-Rs. 11.131 billion

According to Para 13.2(ii) of the Punjab Budget Manual, the total expenditure incurred for any purpose should not exceed the grant or grants provided for that purpose.

During the scrutiny of the appropriation accounts for the F.Y 2022-23, it was observed that an expenditure of Rs.11.131 billion was incurred in excess/without budgetary allocations during 2022-23, violating the provisions of the Punjab Budget Manual. Admittedly, the final figures of the budget contained posting contrary to Chapter 14 of the Punjab Budget Manual of which Rs. 2.911 billion pertained to contingencies where the budget was released by the Finance Department on SAP R/3 whereas the same was not printed in the budget book.

Audit is of the view that the lapse occurred due to weak internal controls.

The Finance Department replied that Revised Estimates are usually fixed in the middle of May based on the statement of excess and surrender. During this period, most of the departments utilized the surrendered budget without informing the Finance Department which caused the excess expenditure than the allocated budget/revised budget estimates both for development and non-development. On the other hand, most of the departments submit incorrect figures through statements of excess and surrender for the development budget without foreseeing the requirement of the last months, leading to excess expenditure against the final budget. Further, Accountant

General, Punjab added that out of the total excess of Rs. 11.131 billion, Rs. 8.219 billion was related to mandatory salary and pension payments, against which a budget check was not applied in the system. The remaining excess of Rs. 2.911 billion pertained to contingencies where the budget was released by the Finance Department on SAP R/3.

The matter was discussed in the clearing house meeting between A.G Punjab, D.G Audit Punjab, and the Additional Finance Secretary (Monitoring) Finance Department on 08.11.2023. It was decided in the meeting that the AG office will probe the matter regarding payment against zero/excess budget and findings will be shared with the audit.

Audit recommends that management should ensure that no payment be made against nil/excess than budget allocation besides ensuring activation of budget checks against the head pay and allowances in the SAP system to reduce the quantum of excessive HR payments.

1.1.7 Excess payment of domestic debts-Rs. 20.084 billion

As per para 4.7 (1) of PFR Vol-I, it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to the Government, which have to be brought to account, are correctly and promptly assessed, realized, and credited to the Government account.

During the scrutiny of the Finance Account for the FY 2022-23, it was observed that the excess payment of Domestic Loans of Rs. 20.084 billion appeared in annexure-I of Finance Accounts 2022-23 was indicative of understated balances for accounts payable. Further Domestic Debts already appeared excess paid with a payment of Rs. 0.247 billion made during the financial year 2022-23, revealing further understated balances for accounts payable.

Audit is of the view that the lapse occurred due to weak internal controls.

The Finance Department replied that AG Punjab may revisit the record based on information/record provided by the Finance Department and rectify the same.

The matter was discussed in the clearing house meeting between A.G Punjab, D.G Audit Punjab, and the Additional Finance Secretary (Monitoring) Finance Department on 08.11.2023. The para was discussed in detail and the committee decided that reconciliation would be made between AG Punjab & Finance department for rectification of the negative balance. Revised annexures regarding foreign and domestic loans would be shared with to audit. No further progress to remedy the situation was intimated by the respondent administrative department.

Audit recommends that the amortization schedule be made available in the SAP system for the true and fair presentation of information regarding loans.

1.1.8 Non-transparent mode of payment-Rs. 2.289 billion

According to Rule 4.49(a) of Subsidiary Treasury Rules, read with the Finance Department's letter No.FD(FR)V-6/75(P) dated 20.06.2007, payment exceeding Rs. 100,000 shall be made through cheque instead of cash further amended vide Finance Department Letter No.SO(TT)12-2/2014,Pt-II dated 24th August, 2022.

During audit of accounts for the year 2022-23, it was observed that contrary to Rule 4.49(a) of the Subsidiary Treasury Rules amended on 24.08.2022, an amount of Rs. 2,289 million was drawn from Government Treasury and disbursed in cash for various forestry operations i.e. Jungle Clearance, Ploughing & Leveling and Earth Work etc. Instances of excess/double withdrawals of cash amounted to Rs. 42.961 million on account of payments to daily laborers through muster rolls and the beneficiaries were inclusive of Government employees borne on SAP payroll in certain cases. The recovery process was duly initiated on this behalf. This indicated that budgetary allocations involving cash withdrawals instead of payments by cheques were being spent in a non-transparent, inefficient, and uneconomical manner.

Audit is of the view that the lapse occurred due to weak supervisory as well as financial internal controls.

The department replied that as per the recommendation contained in the subject para, the administrative department had requested to appoint an inquiry officer to probe the matter under prescribed Laws and Rules. However, replies from the concerned field formations along with supporting documents/challans have been received for verification/ settlement of the audit observation. An amount of Rs. 6,474,013 has been recovered from the concerned field formations.

The matter was discussed in a clearing house meeting and the committee decided that the forest department would conduct the inquiry on the said issue.

Audit recommends that the drawl of millions of rupees in cash on account of daily labor in favor of DDOs be discontinued and a transparent mode of payment be adopted, besides ensuring recovery of double drawl against specific detections.

CHAPTER 2
AGRICULTURE DEPARTMENT

2.1 Introduction

As per the Punjab Government Rules of Business 2011, the Agriculture Department comprises fourteen attached departments, five autonomous bodies and one company. It has been assigned the business of:

- Agricultural education training & research.
- Soil fertility & soil conservation.
- Agricultural loans/subsidies.
- Water course conveyance efficiency through improvement of watercourses.
- Market committees and regional markets were set up under the Punjab Agricultural Produce Market Ordinance, 1975 and rules made thereunder in 1979.
- Production, multiplication, and marketing of the certified seed through Punjab Seed Corporation.
- Development of cultivable waste-land by Punjab Land Utilization Authority.
- Service matters except those entrusted to the Services and General Administration Department.
- Purchase of stores and capital goods for the Department.

Audit Profile of Agriculture Department

Sr. No.	Description	Total No.	Audited	Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)	Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)
1	Formations	1005	11	5,443	2,941.84
2	• Assignments Accounts • SDAs etc. (excluding FAP)	30	7	-	-
3	Authorities/Autonomous bodies etc. under the PAO	5	3	854.98	-
4	Foreign Aided Projects (FAP)	3	3	1,392.26	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The Appropriation Accounts of the Agriculture Department for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during 2022-23 against the total of four grants/appropriations is given below:

(Rupees in million)

Grant No.	Original Grant	Supplementary Grant/ Re-Appropriation	Final Grant	Actual Expenditures	Excess/ (Savings)
1	**2**	**3**	**4**	**5**	**6(5-4)**
PC21010	623.93	(60.18)	563.75	535.55	(28.20)
PC21018	20,044.27	0	20,044.27	19,354.80	(689.48)
PC21030	17,755.00	(9,052.13)	8,702.87	8,602.46	(100.40)
PC22036	14,029.32	1,293.14	15,322.46	13,591.66	(1,730.80)
Total	**52,452.52**	**(7,819.17)**	**44,633.35**	**42,084.47**	**(2,548.88)**

Overview of Expenditure

The final budget of the Agriculture Department for the year ended 30th June 2023 was Rs. 44,633.35 million. Out of this, the actual expenditure was Rs. 42,084.47 million. The breakup of current and development expenditure is given below

(Amount in Rupees)

Grant Type	Original Grant	Actual Expenditure	Excess/ (Savings)	Variance %
1	**2**	**3**	**4**	**5**
Current	38,423,199,000	28,492,809,080	(9,930,389,920)	25.84
Development	14,029,317,000	13,591,663,497	(437,653,503)	3.12
Total	**52,452,516,000**	**42,084,472,577**	**(10,368,043,423)**	**19.77**

This composition changed due to supplementary grants and surrenders. The variance of the final grant and actual expenditure is given below:

(Amount in Rupees)

Grant Type	Final Grant	Actual Expenditure	Excess/ (Savings)	Variance %
1	**2**	**3**	**4**	**5**
Current	29,310,891,500	28,492,809,080	(818,082,420)	2.79
Development	15,322,459,000	13,591,663,497	(1,730,795,503)	11.30
Total	**44,633,350,500**	**42,084,472,577**	**(2,548,877,923)**	**5.71**

Anticipated savings not surrendered

As per Para 14.3 of the Punjab Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs. (2,548.88) million at the close of the year 2022-23 under grants PC21010, PC21018, PC21030, and PC22036 were not surrendered in time by the Department.

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 5,644.84 million were raised during audit of the Agriculture Department. This amount includes recoveries of Rs. 1,709.74 million as pointed out by the audit. The summary of the audit observations classified by nature is as under:

Overview of Audit Observations

(Rs. in million)

Sr. No.	Classification	Amount
1.	Reported cases of fraud, embezzlement and misappropriation	223.56
2.	Recoveries and overpayments	1,709.74
3.	Procurement related irregularities	717.24
4.	HR/Employees related irregularities	145.68
5.	Value for money and service delivery issues	1,654.86
6.	Financial Matters	136.18
7.	Others	1,057.58
Total		**5,644.84**

2.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC directives, for reports discussed so far, is given below:

Sr. No.	Audit Report Year	Total Paras	Compliance received	Compliance not Received	% of Compliance
1	1984-85	40	14	26	35
2	1985-86	85	67	18	79
3	1986-87	107	65	42	61
4	1987-88	21	14	7	67
5	1988-89	88	79	9	90
6	1989-90	71	45	26	63
7	1990-91	43	29	14	67
8	1991-92	25	14	11	56
9	1992-93	26	13	13	50
10	1993-94	49	34	15	69
11	1994-95	15	3	12	20
12	1995-96	46	0	46	0
13	1996-97	38	28	10	74
14	1997-98	76	49	27	64
15	1998-99	30	18	12	60
16	1999-00	110	60	50	55
17	2000-01	205	178	27	87
18	2001-02	89	51	38	57
19	2003-04	22	14	8	64
20	2005-06	62	10	52	16
21	2006-07	44	36	8	82
22	2007-08	49	19	30	39
23	2009-10	35	18	17	51
24	2011-12	16	02	14	13
25	2013-14	46	08	38	17
Total		**1438**	**868**	**570**	**61**
Note: The Audit Report years missing in the above table were either due to non-inclusion of the subject chapter during that year or non-discussion of the subject chapter before the PAC.					

The compliance with PAC directives in the Agriculture Department is better than other departments (in comparative terms). However, room for better compliance still exists. Further, the department is requested to reconcile the matter with the Audit Department regarding any discrepancy.

2.4 AUDIT PARAS

Reported cases of fraud, embezzlement and misappropriation

2.4.1 Embezzlement due to payment against non/substandard execution of work-Rs. 153.56 million

As per Para 4.5 (5) of the B&R Code, every officer making or ordering payment on behalf of the Government should satisfy himself that work has been actually done in accordance with the bill submitted for payment. He should inspect personally all the important works before authorizing final payment and should check the measurements made by his subordinates as per the scale, laid by the Chief Engineer.

As per Clause 10 of the civil works' standard contract agreement, the contractor shall execute the whole and every part of the works in the most substantial and workman-like manner, both as regards material and otherwise in every respect, strictly in accordance with the specifications.

During audit of Project Director Pir Mahr Ali Shah -ARID Agriculture University Rawalpindi (Sub Campus) Attock, it was observed that the management paid running and final bills for construction work. During the audit, sites were visited along with the Registrar and other officers of the university and it was found that entire payment for different items of work had been made without execution of work at the site. Fake entries stood recorded on measurement books. Thus by recording fake measurements without execution of work at sites, an embezzlement of Rs. 153,557,806 had been made as detailed below:

Sr. No.	Name of Formation	Period of audit	PDP No.	Nature of irregularity	Amount (Rs.)
1	Project Director PMAS-AAUR construction of sub-campus Attock.	2021-22	2023-0000001581_F00002	Disbursement against contractor's claims with BOQs contrary to on ground execution.	124,192,784
2	Project Director	2021-22	2023-000000	Embezzlement due to payment without	16,384,502

Sr. No.	Name of Formation	Period of audit	PDP No.	Nature of irregularity	Amount (Rs.)
	PMAS-AAUR construction of sub-campus Attock.		1581_F 00018	execution of work at the site – for construction of research institute by recording fake measurements.	
3	Project Director PMAS-AAUR construction of sub-campus Attock.	2021-22	2023-0000001581_F 00019	Payment through fake billing without execution of work at the site.	8,230,868
4	Project Director PMAS-AAUR construction of sub-campus Attock.	2021-22	2023-0000001581_F 00016	Embezzlement due to payment without execution of work and execution of substandard work for construction of 5650 RFT boundary wall by recording fake measurements.	2,984,188
5	Project Director PMAS-AAUR construction of sub-campus Attock.	2021-22	2023-0000001581_F 00017	Embezzlement due to payment without execution of work and execution of substandard work for construction of 6500 RFT boundary wall by recording fake measurements.	1,765,464
Total					**153,557,806**

The lapse led to embezzlement of the stated amount due to the recording of fake measurements without execution of work at sites and execution of sub-standard works.

In response to the preliminary observation issued in May 2023, the management stated that a reply would be given later.

The matter was further reported to the administrative department. In DAC meetings held on 29.11.2023, the amount of para at Sr. No. 1 was reduced from Rs. 145,705,499 to Rs. 124,192,784 after verification of record and para was kept pending for probe. The paras at Sr. Nos. 2 to 5 were kept pending for recovery from the contractors for non-execution of work besides fixing responsibility against those involved in recording fake entries in MB. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be inquired into and recovery be made from the contractor along with markup of the amount utilized sequel to pilferage of the amount, benefitting the contractors and responsibility be also fixed against the colluding delinquents.

2.4.2 Loss due to illegal excavation of soil from the university land-Rs. 70.00 million

As per Section 17 (a) of the University of Agriculture Faisalabad Act 1973, the treasurer shall manage the property, the finances, and the investments of the University. As per Section 39 of the University of Agriculture Faisalabad Act 1973, the University shall have a fund to which shall be credited its income from fees, donations, trusts, bequests, endowments, contributions, grants, and all other sources.

During audit of the University of Agriculture, Faisalabad for the period 2021-22, it was observed that 3 acres of university land at Paroka Farm had been mass-excavated to a depth of 40-60 feet, resulting in a loss of Rs 60 to Rs 70 million to the university as evident from the 323rd Syndicate's meeting held on 23.08.2021. The responsibility for the loss was fixed against the Land Utilization Officer and Director of Farms. Another Technical Committee was constituted by the Syndicate on 30.06.2022 to reassess the loss due to illegal excavation and sale of soil. Neither any report was submitted by the said committee nor was any effort made to recover the loss from the responsible officers.

The negligence on the part of the University to manage its lands and properties resulted in a loss to the university to the tune of Rs. 70,000,000.

The matter was pointed out in April 2023. The management stated that reply would be submitted after consulting the record.

The matter was further reported to the administrative department. In DAC meetings held on 19.10.2023, the management admitted the loss and stated that the matter had been referred to DC, Faisalabad for effecting recovery of loss amounting to Rs. 77.427 million from the delinquent as he was removed from service w.e.f. 22.03.2022. The committee directed the department to affect recovery.

Audit recommends that cognizance be taken to recover the loss, besides taking strict action against the officers and officials held responsible.

(PDP No. 2023-0000001376_F00003)

Recoveries and overpayments

2.4.3 Non-deposit of un-spent amount of subsidy into Government Treasury-Rs. 893.26 million

Finance Department, Govt. of the Punjab vide U.O.No.1-1249-Agri-(FD)/16-P-VI, dated 04.11.2021 advised to deposit the unspent amount immediately after 30th June 2022 in Punjab Govt. Treasury. These instructions were issued in relation to all the sanctions of advance drawl issued by the Finance Department.

During audit of the Director General, Agriculture (Ext. & AR), Lahore for the financial year 2022-23, it was observed that an unspent amount of Rs. 5,526,808,581 from various Government subsidy schemes was found with branchless banking operator (HBL-Konnect) as of June 30, 2022, whereas Rs. 4,633,547,425 was deposited into Government Treasury and Rs. 893,261,156 remained un-deposited, violating Finance Department's instructions. This issue persisted from the financial year 2021-22, indicating that funds were not deposited back into the provincial consolidated fund.

Moreover, HBL was not able to address the discrepancy relevant to Real-time reporting through the online solution of each OTC/MW payment, location of collection, frequency of disbursement/collection against each CNIC as a Real-time collection report of beneficiaries' details had not been generated. The same was the case with reconciliation with PITB which did not materialize.

Audit is of the view that the lapse occurred due to weak management and financial controls.

When pointed out in October 2023, the department stated that best efforts would be made to ensure that the reporting process meets the necessary standard as indicated in the para, if the same was not already in line. The department also stated that a probe would be conducted on the non-production of bank statements along with providing evidence of the real-time transactions.

The matter was further reported to the administrative department. In DAC meeting held on 23.01.2024, the paras were kept pending for probe and regularization from Finance Department. Further progress was not reported by the Department till the finalization of this report.

Audit recommends that responsibility be fixed for non-monitoring the credit of unspent balance retained by HBL-Konnect into the treasury. The administrative department is also called upon to take up the matter against the concerned bank seeking imposition of penalty against breach of the agreement for undue retention of the retained balance of the principal amount and affect recovery.

(PDP Nos. 2023-0000004356_F00004 & 2023-0000004356_F00002)

2.4.4 Non-recovery of markup/interest amount due to late deposit of profit by the service-providing bank (HBL)-Rs. 415.18 million

As per Clause No. 1.12 of the contract agreement governing markup on retained amount with branchless banking operator, the service provider was required to pay a markup at the rate of 6 months KIBOR-1.25% which was to be calculated on a daily basis (day-end balance*interest rate)/365 including all taxes.

During audit of the Director General Agriculture (Ext. & AR), Lahore for FY 2022-23, it was observed that subsidies liable to be disbursed to farmers were deposited with Habib Bank Limited Branchless Banking Operator. Audit revealed delays in depositing markup profits on the part of the bank. As per Clause No. 1.12 of the contract agreement, the service provider was required to pay a markup at the rate of KIBOR-1.25 % which was to be calculated daily (day-end balance*interest rate)/365 including all taxes.

The entity failed to demand profits for delayed deposits, causing a Government revenue loss of Rs. 415,175,499. Audit held that recovering the actual amount was warranted, considering daily balances and 30 days unclaimed balances, to potentially increase the recoverable sum.

Audit is of the view that the lapse occurred due to weak administrative and financial controls.

The matter was pointed out in October 2023. The department stated that the late deposit of profit would be investigated through a committee.

The matter was further reported to the administrative department. In DAC meetings held on 23.01.2024, the para was kept pending for verification of record besides affecting recovery of markup. Further progress was not reported by the department till the finalization of this report.

Audit recommends that responsibility be fixed for non-monitoring the credit of profit into the treasury. The administrative department is also called upon to take up the matter against the concerned bank seeking imposition of penalty against breach of agreement for undue retention of markup. The actual amount needs to be worked out and made good as recovery.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 2.4.2 having financial impact of Rs. 27.74 million. Recurrence of the same irregularity is a matter of serious concern.

(PDP No. 2023-0000004356_F00001)

2.4.5 Non-recovery of allowances and Government dues- Rs. 197.11 million

As per Rule 2.31 of PFR Vol-I, a drawer of bills for pay, allowances, contingent, and other expenses will be held responsible for any overcharges, frauds, and misappropriations. As per Rule 4.7(1) of the Rules ibid, it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to the Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government Account.

During audit of the Agriculture Department Punjab, it was observed that recovery of various inadmissible allowances and Government dues from contractors, suppliers, and officials had not been affected resulting in a loss of Rs. 197,108,065 sustained by the public exchequer. The detail is given in annexure-2.

Audit is of the view that lapses occurred due to weak financial and supervisory controls.

The matter was pointed out from February to May and October 2023. Most of the formations noted the observations for compliance and some stated that a detailed reply would be submitted after consultation of record.

The matter was further reported to the administrative department. DAC meetings were held on 19.10.2023, 26.10.2023, 15.12.2023, 26.12.2023 & 23.01.2024. The paras at Sr. Nos. 1, 10, 17, 18, and 25 were kept pending for recovery. The para at Sr. No. 2 was kept pending till the approval of the revised PC-I to be granted by the competent forum/ PDWP. The para at Sr. No. 3 was kept pending till the submission of the verification report by the committee along with evidence. The paras at Sr. Nos. 4, 7, 19 & 25 were kept pending for compliance. The paras at Sr. Nos. 6, 14, 16, and 20 were kept pending for seeking clarification from the Finance Department. The paras at Sr. Nos. 12, 15 & 21 were kept pending for verification of record. The para at Sr. No. 8 was kept pending for decision by the Finance Department. The para at Sr. No. 9 was kept pending till the revision of PC-I by PDWP and approval by the competent forum. The para at Sr. No. 11 was kept pending for probe and recovery from the contractor. The paras at Sr. Nos. 13 & 22 were kept pending to investigate the matter. Further progress was not reported by the department. As regards the remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that recovery be affected at the earliest and disciplinary action be taken to a logical conclusion against the delinquents.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2020-21, 2021-22 and 2022-23 vide para numbers 2.4.8, 2.4.3 and 2.4.5 having financial impact of Rs. 156.40 million, Rs. 70.49 million and Rs. 4.37 million. Recurrence of the same irregularity is a matter of serious concern.

2.4.6 Over-payment due to claim accepted beyond agreed percentage-Rs. 109.03 million

As per para (v) of the Finance Department's Notification No.RO(Tech)FD 1-2/83-VI dated 29th March 2005, the final cost of the tender would be the same percentage above/below the amount of the revised sanctioned estimate as was at the time of approval of the tender, so as to pre-empt excess payment.

During audit of the University of Agriculture Faisalabad for the period 2021-22, it was observed that the department had made payment on account of the claimed value of work done instead of the quoted percentage. Hence, the department had not adhered to the quoted percentage and made an overpayment of Rs. 109,027,000 to the contractors in violation of instructions of the Finance Department. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Recovery	Amount (Rs.)
1	University of Agriculture, Faisalabad.	2021-22	2023-0000001376_F00036	Overpayment due to payment beyond the agreed percentage	59,856,000
2	University of Agriculture, Faisalabad.	2021-22	2023-0000001376_F00089	Overpayment due to payment beyond the agreed percentage	26,510,000
3	University of Agriculture, Faisalabad.	2021-22	2023-0000001376_F00081	Overpayment due to payment beyond the agreed percentage	7,590,000

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Recovery	Amount (Rs.)
4	University of Agriculture, Faisalabad.	2021-22	2023-0000001376_F00066	Overpayment due to payment beyond the agreed percentage	7,095,000
5	University of Agriculture, Faisalabad.	2021-22	2023-0000001376_F00071	Overpayment due to payment beyond the agreed percentage	4,662,000
6	University of Agriculture, Faisalabad.	2021-22	2023-0000001376_F00077	Overpayment due to payment beyond the agreed percentage	1,733,000
7	University of Agriculture, Faisalabad.	2021-22	2023-0000001376_F00052	Overpayment due to higher rates than agreement	1,581,000
Total					**109,027,000**

The lapse occurred due to weak administrative and financial controls of the management.

The matter was reported in April 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 19.10.2023 and 15.12.2023, the paras at Sr. Nos. 1 to 7 were kept pending with the direction to the department for re-calculation of rates and its comparison. Further progress was not reported by the department till the finalization of this report.

Audit recommends that any payment made beyond the agreed percentage needs to be recovered from the contractor.

2.4.7 Non-recovery of Government taxes-Rs. 57.14 million

According to the Income Tax Ordinance 2001, Sales Tax Act 1990, and Punjab Sales Tax on Services Act, 2012, the departments are required to deduct/withhold taxes at prescribed rates at the time of payment. As per clauses 22-A & B of Stamp Duty Act, 1899, contracts of stores and materials are charged @ twenty-five paisa for every one hundred rupees.

During audit of various formations of the Agriculture Department Punjab, it was observed that chargeable taxes and duties amounting to Rs. 57,136,783 were not withheld/deducted while making payments. The details are given in annexure-3.

Audit is of the view that lapses occurred due to weak financial and supervisory controls.

The matter was pointed out from February to May 2023. The management stated that a detailed reply would be submitted later on but no reply was furnished.

The matter was further reported to the administrative department. In DAC meetings held on 19.10.2023, 27.11.2023, and 15.12.2023, the para at Sr. No. 2 was kept pending for clarification from the Punjab Revenue Authority. The para at Sr. No. 5 was kept pending for recovery of PST from contractors. The paras at Sr. Nos. 6, 9, 10 & 12 were kept pending for provision of GST invoices along with sales tax returns from the contractors showing deposit of GST into the Government Treasury or affecting recovery. The para at Sr. No. 7 was kept pending for clarification from BOR. The para at Sr. No. 8 was kept pending for verification of record. The para at Sr. No. 11 was kept pending for recovery. Further progress was not reported by the department. As regards the remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the due amount be recovered from the concerned.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 and 2022-23 vide para numbers 2.4.1 and 2.4.4 having financial impact of Rs. 11.24 million and Rs. 8.36 million. Recurrence of the same irregularity is a matter of serious concern.

2.4.8 Over-payment due to application of incorrect rates-Rs. 38.02 million

According to the instructions issued by the Finance Department, vide No.RO(Tech)FD-18-23/2004, dated 21.09.2004, rate analysis for the non-standardized items shall be prepared by the Executive Engineer, clearly giving the specifications of the material used and approved by the competent authority, not below the rank of Superintending Engineer on the basis of input rate of relevant quarter placed at the website of the Finance Department.

As per the remarks column of item No. 1 Chapter-7 “Brickwork” of MRS, the rate of the item shall be reduced by 7% in case 2nd class bricks were used. Further, as per the remarks column, the actual size of the brick was 39.375 square inches (9 x 4.375) and the thickness comes to 0.364 (4.375/12).

During audit of the Agriculture Department Punjab for the year 2021-2022, it was observed that the department made payments for different items of work as non-standardized items. The department paid excess material and labor rates instead of the actual applicable rate as per FD's template. Hence overpayment of Rs. 38,018,224 was made to the contractors (Annexure-4). Moreover, payments for the item "Pacca Brick work" were made at full rate instead of reducing the rate @ 7% because as per lab test reports, only the strength of the bricks was mentioned on the claim but the dimension of the bricks was not mentioned.

The lapse occurred due to non-adherence to the FD's instructions.

The matter was pointed out in April 2023. The management at Sr. No. 1 stated that additional items were Non-Scheduled in nature. The rate analysis was prepared considering the then-market rates. The reply of the department was not acceptable as the rate of non-scheduled items executed was to be calculated on the rate of MRS corresponding to the award of work tendered, not on current market rates. The management at Sr. No. 2 and 3 stated that rates were paid based on the quantity of the brickwork executed at the site. The test reports revealed that the strength of the bricks met the criteria of 1st Class Bricks as per the prescribed Specifications. The reply of the department was not acceptable as the test report of brickwork revealed that bricks were undersized and the requisite size as per specifications could not be corroborated. The management at Sr. Nos. 4 to 21 noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 19.10.2023, 29.11.2023, and 15.12.2023, the para at Sr. No. 1 was kept pending for recovery from the concerned as per MRS rates 2015. The paras at Sr. Nos. 2, 3, 7, 8, 19 & 21 were kept pending for recovery from the contractor. The paras at Sr. Nos. 4, 5, 12, 13, 14, 17 & 18 were kept pending for probe into the matter or recovery from the contractor. The paras at Sr. Nos. 6, 10, 11, 15 & 16 were kept pending for clarification from the Finance Department. The para at Sr. No. 9 was kept pending for a fact-finding report and recovery of overpayment from the contractor. The para at Sr. No. 20 was kept pending to re-calculate labor rates and affect recovery. Further progress was not reported by the department till the finalization of this report.

Audit recommends that over-payment due to incorrect rates be recovered from the concerned contractors.

Procurement related irregularities

2.4.9 Irregular award of work at higher rates and undue favor to contractors-Rs. 484.97 million

As per Rule 2.33 of PFR Vol-I, every Government servant should realize fully and clearly that he would be held personally responsible for any loss sustained by the Government through fraud or negligence on his part.

According to Clause-7 of the agreement read with Para (h) of the memorandum of the work, the performance security in the form of a bank guarantee was required to be obtained up till the completion of the maintenance period @ 5% of the accepted tender price in case of tenders with cost exceeding Rs. 50 million.

During scrutiny of the accounts record of the University of Agriculture Faisalabad for the period 2021-22, it was observed that the department awarded work “Construction of Girls Hostels for 1000 Students at Main Campus, University of Agriculture, Faisalabad” on the 2nd bi-annual of 2014 as per work order. Further, in the 196th campus committee meeting held on 13th May 2015, it was mentioned in the minutes of the meeting that work was awarded (tendered on 26.03.2015) to the lowest bidder M/s Elcon on 2nd bi-annual 2014 rates. However, as per tendering documents, the department made tendering on rates of 1st bi-annual 2015 as new MRS uploaded rates which were higher than 2nd bi-annual 2014. Tendering was made based on 2nd bi-annual 2014 rates which were less than 1st bi-annual 2015. This resulted in a loss of Rs. 3,913,492 to Government.

Further, the Executive Engineer/Project Director awarded various works to different contractors. Their performance securities valuing Rs. 42,555,000 expired but the contractors did not revalidate the performance guarantee till completion of the project. The non-obtaining of a revalidated performance guarantee was an undue financial benefit to the contractors. The details are as under:

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Nature of Irregularity**	**Amount (Rs.)**
1	University of Agriculture, Faisalabad	2021-22	2023-0000001376_F00050	Award of work on higher rates of 1st bi-annual 2015 instead of 2nd bi-annual 2014	438,503,606
2	University of Agriculture, Faisalabad	2021-22	2023-0000001376_F00055	Undue financial benefit to the contractor due to non-revalidation of performance security	17,015,000

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
3	University of Agriculture, Faisalabad	2021-22	2023-0000001376_F00090	Undue financial benefit to the contractor due to non-revalidation of performance security	15,150,000
4	University of Agriculture, Faisalabad	2021-22	2023-0000001376_F00078	Undue financial benefit due to non-revalidation of performance security	4,530,000
5	University of Agriculture, Faisalabad	2021-22	2023-0000001376_F00082	Undue financial benefit to the contractor due to non-revalidation of performance security	4,530,000
6	University of Agriculture, Faisalabad	2021-22	2023-0000001376_F00051	Loss to Govt. due to tendering of work on wrong bi-annual rates contrary to bidding conditions.	3,913,490
7	University of Agriculture, Faisalabad	2021-22	2023-0000001376_F00061	Undue financial benefit due to non-obtaining of additional performance guarantee in advance	1,330,000
Total					**484,972,096**

Lapse occurred due to weak financial and supervisory controls.

Violation of contractual obligations resulted in undue financial benefits extended to contractors

The matter was pointed out in April 2023. The management stated that the tender was based on the TS Estimate prepared as per 1st Bi-annual 2015. Tender, Approval, and work orders were issued in 1st Bi-annual 2015. The reply of the department was not acceptable as according to the approval of the campus committee, the cost of work was to be calculated based on MRS 2nd bi-annual 2014, instead of 1st bi-annual 2015. The management further stated that a detailed reply would be submitted after consulting the relevant record.

The matter was further reported to the administrative department. In DAC meetings held on 19.10.2023 and 15.12.2023, the paras at Sr. Nos. 1 & 6 were kept pending with the direction to probe the matter. The paras at Sr. Nos. 2 to 5 & 7 were kept pending for regularization from the Finance Department. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the department may affect recovery by calculating both bi-annual differences and responsibility be also fixed against the persons at fault.

2.4.10 Financial loss to the Government in procuring services of consulting firm-Rs. 112.96 million

As per Rule 21(1) of PPR 2014, a procuring agency may, for a specified period, debar a bidder or contractor from participating in any public procurement process of the procuring agency, if the bidder or contractor has:

(b) consistently failed to perform his obligation under the contract;

(c) not performed the contract up to the mark

During audit of Project Establishment of Model Farms Linked with Improved Supply Chain and Value Addition for the period 2017-22, it was observed that Agriculture Department initiated the project for four years i.e. 2017-18 to 2020-21. An Expression of Interest (EOI) for hiring of consultancy services was advertised by the department in September 2017 to shortlist interested firms.

The contract was awarded to CABI & Star Farms rejecting the lowest bidder. The collusive practices remained unchecked as detailed in annexure-5. The bidder was not conforming to sound financial credentials as financial statements submitted and evaluated were afflicted with negative equity at the time of awarding the bidding company the highest marks. As regards contract enforcement the contract for 6 domestic expos of international standard was awarded to CABI & Star Farms but it failed to fulfill its commitment, yet no action was taken against the CABI & Star Farms for breaches of contract. Neither bid security nor performance security of the service provider was forfeited nor the bidder was declared as blacklisted.

Lapse occurred due to weak supervisory control.

Preliminary observation was issued in April 2023 and the management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 27.11.2023, the para was kept pending for obtaining proof from SECP that Star Farms was not insolvent at the time of bidding. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be probed into at the administrative department's level to fix the responsibility for loss due to rejecting the lowest bid.

(PDP No. 2023-0000001175_F00001)

2.4.11 Irregular procurements-Rs. 103.49 million

According to Rules 9 & 12 (1) of PPR 2014, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority in the manner and format specified by regulations but if deemed in the public interest, the procuring agency may also advertise the procurement in at least one national daily newspaper. Rule 32(1) of Rules ibid provides that all bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding document. Rule 37 of Rules ibid provides that a procuring agency shall announce the results of bid evaluation in the form of a report, giving justification for acceptance or rejection of bids at least ten days prior to the award of the procurement contract.

During audit of the Agriculture Department, it was observed that an expenditure of Rs. 103,485,252 was incurred by the management on various procurements characterized by instances of mis-procurement. The details of as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1.	Project Director PMAS-AAUR construction of sub-campus Attock.	2021-22	2023-0000001581_F00006	Wasteful expenditure on purchase/installation of IT equipment without physical existence of the equipment and networking.	28,049,437
2.	Secretary Agriculture, South Punjab, Multan	2022-23	2023-0000005656_F00001	Manipulation of procurement processes and fictitious competition	24,984,123
3.	Project Director PMAS-AAUR construction of sub-campus Attock.	2021-22	2023-0000001581_F00004	Irregular purchase of furniture without having competitive rates	23,559,333
4.	Secretary Agriculture, South Punjab, Multan	2022-23	2023-0000005656_F00002	Failure to Adhere to PPR Rules and	14,237,424

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
				Deliberate Splitting of Expenditure	
5.	Secretary Agriculture, Govt. of the Punjab, Lahore	2022-23	2023-0000004355_F00005	Irregular expenditure through petty purchases	8,641,605
6.	Mian Nawaz Sharif University of Agriculture , Multan	2020-23	2023-0000003187_F00002	Irregular expenditure on purchase air conditioners without approval of austerity committee.	2,611,083
7.	Project Director PMAS-AAUR construction of sub-campus Attock	2021-22	2023-0000001581_F00011	Wasteful expenditure on purchase/installation of security equipment without physical existence of the equipment and networking.	1,402,247
Total					**103,485,252**

The expenditure was held irregular on the following grounds:

1. Procurement was made without technical evaluation in violation of provisions of PPR 2014.
2. Procurement was opted through petty purchases by avoiding the tender.
3. Procurements were preferred through quotations by splitting the indents
4. Procured equipment was not installed in a timely manner.
5. Payments were made but the material was not received.

The matter was pointed out in February and April 2023. The DDOs noted the observations for compliance.

The matter was further reported to the administrative department. DAC meetings were held on 29.11.2023, 26.12.2023 and 23.01.2024. The paras at Sr. Nos. 1 and 3 were kept pending for verification of record. The paras at Sr. Nos. 2, 4 & 5 were kept pending for regularization from the Finance Department. The para at Sr. No. 6 was reduced to the extent shown in the table and kept pending for regularization from the Finance Department. The para at Sr. No. 7 was kept pending for probe. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be probed into at the administrative department's level to fix the responsibility for the lapses, besides seeking regularization from the Finance Department.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 and 2022-23 vide para numbers 2.4.3, 2.4.11 and 2.4.6 having financial impact of Rs. 1057.57 million, Rs. 25.26 million and Rs. 8.36 million. Recurrence of the same irregularity is a matter of serious concern.

2.4.12 Undue payment of price variation-Rs. 15.82 million

As per Clause 55 of the standard bidding documents for civil works, where any variation (increase or decrease), to the extent of 5% or more, in the price of any of the items mentioned in the sub-clause. The base price for the purposes of calculation of the price variation shall be the price prevalent in the month during which the last day of the submission of tender falls. Further, as per clause 55 (4) of the bidding documents ibid, the price variation under this clause shall be worked out on the basis of the price of the particular item prevalent in a particular District on the first day of each month as per price list of such manufacturers or suppliers at such places as are notified by the Finance Department from time to time.

During audit of the project titled "Establishment of sub-campus Pir Mahr Ali Shah Arid Agriculture University at Attock Phase-II", it was observed that an amount of Rs. 15,816,200 was paid to M/s Al-Fateh Builders vide cheque No. A154401 dated 04.11.2021 on account of price variation. However, in support of payment, a detailed measurement book showing the dates of execution of work and prevalent rates of items of the particular month and district was not posted on record entries. The measurement book shown to the audit had not been prepared date-wise, rather it was prepared for the whole of the year. Similarly, a liability of Rs. 66 million on account of price variation had been created by the university management which was unsubstantiated.

The lapse occurred due to weak administrative and financial controls of the management.

In response to the preliminary observation issued in May 2023, the management stated that the reply would be given later.

The matter was further reported to the administrative department. The response was not incorporated in the departmental reply despite convening a DAC meeting for other agenda items of the same set of observations served on the entity. No further request for a fresh DAC meeting was received till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that matters be inquired into at the administrative department's level for fixing responsibility and taking remedial measures, besides initiating action against the persons held responsible. Further payments be stopped forthwith against the claims of additional liabilities.

(PDP No. 2023-0000001581_F00012)

HR/Employees related irregularities

2.4.13 Irregular appointments against advertisement with an unspecified number of vacancies-Rs. 145.68 million

The Supreme Court of Pakistan in its judgment dated 19.01.1993 in Human Rights Case No. 104 of 1992 held that recruitment, both ad-hoc and regular, without publicity and properly advertising the vacancies violates fundamental rights. As such no post could be filled in without proper advertisement, even on an ad hoc or contract basis.

Under the chapter titled "Fundamental Rights" of Constitution of Pakistan, equality of citizens and safeguard against discrimination in services have been guaranteed. Article 25 of Constitution provides that all citizens are equal before the law and are entitled to equal protection of the law.

Under the provisions of Rule 17 of the Punjab Civil Servants (Appointment & Conditions of Service) Rules, 1974, no post can be filled in without proper advertisement. Further, Recruitment Policy, 2004 does not allow appointment of any person without advertisement and in violation of any procedural formalities laid down in the policy.

During audit of accounts of the University of Agriculture Faisalabad for the financial year 2021-22, it was observed that appointments/regularization of teaching and non-teaching staff were afflicted with shortcomings noticed in these recruitments as tabulated below:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	University of Agriculture, Faisalabad.	2021-22	2023-0000001376_F00015	Irregular appointment of sixty Assistant Professors on ambiguous/faulty advertisement as the number of posts was not mentioned in the advertisement notice published in the newspaper	131,274,000

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
2	University of Agriculture, Faisalabad.	2021-22	2023-0000001376_F00014	Advertisement was published for recruitment of Professors but appointment was made for posts of Associate Professors	11,588,316
3	University of Agriculture, Faisalabad.	2021-22	2023-0000001376_F00013	The appointment of one Professor of Bio-Technology was in excess of the Advertised Posts	2,818,464
Total					**145,680,780**

The lapse occurred due to weak internal and supervisory controls.

The matter was pointed out in April 2023. The management stated that a reply would be submitted after consulting the record.

The matter was further reported to the administrative department. In DAC meetings held on 15.12.2023, the paras were kept pending for regularization from the Finance Department besides ensuring the discontinuation of publishing ambiguous advertisements. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the lapse be inquired into, besides ensuring remedial measures for seeking regularization of the lapse.

2.4.14 Unlawful allotments of residences in AARI premises

According to Para 12.1 of the Punjab Government Residences Allotment Policy 2021, notified by Government of the Punjab, Services and General Administration Department (Estate Office) vide No. EO(S&GAD)Misc.2000(Prov.) Allotment Policy (Vol-II)-2673 dated 14th December 2021, the mode of allotment of accommodation shall be made on the principle of a "first come first served" basis.

During audit of the Chief Scientist, Ayub Agricultural Research Institute (AARI) Faisalabad for the financial year 2021-22, it was observed that 258 residences were available in the AARI premises. The application and allotment process were reviewed and it was found that allotment of accommodations was not made on the principle "first come first served" basis in violation of the above-notified policy.

Lapse occurred due to weak administrative and financial controls. This resulted in unlawful allotments of residences due to non-observance of the Government Allotment Policy. The reply was not satisfactory being evasive.

In reply to preliminary observation, the DDO stated that all the residences were allotted in the light of the Allotment Policy.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter being a serious service delivery issue should be inquired into. The mode of allotment of Government residences needed to conform to the Government's notified policy besides avoiding the recurrence of such lapses in the future.

(PDP No. 2023-0000001574_F00009)

2.4.15 Drawbacks in project oversight pertaining to planning, training, and project outcomes

As per PC-I of the project titled as "Establishment of Model Farms Linked with Improved Supply Chain and Value Addition", the objectives of the project were to increase productivity, enhance export, and improve the socio-economic condition and uplifting of livelihood of the cereal and high-value horticultural products growers i.e. already committed in Punjab Growth Strategy 2018.

During audit of "Establishment of Model Farms Linked with Improved Supply Chain and Value Addition" for the period 2017-22, it was observed that while preparing the PC-I for the project, the decision to outsource certain activities was made without adequately considering the capacity and resources of the agriculture department. It was revealed that project deliverables were not achieved by the management. The details are given as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Establishment of Model Farms Linked with Improved Supply Chain and Value Addition	2017-22	2023-0000001175_F00018	The payment was made to the consultants for training despite an unsatisfactory performance assessment by the independent monitoring team.	16,100,000
2	Establishment of Model Farms Linked with Improved Supply	2017-22	2023-0000001175_F00003	Less achievement of targets contemplated in the PC-1 of the project	-

	Chain and Value Addition				
Total					**16,100,000**

The project implementation suffered from the following drawbacks:

i. Training modules administered were reliant on outdated curriculum design, defeating value for money for Rs. 16.10 million.
ii. The target of Support for International Certifications, at the farm level (Global GAP) was 83 but achievement was 27.
iii. The target of Support for International Certifications, at the Processors level (Global GAP) was 100 but achievement was 11.
iv. The target of Market Linkage Program International Exhibitions (no) was 11 but achievement was Zero.

Moreover, project revisions as per the extended gestation period had also expired.

Lapse occurred due to weak supervisory control.

Preliminary observation was issued in April 2023. The DDO noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 27.11.2023, the para at Sr. No. 1 was kept pending for compliance, and the para at Sr. No. 2 was kept pending for probe at the administrative department's level. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be inquired into at the administrative department's level to evolve a remedial action plan for securing value for money returns of the project.

Value for money and service delivery issues

2.4.16 Non-payment of subsidy to farmers on agricultural implements for wheat-Rs. 1,206.4 million

Clause 6.1.2 of the PC-I stipulates the provision of agricultural implements for the mechanical sowing of wheat through drill planting. This initiative aims to ensure uniform germination, improve plant stand, and enhance fertilizer efficiency, particularly for phosphorous and potash. The mechanism established for this endeavor involves a 50% cost-sharing arrangement with the farmers.

During audit of the Director General, Agriculture (Ext. & AR), Lahore, for the financial year 2022-23, it was identified that agricultural implements had not been distributed to the farmers and the stipulated subsidy had not been disbursed, in accordance with the approved PC-I of the "National Program for Enhancing Profitability Through Increasing Productivity of Wheat”. The Provincial Steering Committee also expressed its commitment to address the issue effectively and mandated the Additional Secretary of Planning in the Agriculture Department to meticulously examine the relevant records and formulate recommendations for clearing the backlog. However, despite these measures, agricultural machinery and implements had not been provided to farmers or service providers through a transparent cost-sharing mechanism which is adversely affecting the agricultural community and service providers.

Audit is of the view that the lapse occurred due to weak supervisory controls and the non-finalization of the matter by the committee constituted by the PSC.

When pointed out in October 2023, the department stated that a reply would be submitted after consulting the record.

The matter was further reported to the administrative department. In DAC meetings held on 23.01.2024, the para was kept pending for compliance. Further progress was not reported by the Department till the finalization of this report.

Audit recommends that the matter be inquired into at the administrative department’s level and remedial measures be taken to avoid such lapses in the future.

(PDP No. 2023-0000004356_F00006)

2.4.17 Suboptimal achievement of targets-Rs. 440.48 million

As per Section 6.1.5 of PC-I, the certified seed adoption will be improved by upto 50% at the end of the project period. Agriculture Extension & Adaptive Research is responsible for disseminating the latest production technology to the farmers through research, development, and adoption of modern production technology by using international best agricultural practices. In this way, the Federal Government fixed annual targets for production and area. Moreover, under different field offices of the Agriculture Department, different projects were under implementation having specified goals and targets.

During audit of the Agriculture Department, it was observed that revenue, subsidy, and production targets fixed by the Government were not achieved by the department. The details are given as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Targets	Amount (Rs.)
1	Secretary Agriculture, Govt. of the Punjab	2022-23	2023-0000004355_F00013	Non-achievement of Physical targets	263,942,013
2	Director General, Agriculture (Ext. & AR), Lahore	2022-23	2023-0000004356_F00005	Non-achievement of physical targets and objectives concerning implements, certified seed and weedicides	176,537,661
Total					**440,479,674**

The audit is of the view that the lapse occurred due to weak supervisory and administrative controls.

The matter was pointed out to the concerned formations during September and October 2023. The management at Sr. No. 1 stated that a detailed reply would be submitted. The management at Sr. No. 2 replied that to address the issue, a thorough review would be conducted of the factors contributing to the underachievement of receipt targets.

The matter was further reported to the administrative department. In DAC meetings held on 23.01.2024, the para at Sr. No. 1 & 2 were kept pending for verification of record. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be inquired into at the administrative department's level and that responsibility be fixed for the non-achievement of targets besides taking remedial measures.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 and 2022-23 vide para numbers 2.4.15 and 2.4.7 having financial impact of Rs. 1,182.6 million. Recurrence of the same irregularity is a matter of serious concern.

2.4.18 Impaired service delivery due to delays in the provision of machinery-Rs. 4.41 million

As per Rule 2.10 (a) (i) PFR Vol-I, every Government officer is expected to exercise the same vigilance in respect of expenditure incurred from Government revenue as a person of ordinary prudence would exercise in respect of expenditure of his own money.

As per the Work Order issued to the concerned companies, it was advised to arrange delivery of laser land leveler units of approved standards and specifications to the concerned farmers/service providers at the earliest but not later than 90 days from the issuance of work order as per terms and condition mentioned in the prequalification notification.

During audit of the Deputy Director (OFWM) for the financial year 2019-22, it was observed that in 12 cases, farmers had deposited Rs. 4,409,028 as their share of the laser land leveler machines and even further deposited the difference due to imposition of taxes, but they had not received the machines up till now. The delay in providing the machines caused financial difficulties for the farmers who were expecting to use the machines for their farming activities.

Lapse occurred due to weak supervisory and financial controls.

The matter was pointed out in May 2023. The Department noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 26.12.2023, the para was kept pending for probe. Further progress was not reported by the department till the finalization of this report.

Audit recommends that laser land leveler machines be provided to farmers who have already paid their share. Further, the department should start legal action against the firms who failed to fulfill their contractual obligation.

(PDP No. 2023-0000001464_F00005)

2.4.19 Loss due to non-utilization of available earth-Rs. 3.57 million

As per Rule 2.10 (a) (i) PFR Vol-I, every Government officer is expected to exercise the same vigilance in respect of expenditure incurred from Government revenue as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of the University of Agriculture Faisalabad for the period 2021-22, it was observed that the department made payment for the item of work excavation in the foundation of building bridges and other structures etc. The department obtained earth through the excavation of the foundation of buildings measuring 288715.55 Cft and utilized quantity 126679.66 Cft in filling as surplus earth. Further, the department made payment of the item "supplying and filling Gassu/pit sand under foundation & floor etc." from outside instead of using the available earth 162036 Cft which resulted in a loss of Rs 3,564,796.

Weak technical, supervisory, and financial controls resulted in a loss of Rs. 3,564,796.

In reply to preliminary observation, the DDO stated that the Qty 288715.55 Cft was the wet volume of earth excavated for the laying of the substructure. As per Rule, $2/3^{rd}$ excavated earth should be considered as surplus earth. However, the detailed reply would be submitted after consulting the relevant record. The reply of the department was not acceptable as no evidence was provided by the department in support of the reply.

The matter was further reported to the administrative department. In DAC meetings held on 19.10.2023, the para was kept pending for detailed verification of records regarding the use of surplus earth in surrounding areas as well as a test report showing that the available earth was not suitable for filling. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be probed at the administrative department's level, besides affecting recovery from the concerned.

(PDP No. 2023-0000001376_F00037)

2.4.20 Unauthorized encroachment of Government Land

As per Rule 2.33 of PFR Vol-I, every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by the Government through fraud or negligence on his part.

During audit of the Agriculture Department, it was observed that valuable land of the department was encroached upon. No fruitful efforts were made for the vacation and retrieval of the state land. The details are given as under:

Sr. No.	**Name of Formation**	**PDP No.**	**Brief Description of Encroachment**
1	Chief Scientist, Ayub Agricultural Research Institute	2023-0000001574_F00008	2804 Acre land was under the illegal occupation of Pattadars 163 Acres area was

	(AARI) Faisalabad		encroached by other than Pattadars.
2	University of Agriculture Faisalabad	2023-0000001376_F00024	116 Acre 5 Kanal and 12 Marla were illegally occupied by the local residents
3	Secretary, Agriculture, Govt. of the Punjab	2023-0000004355_F00014	Illegal occupation of Govt. Land for 511.63 Acre
4	DG Agriculture (Extension & AR), Lahore	2023-0000004356_F00016	Illegal occupation of Govt. Land for 267.57 Acre

Lapse occurred due to weak internal and financial controls.

The matter was pointed out in April, September, and October 2023. The management at Sr. No. 1 stated that the department made hectic efforts to get the land vacated from illegal occupants. The management at Sr. No. 2 replied that efforts were being made for the retrieval of encroached land. The management at Sr. No. 3 replied that a detailed reply would be given later. The management at Sr. No. 4 stated that priority encroachments would be earmarked and then action would be taken accordingly.

The matter was further reported to the administrative department. In DAC meetings held on 19.10.2023 and 23.01.2024, the paras at Sr. Nos. 2 & 3 were kept pending for compliance. The para at Sr. No. 4 was kept pending to vacate the land from illegal occupants. Further progress was not reported by the department. As regards the remaining para, neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that remedial measures be taken for retrieval of land from illegal occupants.

Financial Matters

2.4.21 Loss to university due to mismanagement of investments-Rs. 92.58 million

As per Section 17 (a) of the University of Agriculture Faisalabad Act 1973, the treasurer shall manage the property, the finances, and the investments of the University; As per Section 39 of the University of Agriculture Faisalabad Act 1973, the University shall have a fund to which shall be credited its income from fees, donations, trusts, bequests, endowments, contributions, grants and all other sources.

During audit of the University of Agriculture, Faisalabad for the period 2021-22, it was observed that investment of the university funds was mismanaged by the authorities which resulted in a loss of Rs. 92,582,869 to the university.

The details are as under:

Sr. No.	PDP No.	Description	Amount (Rs.)
1	2023-0000001376_F00004	Loss due to non-reinvesting the funds at higher interest rates	72,042,435
2	2023-0000001376_F00005	Loss of Interest Income due to delay in reinvesting the matured investments	14,355,908
3	2023-0000001376_F00007	Loss due to Non-Investment of amount	5,208,345
4	2023-0000001376_F00006	Loss to university due to late credit of Principal/interest amount by the banks	976,181
Total			**92,582,869**

Lapse occurred due to weak financial and supervisory control.

Preliminary observation was issued in April 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 19.10.2023, the paras at Sr. No. 1 & 4 were kept pending for verification of record. The para at Sr. No. 2 was kept pending for regularization from a competent forum. The para at Sr. No. 3 was kept pending for probe. Further progress was not reported by the department till the finalization of this report.

Audit recommends that losses suffered may be made good affecting recovery from those held responsible.

2.4.22 Non-payment of pending subsidy under "Development of Supply Chain Infrastructure"-Rs. 37.10 million

As Per PC-1 for the project titled "Establishment of Model Farms Linked with Improved Supply Chain and Value Addition", a cluster of 21 farms had attained Global GAP Certifications during the life of "Supply Improvement Project" and were entitled to the subsidy. The subsidy was to be worked out at Rs. 200,000 per civil works and Rs. 250,000 for machinery and equipment.

Against entitlement of certified clusters, 30% was to be paid by the beneficiary and 70 % was to be paid by the Government in Year 1. In year 2, the beneficiary share and subsidy were to be shared at the rate of 50:50.

During audit of "Establishment of Model Farms Linked with Improved Supply Chain and Value Addition" for the period 2017-22, it was observed that an amount of Rs. 43,117,500 was calculated as a subsidy for 21 clusters. Rs. 6,021,043 had already been paid from the previous project. So, an amount of Rs. 37,096,457 was worked out as pending liability of 21 clusters to be paid by the Project Establishment of Model Farms Linked with Improved Supply Chain and Value Addition. For this purpose, allocation of Rs. 37,096,457 was made in the PC-1 of the Project but the same had not yet been paid to 21 clusters.

Lapse occurred due to weak financial and supervisory control.

Preliminary observation was issued in April 2023. The DDO noted the observation for compliance.

In DAC meetings held on 27.11.2023, the para was kept pending for compliance. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be inquired into at the administrative department's level to fix responsibility against the delinquents.

(PDP No. 2023-0000001175_F00015)

2.4.23 Unauthorized hiring and usage of a car not approved in PC-1-Rs. 6.50 million

As Per PC-1 titled "Establishment of Model Farms Linked with Improved Supply Chain and Value Addition", an amount of Rs. 3.14 million was allocated in PC-1 during the financial year 2017-18 for the purchase of a car.

During audit of "Establishment of Model Farms Linked with Improved Supply Chain and Value Addition" for the financial year 2017-22, it was observed that a car was hired for the project and an expenditure of Rs. 6,498,144 had been incurred as rent against services of car. However, there was no such allocation in PC-1. The project was using rented car, but no vehicles were purchased despite the fact that an amount of Rs. 3.14 million was allocated in PC-1 during the financial year 2017-18. An unauthorized amount of Rs. 6,498,144 had been expended as the rent of a Car. POL has been consumed for Rs. 1,908,918 additionally and the monthly rent of the car had also been paid for this vehicle.

Lapse occurred due to weak financial and supervisory control.

Preliminary observation was issued in April 2023. The DDO noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 27.11.2023, the para was kept pending for probe at the administrative department's level. Further progress was not reported by the department till the finalization of this report.

(PDP No. 2023-0000001175_F00009)

Others

2.4.24 Unjustified submission of PC-IV without completion of the project-Rs. 785.62 million

As per letter no. PMAS-AAUR/P&D/175 dated: 27.12.2022, project completion report (PC-IV) of the ADP-funded project titled "Establishment of sub-campus PMAS Arid Agriculture University at Attock Phase-II" was submitted to Agriculture Department Govt. of the Punjab, for their consideration and necessary action. Further, Govt. of the Punjab, Agriculture Department submitted the PC-IV (completion report) along with relevant documents in the prescribed format vide forwarding letter No. SOA (P) 9-17-2003 dated 05.01.2023 to Director General Monitoring and Evaluation, Planning and Development Department for information and further necessary action.

During audit of the accounts of Project Director PMAS AAUR, it was observed that the PC-IV of the project "Establishment of sub-campus PMAS Arid Agriculture University at Attock Phase-II" was submitted by the university management despite the fact that the project was not completed on the ground. The audit further observed during the site visit along with university management that substandard civil works were executed and works were shown completed in PC-IV whereas these were found incomplete and of substandard execution as detailed at annexure-6.

The lapse occurred due to weak administrative and financial controls of the management.

In response to the preliminary observation issued in May 2023, the management stated that a reply would be given later.

The matter was further reported to the administrative department. In DAC meetings held on 29.11.2023, the para was kept pending for probe at the administrative department's level. Further progress was not reported by the department till the finalization of this report.

Audit recommends that recovery be affected from the contractors, besides initiating disciplinary action against the persons held responsible for non-recovery.

(PDP No. 2023-0000001581_F00001)

2.4.25 Expenditure incurred from public account without approval of regulations-Rs. 115.34 million

According to para 14.3.1.1 of the APPM, no authority shall incur expenditure or enter into any commitment involving expenditure from the Public Account, unless it is sanctioned under the governing Act, Order, or other Regulation for the particular trust account or special deposit account. According to para 14.3.1.2, the balances held in Public Account heads shall be carried forward from year to year, in accordance with the relevant Acts, Presidential Orders or other statutes governing each trust fund and special deposit account.

During audit of the Secretary Agriculture, Government of the Punjab, Lahore for the F.Y 2022-23, it was observed that as per SAP R3 data and Finance Account, an amount of Rs. 115,342,669 was drawn from Government Treasury by Punjab Agricultural Marketing Regulatory Authority (PAMRA) without securing formal approval to the effect with a duly conferred legal cover of Cabinet approval. The Cabinet approval secured was for competence with prospective effect. The disbursement of the amount in question was without legal cover as regulations to govern such disbursements were not yet notified. The expenditure incurred was a gross violation of substantive provisions of APPM relatable to the Public Account. The regularization of the violation of substantive procedure and policy holding the field was yet to be secured by the respondent entity.

Audit is of the view that lapse occurred due to weak monitoring system, supervisory and financial control.

When pointed out in September 2023, management noted the observation and responded that a detailed response would be given later.

The matter was further reported to the administrative department. In DAC meetings held on 23.01.2024, the para was kept pending for verification of record. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be probed into for fixing responsibility against those held responsible besides strengthening internal controls.

(PDP No. 2023-0000004355_F00016)

2.4.26 Financial irregularities during the execution of civil works-Rs. 112.18 million

As per Rule 7.1 of Departmental Financial Rules, subject to the terms of the contract and such subsidiary instructions as may be laid down by the Government to ensure that the works are executed in accordance with the prescribed specifications, plans, and drawings, payments for work done are not made to the contractor otherwise than on the certificates of the officers in charge of the work, as detailed in Rules 7.103 and 7.104. Further, as per Rule 7.28 of the Rules ibid, full rates as per agreement, catalog, indent, or other order should be allowed only if the quality of work done or supplies made is up to the stipulated specification. According to clause 10 of the contract agreement, the contractor shall execute the works in the most substantial and workman-like manner, and both as regards material and otherwise in every respect in accordance with the specifications.

During audit of the Agriculture Department, it was observed that various civil works were executed and various financial irregularities of Rs. 112,176,401 (Annexure-7) were observed as mentioned against each.

A brief of deviations is narrated as follows:

- Irregular allotment of works of interventions with breach of eligibility criteria
- Un-authorized deviation of items with respect to items approved in PC-I
- Use of low-quality material in foundations of the interventions despite approval at high-quality
- Overpayment due to non-utilization of available earth
- Overpayment due to non-deduction of shrinkage
- Undue benefit to the contractor due to obtaining less amount of additional performance guarantee
- Non-recovery of liquidated damages due to non-completion of work within the stipulated period
- Loss to Govt. due to substandard RCC work
- Loss to Govt. due to use of non-economical and irrelevant item
- Excess expenditure due to excess/overestimate/BOQ

The audit is of the view that weak financial and administrative controls led to deviations and irregularities mentioned above during the execution of work.

When the matter was pointed out, the management noted the observations.

The matter was further reported to the administrative department. DAC meetings were held on 19.10.2023, 26.10.2023, 29.11.2023, 15.12.2023 and 26.12.2023. The para at Sr. No. 1 was kept pending till the approval of revised PC-I by the PDWP. The paras at Sr. Nos. 2, 3 & 9 were kept pending for verification of record. The paras at Sr. Nos. 4 & 11 were kept pending for probe and approval of revised PC-I. The para at Sr. No. 5 was kept pending for vetting of estimates from the Chief Engineer and approval of revised PC-I. The para at Sr. Nos. 6 & 15 were kept pending for recovery. The para at Sr. No. 7 was kept pending for the provision of an organic soil test report showing that available earth was not suitable for use or affect recovery. The paras at Sr. Nos. 8 and 16 were kept pending for a test report showing the compaction of the earth. The para at Sr. No. 10 was kept pending with the direction to revise the rates as per rates taken by the cardiology department in the excavation of the basement and deduct the rate of refilling and ramming where not required. The para at Sr. No. 12 was kept pending for recovery of interest amount from the contractor. The para at Sr. No. 13 was kept pending for cross-section measurement and recovery of overpayment. The para at Sr. No. 14 was kept pending for the provision of the lead chart from C&W Department. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be inquired into at the administrative department's level for fixing responsibility, and taking remedial measures, besides seeking regularization of the expenditure.

2.4.27 Non-compliance with PC-I-Rs. 39.46 million

As per Section 6 under "Cost Sharing" of Annexures D1 to D6 of PC-I of the project titled "National Program for Improvement of Watercourses in Pakistan", the maximum share of the Government was 60% of the total cost.

During audit of the Deputy Director (OFWM) for the financial year 2019-22, it was observed that for 101 cases of water improvement projects under the NPIW Phase II Scheme, the Government share was more than 60% of the total cost. The Government share for these projects ranged up to 73.87% leading to excess payment of Rs. 39,458,605, in violation of the cost-sharing requirement stated above.

The audit is of the view that non-compliance with the PC-I cost-sharing requirement for water course improvement projects can lead to an inefficient and inequitable allocation of public funds.

The matter was pointed out in May 2023. The department noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 26.12.2023, the para was kept pending till the submission of the inquiry report by the committee. Further progress was not reported by the department till the finalization of this report.

The audit recommends immediate action to ensure recovery of the excess amount paid for water course improvement projects. The department should review and revise its procedures and guidelines to ensure that the Government share does not exceed the maximum limit of 60% of the total cost.

(PDP No. 2023-0000001464_F00003)

2.4.28 Unauthorized payment to the defaulting contractors- Rs. 4.98 million

As per clause 55 of the agreement titled as "Construction of Research Institute at PMAS-ARID Agriculture University Rawalpindi (Sub Campus Attock)", no escalation shall be allowed to the contractor in respect of the period extended for the completion of work due to his own fault.

During audit of the accounts of Project Director PMAS- ARID Agriculture University Rawalpindi (Sub Campus Attock), it was observed that the work was awarded to M/S Mir Muhammad Alam Khan Lahri & Brothers for a contract amount of Rs. 111,720,267 vide acceptance letter No. P.D(W)/1920/127 dated 8.05.2020. The contractors could not complete the work in the stipulated period as the works were still in progress despite the lapse of more than 2 years. Further, the department paid the contractor an amount of Rs. 4,977,821 as price variation.

The amount paid was unauthorized due to the following reasons:

i) Record entries made in the measurement books were recorded without a date. In the absence of the same, the correct date of execution of work cannot be authenticated.
ii) Payment was made beyond the limit of the provision of contingencies made in the contract agreement.
iii) The price variation was calculated on the date of payment of the bill instead of the date of actual execution of work at the site.
iv) The contractor could not complete the work within the stipulated period. Therefore, instead of declaring him a defaulter by imposing the penalty, price variation was allowed which was unjustified.

The lapse occurred due to a violation of contractual obligation and resulted in an unjustified payment of Rs. 4,977,821 for price variation.

When pointed out in May 2023, the management stated that a reply would be given later.

The matter was further reported to the administrative department. DAC meeting was held on 29.11.2023. The department stated that the university had constituted a committee to probe into the matter. The para was kept pending for a fact-finding report. Further progress was not reported by the department till the finalization of this report.

Audit recommends that matters be inquired into for fixing responsibility against the delinquents, having benefited the contractor unduly and affecting recovery from the contractor.

(PDP No. 2023-0000001581_F00023)

CHAPTER 3
AUQAF AND RELIGIOUS AFFAIRS DEPARTMENT

3.1 Introduction

The Auqaf & Religious Affairs Department is headed by a Secretary, who is assisted by an Additional Secretary and a Deputy Secretary along with their ancillary staff. Secretary Auqaf & Religious Affairs also acts as Chief Administrator, Auqaf. The Auqaf Organization is a self-supporting body. Its sources of funding are shrine donations, grants, income from leased agricultural lands, and rents from commercial as well as residential properties. The funds generated are utilized for education, medical facilities, social welfare, academic scholarships, and for maintenance/operation of important religious monuments and Holy places. The Auqaf Organization comprises the following six Directorates:

- Directorate of Administration
- Directorate of Estate
- Directorate of Finance
- Directorate of Religious Affairs
- Directorate of Projects
- Directorate of Health Services

Functions

- Administration of the Punjab Waqf Properties Ordinance, 1979.
- Managing mosques, shrines, and other religious institutions under the control of the Chief Administrator, Auqaf, Punjab, except historical monuments.
- Management of Central Auqaf Fund.
- Management of Muslim graveyards taken over by the Chief Administrator of Auqaf, Punjab under section 7 of the West Pakistan Waqf Properties Ordinance, 1979.
- Managing Charitable and Religious Endowments.
- Preparation and implementation of religious education schemes.
- Management and repair of Badshahi Mosque, Lahore.
- Religious Education Schemes.
- Publication of books on Islamiat.

- Printing and Publication of the Holy Quran including administration of the publication of the Holy Quran (Elimination of Printing & Recording Errors) Act, 1973.
- Arrangements of Hajj Affairs in coordination with the Federal Govt.
- Administration of Data Darbar Hospital, Lahore.

Audit Profile of Auqaf and Religious Affairs Department

Sr. No.	Description	Total No.	Audited	Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)	Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)
1	Formations	4	1	382	-
2	• Assignments Accounts • SDAs etc. (excluding FAP)	1	1	-	-
3	Authorities/Autonomous bodies etc. under the PAO	1	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The appropriation accounts of Auqaf and Religious Affairs Department for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during 2022-23 against the total of four grants/appropriations is given below:

• ***(Rupees in million)***

Grant No.	Original Grant	Supplementary Grant/ Re-Appropriation	Final Grant	Actual Expenditures	Excess/ (Savings)
1	**2**	**3**	**4**	**5**	**6(5-4)**
PC21010	305.57	(203.52)	102.05	98.61	(3.44)
PC21023	500.00	(500.00)	0	0	0
PC22036	412.00	(166.26)	245.74	215.00	(30.74)
Total	**1,217.57**	**(869.78)**	**347.79**	**313.61**	**(34.18)**

Overview of Expenditure

The final budget of Auqaf and Religious Affairs Department for the year ended 30th June 2023 was Rs. 347.79 million. Out of this, the actual expenditure was Rs. 313.61 million. The breakup of current and development expenditure is given below

(Amount in Rupees)

Grant Type	Original Grant	Actual Expenditure	Excess/ (Savings)	Variance %
1	**2**	**3**	**4**	**5**
Current	805,569,000	98,607,896	(706,961,104)	87.76
Development	412,000,000	214,997,893	(197,002,107)	47.82
Total	**1,217,569,000**	**313,605,789**	**(903,963,211)**	**74.24**

This composition changed due to supplementary grants and surrenders. The variance of final grant and actual expenditure is given below:

- ***(Amount in Rupees)***

Grant Type	Final Grant	Actual Expenditure	Excess/ (Savings)	Variance %
1	**2**	**3**	**4**	**5**
Current	102,048,000	98,607,896	(3,440,104)	(3.37)
Development	245,740,000	214,997,893	(30,742,107)	(12.51)
Total	**347,788,000**	**313,605,789**	**(34,182,211)**	**(9.83)**

Anticipated savings not surrendered

As per Para 14.3 of the Punjab Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs. (34.18) million at the close of the year 2022-23 under grants PC21010, PC21023, and PC22036 were not surrendered in time by the Department.

3.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 104.85 million were raised during audit of the Auqaf and Religious Affairs Department. This amount includes recoveries of Rs. 4.54 million as pointed out by the audit. The summary of the audit observations classified by nature is as under:

Overview of Audit Observations

(Rs. in million)

Sr. No.	Classification	Amount
1.	Recoveries and overpayments	4.54
2.	Financial Matters	100.31
Total		**104.85**

3.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC directives, for reports discussed so far, is given below:

Sr. No.	Audit Report Year	Total Paras	Compliance received	Compliance not received	Percentage of compliance
1	1999-2000	41	4	37	10
2	2001-2002	81	25	56	31
3	2012-2013	9	1	8	11
Total		**131**	**30**	**101**	**21**

Note: The Audit Report years missing in the above table were either due to non-inclusion of the subject chapter during that year or non-discussion of the subject chapter before the PAC.

The compliance status in Auqaf and Religious Affairs Department needs to be improved.

3.4 AUDIT PARAS

Recoveries and overpayments

3.4.1 Overpayment due to application of incorrect rate-Rs. 4.54 million

According to the instructions issued by the Finance Department, vide No. RO(Tech)FD-18-23/2004, dated 21.09.2004, rate analysis for the non-standardized items shall be prepared by the Executive Engineer, clearly giving the specifications of the material used and approved by the competent authority, not below the rank of Superintending Engineer on the basis of input rate of relevant quarter placed at the website of Finance Department.

During audit of the accounts of Secretary, Auqaf & Religious Affairs Department for the period 2020-22, it was observed that the management made payments for the items (P/L Marble size 11 ½"x11 ½"x3/4" or ½") for different quantities against various works. The audit observed that the department provided excess material rate and extra labour in the rate analysis. Actual labour of two masons and two collies was required instead of two masons, three collies, and ¼ skilled coolly. In this way, the department made an excess payment of Rs. 4,536,537.

Audit is of the view that the lapse occurred due to weak financial and supervisory controls.

The matter was pointed out in March 2023. The management stated that a detailed reply would be submitted later.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired into to fix the responsibility and the loss be made good from the concerned at fault, besides ensuring the strengthening of supervisory and financial controls.

(PDP No. 2023-0000000727_F00033)

Financial Matters

3.4.2 Consultancy charges paid without completion of work in accordance with TORs-Rs. 100.31 million

According to Rule 2.10(a) (1) of PFR Vol-I, the same vigilance should be exercised in respect of expenditure incurred from Government revenue as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of the Auqaf & Religious Affairs Department for the period 2020-22, it was observed that an expenditure of Rs. 100,310,030 was incurred on the payment to the consultant before the completion of work as per TORs/without getting the contractual obligations completed by the contractor. The details are as under:

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Nature of Irregularity**	**Amount (Rs.)**
1	Secretary, Government of the Punjab, Auqaf & Religious Affairs Department, Punjab, Lahore.	2020-22	2023-0000000727_F00028	Non-completion of tasks as per TORs and complete payment to the consultant	50,155,015
2	Secretary, Government of the Punjab, Auqaf & Religious Affairs Department, Punjab, Lahore.	2020-22	2023-0000000727_F00027	Unjustified payment without getting the contractual obligations completed	50,155,015
Total					**100,310,030**

Audit is of the view that weak management and compromised financial internal controls on expenditure resulted in irregular payments to the tune of Rs. 100.31 million.

The lapse was pointed out in March 2023. The management stated that a detailed reply would be submitted later.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the department may hold an inquiry into mis-procurement to take cognizance of breach of contractual obligation by consultants, besides strengthening its internal controls.

CHAPTER 4
BOARD OF REVENUE

4.1 Introduction

The Board of Revenue is a successor to the office of the Financial Commissioner. It was originally constituted under the provisions of West Pakistan Board of Revenue Act, 1957, which on dissolution of One Unit in 1970, became the Board of Revenue, Punjab.

The following are the main functions of the Board of Revenue:

- It is the controlling authority in all matters connected with the administration of land, land taxation, land revenue, preparation, updating and maintenance of records
- It is the highest Revenue Court and custodian of the rights of land of all the right-holders in the Province
- It exercises general superintendence and control over the Revenue Officers and Revenue Courts in the province and has suo-moto jurisdiction

Audit Profile of the Board of Revenue

Sr. No.	Description	Total Nos.	Audited	Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)	Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)
1.	Formations	591	39	-	215,126
2.	• Assignment Accounts • SDAs etc. (excluding FAP)	4	1	-	-
3.	Authorities/autonomous bodies etc. under the PAO	1	-	-	-
4.	Foreign Aided Projects (FAP)	1	1	137.95	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The appropriation accounts of the Board of Revenue for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during 2022-23 against the total of eight grants/appropriations is given below:

a. ***(Rupees in million)***

Grant No.	Original Grant	Supplementary Grant/ Re-Appropriation	Final Grant	Actual Expenditures	Excess/ (Savings)
1	**2**	**3**	**4**	**5**	**6(5-4)**

PC21002	5,998.08	182.04	6,180.12	5,786.39	(393.73)
PC21004	507.83	(134.90)	372.93	345.47	(27.46)
PC21006	121.06	(19.60)	101.46	96.26	(5.20)
PC21009	16.95	(8.85)	8.10	7.83	(0.27)
PC21010	8,024.68	2,086.62	10,111.30	9,104.78	(1,006.52)
PC21031	1,608.19	(9.99)	1,598.20	1,597.95	(0.26)
PC22036	1,991.11	1,565.75	3,556.86	960.35	(2,596.51)
PC16046	0.43	(0.43)	0	0	0
Total	**18,268.33**	**3,660.64**	**21,928.98**	**17,899.04**	**(4,029.94)**

Overview of Expenditure

The final budget of the Board of Revenue for the year ended 30th June 2023 was Rs. 21,928.98 million. Out of this, actual expenditure was Rs. 17,899.04 million. The breakup of current and development expenditure is given below:

b. ***(Amount in Rupees)***

Grant Type	**Original Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	16,277,225,000	16,938,688,481	661,463,481	4.06
Development	1,991,109,000	960,351,937	(1,030,757,063)	(51.77)
Total	**18,268,334,000**	**17,899,040,418**	**(369,293,582)**	**(2.02)**

This composition changed due to supplementary grants and surrenders.

The variance of the final grant and actual expenditure is given below:

c. ***(Amount in Rupees)***

Grant Type	**Final Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	18,372,116,000	16,938,688,481	(1,433,427,519)	(7.80)
Development	3,556,861,000	960,351,937	(2,596,509,063)	(73.00)
Total	**21,928,977,000**	**17,899,040,418**	**(4,029,936,582)**	**(18.38)**

Anticipated savings not surrendered

As per para 14.3 of the Punjab Budget Manual, the spending departments are required to surrender the grants/ appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs. (4,029.94) million at the close of the year 2022-23 under grants, PC21002, PC21004, PC21006, PC21009, PC21010, PC21031, PC22036 & PC16046 were not surrendered in time by the Department.

4.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 1,074.79 million were raised during audit of the Board of Revenue Department. This amount includes recoveries of Rs. 379.37 million as pointed out by the audit. The summary of the audit observations classified by nature is as under:

Overview of Audit Observations

(Rs. in million)

Sr. No.	Classification	Amount
1.	Recoveries and overpayments	379.37
2.	Procurement related irregularities	131.29
3.	Others	564.13
Total		**1,074.79**

4.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC directives, for reports discussed so far, is given below:

Sr. No.	Audit Report Year	Total Paras	Compliance Received	Compliance not Received	Percentage of Compliance
1.	1987-88	7	3	4	43
2.	1988-89	08	02	06	25
3.	1989-90	41	12	29	29
4.	1990-91	10	3	7	30
5.	1991-92	03	0	03	0
6.	1992-93	15	6	9	40
7.	1993-94	23	4	19	17
8.	1994-95	23	3	20	13
9.	1996-97	31	6	25	19
10.	1997-98	43	9	34	21
11.	1998-99	77	26	51	34
12.	1999-00	71	20	51	28
13.	2000-01	198	40	158	20
14.	2011-12	3	0	3	0
Total		**553**	**134**	**419**	**24**
Note: The Audit Report years missing in the above table were either due to non-inclusion of the subject chapter during that year or non-discussion of the subject chapter before the PAC.					

The compliance with PAC directives in the Board of Revenue Department is not satisfactory and needs improvement. However, the department is requested to reconcile the matter with the Audit Department regarding any discrepancy.

4.4 AUDIT PARAS

Recoveries and overpayments

4.4.1 Non-deduction of taxes-Rs. 276.67 million

Punjab Sales Tax on Services was required to be deducted while making payments to the service providers at prescribed rates as mentioned in the 2nd Schedule of the Punjab Sales Tax on Services Act. Moreover, Section 236A of the Income Tax Ordinance 2001 provides that advance tax should be deducted @ 10% of the gross sale price of any property or goods sold by auction. Further, under Section 153 of Income Tax Ordinance 2001, Income tax was required to be deducted from the payments to firms at source on the gross amount at prescribed rates. Sales Tax Act 1990 provides that purchases should be made from the registered firms and 1/5th value of the total GST be withheld. As per Stamp Act 1899, stamp duty on the contracts entered into for procurement of stores and materials was levied at the rate of 25 paisa for every Rs.100 or part thereof of the amount of the contract.

During audit of the following entities, it was observed that an amount of Rs. 276,669,068 on account of advance income tax on auction, GST, PST, and stamp duty was not deducted at source from the payments of suppliers/service providers. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	PLRA Lahore	2022-23	2023-0000005650_F00001	Non-charging of Punjab Sales Tax on service charges of PLRA	113,000,000
2	Additional Deputy Collector Revenue Lahore	2022-23	2023-0000004709_F00001	Non-realization of advance income tax	106,155,000
3	Project Director/ Principal Revenue Academy	2022-23	2023-0000004747_F00003	Non-deduction of taxes while distribution of stipend to master trainers	46,094,568
4	PD-Punjab Urban Land Systems Enhancement-Project	2022-23	2023-0000004574_F00004	Non-realization of stamp duty	4,768,191

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
5	Senior Member Board of Revenue, Punjab	2022-23	2023-0000002826_F00032	Non-deduction of stamp duty	2,767,121
6	PD-Punjab Urban Land Systems Enhancement-Project	2022-23	2023-0000004574_F00002	Non-deduction of taxes	1,800,348
7	Additional Deputy Collector Revenue Lahore	2022-23	2023-0000004709_F00007	Non-realization of Punjab sales tax on renewal of stamp vendor licenses	1,800,000
8	Secretary Board of Revenue (South Punjab)	2022-23	2023-0000004736_F00006	Less Deduction of Taxes	283,840
Total					**276,669,068**

Audit is of the view that the lapse occurred due to weak internal controls on taxation and oversight on the part of withholding agents.

The matter was pointed out from July to November 2023. The management at Sr. No. 1 replied that no sales tax was applicable on services provided by PLRA as land record services do not fall under taxable services given in the relevant schedule. The reply was not tenable as PLRA received service charges at the rate of Rs. 1,000 for each mutation and IT services employed by PLRA are without conferment of PST exemption. The rest of the entities either did not respond or noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 05.12.2023, 26.12.2023, 27.12.2023, 15.01.2024 and 17.01.2024, the paras at Sr. Nos. 2 & 8 were kept pending for compliance. The paras at Sr. Nos. 3, 4 and 5 were kept pending for recovery. The para at Sr. No. 6 was reduced to the extent, the amount was shown in the table and was kept pending for the balance recovery. The para at Sr. No. 7 was kept pending for clarification from PRA. Further progress was not reported by the department. As regards the remaining para, neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the leviable taxes be recovered from the concerned and deposited into Government Treasury.

4.4.2 Irregular payment of unauthorized allowances-Rs. 83.53 million

According to the Inspectorate of Treasuries & Accounts, Government of the Punjab Finance Department's letter No.IT (FD)(TT)7-2/2020 dated 27th December 2020, fixed TA/DA and stationery allowance sanctioned to officers/officials as follows:

i. Tehsildar BPS-16 @Rs.14000 for 20 dailies
ii. Naib Tehsildar BPS-14 @Rs.10500 for 15 dailies,
iii. Qanungo BPS-11 @ Rs.7020 for 18 dailies,
iv. Patwari BPS-09 @Rs.6240 for 16 dailies and Rs.1000 stationary allowance.

Finance Department vide letter No.FD.SR-I/9-46/2015 dated 26.09.2016 requires that all the departments should ensure that additional charges may not be assigned to an officer for the second spell of three months without prior consultation with the Finance Department. Further, Rule 2.31 (a) of PFR Vol-I states that a drawer of bills for pay, allowances, contingent, and other expenses will be held responsible for any overcharges, frauds, and misappropriations.

During audit of the following entities, it was observed that an unauthorized payment of Rs. 83,529,188 was made by the management to various officers on account of fixed TA/DA and various allowances beyond the mandate of admissibility. The detail is given as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of recovery	Amount (Rs.)
1.	Senior Member Board of Revenue, Punjab	2022-23	2023-0000002826_F00001	Excess drawl of fix TADA by Tehsildar/ Naib Tehsildar @ Rs.16,800, Qanoongoh @ Rs.11,232 and Patwari @Rs.9,984 instead of Rs.10,500, Rs.7,020 and Rs.6,240 respectively.	70,371,547
2.	Punjab Land Record Authority, Lahore	2022-23	2023-0000005650_F00014	Unauthorized granting of additional charge	11,480,641
3.	Additional Deputy Collector Revenue Lahore	2022-23	2023-0000004709_F00010	Unauthorized payment of multiple allowances	1,005,000

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of recovery	Amount (Rs.)
4.	Senior Member Board of Revenue, Punjab	2022-23	2023-0000002826_F00021	Irregular drawl of special additional allowance	672,000
Total					**83,529,188**

Audit is of the view that weak management and internal controls on payroll resulted in irregular payments of pay and allowances.

The matter was pointed out from August to November 2023. The management stated that a detailed response would be given after consulting the record.

The matter was further reported to the administrative department. In DAC meetings held on 26.12.2023 and 17.01.2024, the paras at Sr. Nos. 1 & 4 were kept pending for recovery. The para at Sr. No. 3 was kept pending for compliance. Further progress was not reported by the department. As regards the remaining para, neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends affecting recovery besides strengthening its internal and supervisory controls on payment of pay and allowances along with fixing responsibility against those held responsible.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 3.4.4(2) having financial impact of Rs. 7.06 million. Recurrence of the same irregularity is a matter of serious concern.

4.4.3 Non-deposit of imposed recovery-Rs. 19.17 million

As per Regulation No. 22 (1) of the Punjab Land Record Authority (Appointment and Condition of Service) Regulations, 2020 through Notification No. PLRA/BN/0001 Dated July 1, 2020, the employee may resign from his/her post by giving two months notice. Regulation No. 22 (3) prescribes that till such time resignation is accepted, the employee shall continue to serve and cannot absent himself from his duties without proper leave during the notice period.

During audit of Punjab Land Record Authority, Lahore, for the period 2022-23, it was observed from the perusal of inquiry reports that an amount of Rs. 16,025,666 had been misappropriated against collected taxes. Moreover, the major penalty of forfeiture of past services for the period of three years with recovery was imposed upon four incumbents and one incumbent was removed from service but no amount had so far been recovered. Further, recovery of an amount of Rs. 3,142,598 on account of excess payment of salaries to 10 employees was not ensured although they had not served prior notice of resignation and drew salaries irregularly.

Audit is of the view that weak management and internal controls resulted in a non-recovery of Rs. 19.17 million.

The matter was pointed out in November 2023. The management stated that a detailed response would be given after consulting the record.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends affecting recovery, besides strengthening its internal and supervisory controls devolved upon the management.

(PDP No. 2023-0000005650_F00002)

Procurement related irregularities

4.4.4 Irregular expenditure in violation of Punjab Procurement Rules-Rs. 131.29 million

As per Rule 9 of PPR 2014, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. Further, as per Rule 12 of Rules ibid, a procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of two million rupees on the website of the Authority in the manner and format specified by regulations. As per Rule 4 of PPR Rules 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical. Further, as per web portal of PPRA, module captioned as Frequently Asked Questions, it has been clarified that whenever a procuring agency is confronted with such a situation whereby the rate quoted by the single bidder cannot be compared so as to declare it as the lowest rate or otherwise, the following factors may be kept in view:

a) The comparison of price of the goods, works or services if procured during the current financial year.

b) Market price of the goods works and services to be procured.

During audit of various formations of BOR, it was observed that an expenditure of Rs. 131,288,973 was incurred on the purchase of various items under different heads of accounts in violation of Punjab Procurement Rules 2014.

The details are given as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Project Director/ Principal Revenue Academy	2021-23	2023-0000004747_F00002	Purchase from a single firm without market rate analysis	52,485,983
2	Senior Member Board of Revenue, Punjab,	2022-23	2023-0000002826_F00012	Misstatement overlooked in technical evaluation report	27,200,000
3	Senior Member Board of Revenue, Punjab	2022-23	2023-0000002826_F00013	Awarding supply order to a firm other than the lowest bidder	26,634,650
4	Secretary Board of Revenue (South Punjab)	2021-23	2023-0000004736_F00005	Splitting to avoid the tendering process and framework contract	13,519,542
5	Project Director/ Principal Revenue Academy	2021-23	2023-0000004747_F00006	Hiring of consultant without revision in PC-1 and advertisement	11,448,798
Total					**131,288,973**

The matter was pointed out from July to November 2023. The management stated that a reply would be submitted later.

The matter was further reported to the administrative department. In DAC meetings held on 26.12.2023, 27.12.2023, and 15.01.2024, the paras at Sr. Nos. 1 & 4 were kept pending for regularization from the Finance Department. The paras at Sr. Nos. 2, 3 & 5 were kept pending for compliance. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be probed into for fixing responsibility and taking remedial measures besides seeking regularization of mis-procurement from the Finance Department.

Performance related irregularities

4.4.5 Inconsistent implementation of efficiency and discipline penalty clauses entailing system vulnerability

As per Section 20 of the Punjab Land Records Authority Act 2017 Chapter V Appeal, Review And Revision, Correction and Updation of the Land Records.– Any correction or updation required to be incorporated in the Land Records shall be made and incorporated under the orders of relevant authorities and in the manner provided under different enactments, rules, and regulations relating to the correction and updation of the land records, promulgated, approved and issued by the Competent Authorities as envisaged under the relevant provisions of the law, rules, and regulations related to Land Records.

During audit of the Punjab Land Record Authority, Lahore for the financial year 2022-23, it was noticed that the authority had initiated inquiries against 318 individuals and confronted them with the allegations of contravention of the SOP and tampering with the system such as:

d. Entered mutation in the absence of seller
e. Issued token without recording statement of witness
f. Passed mutations without biometric verification
g. Manipulated LRMIS clock of server machine
h. Illegally unblocked knowing that transaction had stay orders
i. Unauthorized issuance of Fard and Non-Encumbrance Certificate (NEC) to housing society
j. Manipulated the fingerprint impressions

It further transpired that during sample checking for 11 cases, it was revealed that the authority imposed different penalties for similar offences against different individuals showing the bias of the inquiry proceedings characterized by arbitrary decision making.

Audit is of the view that weak administrative and internal controls resulted in inconsistent and whimsical implementation of efficiency and discipline penal clauses, entailing uncurbed system vulnerability, making it evident that the system was far from being foolproof.

The matter was pointed out in November 2023. The authority replied that the system is being improved gradually. The reply was not tenable as the Government sustained a huge loss to its public exchequer and tampering with land records. The authority had also incurred a huge amount of expenditure on LRMIS but the system had not been rid of vulnerability.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends probing the matter and fixing responsibility against persons at fault along with ensuring recovery and reversal of misleading tinkering with land records in the system by unscrupulous elements.

(PDP No. 2023-0000005650_F00018)

Value for money and service delivery issues

4.4.6 Data distortions of rural land in comparison to data maintained by LRMIS

Control Objectives for Information and Related technology (COBIT) envisages that a key characteristic of an automated information system was that it provided real-time automated business analysis reports covering all business requirements of the organization. This enabled timely and error-free reporting and allowed the organization to avoid delays/errors associated with manual/semi-automated reporting processes.

Input controls standardized in Information System Modules are inclusive of IT validation checks are to be introduced in an application to ensure that only valid input could be entered into the system and processing is done as per predefined logic. The format and type of data are part of the validation check parameters.

During audit of the Project Director, Punjab Urban Land Systems Enhancement (PULSE), Lahore for the financial year 2022-23, it was observed that PLRA maintained LRMIS data of 5.5 million land owners for rural land but the discrepancies in the legacy data continued to affect system assurance and data integrity. It led to data distortions that included anomalies such as state land data depicting differences in the khana malkiyatt and khana kasht and want of indication on fard whether the property is situated on/off road, in the residential or commercial area, having direct implications on the determination of valuation and taxes to be levied.

It was further observed that the management relied on unauthentic data under different schemes of the colony department that was scanned under the SLMS project and eventually used for geo-parceling and mapping. One example is that of the horse breeding scheme from Khanewal which shows 400 cases in the whole district but as per data available with the audit, 1051 cases were to be automated under the said scheme. This creates an unexplained difference of 99377 kanals against 651 allotees entailing skipping of land records entered on the automated system involving a deficit of land inventory.

Audit is of the view that due to ineffective administrative controls, data distortion of rural land in comparison to data maintained by LRMIS for the year 2022-23 was yet to be remedied.

The lapse was pointed out in September 2023. The management replied that the PULSE project was started to overcome the issues discussed in the para. As PLRA maintained LRMIS, PULSE has no legal competence to take any decision relating to LRMIS. Audit held that the reply was not tenable as management admitted that there are issues in existing land record data and all the work done by PULSE cannot be authenticated.

The matter was further reported to the administrative department. In DAC meeting held on 05.12.2023, the committee kept the para pending by majority decision with the direction to ensure that the initial elimination of data distortions and cropped up land differences in already maintained records are to be done away with and thereafter digitalization/parceling/mapping be opted sequel to giving effect to data cleansing.

Audit recommends implementing the decision of DAC.

(PDP No. 2023-0000004574_F00009)

4.4.7 Breach of restriction on the partition of state land and commonly held properties on an area measuring 21370.5 acres

Section 136 of the Punjab Land Revenue Act 1967 (act xvii of 1967), captioned as restrictions and limitations on partition envisages that notwithstanding the provisions of sections 135 and 135-A (a) places of worship and burial grounds held in common before partition shall continue to be so held after partition; and (b) partition of any of the following properties, namely:

(i) any embankment, water-course, well or tank and any land on which the supply of water to any such work may depend;

(ii) any grazing ground; and;

(iii) any land which is occupied as the site of a town or village, may be refused if, in the opinion of the Revenue Officer, the partition of such property is likely to cause inconvenience to the co-sharers or other persons directly or indirectly interested therein or to diminish the utility thereof to those persons.

During audit of the office of PD-PULSE, Lahore for the financial year 2022-23, it was noticed that out of the state land 1784.5 acres under water course Abadi dah, village, and common lands in private housing societies in Punjab and 19,586 acres consisting of grazing ground could not be considered in the partition by the PULSE team working on geotagging and parcel mapping in private housing societies.

It was further observed that the management started the entire process of partition, mapping, and parceling, even though 58 Mouzajats were in a consolidation process that could not be partitioned, and without this mapping, parceling of khasra-jats was not tenable.

Audit is of the view that due to ineffective administrative controls, 21,370.5 acres of commonly held land in private housing societies for the year 2022-23 were partitioned without lega cover.

The lapse was pointed out in September 2023. The management replied that PULSE had proposed a law to be promulgated through the Ordinance "Punjab Partition of Agriculture Land Ordinance 2023". Audit held that without approval of law, partition work cannot be started and that will ultimately result in unauthorized partitions and undue litigation.

The matter was further reported to the administrative department. In DAC meeting held on 05.12.2023, the committee kept the para pending by majority decision with the direction to remedy the matter also directing for proper maintenance of record with all supporting documents for remedial action.

Audit recommends implementing the decision of DAC.

(PDP No. 2023-0000004574_F00012)

4.4.8 Lopsided 345,977 GIS parcels of land involving measurement difference of 136,144 acres

As per revised PC-I of the PULSE Project, the overall project objective is to provide beneficiaries in Punjab province with:

iv) Development of cadastral mapping including digital land records of Urban, Peri-Urban, and rural areas of the entire Punjab along with determination of land titles;

v) Upgradation of the existing digital land records of rural areas with cadastral maps;

vi) Improved access to State land for development including housing programs; Cadastral survey includes all data relating to property boundaries, buildings, individual objects such as retaining walls and shelters, as well as building addresses and various other details, must be kept up to date.

During audit of the office of PD-PULSE, Lahore for the financial year 2022-23, it was noticed that the land measuring 1699,889 acres within the prohibited zone in Punjab consists of urban, peri-urban land which cannot be partitioned. It is further added that the management created 345,977 parcels of the land measuring 136,144 acres of PHATA, cooperative societies, and District Sahiwal without rectifying land differences in the land record of two departments ignoring encroachment, litigation, and water courses land.

The accuracy and system assurance were not foolproof in the presence of the following:

1. Encumbrances on Digital Jamama Bandi of urban land of 3024 Mouzajats and more than 3000 mouza of rural land.

2. Khewat issues in urban areas, like unbalanced khewats.
3. Missing massavies and unconstructed massavies of urban area.
4. Preparation of tammima of each registered unit.

Further, as per revised PC-I, a total cost of Rs. 15,174 million during 2022-23 will be for high-resolution Aerial Imagery/Mapping of the entire Punjab (including Urban, Peri-Urban, and rural areas) Updating of parcel mapping data without removal of anomalies entailed increased project cost.

The lapse occurred due to ineffective administrative controls.

The lapse was pointed out in September 2023. The management replied that all the observations would be highlighted at the senior management level to make policy decisions. The reply of the management is self-explanatory.

The matter was further reported to the administrative department. In DAC meeting held on 05.12.2023, the committee kept the para pending by majority decision with the direction to expedite the matter along with proper maintenance of record with all supporting documents for remedial action most expeditiously.

Audit recommends implementing the decision of DAC.

(PDP No. 2023-0000004574_F00013)

Others

4.4.9 Irregularities in contract agreement with service provider for CLRMIS-Rs. 243.17 million

As per Clause 3.6 of the contract agreement governing the conditions applicable to the service provider the service provider shall submit to the employer the reports and documents specified in Appendix B in the form and within the periods set forth in the said Appendix.

During audit of the Punjab Land Record Authority, Lahore for the financial year 2022-23, it was observed that the management entered into a contract with M/s Systems Ltd. for manage services for upgrading, amendments, and maintenance of Land Records Management Information System (LRMIS) against the contractual amount of Rs. 388,000,000. An amount of Rs. 243,172,000 was paid to the service provider till May 2023 but activities performed by the service provider were not conforming to the project-prescribed activity schedule. The payments were at variance with the milestones required to be achieved. Irregularities committed by the management during the execution of the contract are as under:

- Dahi Markaz Mall and e-library were separate projects of BOR which resulted in overlapping of services
- Additional work delivery assurance test reports and inspection certificates were not maintained
- Irregular payment of Rs.20.417 million from December 2022 To January 2023 without breakup on bill of quantity.
- Some of the tickets were not found in system claimed by M/s Systems Ltd. in bill for ID-MSF-660 Integration With FBR.
- Rate of 19.5% was not made applicable on cloud services.

Audit is of the view that the lapse occurred due to weak internal controls.

The matter was pointed out in November 2023. The management stated that a detailed response would be given after consulting the record.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the lapses be inquired into, taking remedial measures, besides seeking regularization of the lapses from the Finance Department.

(PDP No. 2023-0000005650_F00020)

4.4.10 Irregular opening of accounts and non-adjustment of advances given to ARCs-Rs. 231.67 million

According to Government of the Punjab, Finance Department's letter No. FD-DS (Coordination)/Misc./2018, dated 22.06.2018, public money must not be parked in commercial accounts.

During audit of the Punjab Land Record Authority, Lahore for the financial year 2022-23, it was noticed that the authority had opened accounts in commercial banks for 151 ARC but no record of bank accounts (list and type of bank account, date of opening, etc) and their opening with regard to approval from the competent forum, bank statements of the same had been collected by authority. It is further added that the advances were issued to ARCs of Rs. 231,668,747 but their adjustment had not been made as per law and no adjustment was maintained at Head Quarter.

The lapse occurred due to weak administrative and internal controls.

The matter was pointed out in November 2023. The management replied that a detailed response would be given after consulting the record.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the department should adhere to Government instructions and seek condonation of irregularity from the Finance Department.

(PDP No. 2023-0000005650_F00006)

4.4.11 Irregular and doubtful distribution of Goods and payment of internet charges to Dahi Markaz Mall-Rs. 75.18 million

As per Rule 15.4(a) of PFR Vol-I, all material received should be examined, counted, measured, and weighed as the case may be when delivery is taken. The passing and receiving Government servants should see that the quantities are correct and their quality is good and record a certificate to this effect.

During audit of the Senior Member of the Board of Revenue, it was observed that an amount of Rs. 39,000,000 was spent for making purchases and subsequent distribution of purchased goods among newly established Dahi Markaz Mall (DMM) but the same was held irregularly as the list of all established DMM to whom goods were distributed, whereas stock registers of warehouses and Markaz wise distribution was not maintained.

As per the statement given by the officials, 6807 DMM stood established but no record was maintained that supports the DMM existence. 3797 DMM were reportedly established in private buildings but details of lease agreements, payments made to owners of private buildings, and current working human resources needed disclosure. The existence, occurrence, and disclosure of the vouchers remained undisclosed. The details are given in annexure-8.

Further, in Punjab Land Record Authority, the authority made a payment of Rs. 36,179,820 on account of Internet charges to DMM without the availability of relevant documents, list of DMM to whom Internet service was provided, internet package details, etc. It was also noticed that the revenue staff of Dahi Markaz Malls were utilizing the LRMIS resources without proper training leading to unauthorized changes in land records.

The lapse occurred due to weak supervisory, financial, and internal controls.

The matter was pointed out in November 2023. The management stated that a detailed response would be given after consulting the record.

The matter was further reported to the administrative department. In DAC meeting held on 26.12.2023, the para regarding the Senior Member Board of Revenue was kept pending for compliance. Further progress was not reported by the Department. As regards the remaining para, neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends probing into the matter at the administrative department's level besides strengthening internal and financial controls.

(PDP Nos. 2023-0000002826_F00017 & 2023-0000005650_F00007)

4.4.12 Diversion of PCF receipt, involving pilferage-Rs. 9.39 million

Article 118 of Constitution of the Islamic Republic of Pakistan states that all revenues received by the Provincial Government, all loans raised by that Government, and all moneys received by it in repayment of any loan, shall form part of a consolidated fund, to be known as the Provincial Consolidated Fund.

According to Government of the Punjab, the Finance Department's letter No.FD-DS(Coordination)/Misc./2018, dated 22.06.2018, public money must not be parked in commercial accounts.

During audit of the office of Board of Revenue, Lahore for the financial year 2022-23, it was noticed that the Office of Chief Settlement Commissioner in Punjab, overseen by SMBR, operated an unauthorized bank account for ex-evacuee property sales. This account also led to an unauthorized expenditure of Rs. 9,385,328, lacking proper record-keeping.

Further, the Senior Member Board of Revenue, Punjab, was operating an unauthorized account No 6510047113900018 with the title Member Revenue Board/Chief Settlement Commissioner at Bank of the Punjab in which the management had deposited sale proceeds of ex-evacuee property. Audit traced the account through the financial trail of deposited challans of Rs. 271,560,000 in the account but the same was not produced to Audit for verification.

The lapse occurred due to weak administrative and internal controls.

The matter was pointed out in November 2023. The management replied that a detailed response would be given after consulting the record.

The matter was further reported to the administrative department. In DAC meeting held on 26.12.2023, the paras were kept pending for compliance and probe besides fixing responsibility and production of auditable records. Further progress was not reported till the finalization of this report.

Audit recommends that the department should adhere to Government instructions and seek condonation of irregularity from the Finance Department.

(2023-0000002826_F00008 & 2023-0000002826_F00011)

4.4.13 Irregular expenditure on rent of building-Rs. 4.72 million

Section 5 of The Punjab Rental Premises Act 2009 Agreement between landlord and tenant provides that every rent/tenancy agreement must be in writing and must be registered with the Rent Registrar under the Registration Act, 1908, and must cover stamp duty as required under the Stamp Act, 1899.

During audit of Punjab Revenue Academy, Lahore for the period 2021-23, it was observed that an amount of Rs. 4,715,000 was paid by the management on account of the rent of the office building. The payment was held irregular because the rent agreement was not registered with the sub-registrar, escalated rent was being paid on the basis of fabricated PT-I which unduly showed that the building was commercial and situated on the main road but the fact was that it was an off-road residential building, the rent agreement and payment of rent were being paid to a person other than the owner.

The lapse occurred due to weak administrative and internal controls.

The matter was pointed out in November 2023. The management replied that a detailed response would be given after consulting the record.

The matter was further reported to the administrative department. In DAC meeting held on 15.01.2024, the para was kept pending for compliance. Further progress was not reported by the department till the finalization of the report.

Audit recommends that the department should adhere to Government instructions and seek condonation of irregularity from the Finance Department.

(PDP No. 2023-0000004747_F00001)

4.4.14 Non-maintenance of auditable record

As per Government of the Punjab, Finance Department’s letter No.F(Mn)mw/1-4/92 dated 26.09.1992, if the concerned officials are not present at the time of audit and the record was not shown to audit, entries made and the record produced afterward would not be accepted.

During audit of Punjab Land Record Authority, Lahore for the period 2022-23, critical records were found missing, including accommodation details, project documents, HR files, DMM and centers abroad, vouched civil work accounts, stock registers, payment schedules, login IDs, and verified financial statements and internal audit reports. The details are given in annexure-9.

Audit is of the view that due to the non-maintenance of records, the audit could not ascertain the authenticity of accounts.

The matter was pointed out in November 2023. The management noted the observations.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired into at administrative department's level, taking remedial measures besides ensuring maintenance of record.

(PDP Nos. 2023-0000005650_F00017)

CHAPTER 5
EXCISE, TAXATION AND NARCOTICS CONTROL DEPARTMENT

5.1 Introduction

The Excise, Taxation, and Narcotics Control Department was established as an independent entity in 1974 after its separation from the Board of Revenue. This department provides services for the collection of various taxes and duties and suggests ways and means for additional resource mobilization in the province. Building up taxpayer's confidence, creating taxpaying culture, and providing facilities to the general public in payment of taxes are the top priorities.

The Excise, Taxation, and Narcotics Control Department is primarily responsible for the collection of the following provincial levies/taxes in the province of Punjab.

- Cotton fee
- Motor vehicle token tax
- Entertainment duty
- Professional tax
- Hotel tax
- Property tax
- Excise duty (duty on manufacturing, import, export of liquor, vend fee on retail sale of liquor, and fees on grant and renewal of licenses/permits for liquor).
- Farmhouse tax

The Excise, Taxation, and Narcotics Control Department is also responsible for the collection of the following Federal levies/taxes.

- Income Tax (at the time of collecting motor vehicle tax)
- Capital Value Tax (at the time of registration of imported motor vehicles if not paid at the time of import).

Audit Profile of Excise, Taxation, and Narcotics Control Department

Sr. No.	Description	Total No.	Audited	Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)	Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)
1	Formations	123	37		15,846
2	• Assignments Accounts • SDAs etc. (excluding FAP)	-	-	-	-
3	Authorities / Autonomous bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The appropriation accounts of the Excise & Taxation Department for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during 2022-23 against the total of five grants/appropriations is given below:

(Rupees in million)

Grant No.	Original Grant	Supplementary Grant/ Re-Appropriation	Final Grant	Actual Expenditures	Excess/ (Savings)
1	**2**	**3**	**4**	**5**	**6(5-4)**
PC21001	12.99	(3.73)	9.26	8.61	(0.64)
PC21003	1,067.90	477.64	1,545.54	1,528.75	(16.79)
PC21007	469.64	2.08	471.73	457.86	(13.87)
PC21008	801.21	(1.67)	799.54	774.37	(25.17)
PC21010	148.66	137.62	286.28	284.23	(2.05)
Total	**2,500.39**	**611.94**	**3,112.34**	**3,053.82**	**(58.52)**

Overview of Expenditure

The final budget of the Excise & Taxation Department for the year ended 30th June 2023 was Rs. 3,112.34 million. Out of this, the actual expenditure was Rs. 3,053.82 million. The breakup of current and development expenditure is given below:

(Amount in Rupees)

Grant Type	Original Grant	Actual Expenditure	Excess/ (Savings)	Variance %
1	**2**	**3**	**4**	**5**
Current	2,500,393,000	3,053,815,465	553,422,465	22.13
Total	**2,500,393,000**	**3,053,815,465**	**553,422,465**	**22.13**

This composition changed due to supplementary grants and surrenders.

The variance of final grant and actual expenditure is given below:

(Amount in Rupees)

Grant Type	Final Grant	Actual Expenditure	Excess/ (Savings)	Variance %
1	**2**	**3**	**4**	**5**
Current	3,112,337,000	3,053,815,465	(58,521,535)	(1.88)
Total	**3,112,337,000**	**3,053,815,465**	**(58,521,535)**	**(1.88)**

Anticipated savings not surrendered

According to para 14.3 of the Punjab Budget Manual, the spending departments are required to surrender the grants/ appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs. (58.52) million at the close of the year 2022-23 under grants PC21001, PC21003, PC21007, PC21008 & PC21010 were not surrendered in time by the department.

5.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 689.97 million were raised during audit of the Excise, Taxation, and Narcotics Control Department. This amount includes recoveries of Rs. 11.78 million as pointed out by the audit. The summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1.	Recoveries and overpayments	11.78
2.	Procurement related irregularities	678.19
Total		**689.97**

5.3 Brief comments on the status of compliance with PAC Directives

The audit report on the accounts of Government of the Punjab, Excise and Taxation Department Audit Year 2014-15 has not yet been discussed in PAC. Moreover, there is no other report yet printed in any of the previous years. However, the department is requested to reconcile the matter with the Audit Department regarding any discrepancy.

5.4 AUDIT PARAS

Recoveries and overpayments

5.4.1 Unjustified charging of income tax by contractor- Rs. 11.78 million

According to Section 153 of the Income Tax Ordinance 2001 as amended from time to time, every prescribed person (Federal Government, a Provincial Government, a local authority, a company, a non-profit organization, or a diplomatic mission of a foreign state) making a payment in full or part including a payment by way of advance to a resident person or non-resident person:

(a) for the sale of goods;

(b) for the rendering of or providing of services;

(c) on the execution of a contract, other than a contract for the sale of goods or rendering or providing of services,

During audit of the office of the Director General, Excise & Taxation, Lahore for the period 2021-22, it was observed that a sum of Rs. 11,780,614 was charged by the contractor as income tax in the breakup of operational cost/SLA. By allowing this concession, the department had borne the income tax liability of the contractor which by virtue of the Income Tax Ordinance was a direct tax required to be borne by the contractor himself.

The weak administrative and supervisory controls of the department resulted in unjustified charging of income tax by contractors amounting to Rs. 11.781 million.

The lapse was pointed out in May 2023. The management did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 13.12.2023, the para was kept pending for recovery.

Audit recommends that recovery be made from the concerned, besides strengthening of financial and internal control system.

(PDP No. 2023-0000000205_F00012)

Procurement related irregularities

5.4.2 Unduly claimed cost escalations of GIS (UIPT) System, non-recoupment of Honoraria, and non-returning of equipment by contractor-Rs. 374.23 million

As per Clause 6 of PC-1 of the project titled as "GIS, Integrated Computerization of Urban Immovable Property Tax (UIPT) in Thirty Districts of Punjab", the automated system had the following activities required to be completed within the revised gestation period in the year 2019:

> "To introduce transparency, efficiency, and accountability through e-governance and ICT-based solutions.
>
> Carry out a door-to-door survey for the purpose of taking images and integrating them with a Geographic Information System (GIS).
>
> Scan all the current PT-1 registers and all the current as well as previous PT-8 registers for the last valuation list for archiving and creating a repository of data in soft form by data entry in the software from the scanned registers."

During audit of the office of the Director General, Excise & Taxation Lahore for the period 2021-22, it was observed that the gestation period for "GIS Integrated Computerization of (UIPT) System" lapsed in 2019, but the contractor had paradoxically raised the demand for cost escalations for Rs. 162.576 million to overcome the failures of the project in the guise of revamping/re-engineering of system and other activities as indicated in the minutes of meeting for cost rationalization of service level agreement dated 6 & 7 December 2021. As per PC-1 of the project, system design-related activities were the responsibility of the contractor, and such revamping costs were unjustified being an integral part of the original core activity required to be done by the contractor (Urban Unit) in the project phase.

It was further observed that the department failed to receive back the equipment utilized for the project by the Urban Unit costing Rs. 109.8 million as the same cost stood borne by the department and Honoraria of Rs. 64,260,000 @ 32.13 per unit for 2 million properties along with interest thereof for Rs. 37.592 million aggregating Rs. 101,852,000 was also not paid by the contractor for last 5 years, as delineated below:

Sr. No.	Period of Audit	PDP No.	Nature of Recovery	Amount (Rs.)
1	2021-22	2023-0000000205_F00041	Improper management and cost escalations of GIS (UIPT) System without submission of PC-IV of Project	162,576,000
2	2021-22	2023-0000000205_F00005	Non-returning of equipment used in the project of UIPT	109,800,000
3	2021-22	2023-0000000205_F00007	Non-payment of Honoraria by Contractor and mark up thereof for delay in non-payment-	101,852,000
Total				**374,228,000**

Audit is of the view that weak supervisory and financial controls resulted in cost escalations of the GIS (UIPT) System, non-payment of honoraria, and non-returning of equipment by contractors warranted recovery of overpayment and retrieval of unduly retained equipment.

The lapse was pointed out in May 2023. The department did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 13.12.2023, the para at Sr. No. 2 was kept pending for verification of record. The para at Sr. No. 3 was kept pending for a probe to fix responsibility and recovery from the concerned. Further progress was not reported by the department. As regards the remaining para, neither any reply was received nor DAC meeting was convened till the finalization of this report.

Audit recommends inquiring into the matter, besides fixing responsibility for poor system design along with recovering equipment unduly retained and honoraria unduly charged on the part of the contractor.

5.4.3 Non-deduction of cost for unachieved GIS component, data entry, and connectivity under service level agreement-Rs. 220.95 million

Clause 7, Sub Clause 2 (Integration with GIS) of PC-1 of the project titled as "GIS, Integrated Computerization of Urban Immovable Property Tax (UIPT) in Thirty Districts of Punjab" prescribes that the objectives of the project stipulate the integration of the database of UIPT with Geographic Information System (GIS) to make the system transparent, accurate, and reliable in such a manner that a sound monitoring and visualization of data and exact picture will be available online at appropriate levels.

Furthermore, Clause 3.1 and 3.2 of the service level agreement for the provision of services prescribe that the cost of services for 2015 to 2018 shall be 182.600 million and the cost for 2018-

19 and 2019-20 shall be 35 million for each year excluding the expenses to be incurred on connectivity. The detailed costing is provided in Annex-B of the Service Level Agreement.

During audit of the office of the Director General, Excise & Taxation, Lahore for the period 2021-22, it was observed that the department had entered into service level agreement with the contractor (Urban Unit) without conducting the Android-based survey and GIS integration with the system of UIPT even after the lapse of 2nd revised gestation period (i.e. 30th September 2019). The payment of Rs. 134.120 million for Android Based Field Survey for Picture Mapping was unjustified as the contractor had not fulfilled the contractual obligation. As a matter of fact, the contractor was charging the amount again for the support services for a component yet to be completed and the same was also communicated to the contractor vide No.(Phase-II)GIS(UIPT)/2016 dated 22-04-2021 but necessary deductions were not made.

Further, the department unfairly allowed the contractor to charge for the cost of data entry amounting to Rs. 47,950,000 which was a component of the project initially rolled out as indicated in PC-1.

Furthermore, the department entered into a contract with M/s Supernet for the provision of connectivity services in E&T offices all across Punjab for a payment of Rs. 39.002 million. On the contrary, SLAs with a contractor (Urban Unit) for UIPT stated that the payment for connectivity should be excluded while paying the consideration of services as described in the service level agreement to the contractor (Urban Unit). Despite the clear exclusion clause, the management did not deduct the expenditure incurred on connectivity services from the payment made to the service provider (Urban Unit). Hence, the expenditure of Rs. 220,952,000 was considered irregular. The details are as under:

Sr. No.	Period of Audit	PDP No.	Nature of Recovery	Amount (Rs.)
1	2021-22	2023-0000000205_F00004	Non-deduction of Rs. 134 million from payment for SLA for not achieving GIS component of project Rs 134.000 million	134,000,000
2	2021-22	2023-0000000205_F00008	Unjustified payment of data entry cost under service level agreement Rs. 47.950 million	47,950,000
3	2021-22	2023-0000000205_F00010	Non-deduction of Rs 39.002 million from the payment of the contractor for connectivity services	39,002,000
Total				**220,952,000**

Audit is of the view that weak supervisory and financial controls resulted in the non-deduction of Rs. 220,952,000 from a payment made against the Service Level Agreement.

Audit pointed out the lapse in May 2023. The department did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 13.12.2023, the para at Sr. No. 1 was kept pending for probe to fix responsibility and recovery from the concerned. The para at Sr. No. 2 was kept pending for revised reply besides addressing the note of Finance Department and recovery of double payment be made. The para at Sr. No. 3 was kept pending for verification of record besides recovery.

Audit recommends that recovery be made from the contractor after a detailed probe for non-achievement of the basic objective of the project besides matter be referred to the competent forum for regularization of lapses.

5.4.4 Non-deduction of liquidated damages recoverable from contractor-Rs. 83.01 million.

Clause 24 of the contract for "Supply of ISO 7591 Standardized Retro Reflective Number Plates for the province of Punjab" states that if the contractor fails to deliver any or all of the licensed vehicle number plates within the time period(s) specified in the delivery schedule, the purchaser shall, without prejudice to any other remedy it may have under the contract, deduct from the contract price as liquidated damages a sum of money equal to 0.2 percent of the contract price. Furthermore, as per Annex-E (Delivery Schedule) of the contract delivery will start within 16 weeks after receiving 1st purchase order.

During audit of the office of the Additional Director General, Excise & Taxation, Lahore for the period 2021-22, it was observed that the supply of number plates was not delivered as per the delivery schedule of the contract which attracts liquidity damages @ 0.2 percent per week of the value of purchase order.

Audit is of the view that weak supervisory and financial controls on the part of the department resulted in the non-deduction of liquidated damages recoverable from the contractor amounting to Rs. 83,007,000.

Audit pointed out the lapse in May 2023. The department did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that recovery be made from the concerned besides strengthening the financial and internal control system.

(PDP No. 2023-0000000368_F00001)

Others

5.4.5 Non-resolving of service delivery issues relating to pendency of 2,200,268 number plates

As per item No. 8 Second Schedule stipulating Distribution of Business among Departments under Punjab Government Rules of Business 2011, the Excise, Taxation, and Narcotics Control Department has also been entrusted with the task of motor vehicle registration and other ancillary matters.

During audit of Additional Director General, Excise & Taxation, Lahore for the period up to the year 2022, it was observed that number plates for 2,200,268 motor vehicles were still pending for which owners had deposited an amount of Rs. 3,457,505,700 in the revolving fund account. The number plates of peculiar specification were also relevant for safe city modules of integrated enforcement of law & order and traffic management. This utility was rendered far from fully commissioned.

Audit is of the view that weak managerial control by the department resulted in mismanagement of number plate issuance in Punjab.

Audit pointed out the lapse in November 2023. The department did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends issuance of number plates at the earliest besides improving managerial and internal controls.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2021-22 vide para number 3.4.5. Recurrence of the same irregularity is a matter of serious concern.

(PDP No. 2023-0000000368_F00002)

CHAPTER 6
FINANCE DEPARTMENT

6.1 Introduction

The Finance Department is responsible for the supervision and control of provincial finances, preparation of the provincial budget, and formulation of Financial Rules and Civil Services Rules relating to the pay and pension of civil servants. Furthermore, it performs financial management of public debt and administration of the Local Fund Audit Department and the Treasuries. Administrative Departments are required to consult the Finance Department in all matters which directly or indirectly affect the finances of the province. All important functions of the Finance Department including budgeting are performed at the Secretariat.

The major functions of the department are mentioned below:

- Management of public funds including provincial loans and debt
- Framing of financial rules for the guidance of departments
- Supervision of accounts of provincial departments
- Framing of Civil Service Rules applicable to all Government servants and interpretations thereof
- Examination and advice on matters affecting directly or indirectly the finances of the province
- Administration of emoluments, pensions, and allowances.
- Administration of public revenue
- Communication of financial sanctions
- Examination of all proposals for the increase or reduction of taxation
- Audit matters of provincial receipts and expenditures

Audit Profile of Finance Department

Sr. No.	Description	Total No.	Audited	Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)	Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)
1	Formations	267	7	2,902	5,384.02
2	• Assignments Accounts • SDAs etc. (excluding FAP)	43	8	-	-
3	Authorities/Autonomous bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	1	1	184	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The appropriation accounts of the Finance Department for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during 2022-23 against the total of nine grants/appropriations is given below:

(Rupees in million)

Grant No.	Original Grant	Supplementary Grant/ Re-Appropriation	Final Grant	Actual Expenditures	Excess/ (Savings)
1	**2**	**3**	**4**	**5**	**6(5-4)**
PC21010	18,886.48	(14,097.00)	4,789.48	4,552.98	(236.49)
PC21028	312,000.00	13,630.08	325,630.08	324,470.20	(1,159.88)
PC21031	541,318.79	(6,286.81)	535,031.98	533,813.43	(1,218.55)
PC13035	0.001	(0.001)	0	0	0
PC12043	4,000.00	(4,000.00)	0	0	0
PC24044	32,125.17	11,088.51	43,213.68	43,151.78	(61.90)

PC16048	71,577.29	12,977.74	84,555.03	84,555.01	(0.02)
PC13050	55,555.12	(45,055.12)	10,500.00	10,500.00	0
PC22036	0	13,201.33	13,201.33	13,140.37	(60.95)
Total	**1,035,462.84**	**(18,541.28)**	**1,016,921.56**	**1,014,183.77**	**(2,737.79)**

Overview of Expenditure

The final budget of the Finance Department for the year ended 30th June 2023 was Rs. 1,016,921.56 million. Out of this, the actual expenditure was Rs. 1,014,183.77 million. The breakup of current and development expenditure is given below:

(Amount in Rupees)

Grant Type	**Original Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	1,035,462,840,000	1,001,043,398,074	(34,419,441,926)	3.32
Development	0	13,140,373,000	13,140,373,000	0
Total	**1,035,462,840,000**	**1,014,183,771,074**	**(21,279,068,926)**	**2.06**

This composition changed due to supplementary grants and surrenders. The variance of the final grant and actual expenditure is given below:

(Amount in Rupees)

Grant Type	**Final Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	1,003,720,239,000	1,001,043,398,074	(2,676,840,926)	0.27
Development	13,201,325,000	13,140,373,000	(60,952,000)	0.46
Total	**1,016,921,564,000**	**1,014,183,771,074**	**(2,737,792,926)**	**0.27**

Anticipated savings not surrendered

As per para 14.3 of the Punjab Budget Manual, the spending departments are required to surrender the grants/ appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs (2,737.79) million at the close of the year 2022-23 under grants PC21010, PC21028, PC21031, PC13035, PC12043, PC22036, PC24044, PC16048 & PC13050 were not surrendered in time by the Department.

6.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 1,895,903.19 million were raised in this report during audit of Finance Department. The summary of the audit observations classified by nature is as under:

Overview of Audit Observations

(Rs. in million)

Sr. No.	**Classification**	**Amount**
1.	Financial Matters	1,895,903.19
Total		**1,895,903.19**

6.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC directives, on reports discussed so far, is given below:

Sr. No.	Audit Report Year	Total Paras	Compliance received	Compliance not received	Percentage of compliance
1.	1986-1987	07	0	07	0
2.	1987-1988	3	0	3	0
3.	1989-1990	6	0	6	0
4.	1990-1991	1	0	1	0
5.	1991-1992	2	0	2	0
6.	1992-1993	4	1	3	25
7.	1993-1994	2	1	1	50
8.	1994-1995	2	0	2	0
9.	1995-1996	7	0	7	0
10.	1997-1998	10	7	3	70
11.	1998-1999	37	23	14	62
12.	1999-2000	48	25	23	52
13.	2000-2001	53	24	29	45
14.	2001-2002	70	36	34	51
15.	2006-2007	20	14	6	70
16.	2009-2010	25	1	24	4
17	2012-2013	12	4	8	33
18	2013-2014	13	1	12	8
Total		**322**	**137**	**185**	**43**
Note: The Audit Report years missing in the above table were either due to non-inclusion of the subject chapter during that year or non-discussion of the subject chapter before the PAC.					

The compliance status in the Finance Department remained unsatisfactory particularly for the Financial Years 1986-87 to 1995-96 and for the Financial Years 2009-10, 2012-13 and 2013-14. The department needs to improve its compliance with PAC directives. However, the department is requested to reconcile the matter with the Audit Department regarding any discrepancy.

6.4 AUDIT PARAS

HR/employee-related irregularities

6.4.1 Irregular deployment/posting of Resident Auditors in Autonomous Bodies on Deputation.

As per Auditor-General of Pakistan's letter No.609/ESTT-C/67-2003 dated 23.05.2017 regarding "Posting of Resident Auditor in Public/Government Sector Universities and their Affiliated Colleges", under the statutory provision as envisaged in Acts/Ordinances of the respective Universities, the post of Resident Auditor is a cadre post, which belongs to Audit Department of the Government. This encadrement has been provided under the respective Acts/Ordinances in the following way: The Resident Auditor shall be taken from the Audit Department of the Government on deputation on such terms and conditions as the Syndicate may determine.

During audit of Finance Department, Government of the Punjab, Lahore, for the period 2022-23, it was observed that the Finance Department had been posting Resident Auditors in various Universities and Boards of Intermediate and Secondary Education across the province in a manner inconsistent with the prescribed procedures. The list of Universities and Boards without subscribing to the condition of engaging Resident Auditors in the manner prescribed is given for illustrative purposes at the annexure-10.

Audit is of the view that the lapse occurred due to weak administrative and financial controls.

This resulted in irregular deployment /posting of Resident Auditors due to violation of the above instructions.

The matter was pointed out in August 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 11.12.2023, the para was kept pending for compliance. Further progress was not reported by the Department till the finalization of the report.

Audit recommends that the matter be looked into at a higher level for taking remedial measures.

(PDP No. 2023-0000002821_F00013)

Financial Matters

6.4.2 Non-finalization and approval of the Supplementary Schedule of Authorized Expenditure and non-preparation of Budget Execution Report-Rs. 865,154.00 million

Article 124 of Constitution of the Islamic Republic of Pakistan, 1973 requires that if in respect of any financial year, it is found-(a) that the amount authorized to be expended for a particular service for the current financial year is insufficient, or that a need has arisen for expenditure upon some new service not included in the Annual Budget Statement for that year; or (b) that any money has been spent on any service during a financial year in excess of the amount granted for that service for that year; the Provincial Government shall cause to be laid before the Provincial Assembly a Supplementary Budget Statement or, as the case may be, an Excess Budget Statement, setting out the amount of that expenditure, and the provisions of Articles 120 to 123 shall apply to those statements as they apply to the Annual Budget Statement.

Moreover, Section 41 of the Punjab Public Finance Management Act 2022 provides that the Finance Department shall prepare a Budget Execution Report on a semi-annual basis for six months of the financial year or the full financial year, as the case may be and the Finance Department shall place the report before he Government for information and shall also publish it on its official website.

During audit of Finance Department, Government of the Punjab, Lahore, for the period 2022-23, it was observed that Revised Estimates 2022-2023 and Supplementary Budget Statement 2022-23 were not got approved from the competent forum. Resultantly, neither the Supplementary Schedule of Authorized Expenditure 2022-23 amounting to Rs. 865,154 million has been prepared nor the Supplementary Budget Book has been printed. Under Article 124 of Constitution of Pakistan, it is mandatory that Supplementary and Excess grants are to be placed before the Provincial Assembly for approval and authentication.

Audit is of the view that the lapse occurred due to weak administrative and financial controls.

The use of supplementary grants lacks legal cover. This caused the incurrence of an irregular expenditure of Rs 865,154 million due to the non-approval of the Supplementary Schedule of Authorized Expenditure.

The matter was pointed out in August 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 11.12.2023, the para was kept pending for regularization. Further progress was not reported by the Department till the finalization of the report.

Audit recommends that the matter may be looked into for taking remedial measures besides seeking conferment of legal cover on the supplementary grants.

(PDP No.2023-0000002821_F00006)

6.4.3 Non-recovery of outstanding/recoverable dues, diverted funds to commercial accounts and loans-Rs. 656,394.87 million

According to Article 118(1) of the Constitution, 1973, all revenues received by the Provincial Government, all loans raised by that Government, and all moneys received by it in repayment of any loan, shall form part of a consolidated fund, to be known as the Provincial Consolidated Fund. Further, as per Para 4.7 (1) of PFR Vol-I, it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to the Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government account. Furthermore, as per Section 45 (1) of the PFM Act 2022, within six months of the commencement of this Act, the Finance Department shall prepare a plan for implementation of this Act.

During audit of Finance Department for the period 2022-23, it was observed that outstanding/recoverable dues from various Government Departments and Institutions to the tune of Rs. 656,394,865,055 were not recovered. The shortfall faced by the provincial consolidated fund was on the rise. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Type of Recovery	Amount (Rs.)
1	Secretary, Finance Department, Govt. of the Punjab, Lahore.	2022-23	2023-0000002821_F00001	Consolidated fund amount held in commercial banks	503,394,489,945
2	Secretary, Finance Department, Govt. of the Punjab, Lahore.	2022-23	2023-0000002821_F00020	Non-payment of electricity duty by PEPCO/DISCOS collected through monthly electricity bills	77,433,061,000
3	Secretary, Finance Department, Govt. of the Punjab, Lahore.	2022-23	2023-0000002821_F00018	Non-recovery of loans from different companies/agencies	46,697,278,650

Sr. No.	Name of Formation	Period of Audit	PDP No.	Type of Recovery	Amount (Rs.)
4	Secretary, Finance Department, Govt. of the Punjab, Lahore.	2022-23	2023-0000002821_F00019	Non-recovery of loan from defunct Punjab Road Transport Corporation	27,826,955,000
5	Secretary, Finance Department, Govt. of the Punjab, Lahore.	2022-23	2023-0000002821_F00014	Non-recovery of Principal & Interest for Construction of Spur Line for Qadirabad Coal Power Plant	984,115,088
6	Secretary, Finance Department, Govt. of the Punjab, Lahore.	2022-23	2023-0000002821_F00030	Non-recovery of excess transfer	58,965,372
Total					**656,394,865,055**

In comparative terms, the grossed-up total of commercial accounts balances had been increasing by Rs. 93,329 million i.e. 23% from the previous balance of Rs. 410,066 million up to 30.06.2021. An amount of Rs. 14,775 million which stood deposited in 780 commercial bank accounts was treated as unidentified with respect to the respective title holders. Admittedly, the Finance Department had not adhered to the time frame for prescribing the implementation plan to roll out PFM Modules within six months of the promulgation of the PFM Act 2022 contrary to what had been prescribed within the meaning of Section 45(1) of the PFM Act, 2022.

Audit is of the view that lapse occurred due to weak loopholes in administrative and financial controls.

The matter was pointed out in August 2023. The management replied that funds were placed in commercial bank accounts maintained by departments/attached departments/authorities/autonomous bodies. FD had issued Policy Guidelines for the treatment of profits earned on funds lying in commercial banks with the direction that profit accruing on such public funds shall be deposited in PCF at the time of discharge of validly accrued liabilities. Further, in case of non-compliance with the said policy, budget proposals would not be entertained in the upcoming budget.

The matter was further reported to the administrative department. In DAC meeting held on 11.12.2023, the para at Sr. No. 1 was kept pending for working of updated profit up to 30.06.2023 of consolidated fund lying in commercial banks and to credit the amount into Consolidated Fund. The paras at Sr. Nos. 2 to 4 were kept pending for recovery. The para at Sr. No. 5 was reduced to the extent of amount shown in the table. The para at Sr. No. 6 was kept pending with the direction for taking up the matter by the Finance Department with the Supreme Court of Pakistan for recovery. Further progress was not reported by the Department till the finalization of this report.

Audit recommends early recovery of the stated amount, retrieval of the profit earned and accrued against deposits held in commercial banks as well as principal amounts sourced from PCF but diverted to commercial bank accounts besides fixing responsibility for not taking cognizance of the lapse.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 5.4.1 having the financial impact of Rs. 97,934.66 million. Recurrence of the same irregularity is a matter of serious concern.

6.4.4 Irregular direct transfer of funds to State Bank of Pakistan without pre-audit-Rs. 234,663.31 million

Under Section 5(b) of the Controller General of Accounts (Appointment, Functions & Powers) Ordinance, 2001, the Controller General of Accounts derives his statutory mandate to authorize payments and withdrawals from the Consolidated Fund and Public Accounts of the Federal and Provincial Governments against approved budgetary provisions after pre-audited checks as the Auditor-General may, from time to time, prescribe.

During audit of Finance Department for the period 2022-23, a direct release of funds amounting to Rs. 234,663,314,389 was adopted. These funds were transferred directly to the State Bank of Pakistan for further credit to various agencies, bypassing the pre-audit mechanism.

Audit is of the view that the lapse occurred due to weak administrative and financial controls.

Non-observance of rules and regulations resulted in financial indiscipline.

The matter was pointed out in August 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 11.12.2023, the para was kept pending for regularization from the S&GA Department. Further progress was not reported by the department till the finalization of the report.

Audit recommends that practice should be stopped and provision of law be observed for conforming to pre-audit checks.

(PDP No.2023-0000002821_F00004)

6.4.5 Irregular granting of loans without recovery of previous loans-Rs. 128,058.67 million

As per Rule 4.1 of the PFR Vol-1, the departmental controlling officers should see that all sums due to Government are regularly received and checked against demands and that they are paid into the treasury.

During audit of Finance Department for the period 2022-23, it was observed that the department granted fresh loans amounting to Rs. 18,062.763 million to eight companies. Only two companies repaid a minor segment of the loan while the remaining six companies had not repaid the previous outstanding loans granted by the Punjab Government. Details are as under:

Sr. No.	Name of Agency	Loan Balance as on 30.06.2022 (Rs. in million)	Loan released during 2022-23 (Rs. in million)	Loan Repaid during 2022-23 (Rs. in million)	Loan Recoverable as on 30.06.2023 (Rs. in million)
1	Punjab Industrial Estate Development & Management Company (PIEDMC)	13,456.511	1,003.000	492.781	13,966.730
2	Faisalabad Industrial Estate Development & Management Company (FIEDMC)	9,826.803	2,035.000	1,535.000	8,801.80
3	Lahore Waste Management Company (LWMC)	68,962.435	10,998.000	0	79,960.435
4	Rawalpindi Waste Management Company (RWMC)	13,495.833	1,600.000	0	15,095.833
5	Gujranwala Waste Management Company (GWMC)	3,731.297	900.000	0	4,631.297

Sr. No.	Name of Agency	Loan Balance as on 30.06.2022 (Rs. in million)	Loan released during 2022-23 (Rs. in million)	Loan Repaid during 2022-23 (Rs. in million)	Loan Recoverable as on 30.06.2023 (Rs. in million)
6	Sialkot Waste Management Company (SWMC)	1,714.035	452.763	0	2,166.798
7	Bahawalpur Waste Management Company (BWMC)	922.117	300.000	0	1,222.117
8	Faisalabad Waste Management Company (FWMC)	1,439.662	774.000	0	2,213.662
Total		**113,548.693**	**18,062.763**	**2,027.781**	**128,058.672**

Audit is of the view that mandatory recovery obligations were evaded due to weak administrative and financial controls. This resulted in loss of Rs. 128,058.672 million to the public exchequer due to non-recovery of the outstanding amount.

The matter was pointed out in August 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 11.12.2023, partial recovery affected by the department from Faisalabad Industrial Estate Development & Management Company to the tune of Rs. 1,525,000,000 was verified by Audit. Hence, the para was reduced and kept pending for recovery of remaining amount (PDP No. 2023-0000002821_F00008). The paras pertaining to other companies were kept pending for compliance (PDP No. 2023-0000002821_F00016 & (PDP No. 2023-0000002821_F00026).

Audit recommends early recovery of the stated amount.

Note: The issue was reported earlier also in the Audit report for Audit Year 2022-23 vide para number 5.4.2 having financial impact of Rs 9,231.15 million. Recurrence of the same irregularity is a matter of serious concern.

(PDP No. 2023-0000002821_F00008, 2023-0000002821_F00016 & 2023-0000002821_F00026)

6.4.6 Idle balances unattended in General Provident Investment Fund

As per the Second Schedule of Punjab Government Rules of Business 2011 (distribution of business among departments), the Finance Department is responsible for the management, supervision, and control of the Provincial Consolidated Fund and Public Accounts of the Province.

During audit of Finance Department for the period 2022-23, it was observed that Rs. 4 billion were placed in Punjab General Provident Investment Fund (G11128) in May 2007. Despite the lapse of considerable time i.e. about 16 years, the investment had not been executed to date. As per the Act and the Rules of the Punjab General Provident Investment Fund, which were framed in 2009 and 2010 respectively, it was imperative for the Finance Department to capitalize this fund promptly. The GP Fund liability had drastically increased threatening self-sustainability and borrowing to fund the operational expenses against establishment charges involved debt servicing above 20%. Keeping the investment portfolio idle involved potential loss of return on investment.

Audit is of the view that the lapse occurred due to weak administrative and financial controls.

The matter was pointed out in August 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 11.12.2023, the para was kept pending either for the production of proof of non-transfer of funds to G11128 denominated as the Punjab General Provident Investment Fund and its reverse entry (book transfer) in the relevant head of account or for holding an inquiry into the matter (if funds stood transferred). Further progress was not reported by the department till the finalization of this report.

Audit recommends to ensure remedial action and prevent similar occurrences in the future. Moreover, ensuring compliance with the established guidelines will help strengthen financial controls and foster accountability within the organization.

(PDP No. 2023-0000002821_F00012)

6.4.7 Irregular disbursement of Grant-in-Aid-Rs. 11,105.24 million

Section 11 of "Punjab Public Financial Management Act 2022" regarding Grant-in-Aid to be paid by the Government provides that the Finance Department shall prepare a Policy for providing grant-in-aid and submit it to the Government and all authorizations and payments of grant-in-aid shall be in accordance with the policy. Further, As per Rule 8.15(d)(1&2) of PFR, Vol-I, each Department sanctioning the grants-in-aid shall certify by 30th November each year that; (i) the grant sanctioned in the previous year has been utilized for the object for which it was given; (ii) the grant was spent within the prescribed time limit or where no time limit was prescribed within a reasonable time; and (iii) any portion of the amount which was not ultimately required for expenditure on the specified object was duly surrendered to the Government.

During audit of Finance Department, Government of the Punjab, Lahore, for the period 2022-23, it was observed that the Finance Department released Grant-in-Aid amounting to Rs. 11,105,244,000 but no documented policy for the issuance of Grant-in-Aid was notified. For instance, Rs. 1,124 million was disbursed to Deputy Commissioners throughout the Punjab, yet no approved formula for the disbursement of Grant-in-Aid or any established policy was in place. Particularly in the case of Deputy Commissioners, the retained amounts stood disbursed from multiple accounts without providing utilization details for consuming one grant followed by other successive transfers. The policy parameters to determine eligibility for recipients were conspicuous by absence.

Audit is of the view that the lapse occurred due to weak administrative and financial controls.

The matter was pointed out in August 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 11.12.2023, the para was kept pending for compliance. Further progress was not reported by the Department till the finalization of the report.

Audit recommends that the Finance Department should take necessary actions to establish a clear policy for the issuance and disbursement of Grant-in-Aid, in accordance with the provisions of the Punjab Financial Management Act 2012.

(PDP No. 2023-0000002821_F00005)

6.4.8 Excessive payment of rent of office buildings-Rs. 20.30 million

According to Note 3 of Serial No. 3 of Punjab Delegation of Financial Powers Rules 2016, hiring of buildings on rent would be subject to the conditions that (a) the accommodation is according to the scale approved by the Government, (b) the rent does not exceed the amount assessed by the Excise and Taxation Department for the purpose of Urban Immovable Property Tax. In case, the rent exceeds as assessed by the Excise, Taxation and Narcotics Department, the administrative department shall give a rent reasonability certificate and, (c) a non-availability certificate by the C&W Department that there is no official building available for housing a particular office.

During audit of Finance Department, it was observed that excessive payments of rent of office buildings were made over and above rent assessed by the Excise Department and without getting a rent reasonability certificate from the administrative department.

The details are given as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Amount (Rs.)
1	Provincial Director Local Fund Audit, Punjab Lahore.	2022-23	2023-0000004732_F00002	15,300,000
2	Punjab Revenue Authority Lahore	2021-22	2023-0000000189_F00050	5,000,000
3	Punjab Revenue Authority Lahore	2021-22	2023-0000000189_F00051	-
Total				**20,300,000**

Audit is of the view that lack of internal controls resulted in excess payments of building rent of Rs. 20,300,000 which indicates ineffective financial and administrative controls.

The audit pointed out the lapse in March and October 2023. The observations were issued but no reply was given by the authority in due course of time.

The matter was further reported to the administrative department. In DAC meeting held on 25.01.2024, the para at Sr. No. 2 was kept pending for recovery as exemption is not available to PRA being autonomous body mentioned in column 4 of Rules of Business, 2011. The para at Sr. No. 3 was kept pending for compliance. Further progress was not reported by the Department. As regards remaining para, neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends holding an inquiry into the matter and recovering the excess amount paid by virtue of erroneous consideration of the residential buildings as a customized office.

CHAPTER 7
FOOD DEPARTMENT

7.1 Introduction

The Food Department in the province of Punjab was established during World War II for the supply of flour, sugar, and other commodities. Statutory Rationing of wheat, *atta*, and sugar was made. Wheat was procured under a monopoly scheme by the Food Department and supplied to Flour Mills for grinding.

Under the Foodstuff (Control) Act, of 1958, the Food Department was assigned responsibilities for regulating the business of food grains including purchases, storage, sales, transfer, milling, etc.

As per Punjab Government Rules of Business 2011, the main functions of the Department are as follows:

- Procurement of wheat for issuance to the mills
- To act as a Government agent to provide a wheat purchase window to the farmers at a support price
- Ensure food security in wheat and wheat products
- Transportation from surplus to deficit regions
- Protection of wheat from pests and other hazards
- Targeted Food Support Programs and Ramzan/ Christmas Packages
- Undertaking all activities related to the export of wheat up to supply at the port
- Coordination with MoF, MOCC, MNFSR, other provinces, and International Agencies for matters relating to wheat

Audit Profile of Food Department

Sr. No.	Description	Total No.	Audited	Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)	Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)
1	Formations	120	8	1,052	5,391
2	• Assignments Accounts • SDAs etc. (excluding FAP)	36	4	-	-
3	Authorities/Autonomous bodies etc. under the PAO	1	1	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The Appropriation Accounts of Food Department for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during financial year 2022-23 against the total of eight grants/appropriations is given below:

(Rupees in million)

Grant No.	Original Grant	Supplementary Grant/ Re-Appropriation	Final Grant	Actual Expenditures	Excess/ (Savings)
1	**2**	**3**	**4**	**5**	**6(5-4)**
PC21010	243.65	28.19	271.83	234.21	(37.62)
PC21030	7,000.00	(7,000.00)	0	0	0
PC21031	4,586.67	(93.24)	4,493.43	4,142.68	(350.75)
PC13033 (Charged)	80,776.88	6,267.12	87,044.00	86,738.56	(305.44)
PC16033 (Voted)	298,077.60	208,245.45	506,323.05	458,545.37	(47,777.68)

PC22036	400.02	(155.12)	244.90	154.61	(90.29)
PC13052	0	225,000.00	225,000.00	225,000.00	0
PC16047	172,125.52	215,764.69	387,890.22	386,053.41	(1,836.80)
Total	**563,210.34**	**648,057.09**	**1,211,267.43**	**1,160,868.83**	**(50,398.59)**

Overview of Expenditure

The final budget of Food Department for the year ended 30th June 2023 was Rs. 1,211,267.43 million. Out of this, actual expenditure was Rs. 1,160,868.83 million. The breakup of current and development expenditure is given below:

(Amount in Rupees)

Grant Type	Original Grant	Actual Expenditure	Excess/ (Savings)	Variance %
1	**2**	**3**	**4**	**5**
Current	562,810,314,000	1,160,714,226,446	597,903,912,446	106.24
Development	400,024,000	154,608,179	(245,415,821)	61.35
Total	**563,210,338,000**	**1,160,868,834,625**	**597,658,496,625**	**106.12**

This composition changed due to supplementary grants & surrenders.

The variance of final grant and actual expenditure is given below:

(Amount in Rupees)

Grant Type	Final Grant	Actual Expenditure	Excess/ (Savings)	Variance %
1	**2**	**3**	**4**	**5**
Current	1,211,022,526,000	1,160,714,226,446	(50,308,299,554)	4.15
Development	244,903,000	154,608,179	(90,294,821)	36.87
Total	**1,211,267,429,000**	**1,160,868,834,625**	**(50,398,594,375)**	**4.16**

Anticipated savings not surrendered

As per para 14.3 of the Punjab Budget Manual, the spending departments are required to surrender the grants/ appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs.(50,398.59) million at the close of the year 2022-23 under grants PC21010, PC21030, PC21031, PC13033, PC13052, PC16033, PC22036 & PC16047 were not surrendered in time by the Department.

7.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 3,860.75 million were raised during audit of the Food Department. This amount includes recoveries of Rs. 837.28 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations

(Rs. in million)

Sr. No.	**Classification**	**Amount**
1.	Reported cases of fraud, embezzlement and misappropriation	29.21
2.	Recoveries and overpayments	837.28
3.	Procurement related irregularities	503.64
4.	HR/Employees related irregularities	436.56
5.	Others	2,054.06
Total		**3,860.75**

7.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC directives, for reports discussed so far, is given below:

Sr. No.	Audit Report Year	Total Paras	Compliance received	Compliance not Received	Percentage of Compliance
1	1984-85	110	80	30	73
2	1985-86	180	114	66	63
3	1986-87	59	37	22	63
4	1987-88	87	17	70	20
5	1988-89	68	27	41	40
6	1989-90	23	3	20	13
7	1990-91	26	3	23	12
8	1991-92	56	6	50	11
9	1992-93	31	4	27	13
10	1993-94	30	11	19	37
11	1994-95	73	0	73	0
12	1995-96	13	0	13	0
13	1996-97	96	38	58	40
14	1997-98	84	31	53	37
15	1998-99	174	104	70	60
16	1999-00	164	101	63	62
17	2000-01	214	167	47	78
18	2001-02	251	212	39	84
19	2003-04	109	0	109	0
20	2005-06	29	8	21	28
21	2006-07	37	24	13	65
22	2009-10	77	22	55	29
23	2010-11	35	10	25	29
24	2011-12	20	8	12	40
25	2012-13	36	0	36	0
Total		**2082**	**1027**	**1055**	**49**
Note: The Audit Report years missing in the above table were either due to the non-inclusion of the subject chapter during that year or non-discussion of the subject chapter before the PAC.					

The compliance status of the Food Department remained unsatisfactory during the Financial Years 2003-04, 2009-10, 2010-11 and 2012-13. Moreover, the attention of the department was also drawn towards the compliance status for the Financial Years 1994-95 and

1995-96. Further, the department is requested to reconcile the matter with the Audit Department regarding any discrepancy.

7.4 AUDIT PARAS

Reported cases of fraud, embezzlement and misappropriation

7.4.1 Misappropriation of wheat at Choti Center-Rs. 29.21 million

As per Rule 2.33 of PFR Vol-I, every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by the Government through fraud or negligence on his part. As per Para 4.7 (1) of the Rules ibid, it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government account.

During audit of District Food Controller, Dera Ghazi Khan for the period 2021-22, it was observed that two FIRs bearing No.8/2021 & 108/2021 for pilferage of wheat and mixing of sand/clay in wheat were registered against FGI/Center Incharge. Director Food imposed major penalty of dismissal from service w.e.f. 06.01.2022 and recovery of Government loss worth Rs. 29,213,926. The accused person was reinstated in his role, holding the same incumbancy, while he was still under bail by the Anti-Corruption Establishment court.

Audit is of the view that continuation of the accused individual in a responsible position, despite evidence of legal proceedings against him, indicates lack of due diligence and disregard of the individual's questionable integrity.

The matter was pointed out in June 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 05.09.2023, the department reported that a denovo inquiry on the case was under process. The committee kept the para pending till the final decision on the case. Further progress was not reported till the finalization of this report.

Audit recommends that loss be recovered and the delinquents be prosecuted under the ACE Rules 2014 as well as subjected to strict departmental proceedings.

(PDP No. 2023-0000001938_F00017)

Recoveries and overpayments

7.4.2 Non-recovery of sugarcane cess and penalty-Rs. 521.49 million

According to Rule 2 & 3 of the Punjab Sugarcane (Dev) Cess Rules 1964, the cess is paid equally by the growers and mill owners @ Rs. 75 per metric ton and is required to be deposited into the government treasury within five days of the close of each fortnight i.e. 5th and 20th of each month. Moreover, as per letter No. SO(F-III)/2-4/2011, dated 04.04.2012 issued by Food Department, Government of the Punjab, a) after the crushing season is over, no mill would delay the final payment of sugar cess for more than 15 days from that date, from a period starting from culmination of those 15 days to upto 3 months of that date, the mill would be penalized 10-15% of penalty; b) Default between 3 months to 6 months (after close of season) 16 to 25% of penalty; c) Default between 6 months to 1 year 26 to 50% of penalty; d) Default beyond 12 months 51 to 100% of penalty.

During audit of the Cane Commissioner Punjab, Lahore for the period 2022-23, it was observed that an amount of Rs. 417,188,572 was required to be recovered from sugar mills, as road cess. Further, an amount of Rs. 104,297,143 was also due on account of penalty on delayed/non-deposited road cess till close of audit. It resulted into loss of Rs.521,485,715 sustained to public exchequer.

Audit is of the view that lapses occurred due to weak financial and supervisory controls.

The matter was pointed out in July 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 11.01.2024, the department stated that the matter was subjudice in Lahore High Court, Lahore. The para was kept pending till decision of the court. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be pursued for early hearing in the honorable court, besides ensuring recovery of the stated amount.

(PDP No. 2023-0000002815_F00001)

7.4.3 Non-recovery from employees, contractors and Food Business Operators-Rs. 135.82 million

As per Para 4.7 (1) of PFR Vol-I, it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government account.

During audit of Food Department, it was observed that license fee & fines were recoverable from Food Business Operators and recoveries were outstanding against employees & contractors. This resulted in loss of Rs. 135,822,278 to the public exchequer. The details are given as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	DFC, Khanewal	2021-22	2023-0000001545_F00007	Non-collection of outstanding recoveries from employees	49,101,505
2	Punjab Food Authority at Faisalabad	2020-23	2023-0000003204_F00002	Less realization of the license fee	40,502,638
3	DFC, DGK	2021-22	2023-0000001938_F00010	Non recovery from employees & contractors	39,645,302
4	DFC, Rajanpur	2021-22	2023-0000001565_F00010	Non-recovery from employees	6,572,833
Total					**135,822,278**

Audit is of the view that lapses occurred due to weak financial and supervisory controls.

The matter was pointed out in March, May & August 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 05.09.2023, 07.09.2023 and 27.09.2023, the para at Sr. No. 1 was kept pending for compliance. The para at Sr. No. 3 was kept pending for recovery. The para at Sr. No. 4 was reduced from Rs. 6,637,465 to the extent shown in table after verification of record. Further progress was not reported by the department. As regards the remaining para, neither any reply was received nor was the DAC meeting convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired into for fixing responsibility and the stated amount be recovered from the concerned besides strengthening supervisory and financial controls.

7.4.4 Non deposit of PST recovered from Food Business Operators into Government Treasury-Rs. 179.97 million

As per 2nd Schedule of Punjab Sales Tax; Sr. No 13 mandates charging of 16% PST for Franchise services, including intellectual property rights and licensing. Sr. No 24 imposes a similar 16% PST on certification, training, coaching services (excluding general education), and credit rating services. Additionally, Sr. No. 42 specifies a 16% tax on laboratory services, excluding those exclusively for medical treatment purposes. Sr. No. 56 outlines a 16% PST for services related to debt collection, rent collection, and similar recovery services, including toll or fee or regulatory fee or duty or any other similar collection. Furthermore, Rule 13.1 for the Punjab Pure Food Regulation 2017, envisages that the licensing fee rates are subject to a 16% PST.

During audit of the Punjab Food Authority, Lahore for the period 2022-23, it was observed that the management collected a total receipt of Rs.1,304,782,432 during the FY 2022-23 in lieu of services chargeable for PST @ 16% i.e. Licence Fee, Labeling Fee, Lab Test Fee, Training Fee. An amount of Rs.179,969,991 was collected as Punjab Sales Tax from Food Business Operators (FBOs) which had not been deposited into the Government Treasury.

Audit is of the view that the lapse occurred due to weak internal controls.

The matter was pointed out in August 2023. The management acknowledged the observation but did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 11.01.2024, the para was kept pending for compliance. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the said amount of PST be deposited into Government Treasury.

(PDP No. 2023-0000002817_F00007)

Procurement related irregularities

7.4.5 Dubious procurement by eliminating competition- Rs. 503.64 million

As per web portal of PPRA, module captioned as Frequently Asked Questions, it has been clarified that whenever a procuring agency is confronted with such a situation whereby the rate quoted by the single bidder cannot be compared so as to declare it as the lowest rate or otherwise, the following factors may be kept in view:

c) The comparison of price of the goods, works or services if procured during the current financial year.
d) Market price of the goods works and services to be procured.

As per sample form of standard bidding documents uploaded by PPRA online, the bidder participating in tender is required to submit affidavit to the effect that the firm is not blacklisted, on stamp paper of Rs.100.

During audit of Punjab Food Authority, Lahore for the period 2022-23, it was observed that the management expended an amount of Rs. 503,642,000 on procurement of different items through tendering process. Audit observed the following irregularities:

1. A number of bidders participated in the bidding process. The management while making technical evaluation knocked out all the bidders except one on the basis of the plea that the bidder submitted the affidavit (that the firm had not been blacklisted) on Rs.100 stamp paper. The reason to knock out competetive bidders favouring the one enclosing affidavit of Rs. 200 was un-tenable.
2. The management accepted the single offered rate of the vendor without market assessment or rate analysis.

The lapse occurred due to weak administrative and financial controls.

The matter was pointed out in August 2023. The department acknowledged the observation but did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 11.01.2024, the para was kept pending for probe at administrative department's level. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be inquired into at administrative department's level to fix responsibility against those at fault.

(PDP No. 2023-0000002817_F00016)

HR/Employees related irregularities

7.4.6 Irregular hiring of personnel and consultants-Rs. 429.82 million

As per the Supreme Court of Pakistan's ruling dated 19.01.1993, read with S&GAD's Notifications dated 05.01.1995 and 29.12.2004, no recruitment should be made against any post which is not advertised properly.

As per Schedule of Wage Rates 2022 notified by Government of the Punjab, Finance Department vide Notifications dated 15.07.2022, appointment to a post included in the Schedule may be made by the competent authority subject to the condition that the post(s) shall be advertised properly in the leading newspapers.

As per Sr. No. 2 (ab) & (u) of PPR 2014, short consultancy means consultancy where the cost of consultancy does not exceed two million rupees for individual consultant and five million rupees for consulting firms and duration of the short consultancies for an individual consultants shall not exceed six months. Large consultancy means a consultancy where the cost of consultancy exceeds two million rupees for individual consultant and five million rupees for consulting firms and the duration of large consultancy for an individual consultant shall not exceed twelve months.

During audit of the Punjab Food Authority, Lahore for the financial year 2022-23, it was observed that the authorities hired a number of officers/staff irregularly without advertising the position/vacancies and paid Rs. 429,821,984 for claimed salaries on their part. Disguised short term consultancies were allowed to perpetute with overlapping TORs. Conditions of long term consultancies were circumvented, The details are given as under:

Sr. No	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Punjab Food Authority, Lahore	2022-23	2023-0000002817_F00004	Irregular appointment of 869 contingent paid staff without open advertisement.	292,801,549
2	Punjab Food Authority, Lahore	2022-23	2023-0000002817_F00009	Irregular hiring of various consultants without fulfillment of TORs and repeated renewal of their contracts avoiding open advertisement applicable for long term consultancy.	96,400,435
3	Punjab Food Authority, Lahore	2022-23	2023-0000002817_F00018	Wasteful expenditure on hiring of Legal Consultants without need assessment.	40,620,000

Sr. No	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
Total					**429,821,984**

The lapse occurred due to weak administrative controls.

The matter was pointed out in August 2023. The management acknowledged the observation but did not offer any reply.

The matter was further reported to the administrative department in November 2023. In DAC meeting held on 11.01.2024, the paras were kept pending for compliance. Further progress was not reported by the department till the finalization of this report.

Audit recommends that hiring of officers/staff without advertisement and need assessment warrants investigation and fixing of responsibility against those at fault, besides seeking regularization of the lapse from the Finance Department.

7.4.7 Less distribution of subsidized flour in the market-Rs. 6.74 million

As per Paragraph No.III of Wheat Release Policy issued vide letter No.SO(F-I)3-2/2021-22(WR) dated 19.09.2021, the issue price of wheat would be Rs. 1,950/40 Kgs wheat (including cost of bardana) and the flour mills shall be bound to sell flour bags at the following maximum ex-mill and retail prices:

Ex-Mill prices;

a. 20 kg flour bag Rs. 1,075
b. 10 kg flour bag Rs. 540 Retail prices
c. 20 kg flour bag Rs. 1,100
d. 10 kg flour bag Rs. 550.

Further, as per Paragraph XI & XII of circular ibid, the flour mills shall be bound to upload the daily wheat purchase, wheat grinding and atta supply details on Flour Ledger Management Information System (FLMIS) on daily basis. If the flour mills are found involved in less grinding of public wheat stocks at any stage, the flour mill shall be held responsible to deposit recovery @ notified rates of Food Department and license may be suspended/ cancelled. Furthermore, as per Paragraph (iv) of Sahulat Bazar Policy issued vide letter No.SO(F-V)3-70/2021 dated 14.07.2021 and Paragraph 3 of Ramzan Policy, 2022 issued vide letter No.SO.(F-I)5-9/2022 dated 22.03.2022, Flour mills shall observe extraction ratio of 80:20 in respect of public wheat stock.

During audit of District Food Controller, Dera Ghazi Khan for the financial year 2021-22, it was observed that 15 flour mills in the district distributed 85.75 metric tons of flour amounting to Rs. 6,737,500 less than the required flour as per the wheat issued to them under different Wheat Release Policies.

Audit is of the view that no action was taken against the defaulting mills. Additionally, there was no effort made to recover either the wheat or the cost of wheat from the concerned flour mills.

The matter was pointed out in June 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 05.09.2023, the department opted not to submit a relevant reply. Hence, the para was kept pending. Further progress was not reported by the department till the finalization of this report despite issuance of reminders during November and December 2023.

Audit recommends that an inquiry should be conducted into the non-distribution of subsidized flour, besides ensuring recovery of the wheat or cost thereof from the defaulting flour mills.

(PDP No. 2023-0000001938_F00004)

Performance related irregularities

7.4.8 Unjustified distribution mechanism of flour

As per wheat procurment scheme 2021-22, Government purchased wheat @ Rs. 2,000 per 40 kg and @ Rs. 2,200 per 40 Kg under Wheat Procurement Scheme 2022-23 while sold wheat at subsidized rate for benefit of general public.

During audit of the District Food Controller, Dera Ghazi Khan for the financial year 2021-22, the flour distribution data extracted from FLIMS revealed that the distribution mechanism of flour in the district appears to be biased and opaque signifying departure from permits and released consignments, characteristically favoring selected few mill owners for bigger despatches. The data posted on the FLIMS is disowned by the Department as well.

This practice raises concerns about accountability and transparency in the distribution process.

Audit is of the view that discrepancies in delivery created opportunities for mismanagement, involving a potential diversion of subsidized flour.

The matter was pointed in June 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 05.09.2023, the para was kept pending with the direction to provide list of dealers and flour distribution plan/mechanism. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be inquired into and FLMIS needs to be subjected to IS Audit to ensure strict adherence to prescribed limits for wheat issuance.

(PDP No. 2023-0000001938_F00003)

Others

7.4.9 Heavy burden on Provincial Consolidated Fund due to non-achievement of self-reliance-Rs. 1,205.23 million

As per Section 46 (1)&(3) of Punjab Food Authority Act 2011, there shall be established a fund to be known as the "Food Authority Fund" to be administered and controlled by the Food Authority. The Food Authority shall meet all of its expenses from the Food Authority Fund. Further, under Section 3(2) of the Act ibid, PFA is declared as a body corporate with perpetual succession.

As per Rule 8.15 of PFR Vol-I, Grants-in-aid are sanctioned either by the Government or by authorities subordinate to it (Heads of Departments, etc.). Moreover, as per Rule 8.15(d) ibid, each department sanctioning the grants-in-aid shall certify by 30th November each year that the grant sanctioned in the previous year has been utilized for the object for which it was given; the grant was spent within the prescribed time limit or where no time limit was prescribed within a reasonable time; and any portion of the amount which was not ultimately required for expenditure on the specified object was duly surrendered to the Government.

During audit of the Punjab Food Authority, Lahore for the financial year 2022-23, it was observed that the Punjab Food Authority had not achieved self-sufficiency by matching its revenue generation with the expenditure despite the establishment of the Food Authority Fund in 2011. During 2022-23, Rs.1.205 billion (Rs. 1,205,234,853) was received from the Provincial Consolidated Fund as Grant-in-aid despite the fact that the Punjab Food Authority had a balance of Rs.1.027 billion on 30.06.2023 in their accounts and investment of Rs.3.500 billion which would have met the fund requirement of the authority. The development initiative for establishment of regional labs for testing facilities was not launched either. Grant in aid channelised was surplus to meet immediate requirement of the PFA. The surrender and retirement of the unspent grants retained over the years was called for as surplus to the immediate requirement of PFA.

The lapse occurred due to weak administrative and financial controls.

The matter was pointed out in August 2023. The management acknowledged the observation but did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 11.01.2024, the para was kept pending for compliance. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be looked into at administrative department’s level to resolve the administrative and financial management issues.

(PDP No. 2023-0000002817_F00001)

7.4.10 Non-payment to growers-Rs. 745.94 million

As per Section 13 (2) of the Sugar Factories Controls Act 1950, the occupier of a factory shall purchase cane from a cane grower or a cane growers co-operative Society, as the case may be, against Cane Purchase Receipt (CPR) at the rate notified under Section 16 of the Act, ibid and shall make payment to the cane grower through a bank directly into the bank account of the cane grower within fifteen days of supply of sugar cane, provided that the occupier of a factory shall not purchase cane from a person who is a member of a Cane Growers Co-operative Society.

As per Section 14 (10) of the Sugar Factories Controls Act 1950, the occupier or the purchasing agent shall be liable to pay interest at the rate of 11% per annum on unpaid balance of payment for cane, from the date of delivery of the cane, in case where such payment is not cleared within fifteen days of its delivery.

During audit of Cane Commissioner, Lahore for the period 2022-23, it was observed that an amount of Rs. 672,021,055 had been less paid by the occupier of the sugar mills to growers of sugarcane despite lapse of more than six months of purchasing. An amount of Rs. 73,922,316 being interest accrued on the payable amount to growers. The management not only failed to get the payment of principal amount made to growers but also interest amounting to Rs. 73,922,316 could not be recovered.

The lapse occurred due to weak management and internal controls.

The matter was pointed out in August 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 11.01.2024, the para was kept pending being sub-judice in the Supreme Court of Pakistan. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the outstanding amount be recovered as arrears of land revenue under Section 6 (2) of the Punjab Sugar Factories Control Act, 1950 as well as proceedings under Section 21 of the Act ibid be initiated against the occupiers and paid to the concerned.

(PDP No. 2023-0000002815_F00006)

7.4.11 Irregular payment of honorarium-Rs. 102.89 million

According to FD's letter No.F.D.SR-I-9-7/2003 dated 9th June 2010, the administrative Department may sanction an honorarium of one month's basic pay and the Head of the Attached Department up to half a month's basic pay one time during a financial year. According to para (vi) of FD's letter No. FD(DS-COORD)1-1/2018 dated 20th August 2018, cases for posts' creation & up gradation, increase in salaries & allowances, recruitment criteria, or any other matter having financial implication may be sent to the Finance Department for advice by all the Autonomous Bodies who are in receipt of the Government Funding.

During audit of Punjab Food Authority, Lahore for the financial year 2022-23, it was observed that the management paid a huge amount of Rs.102,892,044 as honorarium to the officers/officials. The honorarium was granted several times in a financial year to the employees without justification in contravention of canons of financial propriety or seeking concurrence from the Finance Departmrnt.

The lapse occurred due to weak administrative and financial controls.

The matter was pointed out in August 2023. The management acknowledged the observation but did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 11.01.2024, the para was kept pending for seeking regularization from the Finance Department besides framing rules for awarding reward. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be taken up with Finance Department to seek regularization of the matter at the earliest or alternatively recovery be imposed.

(PDP No.2023-0000002817_F00008)

7.4.12 Inconsistency in cost estimation involving additional burden on consumers of wheat

Under Section 3 of Foodstuff (Control) Act 1958, the Food Department was assigned responsibilities for regulating the business of food grains including purchases, storage, sales, transfer, milling, etc.

As per Second Schedule of Punjab Government Rules of Business 2011 (Distribution of business among departments), the Food Department is responsible to ensure food security in wheat and wheat products.

On a summary to the Chief Minister, Finance Department adverted to urgency to avoid fiscal burden in the wake of policy revision i.e.

> "Finance Department has time and again stressed that volume of procurement and release price may be rationalized to minimize fiscal burden and reduce ongoing needs for economical debt to finance commodity operations of the province".

During audit of various formations of Food Department, it was observed that the department resorted to mercurial and inconsistent dispensations, interfering with market stability, entailing price distortions for wheat, inter alia, due to the following reasons:

1. The extraction ratio stood enhanced from 20% to 30% of wheat as grinding charges whereas input cost did not fluctuate proportionately. The revision in extraction had a direct burden on the ratio of incidental charges.
2. The revision in extraction ratio was antithetical to the stance of the Finance Department.
3. The fiscal burden stood increased contrary to advice from the Finance Department because of the extra extraction ratio allowed in favor of Millers in lieu of grinding charges.
4. Cost of jute bags was payable by mill owners under policy letter dated 19.09.2021 under the said wheat procurement scheme but this burden was reverted to incidental charges of the department on 19.05.2022. It had a direct effect on the consumers and their rights had not been adequately safeguarded against food insecurity and price hikes propel.

The details are given as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	DFC, DGK	2021-22	2023-0000001938_F00005	Undue Benefit to Flour Mills by changing extraction ratio from 70:18:12 to 80:10:10 led to significant difference in the allocation of resources.	202,191,450
2	DFC Khanewal	2021-22	2023-0000001545_F00005	Loss to public exchequer by issuance of wheat without including bag cost	102,621,822
3	DFC, DGK	2021-22	2023-0000001938_F00012	Loss to Government due to purchase of wheat at different rate in a wheat scheme 2021-22 including bag cost.	68,386,351
4	DFC Rajanpur	2021-22	2023-0000001565_F00007	Loss to public exchequer by issuance of wheat without including bag cost	48,758,240
Total					**421,957,863**

Audit is of the view that the lapse occurred due to non-implementation of the Finance Department's instructions.

The matter was pointed out in June 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 05.09.2023, 07.09.2023 and 27.09.2023, the para at Sr. No. 1 was kept pending with the direction to review the process of fixation of extraction ratio and its inclusion in the next wheat policy. The paras at Sr. Nos. 2 and 3 were kept pending for compliance. The para at Sr. No. 4 was kept pending with the direction to review the policy at administrative department's level. Further progress was not reported by the department till the finalization of this report.

Audit recommends that revision in dispensations such as shifting cost of bardana, added extraction deficit and enhanced incidental charges should have a strong nexus with stringent cost and management evaluations inclusive of all the input costs and overheads meriting revisiting of the same by the competent forum for safeguarding consumer rights.

CHAPTER 8
FORESTRY, WILDLIFE & FISHERIES DEPARTMENT

8.1 Introduction

The Forestry, Wildlife & Fisheries Department is headed by a Secretary with Chief Conservators of Forest and Director General of Wildlife and Fisheries as heads of the respective attached departments. As per Punjab Government Rules of Business 2011, the department has been assigned the following businesses:

- Scientific management of existing public forest estates to maximize production of wood and minor forest produce and to create new forest resources.
- Management of range lands to boost production of forage & livestock.
- Conservation & promotion of fisheries in private & public sectors.
- Education of the public about tree planting and provision of technical and advisory services on matters of afforestation to the people and other Government departments.
- Research and training in various disciplines of forestry, wildlife, fisheries and seri-culture.
- Management of watersheds to conserve soil & water and to improve the productivity of land.
- Acquisition and transfer of forest lands. Notification/De-notification in respect of reserve, protected & un-classed forests.

Audit Profile of Forestry, Wildlife & Fisheries Department

Sr. No.	Description	Total No.	Audited	Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)	Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)
1	Formations	323	12	1,449	150.35
2	• Assignments Accounts • SDAs etc. (excluding FAP)	2	2	-	-
3	Authorities/Autonomous bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The Appropriation Accounts of the Forestry, Wildlife, and Fisheries Department for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during 2022-23 against the total of seven grants/appropriations is given below:

(Rupees in million)

Grant No.	Original Grant	Supplementary Grant/ Re-Appropriation	Final Grant	Actual Expenditures	Excess/ (Savings)
1	**2**	**3**	**4**	**5**	**6(5-4)**
PC21005	4,882.83	7.17	4,890.00	4,841.00	(49.00)
PC21010	139.23	(7.80)	131.43	129.79	(1.64)
PC21019	1,111.58	0.00	1,111.59	1,089.40	(22.19)
PC21023	1,040.98	277.44	1,318.42	1,226.57	(91.85)
PC22036	6,114.36	(1,739.55)	4,374.81	4,033.91	(340.91)

PC12043	3,431.35	(3,431.35)	-	-	-
PC24044	112.20	-	112.20	112.20	-
Total	**16,832.53**	**(4,894.08)**	**11,938.45**	**11,432.86**	**(505.59)**

Overview of Expenditure

The final budget of the Forestry and Wildlife Department for the year ended 30th June 2023 was Rs. 11,938.45 million. Out of this, the actual expenditure was Rs. 11,432.86 million. The breakup of current and development expenditure is given below:

(Amount in Rupees)

Grant Type	**Original Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	7,286,823,000	7,398,956,161	112,133,161	1.54
Development	9,545,702,000	4,033,905,225	(5,511,796,775)	57.74
Total	**16,832,525,000**	**11,432,861,386**	**(5,399,663,614)**	**32.08**

This composition changed due to supplementary grants and surrenders.

A variance of the Final Grant and Actual Expenditure is given below:

(Amount in Rupees)

Grant Type	**Final Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	7,563,558,000	7,398,956,161	(164,601,839)	2.18
Development	4,374,812,000	4,033,905,225	(340,906,775)	7.79
Total	**11,938,370,000**	**11,432,861,386**	**(505,508,614)**	**4.23**

Anticipated savings not surrendered

As per para 14.3 of the Punjab Budget Manual, the spending departments are required to surrender the grants/ appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs 505.59 million at the close of the year 2022-23 under grants PC21005, PC21010, PC21019, PC21023, and PC22036 were not surrendered in time by the Department.

8.2 *Classified Summary of Audit Observations*

Audit observations amounting to Rs. 7,756.06 million were raised in this report during audit of Forestry, Wildlife, and Fisheries Department. This amount includes recoveries of Rs. 4,545.33 million as pointed out by the audit. The summary of the audit observations classified by nature is as under:

Overview of Audit Observations

(Rs. in million)

Sr. No.	Classification	Amount
1.	Reported cases of fraud, embezzlement and misappropriation	1.52
2.	Recoveries and overpayments	4,545.33
3.	Procurement related irregularities	81.92
4.	Financial Matters	62.26
5.	Others	3,065.03
Total		**7,756.06**

8.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC directives, for reports discussed so far, is given below:

Sr. No.	**Audit Report Year**	**Total Paras**	**Compliance received**	**Compliance not Received**	**Percentage of Compliance**
1.	1984-85	24	18	6	75
2.	1985-86	33	26	7	79
3.	1986-87	39	39	0	100
4.	1987-88	26	19	7	73
5.	1988-89	71	53	18	75
6.	1989-90	25	14	11	56
7.	1990-91	28	17	11	61
8.	1991-92	31	15	16	48
9.	1992-93	10	6	4	60
10.	1993-94	17	7	10	41
11.	1994-95	28	1	27	4
12.	1995-96	13	3	10	23
13.	1996-97	4	3	1	74
14.	1997-98	154	77	77	50
15.	1998-99	151	95	56	63
16.	1999-00	141	90	51	64
17.	2000-01	258	169	89	66
18.	2001-02	258	164	94	64
19.	2003-04	90	30	60	33
20.	2005-06	76	34	42	45
21.	2006-07	138	52	86	38
22.	2009-10	122	25	97	20
23.	2010-11	15	04	11	27
24.	2011-12	9	0	9	0
25.	2012-13	127	52	75	41
26.	2013-14	107	22	85	21
Total		**1995**	**1035**	**960**	**54**
Note: The Audit Report years missing in the above table were either due to non-inclusion of the subject chapter during that year or non-discussion of the subject chapter before the PAC.					

The compliance with PAC directives in the Forest Department remained unsatisfactory during the Financial Years 2009-10 to 2011-12. The attention of the department is also drawn towards compliance status during the Financial Years 1994-95 to 1995-96. Further, the department is requested to reconcile the matter with the Audit Department regarding any discrepancy.

8.4 AUDIT PARAS

Reported cases of fraud, embezzlement and misappropriation

8.4.1 Bogus drawls of labour charges-Rs. 1.52 million

According to Para 15.69 of the West Pakistan Forest Manual Volume-II, for works executed by laborers, whether paid by the day or otherwise, must be kept, showing the names of laborers, the number of days they have worked, the rate of pay, and the amount due to each. This nominal muster roll is the initial record of the labor employed each day on each work and must be written up daily by the subordinate deputed for the purpose. Para 17.72 (vi), further states that muster rolls are to be disbursed without fail within one month. Promptness will keep the labor satisfied. No muster roll may be disbursed in part.

Rule 2.31 (a) of PFR Vol-I states that a drawer of bills for pay, allowances, contingent, and other expenses will be held responsible for any overcharges, frauds, and misappropriations.

During audit of Divisional Forest Officer, Attock for the period 2021-23, a review of muster roll payments data revealed that the public exchequer sustained a loss of Rs. 1,523,050 due to the following reasons:

i) In 40 cases, Rs 881,460 was shown paid to laborers who as per the active taxpayer list of FBR were businessmen, etc.
ii) In 33 cases, muster roll payments valuing Rs. 641,590 were made to holders of CNIC numbers who were serving Government employees or pensioners.

Lapse occurred due to weak planning, execution, and monitoring mechanisms at managerial levels. Bogus drawls through muster rolls caused an approximate loss of Rs. 1,523,050 to the public exchequer.

The observation was pointed out in November 2023. The management received the observation with the response that the reply would be submitted after scrutiny of the record.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired. The loss involved be recovered and deposited into Government Account besides strengthening financial controls to avoid the recurrence of such lapses in future.

(PDP No. 2023-0000004743_F00005)

Recoveries and overpayments

8.4.2 Non/less recovery of Government dues-Rs. 4,522.92 million

As per Rule 4.1 of PFR Vol-I, the departmental controlling officers should accordingly see that all sums due to the Government are regularly received and checked against demands and that they are paid into the treasury. As per Rule 2.31(a) of Rules ibid, a drawer of bills for pay, allowances, contingent, and other expenses will be held responsible for any overcharges, fraud, and misappropriation.

As per sub paras 7 to 12 & 27 of Rule 3.8 (Chapter-III Misc.) of Forest Manual Vol-III, if the offender desires to pay compensation, the case should be finalized by compounding the goods and receiving compensation.

During audit of Forestry, Wildlife & Fisheries Department, it was observed that recovery of Rs. 4,522,924,045 (Annexure-11) from contractors and suppliers, officers/officials had not been affected on account of excess payments, and liable to be imposed due to less deduction of Government taxes etc. which was a loss to the public exchequer.

Audit is of the view that the lapse occurred due to weak financial and supervisory controls.

The matter was pointed out during March, April, and November 2023. The management stated that a detailed reply would be submitted later on.

The matter was further reported to the administrative department. In DAC meetings held on 15.09.2023, 07.12.2023 and 04.01.2024, the amount of paras at Sr. Nos. 2 & 6 was reduced from Rs. 11,038,000 & Rs. 2,098,000 to Rs. 10,454,400 & Rs. 523,740 respectively after verification of partial recovery and paras were kept pending for remaining recovery. The para at Sr. No. 3 was kept pending for recovery/advice from Punjab Revenue Authority. The paras at Sr. Nos. 4 & 13 were kept pending for verification of record. The para at Sr. No. 5 was kept pending for probe. The para at Sr. No. 7 was kept pending for recovery. The para at Sr. No. 14 was kept pending for recovery and production of verification of challan. As regards the remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter may be probed to fix the responsibility and the loss be made good from the concerned at fault besides strengthening supervisory and financial controls.

8.4.3 Loss due to over-payment to contractor-Rs. 22.41 million

According to PC-1 “Cage Fish Culture Cluster Development Project,” a total 5000 number of cages will be installed under this project. Each farmer would be provided 10 or 20 cages (as per his own request). The Directorate of Fisheries would provide financial assistance to the selected farmers which is 80 % of the total estimated cost of the cage or 0.240 million whichever is less in the form of cage installation. According to Sr. No. 01 (Payment Schedule) of Appendix B of the Agreement between the Department of Fisheries and M/s Saleem & Co. (RYK)PVT.LTD for the supply/installation of fish cages, 30 % of the total cost of the agreement would be paid to the contractor for the arrangement of cage material at workshop/warehouse and inspection thereof.

During audit of Director Fisheries (PM & E)/Project Director, PIU Lahore for the period 2022-23, it was observed that the contract for the supply /installation of 540 fish cages was drawn with M/s Saleem & Co. (RYK)PVT.LTD. Rs 52,635,000 were paid to the contractor as a 30 % share in the light of the contract agreement. A study of the record revealed that 31 farmers were selected for the provision of the facility of 310 fish cages who provided a 20 % share of the balanced amount in the shape of CDRs whereas 30 % share for installation of 540 fish cages was paid to the contractor. Thus 30 % share for 230 fish cages (540-310) was overpaid to the contractor.

Lapse occurred due to weak administrative and financial controls. This resulted in the loss of Rs 22,410,000 to the public kitty due to overpayment to the contractor.

When pointed out in October 2023, the management replied that hopefully remaining cages would be installed, otherwise, compliance would be made through adjustments in the next contractor bill. The reply was not satisfactory, as only 31 farmers were qualified/selected for the purpose and also provided CDRs. 310 cages (31 farmers x 10 cages for each farmer) were required for installation whereas a contract for the 540 cages was drawn and a 30 % share was overpaid against unallotted 230 cages ignoring the actual requirement for on-ground installations.

The matter was further reported to the administrative department. In DAC meeting held on 04.01.2024, the para was kept pending for inquiry at administrative department's level. Further progress was not reported by the department till the finalization of the report.

Audit recommends that the lapse be inquired into. The loss involved be recovered and deposited into the Government kitty besides strengthening controls to avoid the recurrence of such lapse.

(PDP No. 2023-0000004724_F00001)

Procurement related irregularities

8.4.4 Irregular expenditure on installation of fish cages- Rs. 52.64 million

According to Rule 4 of Punjab Procurement Rules, 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

During audit of Director Fisheries (PM & E)/Project Director, PIU Lahore for the period 2022-23, it was observed that Rs 52,635,000 was drawn and paid to M/s Saleem & Company on account of the installation of 540 fish cages under "Cage Fish Culture Cluster Development Project" Expenditure was held irregular due to the following reasons.

i) According to clause I of Annexure VIII-F of PC-1, the contractor was allotted 60 days to install the cage after the supply order.

ii) However, the contract agreement set a deliverable duration from 10.10.2022 to 09.04.2023 (182 days), ignoring the PC-1 provision. Despite ample time, the contractor failed to complete the task and requested an extension until 30.06.2023, with no penalties or late delivery charges stipulated in the contract agreement.

iii) Similarly, clause 10 mandated the supplier to provide consultant services for capacity building including training on cage fish culture and operation and maintenance of cages. However, no such services were availed as this feature was absent from the contract agreement.

iv) According to clause 15(iv) of the bidding document, import documents shall be produced at the time of inspection to ensure that supplies offered for inspection are imported/genuine brand new and in original packing of the manufacturer but no such import documentation was obtained from the contractor.

v) As per clause 17 of the bid document, 10 % performance guarantee was required from the successful bidder whereas only 05 % performance guarantee was obtained.

vi) No agreement between the Department of Fisheries and selected cage fish culturists in the light of the draft given in PC-1 (Annexure VIII-B) was drawn. This provision was also not adopted during 2020-21 and 2021-22 and only a receipt acknowledgement from the farmer was obtained. Due to the non-drawl of proper agreement with a defined responsibility to maintain fish cages for a defined period after completion of PC-1, the existence, and utilization of the fish cages for defined purposes would be vulnerable.

Lapse occurred due to weak administrative and financial controls. This resulted in irregular expenditure of Rs. 52,635,000 to the Government due to non-observance of bidding clauses and PC-1 provisions.

When pointed out in October 2023, the DDO stated that the matter would be justified in DAC meeting.

The matter was further reported to the administrative department. In DAC meeting held on 04.01.2024, the para was kept pending for inquiry at administrative department's level. Further progress was not reported by the department till the finalization of the report.

Audit recommends that matters should be inquired and lapses be regularized from the Finance Department besides strengthening controls to avoid the recurrence of such lapses.

(PDP No. 2023-0000004724_F00003)

8.4.5 Irregular expenditure on hiring of consultant for preparation of feasibility report for value chain- Rs. 15.00 million

According to Rule 4 of Punjab Procurement Rules, 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical. Government of the Punjab, Services and General Administration Department vide Circular No. L & M(PPRA)10-01/2011; dated 10.02.202 clarified that under Rule 46, if the procuring agency intends to hire an individual consultant for short consultancy it shall select the same while comparing at least three bidders amongst those who have expressed interest in the assignment despite the fact no open competitive bidding is required in such cases. In the wake of the above, PPRA is the concerted opinion that a pre-qualification cannot be considered as valid if it falls short of at least three bidders to compete for further bidding process.

During audit of Director Fisheries (PM & E)/Project Director, PIU Lahore for the period 2022-23, it was observed that Rs. 15,000,000 was drawn and paid to M/s REMCO Associate for preparation of feasibility study of value chain development i.e.

i) Establishment of Fish/Shrimp processing plants,

ii) Establishment of shrimp hatcheries and

iii) Establishment of High Value Fish (Sea bass, Grouper etc.) under “Pilot Shrimp Farming Cluster Development Project”.

Expenditure was held irregular due to the following reasons:

i. During the consultant selection process, M/s Value Resources saw an unexpected drop in score, raising fairness concerns in the pre-qualification phase.

ii. Only two financial bids were received instead of the required three, indicating potential transparency issues in the bidding process.

iii. A combined score evaluation led to the award of the work order to M/s REMCA Associate, despite M/s Biosphere Consultants offering a significantly lower financial bid.

iv. The use of this criterion in the Request for Proposal (RFP) deviated from established rules, resulting in an approximate loss of Rs 4.60 million to the public exchequer.

v. The consultant firm requested an extension for report submissions, citing guidance from foreign experts. Despite submitting a vetted report, delays raised concerns about the firm's lack of in-house expertise. Outstanding observations from a panel of experts' meetings were yet to be addressed in the final compliance report.

vi. The study, initiated later than planned, was still in process in the final year, rendering the expenditure made for the purpose wasteful due to inefficient program execution.

Lapse occurred due to weak administrative and financial controls. This resulted in irregular/wasteful expenditure of Rs 15,000,000 by the Government due to inefficient and uneconomical execution of program activity.

When pointed out during October 2023, the DDO stated that matter would be justified in DAC meeting.

The matter was further reported to the administrative department. In DAC meeting held on 04.01.2024, the para was kept pending for probe at administrative department’s level. Further progress was not reported by the department till the finalization of the report.

Audit recommends that the lapse should be inquired. Irregularity got regularized by the Finance Department besides strengthening controls to avoid the recurrence of such lapses.

(PDP No. 2023-0000004724_F00004)

8.4.6 Mis-procurement of machinery & equipment-Rs. 12.28 million

As per Rule 25 of PPR, 2014 a procuring agency shall formulate precise and unambiguous bidding documents that shall be made available to the bidders immediately after the publication of the invitation to bid. As per Rule 56 of PPR, 2014 the procuring agency shall require the successful bidder to furnish a performance guarantee which shall not exceed ten percent of the contract amount. According to Rule 69 of PP Rules 2014, any violation of these rules shall be treated as mis-procurement.

As per Serial No. 22 of the Sixth Schedule of Sales Tax Act, 1990, single-cylinder diesel engines (engines) of 3 to 36 HP used for agriculture are exempted from Sales Tax.

During audit of Divisional Forest Officer, Attock for the period 2021-23, it was observed that Rs. 12,281,414 under the scheme “TREE PLANTING ALONG ROW GHAZI BAROTHA HYDOR POWER PROJECT (GBHP) was paid to various contractors for procurement of

Machinery & Equipment (Peter Engines, Rotavator, Water bowser, Peter accessories, Trolly and Boring with accessories etc.) and Plants.

Expenditure was held irregular due to the following reasons:

- A deficient bidding document was used without general or special conditions of contract, specifications, bid evaluation criteria and list of goods, etc.
- No performance guarantee was obtained from the successful bidder.
- Neither a technical evaluation was made nor a bids evaluation report was uploaded on the PPRA website.
- Concerned contractors did not make supply within the stipulated period but the management did not withhold/ deduct late delivery charges Rs. 68,070.
- The offered bids were inclusive of all taxes in the bid for the rotavator, water bowser, etc. but the contractor added GST Rs. 1,104,877 above the bid rate in the bill which was paid by the DDO irregularly.
- A payment of Rs. 457,780 was made against hiring of services for transportation of plants from private persons/contractors despite having 14 tractors and trollies at the disposal of the DFO.
- Moreover, PST Rs. 73,245 and IT Rs. 45,778 were not deducted while making payment against the service rendered.
- Stamp duty of Rs. 30,703 was also not deducted from the bills which need recovery.

Audit is of the view that laps occurred due to weak financial and administrative controls resulting in irregular expenditure of Rs. 12,281,414 due to non-observance of Punjab Procurement Rules, 2014 and loss due to non-recovery of taxes/LD charges amounting to Rs. 2,177,354.

The observation was pointed out in November 2023. The DDO stated that a detailed reply would be submitted after scrutiny of the record.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends inquiring into the matter, responsibility be fixed against the delinquents, and recovery of the stated amount be affected besides strengthening financial and administrative controls to avoid the recurrence of such lapses in the future.

(PDP No. 2023-0000004743_F00001)

8.4.7 Irregular expenditure on the fabrication of vehicles without tender-Rs. 2.00 million

According to Rule 12 of PPR 2014, a procuring agency shall advertise procurement of more than two hundred thousand rupees and up to three million rupees on the website of the Authority in the manner and format specified by regulations.

During audit of Divisional Forest Officer, Attock for the period 2021-23, it was observed that Rs. 2,000,000 under the scheme "Ten Billion Tree Tsunami Programme (Phase-1) was paid to M/S Malik Traders, Attock for fabrication of vehicle Nos. AKA-3200 and RPT-1929. Expenditure incurred was held irregular due to the following reasons:

- Fabrication works were made without taking competitive rates through tender.
- Payment was made without inspection/completion report.
- Payment of Rs. 2,000,000 was made in cash instead of by name cheque/transfer in bank account.
- PST on repair services Rs. 320,000 was not recovered from the vendor.
- Income Tax of Rs. 200,000 and stamp duty of Rs. 5,000 was also not deducted.

This resulted in irregular expenditure of Rs. 2,000,000 due to non-observance of rules and loss due to non-deduction of taxes for Rs. 525,000.

Lapse occurred due to weak administrative and financial controls.

The observation was pointed out in October 2023. The management received the observation and contented that a detailed reply would be submitted after scrutiny of the record.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired into, and responsibility be fixed against those responsible, recovery of the stated amount be affected besides strengthening financial and administrative controls to avoid the recurrence of such lapses in the future.

(PDP No. 2023-0000004743_F00003)

Performance related irregularities

8.4.8 Poor performance due to less achievement of planting targets

As per Rule 2.10(a)(1) of PFR Vol-I, the same vigilance should be exercised in respect of expenditure incurred from Government revenues, as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of the office of the Project Director, TBTTP/GPP, Punjab, Lahore, for the year 2022-23, scrutiny of the Monitoring report of the Project issued by the office of the Director General, Monitoring & Evaluation, Planning & Development Board, Government of the Punjab, Lahore vide No.DGM&E/MTR/FA&LE/ FWF/2023/01/63, dated 7th March 2023, revealed the following shortcomings/less achievement of targets.

1. Out of the allocated amount of Rs. 2,000.00 million, the department could only incur Rs. 843.000 million, resulting in lesser utilization of allocated funds i.e. 42.1% as required under PC-I.
2. The formation was short of achieving the target of plantation of 90.784 million plants by 68.784 million plants and the target of area coverage of 33,907 AV.M/AC by 27.707 AV.M/AC.

The lapse occurred due to weak supervisory and financial controls. Targets were not achieved due to poor monitoring of PMU-Green Pakistan Program Punjab, Lahore.

When pointed out in November 2023, the department stated that a detailed reply would be given later on.

The matter was further reported to the administrative department. In DAC meeting held on 01.02.2024, the para was kept pending for compliance/recovery and regularization from Finance Department. Further progress was not reported by the department till the finalization of the report.

Audit recommends holding an inquiry for fixing responsibility and revision of PC-1 from the competent authority for less achievement of targets.

(PDP No. 2023-0000004725_F00008)

Value for money and service delivery issues

8.4.9 Loss due to illegal occupation of forest land and non-plantation

Every Government servant will be held personally responsible for loss sustained by the Government through negligence or fraud on his part as per Rule 2.33 of PFR Vol-I.

As per Rule VII governing duties of the Forest Guard under Forest Manual Vol-I, he regularly patrols all the forests in his beat and sees that no illicit damage to the forest is caused and that illicit encroachment on the forest land does not take place. All breaches of forest rules should be reported immediately through the Guard Damage report Book.

During audit of Forestry, Wildlife and Fisheries Department, Punjab, it was observed that a large area of forest land was under encroachment of private persons but the same had not been re-claimed by the department from illegal occupants. Further, the department has sustained financial loss due to the non-plantation of forest areas.

Audit is of the view that the lapse occurred due to weak supervisory and internal control on the management of the assets.

When pointed out in November 2023, the department noted the observation.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that strenuous efforts be made:

(i) to recover the Government land from the illegal occupants.
(ii) for plantation of blank/empty areas.

(PDP No. 2023-0000004718_F00009)

Financial Matters

8.4.10 Misdeclaration about completion of work-Rs. 62.26 million

According to Rule 10 (1) of the Punjab Government Rules of Business, a Secretary shall: (a) be the official head of the Department and be responsible for its efficient administration and discipline, for the conduct of business assigned to the Department. Moreover, as per Rule 2.31 of PFR, Vol-I, a drawer of the bill for pay, allowances, contingent, and other expenses will be held responsible for any overcharges.

During audit of Secretary Forest, Wildlife & Fisheries for the financial year 2022-23, it was revealed that the amount Rs. 62,260,301 was excess drawn against the final bill of the contractor and deposited into the head G11218-Forest Deposit as pointed out during the certification audit of the forest department.

The following observations were made:

1. The irregularity occurred and an excess amount of Rs. 24,160,301 was drawn in project construction of chain link fencing under project ECO conservation/preservation of Lal Suhanra National Park, Bahawalpur under object AO3970-other during 2022-23.
2. The amount of Rs. 38,100,000 was excess drawn in the project establishment of Dargai Gill Forest Park under object AO12470-other.
3. No record of periodic progress reports of development, execution, and completion of projects or schemes were available with the secretary's office showing the performance of subordinate offices.

The lapse occurred due to a failure of supervisory and financial controls.

When pointed out in November 2023, the management noted the observation and contented that a detailed reply would be given.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends justifying the departmental stance on such irregularities every year.

(PDP No. 2023-0000004718_F00005)

Others

8.4.11 Non-compliance with Punjab Procurement Rules- Rs. 3,022.07 million

As per Rule 9 read with Rule 12 of PPR Rules 2014, a procuring agency shall announce in an appropriate manner all proposed procurement for each financial year and shall proceed accordingly without any splitting or regrouping of the procurement so planned. The annual requirements thus determined would be advertised in advance on the website of PPRA as well as on the website of the procuring agency in case the procuring agency has its own website. Furthermore, procurements over two hundred thousand and up to the limit of three million rupees shall be advertised on the website of PPRA in the manner and format specified by regulation by the PPRA from time to time.

During audit of the office of the Secretary Forestry, Wildlife & Fisheries department for the financial year 2022-23, it was noticed that an amount of Rs. 3,022,065,230 was expended under head A03970-others by the forest department on account of afforestation. Major operations involved were Jungle clearance, ploughing, and leveling with a bulldozer and Earthwork.

The following observations were made:

1. The expenditure was incurred through muster rolls and payments were disbursed in violation of Punjab Procurement Rules 2014. The internal controls breaches involved circumvention of hiring services through open advertisement in outsourcing mode under the framework of an advice from PRA already shared with the entity.
2. The procurement/hiring of services was not made in a fair and transparent manner. The beneficiaries hired were inclusive of regular Government employees.
3. The secretary office being the Principal Accounting Officer was responsible for ensuring financial discipline under his command. However, no efforts were on record reflecting instruction/directions or periodic meetings for efficient monitoring of the formation by him. Resultantly, financial mismanagement was the order of the day, hindering the true spirit of transparency and accountability in public offices and ultimately public service.

The lapse occurred due to weak internal controls, and a non-transparent mode of spending.

When pointed out in November 2023, the management noted the observation and stated that a detailed reply would be given later.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends probing the matter at the administrative department's level to fix the responsibility on account of disregard to Punjab Procurement Rules.

(PDP No. 2023-0000004718_F00003)

8.4.12 Failure to develop a Monitoring and evaluation mechanism-Rs. 42.96 million

As per Rule 2.31(a) of PFR Vol-I, a drawer of bills for pay, allowances, contingent, and other expenses will be held responsible for any overcharges, frauds, and misappropriations.

During audit of the office of the Secretary Forestry, Wildlife & Fisheries Department for the financial year 2022-23, scrutiny of record and previous audit reports revealed that the Forest department made payments amounting to Rs. 42,961,691 to daily laborers through Muster Rolls for various forestry operations which seemed to be dubious as pointed out during Certification Audit.

The following observations were made:

1. The secretary is the official head of a Department and is responsible for its efficient administration and discipline, but he failed to perform its supervision function as

repeated irregularities of a similar nature were made by its subordinate offices as shown by audit observations made during the certification audit and special audit of TBTTP.

2. As per the finding of the certification audit, an amount of Rs. 13,745,421 was paid to daily laborers who are Government employees, regular pensioners, or active tax filers.
3. Double drawls of Rs. 3,962,777 through muster rolls were made on account of daily laborers in the same working month and all the payments were drawn in the name of DDOs.

The lapse occurred due to non-performance of the supervisory function and weak internal controls.

When pointed out in November 2023, the management noted the observation and submitted that a detailed reply would be given.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends holding an inquiry at the administrative department's level to look into the matter and ensure recovery of double/dubious drawl, besides strengthening internal controls.

Note: The issue was reported earlier also in the special audit of Ten Billion Tree Tsunami Project (TBTTP) for the period 2019-22, showing a double drawl of Rs. 135.98 million out of which an amount of Rs. 33.81 million had been recovered as reported during SDAC meeting but the administrative department failed to address the same lapse in the financial year 2022-23.

(PDP No. 2023-0000004718_F00001)

CHAPTER 9
HIGHER EDUCATION DEPARTMENT

9.1 Introduction

The Education Department was split into four Departments i.e. Higher Education Department, Special Education Department, School Education Department, and Literacy & Non-formal Basic Education Department in the financial year 2003-04. The Higher Education Department, Government of the Punjab deals with Universities, Boards and Colleges.

The realization of the Higher Education Department's vision of "enlightened and prospering Punjab by reinforcing knowledge economy" entirely rests on access to quality education. To realize this vision, the department has outlined the following objectives:

- Increasing the number of skilled faculty
- Enhancing the quality of the assessment system
- Increasing the market relevance of higher education programs
- Increasing the number of students enrolled at the college/ university level
- Creating opportunities for all income groups, social classes, and genders
- Introducing a financial aid (loan) scheme in HEIs
- Increasing the number of need-based scholarships
- Creating special opportunities for remote areas
- Raising students' commitment to higher education
- Improving infrastructure and resource provision

Audit Profile of Higher Education Department

Sr. No.	Description	Total No.	Audited	Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)	Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)
1	Formations	953	22	20,556	9,482
2	• Assignments Accounts • SDAs etc. (excluding FAP)	49	7	-	-
3	Authorities/Autonomous bodies etc. under the PAO	31	20	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The Appropriation Accounts of the Higher Education Department for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during 2022-23 against the total of three grants/appropriations is given below:

(Rupees in million)

Grant No.	Original Grant	Supplementary Grant/ Re-Appropriation	Final Grant	Actual Expenditures	Excess/ (Savings)
1	**2**	**3**	**4**	**5**	**6(5-4)**
PC21010	1,083.96	(199.73)	884.23	820.84	(63.40)
PC21015	51,293.12	(201.58)	51,091.54	44,968.05	(6,123.50)
PC22036	5,896.35	(2,085.47)	3,810.88	3,205.20	(605.68)
Total	**58,273.44**	**(2,486.78)**	**55,786.66**	**48,994.08**	**(6,792.58)**

Overview of Expenditure

The final budget of the Higher Education Department for the year ended 30th June 2023 was Rs. 55,786.66 million. Out of this, the actual expenditure was Rs. 48,994.08 million. The breakup of current and development expenditure is given below:

(Amount in Rupees)

Grant Type	**Original Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	52,377,084,000	45,788,883,925	(6,588,200,075)	(12.58)
Development	5,896,352,000	3,205,197,325	(2,691,154,675)	(45.64)
Total	**58,273,436,000**	**48,994,081,250**	**-9,279,354,750**	**(15.92)**

This composition changed due to supplementary grants and surrenders.

The variance of the Final Grant and Actual Expenditure is given below:

(Amount in Rupees)

Grant Type	**Final Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	51,975,777,000	45,788,883,925	(6,186,893,075)	(11.90)
Development	3,810,882,000	3,205,197,325	(605,684,675)	(15.89)
Total	**55,786,659,000**	**48,994,081,250**	**(6,792,577,750)**	**(12.18)**

Anticipated savings not surrendered

As per para 14.3 of the Punjab Budget Manual, the spending departments are required to surrender the grants/ appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs (6,792.58) million at the close of the year 2022-23 under grants PC21010, PC21015, PC22036 were not surrendered in time by the Department.

9.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 9,073.35 million were raised in this report during audit of Higher Education Department. This amount includes recoveries of Rs. 1,289.42 million as pointed out by the audit. Summary of the audit observations, classified by nature of recovery, is as under:

Overview of Audit Observations
(Rs. in million)

Sr. No.	Classification	Amount
1.	Reported cases of fraud, embezzlement and misappropriation	25.17
2.	Recoveries and overpayments	1,289.42
3.	Procurement related irregularities	801.82
4.	HR/Employees related irregularities	211.78
5.	Payroll related irregularities	2,818.52
6.	Management of accounts with commercial banks	26.17
7.	Financial Matters	1,190.99
8.	Others	2,709.48
Total		**9,073.35**

9.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC directives, for reports of Education Department discussed so far, is given below:

Sr. No.	**Audit Report Year**	**Total Paras**	**Compliance received**	**Compliance not Received**	**Percentage of Compliance**
1	1984-85	39	33	6	85
2	1985-86	65	53	12	82
3	1986-87	109	92	17	84
4	1987-88	112	93	19	83
5	1988-89	148	108	40	73
6	1989-90	165	48	117	29
7	1990-91	83	27	56	33
8	1991-92	67	17	50	25
9	1992-93	41	19	22	46
10	1993-94	41	21	20	51
11	1994-95	55	14	41	25
12	1995-96	50	22	28	44
13	1996-97	66	42	24	64
14	1997-98	197	103	94	52
15	1998-99	391	167	224	43
16	1999-00	447	244	203	55
17	2000-01	1427	947	480	66
18	2001-02	471	328	143	70
Total		**3974**	**2378**	**1596**	**60**
Note: The Audit Report years missing in the above table were either due to non-inclusion of the subject chapter during that year or non-discussion of the subject chapter before the PAC.					

The Education Department was divided into Higher Education Department, Special Education Department, School Education Department & Literacy Department in the financial year 2003-04. The status of compliance with PAC directives, for reports of Higher Education Department discussed so far, is given below:

Sr. No.	**Audit Report Year**	**Total Paras**	**Compliance Received**	**Compliance not Received**	**Percentage of Compliance**
1.	2003-04	61	0	61	0
2.	2005-06	86	16	70	19
3.	2009-10	91	35	56	37
4.	2010-11	26	21	5	80
5.	2011-12	77	11	66	14
6.	2012-13	172	07	165	4
7.	2013-14	26	05	21	19
8.	2015-16	305	06	299	2
Total		**844**	**101**	**743**	**12**
Note: The Audit Report years missing in the above table were either due to non-inclusion of subject chapter during that year or non-discussion of the subject chapter before the PAC.					

The compliance with PAC directives in Higher Education Department remained unsatisfactory except for the Financial Years 2005-06 and 2010-11. The department is required to take-up prompt action. Further, the department is requested to reconcile the matter with Audit Department regarding any discrepancy.

9.4 AUDIT PARAS

Reported cases of fraud, embezzlement and misappropriation

9.4.1 Non receipt of library books-Rs. 16.40 million

According to Rule 2.33 of PFR Vol-I, every Government servant 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.

As per Rule 15.4 (a) of PFR Vol-1, all materials received should be examined, counted, measured and weighed, as the case may be, when delivery is taken, and they should be kept in charge of a responsible Government servant. The passing and the receiving Government servants should see that the quantities are correct and their quality good, and record a certificate to this effect. The receiving Government servant should also be required to give a certificate that he has actually received the materials and recorded them in his appropriate stock registers. Moreover, as per Rule 15.7 of PFR of the Rules ibid, heads of offices and others entrusted with the care of stores of any kind should maintain suitable accounts and inventories of the stores in their charge.

During scrutiny of the accounts record of University of Sahiwal for the period 2018-22, it was observed that the library books valuing Rs. 45,140,301 were purchased. The comparison of books purchased with library accession register revealed that books valuing Rs.16,399,465 were neither taken in register nor found physically available. Moreover, no inspection committee was constituted to physically verify the receipt of all books and to check that the books received were not pirated ones as most of the available books in Computer Science Department's library seemed to be pirated and were not original editions.

Audit held that weak financial controls resulted in non accountal/receipt of books.

When pointed out the matter in April 2023, the management did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 15.11.2023, the department stated that an inquiry has been conducted and the report has been submitted to the Syndicate. Hence, the para was kept pending till decision of the Syndicate. Further progress was not reported by the department till the finalization of this report.

Audit recommends probing the matter at administrative department's level for fixing responsibility against person(s) at fault, besides ensuring recovery of the stated amount.

(PDP No. 2023-0000001388_F00013)

9.4.2 Fake appointments made by tampering record-Rs. 8.77 million

As per Rule 2.33 of PFR Vol-I, every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by the Government through fraud or negligence on his part, and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government servant 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 University of Narowal (UON) for the financial year 2020-22, it was observed that the management of the university made appointments based on extraneous considerations devoid of legality and paid an amount of Rs. 8,766,862 (Annexure-12) on account of salaries. Appointments were based on dubious credentials and the same suffered from the following infirmities:

i. The management, without observing mandatory experience and other conditions as mentioned in service statute of the university, appointed personnel as in number of cases experience was unsubstantiated/short.
ii. The management had selected a person as Assistant Professor of Chemistry on TTS pay package by forgery/ tampering in interview marks.
iii. The management had selected candidate whose application for appointment was received after lapse of 26 days of the submission deadline.
iv. An incumbent stood declared ineligible by short listing committee but the management tampered scrutiny sheet and considered him eligible.
v. Contradiction had also been found in experience certificates presented.

Audit is of the view that the lapse occurred due to weak supervisory controls of the management.

When the matter was pointed out, the management noted the observations for compliance.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that inquiry be held at administrative department’s level to fix responsibility and reverse the appointments based on unsubstantiated experience certificates.

9.4.3 Manipulated and syphoned of amounts in electricity bills

Section 18 (a) of BZU Act 1975 states, that the Treasurer shall manage the property, the finance and investment of the University Amount.

As per Rule 2.33 of PFR Vol-I, every Government servant 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.

During audit of BZU Multan for the period 2021-22, it was observed that management installed separate private meters instead of WAPDA meters at residences and commercial points i.e., shops, tube wells and other places. As a matter of fact, number of houses built on area of one kanal were paying maximum amount of bill ranging from Rs. 1,116 to Rs. 13,864 even in the month of June.

Moreover, the university auctioned agriculture farm spanning over an area of 123 acres but was collecting very nominal amount of electricity charges which averaged Rs. 26,309 per month against four tube wells installed for cultivation of 123 acres of agriculture land. Management did not install meters with transformer to reconcile the total number of units consumed by the residents and farmers. Audit held that without installing meters with transformers, the chances of theft of electricity could not be eliminated. The management was conniving with allottees.

Lapse occurred due to weak supervisory control of the management.

The matter was brought to the notice of the management in April 2023. The management replied that all the separate meters were installed at domestic accommodation and agriculture farm. The reply of management was not tenable being evasive as rates applied against consumed electricity units were subsidized.

The matter was further reported to the administrative department. In DAC meeting held on 23.11.2023, the para was kept pending to prepare comprehensive report regarding difference in electricity charges. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be investigated, and the responsibility of the manipulated billing be fixed besides recovering difference of amount calculated after investigation.

(PDP No.2023-0000001385_F00011)

Recoveries and overpayments

9.4.4 Non recovery of contractual amount, student dues and other amounts-Rs. 420.59 million

According to Rule 4.7(1) of PFR Vol-I, it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government Account. As per Universities Ordinance/Act, the Treasurer shall manage the property, the finances and the investments of the University.

During audit of the Higher Education Department, it was observed that an amount of Rs. 420,593,348 was recoverable from the contractors, students, officers, officials and others on accounts of lapses characterized by financial mismanagement. The same defaulted amount was not recovered even though considerable time had lapsed. The details are given in Annexure-13.

Audit is of the view that weak supervisory and financial controls resulted in non-recovery of the stated amount.

When the matter was pointed out, the management either noted the observations for compliance or did not provide any reply.

The matter was further reported to the administrative department. DAC meetings were held on 28.09.2023, 27.10.2023, 15.11.2023, 21.11.2023, 23.11.2023, 15.12.2023, 29.12.2023, 09.01.2024, 16.01.2024, 19.01.2024, 26.01.2024 and 31.01.2024. The paras at Sr. Nos. 1, 6, 9, 13, 25, 26 & 31 were kept pending for recovery. The paras at Sr. Nos. 4, 11, 12, 17 & 27 were kept pending for compliance. The para at Sr. No. 7 was kept pending for probe by the administrative department. The para at Sr. No. 8 was kept pending for regularization from Syndicate. The para at Sr. No. 10 was reduced to the extent shown in annexure and was kept pending for balance recovery. The para at Sr. No. 15 was kept pending for early auction of material and depositing of the amount into treasury. The para at Sr. No. 16 was kept pending for probe at the univeristy level. The paras at Sr. Nos. 2, 3, 5, 20 & 23 were kept pending for verification of record. The paras at Sr. Nos. 14 & 18 were kept pending for fact finding probe. The para at Sr. No. 19 was kept pending with the direction that the Vice Chancellor should proceed against all concerned for declining to produce relevant record of hostels to audit team. The para at Sr. No. 21 was kept pending for recovery of rent. The para at Sr. No. 24 was kept pending for detailed inquiry at DPI (Colleges) level. The para at Sr. No. 28 was kept pending for seeking approval of the Syndicate. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends to affect recovery of the stated amount pointed out and deposit the same into Government treasury besides strengthening supervisory and financial controls.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2020-21, 2021-22 and 2022-23 vide para numbers 9.4.19, 7.4.3, 7.4.5 and 8.4.3 having financial impact of Rs. 71.17 million, Rs. 24.66 million, Rs. 44.41 million and Rs. 385.03 million. Recurrence of same irregularity is a matter of serious concern.

9.4.5 Non-deduction of levied taxes-Rs. 314.68 million

As per Section 153(1)(a) of the Income Tax Ordinance 2001, income tax was to be withheld at source @ 4.5% & 9% on supplies and 10% & 20% on services from filers & non-filers respectively. Moreover, Sales Tax Act 1990 and Punjab Sales Tax on Services Act 2012 require the departments to withhold taxes at prescribed rates at the time of making payments to the suppliers/service providers.

As per Rule 4.7(1) of PFR Vol-I, it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government Account.

During audit of the Higher Education Department, it was observed that levied taxes amounting to Rs. 314,676,184 were not withheld at source at the time of making payments to the suppliers/service providers. Details are given in Annexure-14.

Audit is of the view that weak supervisory and internal controls on withholding tax enforcement resulted in less deduction of taxes.

When the matter was pointed out, the management either noted the observations for compliance or did not provide any reply.

The matter was further reported to the administrative department. DAC meetings were held on 27.10.2023, 15.11.2023, 21.11.2023, 23.11.2023, 24.11.2023, 22.12.2023, 28.12.2023, 09.01.2024, 16.01.2024, 19.01.2024, 26.01.2024 and 31.01.2024. The para at Sr. No. 1 was kept pending for production of original invoices. The paras at Sr. Nos. 2, 10, 15 & 19 were kept pending for recovery. The para at Sr. No. 3 was kept pending for deposit of taxes into Govt. Treasury. The para at Sr. No. 4 was kept pending for recovery of unauthorized deduction of withholding Tax from the bank. The paras at Sr. Nos. 5 & 11 were kept pending for production of sales tax invoices. The para at Sr. No. 7 was kept pending for detailed verification. The para at Sr. No. 8 was kept pending for clarification from PRA. The para at Sr. No. 9 was kept pending for seeking advice from FBR. The para at Sr. No. 12 was kept pending for compliance. The para at Sr. No. 14 was reduced to the extent shown in annexure and was kept pending for recovery. The para at Sr. No. 16 was kept pending for verification of record. The para at Sr. No. 17 was kept pending for the remaining recovery of advance tax. The para at Sr. No. 18 was kept pending for production of record. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends to affect recovery of the amount pointed out and deposit the same into Government Treasury besides strengthening supervisory and internal controls on enforcement of withholding taxes.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2020-21, 2021-22 and 2022-23 vide para numbers 9.4.20, 7.4.7 and 8.4.4 having financial impact of Rs. 69.74 million, Rs. 60.11 million and Rs. 283.28 million. Recurrence of the same irregularity is a matter of serious concern.

9.4.6 Overpayment during execution of works-Rs. 217.16 million

According to the instructions issued by the Finance Department, vide No. RO(Tech)FD-18-23/2004, dated 21.09.2004, rate analysis for the non-standardized items shall be prepared by the executive engineer, clearly giving the specifications of the material used and approved by the competent authority not below the rank of superintending engineer on the basis of input rate of relevant quarter placed at website of Finance Department. Further, as per para (v) of the Finance Department's Notification No. RO(Tech)FD 1-2/83-VI dated 29.03.2005, the final cost of tender would be the same percentage above/below the amount of revised sanctioned estimate as was at the time of approval of the tender, so as to pre-empt excess payment.

According to Clause 402-6 & 411-19 of Standard Specifications for Roads & Bridges Construction 1971, the exacavated material available at site will be used for back filling and be deducted from the quantity of earth brought from outside.

During audit of the various formations of Higher Education Department, it was observed that an amount of Rs. 217,163,946 (Annexure-15) was overpaid by the management while accepting claims of payments for civil works to the contractors e.g.:

a) Overpayment due to incorrect calculation.
b) Non recovery of compensation from the consultant despite collapse of building.
c) Award of work at higher rate.
d) Overpayment due to non-utilization of available earth.

Audit is of the view that weak management and financial controls resulted in overpayments.

When the matter was pointed out, the management either noted the observations for compliance or did not provide any reply.

The matter was further reported to the administrative department. In DAC meetings held on 28.09.2023, 27.10.2023, 21.11.2023, 23.11.2023, 22.12.2023, 28.12.2023, 16.01.2024, 19.01.2024 and 26.01.2024, the para at Sr. No. 2 was kept pending untill payment of final bill with certificate of recovery from the Director, Planning & Development of the project besides recovery of mark up on the amount utilized by the contractor. The para at Sr. No. 3, 53 & 64 was kept pending for seeking advice from the Finance Department. The para at Sr. No. 4 was kept pending for revised reply based on technical calculations. The para at Sr. No. 5 was kept pending for probe. The paras at Sr. Nos. 6 & 55 were kept pending for provision of test report showing use of harrow sand or recovery. The para at Sr. No. 7 was kept pending for production of soil test report. The paras at Sr. Nos. 8 and 18 were kept pending for seeking advice from Technical Wing of the Finance Department. The paras at Sr. Nos. 9, 15, 20, 26, 29, 31, 35, 36, 39, 50, 52, 58, 61 to 63 & 66 to 69 were kept pending for recovery. The paras at Sr. Nos. 10, 16, 22, 28, 32, 34, 37, 43, 45, 48, 56 & 65 were kept pending for verification of record. The paras at Sr. Nos. 11 and 14 were kept pending till reasonable justification for usage. The para at Sr. No. 12 was kept pending for seeking advice from C&W department. The paras at Sr. Nos. 13, 47 & 49 were kept pending for production of test report of harrow sand and consultants's design mix formula. The para at Sr. No. 17 was kept pending for recovery of steel as per test report of each lot. The paras at Sr. Nos. 21, 41, 60 & 70 were kept pending for making recovery of difference. The paras at Sr. Nos. 23 & 30 were kept pending for lab test report regarding PSI and size of bricks or recovery. The para at Sr. No. 33 was kept pending for committee report regarding completion of relevant item of work. The paras at Sr. Nos. 38, 46 & 59 were kept pending for compliance. The para at Sr. No. 42 was kept pending for production of lab test report and recovery of overpayment from the contractor for use of local sand. The para at Sr. No. 51 was kept pending for production of bill. The para at Sr. No. 54 was kept pending for probe to fix responsibility. The para at Sr. No. 57 was kept pending for verification of record. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that recovery be affected under intimation to audit besides ensuring strengthening of internal controls.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2020-21 and 2022-23 vide para numbers 9.4.11 and 8.4.25 having financial impact of Rs. 12.73 million and Rs. 192.91 million. Recurrence of same irregularity is a matter of serious concern.

9.4.7 Loss to university exchequer for non/less recovery of affiliation fee from affiliated colleges-Rs. 159.60 million

The Syndicate of Punjab University, in its meeting held on 29.06.2019 approved imposition of a new affiliation fee @ 10% of total fee & dues (annual receipts) per students with effect from July 01, 2019. The affiliation fee for law colleges was introduced at Rs. 10,000 per student.

According to Rule 4.1 of PFR Vol-I, it is the primary responsibility of the departmental authorities to see that all revenues, or other debts due to the Government, which have to be brought to account, are correctly and promptly assessed, realized, and credited to the Government Account.

During audit of Higher Education Department, the management of the universities failed to recover affiliation fee of Rs. 159,598,897 from affiliated colleges. The detail is as under:

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Nature of Irregularity**	**Amount (Rs.)**
1.	University of the Punjab	2021-22	2023-0000000179_F00036	Less collection of affiliation fee from colleges	154,604,097
2.	Khawaja Fareed University of Engg & Tech Rahim Yar Khan	2018-23	2023-0000004717_F00007	Less collection of affiliation fee from colleges	4,994,800
Total					**159,598,897**

Audit observed that no efforts were made by the management to collect the outstanding dues from such colleges.

Audit is of the view that weak supervisory and financial internal controls on receipts resulted into non/less recovery of stated amount.

When the matter was pointed out, the management at Sr. No. 1 did not reply to the audit observation. The management at Sr. No. 2 replied that the university was taking coercive measures and writing emails to the affiliated institutions for recovery. The reply was not tenable as the reply was not supported with documentary evidence.

The matter was further reported to the administrative department. In DAC meetings held on 24.11.2023 and 29.12.2023, the para at Sr. No. 1 was kept pending to pursue the case vigorously in the court of law. The para at Sr. No. 2 was kept pending with the direction to get the partial recovery verified by Audit and recover the balance amount from the concerned. Further progress was not reported by the department till the finalization of this report.

Audit recommends to affect recovery of amount pointed out and deposit the same into Government treasury and to devise a strong mechanism to monitor efficient collection of affiliation fee besides strengthening supervisory and financial controls on receipts.

9.4.8 Overpayment to contractors beyond agreed percentage-Rs. 92.30 million

As per Para (v) of the Finance Department's Notification No. RO(Tech)FD 1-2/83-VI dated 29.03.2005, the final cost of tender would be the same percentage above/below the amount of revised sanctioned estimate as was at the time of approval of the tender, so as to pre-empt excess payment.

During audit of various formations by the Higher Education Department, it was observed that an amount of Rs. 92,304,742 was overpaid by the management to the contractors than the agreed percentage of civil works. The details are given in annexure-16.

Audit is of the view that weak administrative and financial controls resulted in overpayments.

When the matter was pointed out, the management either noted the observations for compliance or did not provide any reply.

The matter was further reported to the administrative department. In DAC meetings held on 27.10.2023, 22.12.2023, 28.12.2023 and 16.01.2024, the para at Sr. No. 1 was kept pending for detailed verification and approval of the next higher authority. The para at Sr. No. 2 was kept pending for preparation of financial statements and actual recovery in balance rate. The paras at Sr. Nos. 4, 6, 9 & 10 were kept pending for recovery. The paras at Sr. Nos. 5 & 8 were kept pending for recovery on completion of work. The para at Sr. No. 7 was kept pending for production of item wise comparative statement for verification. The para at Sr. No. 11 was kept pending for comparison of financial statements. Further progress was not reported by the department till the finalization of this report.

Audit recommends that recovery be affected besides ensuring strengthening of financial controls.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 8.4.26 having financial impact of Rs. 120.18 million. Recurrence of the same irregularity is a matter of serious concern.

9.4.9 Income tax unduly deducted on profit on investment- Rs. 75.63 million

According to Sr. No. 126 of Second Schedule of Income Tax Ordinance 2001, any income of a public sector university established solely for educational purposes and not for the purposes of profit is part of the exemption schedule, with effect from the 1st day of July 2013.

During audit of the Higher Education Department, it was observed that income tax amounting to Rs. 75,632,388 was withheld at source on profit on investments by respective banks, which is contrary to the above rule.

The detail is as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1.	University of Sargodha	2021-23	2023-0000003196_F00007	Unauthorized deduction of withholding tax from bank accounts	31,489,362
2.	ITU of Punjab Lahore	2020-23	2023-0000004711_F00016	Un-authorized deduction of withholding taxes on profit	11,917,872
3.	Queen Mary College/School, Lahore	2019-23	2023-0000003197_F00013	Withholding Tax deducted on profit earned	8,568,238
4.	University of Jhang	2021-23	2023-0000003213_F00023	Withholding Tax deducted on profit earned	5,790,961
5.	University of the Punjab	2021-22	2023-0000000179_F00043	Non-Recovery of Unauthorized Deduction of Withholding Tax by Bank	5,093,520
6.	BISE Sargodha	2020-22	2023-0000001540_F00020	Non-Recovery of Unauthorized Deduction of Withholding Tax on Profit	4,929,823
7.	GCWU Sialkot	2021-22	2023-0000001474_F00017	Unauthorized deduction of withholding tax	3,769,733

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
8.	University of Narowal	2020-22	2023-0000001582_F00016	Irregular deduction of withholding tax on funds maintained in bank accounts	2,312,288
9	GCWU Faisalabad	2020-22	2023-0000001566_F00008	Non-Recovery of unauthorized deduction of Withholding Tax	1,760,591
Total					**75,632,388**

Audit is of the view that weak supervisory and internal controls resulted in loss to university receipts.

When the matter was pointed out, the management either noted the observations for compliance or did not provide any reply.

The matter was further reported to the administrative department. DAC meetings were held on 28.09.2023, 27.10.2023, 23.11.2023, 24.11.2023, 15.12.2023, 19.01.2024 and 31.01.2024. The paras at Sr. Nos. 1, 2 & 7 were kept pending for recovery. The para at Sr. No. 3 was kept pending for acquisition of exemption certificate from FBR regarding deduction of withholding tax on profit. The para at Sr. No. 4 was kept pending for compliance. The para at Sr. No. 6 was kept pending to pursue the matter with FBR for exemption besides recovery of withholding tax deducted by the bank. The para at Sr. No. 8 was kept pending to take up the matter with bank for recovery. The para at Sr. No. 9 was kept Pending for recovery of withholding tax from bank within one week. Further progress was not reported by the department. As regards the remaining para, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be taken up with the concerned banking authorities and efforts be made to secure refund of the amount, besides strengthening supervisory and internal controls on taxation.

9.4.10 Loss due to purchases at higher rates for non-compliance of supply orders and non-recovery of LD charges-Rs. 9.46 million

Rule 2.33 of PFR Vol-I, every Government servant 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.

As per relevant Sections of the Acts/Ordinances of respective universities, the Treasurer shall manage the property, the finance and investment of the University.

During audit of the Higher Education Department, it was noticed that several firms did not fulfill the obligation of the supply orders issued by the formations, but LD Charges were not recovered, loss occurred due to purchases made on higher rates and non-forfeiture of the performance security amounting to Rs. 9,461,733. The details are given as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Description	Amount (Rs.)
1.	University of Education Lahore	2020-23	2023-0000003186_F00012	Loss due to non-purchase at risk cost, LD charges etc.	8,008,271
2.	Khawaja Fareed University of Eng and IT, Rahim Yar Khan	2018-23	2023-0000004717_F00039	Non-deduction of LD charges	579,619
3.	University of Sargodha	2021-23	2023-0000003196_F00032	Non forfeiture of performance security for non-supply of equipment	873,843
Total					**9,461,733**

Following irregularities were noticed:

1 University of Education purchased 58 computers in re-tender at higher rate of Rs. 209,475 in May 2023 due to supply of only 75 computers by M/S Megaplus against supply order of 153 Desktop Computers vide No.UE/DD/PS/2022/202 dated February 21, 2022. This resulted into loss of Rs. 5,296,676 (Rs. 91,323*58). Further 5% performance security amounting to Rs. 903,865 was not forfeited. LD charges of Rs. 1,807,730 were not recovered from M/s Megaplus for late supply of 75 computers.

2 Khawaja Fareed University of Engineering and Information Technology, Rahim Yar Khan did not deduct LD charges Rs. 579,619 from the contractor as per terms of contract for late supplies.

3 University of Sargodha did not forfeit performance security of Rs. 873,848 for short supply of equipment.

When pointed out in August and November 2023, the management either noted the observations for compliance or did not provide any reply.

The matter was further reported to the administrative department. In DAC meetings held on 09.01.2024 and 26.01.2024, the para at Sr. No. 1 was kept pending with the direction to forfeit the performance guarantee and blacklist the concerned contractor. The para at Sr. No. 2 was kept pending for recovery of LD charges. The para at Sr. No. 3 was kept pending for regularization from the Finance Department. Further progress was not reported by the department till the finalization of this report.

Audit recommends fixing responsibility on person(s) at fault besides ensuring recovery of the stated amount.

Procurement related irregularities

9.4.11 Irregular procurement of various goods and services in violation of procurement rules-Rs. 623.29 million

As per Rule 38 (1) of the Punjab Procurement Rules 2014 amended up to 2021, single stage one envelope bidding procedure shall ordinarily be the main open competitive bidding procedure used for the procurement of works and standard goods, (2) Other appropriate procedures for selection of contractors other than consultants may be adopted in single stage two envelopes bidding procedure, for procurement of such goods where the bids are to be evaluated on technical and financial grounds.

During audit of various formations of the Higher Education Department, it was observed that procurements amounting to Rs. 623,289,808 (Annexure-17) were made in violation of PPR 2014 such as purchases ordered despite failure of the supplier to subscribe to the knock out criteria, non competetive bidding, oversight to call for market rate analysis when bid was responded through single offered rates, circumvention of approval mechanism etc.

Due to the non-observance of PPRA Rules, the expenditure to the stated extent was held irregular.

When the matter was pointed out, the management either noted the observations for compliance or did not provide any reply.

The matter was further reported to the administrative department. DAC meetings were held on 28.09.2023, 27.10.2023, 23.11.2023, 24.11.2023, 28.12.2023, 29.12.2023, 16.01.2024, 19.01.2024, 26.01.2024 and 31.01.2024. The paras at Sr. Nos. 1 & 3 were kept pending for production of relevant record besides depositing the withheld amount of taxes into Government

Treasury. The paras at Sr. Nos. 2, 16, 19 & 20 were kept pending for regularization from the Finance Department. The paras at Sr. Nos. 4 & 9 were kept pending for verification of record. The para at Sr. No. 5 was kept pending for recovery of 10% profit added in estimate from the contractor. The para at Sr. No. 6 was kept pending for either recovery or regularization from the Finance Department. The paras at Sr. Nos. 7, 11, 14, 22 & 23 were kept pending for probe into the matter besides depositing the withheld amount of taxes into Government treasury. The para at Sr. No. 8 was kept pending for probe. The paras at Sr. Nos. 10, 12, 18 & 26 were kept pending for regularization of expenditure from the Finance Department besides depositing the withheld amount of taxes into Government Treasury. The para at Sr. No. 13 was kept pending for compliance. The para at Sr. No. 15 was kept pending for provision of record. The para at Sr. No. 17 was kept pending for provision of rate analysis and proof of deduction of PST. The para at Sr. No. 21 was kept pending for probe and regularization from the Finance Department. The para at Sr. No. 24 was kept pending for production of summary sheet of utilization and obtaining analysis report from PCSIR. The para at Sr. No. 25 was kept pending for recovery. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be probed into at administrative department's level for fixing responsibility and misprocurement be reported to PPRA for consideration by the PPRA Board for taking cognizance of lapses to avoid recurrence thereof in future.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2020-21, 2021-22 and 2022-23 vide para numbers 9.4.7, 7.4.16 and 8.4.9 having financial impact of Rs. 886.89 million, Rs. 16.54 million and Rs. 860.13 million. Recurrence of the same irregularity is a matter of serious concern.

9.4.12 Mis-procurement of various items by splitting indents and without advertisement to avoid tender-Rs. 78.61 million

As per Rule 4 of Punjab Procurement Rules 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

Moreover, as per Rule 9 of the Rules ibid, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. Furthermore, as per Rule 12 of the Rules ibid, a procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority. Any procurement exceeding three million rupees shall be advertised on the website of the

Authority, the website of the procuring agency, if any, and in at least two national daily newspapers of wide circulation, one in English and one in Urdu.

During audit of Higher Education Department, it was observed that the management made procurement of various items costing Rs. 78,611,825 (Annexure-18) under various heads of accounts by splitting up the indents, to avoid tender in violation of PPR 2014. Procurement of such a huge amount without tender/open competition is a question mark on competitive and transparent nature of the procurement process. More economical rates could have been obtained through tender/competitive bidding process rather than procuring items from single bidders.

Audit is of the view that weak supervisory and financial controls resulted in misprocurements.

When the matter was pointed out, the management either noted the observations for compliance or did not provide any reply.

The matter was further reported to the administrative department. DAC meetings were held on 21.11.2023, 23.11.2023, 15.12.2023, 29.12.2023 and 16.01.2024. The para at Sr. No. 1 was kept pending for carrying out rate analysis. The para at Sr. No. 2 was kept pending for regularization of expenditure from the Finance Department after probe into the matter besides depositing the taxes into Government Treasury. The paras at Sr. Nos. 3 & 5 were kept pending for regularization from the Finance Department. The para at Sr. No. 4 was kept pending for probe and regularization from the Finance Department. Further progress was not reported by the department till the finalization of this report.

Audit recommends fixing responsibility on person(s) at fault and seeking regularization of the expenditure from Finance Department besides strengthening supervisory and internal controls.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2020-21, 2021-22 and 2022-23 vide para numbers 9.4.8, 7.4.17 and 8.4.8 having financial impact of Rs. 46.79 million, Rs. 29.29 million and Rs. 1,141.32 million. Recurrence of the same irregularity is a matter of serious concern.

9.4.13 Non-compliance of supply orders-Rs. 61.85 million

As per standard bidding documents, if the contractor fails/delays in performance of any of the obligations, under the Contract/Letter of Acceptance, violates any of the provisions of the Contract/Letter of Acceptance, commits breach of any of the terms and conditions of the Contract/Letter of Acceptance or found to have engaged in corrupt or fraudulent practices in competing for the award of contract/Letter of Acceptance or during the execution of the contract/Letter of Acceptance, the Purchaser may without prejudice to any other right of action/remedy it may have, blacklist the Contractor, either indefinitely or for a stated period, for future tenders in public sector, as per mechanism provided in Punjab Procurement Rules 2014.

As per Rule 2.33 of PFR Vol-I, every Government servant 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.

During audit of the Higher Education Department, it was observed that several firms did not fulfill the obligation of the supply orders issued by the department and equipment amounting to Rs. 61,854,597 was not supplied. No legal proceedings were initiated to blacklist the firms. The details are given as under:

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Description**	**Amount (Rs.)**
1.	University of Chakwal	2020-23	2023-0000003185_F00001	Non-Receipt of Lab equipment, glassware, chemicals, plant and machinery	44,461,265
2.	University of Education Lahore	2020-23	2023-0000003186_F00013	Non supply of Lab equipment	17,393,332
Total					**61,854,597**

When pointed out in August 2023, the management did not provide any reply.

The matter was further reported to the administrative department. In DAC meetings held on 15.12.2023 and 09.01.2024, the para at Sr. No. 1 was kept pending for compliance. The para at Sr. No. 2 was kept pending with the direction to forfeit Performance Guarantee besides blacklisting the contractor. Further progress was not reported by the department till the finalization of this report.

Audit recommends fixing responsibility on person(s) at fault besides legal action taken against the defaulting firms as envisadged in procurement rules.

9.4.14 Wasteful expenditure without requirements-Rs. 23.54 million

As per Rule 24 of University of Home Economics Lahore Financial Rules 2019 (Amended up to 30th November 2022, i.e. 11th Meeting of the Syndicate), all the purchases will be made in the most economical manner and the sanctioning authorities will be guided by the fundamental canons of financial propriety. As Per Section 16 of University of Home Economics Act 2017, the Treasurer shall be a whole-time officer of the University and shall manage the assets, liabilities, receipts, expenditures, funds and investments of the University.

During audit of University of Home Economics for the period 2020-23, it was observed that the management purchased most of the IT & other equipment in 2020-21, in excess of actual requirement. Moreover, material/items valuing Rs 23,538,476 were kept in stores and were not issued for departmental use The items had lost their warranty period and their value may have deteriorated with the passage of time. Periodical physical verifications were not made to see their actual existence in stores.

Audit is of the view that lapse occurred due to weak internal controls and resulted in undue blockade of Government Funds.

When the matter was pointed out, the management did not provide any reply.

The matter was further reported to the administrative department. In DAC meeting held on 16.01.2024, the para was kept pending with the direction that the matter about balances needs to be inquired. Further progress was not reported by the department till the finalization of this report.

Audit recommends fixing responsibility on person(s) at fault and initiation of disciplinary action to take cognizance of such unnecessary purchases, besides strengthening internal controls on the procurement process.

(PDP No. 2023-0000002807_F00051)

9.4.15 Irregular expenditure in violation of austerity measures-Rs. 14.53 million

Govt. of the Punjab, Finance Department imposed ban on the purchase of vehicles and air conditioners through austerity measures for the years 2020-21 to 2022-23. The expenditure on these items can be made only with the prior approval of the austerity committee.

During audit of the Univeristy of Education Lahore, it was observed that procurement of vehicle and air conditioners amounting to Rs. 14,531,499 was made in violation of austerity measures imposed by the Punjab Finance Department during the period 2020-23. The detail is given as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Amount (Rs.)
1	University of Education Lahore	2020-23	2023-0000003186_F00009	14,050,539

2	University of Education Lahore	2020-23	2023-0000003186_F00057	480,960
Total				**14,531,499**

Due to the non-observance of austerity measures, the expenditure to the stated extent was held irregular.

When the matter was pointed out, the management either noted the observations for compliance or did not provide any reply.

The matter was further reported to the administrative department. In DAC meeting held on 22.12.2023 and 09.01.2024, the para at Sr. No. 1 was kept pending for probe and regularization of expenditure from Finance Department. The para at Sr. No. 2 was kept pending for regularization from Finance Department. Further progress was not reported by the department till the finalization of this report.

Audit recommends fixing responsibility on person(s) at fault besides seeking regularization of the expenditure from Punjab Finance Department and avoid recurrrence of such irregularities in future.

HR/Employees related irregularities

9.4.16 Irregular appointments without advertisement of posts

The Supreme Court of Pakistan in its judgment dated 19.01.1993 in Human Rights Case No. 104 of 1992 decided that recruitments, both Ad-hoc and regular, without publicity and properly advertising the vacancies, is a violation of fundamental rights. As such no post could be filled in without proper advertisement, even on ad hoc or contract basis. Further, under the Chapter titled “Fundamental Rights” of the Constitution of Pakistan, equality of citizens and safeguard against discrimination in services has been guaranteed. Article 25 of the Constitution 1973 provides that all citizens are equal before law and are entitled to equal protection of law while Article 27 provides that no citizen otherwise qualified for appointment in the service of Pakistan shall be discriminated against.

During audit of the Higher Education Department, it was observed that appointments of teaching and non-teaching staff were made without advertising posts in newspapers in violation of orders of Supreme Court of Pakistan. An amount of Rs. 897,082,167 was paid to the staff on account of pay and allowances against the said irregular appointments. The details are in annexure-19.

Audit is of the view that weak internal controls on recruitment resulted in irregular appointments.

When the matter was pointed out, the management either noted the observations for compliance or did not provide any reply.

The matter was further reported to the administrative department. In DAC meetings held on 28.09.2023, 27.10.2023, 15.11.2023, 21.11.2023, 24.11.2023, 09.01.2024, 16.01.2024, 19.01.2024 and 31.01.2024, the paras at Sr. Nos. 1 and 8 were kept pending for probe and regularization from the Finance Department. The paras at Sr. Nos. 2, 4, 5, 6 & 9 were kept pending for regularization from the Finance Department. The paras at Sr. Nos. 3 & 13 were kept pending for verification of record. The para at Sr. No. 7 was kept pending for approval of the Syndicate. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired into at administrative department's level followed by a reference moved to NAB for holding the culprits accountable besides seeking prosecution of the case due to much needed cognizance of corrupt practices.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2020-21, 2021-22 and 2022-23 vide para numbers 9.4.3, 7.4.8 and 8.4.10 having financial impact of Rs. 325.08 million, Rs. 298.43 million and Rs. 2,129.84 million. Recurrence of the same irregularity is a matter of serious concern.

9.4.17 Illegal appointments of teaching and non-teaching staff

As per Rule 4 under chapter-II of Punjab Civil Servant Act 1974, appointment to a civil post in connection with the affairs of the province, shall be made in the prescribed manner by Governor of the Punjab or by a person authorized by him, in this regard.

Further, all the universities have framed their service statutes duly approved by the chancellor, describing required qualification, experience, age limit and predetermined minimum mandatory criteria for appointment against each post.

During audit of the Higher Education Department, it was observed that appointments of teaching and non-teaching staff on regular, contract or adhoc basis were made either against the service statutes/rules, or in violation of pre-determined minimum mandatory criteria in respect of relevant qualification, relevant experience, and age. Payments to the tune of Rs. 160,444,868 were made to the staff on account of illegal/irregular appointments. The details are given in annexure-20.

Audit is of the view that weak internal controls on recruitment resulted in irregular appointments.

When the matter was pointed out, the management of the formations either noted the observations for compliance or did not provide any reply.

The matter was further reported to the administrative department. In DAC meetings held on 28.09.2023, 27.10.2023, 15.11.2023, 29.12.2023, 09.01.2024 and 31.01.2024, the paras at Sr. Nos. 1, 7 & 10 were kept pending to probe the matter and fixing of responsibility against the concerned. The para at Sr. No. 2 was kept pending till approval of revised Statutes. The para at Sr. No. 4 was kept pending for regularization from Finance Department. The para at Sr. No. 6 was kept pending with direction to dismiss Assistant Librarian and recovery of an amount of Rs. 1,584,542. The para at Sr. No. 8 was kept pending for regularization from the Finance Department. The para at Sr. No. 9 was kept pending for clarification from S&GA Department. The para at Sr. No. 11 was kept pending for production of complete record for verification. Further progress was not reported by the department. As regards the remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be got inquired into at administrative department's level followed by seeking prosecution of the case to take cognizance of collusive practices.

9.4.18 Irregular appointments made in excess of advertised posts-Rs. 106.87 million

Supreme Court of Pakistan in its judgment dated 19.01.1993 in Human Rights Case No. 104 of 1992 stated that recruitments, both Ad-hoc and regular, without publicity and properly advertising the vacancies, is violation of fundamental rights. As such no post could be filled in without proper advertisement, even on ad hoc or contract basis. Further, under the Chapter titled "Fundamental Rights" of the Constitution of Pakistan, equality of citizens and safeguard against discrimination in services has been guaranteed. Article 25 of the Constitution 1973 provides that all citizens are equal before law and are entitled to equal protection of law while Article 27 provides that no citizen otherwise qualified for appointment in the service of Pakistan shall be discriminated against.

During audit of the Higher Education Department, it was observed that appointments of teaching, and non-teaching staff were made without mentioning number of vacancies or excess than number of vacancies advertised in newspapers. An amount of Rs. 106,871,386 was paid to the staff on account of irregular appointments. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	GCU Lahore	2020-22	2023-0000000930_F00007	Appointments of non-gazetted staff were made without mentioning No. of posts in advertisement	74,325,000
2	University of the Punjab	2021-22	2023-0000000179_F00002	Appointments of non-gazetted staff made without mentioning No. of posts in advertisement	24,421,382
3	University of the Punjab	2021-22	2023-0000000179_F00015	Excess appointments of teaching staff were made more than advertised posts.	6,233,244
4	University of the Punjab	2021-22	2023-0000000179_F00048	Appointments of non-gazetted staff made without mentioning No. of posts in advertisement	1,891,760
Total					**106,871,386**

Audit is of the view that weak internal controls on recruitment resulted in irregular appointments.

When the matter was pointed out, the management either noted the observations for compliance or did not provide any reply.

The matter was further reported to the administrative department. In DAC meetings held on 15.11.2023 and 24.11.2023, the para at Sr. No. 1 was kept pending for regularization from the Finance Department. The para at Sr. No. 2 was kept pending for probe and regularization from the Finance Department. The para at Sr. No. 3 was kept pending for regularization from the Syndicate. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in December 2023.

Audit recommends that the matter be got inquired into at administrative department's level to uncover the actual facts besides ensuring apportionment of responsibility against the delinquents.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 8.4.11 having financial impact of Rs. 1,190.87 million. Recurrence of same irregularity is a matter of serious concern.

9.4.19 Irregular expenditure on security services-Rs. 104.91 million

As per Rule 25.4 of PPR 2014, where any change becomes essential in the procurement process, such change shall be made in a manner similar to that of the original advertisement. As per Rule 12 of the PPR 2014, a procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority. Any procurement exceeding three million rupees shall be advertised on the website of the Authority, the website of the procuring agency, if any, and in at least two national daily newspapers of wide circulation, one in English and one in Urdu.

During audit of the University of Sahiwal for the period 2018-2022, it was observed that security services were outsourced to M/S Fauji Security Services (Pvt.) Ltd. for which contract was awarded on 30.10.2018 for hiring of services of 20 security personnel for one year. After the expiry of contract on 30.10.2019, neither tender was called for hiring of security services in subsequent years nor any fresh contract was executed between the parties and number of security personnel were increased every month/year with 10% salary increase. The number of guards was increased from 20 to 150 in 2021-2022 without any cogent reason. As such expenditure of Rs. 104,906,257 (approx.) incurred during 2019-20 to 2021-22 on security services was held irregular.

Audit is of the view that lapse occurred due to weak supervisory and internal controls on contract management.

The matter was brought to the notice of management in April 2023, but no reply was offered.

The matter was further reported to the administrative department. In DAC meetings held on 15.11.2023, the para was kept pending for regularization from the Finance Department. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be got inquired into at administrative department's level besides seeking regularization of the expenditure with the sanction of the Finance Department.

(PDP No. 2023-0000001388_F00014)

Payroll related irregularities

9.4.20 Unauthorized payment of inadmissible pay & allowances-Rs. 2,816.58 million

As per Ordinance/Act of respective universities, the Treasurer shall manage the property, the finances and the investments of the University and universities statutes are also required to be got approved from the Chancellor.

HEC Islamabad vide circular No. P.2.157/HEC/2009/580 had decided that payment of admissible allowance/facilities excess of prescribed rates or extraordinary additional allowance/incentives facilities other that admissible under the BPS may not be allowed.

As per Finance Department's letter No.FD.SR-I. 9-4/86(P)(PR) dated 04.12.2012, the employees residing in the residential colonies situated within the work premises are not entitled to the facility of conveyance allowance. Further, as per Finance Department's letter No. FD(M-I)1-15/82-P-I, dated 15.01.2000, the drawl of house rent allowance is not permissible to the officers/officials to whom Government residences have been provided. In addition, 5% maintenance charges are also required to be deducted from the salary of officers/officials. As per Govt. of the Punjab, Finance Department's letter No.FD.PR.9-4/2018 dated 18th July 2018, House rent allowance was increased by 50% of existing rates i.e. 45% of Pay scale 2008 for declared big cities and 30% of Basic Pay Scales of 2008 for other than big cities.

During audit of the Higher Education Department, it was observed that an amount of Rs. 2,816,582,101 (Annexure-21) was paid to the employees on account of pay & allowances which were not admissible to them under the rules.

Audit is of the view that weak supervisory and internal controls on payroll resulted in unauthorized payment of pay & allowances.

The matter was pointed out to the concerned formations. The management either noted the observations without offering any reply or did not provide any reply.

The matter was further reported to the administrative department. DAC meetings were held on 28.09.2023, 27.10.2023, 15.11.2023, 21.11.2023, 23.11.2023, 24.11.2023, 15.12.2023, 29.12.2023, 09.01.2024, 16.01.2024, 19.01.2024, 26.01.2024 and 31.01.2024. The paras at Sr. Nos. 1, 28, 45, 54, 59 & 62 were kept pending for verification of record. The para at Sr. No. 2 was kept pending for probe. The paras at Sr. Nos. 4, 30 & 55 were kept pending for compliance. The para at Sr. No. 5 was kept pending for review of the case by the Syndicate to rationalize financial benefits. The paras at Sr. Nos. 6, 43 & 50 were kept pending for seeking advice from the Finance Department. In case of Sr. No. 7, the amount of para was reduced from Rs. 111,629,717 to Rs. 101,589,806 after verification of partial recovery of Rs. 10,039,911. The para at Sr. No. 8 was kept pending with the direction to prepare SOPs on payment of honorarium/late sitting allowance. The paras at Sr. Nos. 9 & 27 were kept pending for a detailed reply. The para at Sr. No. 10 was kept pending for regularization from competent forum. The paras at Sr. Nos. 12, 31, 40, 46, 49, 51 to 53, 57 & 60 were kept pending for recovery. The paras at Sr. Nos. 14, 15, 27, 29, 32, 34, 37, 38, 41 & 56 were kept pending for recovery of pay and allowances. The paras at Sr. Nos. 13 & 16 were kept pending for regularization from the Finance Department. The para at Sr. No. 17 was kept pending for seeking approval of the Chancellor within 30 days. The para at Sr. No. 18 was reduced to Rs. 5,000,000 and kept pending for recovery. The paras at Sr. Nos. 19 & 25 were kept pending for recovery of remuneration of evening classes from the concerned. The paras at Sr. Nos. 20 & 22 were kept pending for probe by the Head of Department to fix responsibility against the defaulters. The para at Sr. No. 21 was kept pending for recovery of whole amount and transferring the same to HEC. The para at Sr. No. 23 was kept pending for production of Punjab Government's policy calendar for verification. The para at Sr. No. 24 was kept pending for justification for grant of advance increments. The paras at Sr. Nos. 33 & 39 were kept pending for seeking approval of the Chancellor. The para at Sr. No. 35 was kept pending for clarification from the controlling authority. The para at Sr. No. 36 was kept pending for approval of the Syndicate. The para at Sr. No. 44 was kept pending with the direction either to seek approval of the Chancellor or effect recovery. The para at Sr. No. 61 was kept pending for clarification from the Finance Department. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends affecting recovery of the stated amount and depositing the same into Government treasury, besides strengthening supervisory and internal controls on payroll.

<u>Note:</u> The issue was reported earlier also in the Audit Reports for Audit Years 2020-21, 2021-22 and 2022-23 vide para numbers 9.4.1, 9.4.17, 7.4.1 and 8.4.2 having financial impact of Rs. 1,196.58 million, Rs. 602.14 million, Rs. 178.80 million and Rs. 572.55 million. Recurrence of same irregularity is a matter of serious concern.

9.4.21 Un-authorized payment of leave encashment to Vice Chancellor-Rs. 1.94 million

As per HEC letter No. F.P.2-103/HEC/2015-16/10 dated 15.10.2015, the salary package of the VC is equivalent to the Professor's salary on TTS. The salary of the Professor on TTS is inclusive of all allowances.

During audit of the University of Sargodha for the period 2018-22, it was observed that leave encashment to the tune of Rs. 1,937,320 was paid to the Vice Chancellor without entitlement.

Audit is of the view that weak supervisory and financial controls on payroll resulted in irregular payment of leave encashment.

The matter was pointed out in April 2023. The management did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 15.11.2023, the para was kept pending for recovery. Further progress was not reported by the department till the finalization of this report.

Audit recommends probing the matter for fixing responsibility against the delinquents and to effect recovery of stated amount from the concerned and depositing the same into treasury at the earliest besides strengthening supervisory and financial internal controls on payrolls.

(PDP No. 2023-0000001388_F00009)

Management of accounts with commercial banks

9.4.22 Loss due to re-rolling of investments at lower rates-Rs. 13.43 million

As per Government College for Women University, Faisalabad Act-2012, the Treasurer shall be the chief financial of the University and shall-(a) manage the assets, liabilities, receipts, expenditures, funds and investments of the University.

During audit of Government College for Women University, Faisalabad for the period 2020-22, it was observed that the management invested Rs. 1,300 million with NBP for 36 months @ 15% whereas NBP offered the markup rate @ 16.20% against the investment of Rs. 2,618 million just for 12 months. So, re-rolling of investment at lower differential rate resulted into overall loss of Rs. 13,433,333 for the entire tenure.

Audit is of the view that lapse occurred due to weak supervisory and internal controls on funds management.

When pointed out in May 2023, the management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 23.11.2023, the para was kept pending for recovery. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be probed into for fixing responsibility against the delinquents and recovery be affected from the bank for the difference in the rate offered by bank besides taking remedial measures to avoid such lapses in future.

(PDP No. 2023-0000001566_F00004)

9.4.23 Non deposit of profit earned on security account into Government Treasury-Rs. 12.74 million

Rule 7(i) of the Punjab Treasury & Subsidiary Treasury Rules requires that all moneys as defined in Article 118 of the Constitution, received by or tendered to Government servants shall, without undue delay, be paid in full into the treasury or into the bank and shall be included in the

Consolidated Fund or the Public Account of the Province. No department of the Government may require that any such money be kept out of the consolidated fund or the public account of the province.

According to Rule 4.7(1) of PFR Vol-I, it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government Account.

During audit of the Director Public Instructions (DPI) Colleges, Lahore, it was observed that an amount of Rs. 12,743,143 on account of profit earned on the funds deposited in commercial banks was not deposited into Government Treasury in violation of above Rule.

Audit is of the view that lapse occurred due to non-adherence to the stated rules.

When matter was pointed out, the management did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 21.11.2023, the para was kept pending for probe and regularization from the Finance Department. Further progress was not reported by the department till the finalization of this report.

Audit recommends fixing responsibility against the person(s) at fault, deposit of profit earned into Govt. treasury besides strengthening financial internal controls on funds management.

(PDP No. 2023-0000001000_F00005)

Financial Matters

9.4.24 Instances of financial indiscipline-Rs. 858.05 million

As per relevant clauses of the Acts/Ordinances of respective universities, the Treasurer shall manage the property, the finances and the investments of the University. Further, statutes are required to be got approved from the Chancellor. Rule 2.33 of PFR Vol-I, every Government servant 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 servant 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 Higher Education Department, it was observed that the management failed to abide by probity and proprietory for safeguarding asset management and re-rolling of investment during audit period and non adjustment of advances causing losses of Rs. 858,049,466. The details are given in annexure-22.

The brief of lapses is narrated as follows:

- Loss due to late/non-investment of funds by management of universities
- Loss due to award of canteen contract at lesser rates, late/non-auction of canteen and shops etc.
- Misuse of university agriculture/green land by private persons and lease of agricultural land on nominal rates to old tenants rather than awarding the same through open public auction
- Non-adjustment of temporary advances

When pointed out in April 2023, the management either noted the observations for compliance or did not provide any reply.

The matter was further reported to the administrative department. DAC meetings were held on 28.09.2023, 15.11.2023, 21.11.2023, 23.11.2023, 24.11.2023, 15.12.2023, 22.12.2023, 28.12.2023, 29.12.2023, 09.01.2024, 19.01.2024 and 31.01.2024. The paras at Sr. Nos. 1 & 17 were kept pending for probe by Head of Department and to fix responsibility against the defaulters. The paras at Sr. Nos. 2 & 9 were kept pending for compliance. The para at Sr. No. 3 was kept pending for probe. The para at Sr. No. 4 was kept pending for conversion of account into saving account. The para at Sr. No. 5 was kept pending for recovery of mobilization advance. The para at Sr. No. 6 was kept pending for approval of syndicate. The para at Sr. No. 7 was kept pending for probe besides regularization from the Finance Department. The paras at Sr. Nos. 8 & 13 were kept pending for production of bank statements and master plan of land respectively. The paras at Sr. Nos. 10 & 16 were kept pending for adjustment of advances. The paras at Sr. Nos. 11, 12, 14 & 19 were kept pending for probe to fix responsibility. The para at Sr. No. 15 was kept pending for recovery. The para at Sr. No. 20 was kept pending for provision of bidding documents and allied record. The para at Sr. No. 21 was kept pending for recovery of differential amount. The para at Sr. No. 22 was kept pending for compliance being subjudice in court of law. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be probed into and non/less realized amount be recovered besides taking remedial measures to avoid recurrence of such lapses in future.

9.4.25 Irregular lump sum transfer of funds into Bank Account-Rs. 305.07 million

According to Sub-clause XV under the General Instructions of “Punjab Assan Assignment Account Procedure (Local Currency) 2020, “Cash withdrawal or transfer of funds to any other bank account is not allowed except for employees related deduction like pension contribution, provident fund and GP Fund etc. According to Rule 7(i) of Punjab Treasury Rules, money received by or tendered to Government servants shall not be appropriated to meet departmental expenditure nor otherwise kept apart from the consolidated fund. Money so received shall, without undue delay, be paid into the treasury.

During audit of Khawaja Fareed University of Engineering and Information Technology, Rahim Yar Khan for the period 2018-23, it was observed that ADP funds to the tune of Rs. 305,074,586 were shifted from Asaan Assignment Account to commercial bank account in violation of above instructions. These funds were also utilized for day-to-day recurring expenditures. The markup accrued also remained unaccounted for and was not diverted back to the Provincial Consolidation Fund.

Audit is of the view that the lapse regarding shifting of funds from Assan Assignment.

When the matter was pointed out in November 2023, the management stated that amounts belonged to land acquisition of KFUEIT under PC-I. The management had never used that amount to run the day to day recurring expenditures of the University. The reply was not supported with documentary evidence.

The matter was further reported to the administrative department. In DAC meeting held on 29.12.2023, the para was kept pending for probe by the administrative department. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be inquired into at administrative department’s level besides seeking regularization of the matter from Finance Department and strengthening the internal controls.

(PDP No. 2023-0000004717_F00001)

9.4.26 Mismanagement of pension fund in BISE Sargodha-Rs. 25.00 million

As per Clause 6-9(8) under chapter VIII (Finances of the Board) of the Regulations of BISE Sargodha, all the funds belonging to the Board shall be kept in a bank/banks/post office approved by the Board, in the name of the Board of Intermediate and Secondary Education.

During audit of the accounts of BISE Sargodha for the period 2020-22, it was observed that the Board authorities irregularly transferred an amount of Rs.25,000,000 from Development Fund to Pension Fund to meet the expenses of pension payments which is required to be refunded back to the account concerned which was meant for the construction of building and construction work is badly needed, keeping in view the dilapidated conditions of the buildings of the Board.

Audit is of the view that lapse occurred due to weak supervisory and financial internal controls on payments.

When pointed out in April 2023, the management did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that failure of managing the Pension Fund needs to be inquired at administrative department’s level in order to carve out a strategy for making Pension Fund self-sufficient. Moreover, the Development Fund’s deficit also needs to be recouped.

(PDP No. 2023-0000001540_F00011)

9.4.27 Irregular payments for civil works without measurement books-Rs. 2.87 million

Section 16 (a) of University of Sahiwal Act, 2015 states that the Treasurer shall manage the property, the finance and investment of the University.

During audit of the University of Sahiwal for the period 2018-2022, it was observed that university management cleared liabilities amounting to Rs. 2,865,114 during June 2019 on account of land levelling of the university. The expenditure was held irregular on following grounds:

i. No detailed estimates were prepared, technical sanction was not accorded and no administrative approval was obtained from the Vice Chancellor. All the work orders were issued/quotations were obtained by the campus director without having any authority as the authority for issuance of the administrative approval to execute the work rest with the Vice Chancellor of the BZU.

ii. No MBs were prepared. Same work of levelling was executed time and again in the same area without obtaining prior approval of Vice Chancellor.

Audit is of the view that lapse occurred due to weak supervisory and financial internal controls on payments.

When pointed out the matter in April 2023, the management did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 15.11.2023, the para was kept pending for compliance. Further progress was not reported by the department till the finalization of this report.

Audit recommends to probe the matter at higher level for fixing responsibility for unauthorized execution of works without approval of Vice Chancellor and making payments without validation of claim from BZU.

(PDP No. 2023-0000001388_F00022)

Others

9.4.28 Design failure and imposition of recovery-Rs. 1,357.01 million

According to Clause 3.4 of the agreement with the consultant it has been envisaged that the consultants are liable for the consequence of errors and omission 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 the design of a project, the consultants shall make good such losses or damages, subject to the conditions 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 audit of Khawaja Fareed University of Engineering and Information Technology, Rahim Yar Khan for the period 2018-23, it was observed that payments of Rs. 1,357,013,889 were made to the consultant and contractors for civil works executed through defective building design as the building of community centre had collapsed. The Director Building Research Station in his inspection report issued vide No.3ADV/589/2174 dated 16-02-23 reported many deficiencies in design. The Higher Education Department vide letter No SO(Dev-F)51-1/2014(P-VI) dated 24th March 2023 recommended in para 4(ii) to black list the consultant for 2 years under Rule 21 of PPR Rules 2014 and initiate inquiry against the Chief Engineer/P&D. The compensation of Rs 40,608,664 was not recovered from the consultant as per contract agreement. This resulted in wasteful expenditure and non-recovery of fine to the stated extent as detailed below:

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Nature of Irregularity**	**Amount (Rs.)**
1	Khawaja Fareed University of Eng and IT, Rahim Yar Khan	2018-23	2023-0000004717_F00059	Payments to contractors for works executed through faulty/ defective building design	1,316,405,225

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
2	Khawaja Fareed University of Eng and IT, Rahim Yar Khan	2018-23	2023-0000004717_F00061	Non-recovery of compensation from consultant due to defective building design approved by him	40,608,664
Total					**1,357,013,889**

Execution of works through defective design resulted in irregular expenditure.

Audit is of the view that lapse occurred due to weak supervisory and financial internal controls on payments.

When pointed out the matter in November 2023, the management did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 28.12.2023, the para at Sr. No. 1 was kept pending for third party validation from Building Research Station, Lahore regarding removal of defects of faulty design by the newly hired consultant M/s GSK. The para at Sr. No. 2 was kept pending for blacklisting the consultant and third party validation from Building Research Station regarding reconstruction of the same building by the same contractor at his own cost as per approved revised drawing. Further progress was not reported by the department till the finalization of this report.

Audit recommends fixing responsibility on person(s) at fault and to take disciplinary against the delinquents for substandard construction besides strengthening internal controls to avoid recurrence of such issues.

9.4.29 Irregular award of work due to non-registered joint venture-Rs. 625.134 million

According to condition No 16 (ii) of General Guidelines of contract agreement uploaded on PPRA website, the tender submitted by a joint venture of two or more firms shall be accompanied by a document of formation of the joint venture, duly registered and authenticated by a competent court, in which shall be stated precisely, the conditions under which it shall function, its period of validity, the person(s) authorized to represent it and accept its obligations the participation of several firms forming the joint venture and any other information necessary to permit a full appraisal of its function.

During audit of Khawaja Fareed University of Engineering and Information Technology, Rahim Yar Khan for the period 2018-23, it was noticed that the department was required to award the work to a Joint Venture duly registered and authenticated by a competent court. Audit observed that the agreement between the partners of the joint venture had not been registered in any competent court, which resulted in an irregular award of works amounting to Rs. 625,134,053 to the non-registered JV.

Audit is of the view that lapse occurred due to weak internal and administrative controls.

The matter was pointed out in November 2023. The management did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 28.12.2023, the para was kept pending for production of registration certificate of SECP. Further progress was not reported by the department till the finalization of this report.

Audit recommends seeking regularization of the expenditure, fixing responsibility besides strengthening internal controls to avoid the recurrence of such issues in future.

(PDP No. 2023-0000004717_F00086)

9.4.30 Extra expenditure over and above TS estimate/BOQ-Rs. 273.33 million

As per para iii of the Finance Department's Notification No. RO (Tech) FD.1-2/83-VI dated 29.03.2005 during the execution of work, neither the specifications and quantity of different items approved in the PC-I/technical sanctioned estimate be changed nor any additional item(s) standardized/non-standardized be approved/executed without prior written approval of such change/new addition by the authority who has issued PC-I/technical sanction. Such authority will record reasons.

During audit of Higher Education Department, it was observed that in various civil works, most of the items were paid in excess over BOQ and approved TS estimate. Neither these items were included in the BOQ and TS estimate nor revised TS estimate was got approved from the competent authority. This resulted in extra payment of Rs. 273,328,451. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Name of work	Amount (Rs.)
1	Khawaja Fareed University of Eng & IT,	2018-23	2023-0000004717_F00067	Irregular payment beyond the revised agreement/work order	224,806,000

Sr. No.	Name of Formation	Period of Audit	PDP No.	Name of work	Amount (Rs.)
	Rahim Yar Khan				
2	University of Education Lahore	2020-23	2023-0000003186_F00045	Construction of canteen at UE Faisalabad campus	4,391,096
3	University of Education Lahore	2020-23	2023-0000003186_F00048	Construction of Academic block at UE Lower Mall campus, Lahore	6,235,891
4	University of Education Lahore	2020-23	2023-0000003186_F00058	Construction of Faculty and staff residence at UE Multan campus	7,233,992
5	University of Education Lahore	2020-23	2023-0000003186_F00070	Construction of small academic block at UE Jauhar Abad campus	14,163,525
6	University of Education Lahore	2020-23	2023-0000003186_F00071	Construction of small academic block at UE campus DG Khan	3,441,031
7	University of Education Lahore	2020-23	2023-0000003186_F00073	Construction of Swimming pool and allied sports at UE Township, Lahore	2,551,484
8	University of Education Lahore	2020-23	2023-0000003186_F00074	Construction of Academic block at UE Lower Mall campus, Lahore	10,505,432
Total					**273,328,451**

Audit held that the lapse occurred due to weak supervisory and financial controls.

The matter was brought to the notice of university management in August and November 2023 but the management did not offer any reply.

The matter was further reported to the administrative department. In DAC meetings held on 22.12.2023 and 28.12.2023, the para at Sr. No. 1 was kept pending for verification of revised estimate, enhanced agreement, and additional scope of work. The paras at Sr. Nos. 2, 3, 5, 7 & 8 were kept pending for revision of technical sanction estimates from competent authority. The paras at Sr. Nos. 4 & 6 were kept pending to make item-wise comparative statements. Further progress was not reported by the department till the finalization of this report.

Audit recommends seeking regularization of the expenditure by revision of PC-I/TS estimates from competent authority or recovery be affected for the excess paid claim over and above TS estimate.

9.4.31 Non-maintenance of record-Rs. 96.22 million

As per Government of the Punjab, Finance Department's letter No.F(Mn)mw/1-4/92 dated 26.09.1992, if the entries in the stock register/log book are not present at the time of audit or if the concerned officials are not present at the time of audit and the record was not shown to audit, entries made and the record produced afterward would not be accepted.

During audit of Khawaja Fareed University of Engineering and Information Technology, Rahim Yar Khan for the period 2018-23, the record relating to expenditure of Rs. 96,219,402 was not maintained as the same was not produced to Audit for scrutiny despite repeated written as well as verbal requests.

Audit is of the view that due to non-maintenance of record, the veracity of the accounts could not be verified.

When the matter was pointed out in November 2023, the management replied that a committee was constituted for the annual physical verification of store and stock in order to comply with the suggestion. The reply of the management was not tenable, being evasive and without documentary evidence in support of the said contention.

The matter was further reported to the administrative department. In DAC meeting held on 09.01.2024, the para was kept pending for production of record. Further progress was not reported by the department till the finalization of the report.

Audit recommends fixing responsibility against person(s) at fault for non-maintenance of specified record and produced the same in the SDAC.

(PDP No. 2023-0000004717_F00057)

9.4.32 Irregular security contract agreement-Rs. 74.45 million

As per clause 12, 34 & 36 of contract agreement governing service provision for security guards made with the service provider, the company will pay the salaries to their employees considering minimum wages fixed by the Govt. of the Punjab. The company shall provide the paid bank slips of social security and EOBI contribution for the deployed guards at FJWU at the time of collection of their guard's salary. The company shall provide the letter from the insurance company indicating that guards were insured as per policy.

During audit of Fatima Jinnah Women University, Rawalpindi for the period 2019-22, it was observed that the management incurred expenditure of Rs. 74,453,684 on hiring of security services. The security agencies, in violation of contract agreements, failed to provide evidence regarding deposit of 5% EOBI contribution, payment of salaries of their staff as per prevailing minimum wages and insurance company certificate indicating that the guards were insured.

The lapse occurred due to weak administrative and financial controls of the management.

In response to the preliminary observation issued in April 2023, the management did not offer reply.

The matter was further reported to the administrative department. In DAC meeting held on 28.09.2023, the para was kept pending for compliance. Further progress was not reported by the department till the finalization of this report.

Audit recommends fixing responsibility on person(s) at fault after probe into the matter and regularization of the expenditure from competent authority besides initiating action against those responsible.

(PDP No. 2023-0000000929_F00010)

9.4.33 Non-obtaining of additional performance security/non-forfeiture of bid security/earnest money-Rs. 66.15 million

According to condition No.14 of general directions of tender in contract agreement, no tender without earnest money shall be entertained. Earnest money @ 5% of the estimated cost of the work shall be in the form of deposit at call receipt.

As per Clause 15 of the contract agreement used for execution of civil works in Punjab, the lowest evaluated bidder will be required to furnish the performance security, additional performance security (wherever required), before entering into a contract and to commence the work within the times specified in the memorandum of work.

According to Finance Department's letter No. RO(Tech) FD 1-2/83 (vi) (P) dated 06.04.2005, in case the total tender amount is 5% or more below approved estimate, the lowest bidder will have to deposit additional performance security from a scheduled bank ranging from 5% to 10%, within 15 days of issuance of notice or within expiry period of bid whichever is earlier.

During audit of Higher Education Department, it was observed that various works were awarded at more than 5% below TSE by the institutions. The departments did not obtain the additional performance securities/bank guarantees of Rs. 66,150,180 @ 10% of contractual amount in violation of above agreement clauses and FD instructions. The departments neither rejected the tender nor forfeited the earnest money/bid securities as detailed below:

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Nature of Irregularity**	**Amount (Rs.)**
1	Khawaja Fareed University of Eng & IT, Rahim Yar Khan	2018-23	2023-0000004717_F00077	Non availability/obtaining of performance guarantees	65,607,713
2	University of Home Economics Lahore	2020-23	2023-0000002807_F00031	Non-obtaining of additional performance security and non-forfeiture of bid security/earnest money	542,467
Total					**66,150,180**

Audit held that lapse occurred due to weak internal and financial controls.

Non-obtaining of additional performance security and non-forfeiture of earnest money resulted in undue favour to the contractor.

The matter was brought to the notice of university management in August and November 2023, but no reply was offered.

The matter was further reported to the administrative department. In DAC meetings held on 28.12.2023 and 16.01.2024, the para at Sr. No. 1 was kept pending for verification of work wise performance guarantees from relevant banks. The para at Sr. No. 2 was kept pending for probe and regularization from the Finance Department. Further progress was not reported by the department till the finalization of this report.

Audit recommends fixing responsibility for non-observing of prescribed Government instructions besides recovery of bid security.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2020-21 vide para number 9.4.13 having financial impact of Rs. 1.995 million. Recurrence of same irregularity is a matter of serious concern.

9.4.34 Loss due to non-execution of work at risk & cost- Rs. 65.12 million

As per clause 60 and 61 of contract agreement, in case of failure of contractor to complete the work, he would be liable for penalty. Further, if he would not be able to complete work, the work would be rescinded and got executed through another contractor at the risk and cost of the original contractor.

During audit of Government College Women University, Faisalabad for the period 2020-22, it was observed that the management awarded three works to M/s Shafqat Associates. The contractor failed to complete these works as per scope of work provided in contract agreement. Audit observed that from more than last two years there was no activity at sites and contractor had abandoned the work but department did not initiate any action against the contractor as per clauses 60 & 61 of contract for completion of work at the risk and cost of the original contractor after rescinding the contract. This has resulted in loss of Rs. 65,120,000 million due to non-execution of work at risk & cost of defaulting contractor.

The lapse occurred due to violation of contractual obligation and resulted in non-execution of work amounting to Rs. 65.12 million at the risk & cost of defaulting contractor.

The matter was pointed out in May 2023 but the management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 23.11.2023, the para was kept pending for being subjudice in Court of Law. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be probed into for fixing responsibility and effecting recovery from the contractor.

(PDP No. 2023-0000001566_F00030)

9.4.35 Irregular payments for defective and below specification works-Rs. 55.25 million

According to Clause 10 of the contract agreement read with Rule 7.28 of Departmental Financial Rules, the contractor shall execute the whole and every part of work in most substantial and workman like manner both as regards to material and otherwise. Moreover, as per Secretary (C&W) department letter No.SOPC(C&W)5-2/08 dated 18.8.2009, the contractor will complete the defective/damaged work at his own cost. The payment to contractor on full rate should be allowed only if the quality of work done is upto the stipulated specification.

During audit of the Higher Education Department, it was observed that the universities paid a sum of Rs. 55,249,888 for below specification and defective civil works to the contractors. No responsibility was fixed for the payment against defective work done by the contractor/delinquents.

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Name of work**	**Amount (Rs.)**
1	University of Eng &IT Rahim Yar Khan	2018-23	2023-0000004717_F00088	Loss due to non-recovery of deficient/defective work	37,619,000
2	University of Home Economics, Lahore	2020-23	2023-0000002807_F00020	Execution of civil work declared as defective by the Engineer In charge, scrutiny committee and Third Party Validation below specifications.	10,000,000
3	University of Sargodha	2021-23	2023-0000003196_F00029	Execution of defective/below specification of civil work.	7,630,888
Total					**55,249,888**

Audit is of the view that lapse occurred due to weak technical and supervisory controls. Undue payments resulted in loss to the universities.

The matter was brought to the notice of university management in August 2023, but no reply was offered.

The matter was further reported to the administrative department. In DAC meeting held on 28.12.2023, 16.01.2024 and 26.01.2024, the para at Sr. No. 1 was kept pending to probe the matter and blacklisting of original contractor besides recovery of defective work on risk and cost from the contractor. The para at Sr. No. 2 was kept pending for recovery. The para at Sr. No. 3 was kept pending for verification of record. Further progress was not reported by the department till the finalization of this report.

Audit recommends fixing responsibility on person(s) at fault besides ensuring recovery for execution of defective work.

9.4.36 Overpayment of price escalation to the contractor- Rs. 30.49 million

As per Rule 7.29 of DFR Vol-I, before signing the bill, the Sub-Divisional Officer should compare the quantities in the bill with those recorded in the measurement book and see all rates are correctly entered and that all calculations have been checked arithmetically.

During audit of Higher Education Department, it was observed that expenditure of Rs. 30,493,678 was incurred by various institutions. Audit observed that the management of the institutions derived self-contained method for payment of escalation in case of first two formations of the table given below. Further, the management had not deducted below rate 9.33% and rebate at the rate of 10% in the case of last two formations of the table given below. However, the management at Sr. No. 3 paid price escalation to the contractor who had not completed the work even after the lapse of two years.

The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	University of the Punjab	2021-22	2023-0000000179_F00069	Payment with MBs not bearing corresponding record increase with dates	13,329,000
2	University of the Punjab	2021-22	2023-000000	Payment with MBs not bearing corresponding	10,803,000

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
			0179_F 00073	record increase with dates	
3	GCWU Faisalabad	2020-22	2023-0000001566_F 00027	Overpayment of price variation to the contractors	4,038,678
4	University of the Punjab	2021-22	2023-0000000179_F 00070	Overpayment of price escalation to the contractor.	1,243,000
5	University of the Punjab	2021-22	2023-0000000179_F 00074	Overpayment of price escalation to the contractor	1,080,000
Total					**30,493,678**

The matter was pointed out to the concerned formations. The management either noted the observations without offering any reply or did not provide any reply.

The matter was further reported to the administrative department. In DAC meeting held on 23.11.2023, the para at Sr. No. 3 was kept pending for detailed verification of record. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be probed into and got regularized from competent authority besides taking remedial measures to avoid such lapses in future.

9.4.37 Non-transparent auction of agricultural land-Rs. 22.67 million

As per Rule 2.33 of PFR Vol-I, every Government servant 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. Moreover, Section 18 (a) of Act 1975 states, that the Treasurer shall manage the property, the finance and investment of the University.

During audit of the accounts of BZU Multan for the period 2021-22, scrutiny of auction file revealed that 118-acre land was auctioned on lease at Rs. 22,671,000. Following irregularities were noticed.

i. As per tender document successful bidder should have deposited six-month lease amount Rs. 3,778,500 on spot otherwise his contract would be terminated and it would be awarded to 2nd highest bidder.
ii. The management favored concerned contractor and neither received said amount on spot nor terminated his contract which resulted in violation of the relevant tender document clause.
iii. Advance tax for Rs. 377,850 was less deposited by concerned contractor.
iv. Tax amounting to Rs. 377,850 was deposited through treasury challan but neither CPR of stated amount was available on record nor treasury challan was verified from treasury office.
v. Concerned contractor did not deposit outstanding lease money of Rs. 2,557,000 despite lapse of 6 months. Management had not recovered the stated amount with mark up from the concerned quarter.
vi. As per tender document, the successful bidder should make planation of fruit trees in the surrounding of 118 acres land but he did not fulfill this contractual obligation.

The management did not impose any penalty on concerned contractor.

The matter was brought to the notice of university management in April 2023, but no reply was offered.

The matter was further reported to the administrative department. In DAC meeting held on 21.11.2023, the para was kept pending to recover fine for late deposit as per agreement within 30 days. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be investigated, and the responsibility of the stated lapse be fixed besides recovering loss and strengthening administrative, financial, and supervisory controls to avoid the recurrence of such lapses in the future.

(PDP No. 2023-0000001385_F00009)

9.4.38 Non-recovery of compensation due to delay in completion of work-Rs. 21.25 million

As per Clause 39 (a) of contract agreement, if the contractor fails to complete the work within stipulated period, he would be liable to pay compensation for delay in completion of work at 10% of agreement amount.

During audit of the Higher Education Department, it was observed that various civil works were not completed within stipulated period but the department did not impose and recover penalty of Rs. 21,253,975 on account of delay in completion of works as per provision of agreement as detailed below:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Name of work	Amount (Rs.)
1	University of Education Lahore	2020-23	2023-0000003186_F00063	Construction of small academic block at UE campus DG Khan	7,547,344
2	University of Sargodha	2021-23	2023-0000003196_F00036	Non completion of Projects beyond plenty of time extensions without imposition of penalty	6,359,000
3	University of Home Economics Lahore	2020-23	2023-0000002807_F00017	Construction of Admin block	5,591,942
4	University of Home Economics Lahore	2020-23	2023-0000002807_F00026	Construction of entrance gate and check post	959,852
5	University of Home Economics Lahore	2020-23	2023-0000002807_F00010	FAÇADE uplifting of main building	795,837
Total					**21,253,975**

Audit held that weak financial and internal controls resulted in the lapse.

Non-imposition of penalty on contractors for non-completion of works within stipulated/extended time period resulted in loss to the stated extent.

The matter was brought to the notice of management in August 2023, but no reply was offered.

The matter was further reported to the administrative department. In DAC meetings held on 22.12.2023, 16.01.2024 and 26.01.2024, the para at Sr. No. 1 was kept pending for provision of request for extension by contractor as well as proof of removing defects in the punch list for completion of works. The para at Sr. No. 2 was kept pending for verification of record. The paras at Sr. Nos. 3, 4 and 5 were kept pending for recovery. Further progress was not reported by the department. As regards the remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends fixing responsibility against person(s) at fault, besides imposing recovery of the stated amount on contractors.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2020-21 vide para number 9.4.9 having financial impact of Rs. 1,903.68 million. Recurrence of same irregularity is a matter of serious concern.

9.4.39 Non finalization of theft inquiries to effect recovery of loss-Rs. 15.96 million

As per Rule 2.33 of PFR Vol-1, every Government servant 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 servant to the extent to which it may be shown that he contributed to the loss by his own action or negligence. Section 15 (3) (a) of Information Technology University, Lahore Act, 2012 provides that the treasurer shall manage the assets, liabilities, receipts, expenditures, funds and investments of the University.

During audit of the Higher Education Department, the management of the universities did not recover the loss of Rs. 15,959,000 which occurred due to theft of their property from university premises despite deployment of security guards. Even FIR was not lodged by the management of the ITU Lahore. The detail is as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Name of work	Amount (Rs.)
1	Information Technology University of the	2020-23	2023-0000004711_F00003	Fence at the boundary wall at Bharki campus did not exist physically/stolen. Fencing work was	15,409,000

Sr. No.	Name of Formation	Period of Audit	PDP No.	Name of work	Amount (Rs.)
	Punjab, Lahore			done by the DCO and payments were made through cheque No.A074367, dated 09.08.2016	
2	University of Home Economics Lahore	2020-23	2023-0000002807_F00055	Enquiry for theft of 3 generators and one Motorcycle Honda CD-70 not yet finalized to fix responsibility	550,000
Total					**15,959,000**

Audit held that irregularity occurred due to weak security and administrative controls.

The matter was brought to the notice of university management in August and November 2023, but no reply was offered.

The matter was further reported to the administrative department. In DAC meeting held on 16.01.2024 and 19.01.2024, the para at Sr. No. 1 was kept pending for fact finding report to assertain actual loss. The para at Sr. No. 2 was kept pending for compliance. Further progress was not reported by the department till the finalization of this report.

Audit recommends fixing responsibility on person(s) at fault besides affecting recovery of the loss sustained by the university.

9.4.40 Irregular Payments without completion of projects /performance evaluation-Rs. 6.45 million

As per Rule 24 of University of Home Economics Lahore Financial Rules 2019 (Amended upto 30th November 2022 i.e. 11th Meeting of the Syndicate), all the purchases will be made in the most economical manner and the sanctioning authorities will be guided by the fundamental canons of financial propriety. As per Section 15 of the University of Sargodha Ordinance 2002, the Treasurer shall be whole time officer of the university who shall manage the Property, the finances and the investments of the University. As per clause 15(3)(a) of ITU Act 2012, the Treasurer shall be the Chief Financial Officer of the university and shall manage the assets, liabilities, receipts, expenditure, funds and investments of the University.

During audit of the accounts of Higher Education Department, it was observed that payments of Rs. 6,435,393 were made to the contractors/consultants against non-executed, incomplete and the works which were not executed upto satisfaction of the department as per agreement. Payments for consultancy services for Financial and IT matters were made without performance evaluation of the consultants.

The detail is given as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Consultancy	Amount (Rs.)
1	University of Home Economics Lahore	2020-23	2023-0000002807_F00044	Consultancy charges of the networking project which was not up to the satisfaction/incomplete	2,877,143
2	ITU of the Punjab, Lahore	2020-23	2023-0000004711_F00021	As per contract agreement more than 50% of the deliverables were still pending from the consultant	2,358,250
3	University of Home Economics Lahore	2020-23	2023-0000002807_F00037	Consultancy for UMS & LMS projects which did not exist	1,200,000
Total					**6,435,393**

Expenditure incurred on hiring of these consultants without any fruitful results caused loss to the university.

Audit is of the view that lapse occurred due to weak internal controls.

When the matter was pointed out in August 2023, the management did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 16.01.2024 and 19.01.2024, the para at Sr. No. 2 was kept pending for probe. The para at Sr. No. 3 was kept pending for provision of record. The para at Sr. No. 4 was kept pending for probe and regularization from the Finance Department. Further progress was not reported by the department till the finalization of this report.

Audit recommends fixing responsibility against person(s) at fault, besides ensuring recovery of the stated amounts.

CHAPTER 10
HOME DEPARTMENT

10.1 Introduction

The Home Department of Government of the Punjab comprises six attached departments. As per Punjab Government Rules of Business 2011, the Department has been assigned the business of:

- Public Order and Internal Security
- Arms, Ammunition & Military Stores
- Matters relating to Police establishment and administration institutions
- Prisons, reformatories, remand homes, borstal, and similar institutions, classification and transfer of prisoners; state, political, and martial law prisoners, good conduct prisoners and probation release Act
- Protection of key points and vital installations
- Recovery of missing persons
- Enforcement of provisions of the Motor Vehicle Ordinance, 1965 and rules thereunder relating to control of traffic and inspection and checking of motor vehicles for the purpose of traffic control
- Appointment of non-official visitors for the jail
- Civil Defense and Afghan Refugees

Audit Profile of Home Department

Sr. No.	Description	Total No.	Audited	Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)	Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)
1	Formations	321	38	54,679	29.06
2	• Assignments Accounts • SDAs etc. (excluding FAP)	4	3	389	-
3	Authorities/Autonomous bodies etc. under the PAO	3	2	903.72	-
4	Foreign Aided Projects (FAP)	-	-	-	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The Appropriation Accounts of the Home Department for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during the financial year 2022-23 against the total of six grants/appropriations is given below:

(Rupees in million)

Grant No.	Original Grant	Supplementary Grant/ Re-Appropriation	Final Grant	Actual Expenditures	Excess/ (Savings)
1	**2**	**3**	**4**	**5**	**6(5-4)**
PC21010	7,183.34	2,787.84	9,971.19	9,705.54	(265.64)

PC21012	13,793.74	2,325.13	16,118.87	15,856.54	(262.33)
PC21013	149,018.98	16,026.51	165,045.49	164,174.65	(870.84)
PC21031	0.26	0	0.26	12.50	12.24
PC21032	894.73	32.21	926.95	904.21	(22.73)
PC22036	4,440.66	(3,468.08)	972.58	956.97	(15.60)
Total	**175,331.71**	**17,703.62**	**193,035.33**	**191,610.42**	**(1,424.91)**

Overview of Expenditure

The final budget of the Home Department for the year ended 30th June 2023 was Rs. 193,035.33 million. Out of this, actual expenditure was Rs. 191,610.42 million. The breakup of current and development expenditure is given below:

(Amount in Rupees)

Grant Type	**Original Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	170,891,058,000	190,653,446,122	19,762,388,122	11.56
Development	4,440,656,500	956,972,497	(3,483,684,003)	78.45
Total	**175,331,714,500**	**191,610,418,619**	**16,278,704,119**	**9.28**

During the year, due to supplementary grants and surrenders, this composition changed. The variance of the Final Grant and Actual Expenditure is given below:

(Amount in Rupees)

Grant Type	**Final Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	192,062,756,000	190,653,446,122	(1,409,309,878)	0.73
Development	972,576,180	956,972,497	(15,603,683)	1.60
Total	**193,035,332,180**	**191,610,418,619**	**(1,424,913,561)**	**0.74**

Anticipated savings not surrendered

As per para 14.3 of the Punjab Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs. (1,424.91) million at the close of the year 2022-23 under grants PC21012, PC21013, PC21010, PC21031, PC21032 and PC22036 were not surrendered in time by the Department.

10.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 10,974.73 million were raised in this report during audit of the Home Department. This amount includes recoveries of Rs. 2,153.56 million as pointed out by the audit. The summary of the audit observations classified by nature is as under:

Overview of Audit Observations

(Rs. in million)

Sr. No.	Classification	Amount
1.	Reported cases of fraud, embezzlement and misappropriation	22.55
2.	Recoveries and overpayments	2,153.56
3.	Procurement related irregularities	2,136.32
4.	HR/Employees related irregularities	515.70
5.	Value for money and service delivery issues	1,579.68
6.	Management of accounts with commercial banks	1,607.71
7.	Financial Matters	74.20
8.	Accounting Errors	358.55
9.	Others	2,526.46
Total		**10,974.73**

10.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC directives, for reports discussed so far, is given below:

Sr. No.	**Audit Report Year**	**Total Paras**	**Compliance received**	**Compliance not Received**	**Percentage of Compliance**
1	1984-85	28	22	6	79
2	1985-86	35	32	3	91
3	1986-87	25	21	4	84
4	1987-88	22	16	6	73
5	1988-89	96	76	20	79
6	1989-90	10	2	8	20
7	1990-91	29	15	14	52
8	1991-92	27	14	13	52
9	1992-93	19	7	12	37
10	1993-94	11	6	5	55
11	1994-95	21	4	17	19
12	1995-96	16	0	16	0
13	1996-97	38	13	25	34
14	1997-98	122	47	75	39
15	1998-99	190	118	72	62
16	1999-00	323	183	140	57
17	2000-01	577	493	84	85
18	2001-02	345	238	107	69
19	2003-04	121	0	121	0
20	2005-06	140	11	129	8
21	2006-07	123	12	111	10
22	2007-08	287	09	278	3
22	2009-10	229	17	212	7
23	2010-11	150	19	131	13
24	2011-12	246	48	198	20
25	2012-13	366	64	302	17
26	2013-14	149	41	108	28
27	2015-16	748	15	733	2
Total		**4493**	**1543**	**2950**	**34**
Note: The Audit Report years missing in the above table were either due to non-inclusion of the subject chapter during that year or non-discussion of the subject chapter before the PAC.					

The downward trend in the status of compliance with PAC directives in the Home Department has continued since 2003-04. As regards previous years, the same is prevailing for the financial years 1989-90, 1994-95 and 1995-96. Further, the department is requested to reconcile the matter with the Audit Department regarding any discrepancy.

10.4 AUDIT PARAS

Reported cases of fraud, embezzlement and misappropriation

10.4.1 Fraudulent drawl of POL-Rs. 22.55 million

Rule 2.33 of PFR Vol-I requires that every Government servant will be held personally responsible for any loss sustained by the Government through fraud or negligence on his part.

During audit of the Chief Traffic Officer, Lahore for the period 2021-23, it was observed that 168 vehicles and 1407 motorcycles were on the strength of the entity (as per the list provided by the management) and separate fleet cards of each vehicle were got issued from PSO. The management has lodged FIR (No. Manawan-6/17/2023-10321 dated 15.04.2023) against the officials of the Motor Transport Branch that 88,472.39-liters POL was fraudulently drawn through overbilling in PSO fleet cards invoices from 01.01.2022 to 31.03.2023. {Approximate amount of Rs. 21,233,373 (88,472.39 Liter x Rs. 240) was involved}. After conducting an inquiry by the local management, the officials were awarded a major penalty of dismissal from service. The case is under trial in the court of law.

On comparison of soft copies of PSO invoices (provided by the management) with the office copies of PSO invoices, it was observed that an abnormal quantity of POL was drawn against motorcycles which were up to thousands of liters in one month. Tampering was made in office copies. Thus by adopting such practice 58,726 liters of POL valuing Rs. 13,033,280 was drawn against five motorcycles. In total 93,978 liters POL of Rs. 22,554,720 (93,978 liter x Rs. 240) was fraudulently drawn through fake billing against off-road, closed-to-line vehicles, and motorbikes not on the strength of this office. The complete inquiry report was not shared with the audit for scrutiny. The management shared copies of FIR, dismissal orders of incumbents, and a summary of PSO bills only.

The lapse occurred due to weak management and internal controls. This resulted in loss to the public exchequer.

The matter was reported in September 2023. The management noted the observation for submission of detailed reply later.

The matter was further reported to the administrative department. In DAC meeting held on 09.02.2024, the para was kept pending for inquiry at administrative department’s level. Further progress was not reported by the Department till the finalization of this report.

Audit recommends that the matter be inquired into at the administrative department’s level to dig out complete facts since the date of posting of the responsible personnel at the Motor

Transport Branch. Loss sustained by the Government be recovered from the concerned besides strengthening internal controls.

(PDP No. 2023-0000004365_F00001)

Recoveries and overpayments

10.4.2 Non-recovery/deposit of funds through auction of condemned vehicles-Rs. 1,641.00 million

As per Sr. No. 84.7 of the minutes of 3rd meeting of Standing Committee of Cabinet on Finance & Development held on 23.09.2022, it was informed to the Committee that Rs. 496.93 million had been deposited into Government Treasury in lieu of auction of vehicles of Punjab Police, conducted in March 2023 and Rs. 1,641 million recovery was expected from auction of 1094 condemned vehicles. Sr. No. i & vi of Decision No. 84, funds Rs. 5,509.78 were approved by the committee of Cabinet on Finance & Development for purchase of new vehicles with the condition that funds Rs. 2,139.93 (496.93+1,641) shall be deposited in Government Treasury during current financial year 2022-23.

During audit of SP Motor Transport Punjab, Lahore for the period 2020-23, it was observed that recovery was expected from the auction of 1,094 condemned vehicles. The recovery was duly assessed amounting to Rs. 2,137.93 million, constituting 24.2% of the total demand. Home Department's letter No.HP-II/2-25/2020(P-II) dated 07.10.2022 envisaged that funds amounting to Rs. 2,137.93 million would be recovered from the auction of condemned vehicles and shall be deposited into Government Treasury during the financial year 2022-23 out of which recovery of Rs. 1,641.00 million was not deposited.

Weak management, supervisory and financial controls led to non-recovery of funds through auction of condemned vehicles.

The matter was reported to the entity concerned in November 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 09.02.2024, the para was kept pending till completion of auction process at the earliest. Further progress was not reported by the Department till the finalization of this report.

Audit recommends that the matter be probed to fix responsibility. The auction money realized be deposited into Government treasury, besides strengthening financial, and internal controls.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 and 2022-23 vide para numbers 8.4.21 and 9.4.27 having financial impact of Rs. 108.10 million and Rs. 361.00 million. Recurrence of same irregularity is a matter of serious concern.

(PDP No. 2023-0000005662_F00002)

10.4.3 Non recovery of Government dues-Rs. 432.45 million

According to Para 4.7(1) of PFR Vol-I, it is primarily the responsibility of the departmental authorities to see that all revenue or other debts due to the Government, which have to be brought to account, are correctly and promptly assessed, realized, and credited to the Government Account.

During audit of Home Department, it was observed that various Government receipts to the tune of Rs. 432,445,898 were still pending and the amount thereof, was not recovered and still was to be deposited into Government Treasury. The details are given in annexure-23.

Audit is of the view that weak management and internal controls resulted in the non-recovery of Government dues.

The matter was reported to the entities concerned from March to May and August to November 2023. The management of the entities noted the observations for compliance.

The matter was further reported to the administrative department. DAC meetings were held on 25.09.2023, 16.10.2023, 29.11.2023, 15.12.2023, 28.12.2023, 03.01.2024, 15.01.2024, 18.01.2024 and 31.01.2024. The para at Sr. No. 1 was reduced to Rs. 141,168,499 and was kept pending for recovery. The paras at Sr. Nos. 2, 4, 8 & 13 were kept pending for recovery. The para at Sr. No. 5 was kept pending with the direction to submit revised point wise reply. The para at Sr. No. 7 was kept pending to devise proper mechanism to run the canteen. The para at Sr. No. 10 was kept pending for compliance. The para at Sr. No. 11 was kept pending for compliance and obtain clarification from Finance Department regarding utilization of funds. The Para at Sr. No. 14 was kept pending till finalization of inquiry report by the IG Prison. The para at Sr. No. 16 was kept pending for installation of independent electricity meters in the staff colony alongwith the direction to install sub-meters as a stop gap arrangement. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that immediate steps for early collection of the outstanding amount of Government dues be taken and the deposit of the same be ensured into the Government Treasury.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2018-19 and 2022-23 vide para numbers 11.4.60 and 9.4.2 having financial impact of Rs. 859.83 million and Rs. 752.04 million. Recurrence of same irregularity is a matter of serious concern.

10.4.4 Non deposit of income generated from various sources-Rs. 59.33 million

As per Rule 4.7(1) of PFR Vol-I, it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized, and credited to the account. Moreover, as per Rule 7(i) of Punjab Treasury Rules, the proceeds of receipt may not be incurred on the departmental expenditure, and receipt should be directly deposited into the Government treasury under the respective head.

During audit of various formations of Home Department, it was observed that the income generated from various sources for Rs. 59,331,203 was not deposited into Govt. Treasury. The details are given in annexure-24.

The following irregularities were noticed by the Audit:

1. Income generated through various sources during the period under audit amounting to Rs. 59,331,203 was not deposited into Government Treasury.
2. Out of collected receipt, expenditure of Rs. 30,594,978 was incurred irregularly in violation of above rules.
3. 20% of total receipt was transferred to Police Welfare Fund.
4. The leviable withholding taxes and duties were not deducted.

Audit is of the view that non-implementation of above rules resulted in non-depositing of receipt into Government treasury.

The matter was reported to the entities concerned from March to May and August to November 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 12.10.2023, 14.12.2023, 18.01.2024 and 09.02.2024, the paras at Sr. Nos. 1, 2, 3, 4, 5 & 7 to 9 were kept pending for seeking clarification from the Finance Department. Further progress was not reported by the Department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the stated amount be deposited into Government treasury including fixing responsibility besides strengthening internal controls.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 9.4.5 having financial impact of Rs. 286.11 million. Recurrence of same irregularity is a matter of serious concern.

10.4.5 Non/less deduction of taxes and stamp duty-Rs. 20.78 million

As per Section 153(1) (a) of Income Tax Ordinance 2001, income tax is to be deducted at source on supplies @ 4.5% & 9.0% and services @ 10% & 20% from filer and non-filer respectively. Further, according to Section 155, Div. V Pt III 1st Schedule of Income Tax Ordinance 2001, Advance tax rate on rent of property has to be deducted on prescribed rates. According to the Punjab Sales Tax on Services Act 2012, Sales Tax Act 1990 and Stamp Duty Act 1899, the departments are required to deduct taxes at prescribed rates at the time of payment.

During audit of various formations of Home Department, it was observed that income tax, GST, PST and stamp duty to the tune of Rs. 20,783,168 (Annexure-25) were either not deducted or less deducted at source while making payments to the concerned firms/contractors.

Audit is of the view that weak internal controls resulted in non/less deduction of taxes and stamp duty.

The matter was pointed out to concerned formations from March to May and August to November 2023. Most of the formations noted the observations for compliance.

The matter was further reported to the administrative department. DAC meetings were held on 25.09.2023, 28.09.2023, 29.11.2023, 03.01.2024, 05.01.2024, 18.01.2024, 31.01.2024 and 02.02.2024. The paras at Sr. Nos. 1 & 6 were kept pending for recovery. The para at Sr. No. 2 was kept pending for regularization from Finance Department. The para at Sr. No. 3 was kept pending for verification of record. The para at Sr. No. 4 was kept pending for provision of proof of deposit of remaining amount of tax deducted. The para at Sr. No. 5 was kept pending for clarification from FBR. The paras at Sr. Nos. 7 & 8 were kept pending for compliance. Further progress was not reported by the Department till the finalization of this report.

Audit recommends affecting recovery of the stated amount of taxes and depositing the same into treasury under the relevant head of accounts besides strengthen its internal controls on taxes.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 9.4.6 having financial impact of Rs. 72.58 million. Recurrence of same irregularity is a matter of serious concern.

Procurement-related irregularities

10.4.6 Irregular expenditure in violation of Punjab Procurement Rules-Rs. 2,136.32 million

As per Rule 9 of PPR 2014, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. As per Rule 12 (1) (2) of Rules ibid, a procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority in the manner and format specified by regulations. Any procurement exceeding three million rupees shall be advertised on the website of the Authority, the website of the procuring agency, if any, and in at least two national daily newspapers of wide circulation, one in English and one in Urdu. As per Rule 39 of the Rules ibid, the procuring agency shall require the successful bidder to furnish a bid security in the form of a performance guarantee, up to ten percent of the contract amount.

During audit of various formations of the Home Department, it was observed that expenditure to the extent of Rs. 2,136,321,980 (Annexure-26) was incurred on purchase of IT equipment, dietary articles, furniture & fixture, uniform, machinery and equipment, stationery items, store articles, printed material and hiring of services etc. without observing above stated rules entailing breach of stipulated provisions.

Audit is of the view that non-observance of Punjab Procurement Rules 2014 led to a non-transparent process of procurement.

The matter was pointed out to the concerned entities from February to May and August to October 2023. The management of most of the entities noted the observations for compliance.

The matter was further reported to the administrative department. DAC meetings were held on 25.09.2023, 27.09.2023, 28.09.2023, 04.10.2023, 05.10.2023, 14.11.2023, 29.11.2023, 14.12.2023, 03.01.2024, 12.01.2024, 15.01.2024, 18.01.2024, 19.01.2024, 24.01.2024, 31.01.2024, 02.02.2024 and 09.02.2024. The paras at Sr. Nos. 1, 2, 4, 5, 13, 14, 18, 19, 23, 25, 31 & 32 were kept pending for regularization from Finance Department. The paras at Sr. Nos. 3, 27 & 28 were kept pending for recovery. The paras at Sr. Nos. 6, 16, 20 to 22, 24, 29, 30, 33, 34 & 35 were kept pending for probe/inquiry. The paras at Sr. Nos. 7 & 9 were kept pending for compliance. The para at Sr. No. 8 was kept pending for seeking advice from Finance Department. The para at Sr. No. 10 was kept pending for recovery of Rs. 2,451,101. The paras at Sr. Nos. 26 & 36 were kept pending for provision of Court decision regarding forfeiture of CDR. Further progress was not reported by the Department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be probed to fix the responsibility, besides seeking regularization of the expenditure.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 and 2022-23 vide para numbers 8.4.12 and 9.4.7 having financial impact of Rs. 769.54 million and Rs. 3,088.24 million. Recurrence of same irregularity is a matter of serious concern.

HR/Employees related irregularities

10.4.7 Irregular payment of pay & allowances-Rs. 515.70 million

The new salary package (Risk Allowance, Fixed Daily Allowance for 20 days and Ration allowance etc.) was sanctioned by the Finance Department for the Police staff, vide their Order No.8904/F-I dated 26.05.2009. However, the said salary package was not admissible to officers/officials of the Police department for the period they remained under suspension as clarified by the Government vide Order No.10281/F-I Dated 08.06.2009. Further, as per Finance Department letter No.FD.PR.6-3/2002 dated 08.01.2010, fixed daily allowance will not be admissible for the month if the officer/official avails leave for more than 11 days in a month. According to Rule 2.31(a) of PFR Vol-I, a drawer is personally responsible for any over-charges on account of pay, allowances or other expenses.

During audit of various formations of Home Department, it was observed that an amount of Rs. 515,697,423 (Annexure-27) was paid on account of Pay and allowances to the officers/officials. But payments of pay and allowances were not disbursed keeping in view the rules/instructions of the Government envisaging inadmissibility thereof.

Audit is of the view that weak management and internal controls on payrolls resulted in irregular payments of pay and allowances.

The matter was pointed out to the concerned entities from February to May and August to November 2023. The management of most of the entities noted the observations for compliance.

The matter was further reported to the administrative department. DAC meetings were held on 13.09.2023, 25.09.2023, 27.09.2023, 28.09.2023, 04.10.2023, 12.10.2023, 16.10.2023, 24.11.2023, 29.11.2023, 14.12.2023, 15.12.2023, 05.01.2024, 15.01.2024, 18.01.2024, 19.01.2024, 24.01.2024, 31.01.2024, 02.02.2024 and 09.02.2024. The paras at Sr. Nos. 1 to 3, 5, 7, 9, 11 to 16, 18, 20, 23, 24, 25, 27 to 29, 32 to 36, 40, 41, 44, 46, 48, 49, 53 to 56, 58, 59, 61 to 66, 68 to 70, 72, 77 to 79, 81, 82 & 85 were kept pending for recovery. The paras at Sr. Nos. 4 &

19 were kept pending for clarification from Finance Department. The para at Sr. No. 6 was kept pending for inquiry. The para at Sr. No. 8 was kept pending with the direction to dig out the actual amount of last two allowances. The para at Sr. No. 17 was kept pending for regularization from Finance Department. The paras at Sr. Nos. 26, 37, 42, 47, 50 to 52, 71, 74, 75 & 80 were reduced to the extent shown in annexure and were kept pending for recovery. The para at Sr. No. 30 was kept pending for recovery of income tax. The paras at Sr. Nos. 60, 76, 83 & 84 were kept pending for compliance. The para at Sr. No. 67 was kept pending for verification of record. The para at Sr. No. 73 was kept pending for record verification. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends affecting recovery and depositing the same into Government treasury besides strengthening internal controls.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 and 2022-23 vide para numbers 8.4.1 and 9.4.3 having financial impact of Rs. 500.54 million and Rs. 347.76 million. Recurrence of same irregularity is a matter of serious concern.

Performance related irregularities

10.4.8 Poor monitoring mechanism of Hotel-Eye application launched by IG Punjab

I.G Punjab through Police department's handout No. 311 dated 21/12/2021 declared the use of 'Hotel Eye' computer application mandatory for the people who are running hotels, inns and private rest houses in all districts of the province. It was directed to regional and district police officers to ensure entry of the particulars of every citizen staying in a hotel in the 'Hotel Eye' app. The IGP warned that he would take action against the senior police officers in case of misuse of the software. IGP instructed to integrate the software with the network of big transport companies and the prisons department.

During audit of various formations of the Home Department, a poor oversight of the Police department was observed while analyzing real time Hotel Eye App data with regard to the following shortcomings:

- Despite lapse of a considerable period of two years, the police department was not found updated regarding total number of rest houses, hotels, inns (both registered and unregistered) in Lahore District. The Hotel Eye Dashboard showing total number of 2359 hotels (including hostels/inns/private rest houses) in Lahore registered on Hotel Eye Portal were the same during 2021, 2022, 2023.

- The stagnant position of registered hotels/inns/hostels etc. shows that the concerned SHOs were not attempting to update their area wise registered hotels/hostels/inns/ private rest houses.
- The App generates notification alerts to both the offices of DIG operations and DIG investigation for suspected persons who stayed in hotels etc. Between 2021 to 2023, 8,349 notification alerts for suspected persons who stayed in hotels were received out of which 4,342 suspected persons were arrested. Non arrest of the remaining 4007 persons showing inefficiency on the part of both offices of operations as well as investigation wings.
- Big transport companies, Government owned bus stops/terminals were also not registered with the app. The prison department was not linked with the software.
- The System was unable to answer the area wise inspection reports and their frequency.
- No periodical reports were transmitted to CCPO Lahore from both operations as well as investigation's end.

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**
1	DIG Operations Lahore	2022-23	2023-0000003195_F00036
2	DIG Investigation Lahore	2020-23	2023-0000005652_F00003

Non-updating of the data of Hotel Eye App. during 2020-23, caused suboptimal utilization of the app as per SOP. Against the alerts, the ratio of arrest of the criminals was 39%, 54% and 42% respectively during last three years.

When pointed out during August and November 2023, the management noted the observations.

The matter was further reported to the administrative department. In DAC meetings held on 24.01.2024 and 02.02.2024, the para at Sr. No. 1 was kept pending for compliance with the direction to take effective efforts for updating the area wise data of registered hotels/ hostels/Inn/ private rest houses through the concerned SHO's also connecting this application with big transport companies as well. The para at Sr. No. 2 was kept pending for compliance. Further progress was not reported by the Department till the finalization of this report.

Audit recommends that responsibility be fixed for non-arrest of 4007 suspected persons. Besides effective steps be taken to update the area wise data of registered hotels/hostels/inns/private rest houses through the concerned SHOs also connecting the application with big transport companies as well.

10.4.9 Non-attaining average response time on distress calls to reach at the place of crime/incident

As per objective of Punjab Police Integrated Command Control & Communication Centre (PPIC3) "provision of high-quality emergency response system to the residents and visitors of Punjab and specifically Lahore". As per deliverable at 10.8 of Punjab Police Integrated Command Control & Communication Centre (PPIC3) PC-1 regarding Reduction of Crime, "through the technology, the first responders will be dispatched while the emergency call is in process, so the police response time will be reduced to within 7-9 minutes of emergency call received. This will help in prevention of crime and also real time tracking and detection of suspects". As per standing orders regarding criteria for the Dolphin squad and police response unit vide No.Ad-III/3251/3300/XV, dated 14.02.2020 issued from Provincial Police officer Punjab, Lahore, at Sr. No. (4.3), response to "all sorts of distress calls in the area of responsibility through the quickest possible means in coordination with each other or any other squad or unit will be within 05 to 07 minutes from transmission of information. As per Sr. No. 1.49 of SOPs of Police Response Unit, the maximum response time to reach at the place of crime/incident is five minutes.

During audit of various formations of Home Department, public calls on "15" were attended at Punjab Safe City's Command and Control Center for assistance, the cases related to Police Response Unit and Dolphin Force were swiftly transferred for immediate action. While scrutiny of the data regarding response time, it was observed that in 32482 cases, the response time of dolphin squad Lahore, was more than 7 minutes and up to 1 hour 8 minutes. Similarly, the Police Response Unit (PRU) Lahore could not achieve the prescribed response time in 50% of cases. Moreover, as per sample data of 15 (PUCAR), safe cities authority Lahore, for the month of January 2023, the response time ranges from 20 minutes to two hours which was extraordinarily high as compared to the response time mentioned in PC-I of PPIC3. The details are given as follows:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of irregularity
1	S.P. Dolphin Squad. Lahore	2021-23	2023-0000004362_F00007	Response time in 32482 cases was more than 7 minutes up to 1 hour and 07 minutes

2	S .P. Police Response Unit (PRU), Lahore	2021-23	2023-0000004364_F00014	Not achieved prescribed response time in 50% cases.

This resulted in poor policing which was against the SOP for attending incidents and providing assistance to general public.

When pointed out during August to November 2023, the management noted the observation.

The matter was further reported to the administrative department. In DAC meeting held on 15.01.2024, the paras at Sr. No. 1 & 2 were kept pending for probe. Further progress was not reported by the Department till the finalization of this report.

Audit recommends to investigate the matter, for fixing responsibility, stern action be taken for implementation of the stipulated response time. The internal and supervisory controls need to be strengthened.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide para numbers 6.2.3.2 and 6.2.3.3. Recurrence of same irregularity is a matter of serious concern.

10.4.10 Non-updating of Punjab Police Motor Transport System (PPMT) e-data

The Punjab Police Motor Transport (PPMT) User Manual for Punjab Police Motor Transport System includes SOPs, for online entries of POL charges, track record of repairs for Police Vehicles and other useful reports including vehicle status, vehicles data assignment status, vehicle status by category etc.

During audit of various formations of the Home Department, it was observed that the formations did not update, e-record/data regarding total strength of vehicles, expenditure incurred on repair and POL, on the official website of the Punjab Police Motor Transport System (PPMT) Software developed to monitor and control the vehicles of Police department contrary to the directions of IG Punjab. Following discrepancies were noticed while verifying the data of Dash board with the record provided by the Department:

The e-data on the website of DIG Investigation Lahore as on 30th June 2023 shows the following:

- 483 vehicles on the strength of the formation out of which 448 were in working condition whereas the data provided by the management reflects a fleet of 415 official vehicles (225 vehicles, 190 Bikes)

- 109 vehicles (excluding bikes) were allocated to police stations as per PPMT software, whereas the MT branch provided list showing 85 vehicles
- Total POL charges on PPMT software for the year 2020-21 to 2022-23 were Rs. 388.50 million whereas on CGA website, the same were Rs. 418.04 million
- Total repair charges on PPMT Software for the year 2020-21 to 2022-23 were Rs. 78.290 million whereas on CGA website, the same were Rs. 77.09 million
    - In SP MT Lahore, on analysis of three months data of June 2021, June 2022 and June 2023, no major improvement was made. The data regarding E-log book maintained on PPMT software was either incomplete or incorrect. Analysis of E-log book data revealed that in 36% cases data was incomplete and in 4% cases data was incorrect. Similarly, regarding motorcycle in 60% cases data was incomplete and in 3.37% cases data was incorrect.

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**
1	DIG Investigation Lahore	2020-23	2023-0000005652_F00008
2	SP Motor Transport Punjab, Lahore	2020-23	2023-0000005662_F00016

There was an increasing trend of non-uploading or uploading of incorrect data on the software by the police units.

The lapse occurred due to weak supervisory controls. This resulted in non-reflecting true picture of the transport pool on the website required to monitor and control the vehicles of Police department.

When pointed out during August to November 2023, the management noted the observation.

The matter was further reported to the administrative department. In DAC meetings held on 02.02.2024 and 09.02.2024, the para at Sr. No. 1 was kept pending for reconciliation of data of official vehicles. The para at Sr. No. 2 was kept pending with the direction of uploading complete record of all units of Police Department in the software. Further progress was not reported by the Department till the finalization of this report.

Audit recommends to investigate the matter, to fix responsibility, besides seeking updating of the data on the software and strengthening supervisory controls.

Value for money and service delivery issues

10.4.11 Non-functioning of critical security infrastructure due to non-installation of equipment-Rs. 1,579.68 million

As per settlement agreement dated 01.12.2022 between Punjab safe cities authority and Huawei Technologies Pakistan (Pvt.) Limited, the timelines were set out by both parties for provision of remaining EPC Works and Equipment.

During audit of Punjab Safe Cities Authority Lahore for the year 2022-23, it was observed that M/s Huawei Technologies Pakistan (Pvt.) Limited did not install equipment and failed to perform outstanding EPC work valuing Rs. 1,579.68 million within timelines as settled in the agreement. The firm did not perform its obligation as per TOR's. The project was started w.e.f. 20 May 2016 could not be completed despite lapse of seven (7) years despite finalization of settlement agreement on 01.12.2022. Due to non-installation of equipment for critical security infrastructure and emergency services, the ratio of crimes in Capital city of Punjab has increased remarkably in last three years.

Audit is of the view that lapse occurred due to poor existence of administrative and financial controls

The matter was reported to the entity in September 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 03.01.2024, the para was kept pending and directed the department to take the matter with the IGP for late response by the Police force to fix responsibility. Further progress was not reported by the department till the finalization of this report.

Audit recommends that matter should be investigated, responsibility be fixed, concrete steps be taken to ensure installation of equipment and performing outstanding EPC Work without further delay besides strengthening supervisory controls.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide para number 6.2.3.1. Recurrence of same irregularity is a matter of serious concern.

(PDP No. 2023-0000004361_F00001)

Management of accounts with commercial banks

10.4.12 Unauthorized blockade of public money in commercial bank account-Rs. 1,607.71 million

According to Government of the Punjab, Finance Department's letter No.FD.DS.(Coordination)/Misc./2018, dated 22.06.2018, public money must not be parked in commercial accounts.

During audit of various formations of Home Department, it was observed that public money to the tune of Rs. 1,607,709,093 was parked in commercial banks, contrary to above Government instructions. The details are given in annexure-28.

Audit is of the view that the irregularity occurred due to weak supervisory and financial controls.

The matter was pointed out to the concerned entities from February to May and August to November 2023. The management of most of the entities noted the observations for compliance.

The matter was further reported to the administrative department. DAC meetings were held on 13.09.2023, 28.09.2023, 29.11.2023, 14.12.2023 and 03.01.2024. The para at Sr. No. 1 was kept pending with direction that unutilized funds retained in commercial bank in last four years be deposited into Govt. Treasury in consultation with Finance Department. The paras at Sr. Nos. 4, 6 & 7 were kept pending for compliance. The paras at Sr. Nos. 5 & 9 were kept pending for regularization from Finance Department. The para at Sr. No. 8 was kept pending for probe by administrative department level. Further progress was not reported by the Department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the irregularity should be regularized after fixing responsibility for the irregularity besides strengthening financial and internal controls to avoid such lapses in future.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 9.4.15 having financial impact of Rs. 266.04 million. Recurrence of same irregularity is a matter of serious concern.

Accounting Errors

10.4.13 Shortfall of receipt accounted for on SAP as compared to reported by CTO-Rs. 358.55 million

According to Rule 4.7 (1) of PFR Vol-I, it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government account.

During audit of Chief Traffic Officer, Gujranwala for the period 2017-22, the management reported a receipt of Rs. 376,598,150 on account of police traffic fines deposited during the period from July 2020 to June 2022. However, the receipt was not got verified from the treasury. Furthermore, as per SAP data, total receipt of District Gujranwala under head "A02638-Police Traffic Fines" was Rs.18,044,240. Hence, a shortfall of Rs.358,553,910 in receipt was evidenced from punching of challans posted on SAP as compared to receipt reported by the CTO office.

Audit is of the view that the lapse occurred due to weak supervisory and financial controls.

The matter was pointed out in May 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 04.10.2023, the para was kept pending for verification from Treasury Office. Further progress was not reported till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired to dig out the factual position besides taking remedial measures.

(PDP No. 2023-0000001567_F00002)

Financial Matters

10.4.14 Irregular expenditure on investigation cost-Rs.74.20 million

As per standing order No. 1/2020, regarding Cost of Investigation issued by the office of IG Punjab Lahore, vide No.2103-40/Inv./HA/L, dated 28.1.2020, the member of investigation staff who expends investigation from his own pocket or Imprest must submit the claim to the SHO/In charge Investigation along with all supporting vouchers on the prescribed proforma duly authenticated. The copy of the FIR, daily diary Rappat roznamcha regarding departure/arrival showing the time, date and destination or copy of the orders of remand by the court must be placed as first document in the file. Actual payee receipts regarding payment of transport/hiring /preparation of map/stationery, photography/DNA test or other miscellaneous charges must indicated the name of driver, owner of the hotel, shopkeeper, laboratory and other personnel to whom the payments are made for any purpose. In case of hiring of taxi/transport or hiring charges, the date and time of departure/arrival, the distance covered, vehicle number, CNIC of driver and original receipt of payment be enclosed. The SHO/In charge investigation should also give a certificate that no official vehicle was provided where the taxi charges are claimed.

During audit of Home Department for the year 2020-23, discrepancies in investigation cost claims were uncovered. The investigating officer-initiated pre-FIR investigations using a taxi, resulting in a fraudulent claim of Rs. 646,750. Rs. 1,726,000 in taxi cost claims, with overlapping dates which suggested duplicate payments to the same officer. The officer purportedly engaged the taxi for the full day from 9 AM to 4 PM or 10 AM to 5 PM, according to the rappat roznamcha. Despite this, Rs. 1,872,500 in investigation claims were paid. However, the bills lacked essential signatures, rendering the payments defective and raising concerns about financial processes. Further, taxi charges against two vehicles LED-2172 & LED-9928, were repeatedly claimed in the investigation cost but the vehicle numbers did not exist in the MTMIS record.

- The taxi charges against vehicle No.ACK-5912 was repeatedly claimed by various investigation officers whereas, it was a motorbike as per MTMIS data.
- Same printed vehicle list was attached with most of the investigation cost claims of various police stations, as Misri shah, Chohng, Jauhar town, Larri adda etc. resulted in doubtful expenditure. The receipts of different vehicles/ taxi charges were shown signed in a single go with same handwriting. The claims of food and Map were charged but no receipt was enclosed with the investigation claim.
- Bills of Rent a Car for Rs. 16,057,000 were found without reference number, date and distance in CPO, Faisalabad
- The entire payment for the period 2020-21, in DIG Investigation for Rs. 53,557,250 was drawn through DDO and disbursed through cash instead of through vendor payment. The amount was not entered in naqdi register of the in-charge investigation before disbursement as required under the standing orders of cost of investigation.
- The payment of pending liability for the period 2018-19, 2020-21 was made out of the budget of 2022-23, needs to be investigated. No pending liability register was maintained and the claim was not certified that not drawn and paid before.
- In some cases rawangi rappat was not signed by the in charge Investigation officer, dates were not mentioned.

- In some cases it was found that the payment of claims of investigation was paid to the officers against the police stations where they had not remained posted during the period of claim as verified from HRMS data.

Sr. No.	Name of Formation	Period of Audit	PDP No.	Amount (Rs.)
1	DIG Investigation Lahore	2020-23	2023-0000005652_F00002	53,902,250
2	CPO, Faisalabad	2022-23	2023-0000002819_F00017	16,057,000
3	DIG Investigation Lahore	2020-23	2023-0000005652_F00001	4,245,250
Total				**74,204,500**

The lapse occurred due to weak financial and internal controls.

When pointed out in August to November 2023, the management noted the observation

The matter was further reported to the administrative department. In DAC meeting held on 02.02.2024, the paras at Sr. Nos. 2 & 3 were kept pending for probe. Further progress was not reported by the Department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

The matter needs to be investigated at administrative department's level, for fixing responsibility, besides affecting recovery of the amount paid against bogus claims and deposited in Government Treasury, the financial and internal control needs to be strengthened

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 9.4.28 having financial impact of Rs. 82.26 million. Recurrence of same irregularity is a matter of serious concern.

Others

10.4.15 Unjustified booking/expenditure in the Cost Centre of various formations by AIG Logistics (CPO) Lahore-Rs. 1,368.46 million

As per Para 4.2.1.2 of Accounting Policies and Procedure Manual (APPM), key steps are required to be followed in all expenditure transactions; sanction of expenditure; preparation of claim voucher (bill) for payment (except for salaries and wages); approval of expenditure; registration of purchase order/claim voucher; certification (pre-audit) of claims; authorization of payment; issue of payment; recording of expenditure in the accounting records.

Further, as per Para 4.2.2.1 of the Manual ibid, regarding sanction of expenditure, every expenditure must be sanctioned by an officer of the Government who has the authority to approve proposals to incur expenditures (including enter into commitments) on behalf of the Government and who shall be deemed to be the Sanctioning Officer. The sanctioning officer's authorities are set out in the "Delegation of Financial Power under the Financial Rules" issued by the Ministry of Finance/Finance Department. Moreover, as per Rule 4.2.5.1 of the aforesaid Manual, a prescribed claim voucher form (bill) (form 4.B) must be prepared by the incurring officer for supplies, services rendered and work done under a contract or other arrangement over the specified limit.

During audit of various formations of Home Department, it was observed that an amount of Rs. 251,881,500, and Rs. 279,513,177 were recorded under cost center LO-4071 and LO-4089 respectively according to SAP data. The expenditure related to purchases of Uniform & Protective Clothing, Ordnance Stores, and purchase of Transport. The expenditure statements clearly indicate that these amounts were attributed to cost centers LO4071 and LO-4089, which fell under the jurisdiction of the AIG Police of CTD and SP MT Lahore. However, claims were processed by AIG Logistics (CPO), Lahore. Moreover, during audit of I.G. Police Punjab, it was observed that a significant expenditure amounting to Rs. 834,932,490 was incurred for the procurement of uniforms, transportation, and ordnance stores etc. This expenditure was attributed to various formations, including SPU, Elite Police, CTD, Battalion Commander, PHP, and Motor Transport, utilizing distinct DDO codes.

Following deficiencies/violations were noticed by audit:

i. The complete set of records related to the aforementioned purchases was unavailable at the formations. The management stated that they had not authorized or signed these bills. Additionally, the management explained that their token register had not been used for the submission of these claims.

ii. The expenditure figures were reflected in the reconciled expenditure statements for the financial year 2022-23, while the budget figures were not reflected in the reconciled expenditure statements of the cost centers.

iii. Furthermore, the matter of two DDOs simultaneously exercising authority over a single cost center was required to be referred to the Finance Department for advice.

iv. Superintendent of Police Dolphin Squad, Lahore had drawn Rs. 2,133,337 out of cost center "LO-5598" for purchase of spare parts for the vehicles of Police Response Unit (PRU) irregularly. Whereas, PRU has a separate budget allocation under cost center LO-5662.

Sr. No.	**Name of Formation**	**Period of audit**	**PDP No.**	**Nature of irregularity**	**Amount (Rs.)**
1.	IG Police Punjab, Lahore	2022-23	2023-0000005649_F00009	Unjustified booking/expenditure in the cost centers of other offices by IG Punjab, Lahore	834,932,490
2.	SP Motor Transport Punjab, Lahore	2020-23	2023-0000005662_F00011	Unjustified booking/expenditure in the Cost center of SP MT Lahore Cost Centre of Additional IGP CTD and SP MT Lahore by AIG Logistics (CPO) Lahore.	279,513,177
3.	Additional IGP CTD, Lahore	2022-23	2023-0000004363_F00001	Unjustified booking/expenditure in the Cost center of Additional IGP CTD Lahore	251,881,500
4.	Superintendent of Police Dolphin Squad, Lahore	2021-23	2023-0000004362_F00003	Irregular payment charged to irrelevant cost center	2,133,337

Sr. No.	Name of Formation	Period of audit	PDP No.	Nature of irregularity	Amount (Rs.)
Total					**1,368,460,504**

Weak internal, management and financial controls led to unjustified booking/expenditure in the Cost Centre of Additional IGP CTD, and SP MT Lahore by AIG Logistics (CPO) Lahore.

The matter was reported to the formations during August to November 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 05.01.2024, 15.01.2024, 31.01.2024 and 09.02.2024, the para at Sr. Nos. 1, 3 & 4 were kept pending for regularization from Finance Department. The para at Sr. No. 2 was kept pending for clarification from the Finance Department. Further progress was not reported by the Department till the finalization of this report.

Audit recommends proactive measures should be taken by seeking clarification from Finance Department besides strengthening administrative and financial controls to avoid recurrence of such lapses in future.

10.4.16 Un-authentic payments out of Secret Services Funds-Rs. 386.62 million

Honourable Supreme Court in its judgment dated July 16, 2012, on a petition, decided that after the 18th Amendment under Article 170 (2) of the constitution, the AGP enjoyed a strong constitutional mandate to audit all public expenditures without exception. Moreover, the funds which have been declared as secret either by an executive order or ordinary legislation do not fall outside this purview. Furthermore, autonomous public bodies which do not receive any Government funding but are established by the Government or are under its control are also not beyond the AGP’s duty and power to audit. Furthermore, as per Rule 36 (4&5) in Appendix-14 of PFR Vol-II amended up to 29.11.2019, every controlling officer will maintain in the form of a cashbook a secret record of the expenditure and receipts (if any) connected with the grant. This record should contain the amount and the date of each payment and such indication of its nature as the administrative department may consider necessary in order to enable him to discharge the responsibility placed upon him by clause 5 below. The amounts drawn from the treasury on contingent bills will be entered in the cash book on the receipt side the number and date of the bill being noted against the entry. The administrative department should conduct at least once in every financial year a sufficiently real administrative audit of the expenditure incurred by the Controlling Officer and furnish a certificate to the Accountant-General not later than the 31st March following the year to which it relates.

During audit of various formations of Home department, it was observed that an amount of Rs. 386,621,000 was drawn from Government Account under the Head ‘Secret Services Funds’. No separate cash book for receipts and expenditures had been maintained. The administrative department failed to conduct an administrative audit of the expenditure at least once during the financial year in contravention of Rule 36 (4&5) outlined in Appendix-14 of PFR Vol-II. Additionally, the complete disbursement records were not made available to the audit, which represents a violation of the Supreme Court judgment dated 16.07.2012. It is imperative that these deficiencies are addressed promptly to ensure transparency, accountability, and adherence to the established financial and regulatory standards. Details are given as follows:

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Amount (Rs.)**
1.	Additional IGP CTD Lahore	2022-23	2023-0000004363_F00003	335,200,000
2.	CCPO Lahore	2019-23	2023-0000004366_F00015	29,269,000
3.	DIG Investigation Lahore	2020-23	2023-0000005652_F00022	12,868,000
4.	DIG Operations Lahore	2022-23	2023-0000003195_F00016	9,284,000
Total				**386,621,000**

Audit is of the view that the lapse occurred due to weak supervisory and financial controls.

The matter was reported to the entities during the period spanning over August to November 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 05.01.2024, 24.01.2024 and 02.02.2024, the para at Sr. No. 1 was kept pending for production of record. The para at Sr. No. 3 was kept pending for production of record of secret service fund. The para at Sr. No. 4 was kept pending for compliance. Further progress was not reported by the Department. As regards remaining para, neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the administrative audit be conducted at the earliest and a certificate to this effect be produced to audit besides seeking regularization from Finance Department and provision of cash book/disbursement for detailed audit scrutiny.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide para numbers 8.4.28 (25) and 8.4.28 (44) having financial impact of Rs. 5.90 million and Rs. 2.14 million. Recurrence of same irregularity is a matter of serious concern.

10.4.17 Unauthorized payments from incorrect head of accounts for-Rs. 229.72 million

As per paragraph 5 of Finance Department letter No.PS/FS/ 808/78 dated 26-02-1978, the Principal Accounting Officer should issue instruction to the controlling and Disbursing Officer under him that all payments are correctly classified under the appropriate heads of accounts.

During audit of the Inspector General of Police Punjab, Lahore for the period 2022-23, it was observed that an advance payment of Rs. 175,097,130 had been disbursed to "M/s Fiber Craft Industries" for the fabrication of 403 "Toyota Hilux Single Cabin Pick up (Up-Spec) 4x2." The audit identified several shortcomings in the process as under:

- The expenditure of Rs. 175,097,130 was wrongly classified under the head of "Purchase of Transport" instead of "Payment to others for services rendered," leading to misclassification.
- Although the vehicles were delivered by the firm, no completion report or inspection report was available in the record.
- Income tax of Rs. 9,630,342 was less withheld/deducted during the payment process.
- Punjab Sales Tax (PST) amounting to Rs. 28,015,541 was not withheld at the time of payment, as the responsibility for fabrication and installation rested with the firm.
- GST at the rate of 18% was included in the invoice, but the details of the purchased items were not mentioned in the tender and the vendor's invoice, to which GST was applicable. This inconsistency requires attention and correction.
- Moreover, expenditure on various items for Rs. 54,210,450 was incurred from irrelevant head of accounts in violation of the instructions of the Government.

Weak management, supervisory and financial controls led the irregularity.

The matter was reported to the entities in September 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 31.01.2024, the para was kept pending for regularization from Finance Department. Further progress was not reported by the department till the finalization of the report.

Audit recommends that the matter be probed and responsibility be fixed besides regularization of the matter from Finance Department and recovery from the concerned.

(PDP No. 2023-0000005649_F00003)

10.4.18 Irregular expenditure on repair and maintenance of building-Rs. 166.49 million

As per Rule 16.2 of PFR Vol-I, a construction work, the estimated cost of which is to exceed Rs. 10,000, should not be entrusted for execution to outside firms or contractors by Departments other than the Public Works Department without previously consulting the Finance -Department. Furthermore, when it is considered expedient for some special reasons, that such work appertaining to a department other than the Public Works Department should be carried out by departmental agency, the Public Works Department should be given an opportunity of advising whether the proposed course is desirable or not.

During audit of Home Department, it was observed that department expended Rs. 166,490,653 on repair of building. The details are given as under:

Sr. No.	Name of Formation	Period of audit	PDP No.	Amount (Rs.)
1	DPO, Nankana Sahib	2019-22	2023-0000001462_F00001	10,217,736
2	CCPO Lahore	2019-23	2023-0000004366_F00011	71,744,004
3	IG Police Punjab, Lahore	2022-23	2023-0000005649_F00004	62,299,405
4	DIG Operations Lahore	2022-23	2023-0000003195_F00014	15,230,837
5	CPO, Faisalabad	2022-23	2023-0000002819_F00026	6,998,671
Total				**166,490,653**

Audit noticed the following irregularities:

i. The measurement book duly signed by the officer equal to the rank of SDO was not maintained by the department.

ii. The bill of quantity (BOQ) was also not prepared.

iii. The registration certificate of the contractor with the Pakistan Engineering Council (PEC) was not found attached to the claims.
iv. Income tax was less deducted while making payments to the contractor.
v. Comparison with scheduled rates was not made to subscribe to parameters of economical payments.

Audit is of the view that non-observance of rules led to a non-transparent process of repair.

The matter was reported to the entities from August to November 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 12.10.2023, 24.01.2024 and 31.01.2024, the para at Sr. No. 1 was kept pending for probe. The paras at Sr. Nos. 3 & 4 were kept pending for regularization from Finance Department. Further progress was not reported by the Department. As regards remaining para, neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be got regularized from the Finance Department.

10.4.19 Irregular sanction of beyond competency expenditure-Rs. 129.62 million

According to Sr. No. 1(3)(IV) of the Punjab Delegation of Financial Powers Rules, 2016, an officer of category-(IV) are competent to accord sanction to expenditure against the detailed objects in the budget estimates" up to Rs. 1,500,000, in each case.

During audit of accounts Superintendent Central Jail, Multan for the period 2020-23, it was noticed that management split up the bill against supply order of Rs. 129,622,583 by keeping these below
Rs. 1,500,000 to avoid sanction from higher authority in violation of Punjab Delegation of Financial Powers Rules, 2016. This resulted in irregular expenditure due to splitting up bills/invoices to avoid obtaining sanctions from the competent authority.

Audit is of the view that the irregularity occurred due to weak supervisory and financial controls.

The matter was reported to the formation during the period spanning over August to October 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 18.01.2024, the para was kept pending for regularization from Finance Department. Further progress was not reported till the finalization of this report.

Audit recommends to seek regularization of the expenditure from the Finance Department and avoid recurrence of such lapses in future.

(PDP No. 2023-0000003182_F00005)

10.4.20 Irregular mode of payment-Rs. 75.61 million

As per Rule 4.49(a) of Subsidiary Treasury Rules, read with Finance Department's Letter No FD (FR) V-6/75(P) dated 20.06.2007, payment exceeding Rs. 100,000 shall be made through cheque instead of cash.

During audit of various formations of the Home Department, for the period 2017-22, it was observed that claims of Rs. 75,612,474 were withdrawn from the Government account in the name of DDO instead of actual vendors. The detail is given below:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularities	Amount (Rs.)
1.	CPO, Multan	2021-22	2023-0000000190_F00019	Irregular withdrawal from Government account in favour of DDO instead of actual vendors	49,190,459
2.	CTO, Gujranwala	2017-22	2023-0000001567_F00015	Irregular withdrawal from Government account in favour of DDO instead of actual payees	26,422,015
Total					**75,612,474**

Audit is of the view that weak supervisory and financial controls resulted in irregular withdrawal of amounts from the Government Account.

The matter was reported to the entities from March to May and August to November 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 04.10.2023 and 18.01.2024, the para at Sr. No. 1 was kept pending for separation of cases of payments whether made through crossed cheques or cash. The para at Sr. No. 2 was kept pending for regularization from Finance Department. Further progress was not reported by the Department till the finalization of this report.

Audit recommends that the matter be looked into besides seeking condonation of irregularity from the Finance department and strengthening of supervisory and financial controls.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 9.4.17 having financial impact of Rs. 182.87 million. Recurrence of same irregularity is a matter of serious concern.

10.4.21 Irregular payment of utility bills against offline electricity meter-Rs. 73.07 million

According to Rule 2.33 of PFR Vol-I, "every Government servant 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". According to Rule 2.10(a)(1) of PFR-Vol-I, same vigilance should be exercised in respect of expenditure incurred from Government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of Punjab Safe City Authority, Lahore for the period 2022-23, it was observed that number of electricity meters were installed at different sites where 40% cameras were off line however, the department was paying electricity bills regularly without verification of its actual consumption (meter reading) and physical existence of said utility meter. Without verification of actual existence of electricity meters and their consumption, chances of misuse of electricity could not be eliminated.

Audit is of the view that weak financial and internal controls resulted in irregular payment of electricity bills against offline cameras for Rs.73.07 million.

The matter was reported to the entities in September 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 03.01.2024, the para was kept pending for provision of details of all non-functional cameras with location and with the electric meter number for verification. Further progress was not reported by the Department till the finalization of this report.

Audit recommends to investigate genuineness of the electricity bills payment at an appropriate level, under intimation to audit besides strengthening internal controls.

(PDP No. 2023-0000004361_F00013)

10.4.22 Irregular expenditure on repair of transport-Rs. 50.91 million

As per Rule 2.10(a)(1) of PFR Vol-I, same vigilance should be exercised in respect of expenditure incurred from Government revenues, as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of various formations of the Home Department, it was observed that an expenditure of Rs. 50,910,977 was incurred on the repair of transport without fulfilling stipulated requirements for a transparent repair process. All the expenditure on repair was consumed on the requisition and cost estimation on the request of the drivers. The vehicles in some cases were shown sent to workshop for major repair of general overhauling and complete denting and painting despite covering a distance of more than 100 KMs daily. The SP MT Lahore had fixed a minimum mileage limit for the replacement of tyres, batteries, engine overhauling, and denting/painting which stood breached. No inspection committee was constituted. The details are given below:

Sr. No.	**Name of Formation**	**Period of audit**	**PDP No.**	**Nature of irregularity**	**Amount (Rs.)**
1.	Commandant PC BTN NO.1, Lahore	2021-22	2023-0000000180_F00017	Unjustified Expenditure on Repair of Transport	10,599,666
2.	Elite Police Force Lahore	2021-22	2023-0000000176_F00002	Irregular expenditure on repair of transport	8,261,501
3.	Addl. IGP CTD Punjab Lahore	2021-22	2023-0000000363_F00023	Irregular Repair of Transport	32,049,810
Total					**50,910,977**

Audit is of the view that lapse occurred due to weak financial and internal control.

The matter was pointed out from April to May and August to November 2023. The management noted the observations.

The matter was further reported to the administrative department. DAC meetings were held on 13.09.2023, 14.11.2023 and 15.12.2023. The paras were kept pending for probe. Further progress was not reported by the Department till the finalization of report.

Audit recommends that the matter should be looked into at appropriate level, responsibility be fixed besides strengthening financial and internal controls.

10.4.23 Non-maintenance of record-Rs. 35.88 million

According to Rule 2.33 of PFR, every Government servant 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 servant to the extent to which it may be shown that he contributed to the loss by his own action or negligence. As per Rule 4.7(1) of PFR Vol-I, it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government Account. As per Rule 2.10(a) (1) of PFR-Vol-I, same vigilance should be exercised in respect of expenditure incurred from Government revenue as a person of ordinary prudence would exercise in respect of the expenditure of his own pocket.

During audit of various formations of the Home Department, the auditable record pertaining to driving schools, fork lifters, issuance of driving license, courier service, Khidmat Markaz, besides total receipt generated and expenditure incurred and statements of bank accounts were not maintained.

Details are as under:

1. Driving schools were functioning under the supervision and control of CTO within the premises of CTO office. Classes were being conducted by driving school (through morning and evening sessions). In the case of CTO Gujranwala, the school had completed almost fifty batches of 100 trainees each till close of Audit (May 2023) and generated revenue amounting to Rs.15,000,000 (Rs.3,000*50*100) whereas, no such record was maintained by CTO Lahore.
2. The income generated was not deposited into Government treasury. Further, the income and expenditure of driving school, khidmat markaz and allied record was not produced to Audit on the plea that it was a police welfare project.
3. The driving school and khidmat markaz was operating by utilizing Government resources as the trainers being Government employees (traffic wardens) were drawing pay & allowances from Government Funds and other utilities including

electricity charges were also charged to Government exchequer. Furthermore, Government vehicles allocated to the entity were utilized for driving practice of the trainees. Therefore, the income from driving school and khidmat Markaz should also be deposited into Government Treasury.

2. Various fork lifters (quantity not disclosed by the management) were operating for lifting of wrongly parked private vehicles. The lifted vehicles were handed over to their owners on payment of fines imposed by the operators of fork lifters. However, the relevant record with respect to number of fines imposed, fines recovered and utilization of income generated by fork lifters was not maintained.

3. A list of bank accounts in CTO Gujranwala was provided by the management which revealed that a bank account bearing No.4010942079 was maintained by the entity with NBP whereas, the detail of bank accounts was not produced by CTO Lahore. However, bank statements, cash book, bank reconciliation statements and allied record relating to deposits and withdrawals was not available.

4. As per statement furnished by the management, total 115979 licenses were issued by CTO Gujranwala during the period under audit (similar detail was not produced by CTO Lahore). It was learnt that the entity collected courier charges @ Rs. 180 per license for delivery of licenses at doorsteps of the beneficiaries. Hence, an amount of Rs.20,876,220 (115979*180) was required to be collected on account of courier charges. However, the auditable record such as cashbook/cash register showing actual amount collected on account of courier charges, actual expenditure incurred on this account, amount saved (if any) and whereabouts of saved amount was not produced to Audit for verification.

Sr. No.	**Name of Formation**	**Period of audit**	**PDP No.**	**Amount (Rs.)**
1	CTO Gujranwala	2021-22	2023-0000001567_F00001	35,876,220
2	CTO Lahore	2021-23	2023-0000004365_F00018	0
Total				**35,876,220**

Audit is of the view that the lapse occurred due to weak supervisory and administrative controls.

The matter was pointed out in May and September 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 04.10.2023 and 09.02.2024, the para at Sr. No. 1 was kept pending for verification of record. The para at Sr. No. 2 was kept pending for advice from Finance Department. Further progress was not reported by the department till the finalization of this report.

Audit recommends that responsibility be fixed for the lapse against those at fault besides ensuring production of record for audit scrutiny.

10.4.24 Misplaced Stock articles valuing -Rs. 5.48 million

According to Rule 15.7 of PFR Vol. I, heads of offices and others entrusted with the care of stores of any kind should maintain suitable accounts and inventories of the stores in their charge. As per tender notice, advertised on PPRA website as well on print media, samples/specimen of all articles must be provided in the office SP/Dolphin Squad, free of cost.

During audit of the accounts of Superintendent of Police Dolphin Squad, Lahore for the period 2021-23, it was observed as per bidding document of procurement of spare parts of vehicles and other store articles, it was mandatory for the contractors to provide sample/specimen free of cost. The management received samples of different items, i.e., stationary, vehicle spare parts, computer hardware, electric material, tyres and other store articles valuing Rs. 5,483,937. These samples were not taken on stock nor its consumption/issuance was shown to audit in the absence of which, the chances of misappropriation could not be ruled out.

The irregularity occurred due to weak supervisory and internal controls. This resulted in misappropriation of stock articles valuing Rs. 5,483,937

The matter was reported to the entity during the period spanning over August to November 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 15.01.2024, the para was kept pending for compliance. Further progress was not reported till the finalization of this report.

Audit recommends that matter be inquired at an appropriate level to fix responsibility, loss be recovered also besides strengthening financial and administrative controls.

(*PDP No. 2023-0000004362_F00001)*

10.4.25 Unauthorized handing over of canteens to private person non-recovery of rent-Rs. 4.60 million

According to Rule 4.7(1) of the Punjab Financial Rules, Vol-I, it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government Account.

During audit of various formations of the Home Department, it was observed that canteen located within the premises of the office was being run by a private person who did not have any legal authority. As per written statement provided by the Accountant, canteen rent, advance tax and utility charges were neither collected nor deposited into Government treasury during the period under audit. Thus, the Government was deprived of revenue amounting to Rs. 4,600,000 (Approx.).

The details are as under:

Sr. No.	**Name of Formation**	**Period of audit**	**PDP No.**	**Nature of irregularity**	**Amount (Rs.)**
1	DIG Investigation Lahore	2020-23	2023-0000005652_F00023	Canteen run by a private contractor, not depositing Canteen rent, utility charges and advance tax	3,600,000
2	DPO Sheikhupura	2021-22	2023-0000001546_F00019	Canteen rent, utility charges and advance tax was not recovered from the canteen contractor	1,000,000
Total					**4,600,000**

The lapse occurred due to weak administrative and financial controls.

The matter was pointed out during May to November 2023. The management noted the observation and did not offer any reply.

The matter was further reported to the administrative department. In DAC meetings held on 14.12.2023 and 02.02.2024, the para at Sr. No. 1 was kept pending for regularization from the

Finance Department. The para at Sr. No. 2 was kept pending for probe at administrative department's level. Further progress was not reported by the Department.

Audit recommends that the matter be inquired into at appropriate level to fix responsibility against the delinquents. The rent of canteen be recovered from the concerned and deposited into Government treasury, besides immediate auction of canteen premises rented out.

10.4.26 Unauthorized/excessive use of vehicles and doubtful drawl of POL against the vehicles not on the strength of entity

As per notification No.PA/DS(G)/57/90 dated: 03.07.1991 issued by S&GAD regarding control over expenditure in use of official vehicles, the patrolling vehicles of police department at Metropolitan corporation are entitled to draw POL up to 250 liters per month and in Municipal corporation, the limit was fixed for 200 liters per month.

As per standing order No.9 3(III), issued by the CCPO Lahore, vide No.7541-62/F&A, dated 28.10.2008, the monthly fuel bills will be certified by the divisional SSPs and the other commanding officers with the certificate that it has been checked and found correct and the same has been used for official work. In accordance with the S&GAD's letter No. AT-II/(2-9)2006 dated 22.04.2008, and No. AT-II/(2-6) 2012 dated 29.06.2018, the following was the criterion for the retention of vehicles in the Govt. departments:

Category of officer	**Entitlement of vehicle**	**No. of vehicles**
Secretary + Head of department	Car 1300 CC	01
Additional Secretary or equivalent	Car of 1000 or 1300 CC	01
Dy. Secretary & equivalent	Car of 1000	01
Pool	-	One car or touring vehicle
General duty vehicles	-	One vehicle may be allowed to Section Officers subject to availability of vehicles with petrol limit of 125 litres.
Staff of Minister	-	One vehicle

As per para 3 of the above said letter, the Administrative Secretary shall personally certify that no office/officer is holding vehicles in excess of afore-stated policy.

During audit of various formations of Home Department, it was observed that expenditure of Rs. 616,045,319 (Annexure-29) had been incurred on POL charges without implementing the above instructions of the Government as delineated below:

- Scrutiny of the list of vehicles provided by MT branch of the department revealed that more than one vehicle was allotted to the Police Officers contrary to the provision of rules.
- Scrutiny of "C" form of fuel and its verification with the list of vehicles provided by the MT branch of the entity revealed that expenditure was incurred against the vehicles not on the sanctioned strength of the entity, resulting in doubtful expenditure on POL.
- The scrutiny of record of POL account of MT branch of the department indicated that POL was drawn/ consumed over and above the limit imposed by the Government for patrolling vehicles.
- Unauthorized allotment of vehicles was made to the accountant, reader etc. in contravention of rules causing undue burden on Government exchequer.
- POL was drawn against off road and condemned motorbikes.
- The department was yet to take up the matter with competent forum for revision of policy regarding retention & allotment of vehicles and consumption ceiling of POL in order to avoid the objection of excessive retention/ allotment of vehicles and excessive consumption of POL than prescribed limit.

Audit is of the view that the lapse occurred due to non-adherence to above Government instructions.

The matter was reported to the entities in August to November 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 05.01.2024, 15.01.2024, 24.01.2024, 02.02.2024 and 09.02.2024, the paras at Sr. Nos. 2, 3, 6, 8, 9 & 12 were kept pending for regularization from Finance Department. The para at Sr. No. 4 was kept pending for recovery of POL used excess than limit. The para at Sr. No. 5 was kept pending for probe at administrative department's level. The paras at Sr. Nos. 7, 10 & 11 were kept pending for provision of approved sanction strength of vehicles. The para at Sr. No. 13 was kept pending for compliance. The para at Sr. No. 14 was kept pending for probe at DDO level. Further progress was not reported by the Department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends to investigate the matter at administrative department's level, to fix responsibility, besides affecting recovery. The financial and internal controls need to be strengthened to take stock of the situation.

10.4.27 Concealment of recruitment/appointment record of 171 constables/lady constables

Finance Department's letter No.FD(M1)III-2/87(P-III) dated 22.02.1994 provides that DDO himself will be responsible for production of record to audit party at the time of audit and that in case of any lapse on his part, severe disciplinary action will be taken against him by the Administrative Secretary personally apart from submitting a report to the Chief Minister/Chief Secretary.

According to rule 2.33 of PFR every Govt. servant should realize fully and clearly that he will be held personally responsible for any loss sustained by Govt. through fraud or negligence, on his part.

During audit of District Police Officer Nankana Sahib for the period 2019-22, it was observed that in pursuance of the Inspector General of Police Punjab's letter dated 31.07.2018 and dated 28.06.2019 and subsequent approval of the Recruitment Board, 171 candidates were appointed as Constables/Lady Constables (BPS-07) in the office of DPO Nankana Sahib. However, recruitment record was neither available with the entity nor shown to Audit for scrutiny. Hence, Audit was unable to verify the genuineness/authenticity of recruitment process of said appointees.

The lapse occurred due to weak administrative and internal controls.

The matter was pointed out in April 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 12.10.2023, the para was kept pending for production of record. Further progress was not reported by the Department till the finalization of this report.

Audit recommends that responsibility be fixed for the lapse against those at fault besides ensuring production of record.

(PDP No. 2023-0000001462_F00019)

CHAPTER 11
INDUSTRIES, COMMERCE, INVESTMENT AND SKILLS DEVELOPMENT DEPARTMENT

11.1 Introduction

The Industries, Commerce, Investment and Skills Development Department of Government of the Punjab aims to achieve orderly, planned, and rapid industrialization of Punjab by providing modern-day solutions to the problems faced by entrepreneurs. The vision of the Department is to play an effective and efficient role as a facilitator of:

- Industrial growth through multifarious means;
- Provision of state-of-the-art infrastructure including one-window facilities.
- Establishment of small industrial estates for small and medium sectors.
- Collection of industrial data and pre-investment feasibility studies.
- Monitoring of supplies and prices of essential commodities.

The detail of the attached departments and special institutions is given below:

Attached Departments/Organizations/Companies

- Punjab Small Industries Corporation (PSIC).
- Punjab Industrial Estates Development and Management Company (PIEDMC).
- Faisalabad Industrial Estates Development and Management Company (FIEDMC).
- Punjab Consumer Protection Council (PCPC).
- Directorate of Industries.
- Punjab Printing and Stationery Department.
- Punjab Prices and Supplies Board.

Special Institution

Technical Education and Vocational Training Authority (TEVTA).

Audit Profile of the Industries, Commerce, Investment, and Skills Development Department

Sr. No.	Description	Total No.	Audited	Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)	Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)
1	Formations	143	4	606	-
2	• Assignments Accounts • SDAs etc. (excluding FAP)	6	3	-	-
3	Authorities/Autonomous bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	1	1	3.41	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The Appropriation Accounts of Industries, Commerce and Investment Department for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during 2022-23 against the total of five grants/appropriations is given below:

(Rupees in million)

Grant No.	Original Grant	Supplementary Grant/ Re-Appropriation	Final Grant	Actual Expenditures	Excess/ (Savings)
1	**2**	**3**	**4**	**5**	**6(5-4)**
PC21010	731.48	91.42	822.90	790.69	(32.22)
PC21022	10,803.79	2,263.88	13,067.68	12,969.86	(97.82)
PC21029	296.81	(39.35)	257.46	250.55	(6.91)
PC22036	11,200.27	(6,052.36)	5,147.92	4,461.71	(686.20)
PC12043	487.68	2,766.08	3,253.76	3,253.76	0

Total	23,520.03	(970.32)	22,549.71	21,726.57	(823.14)

Overview of Expenditure

The final budget of the Industry Department for the year ended 30th June 2023 was Rs. 22,549.71 million. Out of this, the actual expenditure was Rs. 21,726.57 million. The breakup of current and development expenditure is given below:

(Amount in Rupees)

Grant Type	Original Grant	Actual Expenditure	Excess/ (Savings)	Variance %
1	**2**	**3**	**4**	**5**
Current	11,832,080,000	14,011,095,717	2,179,015,717	18.42
Development	11,687,951,000	7,715,473,420	(3,972,477,580)	33.99
Total	**23,520,031,000**	**21,726,569,137**	**(1,793,461,863)**	**7.63**

This composition changed due to supplementary grants and surrenders.

The variance of Final Grant and Actual Expenditure is given below:

(Amount in Rupees)

Grant Type	Final Grant	Actual Expenditure	Excess/ (Savings)	Variance %
1	**2**	**3**	**4**	**5**
Current	14,148,038,000	14,011,095,717	(136,942,283)	0.97
Development	8,401,676,000	7,715,473,420	(686,202,580)	8.17
Total	**22,549,714,000**	**21,726,569,137**	**(823,144,863)**	**3.65**

Anticipated savings not surrendered

As per para 14.3 of the Punjab Budget Manual, the spending departments are required to surrender the grants/ appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs. (823.14) million at the close of the year 2022-23 under grants PC21010, PC21022, PC21029, PC22036, and PC12043 were not surrendered in time by the Department.

11.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 1,860.52 million were raised in this report during the audit of the Industries, Commerce, Investment and Skills Development Department. This amount includes recoveries of Rs. 659.25 million as pointed out by the audit. The summary of the audit observations classified by nature is as under:

Overview of Audit Observations
(Rs. in million)

Sr. No.	Classification	Amount
1.	Recoveries and overpayments	659.25
2.	Value for money and service delivery issues	1,201.27
Total		**1,860.52**

11.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC directives, for reports discussed so far, is given below:

Sr. No.	Audit Report Year	Total Paras	No. of Paras in which Compliance received	No. of Paras in which Compliance not Received	Percentage of compliance
1	2001-02	80	13	67	16
2	2010-11	7	0	7	0
3	2012-13	3	0	3	0
Total		**90**	**13**	**77**	**14**
Note: The Audit Report years missing in the above table were either due to non-inclusion of the subject chapter during that year or non-discussion of the subject chapter before the PAC.					

The compliance with PAC directives in the Industries, Commerce, Investment, and Skills Development Department is not adequate as compliance on 86% of paras is still awaited. The department needs to address the situation. Further, the department is requested to reconcile the matter with the Audit Department regarding any discrepancy.

11.4 AUDIT PARAS

Recoveries and overpayments

11.4.1 Non-recovery/deposit of outstanding amount-Rs. 657.65 million

As per Rule 4.7(1) of PFR Vol-I, it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to the Government, which have to be brought to account, are correctly and promptly assessed, realized, and credited to the Government Account.

During audit of the Industry, Commerce, Investments & Skills Development Department Punjab, Lahore, it was observed that an amount of Rs. 657,648,993 was outstanding against various organizations, contractors, and officers/officials. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Recovery	Amount (Rs.)
1	Punjab Skills Development Authority, Lahore.	2020-22	2023-0000000794_F00002	Non-imposition of penalty	638,000,000
2	Punjab Tianjin University, Lahore.	2017-22	2023-0000000997_F00007	Excess payment of loan to UET Lahore	19,648,993
Total					**657,648,993**

Audit is of the view that weak internal controls with regard to recoveries resulted in the accumulation of outstanding balances.

The matter was pointed out to the DDOs during February and March 2023. The formations noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 16.08.2023 and 12.09.2023, the para at Sr. No. 1 was kept pending till approval of the amendment in PSDA Act, 2019 and to initiate appropriate action against the delinquent institution(s) as per the amended Act. The para at Sr. No. 2 was kept pending for provision of the detail as well as reasons for payment of stated amount. Further progress was not reported by the department till the finalization of this report.

Audit recommends ensuring recovery of the stated amount be affected and strengthening its internal controls to avoid such lapses in the future.

11.4.2 Irregular payments of utility allowance-Rs. 1.60 million

As per the Finance Department's Notification No. FD.SR-I/9-14/2002(P-I) dated 27/12/2019, Utility Allowance is allowed to Civil Secretariat employees.

During audit of Punjab Skill Development Authority, Lahore for the period 2020-22, it was observed that the officers were paid Utility Allowance amounting to Rs. 1,599,000 while posted on deputation in this department. The rules and regulations of the PSDA Board had not been approved by the Provincial Cabinet. Therefore, payment of Utility Allowance in deviation of standard instructions of the Finance Department was irregular which needs to be recovered. Further, the Utility Allowance being paid to TEVTA employees (on deputation in PSDA) was irregular because there was no evidence that the Finance Department had notified payment of Utility Allowance to TEVTA employees.

Audit is of the view that irregularity was due to a lack of internal and financial controls.

In response to preliminary observation, the DDO noted the observation.

The matter was further reported to the administrative department. In DAC meeting held on 16.08.2023, the para was kept pending for seeking concurrence of the Finance Department for the admissibility of Utility Allowance to the employees of PSDA or employees of TEVTA availing deputation. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the amount needs to be recovered and credited into the treasury, besides ensuring the stoppage of further payments.

(PDP No. 2023-0000000794_F00003)

Performance related irregularities

11.4.3 Non-Monitoring of Enlargement of Sugar Mills

The expansion of capacity for sugar mills stood banned as per notification bearing No-AEA-III-3-5/2003(Vol-III) dated 6th December 2006 wherein it was stipulated through an amendment for Clause 3, that the following shall be substituted;

> "No new sugar mill shall be set up and no enlargement in the capacity of the existing sugar mills is allowed in the Province."

Section (3) of Price Control and Prevention of Profiteering and Hoarding Act, 1977 vide SRO 1062(I)/2021 dated 24.08.2021, prescribes that the Controller General may, where it is necessary, outsource the costing of the essential commodity in question to an agency or firm in accordance with the laws for the time being in force.

Moreover, Section 4 (e) of Price Control and Prevention of Profiteering and Hoarding Order 2021, prescribed seeking records and assistance from relevant organizations including the Federal Board of Revenue, the Securities and Exchange Commission of Pakistan, and the Competition Commission of Pakistan for the purpose of fixing the price of essential commodities and such assistance shall be rendered within timelines as the Controller General may direct.

During audit of Director General Industries, Prices, Weight & Measures for the year 2020-22, it was observed as follows:

i. The expansion of the production capacity of 38 sugar mills stood assailed through show cause notices, entailing a review of the regularization petitions from mill owners, having breached the expansion ban on the manufacturing capacity of these establishments.
ii. Only 32 mills secured regularization. The dormant enforcement of the ban violated from 2006 till regularization in 2022 was an instance of mal governance.
iii. The Government had paid a subsidy on the export of sugar which was not a denomination of a social protection intervention targeting the poor.
iv. The cost evaluation undertaken was not based on realistic and well-substantiated parameters and eventually, the price of sugar escalated in the domestic market disproportionately. As growers of Sugarcane were enticed to cultivate more sugar cane according to the needs of sugar mills as per enhanced capacity, pressure rose for exporting sugar when the international market had lower prices of sugar than Pakistani sugar. Still, in addition to price hikes for domestic consumers, subsidy from the Government side was given to sugar mills and benefits did not travel to those who were entitled to social protection. On the contrary, the officially notified price of sugar at retail outlets was not enforced as open market rates appreciated substantially due to enforcement deficits to curb hoarding, hedging, and profiteering.

Audit is of the view that the lapse occurred due to weak administrative and supervisory controls.

The matter was pointed out during February and March 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 29.08.2023, the para was kept pending till the formulation of enforcement rules regarding “The Punjab Industries (Control on establishment and enlargement), Act, 1963 as the same were non-existent. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be inquired into at the appropriate level to take cognizance of enforcement failure and ensure fixing of the price for commodities such as sugar be ensured, by outsourcing the cost evaluation of the essential commodities to the relevant agency such as SECP in accordance with the law also seeking records and assistance from relevant organizations including the Federal Board of Revenue, and the Competition Commission of Pakistan.

(PDP No. 2023-0000000181_F00003)

11.4.4 Deficiencies in monitoring functions by Chief Inspector Boiler

Under the Boilers and Pressure Vessels Ordinance, 2002 (CXXI OF 2002) in terms of provisions contained in Section 6 of the Prohibition of use of unregistered or uncertified boilers, no owner of a boiler shall use the boiler or permit it to be used;

(a) Unless it has been registered in accordance with the provisions of this Ordinance.

During audit of the accounts of Director General Industries, Prices, Weight & Measures Punjab, Lahore for the year 2020-22, it was observed that the Inspector Boiler, Sargodha Circle reported that a boiler installed at Sufi Rice Mills, Mouza Mansoor Sial Bhakar Road Jhang was burst on 01.11.2021 due to overpressure. Two persons were killed and three were injured. It indicates the poor performance in monitoring functions of Chief Inspector Boiler as well as deficiencies in the implementation of the legal framework. There were noticed following instances of mal governance as tabulated below:

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Nature of Irregularity**
1	Director General Industries, Prices, Weights & Measures, Lahore.	2020-22	2023-0000000181_F00005	Poor performance in monitoring functions by Chief Inspector Boiler

2	Director General Industries, Prices, Weights & Measures, Lahore.	2020-22	2023-0000000181_F00008	Deficiencies in implementation of legal framework.

Audit observed the following shortcomings:

1. The boiler was installed at Sufi Rice Mills Mouza Mansoor Sail Bhakar Road Jhang without inspection, insurance, registration, and employment of a boiler engineer which was a violation of Section 6 of the Boilers and Pressure Vessels Ordinance, 2002. Thus explosion was not pre-empted.
2. Detail of inquiry reports regarding incidents or any other discrepancies etc. were not maintained.

Audit pointed out the lapse in February 2023. The department accepted the observation and noted the same for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 29.08.2023, the para at Sr. No. 1 was kept pending till decision of the court as the matter was subjudice. The para at Sr. No. 2 was kept pending for production of record with respect to total number of boilers alongwith details of fee due and collected on account of registration, examination & inspections of the boilers. Further progress was not reported by the department till the finalization of this report.

Audit recommends that stringent enforcement of due process be adopted for the procedure provided to avoid the recurrence of untoward incidents with the intent that precious lives could be saved. Those having shown dereliction of duty be held accountable after a detailed inquiry.

Value for money and service delivery issues

11.4.5 Burden of overpriced poultry feed placed on the general public-Rs. 1,201.27 million

According to Rule 2.10(a) (1) of PFR Vol-I, the same vigilance should be exercised in respect of expenditure incurred from Government revenue as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

According to letter No.SOR(ICI&SD)1-21/2021 dated 31.03.2022, the following officers entrusted with the powers to fix the prices of essential commodities were required to fix the prices of the commodities assigned to them:

- Controller General: essential commodities

- Deputy Commissioners: vegetable, fruits, pulses, live poultry, poultry meat, eggs, milk, curd, mutton, beef, gram & flour mechanism

For fixation of prices, the Controller General was required to fix the prices of an essential commodity in the following manner:

a. The Controller General shall obtain necessary information from reliable sources about the costs incurred by dealers, importers, or producers, as the case may be.

b. He shall engage in consultation with relevant stakeholders.

c. He shall determine reasonable estimates for the cost incurred by the dealers, importers, or producers and fix the price by cost plus method or any other standard method.

During audit of Industries, Commerce, Investments & Skills Development Department, it was observed that monitoring oversights were committed by the management, resulting in shifting of excessive financial burden on the general public exposed to overpriced supply of goods. Due to inflated input price adjustments divorced from CPI trends, cost formulation was based on poultry price feed excess charged from the public based on the basis of invalid data for ingredients. The public at large was made to suffer and advantage was taken by the feed mills owners.

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Nature of Irregularity**	**Amount (Rs.)**
1	Director General Industries, Prices, Weights & Measures, Lahore.	2020-22	2023-0000000181_F00001	The price of poultry feed was fixed more than the prevailing market prices and adversely impacted the burden of price hikes upon the public	1,072,890,000
2	Director General Industries, Prices, Weights & Measures, Lahore.	2020-22	2023-0000000181_F00002	The burden unduly increased on the General Public due to Invalid data for Ingredients of Poultry Feed for Fixation of Prices	128,382,873
Total					**1,201,272,873**

Audit is of the view that being Controller General of Price/DG, Industries, Prices, Weights & Measures had a prime duty to implement all the instructions and enforcement measures at the provincial level to ensure smooth supplies of essential commodities at prices fixed by the Government authorities.

The lapses occurred due to weak internal and supervisory controls.

When pointed out during February and March 2023, the DDOs stated that a detailed reply would be given later on.

The matter was further reported to the administrative department. In DAC meeting held on 29.08.2023, the paras were kept pending for probe at the administrative department's level. Further progress was not reported by the department till the finalization of this report.

Audit recommends that:

- The matter be probed at the administrative department's level to fix the responsibility and the services of an area expert in the relevant field be coopted while fixing the prices of poultry feeds.
- The matter be investigated at the administrative department's level to fix responsibility for the negligence resulting in contravention of provisions of the Punjab Industries (Control on Establishment and Enlargement) Ordinance, 1963.
- Effective monitoring be given effect in order to ensure the provision of smooth supplies of essential commodities at prices fixed by the Government authorities as well as strengthening the administrative and enforcement controls.

11.4.6 Absence of required labs/workstations & lab equipment in the University

As per Section 18(5)(a) of the Punjab Tianjin University of Technology, Lahore Act 2018, the Treasurer shall manage the assets, liabilities, receipts, expenditures, funds and investments of the University.

During audit of Punjab Tianjin University of Technology's accounts for the period 2017-22, it was obseeved that the university did not have adequate lab equipment available for the practical training of students across all disciplines. This issue was also noted by the National Technology Council's Accreditation Inspection Committee during their visit on 27th and 28th January 2022 vide letter No.NTC/12/002/ZV dated 09.05.2022. The committee expressed concern over the absence of necessary labs, workstations, and equipment at the university in a letter addressed to the Deputy Registrar of The Punjab Tianjin University of Technology, Lahore.

This lack of adequate lab equipment and facilities can have a significant impact on the quality of education provided to students at the university. Without the necessary tools and resources, students may not be able to fully comprehend the theoretical concepts taught in classrooms or gain practical knowledge and skills required for their respective fields. It may lead to students being ill-prepared for the job market and may negatively impact their career prospects.

Additionally, the university's accreditation status may also be at risk due to this issue. Without the required labs and equipment, the university may not meet the necessary standards set by accreditation bodies, which can result in a loss of credibility and reputation.

Lapse occurred due to weak financial and supervisory control.

The matter was further reported to the administrative department. In DAC meeting held on 12.09.2023, the para was kept pending for the production of the record. Further progress was not reported by the department till the finalization of this report.

Audit recommends that management should urgently address the shortage of lab equipment and facilities to ensure the provision of quality education and also to maintain its accreditation status.

(PDP No. 2023-0000000997_F00023)

CHAPTER 12
INFORMATION AND CULTURE DEPARTMENT

12.1 Introduction

The Information and Culture Department is the focal body to act as a bridge between the Government and the press and electronic media. The Department is required to act as an enabling arm of the Government for the promotion of art and culture and the preservation and display of archaeological treasures of Punjab.

The department provides infrastructure in the form of buildings for Arts Councils and Art Galleries, arranging cultural programs, preservation and projection of archaeological/cultural heritage through the establishment of museums, financial assistance to cultural and literary bodies, and awards for literary/publishing endeavors. The Department also patronizes and facilitates meaningful activities by Youth Organizations in coordination with the Federal Government.

The department has been assigned the duties of:

- Publicity & public relations
- Administration of press laws relating to newspapers, books, magazines etc.
- Policy and procedures regarding the release of official and semi-official advertisements through electronic media or press.
- Arranging seminars or exhibitions, etc. relating to such events as international youth year, national youth festivals, etc.
- Providing facilities for the journalists including accreditation of press correspondents and press photographers etc.
- Giving grant-in-aid to cultural & literary bodies.

Audit Profile of Information & Culture Department

Sr. No.	**Description**	**Total No.**	**Audited**	**Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)**	**Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)**
1	Formations	76	7	625	91.43
2	• Assignments Accounts • SDAs etc. (excluding FAP)	21	10	-	-
3	Authorities/Autonomous bodies etc. under the PAO	7	3	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The Appropriation Accounts of the Information & Culture Department for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during 2022-23 against the total of four grants/appropriations is given below:

(Rupees in million)

Grant No.	**Original Grant**	**Supplementary Grant/ Re-Appropriation**	**Final Grant**	**Actual Expenditures**	**Excess/ (Savings)**
1	**2**	**3**	**4**	**5**	**6(5-4)**
PC21010	1,596.62	519.39	2,116.01	2,075.50	(40.51)
PC21014	229.91	19.65	249.56	238.22	(11.34)
PC21023	2,958.53	69.24	3,027.78	2,932.67	(95.10)
PC22036	8,356.84	(4,408.48)	3,948.36	3,879.72	(68.64)
Total	**13,141.90**	**(3,800.20)**	**9,341.70**	**9,126.11**	**(215.59)**

Overview of Expenditure

The final budget of Information & Culture Department for the year ended 30th June, 2023 was Rs. 9,341.70 million. Out of this, actual expenditure was Rs. 9,126.11 million. The breakup of current and development expenditure is given below:

(Amount in Rupees)

Grant Type	Original Grant	Actual Expenditure	Excess/ (Savings)	Variance %
1	**2**	**3**	**4**	**5**
Current	4,785,069,000	5,246,394,486	461,325,486	9.64
Development	8,356,835,000	3,879,717,615	(4,477,117,385)	53.57
Total	**13,141,904,000**	**9,126,112,101**	**(4,015,791,899)**	**30.56**

This composition changed due to supplementary grants and surrenders.

The variance of the Final Grant and Actual Expenditure is given below:

(Amount in Rupees)

Grant Type	Final Grant	Actual Expenditure	Excess/ (Savings)	Variance %
1	**2**	**3**	**4**	**5**
Current	5,393,349,000	5,246,394,486	(146,954,514)	2.72
Development	3,948,355,000	3,879,717,615	(68,637,385)	1.74
Total	**9,341,704,000**	**9,126,112,101**	**(215,591,899)**	**2.31**

Anticipated savings not surrendered

As per para 14.3 of the Punjab Budget Manual, the spending departments are required to surrender the grants/ appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs (215.59) million at the close of the year 2022-23 under grants PC21010, PC21014, PC21023, and PC22036 were not surrendered in time by the Department.

12.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 571.09 million were raised during audit of the Information & Culture Department. This amount includes recoveries of Rs. 14.29 million as pointed out by the audit. The summary of the audit observations classified by nature is as under:

Overview of Audit Observations

(Rs. in million)

Sr. No.	**Classification**	**Amount**
1.	Reported cases of fraud, embezzlement and misappropriation	2.14
2.	Recoveries and overpayments	14.29
3.	HR/Employees related irregularities	111.38
4.	Performance related irregularities	59.86
5.	Management of accounts with commercial banks	132.27
6.	Others	251.15
Total		**571.09**

12.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC directives, for reports discussed so far, is given below:

Sr. No.	Audit Report Year	Total Paras	Compliance received	Compliance not Received	Percentage of Compliance
1.	1996-97	5	3	2	60
2.	1999-00	21	07	14	33
3.	2000-01	91	56	35	62
4.	2001-02	18	3	15	17
5.	2006-07	22	14	08	64
6.	2010-11	36	1	35	2
7.	2011-12	7	0	7	0
8.	2012-13	5	0	5	0
9.	2013-14	51	9	42	18
Total		**256**	**93**	**163**	**36**
Note: The Audit Report years missing in the above table were either due to non-inclusion of the subject chapter during that year or non-discussion of the subject chapter before the PAC.					

The compliance with the PAC directives in the Information and Culture Department remained unsatisfactory for the Financial Years 1999-2000, 2001-02 and 2010-11 through 2013-14. The department needs to improve its level of compliance. Further, the department is requested to reconcile the matter with the Audit Department regarding any discrepancy.

12.4 AUDIT PARAS

Reported cases of fraud, embezzlement and misappropriation

12.4.1 Bogus & fabricated contingent bills drawn-Rs. 1.54 million

As per Rule 2.33 of PFR Vol-I every Government servant will be held personally responsible for any loss sustained by the Government through fraud or negligence on his part and on the part of any other Government servant to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

During audit of Punjab Information Commission, Lahore for the period 2014-22, it was observed that a Dispatch Rider of the entity submitted bogus and fabricated contingent bills and drew an amount of Rs. 1,535,894 from AG Punjab. The expenditure incurred did not bring any value for money. The Chief Information Commissioner in an inquiry report issued vide letter No. 3410/2022 dated 04.10.2022 recorded that 14 bills so drawn involved bogus payment of contingent bills. The following discrepancies were noticed by Audit:

1. The DDO concerned conferred on despatch rider the authority as a cashier by changing irregularly his designation as computer operator vide letter bearing No. AD(A&C)PIC 1-37/2015 Punjab Information Commission dated 22.08.2010.
2. The DDO also irregularly assigned the duty to the DR as cashier vide letter bearing No. AD (A & C) PIC 1/2018 Punjab Information Commission dated 09.08.2018.
3. No FIR was lodged against the culprits.
4. Bogus/fabricated contingent bills and missing bills were not entered in the cash book.

Audit is of the view that the lapse occurred due to weak supervisory and financial controls.

The matter was pointed out in February 2023. The management did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that recovery be made, also lodging FIR against the accused person implicated in committing the cognizable offense. Moreover, the blacklisting process should also be initiated immediately against vendor/supplier involved in fraudulent collusive acts.

(PDP No. 2023-0000000283_F00001)

12.4.2 Loss due to difference in POL purchased and consumed for generators-Rs. 602,290

As per Rule 15.4 (a) of PFR Vol-I, all material received should be examined, counted, measured and weighed, as the case may be, when delivery is taken, and those should be kept in the charge of a responsible Government servant. The passing and receiving Government servants should see that the quantities are correct and their quality good, and record a certificate to this effect. The receiving Government servant should also be required to give a certificate that he has actually received the material and recorded it in the appropriate Stock Register.

During audit of Lahore Arts Council, Lahore for the period 2021-23, it was observed that the management purchased 18,050 liters of diesel for generators. Out of this, only 16,000 liters were consumed in generators hence the amount of balance quantity of 2,050 liters i.e. Rs. 602,290 stood pilfered by concerned staff. The log books of generators were also not prepared for audit verification.

Audit is of the view that the lapse occurred due to weak supervisory and financial controls on POL purchases and consumption.

The matter was pointed out in September 2023. The formation received the observation with the remarks that an inquiry will be initiated and the record will be presented in DAC meeting.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the stated amount relating to excess purchase of POL be recovered from the person(s) at fault and be deposited into the Government Treasury besides strengthening supervisory and financial controls.

(PDP No. 2023-0000004367_F00024)

Recoveries and Overpayments

12.4.3 Irregular payment of Double Honorarium-Rs. 3.53 million

According to FD's letter No.F.D.SR-I-9-7/2003 dated 09.06.2010, the administrative department may sanction an honorarium of one month's basic pay and the Head of the Attached Department up to half a month's basic pay one time during a financial year. According to para (vi) of FD's letter No. FD(DS-COORD)1-1/2018 dated 20.08.2018, the cases for posts' creation & up gradation, increase in salaries & allowances, recruitment criteria, or any other matter having financial implication may be sent to the Finance Department for advice by all the Autonomous Bodies who are in receipt of the Government funding.

During audit of the Punjab Institute of Language and Arts Council (PILAC) for the year 2020-22, it was observed that an honorarium/Bonus was granted to the employees of PILAC twice in the same financial year. Moreover, the delegation of power conferred to this effect by the 11th meeting of ECC (BOG) was devoid of legal cover. PILAC being an autonomous body was a recipient of grants from the Provincial Consolidated Fund and BOG of PILAC was not vested with any such conferment of delegation of powers. Prior advice/consent was not obtained from the Finance Department in the light of instructions mentioned in FD's letter No.FD(DS-COORD)1-1/2018 dated 20.08.2018.

Weak financial controls resulted in the double payment of honorarium.

The matter was pointed out in March 2023. The management did not furnish any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be probed at the administrative department's level to fix responsibility for non-adherence to the above Government instructions besides ensuring recovery of the stated amount and strengthening the supervisory as well as financial controls.

(PDP No. 2023-0000001176_F00002)

12.4.4 Non-recovery of outstanding dues-Rs. 5.45 million

As per para 4.7(1) of PFR Vol-I, it is primarily the responsibility of the departmental authorities to see that all revenues, or other debts due to the Government, which have to be brought to account, are correctly and promptly assessed, realized, and credited to the Government Account.

According to Section 153 of the Income Tax Ordinance 2001 amended up to date and letter No.PRA/NTN/1894 dated 15.08.2017, withholding tax was required to be deducted from the payment of the suppliers/contractors at the prescribed rates.

During audit of the Information and Culture Department, it was observed that the recoverable amount of income tax and other Government dues from various vendors and employees to the tune of Rs. 5,454,447 were not deposited into the Government Treasury. The details are given as under:

Sr. No	Name of Formation	Period of Audit	PDP No	Nature of Irregularity	Amount (Rs.)
1	Lahore Arts Council, Lahore	2021-23	2023-0000004367_F00021	Irregular payment of House Rent & Conveyance Allowance	1,703,100

Sr. No	Name of Formation	Period of Audit	PDP No	Nature of Irregularity	Amount (Rs.)
2	Lahore Arts Council, Lahore	2021-23	2023-0000004367_F00015	Non-deduction of WH Tax against expenditure incurred for organizing various programs	1,553,998
3	Punjab Council of Arts, Bahawalpur	2014-22	2023-0000001434_F00002	Non/less deduction of income tax from individual's salaries /firms	921,693
4	Punjab Council of Arts, Bahawalpur	2014-22	2023-0000001434_F00004	Non-realization of Government Taxes and Variation in the cash book & bank statement	637,482
5	Lahore Arts Council, Lahore	2021-23	2023-0000004367_F00030	Less deduction of income tax, PST, and GST on certain items/services	337,519
6	Punjab Arts Council, Lahore	2021-23	2023-0000004368_F00018	Less deduction of Income Tax and PST on certain taxable items/services	300,655
Total					**5,454,447**

Audit is of the view that the lapse occurred due to weak supervisory and financial controls.

The matter was pointed out in April & September 2023. The management at Sr. No. 1, 2 & 5 replied that all the payments were made according to the sanction amount whereas all the future payments/ deductions will be made as per rules/policy of the Lahore Arts Council. Audit held that the reply of formation was not tenable as no record in support of reply was presented. The management at Sr. No. 6 replied that all prescribed taxes of Government were being deducted and deposited in Govt. exchequer. However, the matter will be thresh out for compliance.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that recoveries be affected, besides strengthening the supervisory and financial controls.

12.4.5 Irregular Expenditure of POL for non-official/personal vehicles by Lahore Arts Council-Rs. 5.31 million

As per Clause 86 of Lahore Arts Council (Alhamra) Regulations 2010 (Amended)", titled"Transport Facilities", the following entitlement and other terms & conditions were mentioned:

Clause No.	Vehicle Capacity	Petrol Limit/month	Officer's Rank/Grade
86.1	1000 cc car with driver (subject to availability in the pool)	250 Liters	Deputy Directors in BPS-18
86.1	1000 cc car with driver (subject to availability in the pool)	150 Liters	Assistant Directors BPS-17 (having 5 years of service in the same scale)
86.2	1300 cc car with driver	350 Liters	officers of grade 19 and above

As per Rule 2.33 of PFR Vol-1, every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by the Government through fraud or negligence on his part.

During audit of the record of the Lahore Arts Council for the year 2021-23, it was observed that the LAC paid an amount of Rs. 5,310,842 on account of POL for deployed private vehicles not part of the LAC pool of vehicles. It was also observed that some of these private vehicles were owned by the officers of LAC whereas as per above Clause 86, officers were entitled to official vehicle with fuel limit, if the vehicle was available in the Pool. Hence, fuel facility allowed to officers involved in engaging their personal/private vehicles was irregular.

The lapse occurred due to non-adherence to relevant rules

The matter was pointed out in September 2023. The management replied that the officers of the Lahore Arts Council are often appointed as Focal Persons by the Governor House, Chief Minister House, S&GAD, and Information & Culture Department for VVIP and Foreign Delegations, and the officers have to travel and engage themselves with the visitors and delegations using their private vehicles. All the POL charges are met from the budget provided by the Finance Department.

Audit held that the reply of formation was not tenable as the officers were drawing regular fuel on a monthly basis for private vehicles contrary to the rules.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends inquiring into the matter at the administrative department's level and immediately stopping the payment for personal/private vehicles besides ensuring recovery of the above-stated amount from the concerned officers.

(PDP No. 2023-0000004367_F00034)

HR/Employees related irregularities

12.4.6 Unlawful/unauthorized payment on account of allowances not sanctioned from Finance Department-Rs. 75.68 million

According to FD letter No.FD(DS-COORD)1-1/2018 dated 20.08.2018, the cases for posts' creation & up gradation, increase in salaries and allowances, recruitment criteria, or any other matter having financial implication may be sent to the Finance Department for advice by all the Autonomous Bodies who are in receipt of the Government funding.

According to the Rules of Business, 2011, clause 19 under the caption "Consultation with Finance Department-(1) No Department shall, without previous consultation with Finance Department, authorize any orders other than orders in pursuance of any general or special delegation made by Finance Department, which directly or indirectly affect the finances of the Province, or which, in particular, involve: (b) expenditure for which no provision exists; (C) a change in the number or nomenclature or basic scale of a post or in the terms and conditions of service of the Government servants or their statutory rights and privileges which have financial implications. Moreover, as per Rule 2.31 (a) of PFR Vol-I, a drawer of bills for pay, allowances, contingent, and other expenses will be held responsible for any overcharges.

During audit of the Information and Culture Department for the period 2014-23, it was observed that the following allowances were being drawn by the employees. Neither the approval/advice of the Finance Department was obtained nor was the budget sanctioned by the respective head of accounts in violation of the rules cited above. Details are tabulated below:

Sr. No	**Name of Formation**	**Period of Audit**	**PDP No**	**Nature of Irregularity**	**Amount (Rs.)**
1	Punjab Institute of Language, Art & Culture, Lahore	2020-22	2023-0000001176_F00001	Irregular Drawl of Cultural Allowance & Entertainment Allowance. Mobile Allowance	11,164,590

Sr. No	Name of Formation	Period of Audit	PDP No	Nature of Irregularity	Amount (Rs.)
2	Punjab Council of the Arts Bahawalpur Division	2014-22	2023-0000001434_F00006	Unlawful/unauthorized payment on account of Allowances not sanctioned by the Finance Department	1,951,191
3	Punjab Institute of Language, Art & Culture, Lahore	2020-22	2023-0000001176_F00005	Excess drawl of Cultural Allowance @ 30% despite Admissibility of Executive Allowance already in the field	792,312
4	Lahore Arts Council, Lahore	2021-23	2023-0000004367_F00016	Irregular payment of Honorarium & Non-deduction of I.Tax	35,304,000
5	Punjab Council of Arts, Rawalpindi	2014-23	2023-0000003201_F00002	Unlawful/unauthorized payment of allowances not sanctioned by the Finance Department	10,962,805
6	Lahore Arts Council, Lahore	2021-23	2023-0000004367_F00018	Irregular payment of Pay and allowances to the staff of Okara Arts Council	15,508,153
Total					**75,683,051**

Audit is of the view that the lapse occurred due to weak supervisory and financial controls.

The irregularity was pointed out in March and September 2023. The management at Sr. No. 1, 2, 4 & 6 replied that tax will be deducted as per law and the record will be presented in the next DAC meeting. The remaining formations did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that responsibility be fixed for non-adherence to Government instructions besides ensuring prompt deposit of the recoverable amount into the Government Treasury.

12.4.7 Irregular up-gradation/promotion of staff-Rs. 2.45 million

According to the clarification bearing No FD.PC.40-43/2017 (437/19)20827-20772 dated 19.09.2019, the up-gradation of Computer operator (BS-15) to (BS-16) is not entitled to grant of higher pay scales BS-16 which is promotion scale.

According to FD's letter No.FD(DS-COORD)1-1/2018 dated 20th August 2018, para (vi) the cases for posts' creation & up gradation, increase in salaries & allowances, recruitment criteria, or any other matter having financial implication may be sent to the Finance Department for advice by all the Autonomous Bodies who are in receipt of the Government funding.

According to the Rules of Business, 2011, Clause 19 under the caption "Consultation with Finance Department-(1) no Department shall, without previous consultation with Finance Department, authorize any orders other than orders in pursuance of any general or special delegation made by Finance Department, which directly or indirectly affect the finances of the Province, or which, in particular, involve: (b) expenditure for which no provision exists; (C) a change in the number or nomenclature or basic scale of a post or in the terms and conditions of service of the Government servants or their statutory rights and privileges which have financial.

During audit of the Punjab Institute of Language, Art & Culture, Lahore for the period 2020-22, it was observed that the incumbent Computer operators (BS-15) were upgraded as Senior Computer Operator (BS-16) and further upgraded as Programmers (BS-17) vide FD.PC.40-43/2017(E) dated 14.12.2018 irregularly whereas the nomenclature for the post of Programmer (BS-17) was not available in the services Rules of PILAC. Hence, the up-gradation of Computer Operator (BS-15) as Senior Computer Operator (BS-16) and further up-gradation as Programmer (BS-17) was held irregular and created a burden on the Government exchequer.

In another instance, it was observed that one officer was promoted from Superintendent (BS-17) to Audit and Accounts Officer (BS-17) irregularly as there was no provision for such promotion in the cadre of Accounts Officers. ECC in its 10th meeting only re-designated the post of Account Officer as "Audit & Accounts Officer" without allowing the change in the Method of Recruitment/Promotion. Further, the post of Accounts Officer (BS-17) was approved in Service Regulations which was re-designated as Audit & Accounts Officer (BS-17) by ECC without the approval of service rules by the designated forum in S&GAD. Detail is given below.

Sr. No	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Punjab Institute of Language,	2020-22	2023-0000001	Irregular up-gradation of	1,340,160

Sr. No	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
	Art & Culture, Lahore		176_F00003	Data Entry Operator	
2	Punjab Institute of Language, Art & Culture, Lahore	2020-22	2023-0000001176_F00004	Irregular re-designation and Promotion of Audit & Accounts Officer	1,107,081
Total					**2,447,241**

Audit is of the view that the lapse occurred due to weak supervisory and financial controls.

The irregularity was pointed out in March 2023. The management did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that responsibility be fixed for irregular grants of up-gradation/promotion and recovery should be made from those concerned besides strengthening supervisory and financial controls.

12.4.8 Non-deduction/deposit of one month's salary on resignation-Rs. 795,160

According to clause 12 of the Terms & Conditions of Notification vide No. SOE(INF)25-1/2014 dated 05.06.2018 under the caption "Termination of Contract" as per relevant law and similar, notification dated 19.08.2016, a contract can be terminated on one month's notice on either side or payment of one month's basic pay in lieu thereof. According to para 2(7) of letter No. F.3(2)R-4/2011 dated 24.12.2012 regarding Revision of Management Position Scales, termination of Contract is on one month's notice on either side or payment of one month's basic pay in lieu thereof.

During audit of the Punjab Information Commission for the year 2014-22, it was observed that the Information Commissioner appointed @ Rs. 795,160 per month tendered his resignation without one month's prior notice and relinquished the charge w.e.f. 31.01.2021 as mentioned in PIC No. AD(A&C)PIC-470-1/2021 dated 28th Jan 2021. Resultantly, one month's salary of Rs. 795,160 was not deducted/deposited in Govt. treasury in violation of the above-stated rule.

Audit is of the view that the lapse occurred due to weak supervisory and financial controls.

The irregularity was pointed out in March 2023. The management did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends ensuring recovery of the stated amount and strengthening the supervisory as well as financial controls.

(PDP No. 2023-0000000283_F00008)

12.4.9 Irregular appointment/recruitment of staff-Rs. 32.45 million

According to Section 5(5), of the Punjab Transparency and Right to Information Act 2013, no person shall be appointed as Commissioner if he is more than sixty-five years of age on the date of appointment.

Supreme Court of Pakistan in its judgment dated 19.01.1993 in Human Rights Case No. 104 of 1992 stated that recruitment, both ad hoc and regular, without publicly and properly advertising the vacancies, is violative of fundamental rights. As such no post could be filled in without proper advertisement, even on ad hoc or contract basis.

According to Para 3(VIII)(vi) of the Contract Policy 2004, no relaxation of qualification, experience, physical criteria, etc. as provided in the relevant service rules or as determined by the Government shall be allowed, except as prescribed under the rules.

The relevant Selection Committees shall ensure that contract appointments are made strictly on merit and in accordance with the rules, selection criteria, and other provisions of this policy as well as the prevailing Recruitment Policy.

During audit of the Punjab Information Commission, Lahore for the period 2014-22, it was observed that several appointments had been made at different positions without observing codal formalities/rules, and a large amount was paid in the form of salaries. Furthermore, the cases of post creation and up-gradation, increase in salaries & allowances, recruitment criteria, and other matters having financial implications were neither sent to the Finance Department nor the S&GA Department for advice. The details are as under:

Sr. No	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Punjab Information Commission, Lahore	2014-22	2023-0000000283_F00002	Irregular Appointment of over-aged employees.	23,059,640
2	Punjab Information Commission, Lahore	2014-22	2023-0000000283_F00004	Non-transparent recruitment of Assistant Director (Awareness & Training) & Other Staff.	8,025,354
3	Punjab Information Commission, Lahore	2014-22	2023-0000000283_F00005	Irregular recruitment of Drivers	1,365,278
Total					**32,450,272**

Audit is of the view that the lapse occurred due to weak supervisory and financial controls.

The irregularity was pointed out in February 2023. The management did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be probed into at the administrative department's level to fix responsibility against those held responsible besides ensuring recovery of overpayment from the concerned.

Performance related irregularities

12.4.10 Irregular expenditure incurred at higher rates and other matters without the concurrence of the Finance Department-Rs. 59.86 million

According to FD letter No. FD(DS-COORD)1-1/2018 dated 20th August 2018, para (vi) described that the cases for posts' creation & up gradation, increase in salaries & allowances, recruitment criteria, or any other matter having financial implication may be sent to the Finance Department for advice by all the Autonomous Bodies who are in receipt of the Government Funding.

Rule 2.10(a)(1) of PFR Vol-I states that the same vigilance should be exercised in respect of expenditure incurred from Government revenues, as a person of ordinary prudence would exercise in respect of the expenditure of his own money

During audit of records of the Information and Culture Department, Lahore for the year 2021-23, the following irregularities were observed on account of poor financial management of the department causing a loss to the Government exchequer for Rs. 59,858,248. The details are as under:

Sr. No	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Lahore Arts Council, Lahore	2021-23	2023-0000004367_F00007	Loss in terms of extra financial burden due to non-charging of Utility Charges	51,280,000
2	Lahore Arts Council, Lahore	2021-23	2023-0000004367_F00002	Unnecessary Purchase of Items & Mis-management of Affairs of ADP Scheme	7,453,250
3	Director Bahawalpur Museum, Bahawalpur	2016-23	2023-0000003202_F00002	Loss of Government Funds due to non-installation of Sound System	1,124,998
4	Punjab Arts Council, Lahore	2021-23	2023-0000004368_F00002	Irregular Expenditure incurred at higher rates and other matters without the concurrence of the Finance Deptt.	0
5	Lahore Arts Council, Lahore	2021-23	2023-0000004367_F00001	Irregular Expenditure incurred at higher rates and giving effect to other financial dispensations without the concurrence of the Finance Deptt.	0
6	Punjab Arts Council, Lahore	2021-23	2023-0000004368_F00022	Loss due to prolonged dismantling and reconstruction phase of Open Air Theater & Auditorium	0
Total					**59,858,248**

Audit is of the view that the lapse occurred due to weak supervisory and financial controls.

The irregularity was pointed out in September 2023. The management at Sr. No. 1, 2 & 5 replied that all the matters/functions were done as per law/policy adopted by the organization. Audit held that the reply of formation was not tenable as no record in support of reply was presented. The management at Sr. No. 3, 4 & 6 replied that detailed reply would be submitted later on.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be probed into at the administrative department's level to fix responsibility against those held responsible for poor financial performance besides avoiding such practices in the future.

Management of accounts with commercial banks

12.4.11 Irregular transfer of funds into Commercial Bank Account for making Misc. Payments-Rs. 132.27 million

According to Sub Clause XV under General Instructions of "Punjab Assan Assignment Account Procedure (Local Currency) 2020", cash withdrawal or transfer of funds to any other bank account is not allowed except employees related deduction like pension contribution, provident funds, and GP Funds, etc. This deduction shall be made as per rules/policy guidelines/procedure of relevant offices. Payment shall be made only through crossed cheques to contractors, vendors, suppliers, employees, etc.

During audit of Punjab Arts Council, Lahore for the year 2021-23, it was observed that contrary to the above provisions of notified instructions by FD, an amount of Rs. 132,267,062 was shifted from the Assan Assignment Account into the entity's Bank Account at Bank of Punjab.

Audit is of the view that the lapse occurred due to poor financial controls in the entity.

Initial Observation was issued in September 2023. The formation replied that these funds were drawn for timely payment of monthly salaries and utility bills of the Punjab Council of the Arts in consultation with the Treasury Office and not parked for retention in a commercial Bank Account to earn profit. The reply of the formation was not tenable as the action was without legal cover and was without documentary evidence to support the stance.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter may be inquired into at the administrative department's level, besides strengthening its internal controls.

(PDP No. 2023-0000004368_F00001)
Others

12.4.12 Non-maintenance of auditable record-Rs. 225.57 million

Finance Department's letter No.FD (MR)MW/1-4/92 dated 26.09.1992 provides that if the entries in the stock register are not present at the time of audit or if the concerned officials are not present at the time of audit or the record is not shown to audit, the entries made and record produced afterwards would not be accepted.

During audit of the accounts of the Punjab Information Commission, Lahore for the period 2014-22, it was observed that the auditable record amounting to Rs. 92,907,096 pertaining to the cost center LO5229 for the period of 2014-15 was not maintained. Further, records pertaining to expenditure statements for the period 2014-18 amounting to Rs. 132,665,000 were neither maintained nor the same were traceable.

Audit is of the view that due to non-maintenance of record, the authenticity of expenditure could not be verified.

The irregularity was pointed out in February 2023. The management did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends fixing responsibility for the non-maintenance of records, taking disciplinary action against the delinquents, and producing records for scrutiny by the Audit.

(PDP No. 2023-0000000283_F00010)

12.4.13 Miscellaneous irregularities-Rs. 13.83 million

As per Rule 2.33 of PFR Vol-I, every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by the Government through fraud or negligence on his part, and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government servant 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 Information and Culture Department for the period 2021-23, some financial irregularities were observed which are tabulated below:

Sr. No	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Punjab Arts Council, Lahore	2021-23	2023-0000004368_F00007	Loss due to non-investment and investment made at lesser rates	7,175,000
2	Lahore Arts Council, Lahore	2021-23	2023-0000004367_F00012	Cancellation of the contract without recording reason. Furthermore, the highest bidder was awarded the contract without keeping in view the minimum wage rate, EOBI, and social security.	4,320,000
3	Lahore Arts Council, Lahore	2021-23	2023-0000004367_F00019	Due to inordinate delay in the tendering process cost overrun and time over-run. Rates were not charged according to FD's Schedule Rates	2,332,762
Total					**13,827,762**

The matters was pointed out in September 2023. The management at Sr. Nos. 2 & 3 replied that all the matters/functions were done as per law/policy adopted by the organization. The management at Sr. No. 1 replied that funds were not invested to meet the payments to the employees. The reply was not accepted as the same was not supported with documentary evidence.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be probed into at the administrative department's level to fix responsibility against those held responsible for financial irregularities, besides ensuring to avoid such practices in the future.

12.4.14 Irregular DDO payments-Rs. 11.75 million

According to Rule 4.49(a) of Subsidiary Treasury Rules, read with the Finance Department's letter No. FD (FR)V-6/75(P) dated 20.06.2007, payment exceeding Rs.100,000 shall be made through cheque instead of cash.

During audit of Punjab Institute of Language, Arts & Culture Lahore for the period 2020-22, it was observed that an amount of Rs. 11,747,938 was drawn against cost centers LO9255 & LZ4589 through cheques in favor of Drawing & Disbursing Officer. Further payments were made to the concerned in cash instead of a bank draft or pay order which was irregular and constituted violation of above-stated rule.

Audit is of the view that the lapse occurred due to weak supervisory and financial controls.

The irregularity was pointed out in March 2023. The management did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be got regularized from the competent authority, besides strengthening internal controls.

(PDP No. 2023-0000001176_F00007)

12.4.15 Non-performance of function to publish annual reports by the commission

The Punjab Transparency and Right to Information Act 2013 requires that the Commission shall prepare an annual report on the implementation of the provisions of this Act during a financial year by 31st August and shall lay it before the Provincial Assembly of the Punjab.

During audit of Punjab Information Commission, Lahore for the period 2014-22, it was observed that the annual reports pertaining to the period 2020-22 were not published in due course of time. However, an advance payment of contingent bills amounting to Rs. 334,505 was made without delivery of the published report which shows non-performance of the function to publish annual reports by the commission.

Audit is of the view that the lapse occurred due to weak supervisory and financial controls.

The irregularity was pointed out in February 2023. The management did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired into for fixing responsibility against the delinquents besides taking action accordingly.

(PDP No. 2023-0000000283_F00013)

CHAPTER 13
LABOUR AND HUMAN RESOURCE DEPARTMENT

13.1 Introduction

The Labour and Human Resource Department is engaged in the promotion of healthy labour management relationships for greater socio-economic progress. With this objective, the department not only protects the rights of workers but also lays stress on commitment to work. The department provides medical aid, cash and other benefits in case of sickness, injury, death etc. to deserving workers. It also undertakes other welfare measures for the industrial workers and their families including housing and education.

The department is headed by a Secretary. He is the administrative head of the department and is assisted by Additional Secretaries, Deputy Secretaries, Section Officers and support staff in the discharge of his official duties.

Functions of the department

The department is responsible for:

- Welfare of labour.
- Implementation of labour laws.
- Labour legislation (Provincial).
- Manpower and employment including foreign employment.
- Technical, apprenticeship and vocational training.
- Administration of labour courts.
- Implementation of weights and measures enactment.
- Health facilities for industrial workers.
- Minimum wages Board.
- Vocational guidance and employment counselling.
- Service matters except those entrusted to S&GAD.
- Purchase of stores and capital goods for the department.
- Education and grant of scholarships to the children of industrial workers.

Audit Profile of Labour and Human Resource Department

Sr. No.	**Description**	**Total No.**	**Audited**	**Expenditure Audited 2022-23 Ph-II &**	**Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I**

				2023-24 Ph-I (Rs. in million)	(Rs. in million)
1	Formations	80	2	83	-
2	• Assignments Accounts • SDAs etc. (excluding FAP)	2	1	-	-
3	Authorities/Autonomous bodies etc. under the PAO	2	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The Appropriation Accounts of the Labour and Human Resource Department for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during 2022-23 against the total of three grants/appropriations is given below:

(Rupees in million)

Grant No.	Original Grant	Supplementary Grant/ Re-Appropriation	Final Grant	Actual Expenditures	Excess/ (Savings)
1	**2**	**3**	**4**	**5**	**6(5-4)**
PC21010	101.50	1.91	103.41	101.81	(1.60)
PC21023	1,416.68	(564.62)	852.06	829.15	(22.91)
PC22036	341.34	(244.01)	97.33	8.95	(88.38)
Total	**1,859.51**	**(806.72)**	**1,052.80**	**939.91**	**(112.89)**

Overview of Expenditure

The final budget of the Labour and Human Resources Department for the year ended 30th June 2023 was Rs. 1,052.80 million. Out of this, the actual expenditure was Rs. 939.91 million.

The breakup of current and development expenditure is given below:

(Amount in Rupees)

Grant Type	Original Grant	Actual Expenditure	Excess/ (Savings)	Variance %
1	**2**	**3**	**4**	**5**
Current	1,518,176,000	930,959,638	(587,216,362)	38.68
Development	341,338,000	8,951,611	(332,386,389)	97.38
Total	**1,859,514,000**	**939,911,249**	**(919,602,751)**	**49.45**

This composition changed due to supplementary grants and surrenders.

The variance of Final Grant and Actual Expenditure is given below:

(Amount in Rupees)

Grant Type	Final Grant	Actual Expenditure	Excess/ (Savings)	Variance %
1	**2**	**3**	**4**	**5**
Current	955,469,000	930,959,638	(24,509,362)	2.57
Development	97,330,000	8,951,611	(88,378,389)	90.80
Total	**1,052,799,000**	**939,911,249**	**(112,887,751)**	**10.72**

Anticipated savings not surrendered

As per para 14.3 of the Punjab Budget Manual, the spending departments are required to surrender the grants/ appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs. (112.89) million at the close of the year 2022-23 under grants PC21010, PC21023 and PC22036 were not surrendered in time by the Department.

13.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 4.29 million were raised in this report during audit of the Labour and Human Resource Department. The summary of the audit observations classified by nature is as under:

Overview of Audit Observations

(Rs. in million)

Sr. No.	Classification	Amount
1.	Procurement related irregularities	2.57
2.	HR/Employees related irregularities	1.72
Total		**4.29**

13.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC directives, for reports discussed so far, is given below:

Sr. No.	Audit Report Year	Total Paras	Compliance received	Compliance not Received	Percentage of Compliance
1	1985-86	05	03	02	60
2	1986-87	03	02	01	67
3	1989-90	01	0	01	0
4	1991-92	02	0	02	0
5	1993-94	05	01	04	20
6	1995-96	01	0	01	0
7	2001-02	37	13	24	35
8	2011-12	4	0	4	0
Total		**58**	**19**	**39**	**33**
Note: The Audit Report years missing in the above table were either due to the non-inclusion of the subject chapter during that year or the non-discussion of the subject chapter before the PAC.					

The status of compliance with PAC directives in the Labour & Human Resources Department remained low as compared to that of the Financial Years 1985-86 and 1986-87.

13.4 AUDIT PARAS

Procurement-related irregularities

13.4.1 Irregular procurement in violation of Punjab Procurement Rules-Rs. 2.57 million

As per Rule 9 of PPR 2014, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurement so planned. Moreover, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurement so planned. The annual requirements thus determined would be advertised in advance on the PPRA website as well as on the website of the procuring agency in case the procuring agency has its own website.

During audit of the Labour & Human Resource Department, Lahore for the period 2020-22, it was revealed that an amount of Rs. 2,572,210 was spent on procurement of various items, goods and flexes which was held irregular, due to splitting and non-uploading of annual procurement plan on PPRA website and it turned out to be a non-transparent procurement process in violation of PPR 2014. Further, the department deprived the Government of reasonable/economical and competitive rates which could be ensured through open tendering.

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Nature of Violation**	**Amount (Rs.)**
1	PD, Capacity Building of Occupational Safety & Health (OSH), Lahore	2020-22	2023-0000001555_F00011	Irregular purchase of goods by splitting	1,306,338
2	DG Labour Welfare, Lahore.	2020-22	2023-0000001436_F00004	Irregular expenditure on Flexes & Streamers and Posters printing for Labour Day by splitting	1,265,872
Total					**2,572,210**

Audit is of the view that the lapse occurred due to poor administrative and financial controls.

The matter was pointed out in May 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 25.09.2023 and 23.10.2023, the paras were kept pending for regularization from the Finance Department. Further progress was not reported by the department till the finalization of this report.

Audit recommends holding a probe into the matter to fix the responsibility against those held responsible and seek regularization of the expenditure from the Finance Department in both cases, besides strengthening administrative, financial as well as supervisory controls to avoid the recurrence of such lapses in future.

HR/Employees related irregularities

13.4.2 Irregular payment of TA/DA, conveyance allowance and pay & allowances-Rs. 1.72 million

According to Rule 2.31 (a) of the PFR Vol-I, a drawer of bills for pay, allowances, contingent and other expenses will be held responsible for any overcharges.

During audit of Labour & Human Resource Department for the period 2020-22, it was observed that a sum of Rs. 1,717,954 was overpaid to the employees on account of TA/DA, conveyance allowance and irregular reimbursement of Medical charges etc. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Violation	Amount (Rs.)
1	DG Labour Welfare, Lahore.	2020-22	2023-0000001436_F00005	The officers claiming travelling allowance were also allotted official vehicles by the department however; touring details, dates, and locations of TA/DA claims were contradictory to the logbook entries of the touring/ official vehicles.	687,795
2	PD, Capacity	2020-22	2023-000000	The Consultant was not registered with PRA. PST	600,000

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Violation	Amount (Rs.)
	Building of Occupational Safety & Health (OSH), Lahore		1555_F00003	amounting to Rs. 96,000 has not been deducted from payments. The qualifications possessed by the Consultant (MA in Library Studies and MA in English) and the experience were not relevant to the TORs.	
3	DG Labour Welfare, Lahore.	2020-22	2023-0000001436_F00010	Reimbursement of Medical charges on fictitious invoices.	321,193
4	DG Labour Welfare, Lahore.	2020-22	2023-0000001436_F00008	Irregular payment of Conveyance Allowance as the department was regularly paying conveyance allowance to the officers who were using official vehicles.	108,966
Total					**1,717,954**

Audit is of the view that weak internal controls on pay & allowances resulted in unauthorized payment of TA/DA, medical reimbursement and conveyance allowance to the staff.

The lapses were pointed out from March to July 2021. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 25.09.2023 and 23.10.2023, the paras at Sr. Nos. 1 & 4 were kept pending for compliance. The para at Sr. No. 2 was kept pending for recovery. The para at Sr. No. 3 was kept pending for verification. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the unauthorized payment of TA/DA, medical reimbursement, Conveyance Allowance and pay & allowances be recovered from the concerned besides ensuring the strengthening of the internal control system.

CHAPTER 14
LAHORE HIGH COURT

14.1 Introduction

The judiciary is a pillar of the state and enjoys immense importance and esteemed respect. The Administration of Justice is headed by the Honorable Chief Justice. Other assisting officers are District and Sessions/Civil Judges at the District level. Judges of Small Cause Courts and Judges of Special Courts are also subordinate to Lahore High Court.

Audit Profile of Lahore High Court

Sr. No.	Description	Total No.	Audited	Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)	Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)
1	Formations	78	6	3,931	-
2	• Assignments Accounts • SDAs etc. (excluding FAP)	-	-	-	-
3	Authorities/Autonomous bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The Appropriation Accounts of Lahore High Court for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during 2022-23 against the total of three grants/appropriations is given below:

(Rupees in million)

Grant No.	**Original Grant**	**Supplementary Grant/ Re-Appropriation**	**Final Grant**	**Actual Expenditures**	**Excess/ (Savings)**
1	**2**	**3**	**4**	**5**	**6(5-4)**
PC21011/24011	7,228.50	1,337.83	8,566.33	8,385.21	(181.12)
PC16051	500.00	(138.51)	361.49	0.00	(361.49)
PC22036	132.94	(52.03)	80.91	76.52	(4.38)
Total	**7,861.44**	**1,147.29**	**9,008.73**	**8,461.73**	**(547.00)**

Overview of Expenditure

The final budget of Lahore High Court for the year ended 30th June 2023 was Rs. 9,008.73 million. Out of this, the actual expenditure was Rs. 8,461.73 million. The breakup of current and development expenditure is given below:

(Amount in Rupees)

Grant Type	**Original Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	7,728,502,000	8,385,209,537	656,707,537	8.50
Development	132,939,000	76,521,910	(56,417,090)	42.44
Total	**7,861,441,000**	**8,461,731,447**	**600,290,447**	**7.64**

This composition changed due to supplementary grants and surrenders.

The variance of the Final Grant and Actual Expenditure is given below:

(Amount in Rupees)

Grant Type	**Final Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	8,927,824,000	8,385,209,537	(542,614,463)	6.08
Development	80,906,000	76,521,910	(4,384,090)	5.42
Total	**9,008,730,000**	**8,461,731,447**	**(546,998,553)**	**6.07**

Anticipated savings not surrendered

As per para 14.3 of the Punjab Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs. (547.00) million at the close of the year 2022-23 under grants PC1011/24011, PC16051, and PC22036 were not surrendered in time by the management.

14.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 350.37 million were raised During audit of Lahore High Court. This amount includes recoveries of Rs. 15.29 million as pointed out by the audit. The summary of the audit observations classified by nature is as under:

Overview of Audit Observations

(Rs. in million)

Sr. No.	Classification	Amount
1.	Reported cases of fraud, embezzlement and misappropriation	22.60
2.	Recoveries and overpayments	15.29
3.	Procurement related irregularities	234.48
4.	Others	78.00
Total		**350.37**

14.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC directives for reports discussed so far is given below:

Sr. No.	**Audit Report Year**	**Total Paras**	**Compliance received**	**Compliance not received**	**Percentage of compliance**
1.	1985-1986	3	0	3	0
2.	1987-1988	2	0	2	0
3.	1988-1989	3	1	2	33
4.	1989-1990	6	2	4	33
5.	1990-1991	3	0	3	0
6.	1991-1992	2	0	2	0
7.	1992-1993	1	1	0	100
8.	1993-1994	2	2	0	100
9.	1994-1995	1	0	1	0
10.	1995-1996	3	0	3	0
11.	1996-1997	1	1	0	100
Total		**27**	**7**	**20**	**26**
Note: The Audit Report years missing in the above table were either due to non-inclusion of the subject chapter during that year or non-discussion of the subject chapter before the PAC.					

The management needs to revisit its compliance processes to ensure that PAC directives are complied with promptly. Further, the department is requested to reconcile the matter with the Audit Department regarding any discrepancy.

14.4 AUDIT PARAS

Reported cases of fraud, embezzlement and misappropriation

14.4.1 Non-recovery of fraudulent withdrawal from the treasury-Rs. 22.60 million

As per Rule 2.33 of PFR Vol-I, every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by the Government through fraud or negligence on his part.

During audit of Senior Civil Judge, Lahore for the period 2019-22, it was observed that as per the court's direction, the plaintiff of a suit titled "Shehzad Ahmad Gull vs Maj. Ikram Ullah Khan Bangash" deposited a consideration amount of Rs. 22,600,000 in Government Treasury on 23.10.2020. The suit was dismissed as withdrawn vide order dated 19.07.2021 and the plaintiff namely Shehzad Ahmad Gull applied to the relevant court for withdrawal of his amount deposited in the Government Treasury. However, it was reported to the court that the said amount of Rs. 22,600,000 had already been withdrawn vide order of another civil court through the preparation of a forged duplicate file vide refund voucher No. 46308 dated 05.03.2021 by accused Azhar Hussain pretending himself as special attorney of the defendant of the suit. Further, the forged/fake file was also stolen from the court. Although FIR in this regard was registered on 06.01.2022, the fraudulently withdrawn amount from the treasury could not be recovered from the delinquent till March 2023. Furthermore, no action was taken against other unknown accused/culprits involved in the embezzlement and fraud.

The audit is of the view that the lapse occurred due to weak administrative, financial, and internal controls.

The matter was pointed out in March 2023. Management replied that a detailed reply would be submitted later.

The matter was further reported to the administrative department. In DAC meeting held on 14.09.2023, the para was kept pending till the decision of the court. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be inquired into for fixing responsibility, loss be recovered and deposited into the Government Treasury, besides strengthening of financial and internal controls.

(PDP No. 2023-0000000728_F00001)

Recoveries and overpayments

14.4.2 Non-transfer/deposit of profit into Govt. Treasury-Rs. 14.71 million

According to Article 118(1) of the Constitution of Pakistan 1973, all revenues received by the Provincial Government, all loans raised by that Government, and all moneys received by it in repayment of any loan, shall form part of a consolidated fund, to be known as the Provincial Consolidated Fund.

According to Para 5.6.3.2 of APPM, revenue deposits means the deposits made in Revenue Courts or concerning revenue administration, such as customs deposits, guarantees, earnest deposits and security deposits. Civil and criminal court deposits means the deposits received by the courts, including the High Court and Small Cause Courts, pending settlement will be either refunded to the payer or transferred to the Consolidated Fund, depending on the outcome.

During audit of Lahore High Court, Rawalpindi Bench, Rawalpindi for the period 2017-22, scrutiny of records pertaining to security deposits along with bank statements revealed that a bank account No. 0523-3713-5100-4193 was being maintained in MCB Ltd. regarding security deposits and subsequent refund(s) if any out of the same account as per directions of the Hon'ble Court. A perusal of the bank statement along with the cash book transpired that the said account was being maintained on a 'daily product basis' in the Gold category of accounts and profit to the tune of Rs. 14,713,870 was earned on the said security deposits during the period under audit. However, profit earned on the said security deposits was required to be transferred to the Consolidated Fund but the same was not transferred/deposited into the Govt. Treasury in violation of Govt. instructions/rules.

The Audit is of the view that oversight occurred due to non-observance of the above Government instructions and weak supervisory and financial internal controls on receipts.

The matter was pointed out in April 2023. Management did not offer any reply and just signed the observation.

The matter was further reported to the administrative department. In DAC meeting held on 18.09.2023, the chairman recommended the para for settlement. However, the Audit did not concur with the decision of the chair in view of the provision of Article 118 of the Constitution of the Islamic Republic of Pakistan, 1973 wherein, it is envisaged that the amounts in question deposited in MCB bank, are part of the public account of the province, and as such accounting treatment warranted in this case was to deposit the amount in PCF. Hence, the matter may be placed before the honorable authority of the Lahore High Court to reconsider the matter in light of Article 118 of the Constitution. Further progress was not reported by the department till the finalization of this report.

Audit recommends depositing the profit earned into the Provincial Consolidated Fund/Government treasury at the earliest.

(PDP No. 2023-0000001387_F00002)

14.4.3 Non/less recovery of taxes-Rs. 577,913

According to Section 153 (1) (a & b) of Income Tax Ordinance 2001, read with Finance Act 2020, the rate of withholding tax on the sale of goods is 4.5 % for filers and 6.5 % for non-filers whereas the rate of withholding tax on services is 10 % for filer and 15 % for non-filer. Moreover, as per Section 236-A ibid, advance tax @ 10% of the amount realized through sale by auction was required to be recovered from the auctioneers.

During audit of District and Sessions Judge, Rawalpindi for the period 2016-22, it was observed that short or no tax deduction of Rs. 577,913 was made while making payments to suppliers.

Audit is of the view that the lapse occurred due to weak financial and internal controls.

The matter was pointed out in March 2023. The management noted the observation.

The matter was further reported to the administrative department. In DAC meeting held on 02.10.2023, the para was kept pending for recovery. Further progress was not reported by the department till the finalization of this report.

Audit recommends recovery and prompt deposit of Government dues into the public kitty, besides strengthening supervisory and internal controls on taxation.

(PDP No. 2023-0000001386_F00012)

Procurement-related irregularities

14.4.4 Irregular mode of payment through cash instead of bank account-Rs. 156.51 million

According to Rule 4.49(a) of Subsidiary Treasury Rules, read with the Finance Department's letter No.FD(FR)V-6/75(P) dated 20.06.2007, payment exceeding Rs. 100,000 shall be made through cheque instead of cash.

During audit of the following formations, it was observed that DDOs had made payments to different contractors/employees through cash instead of banking channels in violation of the above-mentioned instructions of the Finance Department. This resulted in an irregular expenditure of Rs. 156,512,675 as detailed below:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Amount (Rs.)
1	Senior Civil Judge, Lahore	2019-22	2023-0000000728_F00010	104,012,904
2	Senior Civil Judge, Okara	2019-22	2023-0000001372_F00004	38,654,489
3	District & Session Judge, Rawalpindi	2016-22	2023-0000001386_F00006	13,845,282
Total				**156,512,675**

The audit is of the view that the lapse occurred due to weak financial controls.

The matter was pointed out in March and April 2023. The management simply noted the observations.

The matter was further reported to the administrative department. In DAC meetings held on 14.09.2023 and 02.10.2023, the paras at Sr. Nos. 1 & 2 were kept pending for regularization from the Finance Department. The para at Sr. No. 3 was kept pending for the production of the record. Further progress was not reported by the department till the finalization of this report.

Audit recommends fixing responsibility after conducting an inquiry and also getting the irregularity condoned by the Finance Department.

14.4.5 Irregular expenditure on procurements in violation of Punjab Procurement Rules-Rs. 77.97 million

According to Rule 4 of Punjab Procurement Rules, 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical. As per Rule 9 a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. Rule 31 requires that a procuring agency shall formulate an appropriate evaluation criterion listing all the relevant information against which a bid is to be evaluated and such evaluation criteria shall form an integral part of the bidding documents. Rule 12 (1) & (2) of PPR 2014 provides that a procuring agency shall advertise procurement of more than two hundred thousand rupees and up to three million rupees on the website of the Authority in the manner and format specified by regulations.

During audit of the following formations, it was observed that an expenditure of Rs 77,972,438 on procurement of various items such as furniture and laptops, etc. was incurred without devising annual procurement plans and splitting the job orders to avoid tending process in violation of the above provisions of law. The details are as under:

Sr. No.	**Name of Formation**	**Period of audit**	**PDP No**	**Brief of Irregularity**	**Amount (Rs.)**
1.	Senior Civil Judge Lahore	2019-22	2023-0000000728_F00012	The annual procurement plan was not uploaded.	28,331,100
2.	Senior Civil Judge, Okara	2019-22	2023-0000001372_F00009	Procurement without tender	27,872,800
3.	District and Sessions Judge, Rawalpindi	2016-22	2023-0000001386_F00005	Expenditure on procurements was made through quotations instead of inviting tenders.	16,358,719
4.	District and Sessions Judge, Rawalpindi	2016-22	2023-0000001386_F00008	Expenditure on procurements was made through quotations instead of inviting tenders.	5,409,819
Total					**77,972,438**

This resulted in an irregular expenditure of Rs 77,972,438 to the Government due to non-observance of Punjab Procurement Rules, 2014.

The audit is of the view that the lapse occurred due to weak financial controls.

The matter was pointed out in March, April, and May 2023. Management simply noted the observations.

The matter was further reported to the administrative department. In DAC meetings held on 14.09.2023 and 02.10.2023, the paras at Sr. Nos. 1 & 2 were kept pending with the direction to DDO to contact the relevant branch of Lahore High Court and seek a copy of the relevant record for audit scrutiny. The para at Sr. No. 3 was kept pending for the production of the record. The para at Sr. No. 4 was kept pending for regularization from the Finance Department. Further progress was not reported by the department till the finalization of this report.

Audit recommends fixing the responsibility for non-adherence to prescribed rules and getting the expenditure regularized from the Finance Department.

Others

14.4.6 Non-auction of Government vehicles-Rs. 78.00 million

As per Rule 15.3 of PFR Vol-I, a competent authority may sanction the sale or disposal of stores regarded as surplus, obsolete, or unserviceable. As per Rule 4.7(1) of PFR Vol-I, it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to the Government, which have to be brought to account, are correctly and promptly assessed, realized, and credited to the Government Account.

During audit of the Senior Civil Judge Lahore, it was observed that unserviceable/condemned vehicles and store items were not auctioned and over time, the value of stores was deteriorating day by day. This resulted in a loss of revenue amounting to Rs. 78,000,000.

The matter was pointed out in March and April 2023. Management simply noted the observations.

The matter was further reported to the administrative department. In DAC meeting held on 14.09.2023, the para was kept pending till the auction of the vehicles. Further progress was not reported by the department till the finalization of this report.

Audit recommends early auction and disposal of store items, sequel to adherence to the codal requirements.

(PDP No. 2023-0000000728_F00003)

CHAPTER 15
LAW AND PARLIAMENTARY AFFAIRS DEPARTMENT

15.1 Introduction

Schedule II to the Punjab Government Rules of Business 2011 assigns the following business to the Law & Parliamentary Affairs Department:

- Representation in criminal cases.
- Appeals and applications for enhancement of sentences and convictions.
- Filing and defending civil suits against Government and public servants.
- Advice to departments on all legal matters including interpretation of laws, rules, and orders having the force of Law.
- Matters pertaining to the appointment, transfer, leave, and fees of Government Law Officers, Advocate General, Public Prosecutors, Government Pleaders, and Special Counsel.
- Matters relating to legal practitioners, including scale of fees.
- Defense of resourceless pauper accused in the courts and fees to pleaders for such defense.
- Civil Law and Procedure.
- Matters relating to the Provincial Legislature including salaries, allowances, and privileges of the Chief Minister, Ministers, Speaker, Deputy Speaker, Parliamentary Secretaries, Advisors, Special Assistants, and Members of the Provincial Assembly; and
- Scrutiny and drafting of bills, ordinances, notifications, rules, regulations, statutory orders, and bye-laws.

Audit Profile of Law & Parliamentary Affairs Department

Sr. No.	**Description**	**Total No.**	**Audited**	**Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)**	**Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)**
1	Formations	43	2	712	-
2	• Assignments Accounts • SDAs etc. (excluding FAP)	2	1	-	-
3	Authorities/Autonomous bodies etc. under the PAO	1	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The Appropriation Accounts of the Law & Parliamentary Affairs Department for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during 2022-23 against the total of four grants/appropriations is given below:

(Rupees in million)

Grant No.	**Original Grant**	**Supplementary Grant/ Re-Appropriation**	**Final Grant**	**Actual Expenditures**	**Excess/ (Savings)**
1	**2**	**3**	**4**	**5**	**6(5-4)**
PC21010	631.01	596.53	1,227.54	873.19	(354.35)
PC21011/24011	2,180.68	(60.29)	2,120.39	1,891.90	(228.48)
PC22036	185.00	(60.00)	125.00	75.00	(50.00)
PC16051	500.00	(138.51)	361.49	0	(361.49)
Total	**3,496.69**	**337.74**	**3,834.42**	**2,840.09**	**(994.33)**

Overview of Expenditure

The final budget of the Law & Parliamentary Affairs Department for the year ended 30th June 2023 was Rs. 3,834.42 million. Out of this, the actual expenditure was Rs. 2,840.09 million.

The breakup of current and development expenditure is given below:

(Amount in Rupees)

Grant Type	**Original Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	3,311,685,000	2,765,091,297	(546,593,703)	16.51
Development	185,000,000	75,000,000	(110,000,000)	59.46
Total	**3,496,685,000**	**2,840,091,297**	**(656,593,703)**	**18.78**

This composition changed due to supplementary grants and surrenders.

The variance of Final Grant and Actual Expenditure is given below:

(Amount in Rupees)

Grant Type	**Final Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	3,709,420,000	2,765,091,297	(944,328,703)	25.46
Development	125,000,000	75,000,000	(50,000,000)	40.00
Total	**3,834,420,000**	**2,840,091,297**	**(994,328,703)**	**25.93**

Anticipated savings not surrendered

As per para 14.3 of the Punjab Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs. (994.33) million at the close of the year 2022-23 under grants PC21010, PC21011, PC22036, and PC16051 were not surrendered in time by the Department.

15.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 32.98 million were raised in this report during audit of the Law and Parliamentary Affairs Department. This amount includes recoveries of Rs. 15.63 million as pointed out by the audit. The summary of the audit observations classified by nature is as under:

Overview of Audit Observations

(Rs. in million)

Sr. No.	Classification	Amount
1.	Recoveries and overpayments	15.63
2.	Procurement related irregularities	3.98
3.	Financial Matters	13.37
Total		**32.98**

15.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC directives for reports discussed so far is given below:

Sr. No.	**Audit Report Year**	**Total Paras**	**Compliance received**	**Compliance not received**	**Percentage of compliance**
1.	1984-1985	3	01	02	33
2.	1988-1989	02	01	01	50
3.	1994-1995	01	01	0	100
4.	1996-1997	03	01	02	33
5.	1999-2000	10	01	09	10
6.	2001-2002	20	15	05	75
7	2013-2014	03	0	03	0
Total		**42**	**20**	**22**	**48**
Note: The Audit Report years missing in the above table were either due to non-inclusion of the subject chapter during that year or non-discussion of the subject chapter before the PAC.					

The table reflects that compliance with PAC directives in the Law & Parliamentary Affairs Department needs to be improved. Further, the department is requested to reconcile the matter with the Audit Department regarding any discrepancy.

15.4 AUDIT PARAS

Recoveries and Overpayments

15.4.1 Non-recovery of excess payment of pay & allowances-Rs. 15.63 million

As per order No.PA:4-05/2013 dated 04.08.2017 issued by the Law & Parliamentary Affairs Department, the sessional allowance is admissible at the rate of seventy percent of the pay.

During audit of the accounts of Secretary, Law and Parliamentary Affairs Department for the period 2020-22, it was observed that officers recruited in MP Scales (Management Positions Scales) were also allowed sessional allowance amounting to Rs. 15,625,985 which was in-admissible to the employees hired on MP Scales. Moreover, no approval of such allowance from the Finance Department was available on record. Hence, payment of sessional allowance as a percentage of special MP Scales without the approval of the Finance Department was considered irregular.

Audit is of the view that the lapse occurred due to weak internal controls on the payroll.

The matter was pointed out in March 2022. The management noted the observation.

The matter was further reported to the administrative department. In DAC meeting held on 05.09.2023, the para was kept pending for advice from the Finance Department. Further progress was not reported by the department till the finalization of this report.

Audit recommends affecting the recovery of the stated amount from the concerned and depositing it into the treasury, besides strengthening internal controls on the payroll.

(PDP No. 2023-0000000999_F00016)

Procurement related irregularities

15.4.2 Repetitive and frequent repair of hardware with same defect-Rs. 3.98 million

As per para 2.10(a)(1) of PFR Vol-I, same vigilance should be exercised in respect of expenditure incurred from Government revenues, as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of the accounts of Secretary, Law and Parliamentary Affair Department for the period 2020-22, it was observed that an amount of Rs. 3,980,629 was incurred on the repair of IT equipment and hardware. Following observations were made by Audit:

1. No framework contract or Service Level Agreement (SLA) was commissioned for maintenance support.
2. 3 to 4 items (Cisco Switch, Hardware, Power Supply, RAM) were repeatedly got repaired with the frequency of an inordinately repetitive nature.
3. Despite the installation of UPS, the number of instances of repairs of a similar nature is beyond comprehension.

Audit is of the view that organizational negligence and lack of due care and diligence have resulted in unjustified, excessive expenditure and repeated expenditure of a similar nature.

The matter was pointed out in March 2022. The management noted the observation.

The matter was further reported to the administrative department. In DAC meeting held on 05.09.2023, the para was kept pending for inquiry at the Departmental level. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter needs investigation besides strengthening internal controls to avoid such lapses in the future.

(PDP No. 2023-0000000999_F00002)

Financial Matters

15.4.3 Unauthorized payments in cash instead of through cheques/bank accounts-Rs. 13.37 million

As per instructions of the Accountant General Punjab, cash payments are not allowed and payment must be made through Cheques/Bank Account. Furthermore, as per Rule 4.49 (a) of Subsidiary Treasury Rules, all payments exceeding Rs. 100,000 should be made to contractors/suppliers/firms through cheques.

During audit of the accounts of Secretary, Law and Parliamentary Affair Department for the period 2020-22, it was observed that an amount of Rs. 13,365,804 was paid in cash instead of through crossed cheques directly debitable to the accounts of the payee in violation of the instructions of the Government.

Audit is of the view that the lapse occurred due to weak supervisory and financial controls.

The matter was pointed out in March 2022. The management noted the observation.

The matter was further reported to the administrative department. In DAC meeting held on 05.09.2023, the para was kept pending regularization from the Finance Department. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the above irregularity be regularized by the Finance Department after fixing the responsibility against the delinquents.

(PDP No. 2023-0000000999_F00013)

CHAPTER 16
LIVESTOCK AND DAIRY DEVELOPMENT DEPARTMENT

16.1 Introduction

Livestock and Dairy Development Department has three attached departments viz Director General (Extension), Director General (Research) and Director General (Productions). The department was established in 1973 to cater to the requirements of the livestock sector in the province. Livestock is increasingly becoming a very important sector of the national economy, contributing even more than all the other yields of crops. The Livestock & Dairy Development Department strives to ensure the growth and development of the livestock sector in the province and in this manner contributes towards national food security, economic uplift, rural development, poverty alleviation, employment generation, and foreign exchange earnings.

The main functions of the department are as under:

- Management of Livestock, Dairy & Poultry Farms.
- Animal Health.
- Livestock Production Extension Services.
- Preservation and Development of Livestock Genetic Resources.
- Research and training for Livestock Production.

Audit Profile of Livestock and Dairy Development Department

Sr. No.	Description	Total No.	Audited	Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)	Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)
1	Formations	340	7	1,142	156.63
2	• Assignments Accounts • SDAs etc. (excluding FAP)	2	-	-	-
3	Authorities/Autonomous bodies etc. under the PAO	8	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The Appropriation Accounts of the Livestock and Dairy Department for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during 2022-23 against the total of three grants/appropriations is given below:

(Rupees in million)

Grant No.	Original Grant	Supplementary Grant/ Re-Appropriation	Final Grant	Actual Expenditures	Excess/ (Savings)
1	**2**	**3**	**4**	**5**	**6(5-4)**
PC21010	288.34	(64.09)	224.26	221.11	(3.15)
PC21020	14,786.72	2,641.88	17,428.60	17,196.78	(231.81)
PC22036	2,490.27	(1,013.49)	1,476.79	1,468.65	(8.14)
Total	**17,565.34**	**1,564.31**	**19,129.65**	**18,886.54**	**(243.10)**

Overview of Expenditure

The final budget of the Livestock and Dairy Development Department for the year ended 30th June 2023 was Rs 19,129.65 million. Out of this, the actual expenditure was Rs. 18,886.54 million.

The breakup of current and development expenditure is given below:

(Amount in Rupees)

Grant Type	Original Grant	Actual Expenditure	Excess/ (Savings)	Variance %
1	**2**	**3**	**4**	**5**
Current	15,075,062,000	17,417,895,922	2,342,833,922	15.54
Development	2,490,274,000	1,468,646,984	(1,021,627,016)	41.02
Total	**17,565,336,000**	**18,886,542,906**	**1,321,206,906**	**7.52**

This composition changed due to supplementary grants and surrenders.

The variance of the Final Grant and Actual Expenditure is given below:

(Amount in Rupees)

Grant Type	Final Grant	Actual Expenditure	Excess/ (Savings)	Variance %
1	**2**	**3**	**4**	**5**
Current	17,652,856,000	17,417,895,922	(234,960,078)	1.33
Development	1,476,789,000	1,468,646,984	(8,142,016)	0.55
Total	**19,129,645,000**	**18,886,542,906**	**(243,102,094)**	**1.27**

Anticipated savings not surrendered

As per para 14.3 of the Punjab Budget Manual, the spending departments are required to surrender the grants/ appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs. (243.10) million at the close of the year 2022-23 under grants PC21010, PC21020, and PC22036 were not surrendered in time by the Department.

16.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 2,330.19 million were raised during audit of the Livestock and Dairy Development Department. This amount includes recoveries of Rs. 2,083.33 million as pointed out by the audit. The summary of the audit observations classified by nature is as under:

Overview of Audit Observations

(Rs. in million)

Sr. No.	**Classification**	**Amount**
1.	Recoveries and overpayments	2,083.33
2.	Financial Matters	1.18
3.	Others	245.68
Total		**2,330.19**

16.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC directives for reports of L&DD discussed so far is given below:

Sr. No.	Audit Report Year	Total Paras	Compliance received	Compliance not Received	Percentage of Compliance
1	1984-85	13	13	0	100
2	1985-86	1	1	0	100
3	1986-87	22	20	2	91
4	1987-88	21	18	3	86
5	1988-89	8	5	3	63
6	1989-90	2	2	0	100
7	1990-91	5	4	1	80
8	1991-92	3	0	3	0
9	1992-93	4	4	0	100
10	1993-94	5	1	4	20
11	1994-95	12	5	7	42
12	1995-96	7	0	7	0
13	1996-97	4	2	2	50
14	1998-99	52	31	21	60
15	1999-00	36	22	14	61
16	2000-01	113	96	17	85
17	2001-02	46	22	24	48
18	2005-06	36	1	35	3
19	2006-07	28	25	3	89
20	2009-10	20	2	18	10
21	2010-11	16	5	11	31
22	2012-13	21	4	17	19
23	2013-14	33	15	18	45
Total		**508**	**298**	**210**	**59**
Note: The Audit Report years missing in the above table were either due to non-inclusion of the subject chapter during that year or non-discussion of the subject chapter before the PAC.					

The compliance of PAC directives in the Livestock and Dairy Development Department is not very encouraging. The department needs to improve it. Further, the department is requested to reconcile the matter with the Audit Department regarding any discrepancy.

16.4 AUDIT PARAS

Recoveries and overpayments

16.4.1 Non-recovery/deposit of outstanding amount- Rs. 2,080.42 million

As per Rule 4.7(1) of PFR Vol-I, it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to the Government, which have to be brought to account, are correctly and promptly assessed, realized, and credited to Government Account. Moreover, as per Rule 2.31 of the Rules ibid, a drawer of bills for pay, allowances, contingent, and other expenses will be held responsible for any overcharges, frauds, and misappropriations

During audit of Livestock and Dairy Development Department, it was observed that an amount of Rs. 2,080,419,423 was outstanding on account of land rent, animal entry fee, cost of animals, penalty on lesser shelf life, risk purchase, LD charges, transportation charges, etc. against various organizations, contractors, and persons. The details are given in annexure 30.

Audit is of the view that weak internal controls with regard to recoveries resulted in the accumulation of outstanding balances.

The matter was pointed out to the DDOs during March, April, October and November 2023. The management at Sr. No. 7 replied that on the recommendation of the auction committee, the competent authority approved the rates. As regards Sr. No. 5, the management replied that further action would be taken on the advice of higher authority. At Sr. No. 1, 3 & 9 the management noted the observations for compliance. At Sr. Nos. 2 & 6 the management stated that a reply would be submitted after scrutiny of the record.

The matter was further reported to the administrative department. In DAC meeting held on 29.08.2023, the paras at Sr. Nos. 4, 8 & 10 were kept pending for probe at administrative department's level. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the department should affect recovery of the due amount besides taking disciplinary action and strengthening internal controls to address the overpayment and less collection of fee issues.

16.4.2 Non/less deduction of taxes-Rs. 2.91 million

According to the Income Tax Ordinance 2001, Sales Tax Act 1990, and Punjab Sales Tax on Services Act, 2012, the departments are required to deduct/withhold taxes at prescribed rates at the time of payment. As per clauses 22-A & B of Stamp Duty Act, 1899, contracts of stores and materials are charged @ twenty-five paisa for every one hundred rupees.

During audit of Livestock & Dairy Development Department, it was observed that income tax, general sales tax, and Punjab sales tax were either not or less deducted before making payments to the contractors on procurement of machinery and equipment, Transport spare parts, Hardware and service rendering etc. This resulted in loss amounting to Rs. 2,913,996. The details are as under:

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Nature of Irregularity**	**Amount (Rs.)**
1	Director General (Production) Livestock, Lahore	2021-23	2023-0000004741_F00007	The management paid Rs.12,454,000 to the contractor against the construction of 2857 running meter PCPL Water Course @ Rs. 4,360/RM including material and labour costs without deducting levied taxes i.e. GST, PST, IT and stamp duty from the vendor which needs recovery.	2,508,616
2	Director General (Ext) Live Stock & Dairy Development Department, Punjab Lahore	2022-23	2023-0000004742_F00003	Non-recovery of PST, GST, and income tax on procurement and services.	290,447
3	Director General (Production) Live Stock & Dairy Development Department, Punjab Lahore	2022-23	2023-0000004742_F00004	Non-recovery of PST, GST and income tax on procurement and services.	114,933
Total					**2,913,996**

Audit is of the view that the lapse occurred due to weak supervisory and internal controls on taxation.

The matter was pointed out from July to October and November 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the stated amount be recovered from the concerned and deposited into the Government Treasury besides strengthening supervisory and internal controls on taxation.

Financial Matters

16.4.3 Cash withdrawal under different Heads of Accounts by DDO-Rs. 1.18 million

According to Rule 4.49(a) of Subsidiary Treasury Rules, read with Finance Department's Letter No. FD(FR)V-6/75(P) dated 20.06.2007, payment exceeding Rs. 100,000 shall be made through cheque instead of cash.

During audit of the accounts of Secretary, Livestock and Dairy Development Department, it was observed that an amount of Rs. 1,184,342 was drawn by the DDO of the department under various heads of accounts rather than issuing cheques in favor of the concerned vendors/payees.

Audit is of the view that the lapse occurred due to weak internal control of payments.

The matter was pointed out in April 2023. The management replied that payment was made to different vendors/employees, however, a detailed reply would be provided after consultation with the record

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends fixing responsibility after conducting an inquiry and getting the irregularity condoned from the Finance Department besides obtaining actual payee receipts from the concerned.

(PDP No. 2023-0000001475_F00002)

Others

16.4.4 Loss to Govt. due to non-cultivation of agricultural land-Rs. 245.68 million

As per Rule 2.33 of PFR Vol-I, every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by the Government through fraud or negligence on his part.

During audit of Livestock Experiment Station, Khushab for the period 2017-2023, it was observed that the total area of the farm was 971 Acres, out of which 41 Acres were covered by office building, residential colony, cattle sheds and roads, etc. and land available for cultivation was 930 acres. Scrutiny of the sowing plan of Rabi and Kharif crops revealed that 400-600 Acres of land on average remained uncultivated during the period. This resulted in an estimated loss of Rs. 245,677,256 as was evident from the sowing plan for Rabi and Kharif for FY 2017-23.

Audit is of the view that the lapse occurred due to weak financial and administrative controls.

The matter was pointed out in November 2023. The management replied that according to the availability of funds the land was cultivated for crops. The reply was not tenable as the request for the provision of funds for the cultivation of 930 acres was not submitted to DG Production, L&DD, Department.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be probed into at the administrative department's level for fixing responsibility for non-cultivation of agriculture land and also to take cognizance of lapses to avoid recurrence thereof, in the future.

(PDP No. 2023-0000004704_F00001)

CHAPTER 17
PLANNING AND DEVELOPMENT DEPARTMENT

17.1 Introduction

The Planning and Development Department of Government of the Punjab is entrusted with planning, processing, and approval of the development plan of the various Provincial Government Departments, keeping in view the economy, efficiency, and effectiveness in the utilization of available resources. It is headed by the Chairman Planning and Development Board. The field offices of the Planning and Development Department have been established at the Divisional/District level to coordinate with the field functionaries of the administrative departments, engaged in development activities throughout the Province.

The main objectives of the department are as follows:

- Assessment of the material and human resources of the province.
- Formulation of long and short-term plans.
- Recommendations concerning prevailing economic conditions, economic policies, and economic measures.
- Examination of such economic problems as may be referred to it for advice.
- Coordination of all economic activities in the Provincial Government.

Audit Profile of Planning and Development Department

Sr. No.	Description	Total No.	Audited	Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)	Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)
1	Formations	67	8	2,272	-
2	• Assignments Accounts • SDAs etc. (excluding FAP)	3	1	-	-
3	Authorities/Autonomous bodies etc. under the PAO	3	-	-	-
4	Foreign Aided Projects (FAP)	4	4	4,672.76	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The Appropriation Accounts of Planning & Development Department for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during 2022-23 against the total of four grants/appropriations is given below:

(Rupees in million)

Grant No.	Original Grant	Supplementary Grant/ Re-Appropriation	Final Grant	Actual Expenditures	Excess/ (Savings)
1	**2**	**3**	**4**	**5**	**6(5-4)**

PC21010	1,326.49	(11.64)	1,314.85	1,282.28	(32.57)
PC21023	320.33	(33.08)	287.26	282.84	(4.42)
PC21031	101,109.17	(91,115.72)	9,993.45	9,888.25	(105.21)
PC22036	30,697.48	1,149.74	31,847.22	22,339.42	(9,507.80)
Total	**133,453.48**	**(90,010.70)**	**43,442.78**	**33,792.79**	**(9,649.99)**

Overview of Expenditure

The final budget of the Planning & Development Department for the year ended 30th June 2023 was Rs. 43,442.78 million. Out of this, the actual expenditure was Rs. 33,729.79 million.

The breakup of current and development expenditure is given below:

(Amount in Rupees)

Grant Type	**Original Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	102,756,000,000	11,453,372,340	(91,302,627,660)	88.85
Development	30,697,482,000	22,339,416,775	(8,358,065,225)	27.23
Total	**133,453,482,000**	**33,792,789,115**	**(99,660,692,885)**	**74.68**

During the year, due to supplementary grants and surrenders, this composition changed. The variance of the Final Grant and Actual Expenditure is given below:

(Amount in Rupees)

Grant Type	**Final Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	11,595,562,653	11,453,372,340	(142,190,313)	1.23
Development	31,847,221,000	22,339,416,775	(9,507,804,225)	29.85
Total	**43,442,783,653**	**33,792,789,115**	**(9,649,994,538)**	**22.21**

Anticipated savings not surrendered

As per para 14.3 of the Punjab Budget Manual, the spending departments are required to surrender the grants/ appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs. (9,649.99) million at the close of the year 2022-23 under grants PC21010, PC21023, PC21031, and PC22036 were not surrendered in time by the Department.

17.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 6,368.52 million were raised in this report during audit of the Planning and Development Department. The summary of the audit observations classified by nature is as under:

Overview of Audit Observations

(Rs. in million)

Sr. No.	Classification	Amount
1.	Procurement related irregularities	135.86
2.	Payroll related irregularities	203.03
3.	Performance related irregularities	628.07
4.	Value for money and service delivery issues	5,389.48
5.	Financial Matters	11.08
6.	Others	1.00
Total		**6,368.52**

17.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC directives, for reports discussed so far, is given below:

Sr. No.	Audit Report Year	Total Paras	Compliance received	Compliance not Received	Percentage of Compliance
1.	1984-85	4	4	0	100
2.	1985-86	2	0	2	0
3.	1988-89	2	1	1	50
4.	1999-00	9	3	6	33
5.	2001-02	9	3	6	33
6.	2008-09	7	7	0	100
Total		**33**	**18**	**15**	**55**
Note: The Audit Report years missing in the above table were either due to non-inclusion of the subject chapter during that year or non-discussion of the subject chapter before the PAC.					

Except for the Audit Report Years 1984-85, and 2008-2009, the compliance status of PAC directives in the Planning and Development Department was not satisfactory. The situation needs to be improved. Further, the department is requested to reconcile the matter with the Audit Department regarding any discrepancy.

17.4 AUDIT PARAS

Procurement related irregularities

17.4.1 Irregular payment to individual consultants-Rs. 46.37 million

As per Rule 4 of PPR 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical. As per Rule 46(b) of the Rules ibid, individual consultants shall be selected by comparing the qualifications and experience of at least three consultants among those who have expressed interest in the assignment or have been approached directly by the procuring agency.

During audit of Director General, Monitoring & Evaluation, Lahore for the period 2021-22, it was observed that an expenditure of Rs. 46.37 million was incurred on hiring consultancy services from individual consultants. Expenditure was held irregular due to the following reasons:

1. The services of individual consultants were hired for a period of 6 months initially and then extended for a further spell of six months continuously having a gap of a few days.
2. Qualification and experience documents of competing individuals for consultancies were not available.
3. The mechanism for fixing consultancy fees was not appropriately designed.
4. A consultancy fee was negotiated during interviews which left a space for favouritism.
5. D.G (M&E) was required to ensure follow-up of monitoring and evaluation reports to ensure that recommendations were being incorporated by development schemes but no such follow-up was found on record which entailed the rendering of the expenditure wasteful.

Audit is of the view that the lapse occurred due to non-observance of PPR 2014.

The matter was pointed out in February 2023 and the management did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 07.09.2023, the paras were kept pending for regularization from the Finance Department. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the expenditure be got regularized by the Finance Department. Further, necessary amendments in the hiring process of individual consultants may be made to make it more transparent.

(PDP No. 2023-0000000184_F00008 & 2023-0000000184_F00001)

17.4.2 Irregular award of consultancy contract-Rs. 39.10 million

As per Rule 2(x) of PPR 2014, pre-qualification means a procedure for demonstrating qualification as a pre-condition for being invited to tender. As per Rule 16 of PPR Rules, 2014, a procuring agency may, prior to floating the tenders or invitation to proposals or offers, engage in pre-qualification of bidders in case of services, civil works, turnkey projects and also in case of procurement of expensive and technically complex equipment to ensure that only technically and financially capable firms or persons having adequate managerial capacity are invited to submit bids.

During audit of Director General Agency for Barani Area Development, Rawalpindi for the period 2021-23, it was observed that under the project "Integrated Master Plan of Punjab Barani Tract," a consulting firm, M/s Skafs Consultants (Pvt.) Ltd, was hired to conduct a study for the development of Punjab Barani Tract. The project duration was initially set for one year from December 2021 to December 2022, later extended to December 2023. The criteria outlined in PC-1 reckoned those firms eligible who had relevant knowledge and experience in similar studies, focusing on the development potential of the thirteen districts within the Punjab Barani Tract. The study aimed to formulate short, medium, and long-term Integrated Development Master Plans for the Barani Region. An amount totaling Rs. 39,100,000 was disbursed to M/s Skafs Consultants (Pvt.) Ltd in four installments during this period. However, the consultancy selection and enforcement of contractual obligations was hit by the following infirmities:

(1) A total nine numbers of firms participated in the pre-qualification process of hiring of consultants and four were declared eligible/pre-qualified.

(2) M/s NESPAK (Pvt.) Ltd. was first in the pre-qualification process (with a score of 88.36%) but the same firm was not found included in succeeding stages and the contract was awarded to M/s Skafs Consultants (Pvt.) Ltd.

(3) As per clause 42.2 of the agreement between the parties, 5% of each installment as security will be held by the procuring agency and thereafter will be released at the time of completion of the final report.

(4) It was noticed that Rs. 1,201,400 was less withheld as security by the management and CDR of the same amount was not obtained and thus undue favor was given to the firm.

(5) The number of observations/queries were raised by the Performance Assessment Committee constituted by the Director General ABAD vide No. ABAD/296/Dev dated 23.06.2022.

(6) All payments were made to the concerned Consulting Firm without the recommendations of the Performance Assessment Committee and without clearance of reservations.

Irregularity was caused by weak administrative and financial internal controls.

Irregularity caused loss to the Government due to non-adherence to instructions.

The matter was reported on 31st of October 2023 and it was noted for submission of a detailed reply later on.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends fixing responsibility against the person held at fault besides seeking regularization of lapses from the competent authority.

(PDP No. 2023-0000004707_F00012)

17.4.3 Doubtful/irregular expenditure through splitting-Rs. 31.72 million

Rule 9 read with Rule 12 of PPR 2014 provides that a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The procuring agency shall advertise in advance annual requirements for procurement on the website of the Authority as well as on its website. Rule 8 ibid provides that a procuring agency shall, within one month from the commencement of a financial year, devise annual planning for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources, delivery time or completion date and benefits that are likely to accrue to the procuring agency in future.

During audit of Director General Agency for Barani Area Development, Rawalpindi for the period 2021-23, it was observed that an expenditure of Rs. 31,716,480 was incurred on workshops, seminars, assessment studies, and repairs. The expenditure was held irregular due to the following reasons:

(1) Expenditure was split up to avoid the tendering process. All expenditure was incurred through the firm of own choice and PPR rules 2014 were not observed.

(2) Orders of competent authority, place of events, and agenda of the workshops, seminars and assessment studies were not on record in most of the cases.

(3) No invitation letters of the honorable chief guests were found in the record and lists of participants were also not available.

(4) Provincial Sales Tax of Rs. 1,343,265 was not deducted and Income Tax of Rs. 461,747 was less deducted on cooked food items.

(5) Irregular inclusion of GST amounting to Rs. 1,427,219 was made on cooked food items. Out of total expenditures, 76.46% of expenditures were incurred in Rawalpindi and only 23.54% were incurred in D.G Khan.

(6) Out of the total amount of Rs. 10,903,782 for Sr. No. 2 a procurement of Rs. 7,188,908 i.e. 65.93% was made from M/s Mughal Traders.

The details are as under:

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Nature of Irregularity**	**Amount (Rs.)**
1	Director General Agency for Barani Area Rawalpindi	2021-23	2023-0000004707_F00008	Expenditure through Splitting without Tender	20,812,698
2	Director General Agency for Barani Area Rawalpindi	2021-23	2023-0000004707_F00006	Expenditure on procurement and repair without tender	10,903,782
Total					**31,716,480**

Irregularity was caused by weak administrative and financial internal controls.

The matter was reported in November 2023 and it was noted for submission of a detailed reply later on.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that an inquiry be held to fix the responsibility against the delinquents besides seeking regularization from the competent authority.

17.4.4 Doubtful/Extravagant expenditure on workshop-Rs. 14.60 million

According to the PC I of the Project "Capacity Building of ABAD" the objectives of the Project were;

(i) To enable ABAD to achieve its original envisioned mandate
(ii) To strengthen ABAD's existing capacity in terms of human and material resources
(iii) To strengthen the infrastructure of ABAD by establishing field offices/HR (iv) To strengthen the field offices of executing line departments/stakeholders ABAD with existing capacity.

During the audit of Director General Agency for Barani Area Development Rawalpindi for the financial year 2021-23, it was observed that a National Workshops/Conference was held from 03.03.2022 to 05.03.2022 (three days) in Barani Area Research Institute (BARI) Chakwal under the project "Capacity Building of ABAD" and an amount of Rs. 14,604,400 was paid to the event management firm M/s Junaid Enterprises. A waterproof canopy for 500 guests/participants/farmers was installed. A total of Rs. 14,604,400 was spent on arrangements including catering, lighting, sitting arrangements, advertisement and publications, lunch, etc. Audit observed the following irregularities:

(1) Arrangements were made for 500 participants on a daily basis. Actually, 200 persons daily on average attended the sessions, causing extra charges for 300 participants daily.
(2) Against 477 numbers of participants, a payment of 700 persons was made to the firm. Thus, an amount of Rs. 1,060,588 was excess paid.
(3) An amount of Rs. 1,044,000 was paid to the firm on account of logistics arrangements and four vehicles were hired for three days in the presence of the department's vehicles. Further, details of the provision of services were not available to authenticate payment.
(4) Per-person cost for participation was Rs. 30,617 which is on the higher side and it seems that unnecessary benefit was given to the event management firm.

Irregularity was caused by weak administrative and financial internal controls.

The matter was reported in November 2023 and it was noted for submission of a detailed reply later on.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be investigated and responsibility be fixed against the persons at fault besides ensuring recovery.

(PDP No. 2023-0000004707_F00003)

17.4.5 Irregular Award of Consultancy Contract-Rs. 4.07 million

As per Rule 2(x) of the PPR 2014, pre-qualification means a procedure for demonstrating qualification as a pre-condition for being invited to tender. As per Rule 16 of PPR Rules 2014, a procuring agency may, prior to floating the tenders or invitation to proposals or offers, engage in pre-qualification of bidders in case of services, civil works, turnkey projects, and also in case of procurement of expensive and technically complex equipment to ensure that only technically and financially capable firms or persons having adequate managerial capacity are invited to submit bids.

During the audit of accounts of the Director General Agency for Barani Area Development, Rawalpindi for the financial year 2021-23, it was observed that a contract of consultancy under project “Integrated Farms Development in Punjab Barani Tract by ABAD” was awarded to M/s Design Expert Consultant (Pvt.) Ltd. and an amount of Rs. 4,069,940 vide cheque No. 482030 was paid to the firm accordingly. The audit observed the following irregularities:

(1) Twelve firms participated in pre-qualification; four were pre-qualified. M/s Electra Consultant Pvt. Ltd. was dis-qualified due to several reasons, including missing partnership deed, registration renewal, and missing FBR registration. (Ref: No. ABAD/IFD-CSC/5020 dated 26.04.2023). However, M/s. New Vision Engineering Consultants and M/s. SKAFS consultants Pvt. Ltd were pre-qualified despite similar deficiencies.

(2) Disqualification was made for missing partnership deed or Joint Venture and non-provision of NTN number and Non-registration with the Sales Tax Department whereas the firm had participated as a sole proprietorship and stood registered with FBR and Punjab Sales Tax department

(3) The contract-winning firm (M/s Design Expert Consultant (Pvt.) Ltd) had only 09 field engineers instead of 12.

(4) 100% payments were released to the firms but on physical verifications afterwards, by the Project Manager, it was reported that no interventions/systems were installed at allotted sites. If installed, the installed systems were either malfunctioning/out of order or sub-standard.

(5) The management had initiated an inquiry which has yet not been finalized.

Irregularity was caused by weak administrative and financial controls.

Irregularity caused the non-transparent selection of the consultant firm.

The matter was reported in November 2023 and it was noted for submission of a detailed reply later on.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired into at the administrative department's level besides seeking its regularization from the competent authority.

(PDP No. 2023-0000004707_F00014)

Payroll related irregularities

17.4.6 Irregular payment of pay and allowances- Rs. 203.03 million

According to Rule 16 of Punjab Government Rules of Business 1974, no department shall, without previous consultation with the Finance Department, authorize any orders which directly or indirectly affect the finance of the province or cases requiring changes in statutory rights and privileges of a Government servant which have financial implications.

As per para 3(a) (vii) of the Project Allowance Policy circulated vide No.FD.SR-1/9-20/2006 dated 21.11.2014, the Government officers/officials assigned special duties in ex-officio capacity under various projects/programs may also be granted special allowance/honoraria @ 50% of the Project Allowance sanctioned for the same categories.

According to criteria bearing No.FD.PR.12-7/2018, on supersession of Finance Department's notification of even No. dated 29.07.2019, Executive Allowance @1.5 times of the monthly basic pay is admissible to all officers posted by S&GAD against duly notified cadre strength

As per Rule 2.31 PFR-Vol-I, a drawer of bill for pay, allowances, contingent, and other expenses will be held responsible for any overcharges.

According to the Finance Department Govt. of the Punjab's, clarification letter No.FD.SR.1.9-4/86 (P)(PR) dated 21.04.2014, the officers who are availing vehicles including bikes (Sanctioned/Pool) are not entitled to the facility of Conveyance Allowance w.e.f. 01-03-2014.

During audit of Planning and Development Department, it was observed that an amount of Rs. 203,033,171 was paid to employees on account of pay and allowances without admissibility. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Bureau of Statistics, Lahore	2017-22	2023-0000000286_F00006 & 2023-0000000286_F00004	Daily Special Allowance approved in PC-I in lieu of TA/DA, over and above TA/DA rates of Government, was paid as monthly income and was not taxed making it a source of profit for the recipient.	197,844,000
2	Bureau of Statistics, Lahore	2017-22	2023-0000000286_F00002	Special Allowance was not approved in PC-I and was paid without performing any special duties involving move orders or change of stations.	3,265,000
3	Assistant Director Bureau of Statistics Sialkot	2007-23	2023-0000003189_F00005	Recoveries against payment beyond the contract, drawl of salary during leave without pay, pay during absence period, Recovery against overpayment, and	1,429,344

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
				recovery against Conveyance Allowance	
4	Director General Agency for Barani Area Rawalpindi	2021-23	2023-0000004707_F00007	The officer was not entitled to draw Executive allowance @ 1.5 times of the monthly basic pay because the cadre was not notified by the S&GAD in its notification	494,827
Total					**203,033,171**

Audit is of the view that weak internal controls on payroll resulted in irregular payment of pay and allowances.

The matter was pointed out in February and August 2023. Management at Sr. No. 1 replied that the Punjab Child Labour Survey was an extensive survey and a lot of effort was required to complete the gigantic task. The word DSA had been used in PC-I in general terms. Actually, this covered three aspects: i) Travelling ii) Daily Allowance iii) Boarding and lodging, and in the future, these would be depicted specifically in PC-I. The payments made were justified as per the approval of PC-I. The contention of the management was untenable as TA/DA claims do not span over months rather compensation can only be allowed in lieu of specifically scheduled touring days as per duties performed outside the station against specific tour programs. The management at Sr. Nos. 2 to 4 did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 28.09.2023, the para at Sr. No. 1 was kept pending for clarification from the Finance Department and compliance. The para at Sr. No. 2 was kept pending for detailed verification of record. Further progress was not reported by the department till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the stated amount be recovered from the concerned and deposited into Government Treasury besides strengthening the internal controls on payroll.

Performance related irregularities

17.4.7 Doubtful allotments and completion of interventions- Rs. 378.77 million

Rule 2.33 of PFR Vol-I provides that every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by the Government through negligence on his part.

During audit of Director General Agency for Barani Area Development, Rawalpindi for the period 2021-23, it was obseved that an amount of Rs. 378,770,000 was paid against 1135 interventions executed under three development projects namely:

(i) Integrated Farms Development in Punjab Barani Tract by ABAD
(ii) Water Resource Development in Expanded Areas ABAD
(iii) Integrated Farms Development in Punjab Barani Tract by ABAD).

The audit observed the following irregularities:

1. Detailed information about received applications, acceptances, rejections, and reasons for rejection was not provided for audit review.
2. In certain projects ("Integrated Farms Development in Punjab Barani Tract by ABAD"), collaboration with PITB for balloting was absent.
3. Detail of applicants were not uploaded on the department website, compromising transparency.
4. Allegations arose regarding favoritism in rolling out interventions despite rejections by the Scrutiny Committee.
5. Physical visits to sites revealed non-installed systems despite 100% payments, malfunctioning systems, sub-standard quality, and tampered records. An inquiry has been initiated based on the Project Manager's disclosures but remains pending.
6. The required performance guarantee of Rs. 36,995,000 from pre-qualified consultancy firms was not obtained.
7. Expenses of Rs. 21,225,021 on POL (petroleum, oil, and lubricants) lacked prior approval for visiting the site of interventions.
8. Inspection reports were missing.

Inadequate record-keeping, absence of collaboration with PITB, weak monitoring, and missing reports on field visits raised doubts about the delivery of interventions/subsidized facilities to targeted farmers in these projects.

Irregularity was caused by weak administrative and financial internal controls.

The matter was reported in November 2023 and the management noted the same for submission of a detailed reply later on.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that responsibility be fixed against the person held at fault besides seeking regularization of the lapse from the Finance Department.

(PDP No. 2023-0000004707_F00004)

17.4.8 Non-achievement of targets of the scheme due to poor feasibility-Rs. 130.92 million

As per para 2.3.3 of the Punjab Planning Manual, a pre-feasibility study may be required primarily to curtail the range of feasible alternative solutions and ascertain whether or not a more detailed feasibility study is needed. The study of the market in the feasibility study is of basic importance. It is on the basis of such a study that the demand for the product/services to be produced is estimated.

During audit of the Bureau of Statistics, Lahore for the period 2017-22, it was observed that an expenditure of Rs. 70.902 million was made against the scheme titled "Hepatitis Prevalence Survey, 2017". The audit noted the following discrepancies:

(1) The scheme was originally approved at a cost of Rs. 39.371 million without seeing whether the proposed medical labs (for Dry Blood samples) were available in the market or not. Further, no survey was done to check the social acceptability of the scheme in light of the Punjab Planning Manual.

(2) No usage of the survey report by the Health Department, Government of the Punjab was found in the record, making the expenditure of Rs. 70.928 million un-productive.

The matter was pointed out in February 2023. The management replied that 14,000 samples were collected from the field. Due to the negative social media campaign against the blood collection, fewer samples were drawn, and an amount of Rs. 57.753 million had been saved. Data collection, secondary data editing, data cleaning, and data analysis were completed in June 2018. The gestation period was increased/revised from May 2018 to February 2019 because of the aforementioned reasons.

Audit is of the view that the poor feasibility of the scheme resulted not only in a revision of cost twice during the gestation period but also hampered the reliability of the survey due to insufficient sample size.

The matter was further reported to the administrative department. In DAC meeting held on 28.09.2023, the para was kept pending for probe at the administrative department's level. Further progress was not reported by the department till the finalization of this report.

Audit recommends that cognizance of misleading feasibility be taken, besides excess expenditure then allocations be regularized.

(PDP No. 2023-0000000286_F00001)

17.4.9 Doubtful expenditures under project "Integrated Farms Development"-Rs. 63.27 million

According to Project "Integrated Farms Development in Punjab Barani Tract by ABAD" objectives (Sr. No. 5 at page 5), the project is an initiative with a goal to develop the agriculture sector through the provision of Water Resource Development and Alternate Energy Sources in the Punjab Barani Tract (PBT). The project is specifically aimed at targeting those areas which have not been provided affluent access in the past.

Further, the specific objectives of the project are:

(i) Addressing the issue of water scarcity through water conservation

(ii) Provision of cheaper alternate energy sources for uplifting the agricultural land in other relevant sectors

(iii) To ensure food security and to promote an eco-friendly solution to reduce our impact on climate change and environmental degradation

(iv) Efficient utilization of resources for uplifting the rural population of Punjab Barani Tract.

During audit of Director General Agency for Barani Area Development, Rawalpindi for the period 2021-23, it was observed that the project "Integrated Farms Development in Punjab Barani Tract by ABAD" introduced 672 numbers of interventions to be completed in three years. The following discrepancies were found in the execution of interventions:

(1) Through the Project Coordination Committee (PCC) minutes of the meeting dated 28.02.2023, it was noticed that a total of 5,884 applications were received

for 672 interventions; 3524 applications were selected, and 2360 rejected without assigning specific reasons.

(2) PITB was not involved in balloting and the applications were not uploaded on the departmental website, questioning the transparency of the process.

(3) Physical visits of the Program Manager to sites revealed non-installed systems despite 100% payments, still revealing malfunctioning systems, sub-standard quality, and tampered records.

(4) An inquiry has been initiated based on the Project Manager's disclosures but remains pending.

(5) Despite applications, farmers in Bhakkar, Layyah, and Khushab districts weren't selected or provided interventions, contradicting advertised inclusion criteria.

(6) Targets set in PC-1 were not met adequately.

(7) 1 out of the target of 20 small reservoirs, 3 out of 15 medium reservoirs, and 10 out of 20 tube wells/Dug wells/Lift irrigation systems/Water Storage tanks were completed.

(8) Solar-powered pumping systems targets exceeded significantly, leading to excessive spending of Rs. 18,900,000.

(9) Payments were made to firms without bid security or performance guarantees.

(10) A majority of contracts were awarded to two firms i.e. M/s R&S Engineering & Services (Pvt.) Ltd. (64.58%) and M/s Catkin Engineering Sale & Service (Pvt.) Ltd. (31.25 %).

(11) Verification of farmer's share bank drafts was not available in the records, raising concerns about authenticity.

Irregularity was caused by weak administrative and financial internal controls.

The matter was reported in November 2023 and it was noted for submission of a detailed reply later on.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that responsibility be fixed against delinquents besides seeking regularization from the competent authority.

(PDP No. 2023-0000004707_F00002)

17.4.10 Irregular expenditure under project Capacity Building of ABAD-Rs. 42.47 million

According to the PC I of the Project “Capacity Building of ABAD,” the objectives were

(i) To enable ABAD to achieve its originally envisioned mandate

(ii) To strengthen ABAD’s existing capacity in terms of human and material resources

(iii) To strengthen the infrastructure of ABAD by establishing field offices/HR

(iv) To strengthen the field offices of executing line departments/stakeholders ABAD with existing capacity.

Further, as per page 4 of PC-1, the existing infrastructure/human resources of ABAD is insufficient to meet the above development needs of the Punjab Barani Tract. The only headquarters is situated in district Rawalpindi which has the capacity to monitor the development activities of adjoining areas of district Rawalpindi i.e. Jhelum, Chakwal, Attock & Mianwali, while the development of the rest of the Barani areas could not be monitored efficiently with existing infrastructure/human resources.

During audit of Director General Agency for Barani Area Development, Rawalpindi for the period 2021-23, it was observed that an amount to the extent stated above was incurred under the project “Capacity Building of ABAD” (ADP 2019-20 LO 19000938). The audit observed the following irregularities:

1. According to Annexure G of PC-1, the appointment of technical/non-technical staff was necessary. However, it was observed that the management did not make any appointments throughout the project's duration.
2. According to Annexure B-1 of PC-1, senior existing staff (BS-01 to 16) was supposed to be posted in the newly established field office. However, no staff was posted throughout the project's entire duration.
3. The position of Project Director was filled through transfer. A total amount of Rs. 3,645,168 was disbursed for Pay and allowances, including Incentive and Executive Allowances, along with Rs. 275,670 for Transfer T.A and Rs. 74,460 for Honorarium.
4. However, the transferee did not report to D.G Khan's office despite the payments made.
5. The management secured a building with an area of 26.5 marlas in D.G Khan for establishing an office, and rented out at Rs. 85,000 per month starting from January 2021, with a 10% annual increase. A total of Rs. 2,759,100 was paid for this purpose raising questions on the legitimacy of the expenditure on building rental.

6. A sum of Rs. 28,508,932 was spent on POL, TA/DA, stationery, the cost of other stores, and the repair of office equipment/vehicles.
7. Notably, expenses under categories such as cost of others, others, stationery, and vehicle repairs were split to circumvent the tendering process.
8. A total of Rs. 2,810,443 was disbursed to contingent-paid staff who were appointed without any advertisement.
9. From the overall expenses incurred in the mentioned development scheme, checks amounting to Rs. 5,508,701 were issued to the cashier.
10. However, evidence of disbursement or acknowledgment of these payments was not found available.
11. The management paid Rs. 4,394,520 to M/s U&J Global International (Pvt.) Ltd. through Cheque No. 352357, dated 28-01-2022, for the procurement of survey tools.
12. However, it was observed that the PC-1 did not include provisions for the procurement of the tools in question. Additionally, the delivery challan from the firm lacked the signature of the office representative.

Irregularity was caused by weak management and internal controls.

The matter was reported in November 2023 and it was noted by the management for submission of a detailed reply later on.

The matter was further reported to the administrative department. Neither any reply was received nor was the DAC meeting convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired into and got regularized from the Finance Department.

(PDP No. 2023-0000004707_F00001)

17.4.11 Defects in implementing of the scheme-Rs. 12.64 million

As per Para 1.47 of the Manual for Development Project of the Planning Commission, careful project preparation in advance of expenditure is the best available means to ensure efficient economic use of capital funds and to increase the chance of on-schedule implementation. Unless projects are carefully planned in substantial detail, inefficient or even wasteful expenditure of money is almost sure to result, a tragic loss in capital-short nations. As per PC-II, one of the responsibilities of the Project Steering Committee is to keep oversight of the survey implementation process.

During audit of Bureau of Statistics, Lahore for the period 2017-22, it was observed that the "Punjab Home Based and Domestic Workers Survey" had a budget of Rs. 81.378 million for 2021-22. Only Rs. 24.822 million was spent, with just one out of twenty-one planned activities executed. Unauthorized re-appropriation of Rs. 12.642 million and a lack of PSC approval for work plan modifications were observed.

Audit is of the view that weak financial and administrative controls have resulted in the non-achievement of targets and re-appropriation.

The matter was pointed out in February 2023. The management replied that Rs. 25 million was against 14 activities. BoS spent Rs. 24.822 million against 13 activities. The re-appropriation of Rs. 12.642 million was done within the heads that were in the purview of the Project Director. There was no need for approvals from PSC. The contention of the management has not been substantiated to establish that all the stipulated activities were performed.

The matter was further reported to the administrative department. In DAC meeting held on 28.09.2023, the para was kept pending for regularization from the Finance Department. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be inquired into at the administrative department's level besides seeking regularization from the Finance Department.

(PDP No. 2023-0000000286_F00012)

17.4.12 Tabulation of Fabricated data for cultivated area and un-cultivated area

According to the Section 26 sub-section (1) of the General Statistics (Reorganization) Act, 2011, any statistical data collected by the statistical authority shall be in accordance with the provisions of this act and, after ascertaining its quality for accuracy and ensuring confidentiality as set out in Section 28 shall be released for general dissemination.

During audit of Assistant Director Bureau of Statistics, Kasur for the period 2007-23, it was observed that the authority had not ensured quality and reliability for land utilization data related to district Kasur for the years from 2007 to 2023. According to data in 2012-14, the cultivated area from 358-315=43 thousand hectares decreased but the crop area 510 hectares remained constant. In 2015-17, cultivated area 320 to 323 = 3 thousand hectares was increased but the cultural waste remained constant. There should be a 9 thousand hectare increase in total uncultivated area. This clearly shows the fabrication of data. No supporting documents like Girdawari and Jinswar etc. were available for reconciliation of statistical data. Furthermore, the data pertaining to reported areas, cultivated areas, uncultivated areas, crop areas, and areas sown more than once are still not printed/available in the record of the department for the period of 2020-23.

This has resulted in the fabrication of data and non-confirmation of data from original sources during the years 2012-14 and 2015-17 which indicates ineffective data collection, compilation, dissemination mechanism, and weak internal controls.

The observation was issued to the department in the month of August 2023 but the department did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting convened till the finalization of this report despite the issuance of reminders in November and December 2023.

The audit recommended that lapse be inquired into and actual data should be tabulated ascertaining quality for its accuracy.

(PDP No. 2023-0000003188_F00004)

17.4.13 Defective implementation of the scheme

Para 1.47 of the Manual for Development Project of the Planning Commission states that careful project preparation in advance of expenditure is the best available means to ensure efficient economic use of capital funds and to increase the chance of on-schedule implementation. Unless projects are carefully planned in substantial detail, inefficient or even wasteful expenditure of money is almost sure to result, in a tragic loss in capital-short nations.

During audit of Director General, Monitoring & Evaluation, Lahore for the period 2021-22, it was observed that a scheme titled “Monitoring, Evaluation, and Third Party Validation of ADP
2021-22” was approved. However, the activities were dormant such as IT testing and software development.

Audit is of the view that the lapse occurred due to weak supervisory and management controls.

The matter was pointed out in February 2023. The DG M&E as per its original scope of work conducted monitoring of 364 schemes during FY 2020-21 & 2021-2022 and evaluation of 119 schemes during FY 2020-21 & 2021-2022 without any charge to the development side. DG M&E prefers to do monitoring of schemes costing Rs. 400 million and above (as per the purview of the P&D Board) but where the schemes lesser than this cost have a high social impact, are also considered for monitoring. The contention of the management was indicative of the fact that remedies remained unexplored.

The matter was further reported to the administrative department. In DAC meeting held on 07.09.2023, the para was kept pending for compliance. Further progress was not reported by the department till the finalization of this report.

Audit recommends that necessary steps be taken by the department to ensure implementation of the scheme in its true spirit.

(PDP No. 2023-0000000184_F00004)

Value for money and service delivery issues

17.4.14 Non-disbursement to the vulnerable-Rs. 4,632.74 million

According to Article 118(1) of the Constitution, 1973, all revenues received by the Provincial Government, all loans raised by that Government, and all sums of money received by it in repayment of any loan, shall form part of a consolidated fund, to be known as the Provincial Consolidated Fund.

During audit of Punjab Social Protection Authority, Lahore for the period 2021-22, it was observed that an amount of Rs. 6,845,160,697 was withdrawn from the Government Treasury for disbursement to vulnerable but the same was not disbursed to deserving persons. An amount of Rs. 1,501,413,754 was deposited vide challan No. 77 dated 17.02.2023 in the Provincial Consolidated Account-I. An amount of Rs. 710,910,721 was also deposited in Provincial Consolidated Account-I on 21.02.2023. Despite a deposit of Rs. 2,212,324,475 an amount of Rs. 4,632,736,222 was found in the balance as un-disbursed. Moreover, the bank unduly retains the amount for earning profits on un-disbursed balances, on account of favors conferred by the management.

Audit is of the view that the lapse occurred due to weak financial controls of the management.

The matter was pointed out in March 2023 and the management did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 13.09.2023, the para was kept pending for detailed verification. Further progress was not reported by the department till the finalization of this report.

Audit recommends that recovery be given effect to recoup the illegal amount to the Provincial Consolidated Fund.

(PDP No. 2023-0000000365_F00001)

17.4.15 Non-disbursement of released amount for the vulnerable by the BOP-Rs. 513.00 million

Rule 2.10(a) (1) of PFR Vol-I provides that the same vigilance should be exercised in respect of expenditure incurred from Government revenue as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of Punjab Social Protection Authority, Lahore for the period 2021-22, it was observed that an amount of Rs. 6,251,888,200 was released to BOP through various cheques for disbursement to the vulnerable. The management of BOP entered into an agreement with HBL Konnect for disbursement to the needy. The BOP gave a certificate of disbursement to PSPA at the time of disbursement to HBL Konnect rather than to the vulnerable. The PSPA management accepted this certificate without ensuring payment to the concerned beneficiaries. Further, out of releases of Rs. 6,251,888,200 made by the PSPA, BOP did not disburse the amount of Rs. 513,004,032 to HBL Konnect for further disbursement to the concerned as the disbursement certificates of the said amount were not provided by the BOP.

Audit is of the view that the lapse occurred due to weak financial controls of the management.

The matter was pointed out in March 2023 and the management did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 13.09.2023, the para was kept pending to reconcile the amounts not claimed by the beneficiaries. Further progress was not reported by the department till the finalization of this report.

Audit recommends that matters be inquired into for taking remedial measures/recovery, fixing responsibility besides ensuring disciplinary action against those held responsible.

(PDP No. 2023-0000000365_F00010)

17.4.16 Irregular operations of the scheme-Rs. 243.74 million

As per Para 1.47 of the Manual for Development Project of the Planning Commission states that careful project preparation in advance of expenditure is the best available means to ensure efficient economic use of capital funds and to increase the chance of on-schedule implementation. Unless projects are carefully planned in substantial detail, inefficient or even wasteful expenditure of money is almost sure to result, in a tragic loss in capital-short nations. Para 2.46 of the Planning Commission Manual stipulates that once approved, the executing agency is required to implement the project in accordance with the PC-I provisions. It has no authority to change or modify any approved parameter of the project. If the project executing agency determines (based on detailed justification) that the project cannot be implemented under the approved parameters and it requires revision of scope, physical components, or financial allocation, a revised PC-I must be submitted to the competent forum for approval.

During audit of Bureau of Statistics, Lahore for the period 2017-22, while examining the record of the scheme "Punjab Child Labor Survey" the following observations were noticed:

(1) As per PDWP minutes of meeting dated 08 and 12.03.2019, Member (PSW), P&D Board queried that the Labor and Human Resource Department should provide a list of all surveys/studies already conducted and also to attach certificates in PC-II that such study was not conducted previously.

(2) Project Steering Committee in its meeting dated 15-12-2021 directed to enclose global comparison in the final report of the survey but the said report was not found included in the final report of the PCLS.

(3) The original gestation period of this survey scheme was from September 2015 to Feb 2017 but actually this scheme continued till December 2020 showing a lack of planning and poor implementation.

Audit is of the view that irregularities occurred due to weak administration of the scheme.

The matter was pointed out in February 2023 and the management replied that the revised PC-II was approved at the cost of Rs. 243.743 million (Govt. of the Punjab share: Rs. 95.638 million and UNICEF share: Rs. 148.105 million) with the enhancement of gestation period up to 30.06.2020. A global comparison was not possible, as the definition of Child Labour in Punjab is different from the global definition. As per the timeline, the data collection activity was to be completed by the end of March 2020 - 92% of data collection from the field had been completed, meanwhile, the Government locked down the province due to the outbreak of COVID-19. Audit held that the contention of the management was not tenable. The scope of the project activity was deviated disproportionately. Global comparison cannot be disregarded as the elimination of child labor is one of the SDGs and the International Covenant for the Rights of Children is binding for the Government.

The matter was further reported to the administrative department. In DAC meeting held on 28.09.2023, the para was kept pending for detailed verification of record. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be inquired into and necessary regularization may be obtained from the competent authority.

(PDP No. 2023-0000000286_F00010)

Financial Matters

17.4.17 Illegal occupation of residences and non-recovery of penal rent-Rs. 3.75 million

As per para 10 of ABAD house allotment policy, officers who are occupying designated house are required to vacate the designated house upon their transfer within a period of two months and this period shall not be extended further in the case and as per para 14 (d) (iii) of the policy ibid, in case of transfer/deputation to a semi Government/autonomous body/project or provincial/Federal Government Agency, officer may retain the accommodation if posted out of Punjab for a period of one year.

During audit of accounts of Director General Agency for Barani Area Development, Rawalpindi for the financial year 2021-23, it was observed that Ex-Director General ABAD was residing in a designated residence i.e. Chief House of ABAD even after his transfer in contradiction of above rule. Final notice for vacating the house was issued to him vide No.ABAD/3563/Estt dated 10.08.2022 in which an amount of Rs. 1,423,627 on account of penal rent for the illegal occupation period (24.09.2020 to 30.06.2022) was pointed out by the management. However, the actual recovery from 24.09.2020 to 30.06.2023 including deduction of HRA and 5% maintenance charges comes to Rs. 2,949,961. Moreover, a Postal services officer was repatriated to her parent department but she retained the residence beyond entitlement. The recovery of penal rent comes to Rs. 799,222.

Audit is of the view that weak supervisory and internal controls resulted in non-recovery on penal rent from illegal occupants of the Government residences.

Matter was reported in November 2023. The management stated that detailed reply would be submitted later.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that matter be taken up with administrative department for vacating the house from the concerned besides imposing recovery.

(PDP No. 2023-0000004707_F00011)

17.4.18 Irregular expenditure on rent of building-Rs. 7.33 million

Section 5 of The Punjab Rental Premises Act 2009 agreement between landlord and tenant provides that every rent/tenancy agreement must be in writing and must be registered with the relevant Registrar under the Registration Act, 1908 and must cover stamp duty as required under the Stamp Act, 1899. Rule 17.17(A) of PFR Vol-I provides that every Disbursing Officer shall maintain a register of liabilities in PFR Form No. 27 in which he should enter all those items of expenditure.

During audit of Planning and Development Department for the period 2007-23, it was observed that the rent of building amounting to Rs. 7,326,600 was paid to the landlords. Expenditure was held irregular on the following grounds:

(1) The payment of rent was made in excess of annual rental value (ARV) as calculated by the Excise and Taxation department in PT-1.

(2) No detail of property tax liability discharged was available in the record from 2007-2023.

(3) The landlords of buildings did not present the tenancy agreement before the Rent Registrar as per Registration Act 1908.

(4) Income tax was less deducted Rs. 6,540 for the period of 2021-23.

(5) The amount of rent of Rs. 81,000 was paid as pending liability.

(6) Non-realization of Stamp Duty on lease agreement of Rs. 30,282 was not realized.

(7) The payment of rent of building for the period from 2007 to 2020 amounting to Rs. 2,352,660 was made in cash.

Detail is tabulated below:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Assistant Director Bureau of Statistics Kasur	2007-23	2023-0000003188_F00001	1. Excess Amount of Rent Paid than Annual Rental Value 2. Non/Less deduction of Income Tax, Stamp Duty	3,701,040

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
2	Assistant Director Bureau of Statistics Sialkot	2007-23	2023-0000003189_F00003	1. Excess Amount of Rent Paid than Annual Rental Value 2. Non/Less deduction of Income Tax, Stamp Duty	3,625,560
Total					**7,326,600**

Audit is of the view that irregularity was caused by weak financial controls. The observations were issued to the departments in the month of August 2023 but the departments did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be probed into at an appropriate level, and recovery may be affected besides strengthening of financial and supervisory internal controls.

Others

17.4.19 Loss to Government due to theft of vehicle-Rs. 1.00 million

As per Rule 2.33 of PFR Vol-I, every Government servant 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.

During audit of Director General Agency for Barani Area Development, Rawalpindi (RI-4016) for the financial year 2021-23, it was noticed that Vehicle No. RLE-1863 (Toyota 2006) costing Rs. 1,000,000 was stolen from the allottee of the vehicle and the management had launched an FIR 586 dated: 08-01-2022. Vehicle was stolen in district Sukkur and accordingly FIR was lodged in Sindhi language. Only FIR was shared with audit but enquiry file, further proceeding, outcomes were not shared with audit.

Irregularity was caused by weak administrative and financial internal controls.

Matter was reported in November 2023 and it was noted for submission of detailed reply later on.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that responsibility be fixed and recover the loss from concerned besides strengthening supervisory internal control.

(PDP No. 2023-0000004707_F00010)

CHAPTER 18
POPULATION WELFARE DEPARTMENT

18.1 Introduction

Population Welfare Department is headed by a Secretary. It has two attached departments i.e. Director General Population Welfare and Director Training/Research and Production. As per Punjab Government Rules of Business 2011, the department has been assigned the business of:

- Population policy formulation, implementation, monitoring and evaluation
- Demographic statistics and analysis
- Mainstreaming population factor in development planning process
- Provision of family welfare services including family planning and general medical care
- Preparation of budget and development schemes
- Coordination with the Federal Government, international agencies, NGOs and donors
- Procurement and distribution of contraceptives
- Training research and development of professional standards
- Information, education and communication services
- Promotion of population planning activities through private and other public sector institutions
- Budget, accounts and audit matters
- Purchase of stores and capital goods
- Service matters except those entrusted to Services and General Administration Department
- Matters incidental and ancillary to the above subjects

Audit Profile of Population Welfare Department

Sr. No.	**Description**	**Total No.**	**Audited**	**Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)**	**Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)**
1	Formations	231	7	727	-
2	• Assignments Accounts • SDAs etc.	-	-	-	-

	(excluding FAP)				
3	Authorities/Autonomous bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The Appropriation Accounts of Population Welfare Department for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during 2022-23 against the total of three grants/appropriations is given below:

(Rupees in million)

Grant No.	**Original Grant**	**Supplementary Grant/ Re-Appropriation**	**Final Grant**	**Actual Expenditures**	**Excess/ (Savings)**
1	**2**	**3**	**4**	**5**	**6(5-4)**
PC21010	141.59	35.68	177.27	174.36	(2.91)
PC21023	7,841.55	920.19	8,761.73	8,259.18	(502.55)
PC22036	1,808.07	(302.51)	1,505.56	1,100.57	(404.99)
Total	**9,791.21**	**653.36**	**10,444.57**	**9,534.11**	**(910.46)**

Overview of Expenditure

The final budget of Population Welfare Department for the year ended 30th June 2023 was Rs. 10,444.57 million. Out of this, actual expenditure was Rs. 9,534.11 million.

The breakup of current and development expenditure is given below:

(Amount in Rupees)

Grant Type	**Original Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	7,983,140,000	8,433,542,443	450,402,443	5.64

Development	1,808,069,000	1,100,569,220	(707,499,780)	39.13
Total	**9,791,209,000**	**9,534,111,663**	**(257,097,337)**	**2.63**

This composition changed due to supplementary grants & surrenders.

Variance of Final Grant and Actual Expenditure is given below:

(Amount in Rupees)

Grant Type	**Final Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	8,939,004,000	8,433,542,443	(505,461,557)	5.65
Development	1,505,563,000	1,100,569,220	(404,993,780)	26.90
Total	**10,444,567,000**	**9,534,111,663**	**(910,455,337)**	**8.72**

Anticipated savings not surrendered

As per para 14.3 of Punjab Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs. (910.46) million at the close of the year 2022-23 under grant PC21010, PC21023 & PC22036 were not surrendered in time by the Department.

18.2 Classified summary of Audit Observations

Audit observations amounting to Rs. 182.72 million were raised in this report during audit of Population Welfare Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations

(Rs. in million)

Sr. No.	**Classification**	**Amount**
1.	Procurement related irregularities	20.69
2.	HR/Employees related irregularities	4.65
3.	Management of accounts with commercial banks	157.38
Total		**182.72**

18.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC directives, for reports of Population Welfare Department discussed so far, is given below:

Sr. No.	Audit Report Year	Total Paras	Compliance received	Compliance not Received	Percentage of Compliance
1	1990-91	1	0	1	0
2	1991-92	4	0	4	0
3	1994-95	2	0	2	0
4	1995-96	10	1	9	10
5	1996-97	43	21	22	49
6	1997-98	53	15	38	28
7	1998-99	39	27	12	69
8	2005-06	25	10	15	40
9	2006-07	61	25	36	41
10	2009-10	27	2	25	7
11	2013-14	4	0	4	0
Total		**269**	**101**	**168**	**38**
Note: The Audit Report years missing in the above table were either due to non-inclusion of subject chapter during that year or non-discussion of the subject chapter before the PAC.					

The status of compliance with PAC directives is very low except for the FY 1998-99. The department is required to improve it. Further, the department is requested to reconcile the matter with Audit Department regarding any discrepancy.

18.4 AUDIT PARAS

Procurement related irregularities

18.4.1 Non-completion of tasks assigned to PITB against expenditure-Rs. 20.69 million

As per Rule 2.20 of PFR Vol-I, as a general rule every payment, including re-payment of money previously lodged with Government, for whatever purpose, must be supported by a voucher setting forth full and clear particulars of the claim.

During audit of the accounts of Project Coordination Officer of ADP scheme Strengthening Services, Access and Management of Family Planning Program in Punjab for financial year 2022-23, it was observed that Rs. 20.694 million were placed in the Assan Assignment Account of Punjab Information Technology Board.

Following observations came into notice:

a) Utilization report for Rs. 20,694,000 had neither been signed by authorized officer of PITB nor Project Coordination Officer of the scheme.

b) Moreover, as per entries in stock register only two Laptops were issued. Hence procurement of 07 Laptops was un-necessary and without immediate requirement. Order of competent authority and acknowledgement by receiving officer/official were also not shared with audit.

c) Expenditure incurred on purchase of POL for 18 officers in one bill and 35 officers in other bills for 02/2023 and 03/2023 were not linked with this ADP scheme which needs to be justified. Moreover, POL consumption account/log books showing bonafide consumption of POL for this ADP activities were also not shown.

d) Payment was made in advance but following tasks assigned to PITB were not completed uptill now:

    i. Assets like vehicles, laptops, android tablets, sign boards, plant and machinery and Furniture/Fixtures were not uploaded on Assets Inventory Management System

    ii. Defective Biometric System showing public holidays as absent was not got rectified

    iii. About 20% data information of uploading of monitoring visits, monitoring reports and HR/Employee related information had not been uploaded on performance reporting system.

The matter was pointed out in September 2023. The DDO replied that PITB is requested through letter Nos. PWD/DG/SSA&M/2022/3203 dated 13.09.2023 and PWD/D6/PCO-3100 dated 09.10.2023 for provision of above stated information to settle this observation. Matter regarding uploading/shifting of data/information on the new modules was under process at the end of PITB. It would be completed soon.

The matter was further reported to the administrative department. In DAC meeting held on 01.01.2024, the para was kept pending for compliance. Further progress was not reported by administrative department till the finalization of this report.

Audit recommends that responsibility be fixed for discrepancies and drawbacks. The irregular expenditure without supporting documents be got regularized from the Finance Department besides ensuring compliance of audit observations mentioned above.

(PDP No. 2023-0000004369_F00002)

HR/Employees Related Irregularities

18.4.2 Overpayment of pay & allowances-Rs. 4.65 million

As per 2.31(a) of PFR-Vol-I, a drawer of bill for pay, allowances, contingent and other expenses will be held responsible for any over-charges, frauds and misappropriations.

During audit of Population Welfare Department, it was observed that pay and allowances i.e. 50/100% Civil Secretariat allowance, 20% Special allowance 2009, Utility allowance, Non-practicing allowance and Benevolent Fund amounting to Rs. 4,653,277 were drawn by various officers/officials without admissibility under the rules. The details are as under:

Sr. No.	Name of Formation	Period of audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1.	Secretary Welfare Population Welfare Department, Lahore	2022-23	2023-0000002806_F00002	Un-authorized drawl of in admissible allowances 50% / 100% Civil Secretariat allowance, Special Allowance 2009 20% and Utility allowance	3,264,690
2.	Secretary Welfare Population Welfare Department, Lahore	2022-23	2023-0000002806_F00013	Overpayment of Benevolent Fund	699,032

Sr. No.	Name of Formation	Period of audit	PDP No.	Nature of Irregularity	Amount (Rs.)
3.	District Population Welfare Officer, Lahore	2018-22	2023-0000000366_F00001	Irregular Payment of Non-practicing allowance	689,555
Total					**4,653,277**

Audit is of the view that weak internal controls on payroll resulted in overpayment of pay and allowances.

The matter was pointed out in June and August 2023. The management of formation at Sr. No. 1 & 2 replied that due to non-providing of staff by S&GAD, field staff was appointed in Secretary PWD office and noted the observation. In case of Sr. No. 3, it was replied that detail reply will be submitted later on.

The matter was further reported to the administrative department. In DAC meetings held on 30.08.2023 and 08.12.2023, the paras at Sr. Nos. 1 & 3 were kept pending for clarification from the Finance Department. The para at Sr. No. 2 was kept pending for compliance. Further progress was not reported by the department till the finalization of this report.

Audit recommends that responsibility be fixed for overpayment of pay & allowances besides ensuring recovery of the same and its deposit into Government Treasury.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para numbers 15.4.2(3) and 15.4.2(4) having financial impact of Rs. 4.34 million and Rs. 1.89 million. Recurrence of same irregularity is a matter of serious concern.

Management of accounts with commercial banks

18.4.3 Non transfer of monthly subscription of Benevolent Fund to population welfare fund account in bank-Rs. 121.807 million

Under Punjab "Population Welfare Department Benevolent Fund Rules 2005", Population Welfare Department Employees Benevolent Fund Board was established to approve the claims of invalidated, retired/legal heirs of deceased officers/officials of Population Welfare Department w.e.f. 31.12.1975 to 30.02.2002 as approved by the Governor of the Punjab on 07.04.2006.

During Audit of the accounts of Secretary, Population Welfare Department for the financial year 2022-23, it was observed that:

a) Monthly subscriptions of Benevolent Fund deducted from salaries of employees (appointed before 2002) by AG Punjab were not transferred to the Population Welfare Department Benevolent Fund account maintained in the Bank of Punjab to make payments to the concerned retired /legal heirs of deceased employees. Neither Rs. 115.609 million for the period 01.07.1996 to 30.06.2000 and 01.07.2002 to 31.12.2013 were transferred from Provincial Benevolent Fund to Population Welfare Fund nor Provincial Benevolent Fund Board accepted the claims of such employees. Subscriptions of benevolent fund from 01.01.2014 to date were not calculated and demanded from Provincial Benevolent Fund Board.

b) Amount deducted by AGPR Rs. 6,198,963 was also not transferred to Benevolent Fund account of Population Welfare Department for the period from 01.07.2000 to 30.06.2002.

Employees and families of deceased employees have been deprived of educational scholarship, marriage grant and others grants at the rates admissible to other provincial employees.

The matter was pointed out in August 2023. The DDO replied that Population Welfare Department, Punjab will approach federal BFD/AGPR Islamabad and AG Punjab for verification/reconciliation and transfer of the amount.

The matter was further reported to the administrative department. In DAC meeting held on 08.12.2023, the para was kept pending for compliance. Further progress was not reported by the department till the finalization of this report.

Audit recommends that responsibility be fixed for non-transfer of amount to population welfare fund account.

(PDP No. 2023-0000002806_F00008)

18.4.4 Irregular maintenance of bank account and drawl of amount-Rs. 27.806 million

Rule 9(1) of Treasury Rules Punjab provides that a Government servant may not, except with special permission of Government, deposit in a Bank money withdrawn from the consolidated Fund or the public account of the province under the provision of Section VII of these Rules. As per Rule 2.2 of PFR Vol-I, all transactions of money received from the bank/treasury should be entered in the cash book as soon as they occur and attested in the token of check as required.

During audit of District Population Welfare Officer, Lahore for the period 2018-22, it was observed that a bank account bearing No. 1442004000717439 was maintained by the department in National Bank of Pakistan. Following irregularities were observed:

a) Finance Department’s permission for opening of Bank Account was not obtained.

b) The amount was withdrawn and deposited in the bank account but it was noticed that neither cash book was maintained nor reconciliation was made. In absence of cash book, audit could not verify the expenditure. Moreover, the purpose of maintaining such account and disbursement details were not shared with audit.

Audit is of the view that lapses occurred due to weak supervisory and financial controls

The matter was further reported to the administrative department. In DAC meeting held on 30.08.2023, the para was kept pending for clarification from the Finance Department. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the irregularity be got condoned from the Finance Department.

Note: The issue was reported earlier also in the Audit report for Audit Year 2018-19 vide para number 21.4.6(1) having financial impact of Rs. 7.757 million. Recurrence of same irregularity is a matter of serious concern.

(PDP No. 2023-0000000366_F00006)

18.4.5 Loss to Government due to Non-Refund of Un-Spent Money-Rs. 7.77 million for last five years

As per Rule 2.33 of PFR Vol-I, every Government servant should realize fully and clearly that he will be held responsible for any loss sustained by Government through fraud or negligence on his part.

During audit of the accounts of Secretary, Population Welfare Department for the period 2022-23, it was observed that advance drawl of funds for Rs. 1,089,064,806 were made from Government Treasury for opening of LCs for procurement of contraceptives out of which Rs. 1,081,290,494 were spent during 2015-16 to 2018-19. Funds were not fully utilized and a balance of Rs. 7,774,312 remained unspent which has not yet been refunded to Government Treasury. The stated amount was kept in a current bank account No. 601004110560012 in Bank of Punjab instead of placing it in a PLS account. Due to retention of unspent money in a current bank account, Government sustained an estimated loss of Rs. 3,887,156 on account of profit. (Rs. 7,774,312*5*10/100)

The matter was pointed out in August 2023. The management replied that an amount of Rs. 2,282,541 is lying as balance of the LC amount which could not be utilized due to fluctuation of dollar rates.

The matter was further reported to the administrative department. In DAC meetings held on 08.12.2023, the para was kept pending for provision of detail ledger from Bank of Punjab. Further progress was not reported by the department till the finalization of this report.

Audit recommends that un-spent money be refunded to Government Treasury immediately besides taking disciplinary action against persons held responsible for retention of public money in current bank account for five years.

(PDP No. 2023-0000002806_F00001)

CHAPTER 19
PRIMARY AND SECONDARY HEALTHCARE DEPARTMENT

19.1 Introduction

Primary and Secondary Healthcare Department (P&SHD) is responsible to deliver quality healthcare services to the community through an efficient and effective service delivery system that is accessible, equitable, culturally acceptable, affordable and sustainable. P&SHD aims to improve the health and quality of life of all, particularly women and children, through access to essential healthcare services.

The Primary and Secondary Healthcare Department strives to reform and strengthen the critical aspects of the health care systems and enable it to:

- Provide and deliver a basic package of quality essential health care services
- Develop and manage competent and committed health care providers
- Generate reliable health information to manage and evaluate health services
- Adopt appropriate health technology to deliver quality services
- Reform the health administration to make it accountable to the public

Audit Profile of Primary and Secondary Healthcare Department

Sr. No.	Description	Total No.	Audited	Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)	Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)
1	Formations	22	7	10,257	-
2	• Assignments Accounts • SDAs etc. (excluding FAP)	10	5	-	-
3	Authorities/Autonomous bodies etc. under the PAO	3	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The Appropriation Accounts of Health Department for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during 2022-23 against the total of three grants/appropriations is given below:

(Rupees in million)

Grant No.	Original Grant	Supplementary Grant/ Re-Appropriation	Final Grant	Actual Expenditures	Excess/ (Savings)
1	**2**	**3**	**4**	**5**	**6(5-4)**
PC21010	1,682.20	340.13	2,022.33	2,034.90	12.57
PC21016	183,640.45	1,008.80	184,649.24	177,249.57	(7,399.67)
PC22036	163,745.77	(77,810.15)	85,935.61	84,663.11	(1,272.50)
Total	**349,068.41**	**(76,461.22)**	**272,607.19**	**263,947.59**	**(8,659.61)**

Overview of Expenditure

The final budget of Health Department for the year ended 30th June 2023 was Rs. 272,607.19 million. Out of this, actual expenditure was Rs. 263,947.59 million.

The breakup of current and development expenditure is given below:

(Amount in Rupees)

Grant Type	**Original Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	185,322,646,000	179,284,474,301	(6,038,171,699)	(3.26)
Development	163,745,765,000	84,663,111,660	(79,082,653,340)	(48.30)
Total	**349,068,411,000**	**263,947,585,961**	**(85,120,825,039)**	**(24.39)**

This composition changed due to supplementary grants & surrenders.

Variance of Final Grant and Actual Expenditure is given below:

(Amount in Rupees)

Grant Type	**Final Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	186,671,578,390	179,284,474,301	(7,387,104,089)	(3.96)
Development	85,935,612,853	84,663,111,660	(1,272,501,193)	(1.48)
Total	**272,607,191,243**	**263,947,585,961**	**(8,659,605,282)**	**(3.18)**

Anticipated savings not surrendered

As per para 14.3 of Punjab Budget Manual, the spending departments are required to surrender the grants/ appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs. (8,659.61) million at the close of the year 2022-23 under grants PC21010, PC21016, & PC22036 were not surrendered in time by the Department.

19.2 Classified summary of Audit Observations

Audit observations amounting to Rs. 7,388.48 million were raised in this report during audit of Primary and Secondary Healthcare Department. This amount includes recoveries of Rs. 640.53 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations

(Rs. in million)

Sr. No.	Classification	Amount
1.	Recoveries and overpayments	640.53
2.	Procurement related irregularities	3,260.74
3.	HR/Employees related irregularities	31.19
4.	Management of accounts with commercial banks	1,708.01
5.	Financial Matters	297.52
6.	Others	1,450.49
Total		**7,388.48**

19.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC directives for reports discussed so far is given below:

Sr. No.	Audit Report Year	Total Paras	Compliance received	Compliance not Received	Percentage of Compliance
1	1984-85	46	38	8	83
2	1985-86	48	35	13	73
3	1986-87	67	53	14	79
4	1987-88	145	91	54	63
5	1988-89	79	55	24	70
6	1989-90	101	54	47	53
7	1990-91	128	75	53	59
8	1991-92	67	47	20	70
9	1992-93	71	44	27	62
10	1993-94	88	54	34	61
11	1994-95	76	5	71	7
12	1995-96	122	0	122	0
13	1996-97	108	69	39	64
14	1997-98	201	53	148	26
15	1998-99	297	159	138	54
16	1999-00	154	118	36	77
17	2000-01	416	329	87	80
18	2001-02	270	160	110	59
19	2003-04	78	23	55	30
20	2005-06	107	44	63	41
21	2006-07	235	103	132	44
22	2009-10	295	64	231	22
23	2010-11	125	36	89	29
24	2011-12	97	25	72	26
25	2012-13	138	37	101	27
26	2013-14	89	12	77	13
27	2015-16	241	29	212	0
Total		**3889**	**1812**	**2077**	**47**
Note: The Audit Report years missing in the above table were either due to non-inclusion of subject chapter during that year or non-discussion of the subject chapter before the PAC.					

The Punjab Health Department was split into Specialized Health Care and Medical Education and Primary and Secondary Health Care Departments in the Financial Year 2015-16.

No para has been discussed in PAC of Primary and Secondary Healthcare Department as independent department. However, the department is required to improve compliance status of relevant formations in respective paras of Health Department in table above. Further, the department is requested to reconcile the matter with Audit Department regarding any discrepancy.

19.4 AUDIT PARAS

Recoveries and overpayments

19.4.1 Recovery due to non-deposit of EOBI charges- Rs. 281.61 million

As per Section 9 & 9B of Payment of Employee Rule 1976, Contribution @ 5% & 1% by the employer & employee was to be charged respectively. As per PPRA clarification vide No.L&M(PPRA)1-2(G)/17, dated 16.08.2021, the schedule must be verified by the procuring agency and included in bidding document as a constant and mandatory requirement. As per bidding document clause (3.1.4.3), the firm must abide by prevailing labour laws including but not limited to payment of Minimum wages, and EOBI to its employees concerning janitorial services.

During audit of Project Director, Project Management Unit, Primary & Secondary Healthcare Department for the period 2022-23, it was observed that the management paid Rs. 281,610,000 on account of EOBI to outsourcing contractors but the amount was not deposited by the contractor with concerned agency.

Audit is of the view that lapse occurred due to poor existence of administrative and financial controls.

The matter was pointed out to the formation concerned during August 2023. The management did not offer any replies.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that matter be inquired into and the amount be got deposited besides strengthening administrative and financial controls to avoid recurrence of such lapses in future.

(PDP No. 2023-0000003215_F00005)

19.4.2 Non-deduction of taxes and Government dues- Rs. 282.38 million

As per Section 153(1) of Income Tax Ordinance, 2001 and Section 3(1) of the Punjab Sales Tax on Services Act, 2012, income tax and Punjab sales tax was required to be withheld at source on prescribed rates before making payments to the firms.

As per Government of Pakistan, Revenue Division Federal Board of Revenue Inland Revenue Circular NO. 09 of 2022-23 bearing No.C.No.391)ST-L&P Islamabad dated 21.07.2022, drugs registered under the Drugs Act, 1976 have been made chargeable to tax at reduced rate of 1% without input adjustment. Similarly, active pharmaceutical ingredients (APIS) and their raw materials are also chargeable at fixed rate of 1% subject to certification by DRAP.

During audit of Primary & Secondary Healthcare Department, it was observed that GST, PST and income tax to the tune of Rs. 282,376,188 were not withheld/recovered before making payment to the firms/contractors which resulted in loss to Government. The details are given in annexure-31.

Audit is of the view that the lapse occurred due to weak internal controls on recoveries.

The matter was pointed out to the formations concerned during August to November 2023. The managements did not offer cogent replies.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the department should strengthen its internal controls besides ensuring recovery of stated amount from those concerned and depositing it into Government treasury.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para numbers 16.4.4, 15.4.14, 17.4.12, 15.4.9 and 22.4.51 having financial impact of Rs. 270.56 million, Rs. 105.50 million, Rs. 308.90 million, Rs. 1.84 million and Rs. 87.86 million. Recurrence of same irregularity is a matter of serious concern.

19.4.3 Non-recovery of late delivery charges and shelf-life penalty-Rs. 65.83 million

As per relevant clause of respective supply orders/bidding documents, in case of late delivery of goods beyond the periods specified in the Schedule of Requirements, penalty @ 0.1% per day of the cost not exceeding 10% of the purchase order/contract value for late delivered supply shall be imposed upon the supplier. Further, the shelf life must be up to 85% for the locally manufactured drugs and 75% for the imported drugs. The lower limit of the shelf life must be up to 80% and 70% with imposition of 1% penalty charges of actual shortfall in shelf life below prescribed limit for locally manufactured and imported medicines respectively.

During audit of Primary & Secondary Healthcare Department, it was observed that the contractors/suppliers failed to supply the items within the stipulated period and medicines were supplied having below shelf life. However, the management did not recover the late delivery charges and below shelf-life penalty of Rs. 65,825,805 from the contractors concerned.

The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	PMU, P&SH Department	2022-23	2023-0000003215_F00013	Non recovery of LD charges on supply of equipment.	49,780,000
2	Directorate Provincial EPI Cell, Lahore	2022-23	2023-0000003193_F00004	Late delivery charges not recovered for supply of Vaccines	10,642,164
3	Hepatitis & Infection Control Program	2021-23	2023-0000004720_F00002	Late delivery charges not recovered for supply of medicine	3,612,380
4	Prime Minister Health Initiative (PMHI) Program, Lahore	2022-23	2023-0000004360_F00004	Below shelf life penalty not recovered	907,328
5	Program Manager, Prevention & Control of Non-Communicable Diseases (NCD)	2022-23	2023-0000004721_F00002	Non recovery of LD charges	883,933
Total					**65,825,805**

Audit is of the view that the lapse occurred due to weak internal controls on recoveries.

The matter was pointed out to formations concerned during August to November 2023. The management at Sr. Nos. 2 replied that LCs of most of the vendors could not be opened timely by the importers leading in delay of supplies. The management at Sr. Nos. 3 & 5 replied that detailed response would be submitted later after consulting the record. Rest of the entities did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that late delivery charges and below shelf-life penalty be recovered from the concerned and deposited into Government treasury besides strengthening internal controls.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2018-19 vide para numbers 16.4.5 and 22.4.58 having financial impact of Rs. 30.81 million and Rs. 6.32 million. Recurrence of same irregularity is a matter of serious concern.

19.4.4 Recovery due to irregular payment of demurrage charges-Rs. 10.71 million

As per clause 13.6 of bidding document, the procuring agency will provide all necessary documents for facilitation and custom clearance but no amount be given in any case except the contracted amount. The octroi, clearing charges, transportation etc. will be borne by the contracting firm. Further, clause 13.3 of the General Conditions of Contract (GCC) in bidding documents provides that, the supplier shall be required to provide all the incidental service charges and the cost of such incidental services include in total contract price. The procuring agency will not pay any extra amount against any expenditure incurred on it, as the contract shall be construed as fixed amount contract and includes all costs.

During audit of Project Director, Project Management Unit, Primary & Secondary Healthcare Department for the financial year 2022-23, it was observed that management paid demurrage charges Rs. 10,707,196 to firms although it was clearly mentioned in bidding documents that "procuring agency will not pay any extra amount against any expenditure incurred on it, as the contract shall be construed as fixed amount contract and includes all costs". This resulted into overpayment of stated amount and loss to public exchequer.

Audit is of the view that lapse occurred due to weak financial and supervisory controls.

The matter was pointed out to formation concerned during August 2023. The management did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired into, recovery be affected besides strengthening administrative and financial controls to avoid recurrence of such lapse in future.

(PDP No.2023-0000003215_F00014)

Procurement related irregularities

19.4.5 Non transparent award and extension of contract for outsourcing CT Scan machines services-Rs. 2,380.66 million

As per Rule 25.4 of PPR 2014, where any change becomes essential in the procurement process, such change shall be made in a manner similar to that of the original advertisement. As per bidding document, terms of reference at Sr. No. 06, the party will install the system within 02 months of signing the Contract and complete the installation for whole sites within 06 month, at Sr. No. 07 the validity of this contract for providing the Scanning facility will span for 05-years, extendable, subject to up-gradation of the facility /Scanner. As per agreement dated 31.01.2017, at Sr. No. 2.2, M/S Eastern Medical Technology shall complete installation/ commissioning of "brand new 16 Slice CT Scanning machine of "Hitachi Japan" with all its accessories as per approved technical specifications within (180) days from the date of signing of the contract. 20% installation/ commissioning of equipments will be complete within 90 days.

During audit of the Project Director, Project Management Unit, Primary & Secondary Healthcare Department for the financial year 2022-23, scrutiny of contract file revealed that outsourcing contract of CT Scan test for twenty (20) hospitals was awarded to M/s Eastern Medical Technology services on 31-January-2017. Following irregularities were noticed:

i. As the agreement originally singed provides entitler to an annual increase of 7% of the patients afforded scanning irrespective of fluctuations in foreign currency or KIBOR. However, after seven years of signing of contract, the management paid Rs. 26,887,010 as arrear by calculating 7% compounding increase and also adopted said practice for future as undue favors to the contractor. The arrear amount should be recovered and the rate should be increased on base rates instead of applying the compounding formula.

ii. An amount of Rs. 33,656,459 which was withheld by the management in the invoice due to the fake signing of doctors identified by the internal auditor was again paid to the concerned contractor without verification of record or forensic of said signature.

iii. Management made amendments in the contract dated 31.01.2017 and paid an advance payment of Rs. 56,880,000 irregularly as that clause was not mentioned in bidding documents. If said clause had already been added in tender document, more economical competition could have been made. The said amount was adjusted after a considerable delay of 4 years which is irrational and unjustified. Moreover, said advance drawl was made without the approval of the Finance Department.

iv. As per the bidding document, the functional time of CT Scan machine should be 95% but in different hospital, its functional time was below 95% (80% to 90%). But the management did not impose any penalty.

v. As per the 5th amendment in the agreement, five machines should be installed dated 31.03.2019 subject to imposing penalty @ 237,000 per machine but it was not installed within that period and management did not recover a penalty of Rs. 1,185,000 from the concerned.

vi. As per the bidding document, the party will install the system within 02 months of signing the contract and complete the installation for all the sites within 06 months but management made a number of amendments in contract by extending the period to favour the contractor and he failed to install within stipulated time.

vii. As per the bidding document, the validity of this contract for providing the Scanning facility will span for 05-year, extendable, subject to up-gradation of the facility /Scanner by the contractor but management extended said contract up to an unlimited period with mutual consent despite the fact that said contractor could not upgrade facility of scanning.

viii. Management paid guaranteed load of Rs. 298,620,000 to contractor due to the non-assurance of an average of 200 patients per month by the department, ignoring the fact that all CT scans machines were installed with considerable period of delay ranging from 122 to 1067 days. The said amount was used by the contractor for about two and half years and later on when management understood that it was a wrong payment, it was adjusted in next bills. Responsibility was not fixed against the concerned due to wrong payment.

ix. Management again paid the guaranteed load of Rs.16,124,627 as an arrear/adjustment.

Audit is of the view that non transparent award and extension of contract of outsourcing CT Scanning were due to defects in administrative and financial controls.

The matter was pointed out to formation concerned during August 2023. The management did not offer any reply.

The matter was further reported to the Administrative Department. Neither any reply was received nor DAC meeting was convened till the finalization of this Report despite issuance of reminders in November and December 2023.

Audit recommends that matter be inquired, responsibility to fixed against concerned, beside affecting recovery and strengthening of internal controls.

<u>Note:</u> The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 16.4.13 having financial impact of Rs. 2,298.62 million. Recurrence of same irregularity is a matter of serious concern.

(PDP No. 2023-0000003215_F00006)

19.4.6 Irregular procurements in violation of Punjab Procurement Rules 2014 and bidding criteria-Rs. 880.08 million

As per Notification issued by PPRA on prequalification of single firm vide Notification No.L&M(PPRA)10-01/2011 dated 10-02-2020, Managing Director PPRA clarified that whenever procuring agencies take up public procurement through prequalification mode they must ensure that at least three (03 number) prequalified bidders are available for the further bidding process and in case if the turnout of the prospective bidders for the procurement emerges less than three or only one bidder qualifies out of the clusters of applicant bidders for prequalification then the procuring agency must reconsider the prequalification criteria modalities which obstructs attracting the desired number of prospective bidders. In the wake of above, PPRA is of the concerted opinion that a prequalification cannot be considered as valid if it falls short of at least three bidders to compete for further bidding process.

As per Rule 4 of Punjab Procurement Rules 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical. Moreover, as per Rule 9 of the Rules ibid, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurement so planned. Furthermore, Rule 12 ibid states that a procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the

Authority. Any procurement exceeding three million rupees shall be advertised on the website of the Authority, the website of the procuring agency, if any, and in at least two national daily newspapers of wide circulation, one in English and one in Urdu.

During audit of Primary & Secondary Healthcare Department, it was observed that expenditure to the tune of Rs. 880,079,027 was incurred on procurement of goods and services. The procurements were made in violation of Punjab Procurement Rules and bidding criteria which rendered the whole expenditure irregular. The details are given in annexure-32.

Audit is of the view that disregard to Punjab Procurement Rules 2014 resulted in irregular expenditure.

The matter was pointed out to the formations concerned from March to November 2023. The management at Sr. No. 1 replied that procurement was made through open tender process. The management at Sr. No. 2 noted the observation for future compliance. The managements at Sr. Nos. 3, 4, 6, 9, 10, 13 & 15 stated that replies will be submitted later on after consulting record. The management at Sr. Nos. 8 & 12 noted the observation for compliance and rest of the management did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 11.12.2023, the paras at Sr. Nos. 2 & 8 were kept pending for regularization from Finance Department. The para at Sr. No. 12 was kept pending for compliance. Further progress was not reported by the Department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the responsibility for non-adherence to rules be fixed and remedial measures be taken besides seeking regularization of irregularity.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para numbers 16.4.10, 15.4.6, 17.4.4, 15.4.3 & 22.4.8 having financial impact of Rs. 4,227.80 million, Rs. 6632.73 million, Rs. 10,851.34 million, Rs. 1,571.94 million and Rs. 1,611.72 million. Recurrence of same irregularity is a matter of serious concern.

HR/Employees related irregularities

19.4.7 Irregular payment of inadmissible allowances-Rs. 12.96 million

As per Government of the Punjab, Finance Department Notification No. FD.SR-I/8-14/2016 dated 29.06.2017, actual residential accommodation charges up to 5-dailies will be admissible on production of receipts as per existing rules. However, when residential accommodation receipts are not submitted only 2-dailies will be allowed to the Government servant.

As per Sr. No. 2 of Govt. of the Punjab, Finance Department's letter No.FD.SR-I/6-4/2019 dated 05.04.2021, Non-Practicing Allowance (NPA) is not admissible to doctors working in P&SH Department and SHC&ME Department serving on administrative posts. The same facility has not been extended to the doctors working on administrative posts in other administrative departments.

As per clarification of Finance Department vide letter No.FD.SRT.9-4/86(P)(PR) dated 21.04.2014, the officers availing Government vehicles (sanctioned/pool) are not entitled to the facility of conveyance allowance w.e.f. 01.03.2014. As per Finance Department Notification No.106SO(SR)(iv)/7 dated 18.08.1977, conveyance allowance is not admissible during leave including LPR and vacations.

As per Sr. No. 8 of terms & conditions of Offer of Appointments issued under Prime Minister's Health Initiative, Punjab, "the contract appointment will liable to be terminated on one month's notice or on payment of one month pay in lieu thereof, on either side, without any notice on administrative grounds or on account of poor performance/ undesirable conduct or unauthorized/willful absence from duty".

As per Finance Department letter No.FD.SR-II/9-131/2020 dated 05.10.2022, the Chief Minister has been pleased to decide that in service regular Government servants so appointed posted in projects, programs, authorities against non-carded posts shall be entitled to the grant of incentive allowance in addition to their admissible salary under the respective pay scales. In case executive allowance or any other cadre specific allowance is admissible on a post then there will be an option to choose either of one.

During audit of Primary & Secondary Healthcare Department, it was observed that various allowances such as Non-practicing Allowance, Health Professional Allowance and Special Healthcare Allowance, Daily Allowance and Conveyance Allowance to the tune of Rs. 12,956,396 were paid to the officers/officials without admissibility. The details are given in annexure-33.

Audit is of the view that lapse occurred due to weak internal controls on payroll.

The matter was pointed out to the formation concerned during August and November 2023. The management at Sr. No. 4 replied that as post of Medical Officer was not an administrative post so they are entitled for NPA, however further clarification may be sought from Finance Department to proceed further in the matter. The reply was not tenable because no documentary evidence was provided in support of the contention. Rest of the management did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends to recover the overpaid inadmissible pay and allowances from the concerned and deposit the same into Government treasury.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22 and 2018-19 vide para numbers 16.4.7, 15.4.13 and 22.4.54 having financial impact of Rs. 12.48 million, Rs. 10.88 million and Rs. 7.12 million. Recurrence of same irregularity is a matter of serious concern.

19.4.8 Irregular re-employment-Rs. 8.32 million

As per Re-employment Policy of Retired Govt. Servant/Army Personnel issued vide No.SOR-I-10-1/2003 dated 16th June 2003, "In order to streamline the procedure regarding re-employment of retired Government servants/Army personnel, the Chief Minister has desired that in future all cases of re-employment on contract must be examined by the Provincial Re-employment Board/Provincial Re-employment Committee in accordance with the policy and recommendations of the Board/Committee should be then submitted for orders of the Chief Minister.

During audit of Program Director, Integrated Reproductive Maternal Neonatal and Child Health, Lahore for the financial years 2022-23, it was observed that Additional Director (M&E) was appointed on contract basis @ Rs. 300,000 per month for one year vide order dated 09.02.2017 of Primary and Secondary Healthcare Department and he joined the post on very next date of his retirement i.e., 29.03.2017 (retired on 28.03.2017 as APMO P&S Healthcare Department). His contract was extended time and again on same terms and conditions for 29.03.2018 to 28.03.2019, 29.03.2019 to 30.06.2019, 01.07.2019 to 30.06.2020, 01.07.2020 to 30.06.2021 then 01.07.2021 to 30.06.2023 and paid Rs. 8,316,000 during 2022-23. Following irregularities were observed:

1. Re-employment was unlawful as the appointment was not approved by the Chief Minister on the recommendation of Provincial Re-employment Board.
2. The officer was appointed on lump sum salary of Rs. 300,000 per month and all his extension orders were on same terms and conditions. In February 2023, his pay was revised from back dates and he was paid arrear due to increase in pay @ 10% annually from July 2018 to June 2020 and Rs. 18,500 per year from July 2020 to onward on basis of revised PC-I. In this way, the officer had drawn Rs. 4,716,000 in addition to his pay fixed in appointment order.
3. All his extension orders were issued by Director IRMNCH on existing terms and conditions. Extension order by appointing authority i.e., Secretary Primary and Secondary Healthcare was not available in his personal file for period 29-3-2018 to 30-6-20.

The Irregular re-employment was made due to weak internal controls.

The matter was pointed out to the formation concerned during October 2023. The management did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends to fix the responsibility, de-notify the irregular appointments and get the matter condoned with the sanction of Finance Department.

(PDP No. 2023-0000004359_F00010)

19.4.9 Irregular payments to contingent paid staff-Rs. 8.21 million

As per Schedule of Wage Rates issued by Government of the Punjab, Finance Department, appointment to a post included in the Schedule be made subject to the condition that the post(s) shall be advertised properly in the leading newspapers. Moreover, as per Finance Department's letter No.SO(TT)2-2/72-Pt-I dated 19.07.2008, monthly salary of all Government employees may strictly be disbursed through their bank accounts alone failing which the salary of defaulting employees may be stopped.

During audit of the accounts of Program Manager Prevention and Control of Non-Communicable Diseases (NCD) for the period 2021-23, it was observed that expenditure of Rs. 8,211,958 was incurred on engagement of contingent paid staff. The expenditure was held irregular as the staff was hired without advertisement. Further, criteria of appointment, advertisement record, selection committee notification, applications of the candidates, diary register, scrutiny record of the application, interviews letters, attendance of applicants, marks given by interviewing committee were also not found in record/provided to audit for verification.

Audit is of the view that lapse occurred due to weak supervisory and financial control.

The matter was pointed out to the formation concerned during October 2023. The management received the observation with remarks that detail reply will be submitted after consultation of record.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be looked into at administrative departmental's level besides seeking regularization from Finance Department.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22, 2020-21 and 2019-20 vide para numbers 15.4.1, 17.4.3 and 15.4.2 having financial impact of Rs. 765.20 million, Rs. 61 million and Rs. 15.95 million. Recurrence of same irregularity is a matter of serious concern.

(PDP No.2023-0000004721_F00005)

19.4.10 Less deduction of income tax on pay & allowance-Rs. 1.70 million

As per Sr. No. 2 of division-1 of part-1 of first Schedule of Income Tax Ordinance, 2001 (updated June 2022), where the income of an individual chargeable under the head "salary" exceeds seventy-five per cent of his taxable income, the rates of tax to be applied shall be as set out in the following table:

Sr. No.	**Taxable Income**	**Rate of Tax**
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs. 600,000	Rs. 0
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	2.5% of the amount exceeding Rs. 600,000
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 15,000 + 12.5% of the amount exceeding Rs. 1,200,000

Sr. No.	Taxable Income	Rate of Tax
4.	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,600,000	Rs. 165,000 + 20% of the amount exceeding Rs. 2,400,000
5.	Where taxable income exceeds Rs. 3,600,000 but does not exceed Rs. 6,000,000	Rs. 405,000 + 25% of the amount exceeding Rs. 3,600,000
6.	Where taxable income exceeds Rs. 6,000,000 but does not exceed Rs. 12,000,000	Rs. 1,005,000 + 32.5% of the amount exceeding Rs. 6,000,000
7.	Where taxable income exceeds Rs. 12,000,000	Rs. 2,955,000 + 35% of the amount exceeding Rs. 12,000,000

During audit of Project Director, IRMNCH for the period 2022-23, it was observed that the officers posted at PMU office were drawing pay but income tax on salary was less deducted which resulted into overpayment to officers Rs. 1,702,281 and loss to Government.

Less deduction of income tax was due to weak controls and resulted into excess payment to employees.

The matter was pointed out to the formation concerned during October 2023. The management stated that reply will be submitted after consultation of record.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends to fix the responsibility besides affecting recovery from the concerned staff and depositing the same into Government Treasury.

(PDP No.2023-0000004359_F00016)

Performance related irregularities

19.4.11 Poor performance due to non-provision of training

As per the approved PC-I of the programs IRMNCH&NP, CMSRP and Provision of Health Services to the Children with Special Needs in Special Children Institutes, the funds were approved against various components of the program as detailed in the Cost Summaries. An amount of Rs. 112.30 million was earmarked for the training during the program.

During audit of the accounts of Program Director, Integrated Reproductive Maternal Neonatal and Child Health, Lahore for the period 2022-23, it was observed that the budget was allocated for training but neither the amount was utilized nor training provided to the staff.

Audit is of the view that the lapse occurred due to poor internal and financial controls.

The matter was pointed out to the formation concerned during October 2023. The management stated that reply will be submitted after scrutiny of record.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that matter may be probed at administrative department level for fixing responsibility besides strengthening of internal controls.

(PDP No.2023-0000004359_F00011)

Management of accounts with commercial banks

19.4.12 Undue parking of public money outside Government Treasury-Rs. 1,561.16 million

According to Clause II of the austerity measures issued by Government of the Punjab, Finance Department vide letter No.FD.SO(GOODS)44-4/2016 dated 09.08.2019, "Placement of funds in Bank Accounts of Entities" un-necessary parking of public funds provided by the Provincial Government from its budgetary allocation in the commercial bank of account of Companies, Authorities, Autonomous Bodies etc. shall not be allowed. Finance Department will release funds to such entities in relevant SDAs or through normal release mode. These funds will be further transferred from SDAs into commercial bank accounts of such entities as per cash flow requirements of entities to avoid un-necessary parking of funds.

Policy guideline for treatment of profits earned on funds lying in commercial banks from money withdrawn by the provincial Government entities from Provincial Consolidated Fund (PCF) was issued by the Finance Department vide No.FD(W&M)1-1/70(Vol-XV)2021/98 dated 09-06-2023. Para 6(i) of the said policy states that profit accrued against the money withdrawn from PCF/public account:

i. In case money is provided for execution of ADP scheme to the administrative department or attached department, expected to be completed in a financial year, the amount received at the close of the financial year shall be deposited with the Finance Debarment through a cheque in the designated head of account

ii. In case money is provided for ADP scheme to the administrative department or attached department and to be executed during more than one year, the profit accrued on public money shall be intimated to Finance Department till 30th June the amount of such profit shall be deducted at source by the Finance Department while releasing fund for next financial year. Sr. No. (ii) of para 6 of ibid states that profit accrued against the money provided to administrative department and attached department to support service delivery or for other operational purpose etc. the profit shall be deposited in the Government treasury by the administrative department and attached department via Finance Department through a cheque.

During audit of Project Director, Project Management Unit, Primary & Secondary Healthcare Department for the financial year 2022-23, it was observed that huge amount of Rs. 1,561,162,267 withdrawn from Government Account was retained in commercial bank accounts by the department. The unutilized funds and profit accrued thereupon were not transferred to Government Treasury. The details are as under:

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Nature of Irregularity**	**Amount (Rs.)**
1	PMU, P&SH Department	2022-23	2023-0000003215_F00001	SDA funds drawn during 2021-23 parked in current account of BOP for procurement. No procurement made even lapse of more than 12 months	1,465,830,000
2	Secretary P&SH	2022-23	2023-0000002822_F00012	Profit of bank balances and other amount not transferred to Govt. Treasury	95,332,267
Total					**1,561,162,267**

Undue parking public money outside Government Treasury was due to weak financial controls.

The matter was pointed out to the formation concerned during October 2023. The management at Sr. No. 1 did not offer any reply. The management at Sr. No. 2 noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 11.12.2023, the para at Sr. No. 2 was kept pending till payment of taxes. Further progress was not reported by the Department. As regards remaining para, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that matter be inquired, responsibility be fixed against concerned, and the parked amount be recovered from commercial banks and be deposited into Government treasury.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2021-22 vide para numbers 16.4.17 and 15.4.16 having financial impact of Rs. 1,695.11 million and Rs. 78.25 million. Recurrence of same irregularity is a matter of serious concern.

19.4.13 Loss due to poor financial management-Rs. 146.85 million

As per Rule 2.10 (a) (1) of PFR Vol-I, same vigilance should be exercised in respect of expenditure incurred from Government revenues, as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of Project Director, Project Management Unit, Primary & Secondary Healthcare Department for the financial year 2022-23, scrutiny of bank statement revealed that a large amount of Rs. 1,468.52 million were transferred from SDA to the Current Account of BOP for development schemes and other expenses. Out of the total amount, a sum of Rs. 750.00 million remained throughout the financial year in the current bank account of BOP. If the said account were PLS/Daily profit account, the department would have earned profit of Rs. 146.85 million.

Audit is of the view that loss was sustained by Government and undue benefit to the bank due to poor existence of administrative and financial controls.

The matter was pointed out to the formation concerned during September 2023. The management did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that matter be inquired, responsibility to be fixed against concerned, besides strengthening administrative and financial controls to avoid recurrence of such lapse in future.

(PDP No.2023-0000003215_F00002)

Financial Matters

19.4.14 In-ordinate delay in Tendering Process & LC opening despite advance withdrawal- Rs. 297.52 million

As per Rule 2.10 (a) (1) of PFR Vol-I, in incurring and sanctioning expenditure from the revenues of the province, the disbursing officers and sanctioning authorities should be guided by the fundamental canons of financial propriety i.e. same vigilance should be exercised in respect of expenditure incurred from Government revenues, as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of the accounts of Program Manager Hepatitis and Infection Control Program Lahore (H&ICP) for the period 2021-23, it was observed that framework contract agreement was signed in February 2023 for procurement of Incinerators. Audit observed in-ordinate delay in finalization of the purchase process despite advance withdrawal of Rs. 297,521,000 in June 2023.

In this regard, following discrepancies were observed:

i. LC had not been opened till the close of audit in October 2023.
ii. Advance withdrawal of Rs. 297,521,000 was made on 11-06-2023 by management to avoid lapse of funds.
iii. No civil work had been started.
iv. The period of scheme was for 2 years w.e.f. 01.07.2022 to 30.06.2024 whereas the entity started the process in November–December 2022 and finalized/contract agreement in February 2023 but no purchase/supply order was issued till close of audit in October 2023.
v. There were only 2 Incinerators approved in Revised PC-I/ budget i.e. one for R.Y. Khan and another for Mianwali whereas management advertised for 3 Incinerators

which was actually not required as all the tendering process was focused/completed for 2 incinerators.

Audit is of the view that lapse occurred due to weak supervisory and internal controls.

The matter was pointed out to the formation concerned during October 2023. The management replied that detailed response will be submitted later after consulting the record.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends to probe the matter at administrative department's level for in-ordinate delay and not opening of LC besides regularization of the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2018-19 vide para number 22.4.42 having financial impact of Rs. 7.75 million. Recurrence of same irregularity is a matter of serious concern.

(PDP No. 2023-0000004720_F00013)

Others

19.4.15 Utilization of medicine without consumption account-Rs. 908.32 million

According to Rule 15.7 of PFR Vol-I, heads of offices and others entrusted with the care of stores of any kind should maintain suitable accounts and inventories of the stores in their charge.

During audit of Primary & Secondary Healthcare Department, it was observed that medicine was supplied to health facilities in Punjab for provision to patients. Monitoring system was not in place at headquarter level for consumption of medicine in hard or soft form. It is pertinent to mention here that the program management had provided desktop computers to health facilities for maintaining the inventory of medicine as well as patients' record electronically. A database i.e. Electronic Medical Record (EMR) had also been maintained by the department to keep online record of patients but the EMR was not reflecting patient-wise distribution of medicine. Due to non-maintenance/non-availability of consumption account of medicine and non-reflection of patients' record on EMR, the expenditure on procurement of medicine Rs. 908,317,876 stood unauthentic. The detail is as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Integrated Reproductive Maternal Neonatal & Child Health and Nutrition Program (IRMNCH &NP) Punjab, Lahore	2022-23	2023-0000004359_F00012	Medicine supplied to health facilities in Punjab for provision to patients but consumption record was not maintained at PMU level in hard or soft form	565,520,000
2	TB Control Program in Punjab	2022-23	2023-0000003207_F00002	Medicine supplied to health facilities in Punjab for provision to patients but consumption record was not maintained at PMU level in hard or soft form	342,797,876
Total					**908,317,876**

Audit is of the view that lapse occurred due to weak supervisory and internal controls on inventories.

The matter was pointed out to the formations concerned from August to October 2023. The management did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired into for taking remedial measures and consumption/utilization account of medicine be maintained besides strengthening the supervisory and internal controls on inventories.

19.4.16 Facilities not extended to patients due to non- deployment of equipment and medicines at health facilities-Rs. 398.44 million

According to Rule 15.18 of PFR Vol-I, balances of store should not be held in excess of the requirement of a reasonable period or in excess of any prescribed maximum limit.

During audit of the Integrated Reproductive, Maternal, Neonatal and Child Health (IRMNCH) for the financial year 2022-23, on physical verification of PMU's warehouse, it was observed that above rules were not adhered to and the management purchased machinery& equipment, medicines and furniture and the stock valuing Rs. 398,440,728 was laying in warehouse of PMU Lahore since three to six months and had not sent to the health facilities in Punjab where these stocks were to be utilized. The patients remained deprived of the benefit from Government expenditure. Audit held that either the stock was not sent to health facilities due to management negligence or purchases were made without immediate requirement just to utilize the budget allocation.

Audit is of the view that facilities not extended to patients due to non-utilizing equipment and medicines because of weak controls on inventories.

The matter was pointed out to the formations concerned during October 2023. The management stated that reply will be submitted after consulting record.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends probe of the matter to fix responsibility besides regularization of the matter from Finance Department.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22, 2020-21 and 2018-19 vide para numbers 15.4.12, 17.4.8 and 22.4.32 having financial impact of Rs. 935.93 million, Rs. 112.56 million and Rs. 4,488.90 million. Recurrence of same irregularity is a matter of serious concern.

(PDP No.2023-0000004359_F00018)

19.4.17 Irregular procurement without approval of Austerity Committee-Rs. 112.89 million

As per Finance Department letter bearing No.SO (Goods) 44-4/2022-23, Government of the Punjab Finance Department dated 18-Nov-2022, Purchase of air conditioner exceeding the aggregate amount of Rs. 1.00 million in current financial year 2022-23 shall not be allowed except with the prior concurrence/approval of the Austerity Committee.

During audit of Project Director, Project Management Unit, Primary & Secondary Healthcare Department for the financial year 2022-23, it was observed that an amount of Rs. 112,888,860 was expended on purchase of air conditioners. The purchases were held irregular as the approval from the Austerity Committee was not obtained.

Audit is of the view that non-adherence to Government instructions resulted in irregular expenditure on the purchasing of air conditioner.

The matter was pointed out to the formations concerned during August 2023. The management did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired to fix responsibility for non-adherence to Government instructions besides seeking regularization of the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2018-19 vide para number 22.4.22 having financial impact of Rs. 28.01 million. Recurrence of same irregularity is a matter of serious concern.

(PDP No.2023-0000003215_F00009)

19.4.18 Irregular expenditure on account of Entertainment-Rs. 28.34 million

As per PFR volume II Rule 52 official entertainment, the refreshment served in official meetings shall be regulated as follows: (a) The meeting called by various Departments fall under the following categories: (i) Meetings attended by officers of the Federal Government, other Provincial Governments or semiofficial or public organizations; (ii) Meetings attended by foreigners representing foreign Governments or foreign organizations working in Pakistan; (iii) Meetings attended by officers of the Provincial Government; and (iv) Meetings attended by non-officials. (b) The limits of expenditure on refreshments in connection with the meeting falling under categories (i) and (ii) shall be Rs. 500 or a Lunch Box for Rs. 2,200 per head The meetings falling under categories (iii) and (iv) shall be charged as Rs. 500 or a Lunch Box for Rs. 2,200/per head. (c) The Cabinet meetings shall be charged at Rs. 200 or a Lunch Box for Rs. 1,000 per head.

During the audit of Primary & Secondary Healthcare Department for the financial year 2022-23, scrutiny of record, it was noticed that an amount of Rs. 28,339,675 was incurred by the management on account of entertainment. However, no specific criteria were observed and financial prudence was ignored while making this expenditure. As no record of such meetings was available with the department, the audit had to rely on the trend analysis of the expenditure. The following analysis is shared:

i. The average entertainment expense on 10 people attending meetings in the department turns out to be Rs. 6,700
ii. The total number of persons that could be entertained in the budget expensed by the department in the Financial Year is (28,339,675/6700 *10) 42,298 persons.
iii. On average there are 252 working days, excluding weekends and gazette holidays when the office is not functional. Hence, as per the expense, 168 officers/official/ non-officials were attending formal meetings in the department daily which were also being served with the entertainment ultimately charged to the department. Hence, audit is of the view that the amount spent on entertainment was not only abnormal but also without any financial trail as required under the rules.

The irregularity occurred due to weak supervisory and financial controls.

The matter was pointed out to the formations concerned during August 2023. Management replied that instructions will be followed in future. Hence, the department admitted the observation.

The matter was further reported to the administrative department. In DAC meeting held on 11.12.2023, the para was kept pending for regularization from Finance Department. Further progress was not reported by the Department till the finalization of report.

Audit recommends that matter be inquired into at the departmental level, listing out the quantities of all the items procured under the head of entertainment. Responsibility be fixed against the person found at fault.

(PDP No.2023-0000002822_F00006)

19.4.19 Recovery due to non-return of Government Assets- Rs. 2.50 million

As per Rule 2.10(a)(1) of PFR Vol-I, same vigilance should be exercised in respect of expenditure incurred from Government revenues, as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of Primary & Secondary Healthcare Department for the financial year 2022-23, security of record revealed that number of laptops and mobiles were issued to officers but they were either transferred or left the office but management could not retrieve said assets from the concerned.

Audit is of the view that the lapse occurred due to defective internal controls on management of assets.

The matter was pointed out to the formations concerned during August 2023. The management stated that reply will be submitted later on. The reply of the department was not tenable because specified Government assets were neither returned by the allottees nor found in the record.

The matter was further reported to the administrative department. In DAC meeting held on 11.12.2023, the para was kept pending for recovery. Further progress was not reported by the Department till the finalization of report.

Audit recommends retrieval of the department's assets from the concerned officers besides strengthening of internal controls.

(PDP No.2023-0000002822_F00008)

CHAPTER 20
SCHOOL EDUCATION DEPARTMENT

20.1 Introduction

The Education Department was split into four departments in the year 2003-04. The said Department was subdivided into the Higher Education Department, Special Education Department, School Education Department and Literacy & Non-formal Basic Education Department. The legislation, policy formulation and planning areas of the School Education Department are:

- Primary education
- Elementary education
- Secondary and higher secondary education

The functions performed by the School Education Department are:

- Formulating the curricula and syllabi up to class XII
- Production and publication of textbooks for class I to XII
- Regulatory policy concerning private sector schools
- Children libraries and libraries affiliated with Children Library Complex
- Promotion of sports in schools
- Provision of compulsory and free education to all within the age of 5-16 years
- The matters relating to the Punjab Daanish Schools and Centers of Excellence
- To promote quality education through public-private partnership through Punjab Education Foundation

Audit Profile of School Education Department

Sr. No.	Description	Total No.	Audited	Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)	Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)
1	Formations	70	9	1,632	-
2	• Assignments Accounts • SDAs etc. (excluding FAP)	9	-	-	-
3	Authorities/Autonomous bodies etc. under the PAO	13	-	-	-
4	Foreign Aided Projects (FAP)	1	1	200.06	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The Appropriation Accounts of School Education for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during 2022-23 against the total of three grants/appropriations is given below:

(Rupees in million)

Grant No.	Original Grant	Supplementary Grant/ Re-Appropriation	Final Grant	Actual Expenditures	Excess/ (Savings)
1	**2**	**3**	**4**	**5**	**6(5-4)**
PC21010	395.66	68.71	464.37	488.36	23.99
PC21015	29,474.55	396.31	29,870.86	34,209.12	4,338.26
PC22036	38,761.00	(10,945.78)	27,815.22	27,814.34	(0.88)
Total	**68,631.21**	**(10,480.76)**	**58,150.45**	**62,511.81**	**4,361.36**

Overview of Expenditure

The final budget of School Education for the year ended 30th June, 2023 was Rs. 58,150.45 million. Out of this, actual expenditure was Rs. 62,511.81 million.

The breakup of current and development expenditure is given below:

(Amount in Rupees)

Grant Type	**Original Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	29,870,209,000	34,697,475,513	4,827,266,513	16.16
Development	38,761,000,000	27,814,337,707	(10,946,662,293)	28.24
Total	**68,631,209,000**	**62,511,813,220**	**(6,119,395,780)**	**8.92**

This composition changed due to supplementary grants & surrenders.

Variance of Final Grant and Actual Expenditure is given below:

(Amount in Rupees)

Grant Type	**Final Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	30,335,230,000	34,697,475,513	4,362,245,513	14.38
Development	27,815,220,000	27,814,337,707	(882,293)	0.00
Total	**58,150,450,000**	**62,511,813,220**	**4,361,363,220**	**7.50**

Anticipated savings not surrendered

As per para 14.3 of Punjab Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs. (0.88) million at the close of the year 2022-23 under grant PC22036 was not surrendered in time by the Department.

Excess expenditure requiring regularization

As per Para 13.2 (ii) of Punjab Budget Manual, the total expenditure incurred on a purpose does not exceed the grant or grants provided for that purpose. However, excess expenditure amounting to Rs. 4,362.25 million for the year 2022-23 under grants PC21010 & PC21015 had not been got regularized so far. This was breach of legislative control over appropriations.

20.2 Classified summary of Audit Observations

Audit observations amounting to Rs. 10,098.12 million were raised in this report during audit of School Education Department. This amount includes recoveries of Rs. 40.46 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations

(Rs. in million)

Sr. No.	Classification	Amount
1.	Recoveries and overpayments	40.46
2.	Procurement related irregularities	40.86
3.	Value for money and service delivery issues	386.16
4.	Management of accounts with commercial banks	122.00
5.	Financial Matters	9,508.64
Total		**10,098.12**

20.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC directives, for reports of Education Department discussed so far, is given below:

Sr. No.	**Audit Report Year**	**Total Paras**	**Compliance received**	**Compliance not Received**	**Percentage of Compliance**
1	1984-85	39	33	6	85
2	1985-86	65	53	12	82
3	1986-87	109	92	17	84
4	1987-88	112	93	19	83
5	1988-89	148	108	40	73
6	1989-90	165	48	117	29
7	1990-91	83	27	56	33
8	1991-92	67	17	50	25
9	1992-93	41	19	22	46
10	1993-94	41	21	20	51
11	1994-95	55	14	41	25
12	1995-96	50	22	28	44
13	1996-97	66	42	24	64
14	1997-98	197	103	94	52
15	1998-99	391	167	224	43
16	1999-00	447	244	203	55
17	2000-01	1427	947	480	66
18	2001-02	471	328	143	70
Total		**3974**	**2378**	**1596**	**60**
Note: The Audit Report years missing in the above table were either due to non-inclusion of subject chapter during that year or non-discussion of the subject chapter before the PAC.					

The Education Department was split into four Departments i.e. Higher Education Department, Special Education Department, School Education Department & Literacy Department in the Financial Year 2003-04.

The status of compliance with PAC directives, for reports of School Education Department discussed so far, is given below:

Sr. No.	Audit Report Year	Total Paras	Compliance Received	Compliance not Received	Percentage of Compliance
1.	2003-2004	3	0	3	0
2.	2005-2006	8	0	8	0
3.	2006-2007	4	2	2	50
4.	2010-2011	1	1	0	100
5.	2012-2013	6	4	2	67
6.	2013-2014	2	2	0	100
Total		**24**	**9**	**15**	**38**

The compliance with PAC directives in School Education Department is on lower side and concerted efforts are required to improve the compliance percentage. Further, the department is requested to reconcile the matter with Audit Department regarding any discrepancy.

20.4 AUDIT PARAS

Recoveries and overpayments

20.4.1 Non/less recovery of receivables-Rs. 40.46 million

According to Rule 19(1) of Punjab Government Rules of Business 2011, no department shall, without previous consultation with the Finance Department, authorize any orders other than orders in pursuance of any general or special delegation made by the Finance Department, which directly or indirectly affect the finances of the province.

As per Rule 2.31(a) of PFR Vol-1, a drawer of bills for pay, allowances, contingent, and other expenses will be held responsible for any overcharges, fraud, and misappropriation.

During audit of School Education Department, it was observed that receivables on account of auction money of agriculture land, canteens, shops, pay and allowances, leviable taxes amounting to Rs. 40,456,166 (Annexure-34) were either not or less recovered from the contractors/ employees. In some cases, deductions of GP Fund & Benevolent Fund contributions were not made and overpayment of pay & allowances was made to the employees.

Audit is of the view that weak financial controls resulted in overpayments.

The matter was pointed out during April 2023 to September 2023. Most of the entities noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 24.10.2023, the paras at Sr. Nos. 2, 3 & 16 were kept pending for compliance. The para at Sr. No. 4 was kept pending for seeking advice from the Finance Department. The paras at Sr. Nos. 9 & 15 were kept pending for recovery. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired into, responsibility be fixed for non-implementation of the Government instructions and recovery be affected from the concerned besides strengthening supervisory and internal controls.

Procurement related irregularities

20.4.2 Irregular expenditure in violation of Punjab Procurement Rules-Rs. 40.86 million

As per Rule 4 of Punjab Procurement Rules 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner. Moreover, as per Rule 9 of the Rules ibid, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. Furthermore, Rule 12 ibid states that a procuring agency shall advertise procurement of more than two hundred thousand rupees and upto the limit of three million rupees on the website of the Authority. Any procurement exceeding three million rupees shall be advertised on the website of the Authority, the website of the procuring agency, if any, and in at least two national daily newspapers of wide circulation, one in English and one in Urdu.

During audit of various formations of School Education Department, it was observed that expenditure of Rs. 40,858,348 was incurred on purchase of various items and repair of different articles without observing above stated rules entailing breach of stipulated provisions.

The details are as under:

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Nature of Irregularity**	**Amount (Rs.)**
1	Director General Religious Education Punjab	2019-23	2023-0000004371_F00004	Irregular expenditure on Misc. items without tender	16,868,471
2	Director General Religious Education Punjab	2019-23	2023-0000004371_F00009	Missing vouchers/bills on account of purchase of misc. items	16,727,972
3	Secretary, School Education Department, Lahore	2022-23	2023-0000004440_F00004	Uneconomical purchase of stationery and other items without tender by splitting the indents	7,261,905
Total					**40,858,348**

Audit is of the view that non-observance of PPR 2014 led to a non-transparent process of procurement.

The matter was pointed out to the concerned entities in August & September 2023. The management of both formations noted the observations for compliance.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be probed into at administrative department's level for fixing responsibility and mis-procurement be reported to PPRA for consideration by the PPRA Board for taking cognizance of lapses to avoid recurrence thereof, besides seeking regularization from Finance Department.

Value for money and service delivery issues

20.4.3 Expenditure without probity on Large Scale Assessment-Rs. 271.67 million

As per Rule 2.10(a)(1) of PFR Vol-I, same vigilance should be exercised in respect of expenditure incurred from Government revenues, as a person of ordinary prudence would exercise in respect of the expenditure of his own money. Further, as per Rule 2.33 of the Rules ibid, every Government servant 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.

During audit of Punjab Examination Commission, Lahore for the period 2020-22, it was observed that expenditure of Rs. 271,667,743 was incurred on Large Scale Assessment (LSA). An additional assessment of selected students/teachers from selected schools was conducted in June 2021 and May 2022 just after the final term assessments. Audit held that conduction of LSA was a fruitless activity as no productive utilization of this activity was made by the department. The said activity resulted in wastage of public funds and human resources.

Already prior to this activity, National curriculam development exercise had coopted the Provincial Government and the School Education Department as stakeholders from the very inception to the date of notification. On the contrary, LSA was initiated by PEC with the declared intent to employ its findings to firm up suggestions for amending the curriculum which purpose was not to be served.

1. In fact, the Government was already planning to implement single national curriculum. For grade I to V, the single national curriculum was implemented in academic session commencing from April 2022. The conduction of LSA was not a prudent decision as the results of LSA based on the old curriculum were useless upon the introduction of the new curriculum. For instance, LSA for Grade V was conducted in 2021 but due to curriculum shifting, LSA for the same Grade-V was conducted again in 2022. Hence, the expenditure on LSA-2021 was wasted.

2. The activity (LSA) was conducted just after close of final term assessment. The results of final term assessment were available which could be used by the management for various analytical reviews. Hence, incurring of huge expenditure on sample based additional assessment following the final term assessments was beyond comprehension.

Audit is of the view that non observing the canons of financial propriety resulted in imprudent expenditure on un-necessary activity which resulted into wastage of public funds.

The matter was pointed out in March 2023. The management did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 24.10.2023, the para was kept pending for verification of the record. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be inquired into at appropriate level for taking remedial measures.

(PDP No. 2023-0000000491_F00001)

20.4.4 Non accountal of store articles-Rs. 25.23 million

As per Rule 15.4 (a) of PFR Vol-I, all materials received should be examined, counted, measured and weighed, as the case may be, when delivery is taken, and they should be kept in charge of a responsible Government Servant. The passing and the receiving Government servants should see that the quantities are correct and their quality good, and record a certificate to this effect. The receiving Government servant should also be required to give a certificate that he has actually received the materials and recorded them in his appropriate stock registers.

Moreover, Finance Department’s letter No.FD (MR)MW/1-4/92 dated 26.09.1992 provides that if the entries in the stock register are not present at the time of audit or if the concerned officials are not present at the time of audit or the record is not shown to audit, the entries made and record produced afterwards would not be accepted.

During audit of Secretary, School Education Department for the year 2021-22, it was observed that the management incurred expenditure of Rs. 25,231,863 on procurement of various store items under different heads of accounts. Despite lapse of nine months after close of financial year, the management did not maintain any stock register, consumption account, demand from end user.

Audit is of the view that due to non-maintenance of record, the authenticity of expenditure could not be verified.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be investigated, besides strengthening administrative, financial as well as supervisory controls to avoid recurrence of such lapses in future.

(PDP No. 2023-0000000796_F00009)

20.4.5 Deteriorated infrastructure in schools

The basic function of the School Education Department is to provide compulsory, quality, and free education to all aged 5-16 years in furtherance of Article 10-A of the Constitution of Pakistan, 1973.

During audit of the accounts of Secretary, School Education Department, Lahore for the financial year 2021-22, scrutiny of census data conducted during the calendar year 2022, revealed that a number of schools were deprived of basic necessary facilities. The School Education Department releases yearly funds for private NGOs, PEF, PEMA, Cadet, Danish, and other autonomous institutions but its own schools lacked basic facilities like clean drinking water, school buildings, electricity, toilets, sufficient room and other basic necessities.

The audit is of the view that the lapse occurred due to the poor existence of administrative and financial controls.

The matter was brought to the notice of the departmental representative in March 2023. The management did not reply to the audit observation.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be investigated, besides strengthening administrative, financial as well as supervisory controls to avoid recurrence of such lapses in future.

(PDP No. 2023-0000000796_F00017)

20.4.6 Poor management regarding Encroachment-Rs. 89.26 million

The basic function of the School Education Department is to provide compulsory, quality, and free education to all aged 5-16 years in furtherance of Article 10-A of the Constitution of Pakistan 1973.

During audit of School Education Department, it was observed that the follow up of litigation cases regarding encroachment was poor. In some cases, poor performance alongwith non-allotment of specific building was also observed. The details are as under:

Sr. No.	**Name of formation**	**Period of audit**	**PDP No.**	**Nature of Irregularity**	**Amount (Rs.)**
1	Children Library Complex, Lahore	2020-23	2023-0000003184_F00013	Deficient pursuit of Litigation to Safeguard the Government Accommodation against Encroachment	68,336,671
2	Children Library Complex, Lahore	2020-23	2023-0000003184_F00008	Non-allotment of specific building and poor performance of children library complex Sargodha	20,918,880
Total					**89,255,551**

The audit is of the view that the lapse occurred due to the poor existence of administrative and internal controls.

The matter was brought to the notice of the departmental representative in August 2023. The management did not reply to the audit observation.

The matter was further reported to the administrative department. In DAC meeting held on 29.12.2023, the paras were kept pending for compliance. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter may be investigated, strenuous efforts made in pursuance of the case in the court vigorously for ejection of illegal occupants besides strengthening administrative, financial as well as supervisory controls to avoid recurrence of such lapses in future.

Others

20.4.7 Non-monitoring and regulation of fees charged by private educational institutions by the School Education Department.

As per School Education Department's notification No.SO(A-1)3-4/2015(P-II) CPLA dated 17 September 2019, regarding monitoring and regulation of fee charges charged by private education institution, the Honorable Supreme Court of Pakistan has directed in the case pertaining to fees charged by private education institution. "The regulators shall closely monitor the fee being charged by private schools to ensure strict compliance with the law and the rules/regulation. A complaints cell shall be set up to deal with complaints arising out of the increase in fees in violation of the law/rules/regulation.

During audit of the accounts of Secretary, School Education Department, Lahore for the financial year 2021-22, it was noticed that thousands of private schools were increasing their fee structure without adhering to rules and regulations. Secretary School Education Department neither has any monitoring mechanism regarding imposing any penalty on charging extra fees nor resolved complaints of parents despite above stated Honorable Supreme Court of Pakistan directions.

Audit is of the view that lapse occurred due to poor existence of administrative and financial controls.

The matter was brought to the notice of departmental representative in March 2023 they did not offer any reply just singed the observations

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that department should monitor and should regulate the fee charged by the private educational institutions and ensure that action be taken against schools for enhancement of fee in violation of Government rules.

(PDP No. 2023-0000000796_F00015)

Management of accounts with commercial banks

20.4.8 Loss due to lesser credit of profit earned on investments, recovery thereof-Rs. 122.00 million

As per Rule 4.7(1) of PFR Vol-I, it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government account. Moreover, as per Rule 2.33 of Rules ibid, every Government servant 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.

During audit of School Education Department for the period 2018-22, scrutiny of record pertaining to investments revealed that the management made investments in various banks. In some cases, the banks credited lesser amount of profit upon maturity of investments. In other cases, the management reinvested funds with considerable delay after the maturity. This resulted into loss of revenue amounting to Rs. 122,000,322 as detailed below:

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Nature of Irregularity**	**Amount (Rs.)**
1	Director General Quaid e Azam Academy of Educational Development Punjab	2021-23	2023-0000002812_F00003	Un-due retention of public funds in Commercial Bank Account and Non-Deposit of Profit earned on bank account alongwith unspent balance (received from District QAEDs) into Government Treasury	68,829,696
2	Children Library Complex, Lahore	2020-23	2023-0000003184_F00005	Non-investment of Surplus Fund out of balances	50,000,000
3	Children Library Complex, Lahore	2020-23	2023-0000003184_F00003	Un-authorized retention of public money in Commercial Bank Account	3,170,626
Total					**122,000,322**

Audit is of the view that the lapse occurred due to weak internal controls on investments.

The matter was brought to the notice of departmental representative in February and March 2023. The management of few formations noted the observation for compliance and others have replied with justification but no record in support of justifications was provided.

The matter was further reported to the administrative department. In DAC meeting held on 29.12.2023, the paras at Sr. Nos. 2 & 3 were kept pending for compliance. Further, progress was not reported by the department. As regards remaining para, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be probed into for fixing responsibility against the delinquents and recovery be affected from the bank for non/late credit of interest.

Financial Matters

20.4.9 Irrational transfer of funds/suspension of development Schemes-Rs. 9,508.64 million

As per Para 4.1 of Punjab Planning Manual 2015, effective M&E of a project depends on how effectively it has been planned and how clearly the desired outcomes have been stipulated. It has been observed that in many ongoing Government projects, the outputs have been clearly earmarked but either the intended outcome and impact are not clear or there are gaps in the results chain. Moreover, as per Para 5.2 ibid, the success of Result Based Monitoring (RBM) system hinges upon quantifying or measuring results of a development project or a program.

During audit of the School Education Department, it was observed that Rs. 9,508,637,714 was transferred/shifted from concerned development schemes to other schemes and Assan Assignment Account to bank account. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Secretary, School Education Department, Lahore	2021-22	2023-0000000796_F00014	Suspension of development schemes execution caused by diversion of funds with the implication of cost and time overrun	9,491,859,000
2	Children Library Complex, Lahore	2020-23	2023-0000003184_F00002	Unauthorized drawl form Assan Assignment Account and parking in commercial bank	16,778,714
Total					**9,508,637,714**

Audit is of the view that lapse occurred due to poor existence of administrative and financial controls.

The matter was brought to the notice of departmental representatives in March and August 2023. One of them did not offer any reply just signed the observation and the other informed that excess amount had been deposited but verified deposit challan was not presented.

The matter was further reported to the administrative department. In DAC meeting held on 29.12.2023, the para at Sr. No. 2 was kept pending for compliance and production of acquittance rolls of all past year to verify the excess drawl. Further progress was not reported by the department. As regards remaining para, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be investigated; irregularity got regularized besides strengthening of administrative, financial as well as supervisory controls to avoid the recurrence of such lapses in the future.

CHAPTER 21
SERVICES AND GENERAL ADMINISTRATION DEPARTMENT

21.1 Introduction

According to the Punjab Government's Rules of Business 2011, the Services and General Administration Department has been assigned the business of

- Cabinet work, including cabinet appointments, salaries and privileges of Ministers, and all secretarial work of the cabinet including the convening of meetings
- Service rules (other than civil service rules) relating to various services, posts, and interpretations thereof
- Matters connected with all Pakistan services and other Federal Services
- Appointment of commissions of inquiry or panels of officers in cases of misconduct of Government servants
- Re-employment of retired officers
- Administrative matters related to Punjab Services Tribunal
- Framing and alteration of Rules of Business for Provincial Government servants and allocation of business among ministers
- Standardization of stores/equipment etc. for common use in all departments
- Absorption of surplus staff and allied matters
- Preparation of civil list of Official Gazette

Audit Profile of Services & General Administration Department

Sr. No.	Description	Total No.	Audited	Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)	Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)
1	Formations	265	29	19,676	331.80
2	• Assignments Accounts • SDAs etc. (excluding FAP)	11	2	-	-
3	Authorities/Autonomous bodies etc. under the PAO	10	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The Appropriation Accounts of the S&GA Department for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during 2022-23 against the total of five grants/appropriations is given below:

(Rupees in million)

Grant No.	Original Grant	Supplementary Grant/ Re-Appropriation	Final Grant	Actual Expenditures	Excess/ (Savings)
1	**2**	**3**	**4**	**5**	**6(5-4)**
PC21010	13,237.16	202.72	13,439.89	12,671.53	(768.36)
PC21011	33,114.54	3,515.37	36,629.91	35,565.55	(1,064.36)
PC21031	35.34	(6.00)	29.35	61.97	32.62
PC22036	389.81	434.33	824.14	110.62	(713.52)
PC24045	1.60	0	1.60	12.00	10.40

Total	**46,778.45**	**4,146.43**	**50,924.88**	**48,421.66**	**(2,503.22)**

Overview of Expenditure

The final budget of the S&GA Department for the year ended 30th June 2023 was Rs. 50,924.88 million. Out of this, actual expenditure was Rs. 48,421.66 million.

The breakup of current and development expenditure is given below:

(Amount in Rupees)

Grant Type	Original Grant	Actual Expenditure	Excess/ (Savings)	Variance %
1	**2**	**3**	**4**	**5**
Current	46,388,640,000	48,311,045,429	1,922,405,429	4.14
Development	389,812,500	110,618,563	(279,193,937)	71.62
Total	**46,778,452,500**	**48,421,663,992**	**1,643,211,492**	**3.51**

During the year, due to supplementary grants and surrenders, this composition changed. The variance of Final Grant and Actual Expenditure is given below:

(Amount in Rupees)

Grant Type	Final Grant	Actual Expenditure	Excess/ (Savings)	Variance %
1	**2**	**3**	**4**	**5**
Current	50,100,737,000	48,311,045,429	(1,789,691,571)	3.57
Development	824,143,000	110,618,563	(713,524,437)	86.58
Total	**50,924,880,000**	**48,421,663,992**	**(2,503,216,008)**	**4.92**

Anticipated savings not surrendered

As per para 14.3 of the Punjab Budget Manual, the spending departments are required to surrender the grants/ appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs. (2,546.24) million at the close of the year 2022-23 under grants PC21010, PC21011 & PC22036 were not surrendered in time by the Department.

Excess expenditure requiring regularization

As per Para 13.2 (ii) of the Punjab Budget Manual, the total expenditure incurred on a purpose does not exceed the grant or grants provided for that purpose. However, excess expenditure amounting to

Rs. 43.02 million for the year 2022-23 under grants PC21031 & PC24045 has not been got regularized so far. This was a breach of legislative control over appropriations.

21.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 19,291.78 million were raised in this report during audit of the Services and General Administration Department. This amount includes recoveries of Rs. 1,943.76 million as pointed out by the audit. The summary of the audit observations classified by nature is as under:

Overview of Audit Observations

(Rs. in million)

Sr. No.	Classification	Amount
1.	Recoveries and overpayments	1,943.76
2.	Procurement related irregularities	1,922.07
3.	Financial Matters	9,696.83
4.	Others	5,729.12
Total		**19,291.78**

21.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC directives for reports discussed so far is given below:

Sr. No.	**Audit Report Year**	**Total Paras**	**Compliance received**	**Compliance not Received**	**Percentage of Compliance**
1	1984-85	5	1	4	20
2	1985-86	7	5	2	71
3	1986-87	8	6	2	75
4	1990-91	1	1	0	100
5	1991-92	3	1	2	33
6	1992-93	1	1	0	100
7	1993-94	2	1	1	50
8	1994-95	7	3	4	46
9	1996-97	22	0	22	0
10	1997-98	2	0	2	0
11	1998-99	19	15	4	79
12	1999-00	46	26	20	57
13	2000-01	47	39	8	83
14	2003-04	37	20	17	54
15	2005-06	54	20	34	37
16	2006-07	9	1	8	11
17	2009-10	35	8	27	23
18	2010-11	8	2	6	25
19	2011-12	7	1	6	14
20	2012-13	7	1	6	14
21	2013-14	12	3	9	25
22	2019-20	292	4	288	1
Total		**631**	**159**	**472**	**25**
Note: The Audit Report years missing in the above table were either due to non-inclusion of the subject chapter during that year or non-discussion of the subject chapter before the PAC.					

The status of compliance with PAC directives in the Services & General Administration Department is not satisfactory. The department needs to improve it. Further, the department is requested to reconcile the matter with the Audit Department regarding any discrepancy.

21.4 AUDIT PARAS

Recoveries and overpayments

21.4.1 Non-recovery/collection of Government dues-Rs. 1,432.47 million

As per Section 6-A of the Punjab Government Servant Benevolent Fund Ordinance, 1960, any sum due as rent or lease money in respect of property acquired or constructed by the Board of Management vests in any such Board, if not paid within thirty days of its having become due, may notwithstanding anything contained in any law, decree or order of any court, agreement, deed or instrument, be recovered as arrears of land revenue.

Moreover, as per Rule 4.7(1) of PFR Vol-I, it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to the Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government Account.

During audit of various formations under the Services and General Administration Department, it was observed that recoveries to the tune of Rs. 1,432,468,222 (Annexure-35) on account of rent of shops/offices, recovery of advance, profit on investment, profit on PLS bank account, recovery of double claim and recovery of wastage etc. was outstanding.

Audit is of the view that the lapse occurred due to weak supervisory and internal controls.

The matter was pointed out from February to November 2023. Some entities noted the observations and the rest did not offer any reply.

The matter was further reported to the administrative department. In DAC meetings held on 08.01.2024 and 31.01.2024, the paras at Sr. Nos. 4 & 12 were kept pending for recovery. The para at Sr. Nos. 10 & 17 were kept pending for clarification from Food Department. The paras at Sr. Nos. 13, 18 & 23 were kept pending for compliance. The para at Sr. No. 20 was kept pending till the decision of the court. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends fixing responsibility for non-recovery of Government dues besides ensuring prompt recovery of the outstanding amounts.

<u>Note:</u> The issue was reported earlier also in the Audit Reports for Audit Years 2020-21 and 2021-22 vide para numbers 20.4.9 and 17.4.7 having financial impact of Rs. 89.07 million and Rs. 3.40 million. Recurrence of same irregularity is a matter of serious concern.

21.4.2 Non/less deduction of taxes-Rs. 460.14 million

According to Income Tax Ordinance 2001, Punjab Sales Tax on Services Act 2012, Sales Tax Act 1990, and Stamp Act 1899, the departments are required to withheld taxes at prescribed rates at the time of payment.

During audit of Services and General Administration Department, it was observed that an amount of Rs. 460,141,472 (Annexure-36) on account of Income Tax, Sales Tax, Punjab Sales Tax and Stamp Duty etc. was either not deducted or less deducted from the payment made to suppliers and service providers.

Audit is of the view that weak internal controls on taxation resulted in non/less-deduction of taxes.

The matter was pointed out from February to November 2023. The management at Sr. No. 7 stated that detailed reply would be given after consultation with rules and the rest did not offer any reply.

The matter was further reported to the administrative department. In DAC meetings held on 08.01.2024 and 31.01.2024, the paras at Sr. Nos. 1 & 2 were kept pending for compliance. The para at Sr. No. 7 was kept pending to probe the matter at Departmental level to actually judge the number of non-filers for taxable limits and recover the due amount. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends affecting prompt recovery besides strengthening the internal controls on taxation.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2017-18, 2019-20, 2020-21 and 2021-22 vide para numbers 20.4.21, 19.4.21, 20.4.8 and 17.4.6 having financial impact of Rs. 8.16 million, Rs. 70.01 million, Rs. 82.10 million and Rs. 21.09 million. Recurrence of same irregularity is a matter of serious concern.

21.4.3 Recovery due to procurement at exorbitant rates-Rs. 51.15 million

As per Standard Operating Procedures (SOPs) for the establishment of Agriculture Fair Price Shop during Ramzan Bazar 2021-22, circulated vide letter No 1507-42/AMIS/E&M/2022 dated 30.03.2022, SOP No 19(iii) “Bulk purchase may be made for the cheaper supply of selected commodities. As per Standard Operating Procedures (SOPs) No.19 (iv), the purchase committee will purchase the required commodities at cheaper rate through negotiations with identified potential suppliers

During audit of Services & General Administration Department, it was observed that during the procurement process, rates of framework contracts were overcharged, food items were purchased at higher rates, and uniforms were procured by ignoring the lowest rates which resulted in overpayment of Rs. 51,150,320. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Deputy Commissioner Lahore	2021-22	2023-0000000287_F00013	Payments to contractors beyond the rates of the framework contract	41,895,350
2	Deputy Commissioner Faisalabad	2021-22	2023-0000001380_F00002	Purchase of food items at higher rates	4,221,045
3	Secretary Provincial Assembly, Punjab	2020-22	2023-0000000362_F00001	Loss to the Government due to ignoring the lowest bidder	2,836,925
4	Deputy Commissioner Lahore	2021-22	2023-0000000287_F00010	Purchase of food items at higher rates	2,197,000
Total					**51,150,320**

Audit is of the view that lapse occurred due to weak supervisory, administrative, and financial controls.

The matter was pointed out from February to March 2023. The management did not provide any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends inquiring into the matter at the administrative department's level, recovering the stated amount, and depositing the same into the Government Treasury, besides strengthening financial and supervisory controls.

Procurement related irregularities

21.4.4 Irregular expenditure in violation of Punjab Procurement Rules-Rs. 1,252.66 million

As per Rule 4 of PPR 2014, a procuring agency shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical. Further, as per Rule 12(1) of the Rules ibid, a procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority in the manner and format specified by regulations but if deemed in the public interest, the procuring agency may also advertise the procurement in at least one national daily newspaper.

During audit of Services & General Administration Department, it was observed that expenditure to the extent of Rs. 1,252,658,735 (Annexure-37) was incurred on procurement of goods and services relating to different heads of accounts without observing above stated rules attracting the denomination of mis-procurement. Thus, the procurements were made in violation of Punjab Procurement Rules 2014, rendering the expenditure irregular.

Audit is of the view that non-observance of PPR 2014 resulted in a non-transparent process of procurement.

The matter was pointed out to the concerned formations from February to November 2023. Most of the formations noted the observations and some formations did not offer any reply.

The matter was further reported to the administrative department. In DAC meetings held on 31.01.2024, the paras at Sr. Nos. 7, 13, 17 & 21 were kept pending for regularization from the Finance Department. The paras at Sr. Nos. 8 & 11 were kept pending till adoption of committed procedure of procurement. The para at Sr. No. 15 was kept pending for consultation with the Finance Department. The para at Sr. No. 23 was kept pending for probe. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be probed into at the administrative department's level for fixing responsibility and mis-procurement be reported to PPRA for consideration by the PPRA Board for taking cognizance of lapses, also to avoid recurrence thereof in the future.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2017-18, 2019-20, 2020-21 and 2021-22 vide para numbers 24.4.2, 19.4.8, 20.4.5 and 17.4.4 having financial impact of Rs. 200.17 million, Rs. 1,034.40 million, Rs. 2,200.99 million and Rs. 263.53 million. Recurrence of same irregularity is a matter of serious concern.

21.4.5 Mis-procurements of various items-Rs. 669.41 million

As per Standard Operating Procedures (SOPs) for the establishment of Agriculture Fair Price Shop during Ramzan Bazar 2021-22 circulated vide letter No 1507-42/AMIS/E&M/2022 dated 30.03.2022, SOP No 19(iii) " Bulk purchase may be made for cheaper supply of selected commodities. Further, as per Standard Operating Procedures (SOPs) No.19 (iv), the purchase committee will purchase the required commodities at a cheaper rate through negotiations with identified potential suppliers

According to Rule 2.10 (a)(1) of PFR Vol-I, same vigilance should be exercised in respect of expenditure incurred from Government revenues, as a person of ordinary prudence would exercise in respect of the expenditure out of his own money.

During audit of Services & General Administration Department, it was observed that procurement of various items was made without observing rules and codal formalities. The details are as under:

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Nature of Irregularity**	**Amount (Rs.)**
1	Deputy Commissioner Lahore	2021-22	2023-0000000287_F00008	Procurement of Basin, Pulses, and Onion for Ramzan Bazar on a daily basis instead of bulk stocks against SOPs supporting economy of scale	654,000,000
2	Deputy Commissioner Faisalabad	2021-22	2023-0000001380_F00001	Procurement of Basin, Pulses, and Onion for Ramzan Bazar on a daily basis instead of bulk stocks against SOPs supporting economy of scale.	7,996,000
3	Secretary Provincial Assembly, Punjab	2020-22	2023-0000000362_F00008	Expenditure on entertainment and gifts without subscribing to codal formalities	7,417,503
Total					**669,413,503**

Audit is of the view that non-observance of rules and the codal formalities resulted in a non-transparent process of procurement.

The matter was pointed out to the concerned formations from February to April 2023. The formations either noted the observation or did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be probed into at the administrative department's level for fixing responsibility and expenditure be got regularized from the Finance Department.

Financial Matters

21.4.6 Non-utilization of an un-spent balance of Benevolent Fund (Part-I) and monthly grants in Bank of Punjab-Rs. 7,458.38 million

As per Punjab Government Servant Benevolent Fund Part-I (Disbursement) Rules, 1965 within the meaning of para-11, the Provincial Board of Management may invest such money constituting the Fund as are not required from immediate expenditure in any of the securities described in section 20 of the Trust Act. 1882, or in real estate, or may place them in fixed deposit with a Bank approved by the Government.

During audit of Provincial Benevolent Fund Board, Lahore for the period of January 2021 to 31st December 2022, it was observed from Bank Statements of Benevolent Fund (Part-I) and monthly grants that huge un-spent balances of Rs. 7,458,383,636 were available against both accounts maintained in Bank of Punjab, up to December 2022. The Provincial Benevolent Fund Board did not bother to utilize the balance for investment into the same bank to fetch better profit rates. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Amount (Rs.)
1	Provincial Benevolent Fund Board, Lahore	2021-22	2023-0000000793_F00019	6,136,421,829

Sr. No.	Name of Formation	Period of Audit	PDP No.	Amount (Rs.)
2	Provincial Benevolent Fund Board, Lahore	2021-22	2023-0000000793_F00026	829,347,084
3	Provincial Benevolent Fund Board, Lahore	2021-22	2023-0000000793_F00012	492,614,723
Total				**7,458,383,636**

Audit is of the view that lapse occurred due to weak supervisory and financial controls which resulted in non-investment of unspent balance and caused loss of potential profit on investment.

The matter was brought to the notice of a departmental representative during March to April 2023. The management at Sr. No. 1 stated that a meeting of the Investment Committee was held and the committee decided to invest the surplus funds after getting formal approval from the Board. Accordingly, the combined meeting of the Boards was held on 06.01.2023 and a surplus amount i.e. Rs. 4 Billion (not needed for immediate expenditures) was invested on 09.01.2023 in BOP, against Sr. No. 2 observation pertaining to District Benevolent Fund, Lahore therefore, same have been sent to Deputy Commissioner (Chairman District Benevolent Fund Board), Lahore for the response. The neglect and oversight to keep the surplus funds idle rather than attracting competitive returns on investment was not ruled out by management. The reply against Sr. No. 1 was not supported with documentary evidence. The management at Sr. Nos. 2 & 3 did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that a mechanism of reconciliation of disbursement made by the bank be devised for better utilization of unspent balances available in the bank.

21.4.7 Payments made without corroboration of eligibility from grants-Rs. 1,458.76 million

The Punjab Government Servants Benevolent Fund, Part-I (Disbursement) Rules, 1965 stipulate that monthly widow grants, scholarship grants, marriage grants, farewell grants, and funeral grants will be paid as per prescribed criteria.

During audit of Provincial Benevolent Fund Board, Lahore, for the period of 1st January 2021 to 31st December 2022, it was observed that monthly Widow Grants, Scholarship Grants, Marriage Grants, Farewell Grants and Funeral Grants of Rs. 1,458,758,836 were paid illegally to beneficiaries as double, excess and unauthorized payments. The details are given in annexure-38.

Audit is of the view that the lapse occurred due to weak supervisory and financial controls.

The matter was pointed out from March to April 2023. The management did not provide any cogent reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends inquiring into the matter at the administrative department's level, recovering the stated amount, and depositing the same into the Government Treasury besides strengthening financial and supervisory controls.

21.4.8 Irregular drawl of cash by DDO-Rs. 779.69 million

According to Rule 4.49(a) of Subsidiary Treasury Rules, read with the Finance Department's letter No. FD(FR)V-6/75(P) dated 20.06.2007, payment exceeding Rs. 100,000 shall be made through cheque instead of cash.

During audit of Services & General Administration Department, it was observed that an amount of Rs. 779,687,961 was drawn in the name of DDO and paid to the concerned in cash instead of through bank accounts of the payees. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of irregularity	Amount (Rs.)
1	Deputy Commissioner Lahore	2021-22	2023-0000000287_F00005	Irregular drawl of cash by the DDO relating to payments of fruits and vegetables for Ramzan Bazar.	594,000,000
2	Deputy Commissioner Hafizabad	2020-23	2023-0000004716_F00016	Irregular Cash payments to the supplier of vegetables and fruits	92,158,341
3	Punjab Institute of Management Professional	2017-22	2023-0000000370_F00003	Cash disbursement on account of Training Domestic	44,171,172

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of irregularity	Amount (Rs.)
	Development				
4	Additional Chief Secretary South Punjab, Bahawalpur	2021-22	2023-0000001471_F00002	Irregular drawl of cash by the DDO relating to payments of various heads like others, pay of contingent staff, entertainment &gifts, TA, Transportation, courier charges etc.	16,304,781
5	Assistant Commissioner Nankana Sahib.	2016-23	2023-0000004731_F00002	Irregular DDO payments	13,035,367
6	Deputy Commissioner Kasur	2021-23	2023-0000005651_F00021	Irregular Cash payments to the supplier of vegetables and fruits	10,484,000
7	Deputy Commissioner Lahore	2021-22	2023-0000000287_F00015	Irregular drawl of cash by the DDO relating to payments against labor charges and stitching charges etc.	9,534,300
Total					**779,687,961**

Audit is of the view that disregarding Government instructions resulted in an unauthorized mode of payment.

The irregularity was pointed out in February to November 2023. The management just noted the observations without offering any reply.

The matter was further reported to the administrative department. In DAC meetings held on 14.09.2023 and 31.01.2024, the para at Sr. No. 3 was reduced and kept pending to the extent of point Nos. i & ii for condonation and verification of record respectively. The para at Sr. No. 6 was kept pending for regularization from the Finance Department. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be probed into at the administrative department's level besides seeking regularization from the Finance Department.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2017-18, 2019-20 and 2021-22 vide para numbers 24.4.7, 19.4.15, and 17.4.2 having financial impact of Rs. 3.69 million, Rs. 30.44 million and Rs. 44.68 million. Recurrence of same irregularity is a matter of serious concern.

Others

21.4.9 Illegal occupation on Government land

According to Section 4 of Punjab Civil Administration Act 2017, functions of the Deputy Commissioner stipulate that he shall:

a. Supervise and monitor the discharge of duties by the Assistant Commissioners in the District;
b. Coordinate the work of all the offices and public facilities in the district for purposes of integrated development, efficient use of public resources and effective service delivery;
c. Support and facilitate the offices and public facilities in the District;
d. Ensure that the standards set by the Government in respect of a public facility are fully observed; and
e. Supervise and coordinate the implementation of the policies, instructions and guidelines of the Government.

Moreover, in accordance with Director General Katchi Abadies, Board of Revenue letter No.DG(KA)1-201/2013-201 dated. 09.09.2013, notification–policy guidelines under Katchi Abadies Regularization Scheme 2012 (urban and rural), vide para No. 01, 2 and 7 any area which was occupied un-authorizedly and continues to be so occupied will be treated as Katchi Abadi, it is established before the cutoff date i.e. 31.12.2011, on state land and having at least four dwelling units in Rural areas and ten dwelling units in Urban areas subject to other parameters. The land is not required for operational/public purposes. The Director General will declare the land as Katchi Abadi. Upon completion of mutation, the TMAs/ Development Authority/Assistant Commissioner may grant proprietary rights to bonafide dwellers subject to realization of applicable dues and charges.

As per Section 5 of the Punjab Government Lands and Buildings (Recovery of Possession) Ordinance, 1966, governing eviction of unauthorized occupants, if Government is satisfied after making such enquiry as it thinks fit that a person is an unauthorized occupant of any land or building, it may, by order in writing, direct such person to vacate the land or building within the period specified in the order.

During audit of Services & General Administration Department, it was observed that Government land valuing Rs. 11,891,558,313 (Annexure-39) was under illegal occupation of various occupants in Lahore, Kasur, and Nankana Sahib Districts but the management failed to get the land vacated from the illegal occupants. Moreover, recovery of the stated amount was not affected.

Audit is of the view that the lapse occurred due to weak supervisory and internal controls.

The matter was pointed out in November 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 31.01.2024, the paras at Sr. Nos. 1 & 5 were kept pending for compliance. Further progress was not reported by the department. As regards remaining paras neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends looking into the matter for fixing responsibility, affecting recovery, besides taking remedial measures and action against the responsible.

21.4.10 Establishment of Welfare Endowment Fund without framing the Rules-Rs. 3,000.00 million

Under the Chapter titled "Fundamental Rights" of the Constitution of Pakistan, equality of citizens and safeguard against discrimination in services have been guaranteed under Article 25 of the Constitution.

During audit of Services & General Administration Department (Section Officer Welfare-LO 5838) for the financial year 2022-23, it was noticed that the caretaker cabinet, in its meeting held on 15.04.2023 had approved the establishment of Welfare Endowment Fund for the gazetted employees of S&GAD belonging to the Pakistan Administrative Service (PAS) and Provincial Management Service (PMS). Accordingly, a separate head of account G06325 "Welfare Endowment Fund for the gazetted employees of S&GAD Punjab" was created (vide No. 264/CGA/AC-1/1-10/Object-G/2012P.F dated 23.06.2023) and Rs. 3,000,000,000 through the supplementary grant was released by the Finance Department (No. FD(W&M)7-654/2022-23/17 dated 26.06.2023) which was deposited in the aforesaid public account on 27.06.2023. The following are audit observations:

1. The creation of Welfare Endowment Fund for the gazetted employees of S&GAD belonging to the Pakistan Administrative Service (PAS) and Provincial

Management Service (PMS) is a discriminatory action of the management as the other officers/non-gazette staff were not considered to get the benefits.

2. Account No. 6780262217100019 PKR was opened in Bank of Punjab Civil Secretariat Branch for said purpose but up till 27th October 2023, no amount was deposited in aforesaid account. Thus loss of Rs. 197,260,274 (Rs. 3,000,000,000 x 20% x 120 days) was sustained by the Government.
3. Fund was created without framing the Rules & Regulations.

Audit is of the view that the lapse occurred due to weak supervisory and internal controls.

The matter was reported in October 2023 and management did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 31.01.2024, the para was kept pending for compliance. Further progress was not reported by the department till the finalization of this report.

Audit recommends that non-realization of profit from an idle balance of the fund be taken cognizance of the matter be got regularized from the competent authority.

(PDP No. 2023-0000003210_F00025)

21.4.11 Imprudent expenditure on establishment of Ramzan Bazars-Rs. 1,125.85 million

Rule 2.10 (a) (1) of PFR Vol-I provides that same vigilance should be exercised in respect of expenditure from Government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

While examining the records of the Deputy Commissioner's Office in Lahore and Hafizabad for the period 2021-22 and 2020-23 respectively, it was observed that Rs. 444,238,877 was utilized for subsidizing the General Public. Additionally, an expenditure of Rs. 681,608,793 was incurred for establishing Ramzan Bazars, covering costs such as hiring Kupas, Carpets, Wastage of Vegetables, fruits/packing charges, excluding administrative expenses. This resulted in a distribution of 60% towards expenditures and 40% towards subsidies. It is crucial to highlight that this ratio is conservative, considering that administrative expenses for ten already established model bazars, converted into Ramazan Bazars during Ramazan, were funded by another channel, namely Punjab Model Bazar Company. Further, no assurance of deserving beneficiaries record was taken into account.

Audit is of the view that lapse occurred due to weak financial and supervisory controls.

The matter was pointed out to the concerned formation during February and November 2023. But the management did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends the department to look into the matter for abnormal expenditure on the establishment of Ramzan Bazar in comparison to the subsidy provided to the general public besides ensuring conformity to the norms of probity and propriety to rationalize the inflated expenditure earmarked with subsidy.

(PDP Nos. 2023-0000000287_F00003 & 2023-0000004716_F00014)

21.4.12 Financial mismanagement and non-observance of Rules-Rs. 852.73 million

According to Rule 2.10 (a)(1) of PFR-Vol-I, same vigilance should be exercised in respect of expenditure incurred from Government revenues, as a person of ordinary prudence would exercise in respect of the expenditure of his own money. Further, as per rule 2.33 of PFR Vol-I, every Government servant will be held personally responsible for any loss sustained by Government through fraud or negligence on his part, and that he will be held personally responsible for any loss arising from fraud or negligence on the part of any other Government servant.

During audit of Services & General Administration Department, it was observed that an expenditure of Rs. 852,725,628 (Annexure-40) was incurred by various institutions which was impaired by lapses and internal control weaknesses.

The brief of lapses are narrated as under:

- Non-appointment of Resident Auditor and expenditure without pre-audit
- Investment without adopting complete procedures
- Appointment of daily wages staff without fulfilling the codal formalities
- Non-maintenance of POL consumption record as prescribed
- Incurrence of expenditure on entertainment without fulfilling the codal formalities
- Allotment of Residences without uploading the waiting list on the department website
- Approval of Societies without NOC
- Non-auction of off-road vehicles

Audit is of the view that the lapse occurred due to weak supervisory and internal controls.

The matter was reported from July 2023 to November 2023 and the department failed to provide any cogent reply.

The matter was further reported to the administrative department. In DAC meetings held on 14.09.2023, 28.12.2023 and 31.01.2024, the para at Sr. No. 4 was kept pending for regularization from Finance Department. The para at Sr. No. 5 was kept pending for consultation with the Finance Department. The para at Sr. No. 7 was kept pending to seek clarification from Cabinet Division on reimbursement of utility charges. The para at Sr. No. 11 was kept pending for recovery of taxes from the concerned or production of notification from the Finance Department. The para at Sr. No. 16 was kept pending for compliance from Estate Office, Welfare Wing, S&GAD. The para at Sr. No. 17 was kept pending for probe. The para at Sr. No. 19 was kept pending for compliance. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends inquiring into the lapses followed by remedial action to take stock of the situation.

21.4.13 Irregular advance drawl without approval of Finance Department-Rs. 247.02 million

Under Section-5 (b) of Controller General of Accounts (Appointment, Functions & Powers) Ordinance, 2001, the Controller General of Accounts derives his statutory mandate to authorize payments and withdrawals from the Consolidated Fund and Public Accounts of the Federal and Provincial Governments against approved budgetary provisions after pre-audited checks as the Auditor-General may, from time to time, prescribe.

During audit of Services & General Administration Department, it was noticed that an amount of Rs. 247,024,000 was drawn as advance without approval of the Finance Department irregularly.

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Punjab Institute of MPD, Lahore	2017-22	2023-0000000370_F00001	Irregular Advance Drawl on Account of Training Domestic to avoid the Pre-Audit from Accounts Office	227,024,000
2	Deputy Commissio	2020-23	2023-00000047	Irregular advance drawl/ advance	20,000,000

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
	ner Hafizabad		16_F00001	payment to the private vendor	
Total					**247,024,000**

The disbursements on the part of DC office were without cogent reflection of consumption and expense account.

Audit is of the view that the lapse occurred due to weak supervisory and internal controls.

The matter was pointed out in February and November 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 14.09.2023, in respect of para at Sr. No. 1, the department reported partial compliance which was accepted by the committee. Hence, the para was reduced and kept pending for compliance of remaining points i.e. i, iii, iv, vi & viii. As regards remaining para, neither any reply was received nor DAC meeting convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends looking into the matter for fixing responsibility, affecting recovery, and taking remedial measures besides action against the responsible.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2017-18 and 2020-21 vide para numbers 20.4.9 and 20.4.7 having financial impact of Rs. 23.44 million and Rs. 28.91 million. Recurrence of same irregularity is a matter of serious concern.

21.4.14 Loss to Government due to defective mechanism of distribution of Atta-Rs. 208.80 million

As per Sr. No.(vii) & (xiii) of the SOPs for Ramzan Package 2023 circulated vide No. SO(F-1)5-32/2023-24 dated 16th March 2023, flour shall be taken at the flour mill gate by the representative of the Deputy Commissioner concerned. However, the flour mill shall be responsible for its delivery at the retailer's outlet, as per No. V supra. Police will be deputed along trucks and at designated retail points to ensure discipline and prevent any untoward incident.

During audit of Services and General Administration Department, a review of the Free Atta (Flour) distribution scheme in Punjab (Ramzan Package 2023) revealed that public exchequer sustained a loss of Rs. 208,799,175. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Deputy Commissioner Kasur	2021-23	2023-0000005651_F00001	A food subsidy program in Kasur, Pakistan distributed 1796,963 bags of 10kg atta. There were discrepancies between records, with 161,077 bags unaccounted for. The cost of the missing bags is estimated at Rs. 157,050,075. Another 19,901 bags were received but not reconciled, worth Rs. 19,403,475.	176,453,550
2	Deputy Commissioner Hafizabad	2020-23	2023-0000004716_F00007	During a review of the Free Atta (Flour) distribution scheme in Punjab (Ramzan Package 2023) revealed that Food Department issued wheat to Floor mills for supply of flour bags. As per policy of free flour distribution, flour mills should issue 497896 flour bags at distribution points against supply of wheat. But as per data provided by the management of Deputy Commissioner office in Hafizabad 477801 flour bags were distributed among beneficiaries. Comparison of data provided by Food Department and PITB data provided by the management of DC office 20,098 flour bags valuing Rs. 19,595,550 (20,098*975) were found short. It is the Deputy Commissioner office neither undertook an inquiry nor fixed responsibility against concerned at fault	19,595,550

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
3	Deputy Commissioner Lahore	2022-23	2023-0000004705_F00013	i) The distribution process was inefficient as 7,417 bags valuing Rs. 7,231,575 (7417 bags x 975 /bag) were spoiled and returned. There was no replacement mechanism in place to cater such situation. ii) 41 FIRs were lodged for loss of 5,660 bags valuing Rs. 5,518,500 (5,660 bags x Rs. 975) which showed that campaign was ineffectively steered.	12,750,075
Total					**208,799,175**

Audit is of the view that the lapse occurred due to weak supervisory and internal controls.

The matter was reported in October and November 2023 but management did not provide any cogent reply.

The matter was further reported to the administrative department. In DAC meeting held on 31.01.2024, the para at Sr. No. 1 was kept pending for compliance. Further progress was not reported by the department. As regards remaining paras neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that matter be inquired, loss involved recovered and deposited into Government Account besides strengthening financial and supervisory controls to avoid recurrence of such lapses in future.

21.4.15 Irregular expenditure due to doubtful/non-transparent manual issuance of 128,773 flour bags-Rs. 125.55 million

As per Sr. No. 3 (i) & (iv) of the SOPs for Ramzan Package 2023 circulated vide No. SO(F-1)5-32/2023-24 dated 16th March 2023, Punjab Information Technical Board (PITB) shall establish a control room to monitor the distribution process, provide guidance to the districts and to trouble shoot any technical issues that arise in operation of the App developed for the Ramzan Package. The Deputy Commissioners shall depute their representatives at the distribution outlets who shall ensure transparency in the process of distribution and up-dation of inventory of distributed flour bags.

According to Para-1 of the SOPs for Ramzan Package 2023 circulated vide No.SO(F-1)5-32/2023-24 dated 16th March 2023, each of 15.8 M households falling in the poverty score of PMT 60 of BISPs NSER Registry, would be provided 3 free flour bags of 10 kg each, extracted at 70-30 ratio, during the holy month of Ramzan.

During audit of Deputy Commissioner, Lahore for the period 2022-23, a review of the Free Atta (Flour) distribution scheme in Punjab (Ramzan Package 2023) revealed that 128,773 bags were manually distributed to beneficiaries bypassing the internal control over verification of target beneficiaries through IT enabled verification process. The distribution process was doubtful/non-transparent due to the following reasons:

i) The Manual distribution of bags was made without any provision in approved SOPs for the Ramzan Package.

ii) The Manual distribution process was adopted despite the fact that the up time of the App server was around 99%.

iii) A Manual record of the beneficiaries was provided by the Deputy Commissioner Office that is doubtful based on the following reasons:

   a. All the beneficiaries shown in the Manual distribution data were also recipient of 155,473 flour bags through PITB Mobile Application.

   b. The Manual beneficiary data was reconstructed using PITB data as the format, spellings and all other details of the beneficiaries are exactly same for all the 80,709 Manual entries which is not humanly possible.

   c. There was no possible method to manually verify the approaching beneficiary on the distribution criteria based on NADRA and BISP database. However, all the Manual entries were made according to the criteria based on NADRA and BISP databases.

iv) Comparison of Manual beneficiaries' CNIC data with PITB App distribution data revealed that in a total of 80,709 cases, 36,991 flour bags in excess to 3 bags/individual were distributed to 24,251 beneficiaries.

This resulted into an irregular expenditure of Rs 125,553,675 (128,773 bags x Rs. 975 per bag) to the public kitty due to doubtful/non-transparent issuance of flour bags to beneficiaries.

Audit is of the view that the lapse occurred due to weak supervisory and internal controls.

The matter was reported in October 2023 and it was noted for submission of a detailed reply later on.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that matters be inquired at the S&GAD level. The loss involved be recovered and deposited into Government Account.

(PDP No. 2023-0000004705_F00014)

21.4.16 Irregular payment of inadmissible allowances- Rs. 72.75 million

Under Rule 2.31(a) of Punjab Financial Rule Vol-1, a drawer of bill for pay, allowances, contingent and other expenses will be held responsible for any over charges, fraud and misappropriation.

During audit of Services & General Administration Department, it was noticed that in-admissible allowances of Rs. 72,747,415 (Annexure-41) were paid to the officials/officers irregularly.

Audit is of the view that the lapse occurred due to weak supervisory and internal controls.

The matter was pointed out in February to November 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 31.01.2024, the para at Sr. No. 1 was kept pending for compliance in the light of worthy Lahore High Court judgement. The paras at Sr. Nos. 3, 5, 7, 8 & 10 were kept pending for recovery. The para at Sr. No. 6 was kept pending for probe. The para at Sr. No. 9 was kept pending for regularization from the Finance Department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends to look into the matter for fixing responsibility, effecting recovery, taking remedial measures besides action against the responsible.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2017-18, 2019-20, 2020-21 and 2021-22 vide para numbers 24.4.23, 19.4.2, 20.4.4 and 17.4.5 having financial impact of Rs. 5.57 million, Rs. 435.40 million, Rs. 17.88 million and Rs. 36.57 million. Recurrence of same irregularity is a matter of serious concern.

21.4.17 Non-auction of petrol pumps and agriculture land-Rs. 44.76 million

As per Law & Parliamentary Affairs Department notification no. 2106-2019/753-CL (1) date. 18.09.2019, the Governor of the Punjab directed to issue following Statement of Conditions for grant of leases of certain available State agriculture lands situated within prohibited zone, Municipal limits or state Charagah land, may be leased out for temporary cultivation with immediate effect. i. That selected agriculture state land will be leased out to bona fide landless persons in lots, for a period of three years, through open auction. ii. That District Rent Assessment Committee will determine reserve rent on basis of market rent. iii. The land shall be re-auctioned after five years. The publicity of auction shall be made in the revenue estate concerned through the customary means i.e. print media, electronic media, through beat of drum and announcement over loud speaker at least one week before the date of auction

During audit of accounts of Deputy Commissioner, Kasur for the years 2020-23, it was noticed that the management did not auction two sites of petrol pumps and 1332 acres of agriculture land. This resulted into loss of Rs. 44,760,000.

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Nature of Irregularity**	**Amount (Rs.)**
1	Deputy Commissioner Kasur	2020-23	2023-0000005651_F00002	Non-auction of two sites of petrol pumps	31,440,000
2	Deputy Commissioner Kasur	2020-23	2023-0000005651_F00005	Non-auction of 1332 acres of agriculture land	13,320,000
Total					**44,760,000**

Audit is of the view that lapse occurred due to weak administrative and financial controls.

The matter was pointed out in the month of November 2023. In reply of the preliminary observation, the department just acknowledged the observation without offering any comments.

The matter was further reported to the administrative department. In DAC meeting held on 31.01.2024, the paras were kept pending for compliance. Further progress was not reported by the department till the finalization of this report.

Audit recommends that matter be inquired, responsibility be fixed against concerned and recovery be made from concerned beside strengthening of administrative and financial controls.

21.4.18 Loss due to payment of various events at higher rates- Rs. 21.78 million

According to Section 4 of Punjab Civil Administration Act 2017, functions of the Deputy Commissioner stipulate that he shall:

f. Supervise and monitor the discharge of duties by the Assistant Commissioners in the District;

g. Coordinate the work of all the offices and public facilities in the district for purposes of integrated development, efficient use of public resources and effective service delivery;

h. Support and facilitate the offices and public facilities in the District;

i. Ensure that the standards set by the Government in respect of a public facility are fully observed; and

j. Supervise and coordinate the implementation of the policies, instructions and guidelines of the Government.

As per Rule 2.33 of PFR Vol-I, every Government servant 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.

During audit of Deputy Commissioner, Lahore for the period 2022-23, it was observed the management arranged various events (national, religious, public meetings, arrival of local and foreign delegations and cricket teams etc.) during the period under audit. For this purpose, services of various firms were hired through framework contract after pre-qualification to make these events successful.

It was noticed that the management ignored the rates of framework contracts and paid different rates by rationalizing the rates of framework contract for hired services. The payment was not made at uniform rates and different rates were paid at different events against same kind of services. Resultantly, an amount of Rs. 21,784,714 was excess paid to different vendors from the Government exchequer. Further, the management had not chalked out the operational plans/map of events where to install walk-through gates and CCTVs, etc. Fifteen thousand scaffoldings were hired on the eve of Christmas but the location where the same were installed was neither worked out nor the same was on record. Hence, excess charging of quantity could not be ignored.

Audit is of the view that the lapse occurred due to weak supervisory and internal controls.

The matter was reported in October 2023 and it was noted for submission of a detailed reply later on.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the recovery be affected from the concerned besides strengthening of financial and internal controls.

(PDP No. 2023-0000004705_F00002)

21.4.19 Sale of agriculture item at rates not commensurate with rates approved by Finance Department-Rs. 9.94 million

As per letter endorsed by Finance Department vide No.SO(E)-1/2016 dated 09.04.2021, "in pursuance of approval of Provincial Cabinet through circulation, Governor of the Punjab was pleased to accord sanction and release an amount Rs. 804 million for Ramzan Package-2021 and setting up Agriculture Fair Price (AFP) Shops" for provision of 13 items i.e. Potato, Onion, Tomato, Bhindi, Kaddu, Banana, Apple, Guava, Dates Irani, Gram Pulse, Basin, Lemon & Garlic to be sold at AFP Shops @ 25% less from the prevailing notified retail price by the Deputy Commissioners in their respective districts" these funds were placed in SDA accounts of Deputy Commissioners". As per Finance Department's letter, vide No.U.O No1/1205-Agri (FD)/14-Vol-II; dated 31.02.2022, in pursuance of approval of Provincial Cabinet in its 52nd meeting held on 21.03.2022, Finance Department agrees to sanction and release an amount of Rs. 243.00 million in anticipation to the provision of funds through supplementary Grant for "Ramzan Package, 2022 for setting up Agriculture Fair Price Shops" for provision of 13 items i.e. Potato, Onion, Tomato, Bhindi, Kaddu, Banana, Apple, Guava, Dates Irani, Gram Pulse, Basin, Lemon & Garlic will be provided at fixed (25%) subsidized rate of last year Ramzan package. Further, as per table given under Para 02 of introduction of SOPs for the establishment of the Agriculture Fair Price Shops. According to the said SOPs the Government fixed the rates of Tomato @ Rs. 27/kg, Apples @ 135/kg, Lemon @ 188/kg and lady finger @ 78/kg.

During audit of the accounts of Deputy Commissioner, Kasur for the year 2021-23, it was noticed that the management has sold agriculture items more than the rate fixed by the Government adding burden on consumers amounting to Rs 5,504,401. Similarly, Deputy Commissioner, Hafizabad for the years 2020-23, had given excess subsidy than approved by Finance Department. This resulted into loss of Rs. 4,440,193.

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Deputy Commissioner Kasur	2020-23	2023-0000005651_F00015	Irregular receipt due to sale of diet articles above fixed subsidized rates	5,504,401
2	Deputy Commissioner Hafizabad	2020-23	2023-0000004716_F00015	Loss due to sale of agriculture item at over subsidized rate	4,440,193
Total					**9,944,594**

Audit is of the view that lapse occurred due to weak administrative and financial controls.

The matter was pointed out in the month of November 2023. In reply to the preliminary observation, the department just acknowledged the observation without offering any comments.

The matter was further reported to the administrative department. In DAC meeting held on 31.01.2024, the para at Sr. No. 1 was kept pending for probe. Further progress was not reported by the department. As regards remaining para neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that matter should be inquired, responsibility be fixed and recovery be made from concerned besides strengthening of administrative and financial controls.

21.4.20 Unjustified allotment of vehicles to non-entitled officers-Rs. 9.09 million

As per Policy for Retention of Transport Strength in Government Department issued by S&GAD vide letter No. MTO(S&GAD)AT-II/(2-9)2006 dated 22-04-2008, the competent authority has desired that the policy may be adopted universally in all administrative departments as well as in attached departments, autonomous bodies and projects for use of official vehicles in order to formalize policy and to streamline allocation of vehicles:

i. Secretary/Head of the Department shall be authorized one car as per entitlement (Normally 1300cc)
ii. Additional Secretary and equivalent posts may be allowed to retain one car of either 1000cc or 1300cc depending upon availability in the department.
iii. Deputy Secretaries and equivalent status officers may be allowed to use one car up to 1000cc, depending upon availability of transport of transport in the department concerned.

During audit of the Department of Services & General Administration, it was noticed that Govt. vehicles were allotted to non-entitled officers irregularly which resulted in undue expenditure on POL worth Rs. 9,095,063. The details are as under:

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Nature of Irregularity**	**Amount (Rs.)**
1	MTO Govt. of Punjab S&GAD	2022-23	2023-0000003211_F00007	Unauthorized Provisions of Maintained Vehicles to the Officers on Special Duty (OSD)	9,095,063
2	Section Officer (Accounts-I) Gazetted S&GAD	2022-23	2023-0000003190_F00005	Unlawful allotment of vehicles of higher category	-
3	Section Officer (Accounts-I) Gazetted S&GAD	2022-23	2023-0000003190_F00007	Unlawful allotment of 57 vehicles to officer of BPS-17 and below who were not entitled for allotment	-
4	MTO Govt. of Punjab S&GAD	2022-23	2023-0000003211_F00015	Unlawful allotment of higher engine power vehicles to officers	-
Total					**9,095,063**

Audit is of the view that the lapse occurred due to weak supervisory and internal controls.

The matter was pointed out in August and September 2023. The management did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 31.01.2024, the paras at Sr. Nos. 2 & 7 were kept pending for compliance. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends to look into the matter for fixing responsibility, taking remedial measures besides action against the responsible.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2017-18 vide para number 24.4.20 having financial impact of Rs. 20.10 million. Recurrence of same irregularity is a matter of serious concern.

21.4.21 Double drawl of labor charges in violation of prescribed policy of agriculture department-Rs. 6.57 million

As per Standard Operating Procedures (SOPs) for the establishment of Agriculture Fair Price Shop during Ramzan Bazar 2021-22 circulated vide letter No 1507-42/AMIS/E&M/2022 dated 30.03.2022 Market Committees were allowed to claim overhead costs as below:

- Labor Pandi upto Rs 20/100 Kgs
- Sorting cost upto Rs 50/100 kg (only for potato and onion)
- Transportation cost from Mandi to Agriculture Fair Price (AFP) upto to Rs. 50/100 KG
- Packages cost upto Rs 250/100 kgs
- Wastage cost from 2 % to 10%

During the scrutiny of accounts of Deputy Commissioner office Lahore for the period 2021-22, market committees were allowed to charge the overhead cost like labour charges upto Rs. 20/100 Kg only. Audit observed that market committees claimed labour charges once Rs 20/100 in each item amounting to Rs. 2,325,297 and same time labour charges of Rs. 6,573,195 from other misc. expenditure head of account were also claimed without any rule provision provided in the SOPs mentioned above.

The detail is as under:

Sr. No.	Name of Market	Labor Cost – Paid upto Rs. 20/100 per kg	Labor Charges claimed in Miscellaneous Expenditure Head of account (Rs.)
1	Market Committee, Lahore	699,211	1,617,525
2	Market Committee, Multan Road	563,974	1,788,876
3	Market Committee, Kacha	699,211	2,030,616
4	Market Committee, Singhpura	296,959	773,568
5	Market Committee, Raiwind	65,942	362,610
Total		**2,325,297**	**6,573,195**

Audit is of the view that lapse occurred due to defective administrative and financial controls.

The matter was pointed out to the concerned formation during February 2023. In response to the audit observation, the management did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends the department to recover the double payment made by the department from concerned, besides ensuring strengthening of financial and internal controls.

(PDP No. 2023-0000000287_F00006)

21.4.22 Irregular expenditure on account of subsidy on ghee-Rs. 4.28 million

As per instructions for the sale of Ghee in Ramzan Bazar issued by industry department vide no SOR(ICI&SD)1-23/2022 dated 21.04.2022, "A maximum of 2 kg ghee will be allowed on one CNIC during the remaining days of Ramzan. Deputy Commissioner will ensure to depute an official at each staff of ghee to record the sale of ghee with the CNIC No. of the Byer. In case a software is provided to them to record CNIC No. so that no person buys more than the allowed quantity, they will ensure that the CNIC NO are duly punched in the system by the official. The discount of Rs. 10/kg will be covering the price. A subsidy of Rs. 42/kg will be provided to the Deputy Commissioner of which Rs. 40/kg will cover the price differential while Rs. 2/kg will cover the transportation charges/incidental costs.

During audit of Deputy Commissioner, Lahore for the financial year 2021-22, scrutiny of the record revealed that cheques amounting to Rs. 4,280,262 were issued by the deputy commissioner to dealers for subsidy on ghee during Ramzan Bazars but following irregularities were observed:

1. Stock and consumption accounts (total stock received, distributed stock and balance etc.) were not maintained by the concerned as was required under above mentioned instructions of the Industry Department.
2. As per notification No.ADC(F&P)/Ramzan/Ghee Subsidy/2022 dated 26.04.2022, A Committee was constituted to assess the sale of subsidized Ghee in Ramzan Bazars and committee will verify the sale of ghee from all sources/portal and will recommend the subsidy amount of Ghee but audit observed that no letter was issued to such departments and no representative was appointed by such department but sale was shown verified by officer without any name authorization letter and data.

Audit is of the view that irregularity occurred due to defective administrative and financial controls.

The matter was pointed out during February 2023. The management did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends getting the matter regularized from the Finance Department for non-compliance with the instructions of the Industries Department besides strengthening Financial and internal Controls.

(PDP No. 2023-0000000287_F00017)

21.4.23 Late finalization of the cases of funeral, marriage & farewell grants

As per Punjab Government Servant Benevolent Fund Ordinance, 1960 Section 4-Utilization of the Fund: a) The Fund shall be utilized for- i) giving financial assistance to the families of deceased servants; ii) giving financial assistance to Government servants invalided out of service; iii) making special grants to Government servants in exceptional cases.

During audit of Provincial Benevolent Fund Board, Lahore for the year 2021-22, it was observed that total number of 26590 cases of the above grants were finalized during 2021-2022. Out of the stated cases 7328 were finalized within the month and remaining 18120 cases were finalized after a delay of 31 days to more than six months. The profile of the time-lines of cases of grants finalized by the Provincial Benevolent Fund Board from 1st January 2021 to 31st December

2022 showed delay in 68% cases of grants. Further, no timeline was devised by the Board for finalization of cases.

Audit is of the view that delay in finalization of 68% cases of grants was hampering the service delivery as well as was a question mark on the performance of board. Lapse occurred due to weak supervisory and financial control. The management has not refuted incidence of delay.

The matter was brought to the notice of the management during March to April 2023. The department stated that all out efforts are made to dispose of cases as soon as possible but issues like shortage of Human Resource, public dealing/pressure and other administrative works are main hindrances for speedy disposal. Moreover, the cases having deficiencies are cleared upon receipt of requisite documents and then submitted for subsequent approval/sanction of Competent Authority so that afterwards data may be uploaded for Bank of Punjab to make/release payments. To reduce errors, manual checking is performed again and again due to using very old software/system not sufficient to meet today's requirement. Further, there is no provision of time line in law/rules to process the cases.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that a proper mechanism may be developed for early finalization of cases.

(PDP No 2023-0000000793_F00010)

21.4.24 Use of outdated and obsolete system raising question mark over the reliability of data and system

As per Section 4(a) of Punjab Government Servants Benevolent Fund Ordinance 1960 (Utilization of the Fund), the Fund shall be utilized for:

i) giving financial assistance to the families of deceased servants;
ii) giving financial assistance to Government servants invalided out of service;
iii) making special grants to Government servants in exceptional cases.

During audit of Provincial Benevolent Fund Board, Lahore for year ended on 31st December 2022, it was observed that outdated system was in use having limited utility and multiple issues encountered from time to time as evident from emails sent to PITB. The Provincial Ombudsman also took up the matter in the meeting with Provincial Benevolent Fund Board dated 06.04.2022 and decided that automation process of the Board be expedited. The Punjab

Information Technology Board evaluated the existing system, and commented that the system developed by a private organization, has become obsolete now. PITB took up the system for maintenance services in 2014 which was hosted at the departmental local server. In 2017, database of the system was migrated to PITB servers and since then system has been running with new URL which is bfms.punjab.gov.pk. In December 2019, bfms.Punjab.gov.pk was developed to shift the system from old to new technology. Shifting is still pending due to the lack of technical staff and lack of HR in the department. No Data Validation, Customization according to new requirements, Track and Trace of applications and No Visual Presentation ensured on Portal. It is pertinent to mention here that latest input control cannot be implemented in the system which may result in data inconsistencies, redundancy and resultantly undermining the reliability of data. Moreover, usage of outdated system with limitations can further impair the issues of data and system in connection with Confidentiality, Integrity and availability. System if not updated regularly can result not only in degraded performance (due to low efficiency and effectiveness) but also results in more maintenance cost.

Audit is of the view that the lapse occurred due to weak administrative and internal controls.

The matter was brought to the notice of the management during 8th March to 18th April 2023. The department stated that picture depicted in the observation is based on facts. Agenda regarding complete automation of B.F was placed before the Boards of Management in its meetings held time to time. Finally, complete automation of B.F was approved by the Boards of Management in its meetings held on 04.07.22. In this regard Memorandum of Agreement between PITB and Benevolent Fund has been signed on 4.4.23 and process of automation has been started. This automation will address issues of Benevolent Fund as mentioned in audit observation.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that prompt remedial actions be ensured and up-dation process may be expedited to overcome the shortfalls of old outdated system.

(PDP No. 2023-0000000793_F00029)

21.4.25 Non-maintenance of record

Punjab Finance Department’s letter No.FD(M1)III-2/87(P-III) dated 22.02.1994 provides that DDO himself will be responsible for production of record to audit party at the time of audit and that in case of any lapse on his part, severe disciplinary action will be taken against him by the

Administrative Secretary personally apart from submitting a report to the Chief Minister/Chief Secretary.

During audit of Services & General Administration Department, it was observed that the record as mentioned in the annexure-42 was not maintained for audit.

Audit is of the view that non-maintenance and non-availability of records and subsidiary account was a grave cause of concern.

The matter was pointed out to the concerned formation from February to November 2023. The management did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 31.01.2024, the para at Sr. No. 4 was kept pending for probe. The paras at Sr. Nos. 6 & 8 were kept pending for compliance. Further progress was not reported by the department. As regards remaining paras neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the department should ensure prompt remedial actions besides fixing responsibility for non-maintenance of record.

CHAPTER 22
SOCIAL WELFARE AND BAIT-UL-MAAL DEPARTMENT

22.1 Introduction

Social Welfare Department is meant to work with the vision of providing an equitable and well-functioning social protection system anchored at the principles of empowerment and inclusion for all, particularly the marginalized.

Social Welfare and Bait-ul-Maal Department performs following functions:

- Registration, technical assistance and monitoring of social welfare agencies
- Social protection including institutional care, skill development and rehabilitation
- Registration, assessment, training, employment, and rehabilitation of disabled persons
- Eradication of social evils
- Coordination with and grant-in-aid to non-Governmental organizations engaged in the field of narcotics control and rehabilitation of drug addicts
- Relief during calamities and emergencies
- Financial assistance to poor and needy through Punjab Bait-ul-Maal

Audit Profile of Social Welfare and Bait-ul-Maal Department

Sr. No.	**Description**	**Total No.**	**Audited**	**Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)**	**Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)**
1	Formations	550	6	1,249	-
2	• Assignments Accounts • SDAs etc. (excluding FAP)	1	1	-	-
3	Authorities/Autonomous bodies etc. under the PAO	3	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The Appropriation Accounts of Social Welfare and Bait-ul-Maal Department for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during 2022-23 against the total of three grants/appropriations is given below:

(Rupees in million)

Grant No.	**Original Grant**	**Supplementary Grant/ Re-Appropriation**	**Final Grant**	**Actual Expenditures**	**Excess/ (Savings)**
1	**2**	**3**	**4**	**5**	**6(5-4)**
PC21010	97.47	(27.05)	70.42	72.35	1.93
PC21031	3,011.28	270.48	3,281.76	3,146.93	(134.83)
PC22036	625.27	(467.50)	157.77	193.75	35.98
Total	**3,734.02**	**(224.07)**	**3,509.95**	**3,413.03**	**(96.92)**

Overview of Expenditure

The final budget of Social Welfare Welfare and Bait-ul-Maal Department for the year ended 30th June 2023 was Rs. 3,509.95 million. Out of this, actual expenditure was Rs. 3,413.03 million.

The breakup of current and development expenditure is given below:

(Amount in Rupees)

Grant Type	**Original Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	3,108,745,000	3,219,282,002	110,537,002	3.56
Development	625,273,000	193,751,344	(431,521,656)	(69.01)
Total	**3,734,018,000**	**3,413,033,346**	**(320,984,654)**	**(8.60)**

This composition changed due to supplementary grants & surrenders. Variance of Final Grant and Actual Expenditure is given below:

(Amount in Rupees)

Grant Type	**Final Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	3,352,178,000	3,219,282,002	(132,895,998)	(3.96)
Development	157,774,000	193,751,344	35,977,344	22.80
Total	**3,509,952,000**	**3,413,033,346**	**(96,918,654)**	**(2.76)**

Anticipated savings not surrendered

As per para 14.3 of Punjab Budget Manual, the spending departments are required to surrender the grants/ appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs. 134.83 million at the close of the year 2022-23 under grant PC21031 were not surrendered in time by the Department.

Excess expenditure requiring regularization

As per Para 13.2 (ii) of the Punjab Budget Manual, the total expenditure incurred on a purpose does not exceed the grant or grants provided for that purpose. However, excess expenditure amounting to Rs. 37.91 million for the year 2022-23 under grants PC21010 & PC22036 had not been got regularized so far. This was tantamount to breach of legislative control over and above the appropriations.

22.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 410.35 million were raised in this report during audit of Social Welfare and Bait-ul-Maal Department. This amount includes recoveries of Rs. 9.64 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations

(Rs. in million)

Sr. No.	Classification	Amount
1.	Recoveries and overpayments	9.64
2.	Performance related irregularities	255.63
3.	Financial Matters	25.87
4.	Accounting Errors	94.00
5.	Others	25.21
Total		**410.35**

22.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC directives for reports discussed so far is given below:

Sr. No.	**Audit Report Year**	**Total Paras**	**Compliance received**	**Compliance not Received**	**Percentage of Compliance**
1	1985-86	7	2	5	29
2	1986-87	8	6	2	75
3	1987-88	2	1	1	50
4	1988-89	2	1	1	50
5	1989-90	6	0	6	0
6	1990-91	1	0	1	0
7	1991-92	1	0	1	0
8	1993-94	2	0	2	0
9	1994-95	1	0	1	0
10	1998-99	22	8	14	36
11	1999-00	13	6	7	46
12	2000-01	41	35	6	85
13	2001-02	46	28	18	61
Total		**152**	**87**	**65**	**57**
Note: The Audit Report years missing in the above table were either due to non-inclusion of the subject chapter during that year or non-discussion of the subject chapter before the PAC.					

The compliance of PAC directives in Social Welfare and Bait-ul-Maal Department needs further improvement. Further, the department is requested to reconcile the matter with Audit Department regarding any discrepancy.

22.4 AUDIT PARAS

Recoveries and overpayments

22.4.1 Non/less deduction of Income Tax, General Sales Tax, and Punjab Sales Tax-Rs. 8.02 million

As per the Punjab Sales Tax on Services Act, 2012, in case of non-registered/Non-Active business with PRA, PST is to be deducted from gross amount of bill @ 16% on Services. As per Section 3(3) of Sales Tax Act 1990, the liability to pay tax shall be of person making supply. However, the purchaser may require the supplier to provide the copies of their sales tax return in order to ensure that sales tax is being paid monthly. As per Section 153 (1)(a) of Income Tax Ordinance 2001, the Income tax on supply and services was required to be recovered.

During audit of Social Welfare and Bait-ul-Maal Department, it was observed that Income Tax and Punjab Sales Tax was either not or less deducted by the management before making payments to the suppliers and service providers. On purchase of packed items, GST was paid twice i.e. at packing stage and then at purchase stage. The service contractor was not registered with PRA but department did not withhold PST on the gross amount of bill by using fraction (bill *16/116). Instructors engaged for services were paid charges without deducting Punjab Sales Tax. Income tax was less deducted on payment made to consultant and service provider of Janitorial & Security services. General Sales Tax was paid to the suppliers of goods instead of ensuring withholding of the same. The breakup of the recoverable amount is as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Recovery	Amount (Rs.)
1	Director General of Social Welfare and Bait-ul-Mall	2017-22	2023-0000001001_F00007	Income tax	3,969,775
2	Director General, Punjab Women Protection Authority	2017-22	2023-0000000795_F00002	Income tax, General Sales Tax & Punjab Sales tax	1,991,366
3	District Industrial Home (Sanatzar), Lahore	2017-22	2023-0000000289_F00001	Punjab Sales tax	1,215,336

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Recovery	Amount (Rs.)
4	Director General of Social Welfare and Bait-ul-Mall	2017-22	2023-0000001001_F00016	Punjab Sales tax	364,306
5	Secretary Social Welfare and Bait-ul-Mall, Lahore	2020-22	2023-0000001912_F00017	General Sales Tax	331,037
6	Director General of Social Welfare and Bait-ul-Mall	2017-22	2023-0000001001_F00020	Income tax	146,300
Total					**8,018,120**

Audit is of the view that financial indiscipline led to a loss to Public Exchequer.

The matter was pointed out in February & March 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 17.10.2023, the para at Sr. No. 2 was kept pending for production of tax returns submitted by the firm (M/s Ovec Tech) to PRA. The para at Sr. No. 5 was kept pending with the direction to ensure deduction of GST and production of relevant record. As regards remaining paras, neither any reply was received nor was the DAC meeting convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the recovery be affected and relevant returns accounting for discharged tax liability be produced to remedy the situation.

22.4.2 Irregular expenditure due to non-observance of Punjab Procurement Rules-Rs. 1.62 million

As per Rule 12 of PPR 2014, a procuring agency shall advertise procurement of more than one hundred thousand rupees and up to the limit of two million rupees on the website of the Authority up to 16.08.2020 and more than two hundred thousand rupees and up to the limit of three million rupees from 17.08.2020 in the manner and format specified by regulations but if deemed in public interest, the procuring agency may also advertise the procurement in at least one national daily newspaper.

During audit of the Director General of Social Welfare and Bait-ul-Mall, Lahore for the period 2017-22, it was observed that an amount of Rs. 1,617,690 was spent on the procurement of stationery items and payment was made to M/s Khobaib Traders without adopting tendering process for economical and competitive procurement which was irregular.

Audit is of the view that lapse occurred due to the poor existence of administrative and financial controls.

The matter was pointed out in March 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. Neither any reply was received nor the DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired into at the appropriate level to fix responsibility against those at fault, besides ensuring that the irregularity be regularized by the Finance Department.

(PDP No. 2023-0000001001_F00009)

Performance related irregularities

22.4.3 Loss sustained by the Trust due to high-risk investment in Mutual Funds-Rs. 147.82 million

As per FD’s letter No.FD(W&M)1-1/70(VII) dated 15.05.2009, all Government departments, boards, companies, autonomous bodies, and special institutions are directed to ensure adequate profit and security of investment/funds. Compare the profit rate of the Bank of Punjab with other commercial banks and if other commercial banks offer higher profit rates then funds may be placed with those banks offering higher profit rates.

During audit of Punjab Welfare Trust for the Disabled, Lahore, for the financial period 1996-22, it was observed that the Executive Committee of the Trust in its meeting dated 22.03.2008 decided high-risk investment of 140,000,000 in Mutual Funds (70 million each in Meezan Islamic Fund and NAFA Islamic Multi-Asset Fund) without due diligence, return rate analysis and proper risk management. The following observations were raised:

i. The market value of the investment decreased by 10.5% within three months of the investment on June 2008 and a decrease of 28% up to June 2009 and was redeemed in February 2010 with a capital loss of Rs. 17,700,121 which shows a poorly managed investment plan for the funds of the Trust.

ii. No revenue against the said investment was received from March 2008 to February 2010 resulting revenue loss of Rs. 29,400,000.

It is pertinent to mention that the Executive Committee in its meeting dated 04.02.2010 decided to redeem the investment (12.6% capital loss and 100% loss of revenue for two years) without identifying fault or fixing responsibility of the loss and ensuring corrective measures to avoid such lapses in future. Audit held that the investment was carried out without market analysis and risk management of the portfolio and thus the current value of accumulated loss of Rs. 147,820,356 was sustained by the Trust.

Audit is of the view that lapse occurred due to weak supervisory and internal controls.

The initial observation was issued in March 2023 and the management replied to scrutinize the record and submit a detailed reply but was not received.

The matter was further reported to the administrative department. In DAC meeting held on 17.10.2023, the para was kept pending with the direction to take up the matter with Finance Department for writing off the loss to the tune of Rs. 2.48 million relating to 3 investments. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter may be inquired into at the administrative department's level and recovery be made from those responsible and deposited in the Government Treasury.

(***PDP No. 2023-0000000340_F00001***)

22.4.4 Blockage of public money and poor performance of call centers-Rs. 107.81 million

As per clause 5 of the Act of "Punjab Bait ul Mall Council," the money shall be utilized for purposes of relief and rehabilitation of the poor widows and orphans, educational assistance to the poor and deserving students, medical assistance to the poor, etc. As per Sr. No. (2)(3)(a-c) to Para No. 8 of Planning and Development Board letter No.1/203/RO(P&D)/90 dated 29.06.1991, a Trust shall be constituted for credit of all the sums received by the Trust which consist of grants, donations, endowments, contributions, aid, etc.

As per condition No. 37 & 57.4 of the Terms & Conditions of an agreement regarding the establishment of the Helpline for Violence against Women Centre at Multan, the service provider was to provide services and training to the service provider's agents.

During audit of Social Welfare and Bait-ul-Maal Department, it was observed that receipt of donations was discontinued, a huge amount was paid on account of call services of only 2989 calls in four years and the amount was blocked in two dormant accounts. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Amount (Rs.)
1	Grant in Aid to Bait-ul-Mall Council	2016-22	2023-0000000936_F00003	100,277,327
2	Director General, Punjab Women Protection Authority, Lahore	2017-22	2023-0000000795_F00001	7,529,601
Total				**107,806,928**

The following irregularities were noticed:

i. During 2016-22, the department incurred an expenditure of 10,116,273 out of the retained amount of Rs. 23,870,000, being 4% for administrative expenses. The public money was blocked instead of utilizing the grant for needy people. The management has a sum accumulating closing balance of Rs. 100,277,327 till June 2022 in its 04 bank accounts.

ii. A sum of Rs 7,529,601 was paid on account of call center services for the violence against women center at Multan. A total of 2989 calls were received in four years. The average calls in one year come to 747 calls showing 107 calls per agent per year for the strength of 07 agents. Per agent monthly calls were 09 and daily calls for each agent were 0.29 calls. It means that each agent attended one call after three days. The payment was not justified.

Audit is of the view that such kind of lapse occurred due to negligence on the part of concerned personnel running the affairs of the entity.

The initial observation was issued in March 2023. The management replied that the correspondence with banks and the administrative department was in progress to resolve the matter.

The lapse restricted the management from utilizing its funds in profitable investments being a major source of income for the Trust to be utilized on the programs for the welfare of the disabled, resulting in loss of potential earnings apart from blockage of Trust funds.

The matter was further reported to the administrative department. In DAC meeting held on 17.10.2023, the para at Sr. No. 1 was kept pending for verification of record. The para at Sr. No. 2 was kept pending with the direction that the Chief Financial Officer of Punjab Welfare Trust for the Disabled be appointed to conduct the third-party valuation of the helpline services to adjudge its efficacy. Further progress was not reported by the department. As regards remaining para, neither the reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that serious efforts be made to improve the performance of the department for better utilization of funds, framing Trust rules, fixing responsibility for poor planning of call centers, and shifting of amount from dormant accounts for sizeable return on investment.

22.4.5 Shortcomings in the Performance of the Punjab Women's Protection Authority

According to Section 15 of the Punjab Women Protection Authority Act, 2017, there shall be a Fund to be known as the Punjab Women Protection Authority Fund which shall consist of: grants received from the Government or from other domestic or international agencies, etc.

According to Section 6 of the Punjab Women Protection Act, 2017, the Authority shall have the powers and functions to establish, maintain, monitor, govern, operate, and construct Protection Centers in the Punjab, provide relief to, and rehabilitate the women against violence and to formulate and ensure minimum standards, code of conduct and Standard Operating Procedures to be followed by the persons engaged in the Protection System. The annual performance report enumerating all activities, developmental initiatives undertaken, the targets achieved during the previous financial year, and the future plans shall be laid before the Provincial Assembly of Punjab within ninety days of its receipt.

During audit of Punjab Women Protection Authority for the period 2017-22, it was observed that the Authority was established to ensure the protection of women against violence and to counter the women's rights abuses in the province of Punjab but the Authority failed to perform as per requirements of the Act, detailed as under:

i. The management of Punjab Women Protection Authority (PWPA) failed to establish women's rehabilitation centers except at Multan.
ii. Women Protection Centers were neither established nor were efforts made to implement a Protection system in remote areas of Punjab.

iii. There was no mechanism devised for accepting donations such as land, vehicles, equipment, money, or human resources for facilitation of the functioning of the Protection System;

iv. Annual performance reports showing all activities, developmental initiatives undertaken, the targets achieved at the end of each year, and the future plans were not submitted before authority by the Director General.

Lapse occurred due to a lack of interest of the department in the administration and supervision of the core activities.

The initial observation was issued in March 2023. The DDO replied that the matter would be taken up with the administrative department.

The matter was further reported to the administrative department. In DAC meeting held on 17.10.2023, the committee kept the para pending with the direction that the process for notification of Board be expedited. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the administrative department should look into the matter and necessary measures be taken to make the Authority functional according to the Act.

(PDP No. 2023-0000000795_F00003)

Financial Matters

22.4.6 Irregular drawl of cheques in the name DDO instead against concerned vendor-Rs. 25.87 million

Rule 4.49(1) of the Subsidiary Treasury Rules stipulate that payment of Rs 100,000 and above to the contractors and suppliers shall not be made in cash by the DDO.

During audit of the Director General Social Welfare & Bait ul Mall for the year 2017-22, scrutiny of contingent bills under different heads of accounts revealed that the Drawing & Disbursing officer drew cheques valued Rs. 25,866,665 in his name instead against the concerned vendors. Moreover, acknowledgment against payment to the concerned quarter was also not found attached to the bill. So, due to the above-stated act on the part of DDO, the authenticity of the expenditure could not be legitimate.

Audit is of the view that the lapse occurred due to the poor existence of administrative and financial controls.

The matter was pointed out in February 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter should be investigated, and irregularity be regularized besides strengthening administrative, financial as well and supervisory controls to avoid the recurrence of such lapses in the future.

(PDP No. 2023-0000001001_F00003)

Accounting Errors

22.4.7 Disbursement to District Bait-ul-Mall Committees without legal cover-Rs. 94.00 million

Rule 2.33 of PFR Vol-I states that every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his par.

During audit of Grant in Aid to Bait-ul-Mall Council for the period 2016-22, it was observed that the Ameen of "Punjab Bait-ul-Mall Council" (PBMC) directed "Punjab Bait-ul-Mall Council" and "District Bait-ul-Mall committees" to stop functioning on 28.06.2018 till further orders. The tenure of Ameen was till 21.03.2019 and the next Ameen was appointed by the Government on 19.06.2019. Punjab Bait-ul-Mall Council was again constituted for the period of three years w.e.f. 30.10.2019 and "District Bait-ul-Mall Committees" were notified on 06.12.2019 i.e. the Punjab Bait-ul-Mall Council and its district Bait-ul-Mall Committees remained dysfunctional during 2018-19 whereas, an amount of Rs. 94,000,000 was shown as disbursed to District Bait-ul-Mall Committees.

Audit is of the view that in the absence of District Bait-ul-Mall Committees, the disbursement was unjustified.

The matter was pointed out in March 2023. In reply of the preliminary observation, the management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 17.10.2023, the para was kept pending with the direction to make efforts to disburse the Bait-ul-

Maal funds through notified district Bait-ul-Maal Committees as and when constituted. Further progress was not reported by the department till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends to investigate the matter of disbursement to fix responsibility against those at fault.

(PDP No. 2023-0000000936_F00001)

Others

22.4.8 Non-availability of records for expenditure-Rs 25.21 million

As per Rule 2.20 of PFR Vol-I, every payment, including repayment of money previously lodged with Government, for whatever purpose, must be supported by a voucher setting forth full and clear particulars of the claim.

During audit of Social Welfare Training Institute, Lahore for the year 2011-22, it was revealed that an amount of Rs. 25.209 million stood disbursed and was paid against different heads of accounts but supporting vouchers were not available for verification.

Audit is of the view that such kind of lapse occurred due to negligence on the part of concerned personnel running the affairs of the entity.

The matter was pointed out in February 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired into at the administrative department's level and lapse be remedied at an early date.

(PDP No. 2023-0000000935_00001)

CHAPTER 23
SPECIAL EDUCATION DEPARTMENT

23.1 Introduction

Department of Special Education was established on 01.10.2003. The department aims to create an environment for making disabled and physically retarded persons useful members of society and utilize their potential and skills in each sphere of life. It performs the following functions:

- Enhancement of enrollment through the provision of:
    - Construction of School Buildings
    - Free Pick & Drop Facility
    - Free Text & Braille Books
    - Free Boarding & Lodging Facility
    - Free Teaching Aids
    - Provision of Stipends
    - Free Uniform
    - Merit Scholarships
    - Nutrition Programs
- Establishment of Rehabilitation Centre for the Disabled of International Standard
- Training Programs and adoption of internationally accepted best practices
- Curriculum Development for the Special Education institutions

Audit Profile of Special Education Department

Sr. No.	Description	Total No.	Audited	Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)	Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)
1	Formations	11	3	739	-
2	• Assignments Accounts • SDAs etc. (excluding FAP)	1	1	-	-
3	Authorities/Autonomous bodies etc. under the PAO	1	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The Appropriation Accounts of the Special Education Department for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during 2022-23 against the total of three grants/appropriations is given below:

(Rupees in million)

Grant No.	Original Grant	Supplementary Grant/ Re-Appropriation	Final Grant	Actual Expenditures	Excess/ (Savings)
1	**2**	**3**	**4**	**5**	**6(5-4)**
PC21010	63.54	25.94	89.47	83.24	(6.24)
PC21015	261.09	59.93	321.02	290.28	(30.74)
PC22036	158.03	(134.67)	23.36	19.59	(3.77)
Total	**482.65**	**(48.80)**	**433.85**	**393.11**	**(40.74)**

Overview of Expenditure

The final budget of the Special Education Department for the year ended 30th June 2023 was Rs. 433.85 million. Out of this, the actual expenditure was Rs. 393.11 million.

The breakup of current and development expenditure is given below:

(Amount in Rupees)

Grant Type	Original Grant	Actual Expenditure	Excess/ (Savings)	Variance %
1	**2**	**3**	**4**	**5**
Current	324,627,000	373,516,662	48,889,662	15.06
Development	158,027,000	19,593,168	(138,433,832)	87.60
Total	**482,654,000**	**393,109,830**	**(89,544,170)**	**18.55**

This composition changed due to supplementary grants and surrenders. The variance of Final Grant and Actual Expenditure is given below:

(Amount in Rupees)

Grant Type	Final Grant	Actual Expenditure	Excess/ (Savings)	Variance %
1	**2**	**3**	**4**	**5**
Current	410,494,000	373,516,662	(36,977,338)	9.01
Development	23,359,000	19,593,168	(3,765,832)	16.12
Total	**433,853,000**	**393,109,830**	**(40,743,170)**	**(9.39)**

Anticipated savings not surrendered

As per para 14.3 of the Punjab Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs. (40.74) million at the close of the year 2022-23 under grants PC21010, PC21015 and PC22036 were not surrendered in time by the Department.

23.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 12.39 million were raised in this report during audit of the Special Education Department. This amount includes recoveries of Rs. 1.16 million as pointed out by the audit. The summary of the audit observations classified by nature is as under:

Overview of Audit Observations

(Rs. in million)

Sr. No.	**Classification**	**Amount**
1.	Recoveries and overpayments	1.16
2.	Procurement related irregularities	6.84
3.	HR/Employees related irregularities	4.39
Total		**12.39**

23.3 Brief comments on the status of compliance with PAC Directives

There is no para yet discussed in PAC. However, the department is requested to reconcile the matter with the Audit Department regarding any discrepancy.

23.4 AUDIT PARAS

Recoveries and overpayments

23.4.1 Non-recovery of pay and allowances-Rs. 1.16 million

As per Rule 2.31(a) of PFR Vol-I, a drawer of bills for pay, allowances, contingent, and other expenses will be held responsible for any overcharges, frauds, and misappropriations. Moreover, as per Rule 2.33 of PFR Vol-I, every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by the Government through fraud or negligence on his part. Further, according to the letter bearing No.FD-SR(1t)-4/86(P)(PR) dated 21.04.2014 & MTO-I(S&GAD)AT-II/2-6/2012 dated 29.06.2018 respectively, officers who are availing Government vehicles including bikes (Sanctioned/pool) are not entitled to the facility of Conveyance Allowance w.e.f. 01.03.2014.

During audit of the following formations of Special Education Department for the period 2020-22, it was observed that Rs. 1,164,920 have been paid to the employees on account of pay and allowances which are not admissible to them under the rules as detailed below:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Secretary Special Education Lahore	2020-22	2023-0000000931_F00009	Recovery of Pay & Allowances	635,132
2	Directorate of Special Education Punjab Lahore	2020-22	2023-0000000998_F00005	Non-deduction of conveyance allowance from officers having been allotted Government vehicles	325,072
3	Government Teachers Training College for the Blind Lahore	2017-22	2023-0000000290_F00010	Overpayment of conveyance allowances	204,716
Total					**1,164,920**

Audit is of the view that lapse occurred due to weak supervisory, financial, and internal control.

The matter was pointed out in April 2023. The management signed the observation and did not furnish any reply.

The matter was further reported to the administrative department. In DAC meetings held on 30.08.2023 and 25.07.2023, the para at Sr. No. 2 was reduced from Rs. 340,000 to the extent shown in the table after verification of record. The para at Sr. No. 3 was kept pending for recovery. Further progress was not reported by the department. As regards the remaining para, neither any reply was received nor was the DAC meeting convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that pointed-out recovery be affected under intimation to the Audit Department.

Procurement related irregularities

23.4.2 Irregular expenditure due to violation of Punjab Procurement Rules-Rs. 6.84 million

As per Rule 4 of the Punjab Procurement Rules 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical. As per Rule 9 of the Rules ibid, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The procuring agency shall advertise in advance annual requirements for procurement on the website of the Authority as well as on its website. Furthermore, as per Rule 12 of the Rules ibid, a procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority in the manner and format specified by regulations.

During audit of the accounts of Secretary, Special Education Department for the period 2020-22, it was observed that expenditure to the stated extent of Rs. 6,837,874 was incurred on purchases of cost of other stores, repair & maintenance of machinery and equipment and stationery etc. without observing the above-stated rules. Framework contracts were avoided depriving entity the benefits of the economy of scale.

The lapse occurred due to weak supervisory, financial, and internal control which indicates ignorance of rules on the part of the department.

The matter was pointed out in March 2023. The management noted the observation for compliance.

Audit is of the view that the lapse occurred due to non-observance of PPR 2014.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be looked into at the administrative department's level and the irregularity be condoned with the sanction of the Finance Department.

(PDP No. 2023-0000000931_F00018)

HR/Employees related irregularities

23.4.3 Irregular appointments against Irrelevant Qualification & Experience Certificates Amount Involve-Rs. 4.39 million

As per Rule 2.33 of PFR Vol-I, every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by the Government through fraud or negligence on his part.

During audit of the accounts of Secretary, Special Education, Lahore for the financial year 2020-22, it was observed that the department hired staff for the project. Out of 18 posts in the project, 17 posts were filled by the department contrary to the criteria mentioned in the advertisement. The relevance of experience and qualification for appointees were not compatible with the posts for which selections were undertaken. Hence, the expenditure of Rs. 4,390,646 made against these posts was considered irregular.

The lapse occurred due to weak internal controls.

The matter was pointed out in April 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired into at the administrative department's level.

(PDP No. 2023-0000000931_F00010)

Performance related irregularities

23.4.4 Non-achievement of targets of Capacity Strengthening Unit

The scheme titled "Capacity Strengthening of Planning Wing, of Special Education Department" (LZ4137) was approved at a total cost of Rs. 31.698 million with gestation period of

3 years (2017-18, 2018-19 & 2019-20). The nomenclature of the scheme was changed by the Chairman P&D, Board while approving ADP 2018-19 (1st Revision) and the scheme was reflected with a new title "Strategic Planning Unit (SPU)", of the Special Education Department. Resultantly, the first revision of the scheme was made on 25.02.2019 at a total cost of Rs. 30.941 million with a gestation period of 4 years (2017- 18 to 2020-21). The second revision was approved by the Departmental Development Sub Committee (DDSC) in its meeting held on 20.02.2020. The third revision of the PC-1 was approved with a gestation period 2017-18 to 2021-22 by DDSC held on 27.08.2020.

During audit of the scheme "Capacity Strengthening of Planning Wing, of Special Education Department" for the period 2020-22, the overall project implementation activities were found deficient to the extent delineated as follows:

1. The department did not share any achievement or activity against the objective at Sr. No 1 of PC-I (i.e. increasing consultancy support and technical capacity of the Special Education Department).
2. The project vehicle was procured in 2018 whereas the staff was hired after a delay of 3.9 years i.e. in 2021.
3. There was no Web portal for centralized regular monitoring, data fetching, schools/student's complaints/ attendance/needs, literacy and numeracy.
4. No app has been developed to watch the real-time activities of Special Education across the province.
5. There is a meager engagement/involvement of the private sector regarding the strengthening of Special Education.
6. A vehicle bearing No. LEG-18-6000 of the Project was deployed elsewhere which also badly affected the monitoring of the project in the province.

Lapse occurred due to weak internal and supervisory control.

The matter was pointed out in March 2023 and the department noted the observation for compliance.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired at the administrative department's level besides taking stock of deficiencies in project implementation.

(PDP No. 2023-0000000931_F00008)

CHAPTER 24
SPECIALIZED HEALTHCARE AND MEDICAL EDUCATION DEPARTMENT

24.1 Introduction

Specialized Healthcare and Medical Education Department is responsible for delivering quality healthcare services to the community through an efficient and effective service delivery system that is accessible, equitable, culturally acceptable, affordable and sustainable. Specialized Healthcare and Medical Education Department aims to improve the health and quality of life, particularly women and children, through access to essential health services.

The Specialized Healthcare and Medical Education Department strives to reform and strengthen the critical aspects of the health systems. Government of the Punjab has enabled it to;

- Provide and deliver a basic package of quality essential health care services
- Develop and manage competent and committed health care providers
- Generate reliable health information to manage and evaluate health services
- Adopt appropriate health technology to deliver quality services
- Finance the costs of providing basic health care to all
- Reform the health administration to make it accountable to the public

Audit Profile of Specialized Healthcare & Medical Education Department:

Sr. No.	**Description**	**Total No.**	**Audited**	**Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)**	**Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)**
1	Formations	283	29	59,450	964
2	• Assignments Accounts • SDAs etc. (excluding FAP)	79	30	15,201.33	-
3	Authorities/Autonomous bodies etc. under the PAO	26	6	15,550.81	-
4	Foreign Aided Projects (FAP)	-	-	-	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The Appropriation Accounts of Health Department for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during 2022-23 against the total of three grants/appropriations is given below:

(Rupees in million)

Grant No.	**Original Grant**	**Supplementary Grant/ Re-Appropriation**	**Final Grant**	**Actual Expenditures**	**Excess/ (Savings)**
1	**2**	**3**	**4**	**5**	**6(5-4)**
PC21010	1,682.20	340.13	2,022.33	2,034.90	12.57
PC21016	183,640.45	1,008.80	184,649.24	177,249.57	(7,399.67)
PC22036	163,745.77	(77,810.15)	85,935.61	84,663.11	(1,272.50)
Total	**349,068.41**	**(76,461.22)**	**272,607.19**	**263,947.59**	**(8,659.61)**

Overview of Expenditure

The final budget of Health Department for the year ended 30th June 2023 was Rs. 272,607.19 million. Out of this, actual expenditure was Rs. 263,947.59 million.

The breakup of current and development expenditure is given below:

(Amount in Rupees)

Grant Type	**Original Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	185,322,646,000	179,284,474,301	(6,038,171,699)	(3.26)
Development	163,745,765,000	84,663,111,660	(79,082,653,340)	(48.30)
Total	**349,068,411,000**	**263,947,585,961**	**(85,120,825,039)**	**(24.39)**

This composition changed due to supplementary grants & surrenders.

Variance of Final Grant and Actual Expenditure is given below:

(Amount in Rupees)

Grant Type	**Final Grant**	**Actual Expenditure**	**Excess/ (Savings)**	**Variance %**
1	**2**	**3**	**4**	**5**
Current	186,671,578,390	179,284,474,301	(7,387,104,089)	(3.96)
Development	85,935,612,853	84,663,111,660	(1,272,501,193)	(1.48)
Total	**272,607,191,243**	**263,947,585,961**	**(8,659,605,282)**	**(3.18)**

Anticipated savings not surrendered

As per para 14.3 of Punjab Budget Manual, the spending departments are required to surrender the grants/ appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs. (8,659.61) million at the close of the year 2022-23 under grants PC21010, PC21016, & PC22036 were not surrendered in time by the Department.

24.2 Classified summary of Audit Observations

Audit observations amounting to Rs. 25,597.86 million were raised during audit of Specialized Healthcare and Medical Education Department. This amount includes recoveries of Rs. 2,810.44 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations

(Rs. in million)

Sr. No.	Classification	Amount
1.	Reported cases of fraud, embezzlement and misappropriation	22.59
2.	Recoveries and overpayments	2,810.44
3.	Procurement related irregularities	5,870.12
4.	HR/Employees related irregularities	95.75
5.	Performance related irregularities	190.45
6.	Others	16,608.51
Total		**25,597.86**

24.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC directives for reports discussed so far is given below:

Sr. No.	Audit Report Year	Total Paras	Compliance received	Compliance not Received	Percentage of Compliance
1	1984-85	46	38	8	83
2	1985-86	48	35	13	73
3	1986-87	67	53	14	79
4	1987-88	145	91	54	63
5	1988-89	79	55	24	70
6	1989-90	101	54	47	53
7	1990-91	128	75	53	59
8	1991-92	67	47	20	70
9	1992-93	71	44	27	62
10	1993-94	88	54	34	61
11	1994-95	76	5	71	7
12	1995-96	122	0	122	0
13	1996-97	108	69	39	64
14	1997-98	201	53	148	26
15	1998-99	297	159	138	54
16	1999-00	154	118	36	77
17	2000-01	416	329	87	80
18	2001-02	270	160	110	59
19	2003-04	78	23	55	30
20	2005-06	107	44	63	41
21	2006-07	235	103	132	44
22	2009-10	295	64	231	22
23	2010-11	125	36	89	29
24	2011-12	97	25	72	26
25	2012-13	138	37	101	27
26	2013-14	89	12	77	13
27	2015-16	241	29	212	0
28	2019-20	710	0	710	0
Total		**4599**	**1812**	**2787**	**47**

Note: The Audit Report years missing in the above table were either due to non-inclusion of subject chapter during that year or non-discussion of the subject chapter before the PAC.

The Punjab Health Department was split into Specialized Health Care and Medical Education and Primary and Secondary Health Care Departments in the Financial Year 2015-16.

Only 5 paras pertaining to year 2019-20 of Specialized Health Care and Medical Education Department as independent department were discussed. The status of compliance with PAC directives including previous years and current paras is not satisfactory. The department needs to improve it. Further, the department is requested to reconcile the matter with Audit Department regarding any discrepancy.

24.4 AUDIT PARAS

Reported cases of fraud, embezzlement and misappropriation

24.4.1 Loss of Government due to doubtful purchase of store and misappropriation-Rs. 22.59 million

Rule 2.33 of PFR Vol-I states that every Government servant 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. Moreover, Rule 15.12 of the Rules ibid states that a reliable list, inventory or account of all stores in the custody of Government servants must be maintained, to enable a ready verification of stores and check of accounts at any time.

During audit of Specialized Healthcare & Medical Education Department, it was observed that a misappropriation of Rs. 22,586,742 was found in the field formations. Details are given at below mentioned table:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Principal AIMC, Jinnah Hospital & Nursing College and School Lahore.	2021-22	2023-0000000177_F00046	Misappropriation of stores	6,819,412
2	Gujranwala medical college & its allied institutions (DHQ/Teaching hospital) Gujranwala	2021-23	2023-0000003216_F00031	Misappropriation in Hospital receipts	5,667,105
3	Allama Iqbal Medical College and Allied Institution, Lahore	2022-23	2023-0000002820_F00002	Misappropriation of stores	2,883,030
4	University of Child Health Sciences & Allied Institutions, Lahore.	2021-22	2023-0000000178_F00008	Double drawl of water & sewer charges bill of May 2022	2,671,200
5	Sahiwal Medical College with Allied Institutes	2021-22	2023-0000001470_F00012	Stores were found missing during physical verification	2,295,500

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
6	Sheikh Zayed Hospital, Rahim Yar Khan	2020-22	2023-0000001473_F00001	Stores were found missing during physical verification	2,250,495
Total					**22,586,742**

Audit observed that:

a. The stores were misappropriated. This fact was admitted by the management of formation at Sr. No. 1.

b. Management kept receipt out of Government treasury and the whereabouts of said receipt was unknown at Sr. No. 2.

c. Stores/record were not handed over to new storekeeper. Initial inquiry recommends regular inquiry under PEEDA Act 2006.

d. The water & sewer bill for the month of May, 2022 was double drawn in r/o formation at Sr. No. 4.

e. Stores were found missing while conducting physical verification in r/o formation at Sr. No. 5 and 6.

Audit is of the view that the lapse occurred due to weak supervisory and internal controls on management of assets.

The matter was pointed out during February to November 2023. The management at Sr. No. 5 noted the observation for compliance. Rest of the formations did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired into to fix responsibility, besides recovering the loss from those held responsible also strengthening supervisory and internal controls on management of assets.

Recoveries and overpayments

24.4.2 Non-recovery of outstanding dues from contractors/ defaulters-Rs. 1,435.20 million

According to Rule 4.7(1) of PFR Vol-I, it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to the Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government account.

As per Rule 7.29 of DFR Vol-I, the Sub-Divisional Officer must verify quantities and rates in a bill against the measurement book, ensuring accurate calculations before bill signing. As per Finance Department's instructions (No.RO (Tech) FD.1-2/83-VI, 29.03.2005) alongside Building and Road Department code (para 2.7, 2.12, 2.86), altering approved work specs or quantities in the TSE during execution requires written consent from the competent authority with reasons. Under contract's additional Clause 18, the contractor is accountable for water costs if University taps are utilized, as set by the officer in-charge of the water supply.

During audit of Specialized Healthcare and Medical Education Department, it was observed that an amount of Rs. 1,435,199,237 was outstanding against contractors of civil works due to application of higher rate. Over payment was made of price variation and excess payment than the approved technical estimates. Further, amount is outstanding from various contractors (LD charges), hostel residents, PG trainees, and nurses on account of contractual amounts, utility charges and room rent etc. The details are as given in annexure-43.

Audit is of the view that the lapse occurred due to weak internal controls on recoveries.

The matter was pointed out to formations concerned. Most of the formations noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 27.11.2023 and 28.11.2023, the para at Sr. No. 1 was reduced to the extent shown in annexure besides persuance of the cases with Court and District Collector of land revenue . The paras at Sr. Nos. 10, 40 and 61 were kept pending for rate analysis of non schedule items as per Finance Department template. The para at Sr. No. 13 was kept pending for provision of revised estimates. The para at Sr. No. 14 was kept pending for production of record. The paras at Sr. Nos. 23, 37 and 47 were kept pending for recovery. The paras at Sr. Nos. 24, 38 and 51 were kept pending for compliance. The para at Sr. No. 30 was kept pending for comparison between Federal Government and Finance Department’s estimates for recovery of excess payments. The para at Sr. No. 46 was kept pending for production of lab test and bill for verification or recovery. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the stated amount be recovered from the concerned besides fixing responsibility against the delinquents for non-recovery of outstanding dues.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21 and 2019-20 vide para numbers 19.4.3, 19.4.5, 21.4.27 and 20.4.41 having financial impact of Rs. 313.02 million, Rs. 340.19 million, Rs. 567.67 million and Rs. 275.59 million. Recurrence of same irregularity is a matter of serious concern.

24.4.3 Irregular treasury operations-Rs. 491.95 million

As per Clause II of the austerity measures notified vide Finance Department's letter No.FD.SO(GOODS)44-4/2016 09.08.2019, undue depositing of public funds allocated by the Provincial Government into commercial bank accounts of Companies, Authorities, Autonomous Bodies etc. stood prohibited. The Finance Department will directly allocate funds to these entities through relevant SDAs or standard release procedures. Additionally, Rule 17.19 of PFR Vol-I prohibits treasury advances to prevent appropriations lapse. Rule 2.10 (a) (1) of PFR Vol-I emphasizes exercising prudence in Government revenue expenditure, akin to personal financial care.

As per policy guideline for treatment of profits earned on funds lying in commercial banks from money withdrawn by the provincial Government entities from Provincial Consolidated Fund (PCF) issued by the Finance Department vide No.FD(W&M)1-1/70(Vol-XV)2021/98 dated 09-06-2023, para 6(i) states that profit accrued against the money withdrawn from PCF/public account and deposited in profit bearing commercial bank accounts will subscribe to the following:

i. In case money is provided for execution of ADP scheme to the administrative department or attached department, expected to be completed in a financial year, the amount received at the close of the financial year shall be deposited with the Finance Debarment through a cheque in the designated head of account

ii. In case money is provided for ADP scheme to the administrative department or attached department to be executed during more than one year the profit accrued on public money shall be intimated to Finance Department till 30th June, the amount of such profit shall be deducted at source by the Finance Department while releasing fund for next financial year. Moreover, Sr. No. (ii) of para 6 of ibid states that profit accrued against the money provided to administrative department and attached department to support service delivery or for other operational purpose etc. shall be deposited in the Government treasury by the administrative department and attached department via Finance Department through a cheque.

During audit of various formations of Specialized Healthcare & Medical Education Department, it was revealed that funds were transferred from SDA to PLA just to avoid the lapse of budget in violation of above stated fiscal discipline. Further, profit accrued against the money provided to administrative department and attached department to support service delivery or for other operational purpose etc. was not deposited into Government treasury. Hence, funds to the tune of Rs. 491,954,024 (Annexure-44) were lying un-utilized at the end of the financial year June 2023.

Audit is of the view that unauthorized retention of public money outside the Government Treasury was made due to defective administrative and financial controls.

The matter was pointed out to the formations concerned during February to November 2023. The management did not offer cogent reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that responsibility be fixed for unauthorized retention of money, either the amount be utilized for the purpose for which it was drawn or the same be deposited back in to the Government treasury besides ensuring strengthening of financial and supervisory controls.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22 and 2019-20 vide para numbers 19.4.14, 19.4.21 and 20.4.21 having financial impact of Rs. 1,665.53 million, Rs. 402.37 million and Rs. 2,966.65 million. Recurrence of same irregularity is a matter of serious concern.

24.4.4 Irregular payment of inadmissible allowances & non-recovery/deduction of allowances-Rs. 455.85 million

As per Rule 2.31 (a) of PFR Vol-I, a drawer of bill for pay, allowances, contingent and other expenses will be held responsible for any overcharges, frauds and misappropriations.

During audit of Specialized Healthcare & Medical Education Department, it was observed that pay & allowances amounting to Rs. 455,847,755 (Annexure-45) such as conveyance/dress/mess allowance during leave, social security benefit after regularization of services and stipend to PG trainees who did not complete training etc. was paid without admissibility.

Audit is of the view that weak internal controls on payroll resulted in unauthorized payment of pay & allowances.

The matter was pointed out to formations concerned. Most of the formations noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 27.11.2023, The para at Sr. No. 19 was kept pending for recovery. The paras at Sr. Nos. 22, 28 and 31 were kept pending for clarification from the Finance Department. The para at Sr. No. 29 was kept pending for verification of sanction strength of anesthetist. The para at Sr. No. 44 was kept pending for verification of degrees. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the stated amount be recovered from the concerned and deposited into Government treasury besides strengthening internal controls on payroll.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para numbers 19.4.2, 19.4.2, 21.4.4, 20.4.30 and 28.4.106 having financial impact of Rs. 427.87 million, Rs. 312.44 million, Rs. 7,311.27 million, Rs. 208.63 million and Rs. 535.40 million. Recurrence of same irregularity is a matter of serious concern.

24.4.5 Non-recovery of license fee from healthcare establishments-Rs. 240.95 million

As per Section 2 of the Punjab Healthcare Commission Act, 2010, the Commission may, before issuing the license, inspect the healthcare establishment which is to be licensed, or cause such healthcare establishment to be inspected by an inspection team. (3) A license issued by the Commission under this section– (a) shall be in such form as may be prescribed; (b) shall be valid for the period of five years; and (c) may be renewed upon expiry.

During audit of Punjab Healthcare Commission for the period 2020-22, it was observed that the management had surveyed 68,251 healthcare establishments which had been due for registration but after lapse of considerable time, only 57,797 healthcare establishments were registered. Moreover, as per the consolidated data obtained from the department software, 17,059 healthcare establishments were pending for registration which had caused a loss of Rs. 240,951,237 to Government.

The lapse occurred due to weak financial and administrative control of the management.

The matter was pointed out to formation concerned during February 2023. The management replied that the registration of newly established or non-registered HCEs and collection of licensing fee is a regular and routine process of the Commission and the PHC actively follow up with these HCEs for the purpose. However, despite its limited resources and manpower, the PHC has covered maximum HCEs and rest will be taken care of in due course of time. The reply was not tenable. The pace of registration of remaining healthcare establishments was very slow besides recovery thereupon needs to be affected at the earliest.

The matter was further reported to the administrative department. In DAC meeting held on 28.11.2023, the para was kept pending for registration/decision for remaining 49,758 healthcare establishments and recovery of licensing fee. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be looked into at administrative department's level and efforts be made for recovery of the amount on urgent basis.

(PDP No. 2023-0000000175_F00006)

24.4.6 Less/Non-deduction of Taxation-Rs. 180.76 million

According to Income Tax Ordinance, 2001 and Punjab Sales Tax on Services Act 2012, the departments were required to deduct taxes at prescribed rates at the time of making payments to suppliers/service providers. Further, as per Section 149 of Income Tax Ordinance, 2001, every employer paying salary to an employee shall, at the time of payment, deduct tax from the amount paid at the employee's average rate of tax computed at the rates specified in Division-I of Part-I of the First Schedule on the estimated income and prerequisites of the employee chargeable under the head "Salary" for the Tax Year in which the payment is made.

The Federal Government in the current Supplementary Act of 15th January 2022, clause 52 A of the updated 6th schedule of Sales Tax has withdrawn exemption of 17% Sales Tax to hospitals run by the Federal or Provincial Governments or charitable operating hospitals of fifty beds or more or the teaching hospitals of statutory universities of two hundred or more beds. Further, as per Ministry of Finance and Revenue Division, Revenue Division, Government of Pakistan Notification (Sales Tax) S.R.O. 179(I)/2023 dated 14th February 2023, In exercise of the powers conferred by clause (b) of sub-section (2) of section 3 of Sales Tax Act, 1990, the Federal Government is pleased to enhance the rate of sales tax in respect of taxable goods falling within the purview of sub-section (1) of section 3 from seventeen percent under sub section (1) of section 3 of Sales Tax Act, 1990 to eighteen percent.

During audit of Specialized Healthcare & Medical Education Department, it was observed that levied taxes amounting to Rs. 180,762,019 were not withheld at source at the time of making payments to the suppliers/service providers. The details are given in Annexure-46.

Audit is of the view that weak supervisory and internal controls on taxation resulted in less/non-deduction of taxes.

The matter was pointed out to the formations concerned. The management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 27.11.2023, the para at Sr. No. 10 was kept pending for recovery. The paras at Sr. Nos. 11 and 16 were kept pending for compliance. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends to affect recovery of stated amount and deposit the same into Government treasury besides strengthening supervisory and internal controls on taxation.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para numbers 19.4.4, 19.4.1, 21.4.31, 20.4.27 and 28.4.111 having financial impact of Rs. 23.71 million, Rs. 193.94 million, Rs. 189.34 million, Rs. 251.64 million and Rs. 332.61 million. Recurrence of same irregularity is a matter of serious concern.

24.4.7 Un-spent balance of CM grant not adjusted against the new cases-Rs. 5.73 million

Rule 2.33 of P.F.R Vol-1 requires that every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through negligence on his part. As per Chief Minister's office letter No.AS(FS)CMO/19/OT-47/C dated 07.02.2020, Grant-in-Aid was earmarked for medical treatment of cancer patients.

During audit of the accounts of Principal Allama Iqbal Medical College, Lahore for the period 2021-22, it was observed that Rs. 14,972,432 were received by the management for treatment of cancer patient under CM Grant. The funds were placed into PLA and an expenditure of Rs. 4,562,104 was incurred for the purchase of medicine. The hospital delayed purchasing medicine for cancer during the stipulated period. The department neither completed purchase process nor unspent amount was refunded to C.M Office.

Following irregularities were also observed:

- Reconciliation of vouched account of expenditure with Director General, Health Services, Punjab was not made in due course.
- Purchase committee was not constituted.
- Inspection committee was not constituted.
- Batch analysis report was not found on record.

The lapse occurred due to weak supervisory and financial control.

The matter was pointed out to the formations concerned during February to June 2023. The management did not offer cogent reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that responsibility may be fixed besides ensuring strengthening of internal controls

(PDP No. 2023-0000000177_F00027)

Procurement related irregularities

24.4.8 Mis-procurement of goods and services due to violation of Punjab Procurement Rules-Rs. 4,808.51 million

As per Rule 4 of Punjab Procurement Rules, 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical. Moreover, as per Rule 9 of Rules ibid, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. Furthermore, as per Rule 12 ibid, a procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority. Any procurement exceeding three million rupees shall be advertised on the website of the Authority, the website of the procuring agency, if any, and in at least two national daily newspapers of wide circulation, one in English and one in Urdu.

During audit of Specialized Healthcare & Medical Education Department, it was observed that expenditure to the tune of Rs. 4,808,514,102 was incurred on procurement of goods and services without observing above stated rules. Thus, the procurements made in violation of Punjab Procurement Rules rendered the whole expenditure irregular. The details are given in Annexure-47.

Audit is of the view that disregard to Punjab Procurement Rules resulted in irregular expenditure.

The matter was pointed out to the formations concerned. Most of the management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 27.11.2023 and 28.11.2023, the para at Sr. No. 30 was kept pending for regularization from the Finance Department. The paras at Sr. Nos. 33 and 53 were kept pending for probe at administrative department’s level. The para at Sr. No. 39 was kept pending for verification of record. The para at

Sr. No. 52 was kept pending for clarification from Punjab Revenue Authority and decision by Court. The para at Sr. No. 56 was kept pending for clarification from Law Department. The para at Sr. No. 79 was kept pending for compliance. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be probed into at administrative department's level for fixing responsibility and mis-procurement be reported to PPRA for consideration by the PPRA Board for taking cognizance of lapses to avoid recurrence thereof in future.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para numbers 19.4.8, 19.4.11, 20.4.15, 20.4.8 and 28.4.35 having financial impact of Rs. 2,741.93 million, Rs. 1,377.05 million, Rs. 16,193.65 million, Rs. 7,225.60 million and Rs. 17,585.54 million. Recurrence of same irregularity is a matter of serious concern.

24.4.9 Irregular purchase of medicines & disposables through local purchase (LP) system-Rs. 450.18 million

Government of the Punjab, Finance Department (Monitoring Wing) vide letter No.FD(FR)IV-5/2019/21015-2 dated 20.09.2019 circulated following distribution of budget regarding the procurement of medicine by Teaching Hospitals and District Headquarter Hospitals:

(i) Up to 10% reserved for natural calamities/emergencies to be purchased in bulk.

(ii) Up to 15% day to day purchase for normal medicine.

(iii) 75% for bulk purchase for normal medicine.

During audit of Specialized Healthcare & Medical Education Department, it was observed that expenditure to the tune of Rs. 450,181,002 was incurred on local purchases of medicine and surgical disposables. The transactions were suffering from infirmities as detailed below:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	DG Khan Medical College & Allied Institutions, DG Khan	2021-22	2023-0000001570_F00005	Procurement made at higher rates through local purchase	107,412,000
2	Principal AIMC, Jinnah Hospital & Nursing College and School Lahore.	2021-22	2023-0000000177_F00005	Irregular purchase of medicine/disposables on LP basis through pooling	70,455,384
3	Govt. Teaching Hospital Shahdara, Lahore	2021-23	2023-0000003208_F00012	The process of local purchase of medicine from December 2021 to March 2023 was not carried out through online PITB portal in violation of LP guidelines. From April 2023 to June 2023, the process of LP medicine was made through online PITB portal but data/record of online LP purchase was not available to verify the expenditure.	64,858,645
4	Allama Iqbal Medical College and Allied	2022-23	2023-0000002820	Unjustified purchase of LP medicine in the presence of bulk supply contract & stock in hand	54,937,956

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
	Institution, Lahore		_F00015		
5	FJMU/Sir Ganga Ram Hospital & Allied Institutions, Lahore	2021-22	2023-0000001377_F00010	Online orders were placed demanding one specific brand instead of mentioning generic name extending undue favoritism to some specific manufacturers. Most common items were purchased through LP instead of bulk. Least discount of 6% to 6.5% was availed on LP.	51,108,658
6	Mayo Hospital, Lahore	2022-23	2023-0000004714_F00012	Excess purchase of LP medicines against LP Policy	38,886,000
7	Sahiwal Medical College with Allied Institutes	2021-22	2023-0000001470_F00018	Pooling of the contractors	35,700,000
8	DG Khan Medical College & Allied Institutions, DG Khan	2021-22	2023-0000001570_F00006	Procurement made at higher rates	12,782,000
9	Principal AIMC, Jinnah	2021-22	2023-0000000177	Loss due to LP of medicine and disposables in presence	7,100,685

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
	Hospital & Nursing College and School Lahore.		_F00006	of bulk supply contract & stock	
10	University of Child Health Sciences & Allied Institutions, Lahore.	2021-22	2023-0000000178_F00012	Loss due to LP of medicines in presence of bulk supply contract	6,939,674
Total					**450,181,002**

Audit observed the following:

1. The managements had made said procurement in bulk quantity at low rate e.g. syringes bulk tender rate was Rs. 13.35 and same supply was procured through quotations at Rs. 21.27 almost double.
2. Those items were also included in annual tender but proper need assessment/planning of annual medicine tender was not made.
3. Many disposables required DTL like Syringes but due to quotation system, no DTL was made and stock was used without any DTL.
4. The management purchased LP medicines excess than the permissible limit of 15%.
5. The management purchased LP medicines manually instead of online PITB portable in violation of LP policy.

The lapse occurred due to weak planning of the managements.

The matter was pointed out to the formations concerned. Most of the management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 27.11.2023, the para at Sr. No. 5 was kept pending for regularization and compliance. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired into at administrative department's level to fix responsibility for poor inventory management and excess procurement of stores. A thorough reconciliation of inventories is also required with regard to last year's closing balances, next year's supply orders, delivery of stores and consumption trends. Moreover, the management is required to strengthen the supervisory and internal controls on inventories.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para numbers 19.4.9, 19.4.12, 21.4.9, 20.4.11 and 20.4.57 having financial impact of Rs. 643.73 million, Rs. 861.30 million, Rs. 139.72 million, Rs. 1026.09 million and Rs. 12.77 million. Recurrence of same irregularity is a matter of serious concern.

24.4.10 Un-justified excess procurement of medicine and disposable items-Rs. 320.48 million

As per Rule 2.10 (a) (i) of PFR Vol-I, same vigilance should be exercised in respect of' expenditure incurred from Government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money. Further, as per Rule 15.18 ibid, balances of store should not be held in excess of the requirement of a reasonable period or in excess of any prescribed maximum limit. In order to ensure the observance of this rule, a periodical inspection must be made by a responsible Government servant, who must submit a report of surplus, unserviceable and obsolete stores.

During audit of Specialized Healthcare & Medical Education Department, it was observed that the above criteria approved for the procurements was not strictly followed by the management and an amount of Rs. 320,481,986 was incurred in excess than approved cost and thus Government sustained loss for that amount. The details are as under:

Sr. No	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Medical Superintendent, Kot Khawaja Saeed Hospital, Lahore	2020-23	2023-0000004358_F00014	Purchase Of Medicine & Disposable Without Immediate Requirement	189,137,491
2	Punjab Institute of Mental Health, Lahore	2020-23	2023-0000004357_F00003	Excess Purchase of Medicine & Disposable Without	131,344,495

				Immediate Requirement	
Total					**320,481,986**

Audit is of the view that the lapse occurred due to weak supervisory and internal controls on inventories.

The matter was pointed out to the formations concerned. The management in case of Sr. No. 1 replied that the mostly of the medicines as pointed out in the annexure have since been utilized and consumed/issued the patients. The reply of the management was not tenable as last year consumption of these items as a whole was less than the closing stock on 30th June of each year. Further no evidence in support of reply was provided. The management at Sr. No. 2 did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired into at administrative department's level to fix responsibility for poor inventory management and excess procurement of stores. A thorough reconciliation of inventories is also required with regard to last year's closing balances, next year's supply orders, delivery of stores and consumption trends. Moreover, the management is required to strengthen the supervisory and internal controls on inventories.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21 and 2018-19 vide para numbers 19.4.11, 19.4.24, 21.4.24 and 28.4.48 having financial impact of Rs. 545.94 million, Rs. 2,253.21 million, Rs. 6878.49 million and Rs. 1,785.64 million. Recurrence of same irregularity is a matter of serious concern.

24.4.11 Purchases made at exorbitant rates-Rs. 190.57 million

As per Rule 2.10. (a) of PFR Vol-I requires that in incurring and sanctioning expenditure from the revenues of the province the disbursing officers and sanctioning authorities should be guided by the following fundamental canons of financial propriety: (1) Same vigilance should be exercised in respect of expenditure incurred from Government revenues, as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of Specialized Healthcare & Medical Education Department, it was observed that expenditure to the tune of Rs. 190,565,397 was incurred on purchase of different items of store on high rates. The details are given in annexure-48.

Audit is of the view that the lapse occurred due to weak financial controls and negligence of the management.

The matter was pointed out to the formations concerned. Most of the management noted the observation for compliance.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired into and got regularized from the Finance Department besides ensuring recovery of above stated amount.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22, 2020-21 and 2019-20 vide para numbers 19.4.13, 21.4.9 and 20.4.25 having financial impact of Rs. 110.24 million, Rs. 139.72 million and Rs. 67.82 million. Recurrence of same irregularity is a matter of serious concern.

24.4.12 Irregular procurement of medical equipment-Rs. 56.16 million

Clause 26(a) of contract dated 27.04.2022 provides that the manufacturer/supplier has undertaken to supply latest mode of the machine for satisfactory operation for a period of five years from the date of commissioning with parts. Clause 22(e) ibid provides that the contracting firm shall submit late delivery charges in the shape of CDR (non-refundable) @ 0.067% per day of the total value of contract as a penalty for any extension granted beyond the grace period. The penalty shall not be imposed exceeding 10% of the contract value.

During audit of University of Child Health Sciences Lahore for the financial year 2021-22, it was observed that the entity entered into contract with M/s Clinical Life Inc. for supply of 10 Nos. Ventilators with Humidifier amounting to Rs. 56,160,000 after opening LC vide cheque No. D572557, dated 05.04.2022.

The procurement was held irregular due to following reasons:

i. As per LC of Euro 234,000, the date of shipment was 10.07.2022 but it was extended 2 times through LC amendments. However, the equipment was shipped on 29.08.2022 and late delivery charges for 49 days amounting to Euro 7,682 were not recovered.
ii. LC amendment charges were to be borne by the contractor as per contract but were not recovered.

iii. No testing & commissioning was carried out; hence the date of 5 years warranty cannot be determined.

iv. As per above condition of contract, the contractor was bound to provide bank guarantee of 5 years from the date of commissioning alongwith replacement of all the parts/ faulty material free of cost but the formation failed to ensure 5 years warranty period commencing onwards from the date of commissioning.

Audit is of the view that lapse occurred due to weak supervisory and financial controls.

The matter was pointed out to the formations concerned. The management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meetings held on 10.10.2023, the para was kept pending for recovery from the firm and production of 5 year bank guarantee. Further progress was not reported by the department.

Audit recommends recovery of late delivery charges along with LC amendment charges. The equipment should be commissioned without further delay and 5 years warranty should be ensured from the date of successful commissioning.

(PDP No. 2023-0000000178_F00039)

24.4.13 Irregular purchase of medicine not registered with DRAP-Rs. 20.78 million

As per knock out criteria of the bidding document the firms were required to submit copies of valid Drug Registration Certificate of quoted drugs issued by DRAP. As per Rule 6 and 26 (3-A) of Drug (Licensing, Registration and advertisement) Rules 1976, a license issued under this Chapter shall, unless earlier suspended or cancelled, be in-force for a period of five years from the date of issue and may thereafter be renewed for periods of five years at a time: Provided that an application for renewal shall not be entertained unless it has been made within sixty days after the expiry of the license and when an application has been made as aforesaid the license shall subject to the orders passed on the application for renewal continue in force for the next period of two years.

During audit of Medical Superintendent, Mian Munshi (DHQ-I) Hospital, Lahore for the period 2021-23, it was observed that medicine valuing to Rs. 20,780,700 were purchased without obtaining valid registration certificate of the DRAP. The details are as under:

Sr. No	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Mian Munshi DHQ-I Teaching Hospital Lahore	2021-23	2023-0000004738_F00010	Irregular purchase of medicine not registered with DRAP	11,309,300
2	Govt. Teaching Hospital Shahdara, Lahore	2021-23	2023-0000003208_F00006	Medicines were procured from firms that did not have valid drug manufacturing/sale licenses. The firms provided expired / invalid licenses at the time of participation in tender and the same invalid licenses were furnished while submitting bills / invoices after making supplies.	9,471,400
Total					**20,780,700**

Audit is of the view that the lapse occurred due to weak financial controls and negligence of the management.

The matter was pointed out to the formations concerned. In case of Sr. No. 1, the management replied that the detail reply would be given at AIMS. The management at Sr. No. 2 did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that matter be probed to arrive at factual position, taking remedial measures besides ensuring action against those held responsible.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2019-20 vide para number 20.4.16 having financial impact of Rs. 50.01 million. Recurrence of same irregularity is a matter of serious concern.

24.4.14 Advance payment without approval of Finance Department and non-observing of austerity measures-Rs. 14.71 million

As per Rule 2.10(b)(5) of PFR vol-I, no money is withdrawn from the treasury unless it is required for immediate disbursement or has already been paid out of the permanent advance and it is not permissible to draw advances from the treasury for the execution of works the completion of which is likely to take a considerable time. In accordance with Austerity Committee letter No.FD SO(Goods)44-4/2016 dated 27.08.2020 no vehicles are permissible to be procured except ambulances.

During audit of Punjab Healthcare Commission for the period 2020-22, it was observed that a payment of Rs. 14,713,000 was made for purchase of vehicles without obtaining advance payment sanction from the Finance Department. Moreover, the instructions contained in the Austerity Committee letter were also not followed while purchasing the vehicles.

The lapse occurred due to weak financial controls of the management.

The matter was pointed out to the formations concerned. The management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 28.11.2023, the para was kept pending for seeking approval of austerity committee from the Finance Department. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be inquired into at administrative department's level besides seeking regularization from the Finance Department.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22 and 2018-19 vide para numbers 19.4.18, 19.4.34 and 28.4.56 having financial impact of Rs. 12.73 million, Rs. 251.56 million and Rs. 36.53 million. Recurrence of same irregularity is a matter of serious concern.

(PDP No. 2023-0000000175_F00003)

24.4.15 Irregular issuance of near to expiry surgical items to other hospitals valuing-Rs. 8.73 million

According to the supply order, supplies will be governed by the Drug Act, 1976 and the firms will be bound to replace the unconsumed/ expired/rejected/substandard/misbranded stocks free of cost.

During audit of Mayo Hospital, Lahore for the period 2022-23, it was observed that disposable items i.e., Promus primer stents valuing Rs. 8,733,720 having one and half month shelf life (near to expiry) were issued to other hospitals. According to above stated Drug Act, 1976, firms were bound to replace the unconsumed, expired, rejected, substandard and misbranded stock free of cost. However, the management issued it to sister organizations instead of returning the said stock to concerned firms and receiving fresh stock by replacing it with maximum shelf life. This was an undue favour to concerned firm resulting in loss to public exchequer.

Audit is of the view that the lapse occurred due to weak financial controls and negligence of the management.

The matter was pointed out to the formations concerned. The management noted the observation for compliance

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that matter should be inquired, responsibility be fixed against concerned beside strengthening of administrative and supervisory controls

(PDP No. 2023-0000004714_F00013)

HR/Employees related irregularities

24.4.16 Irregular and extravagant expenditure without affiliation/up-gradation of Government College of Paramedics-Rs. 62.41 million

The major objectives of the establishment of PGIAHS Faisalabad were; 1) To provide a seat of advanced learning in different disciplines of paramedics. 2) To provide academic guidance to different paramedical schools/institution in order to ensure quality in paramedical education. 3) To foster research and development in paramedical education. 4) To provide/graduate and post graduate courses for Allied Health Professionals (AHPs) Finance Department accorded its concurrence for creation of 125 posts during 2017-18.

During audit of Postgraduate Institute of Allied Health Sciences, Faisalabad for the period 2018-2023, it was observed that an amount of Rs. 62,408,537 was incurred on purchase of Medical and Lab Equipment regarding up-gradation without approval of competent authority i.e., Secretary Specialized Health and Medical Education. Further, fifty-nine (59) Allied Health Professionals (AHP) posts were downgraded/re-designated through budget book 2015-16 without issuance of any separate notification. Moreover, the twenty-eight (28) non Allied Health Professionals (AHP) old posts were also not mentioned in the budget book.

Audit is of the view that the lapse occurred due to weak administrative and supervisory internal control.

The matter was pointed out to the formations concerned. The management noted the observation for regularization and compliance.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that responsibility be fixed, expenditure be got regularized and recovery be affected from defaulters and deposited into Government Treasury.

(PDP No. 2023-0000004734_F00001)

24.4.17 Irregular appointments in violation of recruitment policy-Rs. 30.84 million

Punjab Government Recruitment Policy 2004 prescribes proper advertisement of all positions in two newspapers and disallows relaxation of specified qualifications. The Selection Committee must ensure recruitment adheres to merit, established rules, and policy provisions. Further, under the Chapter titled "Fundamental Rights" of the Constitution of Pakistan, equality of citizens and safeguard against discrimination in services has been guaranteed. Article 25 of the Constitution provides that all citizens are equal before law and are entitled to equal protection of law while article 27 provides that no citizen otherwise qualified for appointment in the service of Pakistan shall be discriminated against.

During audit of Specialized Healthcare & Medical Education Department, it was observed that appointment of various officers/officials were made against the criteria of Selection Board without approval of Senate/Chancellor. Further, it was also observed that appointments of teaching and non-teaching staff were made contrary to criteria/rules with irrelevant field experience. Moreover, marking criteria required to be followed was not conformed to by the selection board and marking aggregate was tampered to extend favours to beneficiaries. The contingent paid staff was hired without advertisement. The cutting and addition of marks was observed in the marking sheets. Moreover, at the time of appointment the age of lab attendant was below 18 years in contradiction to Civil Servants Recruitment Rules 1976. The action of the management resulted irregular payment for Rs. 30,839,864. The details are given as under:

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Nature of Irregularity**	**Amount (Rs.)**
1	Postgraduate Institute of Allied Health Sciences, Faisalabad	2018-23	2023-0000004734_F00017	Unlawful appointments without advertisement of contingent staff	21,434,407
2	King Edward Medical University, Lahore	2020-22	2023-0000000357_F00013	Various officers/officials were appointed against the criteria of Selection Board without approval of Senate/Chancellor. Further, appointments of teaching and non-teaching staff were made contrary to criteria / rules with irrelevant field experience.	7,520,341
3	KEMU, Lahore	2022-23	2023-0000002811_F00006	Irregular appointment on the post of Assistant Registrar. Further, vide letter No.1776-7/PRO-VC/KEMU/2019, dated 2.9.2019, an inquiry committee was constituted regarding a complaint lodged against unlawful appointments of Mr. Muhammad Rashid	1,087,224

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
				Javaid, assistant registrar at KEMU Lahore.	
4	Postgraduate Institute of Allied Health Sciences, Faisalabad	2018-23	2023-0000004734_F00005	A Lab Attendant (BS-2) was appointed but her age at the time of Appointment was below 18 years in contradiction of Civil Servants Recruitment Rules, 1976	797,892
5	Services Institute of Medical Sciences (SIMS) and Allied Institutions, Lahore	2022-23	2023-0000002809_F00020	Irregular appointment of 54 (27+27) assistant Professors /Senior Registrars due to wrong calculation of interview and qualification marks in the merit list. Moreover, cutting, and addition of marks was also observed in the marking sheets.	-
Total					**30,839,864**

Audit is of the view that weak internal controls on recruitments resulted into irregular appointments.

The matter was pointed out to the formations concerned. The management at Sr. No. 1 replied that drivers and contingent staff was appointed as per requisition. Moreover, compliance of the rules would be ensured in the future and noted the observation for compliance. The management at Sr. No. 5 did not offer any reply. The rest of the formations noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 27.11.2023, the para at Sr. No. 2 was kept pending for regularization from competent authority. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be probed into at administrative department's level for fixing responsibility besides seeking regularization from Finance Department and taking remedial measures.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para numbers 19.4.10, 19.4.6, 21.4.5, 20.4.5 and 28.4.22 having financial impact of Rs. 524.12 million, Rs .2,151.84 million, Rs. 2,170.75 million, 309.82 million and Rs. 422.34 million. Recurrence of same irregularity is a matter of serious concern.

24.4.18 Irregular distribution on honorarium from students fund-Rs. 2.50 million

As per Punjab Medical & health Institution Act, 2003, Head of Institution shall be responsible for the administration and management of affairs of an institution. According to Rule 2.31(a) of PFR Vol-1, a drawer of bill for pay, allowances, contingent and other expenses will be held responsible for any overcharges, frauds and misappropriations.

During audit of PGMI/AMC & Lahore General Hospital, Lahore for the financial year 2022-23, it was observed that honorarium amounting to Rs. 2,499,450 was paid from student fund irregularly and income tax of Rs 249,945 was also not withheld while making payment.

Audit is of the view that lapse occurred due to poor existence of administrative and financial controls.

The matter was pointed out to the formations concerned during November 2023. The management just acknowledged the observation without offering any comments.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that matter should be inquired, responsibility be fixed against concerned and recovery be made from concerned beside strengthening of administrative and financial controls

(PDP No. 2023-0000004715_F00063)

Performance related irregularities

24.4.19 Loss to the public exchequer due to poor performance of management-Rs. 190.45 million

As per Notification no.SO.(ME)7-6/2020(CIP) of Specialized Healthcare & Medical Education Department, the Competent Authority has been pleased to revise the “Policy and Procedure Manual (PPM) described as followed under caption Mission, Goal and Objectives 2.1. Mission: The Specialized Healthcare & Medical Education Department shall uplift the quality of health care services at the “Tertiary and Specialized Teaching Hospitals” of Punjab according to the national and international standards. 2.2. Goal: Launch systems, operationalize them and strengthen them through a continuous process of improvement. Objectives: Uplifting of all three pillars of health care systems – Hospitals, Medical Education and Quality of Health Care, in all Teaching Hospitals of the Punjab.

Clause-3 (uptime guarantee) of service contract dated 22.11.2021 of MRI Philips provides that down time compensation shall be given to the client as follows: iii) 90% to 80%; the service contract will be extended by 3 times the number of days as extra down time. iv) Below 80%; the service contract will be extended by 4 times the number of days as extra down time.

During audit of Specialized Healthcare & Medical Education Department, it was observed that the performance of the management was very poor that is why the poor community had to face financial burden of Rs. 190,452,287. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Principal AIMC, Jinnah Hospital & Nursing College and School Lahore.	2021-22	2023-0000000177_F00043	Management failed to keep the MRI machine functional causing suffering to the public.	182,500,000
2	MS Children Hospital FSD	2021-23	2023-0000002810_F00022	Wasted expenditure due to non-functioning of Bio-Medical Machines.	7,952,287

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
3	Sheikh Zayed Hospital, Rahim Yar Khan	2020-22	2023-0000001473_F00015	Patients suffered due to non-functional CT Scan Machine for two years.	-
4	Govt. Teaching Hospital Shahdara, Lahore	2021-23	2023-0000003208_F00002	Non-functioning of CT Scan machine	-
Total					**190,452,287**

The lapse occurred due to poor performance of the managements concerned.

The matter was pointed out to the formations concerned. The management at Sr. No. 2 stated that the detailed reply would be submitted after consulting the record. The management at Sr. No. 1 & 5 did not offer any reply. Rest of the management noted the observations for compliance.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired into, strenuous efforts be made to prevent such lapses in future after conducting enquiry at administrative department's level.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide para number 19.4.27 having financial impact of Rs. 2,170.36 million. Recurrence of same irregularity is a matter of serious concern.

Others

24.4.20 Un-authorized parked/retention of Government funds into commercial banks and PLA accounts-Rs. 3,818.46 million

According to Government of the Punjab, Finance Department's letter No. FD-DS (Coordination)/Misc./2018, dated 22.06.2018, public money must not be parked in commercial accounts.

During audit of Specialized Healthcare and Medical Education Department, it was observed that contrary to above Government instructions, public money to the tune of Rs. 3,818,457,505 was parked in commercial banks. The details are given in Annexure-49.

Audit is of the view that the lapse occurred due to weak supervisory and financial controls.

The matter was pointed out to the concerned formations from February 2023 to November 2023. Most of the entities noted the observations for compliance or offered no reply.

The matter was further reported to the administrative department. In DAC meeting held on 27.11.2023, the paras at Sr. Nos. 2 & 4 were kept pending for verification of record. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the irregularity be got condoned from Finance Department besides transferring the said amount in Government account.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2018-19 vide para number 28.4.90 having financial impact of Rs. 1,092.90 million. Recurrence of same irregularity is a matter of serious concern.

24.4.21 Un-justified payment of pending liabilities-Rs. 2,405.06 million

As per Rule 17.17 (A) of PFR Vol-I, every disbursing officer shall maintain a register of liabilities in PFR Form No. 27 in which he should enter all those items of expenditure for which:

i. Payment is to be made by or through another officer;
ii. Budget allotment or sanction of a higher authority is to be obtained; or
iii. Payment would be required partly or wholly during the next financial year or years.

During audit of Specialized Healthcare and Medical Education Department, it was observed that pending liabilities amounting to Rs. 2,405,062,420 pertaining to previous years were cleared out of current budget allocation without having sanction of competent authority/Finance Department. Pending liability registers were not maintained by the respective management. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Mayo Hospital, Lahore	2022-23	2023-0000004	Irregular payment of	2,052,670,000

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
			714_F00002	pending liabilities	
2	FJMU/Sir Ganga Ram Hospital & Allied Institutions, Lahore	2021-22	2023-0000001377_F00028	Irregular payment of pending liabilities	245,703,520
3	Executive Director, Punjab Institute of Neurosciences, Lahore	2021-22	2023-0000000281_F00008	Irregular payment of pending liabilities	82,340,000
4	University of Child Health Sciences & Allied Institutions, Lahore.	2021-22	2023-0000000178_F00004	Irregular payment of pending liabilities	14,328,959
5	DG Khan Medical College & Allied Institutions, DG Khan	2021-22	2023-0000001570_F00020	Irregular payment of pending liabilities	10,019,941
Total					**2,405,062,420**

Audit is of the view that the lapse occurred due to weak budgetary planning and poor financial management.

The matter was pointed out to the concerned formations from February 2023 to November 2023. Most of the entities noted the observations for compliance. Some of the formations did not offer any reply.

The matter was further reported to the administrative department. In DAC meeting held on 10.10.2023 and 27.11.2023, the paras at Sr. Nos. 2 & 4 were kept pending for regularization from the Finance Department. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the responsibility be fixed for wrongful creation and payment of pending liabilities besides seeking regularization of expenditure from the Finance Department.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2018-19 vide para numbers 19.4.13 and 28.4.93 having financial impact of Rs. 1,705.16 million and Rs. 1,673.56 million. Recurrence of same irregularity is a matter of serious concern.

24.4.22 Irregular withdrawal of funds under ADP scheme-Rs. 2,381.35 million

No withdrawal from ASSAN Assignment Account (LC) is permissible as advance withdrawal or for en-block transfer of funds in commercial banks/DFIs (Development Financial Institutions) except with the express approval of Finance Department. According to Government of the Punjab, Finance Department letter No. FD-DS (Coordination) /Misc./2018 dated 22.06.2018, public money must not be parked in commercial accounts. Further, as per Rule 17.19 of PFR Vol-I, it is not permissible to draw advance from Government treasury to prevent the lapse of appropriations.

During audit of FJMU/Sir Ganga Ram Hospital, Lahore for the period 2021-22, it was observed that an amount of Rs. 2,381,352,000 as revenue part of ADP scheme titled "Mother & Child Block, Sir Ganga Ram Hospital, Lahore was released by the Finance Department and placed in Assan Assignment Account of the Project Director of said scheme during the year 2021-22. Audit observed that:

1. The perusal of expenditure statement (2021-22) of above ADP scheme revealed an expenditure of Rs. 2,291,722,000 under various heads of accounts. However, funds were not utilized during the period under audit. The management further stated that the process of procurement and opening of LCs took place in the next financial year 2022-23. Audit observed that the expenditure appearing in the accounts was due to advance withdrawal of funds from Assan Assignment Account.
2. The advance withdrawal of funds Rs. 2,291,722,000 was made from Assan Assignment Account to avoid lapse of appropriations.
3. Out of advance withdrawal, an amount of Rs. 2,168,664,000 was deposited into commercial bank account of PD in violation of above instructions.
4. An amount of Rs. 89,630,000 lapsed due to non-surrendering/non-utilization of funds.

Audit held that the retention of funds for whole financial year and shifting the same into commercial bank account at close of the financial year to avoid lapse of funds was irregular and caused further blockage of funds in commercial bank.

Lapse occurred due to non-adherence to rule/instructions, weak administrative controls and poor financial management.

The matter was pointed out to the formation concerned. The management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 27.11.2023, the para was kept pending for regularization from the Finance Department and production of auditable record of ADP scheme. Further progress was not reported by the department till the finalization of this report.

Audit recommends that interest accrued against retention of the principal amount in commercial account be recovered and the irregularity be got condoned from the Finance Department besides strengthening of supervisory and financial controls.

(PDP No. 2023-0000001377_F00001)

24.4.23 Unjustified delay in opening of LC-Rs. 1,592.17 million

As per Rule 2.10(a)(1) of PFR Vol-I, same vigilance should be exercised in respect of expenditure incurred from Government revenues, as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of Gujranwala Medical College and its Allied Institution (PMU) Gujranwala for the financial year 2021-22, it was noticed that after issuance of acceptance letter and signing agreement with successful contractors, management opened LC of seventy-nine (79) contracts amounting to Rs. 1,592,166,479 with a considerable period of delay ranging from 8 to 383 days. Resultantly, cost was run over remarkably and a loss of Rs. 222,511,798 was incurred due to rate fluctuation of currencies and stock was also not received in time.

The lapse occurred due to weak financial controls.

The matter was pointed out in August 2023. The management stated that detailed reply would be submitted after consulting the record.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends to investigate the matter at Administrative Department's level and fix responsibility against the person held at fault for delay and loss due to increase in dollar price besides seeking regularization from the Finance Department.

(PDP No. 2023-0000003216_F00025)

24.4.24 Irregular withdrawal of funds from CDR account and recoupment not shown-Rs. 1,334.78 million

According to Rule 1 (v) of Schedule-IV of Punjab Medical & Health Institute Rules 2003, the Director Finance shall be the Chief Accounts Officer of the institution and shall be responsible to keep all the accounts of institution according to the rules of the Government and regulations approved by the Board.

During audit of FJMU/Sir Ganga Ram Hospital, Lahore for the period 2021-22, scrutiny of bank statement of CDR Account No.1252-79015211-01 revealed that an amount of Rs. 942,400,000 was withdrawn from CDR Account and shifted to Salary Account No. 1252-79014843-03. Furthermore, an amount of Rs. 30,055,922 was withdrawn from this account for payment of LESCO bills and Rs. 362,328,201 was drawn for unknown purpose. As the funds in CDR account pertain to security deposits of the vendors which require to be refunded to the depositors after fulfillment of their contractual obligations, therefore, withdrawal of funds from CDR account other than refund purposes was irregular/unjustified. Moreover, the utilization of withdrawn/transferred funds as well as recoupment of the same in CDR Account was not shown to Audit for verification.

Lapse occurred due to weak financial & administrative controls.

The matter was pointed out to the formation concerned. The management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 27.11.2023, the para was kept pending for verification of record. Further progress was not reported by the department till the finalization of this report.

Audit recommends that the matter be inquired into and recoupment of the stated amount towards CDR account be shown to Audit for verification.

(PDP No. 2023-0000001377_F00007)

24.4.25 Irregular mode of payment-Rs. 1,252.18 million

All payments exceeding Rs. 100,000 should be made to contractors/suppliers/firms through cheque as laid down in Rule 4.49 (a) of subsidiary treasury rules, Punjab. Further, as per letter No.SO (TT)/12-2/2014.PT-II dated 24-08-2022, in exercise of powers conferred under Article 119 of the Constitution of Islamic Republic of Pakistan, Governor of the Punjab is please to make the following amendment in the Subsidiary Treasury Rules issued under the Treasury Rules, (Punjab) with immediate effect. Rule 4.49. (1) The drawing and Disbursing officer shall: (a) not made any payment in cash discharge accrued liability against a department. (b) Before submitting the bill for pre-audit, make an endorsement on it by requiring the account officer to make direct payment to the vendor through his bank account or as the case may be, issued a separate cheque in favour of the vendor. (c) After collecting the cheque, deliver it in such vendor, against proper acknowledgment (2) the cheque against expenditure on account of secret service fund shall be issued in favour of the Drawing and Disbursing officer.

During audit of Specialized Healthcare and Medical Education Department, it was observed that an amount of Rs. 1,252,178,351 was withdrawn from Government Account by drawing cheques in the name of DDO instead of concerned vendors/payees. The details are as under:

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Nature of Irregularity**	**Amount (Rs.)**
1	Mayo Hospital, Lahore	2022-23	2023-0000004714_F00053	Irregular mode of payment	1,034,218,000
2	Postgraduate Institute of Allied Health Sciences, Faisalabad	2018-23	2023-0000004734_F00009	Huge transaction made in cash by the DDO	117,652,374
3	College of Nursing, DHQ Hospital, Kasur	2019-23	2023-0000003198_F00024	Irregular payment under various heads to DDO instead of Vendors/Nursing students	98,158,225

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
4	Govt. School of Allied Health Sciences, Sargodha	2014-23	2023-0000004441_F00002	Irregular mode of payments	2,149,752
Total					**1,252,178,351**

Audit is of the view that the lapse occurred due to weak budgetary planning and poor financial management.

The matter was pointed out to the concerned formations from February 2023 to November 2023. Most of the management noted the observations for compliance or offered no reply. Some formations offered detailed reply which was not acceptable to audit.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that matter be looked into for fixing responsibility and taking remedial measures, besides action against the responsible.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2019-20 and 2018-19 vide para numbers 19.4.15, 20.4.47 and 28.4.41 having financial impact of Rs. 143.53 million,
Rs. 366.12 million and Rs. 1,481.86 million. Recurrence of same irregularity is a matter of serious concern.

24.4.26 Non supply of drugs and medical equipments- Rs. 1,018.50 million

As per standard bidding document, 38.2 within one week of receipt of the Contract Form, both the successful Bidder and the Procuring Agency shall sign and date the Contract. The Procuring Agency shall issue Purchase Order on the same date of signing of Contract after ensuring the submission of Bank Security for execution of the contract by the Contractor. If the successful Bidder, after completion of all codal formalities shows inability to sign the Contract then their Bid Security/ Contract Security to the extent of proportionate percentage shall be forfeited and the firm shall be backlisted per standard bidding document of health department clause 22.2, If the firm provide substandard item and fail to provide the item the payment of risk purchase (which will be purchased by the indenter) the price difference shall be paid by the Firm.

During audit of Specialized Healthcare and Medical Education Department, it was observed that firms were not supplying lifesaving medicines and medical equipments within stipulated period of time despite several reminders. Management neither took any concrete action i.e., black listing of concerned firms nor forfeited their Performance securities/recovered loss on account risk purchase. The detail is given in annexure-50.

The matter was pointed out to the concerned formations from January 2023 to November 2023. The management at Sr. No. 7 stated that the detailed reply will be submitted after consulting the record. The management at Sr. No. 1, 2, 4, 6, 9, 10, 11 & 12 did not offer any reply. Rest of the management noted the observations for compliance.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be investigated at appropriate level for fixing the responsibility and corrective measures be taken to address the concerns of audit.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22, 2020-21 and 2018-19 vide para numbers 19.4.17, 21.4.11 and 28.4.125 having financial impact of Rs. 1,572.23 million, Rs. 524.95 million and Rs. 10.96 million. Recurrence of same irregularity is a matter of serious concern.

24.4.27 Irregular/excess consumption of POL-Rs. 69.49 million

According to Chief Secretary Punjab's Circular Letter No.PA/ DG(G) 1.57/90 dated 03.07.1991, the officers/officials using patrolling/operational & Others vehicles in Police Department will adhere to the prescribed ceiling of POL for 250 liters & 120 liters respectively. Further, as per time-to-time limit of POL fixed by the department authority.

During audit of Specialized Healthcare and Medical Education Department, revealed that POL amounting to Rs. 69,490,184 was drawn. Audit observed the following irregularities:

i. Excess vehicles were kept on pool in violation of S&GAD policy.
ii. Log books of vehicles and generator was not maintained.
iii. POL was drawn against vehicles that were not existed on sanctioned strength of department.
iv. POL was excess drawn that prescribed ceiling limit.

The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Secretary Specialized Health Care & Medical Education	2022-23	2023-0000003194_F00009	Unauthorized use of Government vehicles by keeping them in pool/general duty	22,760,647
2	Secretary Specialized Health Care & Medical Education	2022-23	2023-0000003194_F00012	Excess drawl of POL over and above the prescribed ceiling limit	20,592,525
3	Secretary Specialized Health Care & Medical Education	2022-23	2023-0000003194_F00011	Doubtful drawl of pol on account of vehicles not on the strength of the department	10,985,763
4	Secretary Specialized Health Care & Medical Education	2022-23	2023-0000003194_F00008	Irregular and doubtful expenditure on POL for generator	8,339,677
5	Postgraduate Institute of Allied Health Sciences, Faisalabad	2018-23	2023-0000004734_F00013	Irregular drawl of POL	6,811,572
Total					**69,490,184**

Weak administrative and financial controls resulted into irregular and extravagant expenditure on POL for Generator.

The matter was brought to the notice of departmental representative during August 2023. The management noted the observation and stated that detailed reply will be furnished.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired and responsibility be fixed, recovery be made from the individuals responsible under intimation to audit besides strengthening of financial and internal control system.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2018-19 vide para numbers 19.4.20 and 28.4.50 having financial impact of Rs. 110.28 million and Rs. 10.38 million. Recurrence of same irregularity is a matter of serious concern.

24.4.28 Non-accountal of stock-Rs. 553.12 million

As per rule 15.4 of PFR Vol-I, requires that all material received should be examined, counted, measured and weighed, as the case may be, when the delivery is taken and they should be kept in charge of responsible Government servant. At the time of making payment, it should be seen that rates paid are not in excess of those entered in the contract made for supply of stores. The passing and receiving Government servant should also see that quantities are correct and quality good and record a certificate to this effect in appropriate stock registers.

During audit of Specialized Healthcare and Medical Education Department, it was observed that stock amounting to Rs. 553,118,520 was not accounted in stock register. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Mian Munshi DHQ-I Teaching Hospital Lahore	2021-23	2023-0000004738_F00016	No handing over taking over of charge was made between the officials. Physical stock taking was not carried out at the time of change of officials. During visit in stores audit noticed that medicines were placed in an un-countable position. Further a perusal of stock register revealed that stock registers were not completed since April 2022.	369,715,657
2	Govt. Teaching Hospital	2021-23	2023-00000032	Doubtful utilization of medicine due to non-availability of stock entries.	181,495,207

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
	Shahdara, Lahore		08_F00007		
3	Medical Superintendent, Kot Khawaja Saeed Hospital, Lahore	2020-23	2023-0000004358_F00020	After finalization of award of contract on account of medicine and disposables, four samples of medicine were required to be provided by the Supplier i.e., for DTL, Drug Inspector, PQCB and for hospital (Store keeper). Neither the stock/sample received by the Hospital of Rs. 1,907,656 was entered in stock register nor was expensed.	1,907,656
Total					**553,118,520**

Audit is of the view that the lapse occurred due to weak internal and supervisory controls.

The matter was pointed out to the formations concerned. The management at Sr. No.1 stated that detail reply will be given at AMIS. The management at Sr. No. 2 & 3 did not offer any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that matter be inquired into at administrative department's level for fixing responsibility and taking action against those held responsible, besides strengthening administrative and financial controls.

24.4.29 Irregular receipt of user charges without approval of Government-Rs. 484.39 million

As per Rule 3(1)(e) of the Punjab Medical & Health institution Rules 2003 requires that Board shall determine user charges and fees for admission, clinical and procedural services and facilities with the prior approval of Government.

During audit of Specialized Healthcare and Medical Education Department, it was revealed that the user charges Rs. 484,389,805 were collected from the patients on account of Admission fee, ECG, X-RAY and Lab Test fees etc. at rates which were not got approved from the Government in contradiction of above rule.

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Gujranwala medical college & its allied institutions (DHQ/Teaching hospital) Gujranwala	2021-23	2023-0000003216_F00053	Unauthorized charging of enhanced hospital rates from patients without approval of the Government	233,770,000
2	Sheikh Zayed Hospital Rahim Yar Khan,	2020-22	2023-0000001473_F00024	Irregular receipt of user charges without approval of the Government-	250619805
Total					**484,389,805**

Lapse occurred due to weak financial & supervisory control of the management.

The matter was pointed out to the formation concerned. The management offered no reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

The matter may be investigated at appropriate level besides seeking regularization from the Finance Department.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2019-20 and 2018-19 vide para numbers 20.4.24 and 28.4.84 having financial impact of Rs. 552.92 million and Rs. 1,509.99 million. Recurrence of same irregularity is a matter of serious concern.

24.4.30 Non-installation of medical equipment as per TORs of the agreement-Rs. 383.91 million

As per condition No 32 of contracts with the firms, the firm will be responsible for the inspection and installation of the store complete in all the respect in the concerned department/section Unit of the Hospital complete in all the respect in the concerned department/section and make the equipment fully functional to the entire satisfaction of the end user and installation committee.

During audit of Specialized Healthcare and Medical Education Department, audit observed that management of the Hospital had made procurement of the Machinery and Equipment amounting to Rs. 383,911,306 but the supplier had not installed the required equipment according the time frame mentioned in the contract. But management neither took any action against concerned firm nor performance guarantee was forfeited which requires justification. The details are as under:

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Nature of Irregularity**	**Amount (Rs.)**
1	Development Scheme Provision of Missing Specialties of Up-gradation of DHQ Hospital Teaching Hospital of D.G Khan	2021-22	2023-0000001570_F00004	Non-Installation of Laboratory Equipment as per TORs of the Agreement	364,713,806
2	Postgraduate Institute of Allied Health Sciences, Faisalabad	2018-23	2023-0000004734_F00006	Non-installation and non-utilization of costly lab equipment’	19,197,500
Total					**383,911,306**

Lapse occurred due to weak financial & administrative controls.

The matter was pointed out to the formation concerned. The management noted the observation for compliance.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends to inquire into the matter for fixing responsibility against the delinquents.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2018-19 vide para number 28.4.83 having financial impact of Rs. 81.804 million. Recurrence of same irregularity is a matter of serious concern.

24.4.31 Loss due to acceptance of medicine below fixed shelf life without imposing penalty charges-Rs. 305.71 million

According to Government of the Punjab, Health Department's letter No.SO(P-1)1-55/2008(Pt.-1) dated 05.01.2010, the shelf life must be up to 85% for the locally manufactured drugs and 75% for the imported drugs. The lower limit of the shelf life must be up to 80% and 70% with imposition of 1% penalty charges of actual shortfall in shelf life below prescribed limit for locally manufactured and imported medicines 201 respectively. In case of vaccines & other biotechnical products, the stores with the shelf life up to 70% will be accepted without penalty charges and up to 60% with imposition of 1% penalty charges for actual short fall in shelf life below prescribed limit.

During audit of Specialized Healthcare and Medical Education Department, it was observed that medicine Rs. 305,708,926 was purchased/accepted at the shelf life below the limit of 85% and 75% without imposing penalty charges Audit is of the view that acceptance of medicine/drugs below prescribed limit without imposing penalty charges is violation of Government instructions. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Mayo Hospital, Lahore	2022-23	2023-0000004714_F00001	Irregular acceptance of medicine below shelf life	238,365,000
2	MS Children Hospital FSD	2021-23	2023-0000002810_F00002	Acceptance of lab. Kits at lesser shelf life/near to expiry	62,573,181

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
3	Medical Superintendent Lahore General Hospital, Lahore	2022-23	2023-0000004715_F00020	Irregular acceptance of medicines below shelf life and non-recovery of penalty charges	2,651,745
4	Gujranwala medical college & its allied institutions (DHQ/Teaching hospital) Gujranwala	2021-23	2023-0000003216_F00033	Irregular acceptance of medicine below shelf life	2,119,000
Total					**305,708,926**

The matter was pointed out to the concerned formations from January 2023 to November 2023. Most of the management noted the observations for compliance or offered no reply. Some formations offered detailed reply which was not acceptable to audit.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be investigated at appropriate level for fixing the responsibility, the irregularity be got condoned from the competent authority and corrective measures should be taken to address the concerns of audit.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2020-21 and 2018-19 vide para numbers 21.4.20 and 28.4.126 having financial impact of Rs. 26.53 million and Rs. 11.51 million. Recurrence of same irregularity is a matter of serious concern.

24.4.32 Loss due to irregular/non-auction of canteen & parking stand-Rs. 220.47 million

Rule 2.10(a) (1) of PFR Vol-I provides that same vigilance should be exercised in respect of expenditure incurred from Government revenue as a person of ordinary prudence would exercise in respect of the expenditure of its own money.

During audit of Specialized Healthcare and Medical Education Department, it was observed that canteen/parking contracts for

Rs. 220,465,019 (Annexure-51) were awarded to various contractors. The contracts were held irregular due to the following grounds:

1. The management had not auctioned the parking stand and canteen in case of Sr. No. 1, 9, 10 & 11. So, Government had to bear loss of Rs. 138,008,838
2. Contracts were awarded without observing codal formalities in case of Sr. No. 2 to 8.

Audit is of the view that the lapse occurred due to weak supervisory and internal controls.

The matter was pointed out to the concerned formations from February 2023 to November 2023. Most of the management noted the observations for compliance or offered no reply.

The matter was further reported to the administrative department. In DAC meeting held on 27.11.2023, the para at Sr. No. 5 was kept pending for regularization from competent authority. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the department should fix responsibility for against the delinquents besides to recover the amount of taxes.

<u>Note:</u> The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2021-22 vide para numbers 19.4.23 and 19.4.23 having financial impact of Rs. 54.79 million and Rs. 135.73 million. Recurrence of same irregularity is a matter of serious concern.

24.4.33 Un-authorized expenditure on purchase of M3 liquid oxygen on the un-approved conversion rate to M3- Rs. 169.67 million

As per Clause 2 regarding delivery & product measurement mechanism under the annual rate contract of medical gasses executed with M/s Ghani Chemical industries limited, the delivered product will be measured as per below two methods: a) Weigh Bridge, Weight of truck before supply and after supply will be taken and difference of both weights will be calculated for measuring delivered product quantity. b) Delivery through content gauge, VIE's digital content Gauge will be used for product delivery quantity, in case weigh bridge is not available.

During audit of the Specialized Healthcare and Medical Education Department, it was observed that a purchase of M3 liquid oxygen worth Rs. 169,668,168 was made. The billing of the M3 liquid oxygen was based on conversion which relied on a vendor-provided chart that lacked approval from any Government institution or regulatory body.

The management used a weighbridge to measure product weight, but records showed that the vendor conducted weighing during vehicle entry and exit, without an independent weighbridge. Proper Standard Operating Procedures (SOPs) for accurate weight measurement were absent. It was crucial for both management and vendor representatives to oversee weighing at the weighbridge, providing comprehensive vehicle and product specifications, signed and stamped by the weighbridge authority. Due to these issues, payment for the liquid gas was deemed irregular. The contract terms between the management and vendors were violated to favor the vendors. The details are as under:

Sr. No.	**Name of Formation**	**Period of Audit**	**PDP No.**	**Nature of Irregularity**	**Amount (Rs.)**
1	Principal AIMC, Jinnah Hospital & Nursing College and School Lahore.	2021-22	2023-0000000177_F00060	Un-authorized expenditure on purchase of M3 liquid oxygen on the un-approved conversion rate to M3-R	119,488,317
2	Medical Superintendent, Children Hospital, Faisalabad	2021-23	2023-0000002810_F00004	All the process of filling liquid oxygen in boozers installed in the hospital is left to the supplier. There is no monitoring system in place for weighing the vehicle along with the oxygen boozer before and after filling the gas. No SOP on the selection of weighing scales, monitoring ad supervision of the supplied quantity of the gas was drafted or	20,726,215

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
				implemented. The supply and reporting of the quantity of the gas supplied was left at the discretion of the supplier without any internal control mechanism. No inspection committee was formed by the Hospital Management until yet to measure the actual supply of Medical Oxygen.	
3	Allama Iqbal Medical College and Allied Institution, Lahore	2022-23	2023-0000002820_F00020	The payment was made to M/s Ghani Chemical Industries Ltd. for provision of 70,460 m3 unit of liquid oxygen medical gas. Entire amount was paid to the firm on the basis of claims made by the contractor, the staff of the hospital did not have understanding about conversion of oxygen gas from kg to M3 or from m3 to kg.	20,270,637
4	FJMU/Sir Ganga Ram Hospital & Allied Institutions, Lahore	2021-22	2023-0000001377_F00024	Un-authorized expenditure on purchase of M3 liquid oxygen on the un-approved conversion rate to M3-R	9,182,999

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
Total					**169,668,168**

The lapse occurred due to weak supervisory and internal controls.

The matter was pointed out to the formations concerned. The management at Sr. No. 2 stated that the detailed reply would be submitted after consulting the record. The management at Sr. No. 3 did not offer any reply. Rest of management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 27.11.2023, the para at Sr. No. 4 was kept pending for regularization from the Finance Department. Further progress was not reported by the department. As regards remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired administrative department's level to take remedial measures besides strengthening supervisory and internal controls.

24.4.34 Non-acquiring of store articles-Rs. 146.00 million

As per approved PC-I of ADP scheme "Provision of Missing Facilities at PINS", eleven number of Diathermy Bipolar machines were purchased which was mentioned under Revenue Component for the Financial year 2021-22 at Serial no. 4 with a cost of Rs. 23.50 million.

As per clause 22(d) of contract dated 30.06.2022, the contractor will provide store within 30 days (in case of by air) and 45 days (in case of by sea) after the arrival of shipment at port. However, the contracting firm can request for extension before the shipment due to unavoidable circumstances but not as matter of routine. Clause 22(e) ibid requires that the firm shall submit late delivery charges in the shape of CDR (non-refundable) @0.067% per day up to maximum of 10% of the contract value. As per terms & conditions of contract agreement dated 07.07.2022, the books were to be delivered within 6 to 8 weeks or earlier.

During audit of Specialized Healthcare and Medical Education Department, it was observed that the management had paid an amount of Rs. 145,996,568 for the acquisition of different kind of store but the said store had not been acquired till the completion of audit. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Executive Director, Punjab Institute of Neurosciences, Lahore	2021-22	2023-0000000281_F00013	Non-acquiring of equipment	19,107,031
2	University of Child Health Sciences & Allied Institutions, Lahore.	2021-22	2023-0000000178_F00016	Non-receipt of medical equipment, IT equipment & furniture	125,128,719
3	University of Child Health Sciences & Allied Institutions, Lahore.	2021-22	2023-0000000178_F00036	Non-receipt of books and non-deduction of withholding tax	1,760,818
Total					**145,996,568**

The lapse occurred due to weak administrative control over the asset management.

The matter was pointed out to the formations concerned. The management noted the observation for compliance.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter may be investigated at administrative department’s level to fix responsibility against those at fault besides acquiring the store without further delay and improve the asset management.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 and 2018-19 vide para numbers 19.4.16 and 28.4.95 having financial impact of Rs. 161.97 million and Rs. 13.59 million. Recurrence of same irregularity is a matter of serious concern.

24.4.35 Irregular payment of stipend to nursing students- Rs. 144.65 million

As per Clause V of General Rules of Specialized Healthcare & Medical Education Department Notification No.SO(N&AHSE)6-18/2019 dated 06.03.2020, from Academic Session 2019-20 "Admission will be confirmed only after verification of domicile and marks sheets / educational certificates from concerned issuing authorities within three months by the concerned CON/Universities. As per Clause VI of General Rules of the above Notification, the admitting institution will be bound to provide yearly report to the SCH&ME Department regarding status of admitted students as well as detail of promoted/rusticated/absent/ re-admitted or disciplinary proceeded students. As per Clause IX, during training in college/schools and in the wards, all nursing students shall be in proper uniform. The Nursing instructor concerned shall personally accompany the class during the hands-on training in the wards, and shall not leave till the end of training session. The Nursing Instructor shall be responsible to guide students in tasks and skills. Each Nursing Instructor shall write and maintain proforma of each nursing student showing attendance, performance and progress.

During audit of the accounts of Principal, College of Nursing, District Headquarters Hospital, Kasur for the period 2019-23, it was observed that the College administration paid Rs. 144,649,640 during the period under audit. Moreover, it was also observed that certain record pertaining to the teaching activities as well as payment of stipend was not maintained/improperly maintained by the college, as follows:

i. Stipend payment records for nursing students during 2019-22 were not found, totaling Rs. 70,055,443.
ii. Records related to admissions, enrolment, results, and attendance for nursing students from 2019-22 were not traced.
iii. Introduction of BSN Generic by Directorate General Nursing Punjab in 2019-20, but College of Nursing Kasur started it in 2022-23, three years later.
iv. Arrears of stipend were paid without detailed records, making it difficult to verify their genuineness.
v. Irregular payments of stipend observed, not aligned with the expected number of batches, justification of increasing trend of stipends not provided and Actual Payee Receipts etc. was also not available during 2019-22.
vi. Only 10 bills of stipend payments provided for 2022-23, with unclear relevance to the current academic year.
vii. Affidavits from students, as required, were not obtained, constituting a serious irregularity.

viii. Loose and disorganized records of students, including result cards and certificates, pose a risk of misplacement.

ix. Quota/seats not fully utilized in 2022-23, with only 43 out of 50 seats filled.

x. Inadequate maintenance of records for nursing students, admissions, results, and stipend payments totaling Rs. 144.650 million.

xi. Admissions were confirmed without proper verification of domicile and educational certificates.

xii. Yearly reports on student status and disciplinary actions were not submitted to SCH&ME Department regarding status of admitted students as well as detail of promoted/ rusticated/absent/re-admitted or disciplinary proceeded students.

xiii. As the cheques of stipend amount were drawn in the name of DDO (Principal of college) hence the amount could have been paid in cash whereas no APR of students were available in the record. In few months of 2022-23, the cheques were issued from Account Office in the name of bank for direct transfer to the accounts of students whereas no bank advice was found in the record against these cheques/payments.

xiv. Drop out/failed students' detail was not provided to ascertain the recovery status of stipend as required under admission policy.

Audit is of the view that the lapse occurred due to weak internal and supervisory controls.

Initial observation was issued in August 2023. The formation received the observation with the remarks "Noted for compliance".

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter may be inquired at administrative department's level and corrective measures be taken for proper maintenance of students record/affairs of transparent payment of stipend besides regularization of the matter from Finance Department.

<u>Note:</u> The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2019-20 and 2018-19 vide para numbers 19.4.5, 20.4.38 and 28.4.2 having financial impact of Rs. 9.06 million, Rs. 16.33 million and Rs. 3.59 million. Recurrence of same irregularity is a matter of serious concern.

(PDP No. 2023-0000003198_F00022)

24.4.36 Un-authorized/unjustified distribution of share money-Rs. 141.38 million

As per Government of the Punjab Health Department letter NO.SO(H&D)8-19/89(P) dated 3rd September 2008, the formulae for distribution of fee realized from private and paying patients treated in Government hospital is as under:

Government shares	45%
Doctors share	35%
Paramedical staffs share	20%

It was further clarified in Government of the Punjab Health Department letter No.SO(H&D)8-19/89(P) dated 14-01-1997 that the share money will be paid to only those doctors/specialists who have directly treated the patients and share money will not be paid to any other M.O but only with the consent of the first doctor/specialist.

During audit of Specialized Healthcare and Medical Education Department, examination of record revealed that share worth Rs. 141,383,559 was distributed among staff according to formula designed by management themselves instead of above notified formula of Health department. This resulted into unjustified distribution of share in violation of Government instructions. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Sheikh Zahid Hospital Rahim Yar Khan	2020-22	2023-0000001473_F00007	Un-authorized/Unjustified distribution of share money	91,230,000
2	Medical Superintendent Lahore General Hospital, Lahore	2022-23	2023-0000004715_F00022	Un-authorized/unjustified distribution of share money	44,590,000
3	Govt. Teaching Hospital Shahdara, Lahore	2021-23	2023-0000003208_F00021	Share money was paid to Medical Superintendents remained posted in the hospital in violation of Government instructions	5,563,559
Total					**141,383,559**

Lapse occurred due to weak financial control.

The matter was pointed out to the formation concerned. The management did not offer cogent reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that matter be investigated, responsibility of stated lapse be fixed besides recovering loss involved and strengthening of administrative, financial as well as supervisory controls to avoid recurrence of such lapses in future.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2018-19 vide para numbers 28.4.65, 28.4.108 and 28.4.117 having financial impact of Rs. 15.87 million, Rs. 25.24 million and Rs. 55.46 million. Recurrence of same irregularity is a matter of serious concern.

24.4.37 Utilization of insurance claims under Health Card Scheme without Government Policy-Rs. 54.07 million

Govt. of the Punjab, SHC&ME Department vide notification No.SO9DEV-I)25-69/2020(P-VI) dated 15.04.2022, 'Interim Share Distribution Formula' of Universal Health Insurance (UHI) claims for empaneled public sector hospitals was notified that 20% of total amount UHI claims shall be utilized for provision of medicine/disposable and diagnostic tests. The balance amount (i.e., remaining 80%) shall be distributed as per the following 'Interim Share Distribution Formula'B-1 Improvement/maintenance & repair of hospital (Infrastructure and equipment) 15% B-2 Incentive to HR of the hospital concerned 15% B-3 Government share/Insurance Fund 70% out of Total 100%.

During audit of Sheikh Zahid Hospital Rahim Yar Khan for the financial year 2020-22, it was observed that upon introduction of Universal Health Insurance (UHI)/Sehat Sahulat Program (SSP), the 'Interim Share Distribution Formula' of UHI claims was notified by the Government in April 2022 amended in June 2022. The management of the entity had already adopted the Insaf Health Card Scheme in collaboration with State Life Insurance Corporation. An amount of Rs. 54,069,708 on account of insurance claims for the period from July 2021 to April 2022 was received by the entity against treatment of Insaf Health Card holder patients.

Following observations were made by Audit:

1. The distribution of shares from insurance claims was not covered by Government policy/SOP.

2. As per SOP notified by Government, 70% of UHI claims (after deducting pharmacy expense) is required to be recouped to Government/Insurance Fund. However, no recoupment was made to Government by the entity.
3. Later on, the Distribution Formula was notified by the Government, therefore, the management, in the best public interest, was required to readjust the already distributed amount of insurance claims and transfer Rs. 37,848,795 into Government treasury.
4. Similarly, as per Government policy, 15% of UHI claims can be apportioned for incentive to HR whereas the entity had apportioned 55% as share money. The difference amounting to Rs. 8,110,456 is to be recovered from the concerned.

Audit is of the view that lapse occurred due to poor existence of administrative and financial controls.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that matter may be inquired and irregularity be got regularized from competent authority.

(PDP No. 2023-0000001473_F00006)

24.4.38 Non replacement of misbranded/expired stores-Rs. 25.11 million

According to the supply order, supplies will be governed by the Drug Act, 1976 and the firms will be bound to replace the unconsumed/expired/rejected/substandard/misbranded stocks free of cost. respectively.

During audit of Specialized Healthcare and Medical Education Department, it was observed that misbranded/expired medicine/chemicals for Rs. 25,106,945 were not got replaced by the department. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	M. Nawaz Sharif Hospital, Yakki Gate, Lahore	2020-22	2023-0000000489_F00026	Undue retention of expired medicines stock	10,963,455
2	MS Children Hospital FSD	2021-23	2023-0000002810_F00003	Non- Recovery of Cost of Expired Lab.	5,865,000

3	MS, Kot Khawaja Saeed Hospital, Lahore	2020-23	2023-0000004358_F00003	Substandard medicine not yet recovered	3,829,430
4	MS Children Hospital FSD	2021-23	2023-0000002810_F00007	Substandard / Mis-Branded Medicine yet not recovered	2,449,060
	Mian Munshi DHQ-I Teaching Hospital Lahore	2021-23	2023-0000004738_F00002	Un-justified payment to firm for provision of misbranded medicine	2,000,000
5	Punjab Institute of Mental Health, Lahore	2020-23	2023-0000004357_F00006	Consumption of dietary articles without test report & misbranded by public analyst, and substandard	-
Total					**25,106,945**

Audit was for the view that the lapse occurred due to weak internal and supervisory controls.

The matter was pointed out to the concerned formations from January 2023 to November 2023. Most of the management noted the observations for compliance or offered no reply. Some formations offered detailed reply which was not acceptable to audit.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter may be looked into at administrative department‘s level and action be taken against the person(s) at fault besides immediate replacement of these medicines.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para numbers 19.4.19, 19.4.14, 21.4.25, 20.4.09 and 28.4.133 having financial impact of Rs. 259.33 million, Rs. 40.56 million, Rs. 158.78 million, Rs. 86.77 million and Rs. 30.66 million. Recurrence of same irregularity is a matter of serious concern.

24.4.39 Irregular obtaining of performance guarantee for one year instead warranty period-Rs. 21.35 million

As per condition No. 26 of the advance acceptance letters, the contracting firm must furnish a bank guarantee @ 5% of the contract value in the form of CDR for satisfactory completion of the contract as security up to and for the period of three months after completion.

During audit of development scheme tittled "Provision of Missing Specialties of Up-gradation of DHQ Hospital to Teaching Hospital of D.G Khan" for the period 2021-22, it was observed that the management procured Machinery and Equipment for which 5 years warranty was required to be obtained from the suppliers. However, the management obtained performance guarantees valuing Rs. 21,346,000 from the suppliers with validity period from 1-2 years in contradiction to the agreed terms and conditions of the contract. Audit further observed that the performance bonds amounting to Rs. 17,970,759 had been expired without expiration of service agreement period.

Audit is of the view that the lapse occurred due to non-adherence to the terms & conditions of the contract.

When the matter was pointed out, the management noted the observation for compliance.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the matter be looked into at administrative department's level to obtain performance securities for the entire period of warranty as per contract.

(PDP No. 2023-0000001570_F00002)

24.4.40 Missing of stock in store valuing-Rs. 16.57 million

As per rule 15.12 of PFR Vol-I, a reliable list, inventory or account of all stores in the custody of Government servants must be maintained, to enable a ready verification of stores and check of accounts at any time. Transactions must be recorded in it as they occur. Moreover, Rule 15.4 (a) of PFR Vol-I requires that all materials received should be examined, counted measured and weighed, as the case may be, when delivery is taken and then entered in the appropriate stock register.

During audit of accounts of Medical Superintendent Lahore General Hospital, Lahore for the financial year 2022-23, it was observed while scrutiny of stock register of building department that stock items valuing of Rs. 16,570,529 were found short. According to stock register, stock did not exist in store when compared with the closing balances of stock register. In this regard internal audit wing of hospital also conducted internal audit and submitted report dated 13.07.2023 in which it was pointed out that neither stock of said amount existed in store nor its expense record was available. Moreover, it is prominent to mention here that neither closing balances of previous financial year 2021-22 was carried forwarded in next financial year 2022-23 nor stock register of previous financial year was on record. This leads to misappropriation of stock in store.

Audit is of the view that lapse occurred due to poor existence of administrative and financial controls.

The matter was pointed out in November 2023. In reply of the preliminary observation, the department just acknowledged the observation without offering any comments.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that matter should be inquired, responsibility be fixed against concerned and recovery be made from concerned beside strengthening of administrative and financial controls.

(PDP No.2023-0000004715_F00004)

24.4.41 Loss due to non-investment of college funds-Rs. 16.16 million

As per Rule 4.1 of PFR Vol-I, all sums due to Government are regularly received and deposited in to Government Treasury. The departmental controlling officers should accordingly see that all sums due to Government are regularly received and checked against demands and that they are paid in to the treasury. Further, according to Rule 4.7(1) of PFR Vol-1, it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government account.

During audit of De’Montmorency College of Dentistry, Lahore for the period 2019-22, it was observed that the management collected various funds/fee from the students but the funds were neither spent on welfare of the students nor the same were invested in the bank. By investing the surplus funds on average interest rate of 10%, a profit amounting to Rs. 16.16 million could had been generated by the management.

Audit is of the view that the lapse occurred due to weak financial and internal controls.

The irregularity was pointed out in March 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the irregularity be got condoned from the competent authority besides strengthening the internal controls.

(PDP No. 2023-0000000729_F00010)

24.4.42 Loss due to theft of medicine-Rs. 6.21 million

As per Punjab Medical & Health Institution Act 2003, head of institution shall be responsible for the administration and management of affairs of an Institution. Moreover, as per Rule 2.33 of PFR Vol-I, every Government servant 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.

During audit of Kot Khawaja Saeed Teaching Hospital, Lahore for the period 2020-23, it was observed that a quantity of 14390 injections valuing Rs. 6,207,739 were stolen from Hospital Medicine Store. Management registered FIR in Police Stations on 30.04.2023 but neither recovery of stated amount has been affected from concerned nor thieves were caught. Moreover, an enquiry was initiated by the management and report stated that negligence of security company (Marvelous Protection Security Services), Janitorial firm (involvement of Mr. Rafaqat. Sanitary worker), Parking company, and main accused (Mr. Waseem Rafique, Sanitary Worker of hospital) were found. The committee recommended that the investigation into possible involvement of additional individuals should continue to establish their identities. But unfortunately, all above said firms were yet working in the hospital premises and no penalty/recovery was still made from the responsible. The management was required to peruse the matter vigorously.

Audit is of the view that lapse occurred due to poor existence of administrative and financial controls.

The matter was pointed out in September 2023. The management replied that the case is being dealt by Anti-Corruption Authorities, as the FIR lodged by the hospital after finalization and recommendation of inquiry committee. The Hospital followed & pursued the case with the ACE regularly.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends to assign responsibility for the identified lapse, recover the losses, and enhance administrative, financial, supervisory, and security controls to prevent future occurrences of similar lapses.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2020-21 vide para number 21.4.3 having financial impact of Rs. 13.55 million. Recurrence of same irregularity is a matter of serious concern.

(PDP No.2023-0000004358_F00005)

24.4.43 Loss due to extending electricity facility on nominal charge-Rs. 3.02 million

As per Rule 2.33 of PFR Vol-1, every Government servant 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 servant to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

The scrutiny of the record of the Principal AIMC, Jinnah Hospital, & allied institutions for the year 2021-22, revealed that electricity facility was being provided to the residents of AIMC staff but the rates of electricity charges charged by the hospital were from Rs.100 to Rs.1000 from per month from Asstt. Professors etc. as per payroll data which were quite nominal and unjustified. Rates fixed were unfair being very low. The greater portion of their consumption has to be borne by the institution.

Audit is of the view that the lapse occurred due to failure of supervisory and financial controls.

The matter was pointed out to the formation concerned. The management did not offer cogent reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends to recover the less deducted amount from the concerned and deposit the same into Govt. Treasury.

(PDP No. 2023-0000000177_F00040)

24.4.44 Loss due to non-collection of monthly utility charges of ACs from the family suites-Rs. 2.90 million

According to rule 2.33 of PFR Vol-I, every Govt. servant should realize fully and clearly that he will be held personally responsible for any loss sustained by Govt. through fraud or negligence, on his part.

During the course of audit on accounts of the University of Child Health Sciences Lahore for the period 2021-22, it was noticed that electricity & gas was provided to the inmates of Family suits from the Bulk supply. A lump sum/fixed rate of Rs. 3000 per month per AC were charged which was quite nominal and also unjustified because the capacity of ACs installed was not quantified. Moreover, the rates were not fixed season wise i.e., Summer & Winter. Ordinarily the electricity bill of one Ton AC ranges from Rs. 15,000 to 20,000 per month whereas the hospital charged only Rs. 3,000 per month during summer season. The greater portion of their consumption has to be borne by the institution which is extra burden shared by the hospital. Moreover, Standard Operating Procedure/policy was neither prepared nor implemented by the management to calculate the actual consumption of electricity and its recovery.

Audit is of the view that the lapse occurred due to the failure of the supervisory and financial controls.

The matter was pointed out to the formation concerned. The management did not offer cogent reply.

The matter was further reported to the administrative department. In DAC meetings held on 10.10.2023, the para was kept pending for recovery with direction that auditee formation may re-evaluate the utility charges with consultation of LESCO, C&W Department and WASA and after that matter may be placed before administrative department for approval. Further progress was not reported by the department till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that the amount should be recovered from the concerned and be deposited into university account.

(PDP No. 2023-0000000178_F00006)

24.4.45 Loss to Govt. due to fixing of less contractual amount without 10% increase-Rs. 1.83 million

As per clause 01 of the agreement with the contractors of canteen and car parking, contract for next year shall be executed with 10% increase in previous year contractual amount.

During audit of the accounts of Principal, Sahiwal Medical College, Sahiwal for the financial year 2021-22, it was noticed that contracts of STH canteen, Parking stands of GHAQ and DHQ hospital were awarded without enhancing 10% increase in the contractual amount as compared to the previous year amount. Due to which Govt. had to sustain loss of Rs. 1,826,398.

The lapse occurred due to weak administrative controls of the management

The matter was pointed out to the formation concerned during April 2023 the management replied that contract was awarded after observing the relevant rules. The reply of the management was evasive as they did admit non enhancement of contractual amount by enhancing 10% increase.

The matter was further reported to the administrative department. In DAC meetings held on 10.10.2023, the para was kept pending to probe the matter from administrative department. Further progress was not reported by the department till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that matter may be looked into to arrive at factual position, fixing responsibility, taking remedial measures/recovery besides action against the responsible.

(PDP No. 2023-0000001470_F00006)

24.4.46 Loss due to eruption of fire-Rs. 40 million

Rule 2.33 of PFR Vol-I also requires that every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through negligence on his part.

During audit of Specialized Healthcare and Medical Education Department, it was observed that various fire incidents occurred and the management neither finalized the enquiry nor fixed the responsibility against concerned. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Govt. Teaching Hospital Shahdara, Lahore	2021-23	2023-0000003208_F00001	An untoward incidence of sudden fire in electric control panel room occurred on 14.10.2021 due to which complete electric system collapsed. An amount	40,000,000

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
				was transferred to the Executive Engineer, 7th Buildings Division, Lahore vide cheque No. 4155362 dated 07.12.2021 for restoration of the collapsed electricity system.	
2	University of Child Health Sciences Lahore	2021-22	2023-0000000178_F00001	An untoward incidence regarding eruption of fire occurred on 3rd floor of OPD building at about 5 AM on 04.06.2022. The Medical Director reported to the Secretary, SHC&ME in his interim report 05.06.2022 that the fire sneaked other parts of the floor through HVAC Ducts, packing material of paper & wood, cotton guaze, cotton rolls and other textile material present in that area.	-
3	Gujranwala medical college & its allied institutions (DHQ/Teaching hospital)	2021-23	2023-0000003216_F00018	Loss due to fire accident in hospital. Management neither finalized the enquiry nor responsibility fixed against concerned.	-

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
	Gujranwala				
Total					**40,000,000**

The incidents occurred due to slackness of management for non-installation of smoke detectors and automatic gas sprinklers to extinguish fire.

The matter was pointed out to the formations concerned. The management did not offer cogent reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that loss should be assessed and responsibility be fixed.

24.4.47 Unauthorized conduct of third-party validation of accounts of the institutions of SHC&ME department

As per para 2.10(a)(1) of PFR Vol-I, same vigilance should be exercised in respect of expenditure incurred from Government revenues, as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of the accounts of Secretary Specialized Healthcare & Medical Education Department for the financial year 2022-23, it was observed the department ordered all the institutions under its jurisdiction for conduct of third-party validation of their accounts by a private firm without rules provisions/prior approval from Finance Department and without consultation with the Supreme Audit Institution of the state, i.e., Auditor-General of Pakistan. Following irregularities were pointed out by audit:

i. Auditor-General of Pakistan, as the Supreme Audit Institution, conducts all audits according to its constitutional mandate. SHC&ME department issued a letter for a third-party evaluation of the Teaching Hospitals for the F.Y 2021-22 & 2022-23 without consulting the Auditor-General, the SAI of the country.

ii. Hundreds of audit paras of grave financial irregularities raised during audit for FY 2012-22 are still awaiting serious response from the PAO. Nevertheless, SHC&ME

engaged Chartered Accountant Firms at high costs (@ Rs. 500,000 to Rs. 700,000 per audit of each institute), resulting in an extra burden of Rs. 57,500,000 on the Government. The direction for overlapping audit function is irregular, and any subsequent payment would be wasteful expenditure.

Audit is of the view that the lapse occurred due to the absence of proper decision-making process.

The matter was brought to the notice of departmental representative during August 2023. The management noted the observation and stated that detailed reply will be furnished.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that matter should be inquired, responsibility be fixed against concerned, loss to be recovered besides strengthening administrative and financial controls to avoid reassurance such lapse in future.

(PDP No. 2023-0000003194_F00006)

24.4.48 Illegal occupation of various properties/land

As per letter No.SO(R&E) 10-149/2000 dated 06-02-2004 issued by the Chief Secretary to all administrative secretaries to Govt. of the Punjab, it has been desired by the Chief Minister Punjab that Departments should pursue the matter vigorously for retrieval of the land already encroached upon. It has been further directed to take immediate corrective measures to rectify the situation as well as to put in place such mechanism which could prevent such events in future.

During audit of FJMU/Sir Ganga Ram Hospital, Lahore for the period 2021-22, it was observed that three properties measuring area of more than 31 kanal located at prime locations of Lawrence Road, Kacha Ferozpur Road and Gulberg-III, Lahore were donated by different persons to Sir Ganga Ram Hospital but these properties were not occupied by the hospital. The same were either encroached or were under litigation. Further. various other properties measuring 6,627 Sqft donated to the hospital were forcefully occupied by private persons on payment of nominal rent ranging from Rs. 25 to Rs. 250 per month for each property although these properties are also located at prime locations in Lahore.

The management neither made stringent efforts to vacate the land/properties from illegal occupants nor pursued the case in the court of law to utilize the valuable land/properties. Thus, the hospital was deprived of revenue/utilization of valuable land/properties costing billions of rupees.

Lapse occurred due to weak supervisory & administrative controls.

The matter was pointed out to the formations concerned. The management did not offer cogent reply.

The matter was further reported to the administrative department. In DAC meeting held on 27.11.2023, the para was kept pending to approach the concerned authorities to get the illegal possesion of properties vacated. Further progress was not reported by the department till the finalization of this report.

Audit recommends to make stringent efforts to vacate the land/properties from illegal occupants after pursuing the case in the court of law.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2018-19 and 2021-22 vide para numbers 28.4.97 and 19.4.33. Recurrence of same irregularity is a matter of serious concern.

(PDP No. 2023-0000001377_F00005)

CHAPTER 25
YOUTH AFFAIRS AND SPORTS DEPARTMENT

25.1 Introduction

Youth Affairs and Sports Department is an Administrative Department headed by the Secretary, consisting of four components. The main aim of the first component i.e. Youth Affairs is to facilitate, groom, and guide the youth to live in peace and harmony. Sports Board Punjab is committed to promoting sports culture in Punjab. The tourism component is responsible for developing and promoting tourism by providing accommodation, food, entertainment, amusement, public amenities, and other services including informatory literature to the tourists. The fourth component relating to archaeology is responsible for protecting the heritage of Pakistan located in Punjab through archaeological explorations, recoveries, documentation, and exhibition of materials and artifacts.

Audit Profile of Youth Affairs and Sports Department

Sr. No.	Description	Total No.	Audited	Expenditure Audited 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)	Revenue/Receipts 2022-23 Ph-II & 2023-24 Ph-I (Rs. in million)
1	Formations	50	3	828	46
2	• Assignments Accounts • SDAs etc. (excluding FAP)	2	2	-	-
3	Authorities/Autonomous bodies etc. under the PAO	1	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

(B) Comments on Budget & Accounts (Variance Analysis)

Introduction

The Appropriation Accounts of the Youth Affairs and Sports Department for the year 2022-23 indicate expenditure on various specified services vis-à-vis appropriation authorized by Government of the Punjab.

Summary of Appropriation Accounts

The summarized position of actual expenditure during 2022-23 against the total of two grants/appropriations is given below:

(Rupees in million)

Grant No.	Original Grant	Supplementary Grant/ Re-Appropriation	Final Grant	Actual Expenditures	Excess/ (Savings)
1	**2**	**3**	**4**	**5**	**6(5-4)**
PC21010	165.63	464.26	629.89	635.81	5.93
PC22036	243.23	(230.91)	12.32	7.07	(5.25)
Total	**408.85**	**233.35**	**642.21**	**642.88**	**0.67**

Overview of Expenditure

The final budget of the Youth Affairs and Sports Department for the year ended 30th June 2023 was Rs. 642.21 million. Out of this, the actual expenditure was Rs. 642.88 million. The breakup of current and development expenditure is given below:

(Amount in Rupees)

Grant Type	Original Grant	Actual Expenditure	Excess/ (Savings)	Variance %
1	**2**	**3**	**4**	**5**
Current	165,626,000	635,811,317	470,185,317	283.88
Development	243,227,000	7,066,452	(236,160,548)	97.09
Total	**408,852,998**	**642,877,766**	**234,024,768**	**57.24**

This composition changed due to supplementary grants and surrenders. A variance of the Final Grant and Actual Expenditure is given below:

(Amount in Rupees)

Grant Type	Final Grant	Actual Expenditure	Excess/ (Savings)	Variance %
1	**2**	**3**	**4**	**5**
Current	629,885,000	635,811,317	5,926,317	0.94
Development	12,320,000	7,066,452	(5,253,548)	42.64
Total	**642,205,000**	**642,877,769**	**672,769**	**0.10**

Anticipated savings not surrendered

As per para 14.3 of the Punjab Budget Manual, the spending departments are required to surrender the grants/ appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, savings amounting to Rs. (5.25) million at the close of the year 2022-23 under grant PC22036 were not surrendered in time by the Department.

Excess expenditure requiring regularization

As per Para 13.2 (ii) of Punjab Budget Manual, total expenditure incurred on a purpose does not exceed the grant or grants provided for that purpose. However, excess expenditure amounting to Rs. 5.93 million for the year 2022-23 under grant PC21010 has not been regularized so far. This was a breach of legislative control over appropriations.

25.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 4,005.90 million were raised in this report during audit of the Youth Affairs and Sports Department. This amount includes recoveries of Rs. 3,515.22 million as pointed out by the audit. The summary of the audit observations classified by nature is as under:

Overview of Audit Observations
(Rs. in million)

Sr. No.	Classification	Amount
1.	Recoveries and overpayments	3,511.29
2.	Procurement related irregularities	113.39
3.	HR/Employees related irregularities	272.41
4.	Payroll related irregularities	6.34
5.	Performance related irregularities	79.47
6.	Others	19.07
Total		**4,001.97**

25.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC directives, for reports discussed so far, is given below:

Sr. No.	**Audit Report Year**	**Total Paras**	**Compliance received**	**Compliance not Received**	**Percentage of Compliance (%)**
1.	1996-97	5	3	2	60
2.	1999-00	21	07	14	33
3.	2000-01	91	56	35	62
4.	2001-02	18	3	15	17
5.	2006-07	22	14	08	64
Total		**157**	**83**	**74**	**53**

Note: The Audit Report years missing in the above table were either due to non-inclusion of the subject chapter during that year or non-discussion of the subject chapter before the PAC.

The Youth Affairs, Sports, Archaeology, and Tourism Department was split in 2020 and the Youth Affairs and Sports Department turned into a distinct department separately.

No para has been discussed in PAC of Youth Affairs and Sports Department as an independent department. However, the department is required to improve the compliance status of relevant formations in respective paras of the Youth Affairs, Sports, Archaeology, and Tourism Department in the table above. Further, the department is requested to reconcile the matter with the Audit Department regarding any discrepancy.

25.4 AUDIT PARAS

Recoveries and overpayments

25.4.1 Non-recovery of outstanding Government dues-Rs. 3,434.95 million

As per Rule 4.7(i) of PFR Vol-I, it is primarily the responsibility of the departmental authorities to see that all revenue or other debts due to the Government, which have to be brought to account, are correctly and promptly assessed, realized, and credited to the Government Account.

During audit of Youth Affairs & Sports Department, it was observed that recoveries to the tune of Rs. 3,434,952,952 on account of rent of shops, pavilion hall, canteen, and parking stand was outstanding. The details are given in annexure-52.

Audit is of the view that the lapse occurred due to weak supervisory and internal controls on receivables to be recovered.

The matter was reported to the management in June and October 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 30.01.2024, the paras at Sr. Nos. 1 to 7, 9 & 11 were kept pending for recovery. Further progress was not reported by the department. As regards the remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends fixing responsibility for non-recovery of Government dues besides ensuring prompt recovery of the outstanding amounts.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 20.4.1 having financial impact of Rs. 1,449.14 million. Recurrence of same irregularity is a matter of serious concern.

25.4.2 Non-deduction of levied taxes-Rs. 9.07 million

As per Section 153 of Income Tax Ordinance 2001, income tax @ 10% is required to be deducted on services. According to Sr. No. 23 & 39 of Second Schedule of Punjab Sales Tax on Services Act 2012, 16% sales tax was applicable on services.

During audit of Youth Affairs & Sports Department, it was observed that levied taxes amounting to Rs. 9,068,107 were not withheld while making payments to the concerned. Details are given below:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Type Tax	Amount (Rs.)
1	Sports Board Punjab Lahore	2022-23	2023-0000004751_F00018	I/Tax	4,157,500

2	District Sports Officer Lahore	2022-23	2023-0000004726_F00005	I/Tax, GST	2,411,300
3	Sports Board Punjab Lahore	2022-23	2023-0000004751_F00021	PST	1,268,156
4	Sports Board Punjab Lahore	2022-23	2023-0000004751_F00023	I/Tax	541,200
5	Director General Sports & Youth Affairs Punjab	2022-23	2023-0000004752_F00017	I/Tax, GST, PST	462,136
6	Sports Board Punjab Lahore	2022-23	2023-0000004751_F00020	I/Tax	227,815
Total					**9,068,107**

Audit is of the view that the lapse occurred due to weak supervisory and financial controls.

The matter was reported to the management in October 2023. The management at Sr. No. 1 & 3 to 6 noted the observations for compliance. The management at Sr. No. 2 had not provided any reply.

The matter was further reported to the administrative department. In DAC meeting held on 30.01.2024, the paras at Sr. Nos. 1, 4 & 6 were kept pending for recovery of income tax. The para at Sr. No. 3 was kept pending for decision of BOG. Further progress was not reported by the department. As regards the remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends imposition of recovery of the stated amount besides ensuring strict action against those responsible.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2020-21, 2021-22 and 2022-23 vide para numbers 22.4.11, 21.4.13 and 20.4.2 having financial impact of Rs. 49.32 million, Rs. 5.23 million and Rs. 279.01 million. Recurrence of same irregularity is a matter of serious concern.

25.4.3 Less recovery of monthly charges from the members of the international swimming pool for-Rs. 59.47 million

Rule 4.7(1) of PFR, Vol-I, provides that it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to the Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government Account. Further, Rule 4.1 of PFR, Vol-I, provides that the departmental controlling officers should accordingly see that all sums due to the Government are regularly received and checked against demands and that they are paid into the treasury.

During audit of Sports Board Punjab, Lahore for the period 2022-23, it was observed that monthly charges of the international swimming pool amounting to Rs. 59,472,500 were not recovered from the registered members even after a lapse of considerable time. Furthermore, neither SOPs to run the affairs of the international swimming pool nor action taken by the management against defaulters was shared with the Audit. In addition to this, the summary of receivables provided by the management shows that out of the total outstanding recovery of Rs. 59,472,500; an amount of Rs. 30,919,000 pertains to the COVID-19 period when the facility was non-functional but no clear policy on the outstanding recovery related to COVID-19 period was formulated. Steps need to be taken by the management to affect the recovery of outstanding monthly charges from registered members of the international swimming pool.

A similar issue has been highlighted in the audit of FY 2020-21 but the formation has failed to introduce appropriate controls to address the lapse.

Audit is of the view that the lapse occurred due to weak supervisory and financial controls.

The matter was reported to the management in October 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 30.01.2024, the para was reduced and kept pending for recovery. Further progress was not reported by the department till the finalization of the report.

Audit recommends imposition of recovery of the stated amount, besides ensuring strict action against those responsible.

(PDP No. 2023-0000004751_F00006)

25.4.4 Recovery from the officials/officers residing in Government residence-Rs. 6.60 million

As per Rule 2.31 of PFR Vol-I, a drawer of bills for pay, allowances contingent, and other expenses will be held responsible for any overcharges, frauds, and misappropriations. Further, as per the Finance Department's Letter No.FD(M-I)1-15/82-P.I dated 15.01.2000, all the Field Officers are required to maintain a Pool Register comprising information regarding the availability of the residential facility, one page should be for one residence where proper entry regarding allotment, possession, and recovered/recoverable amount may be mentioned, and in case of vacancy, proper certificate be given on the register.

During audit of D.G. Sports & Youth Affairs Punjab, Lahore for the period 2022-23, it was observed that various officers and officials were occupying Government residences without the corresponding recovery of Rs. 1,532,289 as substantiated by the recovery statement provided by the Administrator of the National Hockey Stadium, Lahore. Furthermore, an unsigned list of individuals was submitted to the Audit team, indicating that they were also residing in official accommodations within the work premises and had drawn conveyance allowance amounting to Rs. 5,070,266 irregularly. Moreover, prescribed pool registers for official residences, in accordance with Government directives as per the letter dated 15.01.2000 were also not maintained.

Audit is of the view that the lapse occurred due to weak supervisory and financial controls.

The matter was reported to the management in October 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit strongly recommends the constitution of a fact-finding committee at the administrative department’s level to investigate this matter and to ascertain the exact recoverable amount w.e.f. the date of initial allotment or occupation besides affecting the recoveries from the concerned.

(PDP No. 2023-0000004752_F00014)

25.4.5 Irregular expenditure on PSL-8-Rs. 1.20 million

Rule 4.7(1) of PFR, Vol-I, provides that it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to the Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government Account. Further, Rule 4.1 of PFR, Vol-I, provides that the departmental controlling officers should accordingly see that all sums due to the Government are regularly received and checked against demands and that they are paid into the treasury. Moreover, as per Rule 2.33 of PFR Vol-I, every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by the Government through fraud or negligence on his part.

During audit of the Sports Board Punjab, Lahore for the period 2022-23, it was observed that an expenditure of Rs. 1,199,356 was incurred for the coordination and facilitation of the Pakistan Super League Season 8 (PSL-8 or, for sponsorship reasons, HBL PSL 2023), an event organized by the Pakistan Cricket Board (PCB), Lahore. The audit has identified that all expenses related to the arrangements and facilitation of PSL-8 should rightfully be recovered from the Pakistan Cricket Board (PCB), Lahore, given the fact that this event falls under PCB's purview, and all generated revenue relates to the PCB.

Audit is of the view that the lapse occurred due to weak supervisory and financial controls.

The matter was reported to the management in October 2023. The management noted the observation.

The matter was further reported to the administrative department. In DAC meeting held on 30.01.2024, the para was kept pending for regularization from Finance Department. Further progress was not reported by the department till the finalization of the report.

Audit recommends that recovery of expenditure made by the department for PSL-8 arrangement be made from PCB.

(PDP No. 2023-0000004751_F00015)

Procurement related irregularities

25.4.6 Irregular expenditure in violation of Punjab Procurement Rules-Rs. 63.33 million

Rule 9 of PPR 2014 provides that save as otherwise provided and subject to the regulations, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. As per Rule 12 of Rules ibid, a procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of two million rupees on the website of the Authority in the manner and format specified by regulations. As per rule 39 of Rules ibid, the procuring agency shall require the successful bidder to furnish a bid security in the form of a performance guarantee up to ten percent of the contract amount.

During audit of Youth Affairs & Sports Department, it was observed that expenditure of Rs. 63,328,481 was incurred on purchases made for exhibitions, fairs, national celebrations, (rental services, IT equipment, stationery, furniture, plant and machinery, software and hardware, furniture & fixture, store articles, entertainments and hiring of services etc.) without observing above stated rules entailing breach of stipulated provisions. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	District Sports Officer Lahore	2022-23	2023-0000004726_F00001	Dubious Procurement incurred on exhibition, fairs, national celebration and other items on a single quotation basis by splitting to avoid competition	24,733,918
2	Director General Sports &	2022-23	2023-0000004752_F00006	Irregular expenditure on procurement of Others and; Cost of Other Stores	17,504,989

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
	Youth Affairs Punjab				
3	Director General Sports & Youth Affairs Punjab	2022-23	2023-0000004752_F00003	Irregular expenditure on the procurement of IT Equipment, stationery, furniture, plant and machinery, software and hardware etc.	6,362,985
4	Director General Sports & Youth Affairs Punjab	2022-23	2023-0000004752_F00012	Irregular expenditures without having competitive rates	6,200,000
5	District Sports Officer Lahore	2022-23	2023-0000004726_F00003	Irregular procurement of rental services at higher rates	5,214,070
6	Director General Sports & Youth Affairs Punjab	2022-23	2023-0000004752_F00011	Irregular expenditure as technical proposals were not obtained from the pre-qualified bidder.	2,717,904
Total					**63,328,481**

Audit is of the view that non-observance of PPR 2014 resulted in a non-transparent process of procurement.

The matter was reported to the management in October 2023. The management at Sr. Nos. 2 to 4 & 6 noted the observations for compliance. The management at Sr. No. 1 to 5 had not provided any reply.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be probed to fix the responsibility besides seeking regularization of the expenditure.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2020-21, 2021-22 and 2022-23 vide para numbers 22.4.3, 21.4.3 and 20.4.3 having financial impact of Rs. 198.54

million, Rs. 6.95 million and Rs. 1,654.17 million. Recurrence of same irregularity is a matter of serious concern.

25.4.7 Irregular expenditure on games-Rs. 50.06 million

Article No.10(i, iii & v) of the Constitution of Sports Board Punjab provides that the functions of the Sports Board Punjab are to organize, promote and develop sports in the Province; to ensure mass participation in sports and games by organizing sports competitions/tournaments in the Province; to utilize funds provided by the Government as grant-in-aid for the promotion of sports, and also release annual/special grants-in-aid to sports associations, committees, clubs and other sports organizations in the Province. Further, Rule 2(X) of PPR 2014 provides that "Pre-Qualification" means a procedure for demonstrating qualification as a pre-condition for being invited to tender.

During audit of D.G. Sports & Youth Affairs Punjab, Lahore for the period 2022-23, it was observed that management made an expenditure of Rs. 50,062,514 on the 73rd Punjab and Pink Games. The following shortcomings were observed;

i. It was noticed that while calling "invitations to bids" from pre-qualified contractors, the technical proposals were not obtained from the pre-qualified bidder.

ii. The specification of procured sports items as given in the bidding documents were not tested from the recognized labs.

iii. The stock entry for event management, media refreshment boxes, hi-tea, catering services, kits, and sportswear was not made.

iv. Furthermore, the stock entry for the supply and installation of branding items was made and issued to AD Training but the consumption accounts along with the disbursement record were not maintained.

v. The Income tax amounting to Rs. 108,377 was less withheld. The management withheld an amount of Rs. 637,134 (453,636+183,498) as 1/5th GST while making the payments but the monthly sales tax return on the 15th of every month was not maintained as required vide SRO.77(I)/2008 dated 23.01.2008. In addition to the above, all the GST invoices provided by the supplier were without mentioning the dates which is a serious matter of concern. Details are tabulated below:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Director General	2022-23	2023-0000004	Irregular expenditure on	35,199,109

	Sports & Youth Affairs Punjab		752_F00009	the 73rd Punjab Games for	
2	Director General Sports & Youth Affairs Punjab	2022-23	2023-0000004752_F00008	Irregular expenditure on Pink Games 2023	14,863,405
Total					**50,062,514**

Audit is of the view that due to non-observance of Government rules resulted in the non-transparent process of procurement.

The matter was reported to the management in October 2023. The management noted the observations.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the responsibility be fixed for non-adherence to Government instructions besides regularization of the matter from the Finance Department and strengthening of the financial and internal control system.

HR/Employees related irregularities

25.4.8 Irregular appointment/engagement and extension of daily wage/work charged and contingent paid staff-Rs.272.41 million

As per para 4 (x) & (xii) of S&GAD Policy Framework for work charged employees 2021 issued vide No.SO(ERB)5-44/2019/WC-DW-Policy dated 29.01.2021, in case of extreme necessity, the extension to work charged employees be made through speaking orders containing reasonable justification after obtaining approval. Such approval shall be accorded by the authority next higher to the hiring authority before the expiry of 90 days period of their first hiring provided that an extension to work charged hiring shall not be made in any case for more than two times. The hiring of work charged, daily wages, and contingent paid staff shall be made sparingly and only in case of genuine and dire needs. In the process of hiring, the concept of equal job opportunity for all citizens and transparency shall be ensured.

During audit of Youth Affairs & Sports Department for the period 2022-23, it was observed that an amount of Rs. 272,412,519 was paid to contingent paid staff/daily wager/work charged employees. Audit observed that appointments were made without ensuring the concept of equal job opportunity for all citizens and transparency i.e., appointment through advertisement. The employees were working in the office for more than 90 days but approval of the next higher authority was not sought. Original attendance registers of the employees duly authenticated by the officer concerned were not shown to Audit for verification. Personal files of each employee consisting of CNICs, domiciles, educational certificates and experience certificates were not maintained. Moreover, the payments were drawn in favor of DDO instead of actual payees. The same issue had also been highlighted in previous years but the management failed to introduce appropriate controls to address the lapse. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	District Sports Officer Lahore	2022-23	2023-0000004726_F00006	Irregular/ un-lawful appointment of contingent paid staff	150,055,106
2	Sports Board Punjab Lahore	2022-23	2023-0000004751_F00012	Irregular appointment/ engagement and extension of daily wage/work charge/contingent paid staff	105,793,429
3	Director General Sports & Youth Affairs Punjab	2022-23	2023-0000004752_F00002	Irregular appointment/engagement and extension of daily wage/work charge/contingent paid staff	16,563,984
Total					**272,412,519**

The matter was reported to the management in October 2023. The management noted the observations.

The matter was further reported to the administrative department. In DAC meeting held on 30.01.2024, the para at Sr. No. 2 was kept pending for regularization from BOG. Further progress was not reported by the department. As regards the remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that responsibility be fixed for non-adherence to Government instructions besides seeking regularization of the matter from the Finance Department and recovery be made from the concerned.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2020-21 and 2022-23 vide para numbers 22.4.2 and 20.4.4 having financial impact of Rs. 256.17 million and Rs. 3,162.05 million. Recurrence of same irregularity is a matter of serious concern.

Payroll related irregularities

25.4.9 Unauthorized payment of honorarium and allowances-Rs. 6.34 million

As per Finance Department letter No.FD.SR.I/9-7/2003 dated 27.12.2005 regarding the grant of Honorarium, the head of the Administrative department may sanction an honorarium up to one month's basic pay and the head of the attached department up to half month basic pay to a civil servant for work performed by him which is occasional in character and either laborious or of such special merit as to justify a special reward when the services rendered by him fall within the course of his ordinary duty like good performance, achievements of targets or any special assignment related to the post. A competent authority may sanction such honorarium to a civil servant irrespective of his pay scale if he is otherwise eligible.

As per Rule 2.31 of PFR Vol-I, a drawer of bills for pay, allowances contingent, and other expenses will be held responsible for any overcharges, frauds, and misappropriations. As per the Finance Department’s letter dated 09.02.2022 regarding “SNE (continued) grant-in-aid Sports Board Punjab for the Financial Year 2022-23”, there are 7 posts of Junior Clerk (BPS-11).

During audit of Youth Affairs & Sports Department, for the period 2022-23, it was observed that an amount of Rs. 6,340,706 was paid on account of honoraria to contingent paid staff/daily wages, and excess payment of salary was also disbursed above sanctioned posts in violation of the above said prescribed directions of the Government.

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Sports Board Punjab Lahore	2022-23	2023-0000004751_F00019	Irregular excess drawl of salary against sanctioned posts	2,431,255
2	Director General Sports & Youth Affairs Punjab	2022-23	2023-0000004752_F00004	Recovery on account of payment of unauthorized personal allowance	1,858,385
3	Director General Sports &	2022-23	2023-0000004	Double drawl of Honoraria and	201,956

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
	Youth Affairs Punjab		752_F00010	overpayment of Utility Allowance	
Total					**6,340,706**

Audit is of the view that the lapse occurred due to weak supervisory and financial controls.

The matter was reported to the management in October 2023. The management noted the observations.

The matter was further reported to the administrative department. In DAC meeting held on 30.01.2024, the para at Sr. No. 1 was kept pending for regularization from BOG. Further progress was not reported by the department. As regards the remaining paras, neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that responsibility should be fixed for non-adherence of Government instructions besides affecting recovery from the concerned.

Performance related irregularities

25.4.10 Non-achievement of project deliverables-Rs. 15.40 million

As per the Minutes of the DDSC Meeting held on 13.03.2020, the scope of the Project, titled “Capacity Strengthening for Project Development/Management of Youth Affairs, Sports, Archaeology & Tourism Department” includes the preparation of concept papers of different development schemes, prepares and examines PC-I form, assists in preparing and uploading Annual Development Program on Smart Monitoring of Development Projects (SMDP) Portal, supports in the procurement of goods and services as per PP Rules, manages Human Resource Information Management System of the Department, develops analysis of Monthly Progress reports and prepare list of slow moving and problematic schemes of ADPs, collaborates with stakeholders to plan, design, test and maintain web & desktop based business applications for development portfolio. One of the major aims was to “Transform the major Department of Govt. of the Punjab from Low Performing Organization to High Performing Department”.

During audit of the accounts of Secretary, Youth Affairs & Sports Department for the period 2021-22, it was observed that the project titled as “Capacity Strengthening for Project Development/Management of Youth Affairs, Sports, Archaeology & Tourism Department” was extended vide “4th Revised PC-1” without any change in scope of work whereas above-mentioned objectives were not yet achieved. The audit observed that:

1. No significant achievement was made during the current financial year except imparting the training for only 8 sessions/batches of staff during the period from July 2021 to February 2022 (no training session was held after February 2022) incurring an expenditure of Rs. 15,403,645 Those training sessions involved only 35 days and the average cost of training per day was Rs. 440,104 showing unnecessary excessive burden on Govt. Treasury.
2. Moreover, the core objective of the project was overlooked including the commissioning of SMDP portals, HRMIS business application for the development portfolio.

Audit is of the view that the lapse occurred due to poor administrative and supervisory controls.

The matter was pointed out in April 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that the matter be inquired at the higher forum by involving the Finance Department and P&D Board, and responsibility be fixed for non-achievement of targets.

(PDP No. 2023-0000000937_F00001)

Management of Accounts with commercial banks

25.4.11 Non-distribution of Provincial Sports Association Funds amount and unauthorized shifting from Assan Assignment Account to commercial bank account-Rs. 64.07 million

As per CGA's policy letter No.AC-II/6-23/VOL-XIV/160 dated 14.07.2007 read with Finance Department's letter No.SO (TT) 6-1/2007 dated 11.09.2007, the drawing authorities should ensure that no money is withdrawn from Special Drawing Accounts (SDA) unless it is required for immediate requirements. Further, money will not be drawn for keeping into a bank account or in chest. A certificate to this effect will be recorded on the schedule of payment.

During audit of Youth Affairs & Sports Department, Lahore for the period 2022-23, it was observed that an amount of Rs. 64,066,200 was received from Finance Department, Government of the Punjab. The received amount was shifted into the commercial bank account of Punjab Sports Board duly maintained in the Bank of Punjab account only to avoid lapse of funds in violation of above-mentioned instructions. The funds were not distributed to the Provincial Sports Association up till now as considerable time has been lapsed. Similar issue has been highlighted in the audit of FY 2020-21 but the formation has failed to introduce appropriate controls to address the lapse.

The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Sports Board Punjab Lahore	2022-23	2023-0000004751_F00001	Non-distribution of Provincial Sports Association Funds amount and unauthorized shifting from Assan Assignment Account to Commercial Bank Account	60,000,000
2	Director General Sports & Youth Affairs Punjab	2022-23	2023-0000004752_F00001	Unauthorized shifting of funds to commercial bank account just to prevent lapse of appropriation	4,066,200
Total					**64,066,200**

Audit is of the view that lapse occurred due to weak supervisory and financial controls.

The matter was reported to the management in October 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 30.01.2024, the para at Sr. No. 1 was kept pending for probe. Further progress was not reported by the department. As regards the remaining para, neither any reply was received nor DAC meeting was convened till the finalization of this report despite the issuance of reminders in November and December 2023.

Audit recommends that responsibility be fixed for non-adherence of Government instructions besides seeking regularization of the lapse under intimation to Audit.

Others

25.4.12 Loss of revenue due to non-auction of shops and offices-Rs. 19.07 million

As per rule 4.7 (1) of PFR Vol-I, it is primarily responsibility of the departmental authorities to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government Account.

During audit of Divisional Sports Officer, Faisalabad for the period 2016-22, it was observed that shops and offices at Hockey Stadium, Faisalabad were not auctioned resulting into projected loss of Rs. 19,068,896. The details are as under:

Sr. No.	Name of Formation	Period of Audit	PDP No.	Nature of Irregularity	Amount (Rs.)
1	Divisional Sports Officer, Faisalabad	2016-22	2023-0000001910_F00005	Non-auction of sealed offices at Hockey Stadium	13,050,720
2	Divisional Sports Officer, Faisalabad	2016-22	2023-0000001910_F00007	Non-auction of vacant offices at Hockey Stadium	6,018,176
Total					**19,068,896**

Audit is of the view that the lapse occurred due to poor administrative and financial controls.

The matter was pointed out in June 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends fixing responsibility for the lapse against those responsible besides making concrete efforts to vacate the sealed premises and auction all the available offices and shops under intimation to audit.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2020-21 and 2021-22 vide para numbers 22.4.16 and 21.4.10 having financial impact of Rs. 2.17 million and Rs. 19.17 million. Recurrence of same irregularity is a matter of serious concern.

25.4.13 Removing/replacement of old Astro Turf due to gathering at National Hockey Stadium (NHS)

As per Rule 2.33 of PFR Vol-I, every Government servant 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. Further, Rule 12 of PPR 2014 provides that a procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the Authority in the manner and format specified by regulations but if deemed in public interest, the procuring agency may also advertise the procurement in at least one national daily newspaper. Rule 4 of PPR 2014 provides a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

During audit of D.G. Sports & Youth Affairs Punjab, Lahore for the period 2022-23, it was observed that an event was arranged at National Hockey Stadium, Lahore (dated 13.08.2022) where the Astro Turf was removed and subsequently replaced through development scheme titled "Replacement of Astro Turf at National Hockey Stadium Park Lahore" at the cost of Rs. 399.981 million with gestation period up to 14.08.2023. Audit observed the following shortcomings;

i. Documentary evidence regarding the completion of total useful life of the old AstroTurf was not on record. Further, approval of authority for removal of old Astro Turf alongwith tendering process was not on record.
ii. The old Astro Turf was claimed to have been transported to Sargodha for future use but no documentary evidence to this effect was available.
iii. The development scheme was incomplete whereas the gestation period expired on August 14, 2023.
iv. The management provided the Audit with a certificate of field compliance, issued by the Federation of International Hockey (FIH) on October 2, 2023, but comprehensive test reports conducted for the new Astro Turf and relevant record were not available.

The matter was pointed out in October 2023. The management noted the observation for compliance.

The matter was further reported to the administrative department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders in November and December 2023.

Audit recommends that matter be inquired at the administrative department's level besides strengthening supervisory, management and financial controls.

(PDP No. 2023-0000004752_F00019)

IMPACT AUDIT

IMPACT AUDIT OF SOCIAL PROTECTION PROGRAM ON THE EFFECTIVENESS OF ZEWAR-E-TALEEM PROGRAM IN TEHSIL RAJANPUR

1. INTRODUCTION

An Impact Audit verifies a program's performance against its pre-defined objectives by considering the bearings or implications of a new project or intervention, on a specific group of people or the public at large[1]. Impact Audit seeks to establish a relationship between an organization's inputs and outputs leading towards desired outcomes. Subdividing the main goal, establishing the hierarchy of objectives, giving each goal quantifiable criteria, assessing performance, and offering feedback are all essential prerequisite of good policy formulation and implementation to achieve desired outcomes[2]. This audit is conducted as an important extension in the audit portfolio of OAGP to enable the audit to comment on policy interventions of Government of the Punjab based on evidence rather than assumptions.

Impact audit provides a systematic knowledge and analysis to be utilized by policymakers in making decisions and for better utilization of Government resources. At the time, when Zewer-e-Taleem Program was launched, a research study identified that 22.8 million children aged between 5-16 years were out of school in 2016-17 with noticeable gender disparities in budgets for the public education sector[3].

Numerous studies demonstrate that closing the gender gap in education improves several social outcomes, including infant and maternal mortality, and boosts economic growth in emerging nations[4]. This impact appraisal will also help the stakeholders, policymakers, education department, and the Government to guide them to make effective strategies to enhance the enrollment of female students in public schools.

1.1 Background

Government of the Punjab launched the "Zewar-e-Taleem Program" in 2016 under the auspices of the Punjab Education Sector Reform Program (PESRP), to increase enrollment of girls in public schools by offering a cash stipend of Rs. 1000 per month. The purpose of this initiative is to improve enrolment and retention of female students in schools of poverty-stricken areas and provide them with basic stationery supplies/necessities for schools and add to their nutritional requirements. The cash is transferred quarterly, to the girls enrolled in public schools from grades 6 to 10, with a pre-condition of maintaining 80% attendance and successful completion of academic sessions till matriculation. Initially, the program started with an amount of Rs. 2,586

1 Adams, Sarah, Matthew Hall, and Xinning Xiao. "Styles of verification and the pursuit of organizational repair: The case of social impact." Accounting, Organizations and Society (2023): 101478.

2 Domokos, László, Erzsébet Németh, and Katalin Jakovác. "Supporting the Effectiveness of Governance: Expediency control and performance measurement in SAI's audit." (2016): 7-24.

3 Chhabra, Esha, Fatima Najeeb, and Dhushyanth Raju. "Effects over the Life of a Program: Evidence from an Education Conditional Cash Transfer Program for Girls." World Bank Policy Research Working Paper 9094 (2019).

4 Abera, Halefom Gezaei. "The Role of Education in Achieving the Sustainable Development Goals (SDGs): A Global Evidence Based Research Article." International Journal of Social Science and Education Research Studies 3, no. 01 (2023): 67-81.

million in the year 2016 with a closing balance of Rs. 1,940.54 million in 2022-23. An amount of Rs. 26.075 billion has been disbursed to the registered female students in sixteen districts of Punjab since 2016.

1.2 Objectives of the Zewar-e-Taleem Program

i. To educate more girls in middle/higher secondary schools.

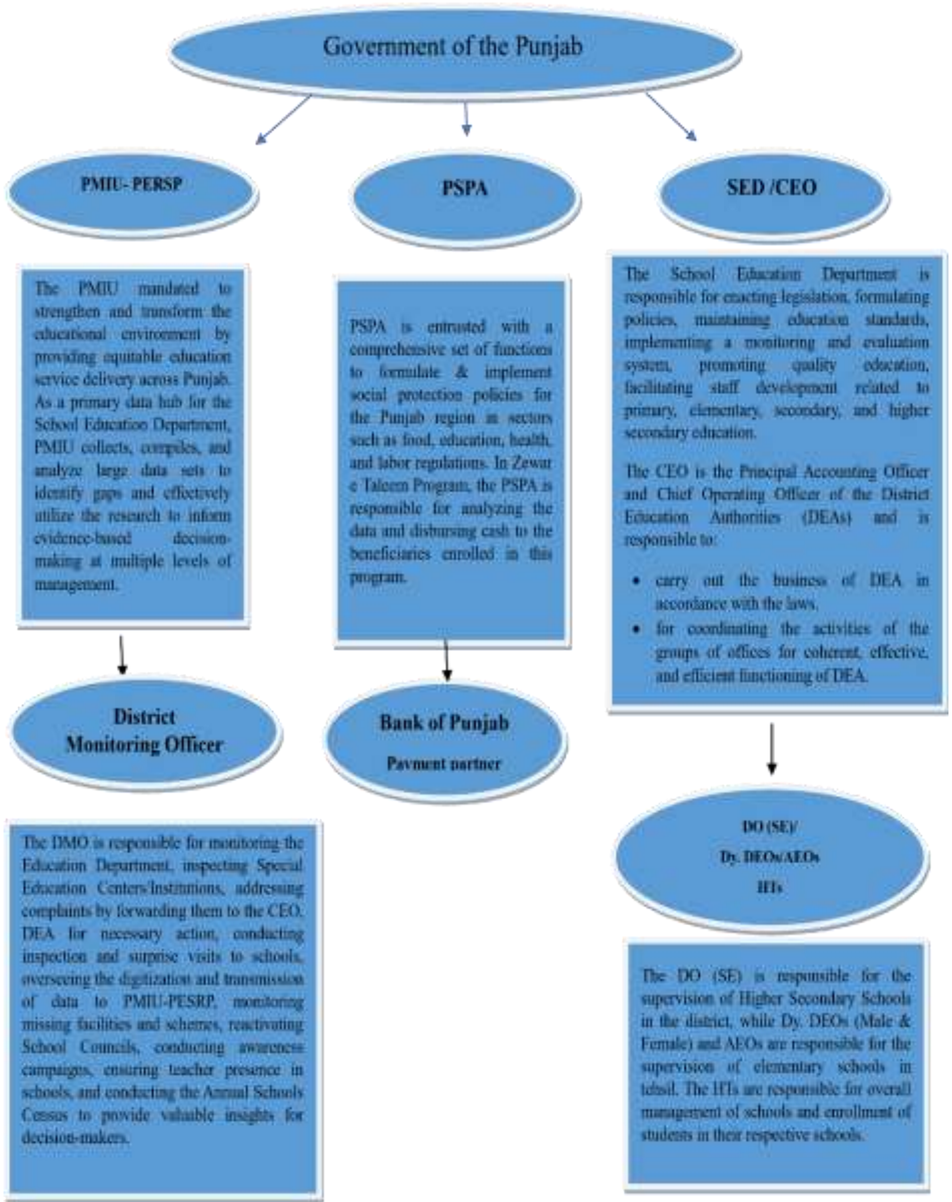
ii. To improve girl's enrolment/attendance in schools at selected 16 districts with low literacy, in Punjab for gender parity

iii. To provide financial assistance to bear the burden of meeting their educational expenses and their basic nutritional requirements.

1.3 Workflow and Stakeholders of the Program

For smooth implementation and timely disbursement of funds to eligible girls, the School Education Department (SED) and Punjab Social Protection Authority (PSPA) have defined roles, as the main executing agencies of the program. Data collection is the responsibility of SED, which is done by the Program Monitoring and Implementation Unit (PMIU), while PSPA disburses the funds through the Bank of Punjab (BOP) after the verification of credentials of the beneficiary data through the Biometric Verification System (BVS). The beneficiaries can collect the amount of stipend from authorized agents of HBL Konnect, UBL Omni, and Alfalah Alfa Pay.

Organogram and Functions of Implementing Authorities of ZTP



2. OVERVIEW

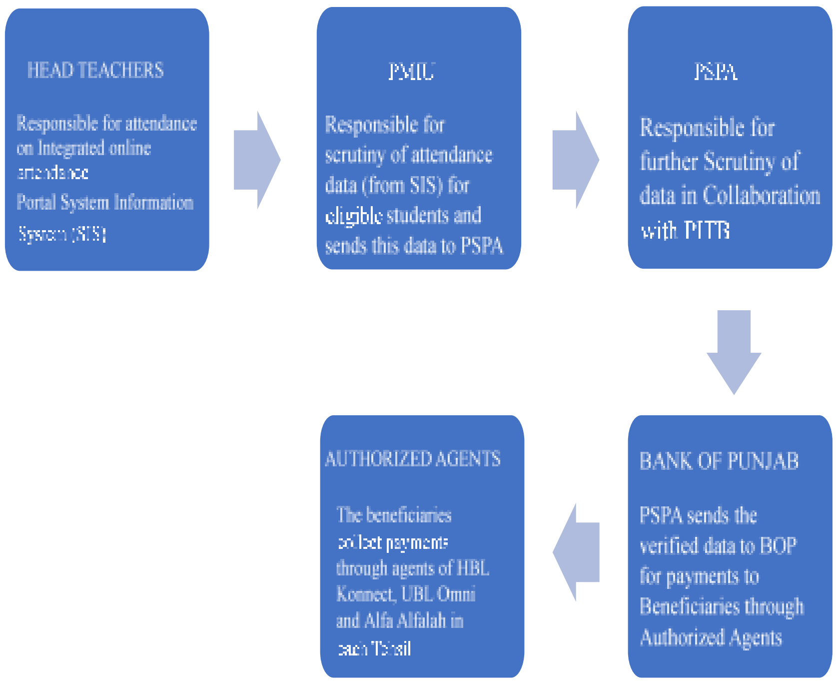
Pakistan has traditionally been characterized by low enrolment rates and gender disparities in educational achievements as compared to the other developing countries, and also neighboring countries in the South Asian region. Government of the Punjab offers free of cost education to its citizens through the School Education Department, Special Education Department, Literacy and Non-Formal Basic Education Department, Punjab Education Foundation, Punjab Education Initiative Management Authority, Punjab Daanish Schools and Centers of Excellence, and several scholarships/stipends and subsidies are being offered for the underprivileged willing to seek education. The Punjab Social Protection Authority (PSPA) is an autonomous body under Government of the Punjab with a mandate to provide an effective, comprehensive, and efficient social protection system in society. The Authority has been working with a mandate to formulate a social protection policy for the whole province in education, health, and social assistance by new interventions and to monitor social protection programs, already in place.

The Program Monitoring and Implementation Unit (PMIU) is a project implementation wing of the School Education Department (SED) working as the primary data hub for the School Education Department. PMIU collects, compiles, and analyzes large datasets to identify gaps, its rectification and provides this data for evidence-based decision-making at multiple levels of SED management. PMIU has been operating the Punjab Secondary School Stipend Program (PSSSP) since 2004 with Rs. 200 monthly to girl students of class 6-10 in Public Schools. The Punjab Secondary School Stipend Program was re-launched in 2016 in sixteen districts of Punjab as Zewar-e-Taleem Program with an increase in stipend amount from Rs. 200 to Rs. 1000 for the girl students in grades 6^{th} to 10^{th} in the Districts of Punjab with low literacy rates i.e. Bahawalnagar, Bahawalpur, Bhakkar, Chinniot, DG Khan, Jhang, Kasur, Khanewal, Layyah, Lodhran, Muzaffargarh, Okara, Pakpattan, Rajanpur, Rahim Yar Khan, and Vehari. The stipend was being disbursed through the Post Office, but with the revamped Zewar-e-Taleem Program the postal deliveries of stipends were replaced with the ATM-based disbursement, called Khidmat Cards. However, this system was rendered ineffective, mostly due to delays in the registration process. A new system of payments through authorized agents of HBL Konnect, UBL Omni, and Alfa Alfalah account was introduced in 2023.

2.1 Flow of disbursement

The stipend is a conditional cash transfer on the fulfillment of the following criteria:

- Girl students studying in classes 6-10, enrolled in Government schools.
- Retaining 80% attendance in each quarter of the year
- The students who do not maintain 80% attendance are declared ineligible for the stipend for that quarter
- Successful completion of an academic year till class 10^{th}.
- Registration of a student is deemed cancelled if she drops out at any level between classes 6-10



Process Flow Depiction

PMIU does an in-house cleansing of SIS data to check for issues such as duplication, invalid CNIC numbers, invalid B-Form numbers, and missing or incorrect contact numbers. PMIU sends the verified data to PSPA for further scrutiny.

PSPA and the Punjab Information and Technology Board (PITB) analyze the data for authenticity checks. The PMIU sends lists of new eligible students to DMO offices in each district so that the beneficiaries would be informed about the opening of accounts for disbursement.

The DMO further communicates the lists to the head teachers in schools. The unverified data is sent back to PMIU for rectification while the approved data is forwarded to BOP for disbursement of stipend.

3. SCOPE & METHODOLOGY

a. Scope

The scope of this audit was to assess and analyze the causal relationship between the program objectives and the improvement of female enrollment, attendance, and retention rate in tehsil Rajanpur, district Rajanpur, and for the sake of drawing meaningful insights comparison was also drawn with relevant parameters of tehsil Kabirwala, district Khanewal.

Sampling

Samples with the denomination of Randomized Control Trial (RCT) of 1371 female students (600 students from Rajanpur and 771 from Kabirwala) were selected from both Tehsils. The details of the sampling are as under:

Particulars	**Tehsil Rajanpur**	**Tehsil Kabirwala**
Total schools (High & Elementary)	29	117
Selected schools	18	50
Selected Schools' total Population	4373	7235
Sample selected	600	771

The following model indicates the flow of inputs, outputs, outcomes, and expected impact in this program:

Inputs	**Activities**	**Output**	**Outcomes**	**Impact**
• Programs Funds • Programs guidelines • Human Resource • Defining roles of all key departments and stakeholders • Trainings	• Selection of districts • Enrollment data collection • Maintenance of data record • Awareness & publicity • Coordination among • Stakeholders • Funds • Disbursement	• Better enrolment in schools • Retention of girls students in schools • Self-sufficiency for girls in meeting studies-related expenses and nutritional requirements. • Motivation to complete basic education	• Better literacy rate • Lesser gender disparity • Better earning opportunities for girls • Improved social structure. • Improved health	• Living standards improvement • Increased literacy rates in districts • Improved health and wellbeing • Integrated data maintenance for policymakers

To assess what happens to those who do not participate in the program, the evaluation team must choose a comparison group, also referred to as a control group, and compare it to the group that has participated in the program, also referred to as the treatment group[5]. To determine the causal effect or impact of a program on outcomes, the impact evaluation method selected must estimate the "counterfactual," or the outcome for program participants if they had not taken part in the program[6]. Organizational structures and funding schemes, the direction and control of

5 Mury, L. G. "Performance Audits Focused on the Principle of Effectiveness: An Overview of Public Audit Agencies." Applied Finance and Accounting 4, no. 2 (2018): 45-54.

6 Reichardt, Charles S. "The counterfactual definition of a program effect." American Journal of Evaluation 43, no. 2 (2022): 158-174.

activities, outputs, and results, the efficiency and efficacy of activities, or the effects of activities are all possible topics for performance audits tilted towards impact evaluations[7].

Scope Limitation

A scope limitation was faced during the field activity as there was no data available on the disbursement of stipends and the status of pending complaints, which restricted the verification of data collected from the field. The team encountered cultural barriers to approaching the beneficiaries (females) due to the conservative mindset in these rural areas.

The selection of tehsils was done owing to the challenging cultural and geographical aspects related to both districts. District Rajanpur is one of the backward districts of Punjab and has several issues like cultural backwardness, gender inequality, and lack of infrastructure. Similarly, district Khanewal has a peculiar variation of contextual underpinnings as compared to that of district Rajanpur e.g. better opportunities, geographically located near a big city (Multan), better literacy rate, and lesser gender disparity, etc.

b. Methodology

The investigations and procedures used for a particular study or making up the process of participant selection, sampling, data collection methods, data analysis, and interpretation techniques are collectively referred to as the research method. The research design of this study was quantitative by method and descriptive by purpose[8] encompassing enrollment, attendance, interest level, encouragement of parents, motivational level of parents, and continuity of education of female students from grades 6th to 10th. Governmental commitments to uphold human rights in education, mandated under Article 25-A of the 1973 Constitution are further outlined in a straightforward 4-As framework that makes instruction available, accessible, acceptable, and adaptable[9]. The study carefully integrates qualitative approaches, clearly defines each strand, and uses one or more strands to successfully support conclusions.

Various documents of the program were analyzed, interviews of key resource persons involved in executing the program were conducted, particularly stipend data of tehsils Rajanpur and Kabirwala was analyzed vis-à-vis data maintained by the School Information System. The key organizations involved in program execution like PMIU PERSP, SED, and DMOs Rajanpur and Kabirwala were visited. A survey was also conducted to analyze the impact before finalizing the audit findings and making recommendations. Randomized Control Trials (RCT) were adopted as a means of meaningful and incisive analysis[10].

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7 Morra-Imas, Linda G., Linda G. Morra, and Ray C. Rist. The road to results: Designing and conducting effective development evaluations. World Bank Publications, 2009.

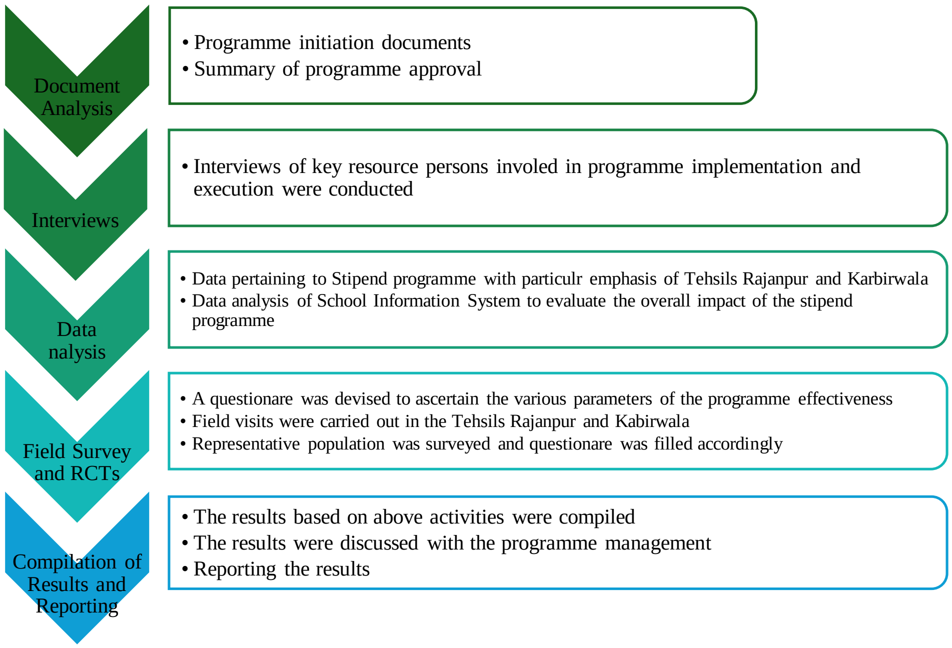
8 Hendren, Kathryn, Kathryn Newcomer, Sanjay K. Pandey, Margaret Smith, and Nicole Sumner. "How qualitative research methods can be leveraged to strengthen mixed methods research in public policy and public administration?." Public Administration Review 83, no. 3 (2023): 468-485.

9 Qayyum, Sehrish. "Implementation of Article 25-A of the Constitution in Punjab: Challenges and Way Forward."

10 Arslan, Aslihan, Ndaya Beltchika, Romina Cavatassi, Mir Md Shahriar Islam, Naila Kabeer, Deborah Sun Kim, Vibhuti Mendiratta et al. "Evidence Review on the Effectiveness of Interventions Promoting Women's Empowerment in Developing Countries." (2022).

Over the past 20 years, technology has been acknowledged as a significant and influencing factor in education, rendering traditional teaching methods obsolete. It serves no purpose to learn how to integrate technology if one does not comprehend the underlying idea. Acceptance of technology is just as important to effective application as skill and resources.

A stepwise approach was followed as explained hereunder:



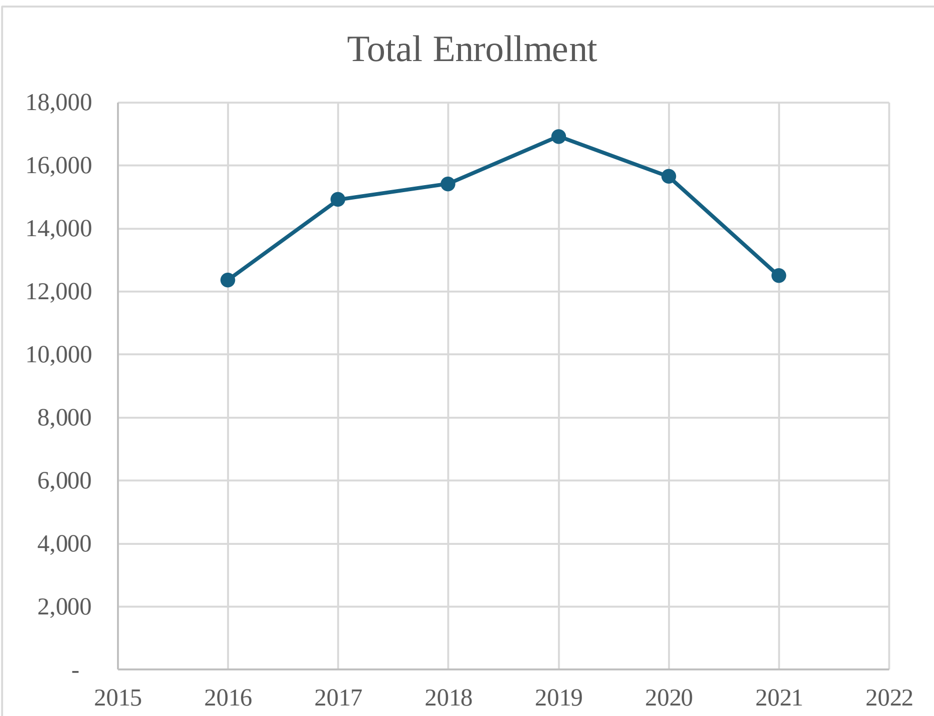
4. AUDIT FINDINGS

A. Overall Impact of the Zewar-e-Taleem Program (analysis on data provided by PMIU)

i. Enrollment trend analysis District Rajanpur

Increase in enrollment of students is the main objective of the program. After this intervention, enrollment in schools must show an increase each year to achieve this objective.

The graphical presentation of the increasing and decreasing trend of girls' enrollment (class 6^{th} to 10^{th}) in district Rajanpur from the years 2016 to 2021 is given below:



The above data shows a relative change in total enrollment in consecutive years (year 2016-2021). In the year 2017, just after the intervention, there was a notable increase in enrollment of 2,548 students, representing a 21% rise as compared to 2016. However, this positive trend was not sustained in 2018, as there was a comparatively lower increase of 498 students, equivalent to a 3% growth over last year. However, in 2019, there was again an increase of 10% as compared to year 2018. In the year 2020, there was a decline of 1,271 students i.e. 8%. This downward trend continues in 2021, with a significant decrease of 3,148 students, presenting a 20% decline in female student enrollments as compared to 2020, and the decrease must have been caused by COVID-19. However, the field visits and analysis of enrollment data in schools of tehsil Rajanpur showed the same fluctuating trend. The intervention seems to have a limited impact on enrollment as it could not produce an upward trend of enrollment as envisaged by its objectives.

Sustainable Development Goal 4 "ensures inclusive and equitable quality education and promotes life-long learning opportunities for all[22]." The problem of dropping out of school is a barrier to such goals[23]. According to an insightful study, the fathers' of dropped-out students have opined that the main causes of a student's school dropout included concerns with instructors' involvement in the classroom, low academic achievement, and poverty within the home[24]. Another study looks into the views of head teachers in public secondary schools in rural Punjab, Pakistan, about the issue of school dropouts. The results show that, aside from a few socioeconomic and personal characteristics, various test patterns at the primary, elementary, and secondary levels; an easy promotion policy in the early grades, and inadequate educational backgrounds of Children leaving school early are mostly due to a combination of factors, including high class 9 failure rates, top-down pressure on teachers to fulfill non-academic activities[25].

The primary data for this study is gathered through interviews and is based on qualitative methodologies. Pakistan has the second-highest percentage of primary-age out-of-school children worldwide[26], despite having stated in the Constitution Eighteenth Amendment Act, 2010 that it must provide free and compulsory education to all children aged five to sixteen.

The low enrollment in public schools in the aforementioned district may be attributed to the growing number of private and Public Private Partnership (PPP) schools, as parents are choosing to send their kids there for a higher caliber of education[27]. These results imply that compromises that frequently occur [28]while pursuing several objectives in educational interventions can be resolved by comprehensive treatments instead of standalone interventions[29].

ii. Analysis of enrollment vs registered students in ZTP in District Rajanpur

Retention of students in schools is one of the objectives of this program, which means that the students enrolled in schools must maintain 80% attendance in each quarter to be eligible for registration in ZTP. The effectiveness of this program could be termed substantive if the number of registered students increases each year, with the number of enrolled students. Additionally, assessors' tools were to be explored to help program evaluation advance, also contributing

22 Qayyum, Sehrish. "Implementation of Article 25-A of the Constitution in Punjab: Challenges and Way Forward."

23 Mughal, Abdul Waheed, Jo Aldridge, and Mark Monaghan. "Perspectives of dropped-out children on their dropping out from public secondary schools in rural Pakistan." International Journal of Educational Development 66 (2019): 52-61.

24 Mughal, Abdul Waheed. "Secondary school students who drop out of school in rural Pakistan: The perspectives of fathers." Educational Research 62, no. 2 (2020): 199-215.

25 Mughal, Abdul Waheed, and Jo Aldridge. "Head Teachers' Perspectives on School Drop-Out in Secondary Schools in Rural Punjab, Pakistan." Educational Studies 53, no. 4 (2017): 359-376.

26 Mughal, Abdul Waheed, Jo Aldridge, and Mark Monaghan. "Perspectives of dropped-out children on their dropping out from public secondary schools in rural Pakistan." International Journal of Educational Development 66 (2019): 52-61.

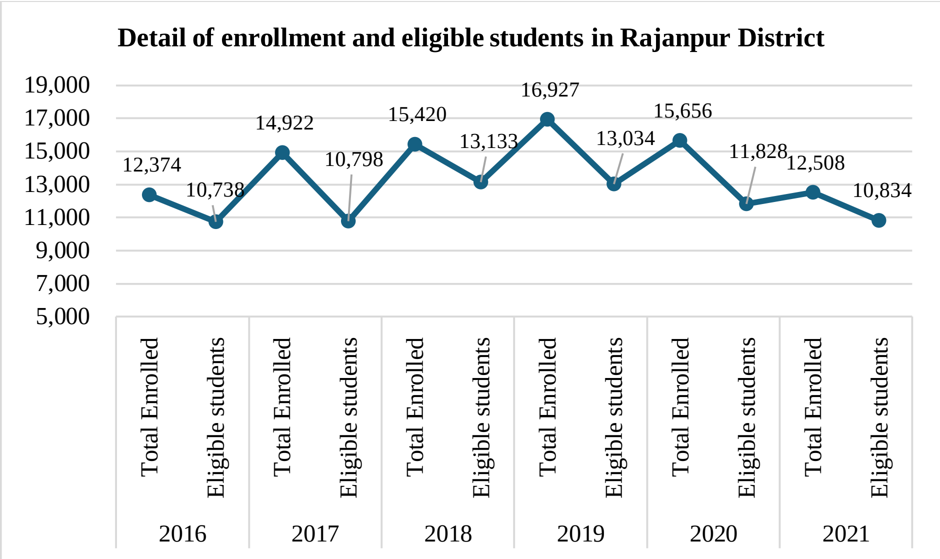
27 Ghazi, Safdar Rehman, Riasat Ali, Muhammad Saeed Khan, Shaukat Hussain, and Zakia Tanzeela Fatima. "Causes of the decline of education in Pakistan and its remedies." Journal of College Teaching & Learning (TLC) 7, no. 8 (2010).

28 Akram, Huma, and Yingxiu Yang. "A critical analysis of the weak implementation causes on educational policies in Pakistan." International Journal of Humanities and Innovation (IJHI) 4, no. 1 (2021): 25-28.

29 Bergstrom, Katy, and Berk Özler. "Improving the well-being of adolescent girls in developing countries." The World Bank Research Observer 38, no. 2 (2023): 179-212.

significantly to discussion and investigation of the issues generated for fostering cooperation and communication among evaluators and stakeholders[30].

The graphical presentation of year-wise student enrollment in schools versus the students registered in ZTP, in the district Rajanpur from the years 2016 to 2021 is given below.



The data shows the total number of enrolled students in each year and accordingly the number of registered students in respective years, but it reflects irregular fluctuations. In 2016, there were 12,374 total enrolled students, out of which 10,738 were got registered for stipend, indicating substantial participation. This number remained nearly the same in 2017 despite an increase in number of enrollments. The number of registered students remained the same in 2018 and 2019 whereas the number of enrollments increased in 2019. The same trend can be observed in subsequent years which shows the ineffectiveness of the intervention.

The findings reflect the variety of the fields also triggering a productive discussion about the nature of evaluation, which boosts the results' credibility[31]; and these yield optimization of the advantages that an impact audit review can provide[32].

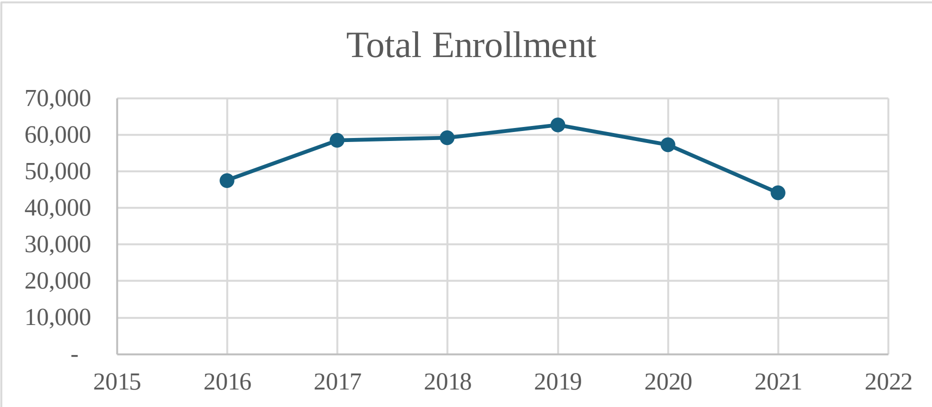
iii. Enrollment Trend Analysis at District Khanewal

30 Zorzi, Rochelle, Burt Perrin, Martha McGuire, Bud Long, and Linda Lee. "Defining the benefits, outputs, and knowledge elements of program evaluation." Canadian Journal of Program Evaluation 17, no. 3 (2003): 143-150.

31 De Arteaga, Maria, Stefan Feuerriegel, and Maytal Saar-Tsechansky. "Algorithmic fairness in business analytics: Directions for research and practice." Production and Operations Management 31, no. 10 (2022): 3749-3770.

32 Marzano, Robert J., and Michael D. Toth. Teacher evaluation that makes a difference: A new model for teacher growth and student achievement. ASCD, 2013.

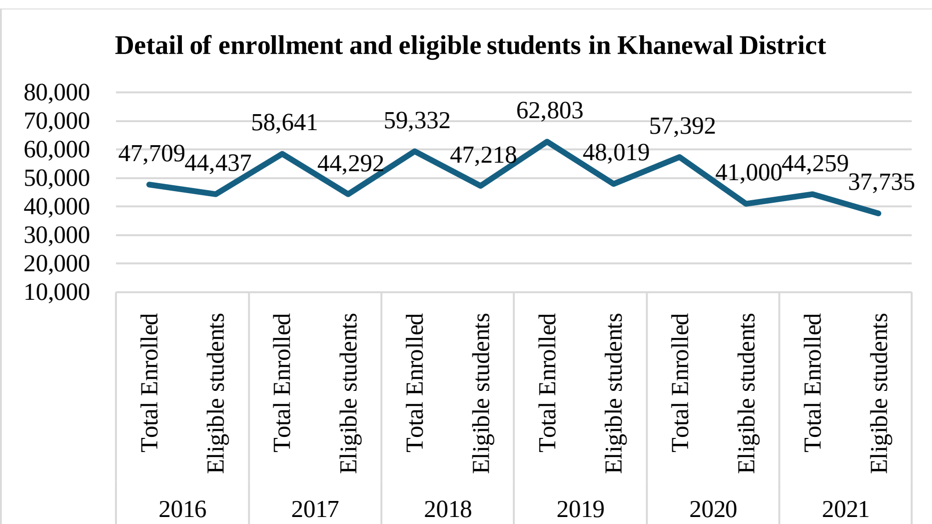
The graphical presentation of girls' enrollment in district Khanewal for the years 2016 to 2021 is given below:



The analysis of girl's enrollment from the year 2016 to 2021 reveals a fluctuating trend. In the year 2017, there was a significant increase in enrollments of 10,932 students i.e. 23% in schools as compared to 2016, the year of intervention. However, this positive trend was not maintained in 2018, with only 1.2% increase as compared to the previous year. The subsequent year of 2019, also shows a nominal increase of merely 6%. In 2020, a substantial decrease in enrollment can be seen i.e. 9% due to the incidence of COVID, and it further reached a notable decrease of 23% in the next year. This variation indicates a lack of program effectiveness according to its objectives.

iv. Analysis of enrollment vs registered students in ZTP district Khanewal

The graphical presentation of the students enrolled vs students registered in ZTP in district Khanewal from the years 2016 to 2021 is given below.



The same trend can be observed in district Khanewal as that of district Rajanpur. The number of registered beneficiaries' students is not increasing in accordance with the increase in enrollment of students. The number of registered students remained the same in 2016 and 2017 despite an increase of nearly 11000 enrollments in 2017. Likewise, in the year, 2018 and 2019, there was a nominal increase in registered students whereas the total enrollment strength reached

62,803 but the number of registered students increased by only 801. However, from 2019 onwards, the trend of total enrollment is decreasing because of Covid-19.

This shows a marginal impact of this program as the number of registered students has not increased corresponding with the increase in enrollment.

v. A large number of enrolled girls were not registered as beneficiaries of the stipend.

Audit ascertained during the data analysis of the Zewar-e-Taleem program that a large number of girls, despite being eligible for the stipend were not registered in the program and ironically the percentage of such students is not only very high but increased drastically after 2016 which was the first year when the stipend was enhanced from Rs. 200 to 1,000. The year 2021 is an exception because due to the COVID-19 outbreak when schools were closed and new enrollments shrank.

This leads to the conclusion that the full impact and objectives of the program cannot be fully materialized in the presence of a large number of students who despite being eligible could not be enrolled as registered beneficiaries in the program. The details gathered from all the 16 districts where this program is implemented is as under:

Year	Eligible to get stipend	Enrolled in Program	Not Registered	%age of eligible not registered
2016	526,878	454,832	72,046	13.67
2017	633,507	458,267	175,240	27.66
2018	617,544	466,543	151,001	24.45
2019	621,522	462,651	158,871	25.56
2020	589,251	425,426	163,825	27.80
2021	465,258	389,270	75,988	16.33

The aforementioned data reflects either the program management is not able to fully register the students eligible for the stipend or the parents are not motivated enough to get their girls registered. The lack of interest has its bearing on the overall impact of the stipend scheme finding it difficult to improve girls' literacy in the province. Non-interest of students/parents could have been due to complicated procedures for registration and delayed distribution of stipends. The continued professional development for teachers also remained elusive. The professional needs of teachers, for enhancing teachers' empowerment could not be catered for, and thus the given state of affairs underscores professional development endeavors yet to be rolled out in a systematic manner. These findings may particularly help educational leaders to understand the demands of their callings[33].

vi. Non-disbursement of stipend to the registered girls

33 Smith, Cristine, and Marilyn Gillespie. "Research on professional development and teacher change: Implications for adult basic education." In Review of Adult Learning and Literacy, Volume 7, pp. 205-244. Routledge, 2023.

The financial record of the stipend program revealed that a huge liability of worth Rs. 10.845 billion has been generated due to non-disbursement to eligible female students in 16 districts

Undisbursed liability of only two tehsils Kabirwala and Rajanpur is calculated as Rs. 303.270 million.

The year-wise detail of the un-disbursed amount is as under:

Financial Year	**Unpaid girls in Kabirwala**	**Unpaid girls in Rajanpur**
2016-17	3,700	1,227
2017-18	4,979	1,880
2018-19	6,338	2,433
2019-20	7,143	2,681
2020-21	6,706	3,212
2021-22	15,915	7,138
2022-23*	23,304	14,434
Total	68,085	33,005
Total unpaid students (Rs.)		**101,090**
Total Liability (Rs.)		**303,270,000**
*Figures of 3 quarters compiled only		

The above-mentioned data reveals the lack of commitment on the part of Government/program management toward timely and full disbursement will impact the outcomes of the program adversely34.

No program can achieve its intended objectives with a shortage of finances. Not only the interests of already registered girls would diminish but those girls who are not going to school would have little incentive to get attracted towards the program.

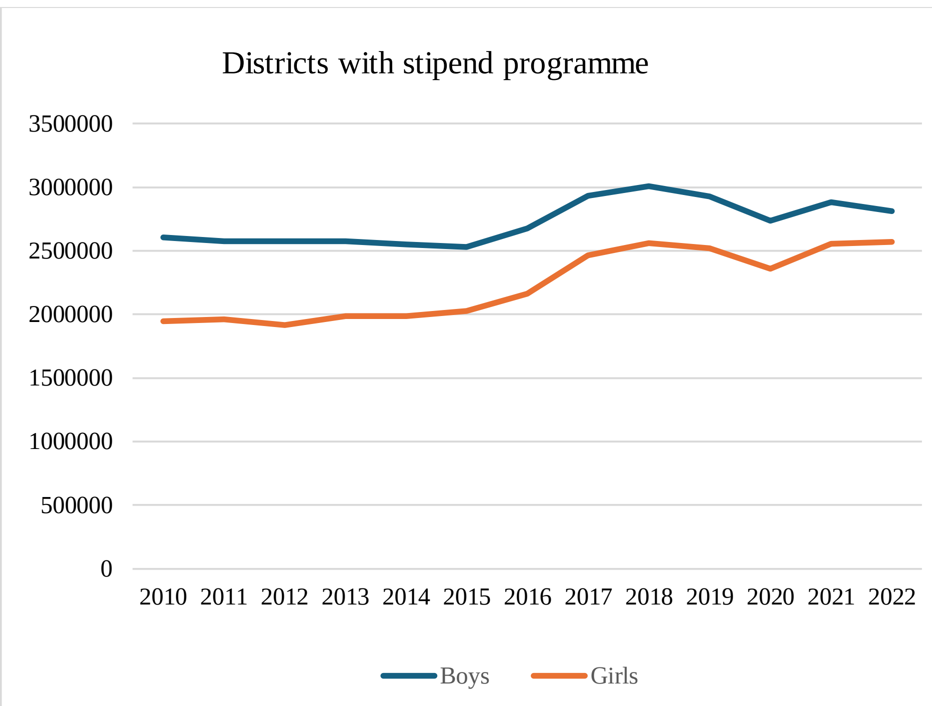
vii. Insignificant impact of stipend program in enrollment of girls as compared to the regions where no stipend scheme is introduced.

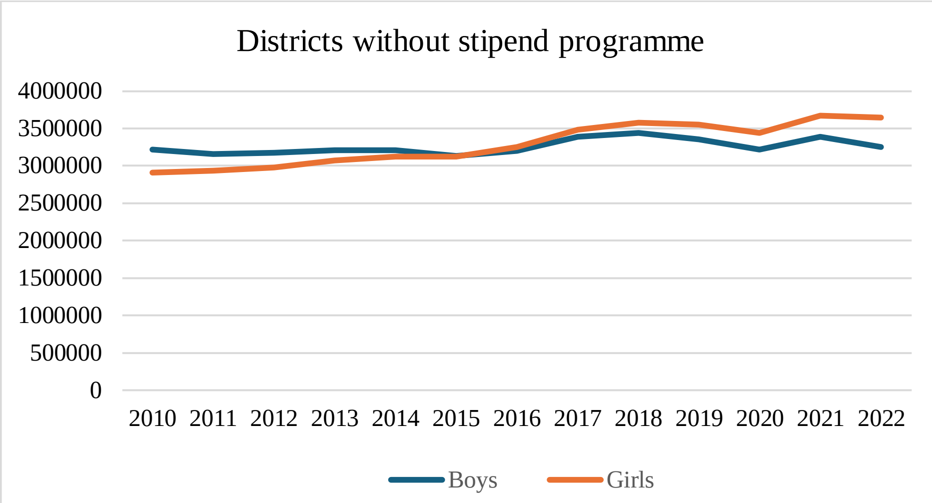
The enrollment of girls in the districts where a stipend program is introduced remains below the enrollment of boys when compared with districts where no stipend is in place reflecting that a stipend to encourage enrollment of girls is not bringing fruitful results.

34 Hashim, Ali, and Moritz Piatti. "Lessons from reforming financial management information systems: a review of the evidence." World Bank Policy Research Working Paper 8312 (2018).

The detailed and graphical representation are as under:

Year	**Districts with Stipend**		**Districts without stipend**	
	Boys	**Girls**	**Boys**	**Girls**
2010	2,604,927	1,945,792	3,216,138	2,912,387
2011	2,575,099	1,960,155	3,160,285	2,937,103
2012	2,574,996	1,916,343	3,171,566	2,977,788
2013	2,576,312	1,985,506	3,210,173	3,075,614
2014	2,548,980	1,989,138	3,209,041	3,127,443
2015	2,530,789	2,025,274	3,129,553	3,124,903
2016	2,675,593	2,165,185	3,202,741	3,251,014
2017	2,933,595	2,463,302	3,391,437	3,480,647
2018	3,006,911	2,562,132	3,439,552	3,578,559
2019	2,927,081	2,520,814	3,355,090	3,552,629
2020	2,739,129	2,359,242	3,217,576	3,438,881
2021	2,882,129	2,555,551	3,384,755	3,674,933
2022	2,811,649	2,570,831	3,247,873	3,642,712



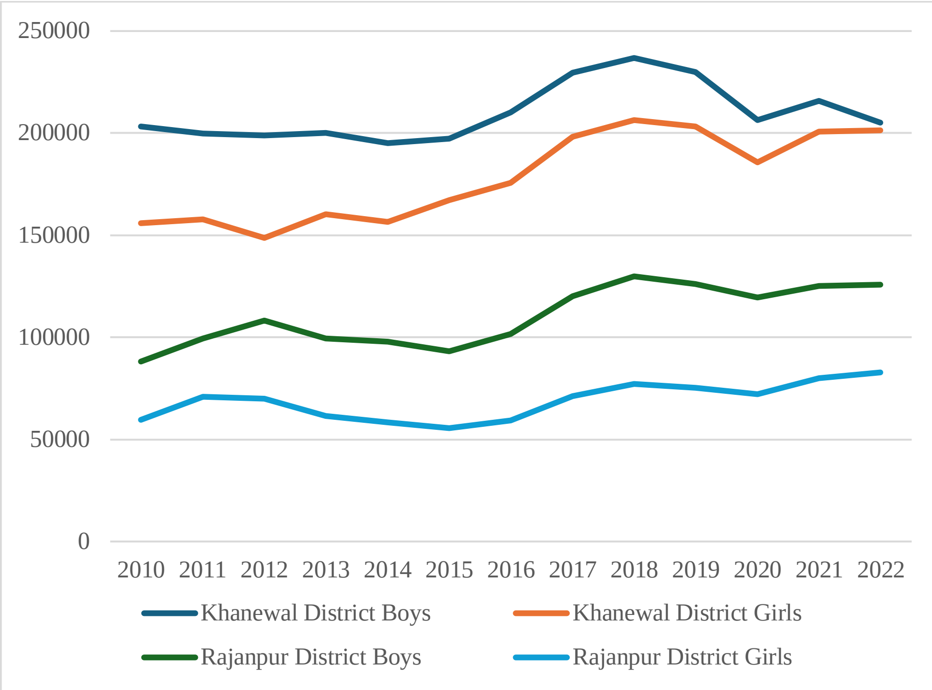


The above-mentioned depiction indicates an insignificant impact of the stipend program on the enrollment of girls. The trend of enrollment of girls in the districts where there is no stipend program is much more encouraging as compared to the districts where stipend is provided.

The enrollment data of boys and girls of district Khanewal is not different from that of the overall trend of the province where stipend is being provided to girls, i.e. the rate of increase in enrollment of girls who receive stipend is similar to that of the boys. However, the results in district Khanewal (including tehsil Kabirwala) is more encouraging and the trend indicates that the pace of increase in enrollment of girls is more as compared to the boys, and eventually in the year 2022, the enrollment trend of girls catches up with that of boys.

Year	**Khanewal District**		**Rajanpur District**	
	Boys	**Girls**	**Boys**	**Girls**
2010	203,211	155,736	88,033	59,547
2011	199,687	157,863	99,397	71,025
2012	198,853	148,658	108,114	69,945
2013	199,969	160,365	99,544	61,445
2014	195,043	156,448	97,823	58,379
2015	197,099	167,237	93,315	55,488
2016	210,009	175,547	101,586	59,372
2017	229,471	198,141	120,096	71,138
2018	236,794	206,429	129,756	77,251
2019	229,948	203,115	126,144	75,304
2020	206,237	185,591	119,556	72,164
2021	215,690	200,793	125,058	80,115
2022	205,066	201,292	125,783	82,770

The graphical representation amplifies this trend as under:



B. Field Audit Findings and Observations

The following observations were made during the field visits of both tehsils and with direct responses from the main stakeholders of the program. The analysis provided below is from the responses to questionnaires and interviews conducted directly with students, teachers, principals, and the heads of concerned Government offices.

i. Absence of defined roles among the key stakeholders of ZTP

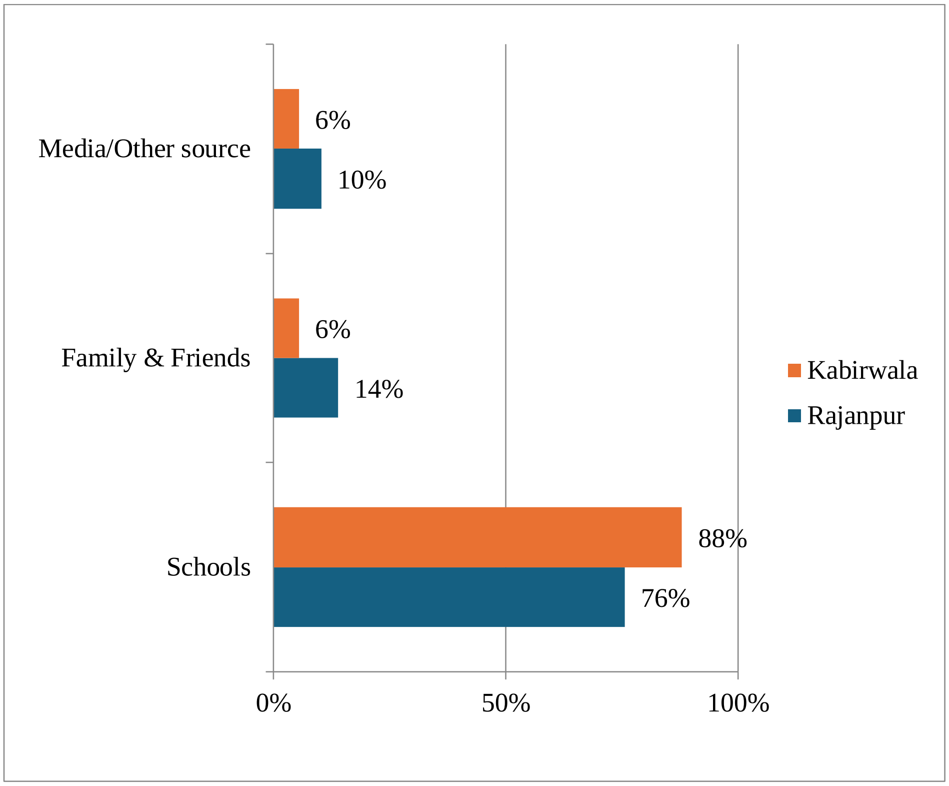
By conducting meetings with key stakeholders of ZTP, the audit has come to know that there are serious issues of coordination, hindering the desired outcomes to be materialized. CEO of the district has a mandate to resolve any issue pertaining to educational activities, but the office has failed to address the problems of students and teachers alike. It would be easier for beneficiaries to have access to administration through the offices of CEOs and DMOs operating in Districts. The lack of coordination and the inability of concerned CEOs and DMOs to perform their defined roles at tehsil levels represents a significant impediment to the smooth functioning ZTP. Over the past 20 years, technology has been acknowledged as a significant and influencing factor in education, rendering traditional teaching methods obsolete. It serves no purpose to learn how to integrate technology if one does not comprehend the underlying idea. Acceptance of technology is just as important to effective application as skill and resources[35].

ii. Lack of an awareness campaign for ZTP for enhancement of literacy and enrollment.

35 Suwardi, Suwardi, Sudirman Sudirman, and Fahruddin Fahruddin. "Management of School Operational Assistance Funds at SMKN 2 Kuripan, Lombok Regency, Indonesia: Reviewing From Planning Aspects." Path of Science 8, no. 10 (2022): 5028-5032.

A survey employing interviews and questionnaires was conducted among girls' students in both tehsils i.e. Rajanpur & Kabirwala to assess their awareness of ZTP, a significant majority of students indicated that they gained awareness through school management. The impact of this program can be manifold if it is given an appropriate advertising campaign. Community mobilization and advocacy by Civil Society Organizations were not tangibly channelized either.

The graphical presentation of the feedback of students is under:

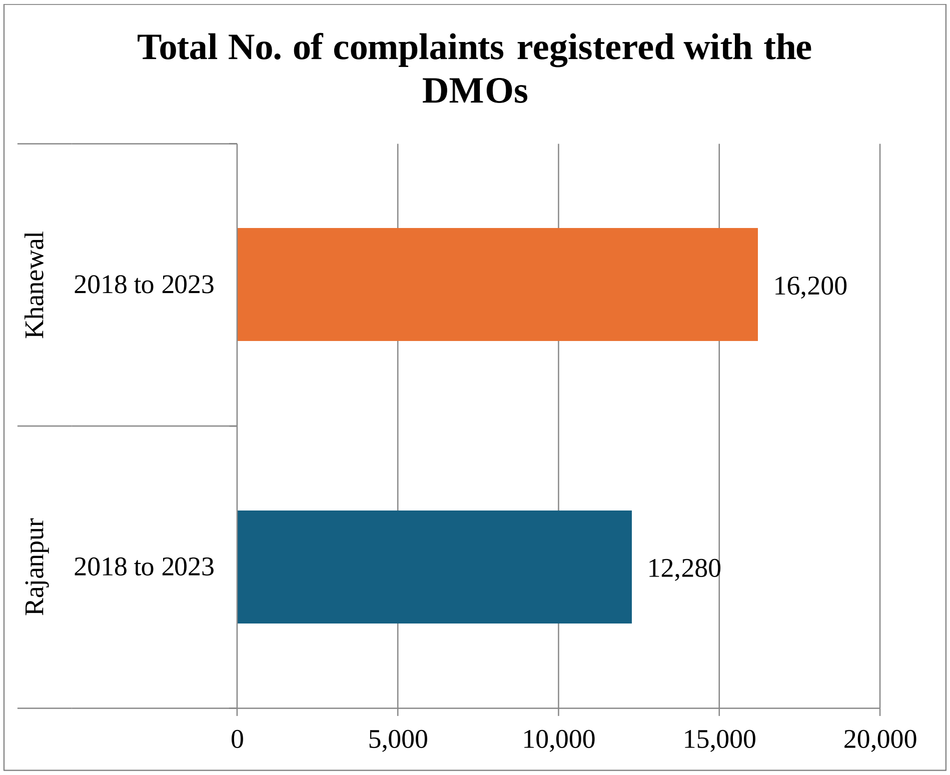


iii. Non-maintenance/non-provision of record

The CEOs, DMOs offices, and HTs had not maintained/provided the necessary record of ZTP i.e. special register for complaints, correspondence among concerned offices, yearly school budget regarding ZTP, data on disbursement of stipend and reconciliation thereof, monitoring and inspection reports by MEAs, progress report of the project and the data of 'missing students' etc. The concerned offices are not playing their part in record maintenance. The impact review can be made better through data analysis in each tehsil with proper maintenance of data.

iv. Non-follow-up and non-redress of complaints

The negative impact on the Zewar-e-Taleem Program in tehsil Rajanpur and Kabirwala was observed due to the negligence in addressing and resolving outstanding complaints. This negligence has increased the number of unregistered students. The complicated and delayed registration and verification process has caused a delay in the distribution of stipends. Similarly, the DMO office does not provide any information about the status of the complaints to the complainants despite having a clear role in complaints to be redressed by PMIU. The resolution status of 28,480 outstanding complaints (Rajanpur 12,280, Kabirwala 16,200) is still unknown. The graphical presentation of the same is as under:



v. Non-recruitment of teachers and inadequate training sessions for HTs

The requisite number of teachers is not available in tehsil Rajanpur and Kabirwala due to which the targets of the program could not be achieved. Furthermore, most of the elementary schools of tehsil Rajanpur and Kabirwala do not have IT teachers, and the lack of formal training of HTs regarding the usage of the online attendance system (SIS), resulted in entries of incorrect data of students' particulars in the system. The vacancy position of teaching staff of both district Rajanpur and Khanewal is as under:

Sr. No.	Tehsil Name	Total Posts	Filled	Vacant
1	Rajanpur	7224	6020	1204
2	Khanewal	13464	9540	3924
Total		**20688**	**15560**	**5128**

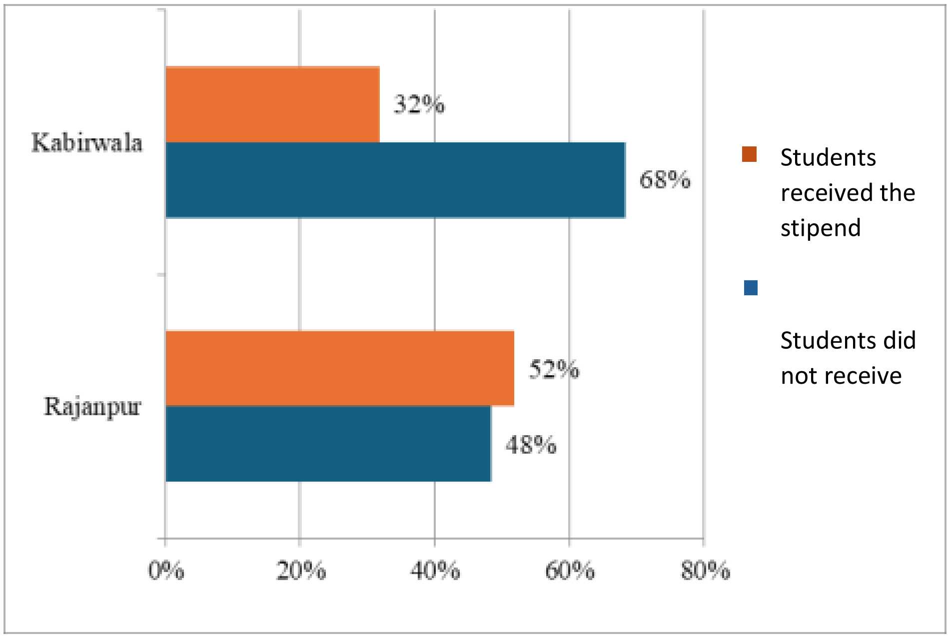
vi. Undue continuation of registration of students in the stipend program

The quarterly attendance data received from the District Monitoring Officer (DMO) reveals that the 421 students in the Rajanpur (Annexure-53) and Kabirwala (Annexure-54) tehsils, who got registered in ZTP during 2016 were supposed to conclude their academic sessions in the first quarter of 2021 and were expected to be excluded from the stipend program. However, they remained part of the stipend program beyond the specified period, raising serious concerns about the misappropriation of funds, as indicated by the data shared by DMO Rajanpur in 2022.

vii. Non-awarding of stipends to eligible female students

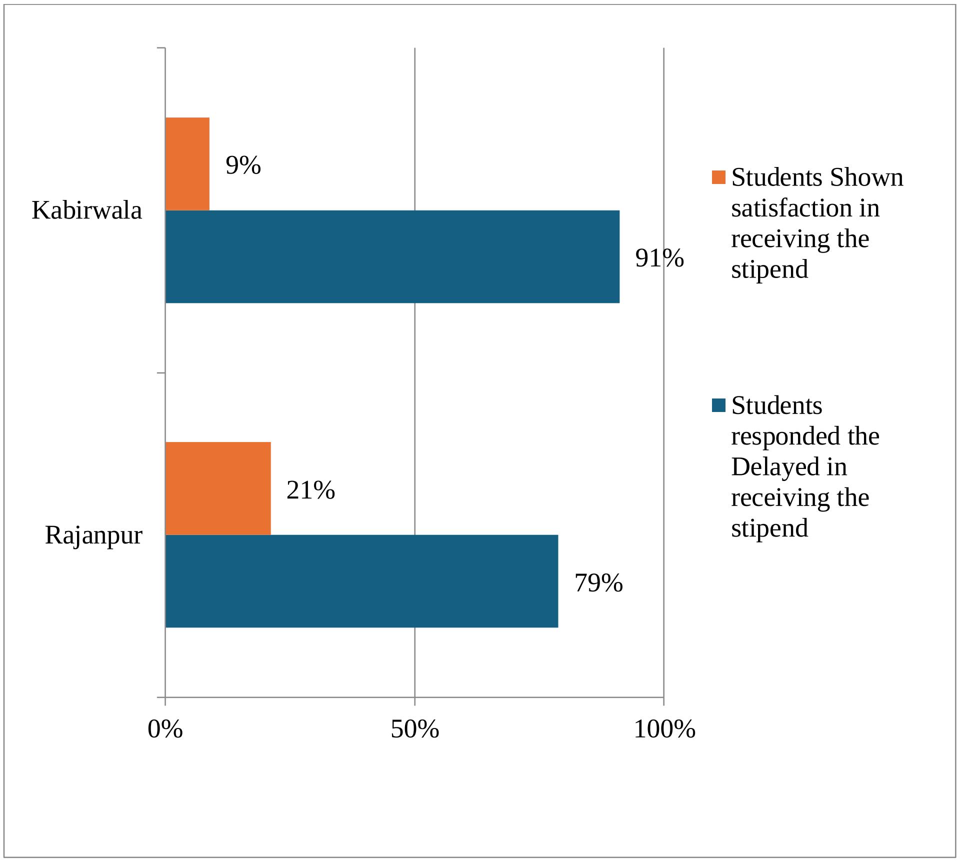
The low impact of the ZTP was observed as many students responded in questionnaires and interviews that they don't get the stipend despite meeting the eligibility criteria. In tehsil Rajanpur, out of 600 sample students' data, 290 (48%) indicated that they have not received the stipend while in tehsil Kabirwala out of the 771 students surveyed, a significant majority of 526 students (68%) of the sample indicated that they were not getting the stipend.

The graphical presentation of the remarks of students is shown below:



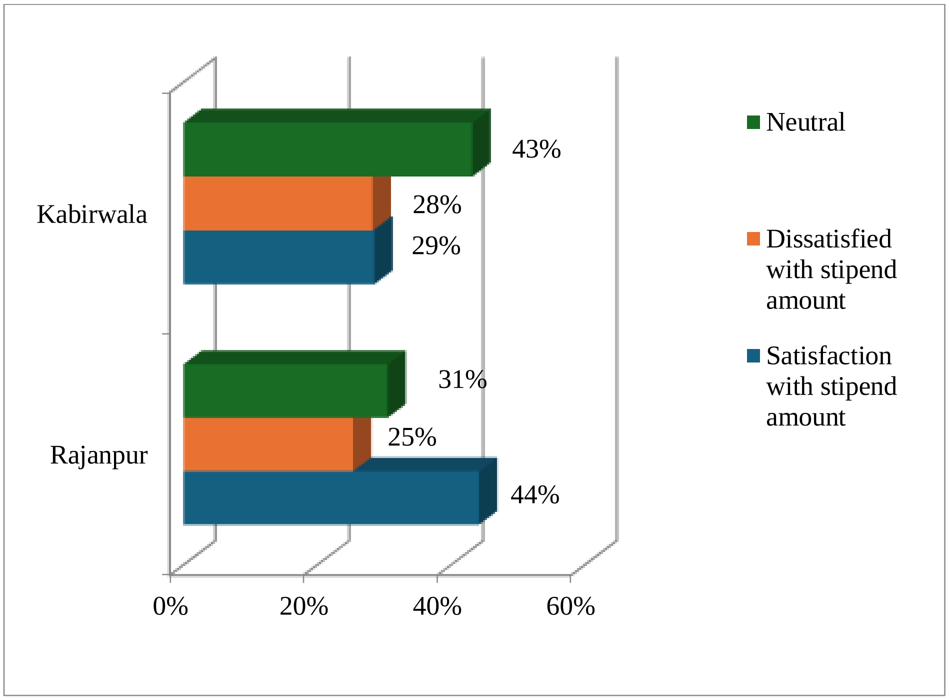
viii. Unlawful charges imposed by the agents

The effectiveness of ZTP is undermined by delayed stipend payments, a lack of transparency in disbursement processes, and additional charges imposed by agents unlawfully for opening of accounts and stipend payments. To assess the feedback on the disbursement of stipend funds, interviews were conducted with female students, and data was collected through questionnaires. In tehsil Rajanpur, out of 600 students surveyed, 473 (79%) indicated that they faced challenges with delayed payments while 127 (21%) students expressed satisfaction. In tehsil Kabirwala, among the 771 students coopted with the Randomized Control Trials, 702(91%) indicated that they experienced delays in receiving the stipend, and only 69 (9%) expressed satisfaction. During interviews in both tehsils, the students also expressed that they have to pay extra charges i.e. Rs. 200 to 500 to the agents at every stage. The CEO and DMO are not employing and monitoring checks on such activities and the issue remained unaddressed. Some of the girls informed that complaints have been lodged against the unlawful practice of agents but no action has been initiated against them. The graphical presentation of the feedback of students is shown below.



ix. Insufficient stipend amount for educational expenses and nutritional needs

The interview with the students reveals that the stipend amount falls short of covering both educational expenses and nutritional needs, undermining the intended impact of the program. During interviews, most of the girls conveyed that the stipend barely addressed their stationery requirements and had minimal impact on fulfilling nutritional needs. In tehsil Rajanpur, out of 600 students surveyed, 265 (44%) remained satisfied, 152 (25%) students conveyed dissatisfaction, and 183 (31%) remained neutral. In tehsil Kabirwala, the survey result indicates mixed sentiments among 771 regarding satisfaction with the stipend amount, 220 (29%) students expressed satisfaction, 218 (28%) students expressed dissatisfaction, and 333(43%) remained neutral. The graphical presentation of the remarks of students is shown below.

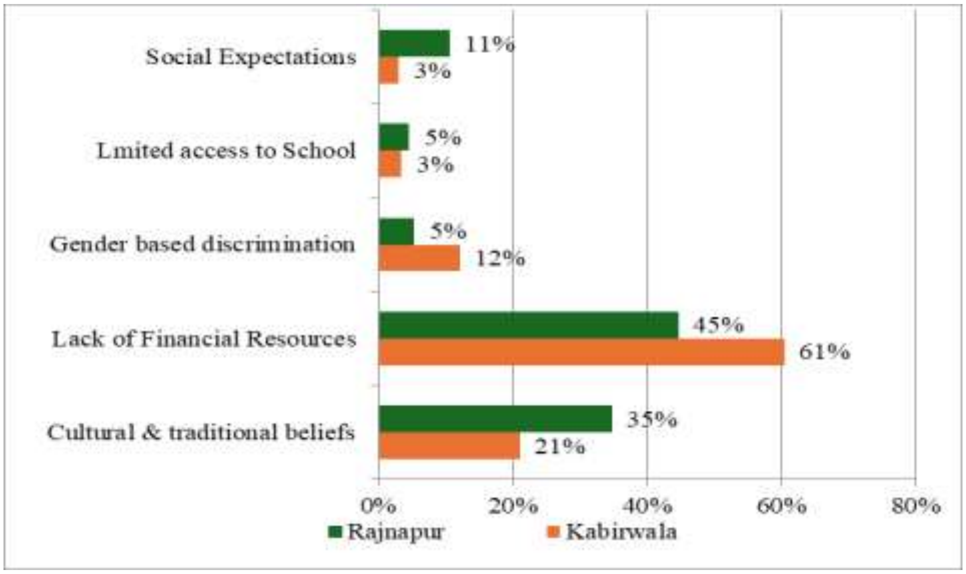


x. Inefficient supervision for the Verification and Stipend Disbursement process by CEOs

The departmental administrator and the CEOs had no effective role in ZTP for the registration process and disbursement of the stipend. The CEOs of both tehsils remained unaware of any issues/problems with the registration of students and disbursement of stipends. During the surveys and interviews conducted with students and parents, they expressed dissatisfaction with the cumbersome process of verification of guardians at the time of payments. The parents had to travel long distances to get the biometric verification done and they faced difficulty as sometimes they had to visit the registration center several times. The current system does not provide any alternative method of verification, consequently delaying the payments. The ineffective role performed by the CEO in the processes of verification and disbursement can have profound repercussions on the overall functionality of the Program.

xi. Social, Cultural, and Financial Barriers to Girls' Education

The social, cultural, and financial barriers to girls' education also contribute to the low impact of this program. A survey employing interviews and questionnaires was conducted among female students to assess the major limitations encountered by female students in accessing education. The graphical presentation of the responses of female students depicts that the foremost hurdle to enrolling in schools is the financial constraints. These girls found jobs as a house help with a reasonable salary.



xii. Non-registration of 12,223 eligible students in the ZTP

According to data obtained from the DMO office, a total of 3,612 eligible female students in tehsil Rajanpur and 8,611 eligible female students in tehsil Kabirwala were not registered in the ZTP program. While the CEO's office did not know this matter, the DMO office had only communicated the lists to concerned schools to get enrolled girls registered in the system, but there was no follow-up from the CEO's office.

xiii. Non-posting of the regular DMO

The ZTP could not be properly supervised/monitored due to the non-posting of regular DMOs in both districts for the last 4 years. This not only hampers the efficiency of the system but also results in the non-performance of the desired role of the DMO office. As the DMO office appears to be the only medium of communication between the beneficiaries and the PMIU administration, its absence creates more problems for beneficiaries.

xiv. Initiation of mass-level program without proper planning.

Government of the Punjab is allocating a substantial amount of funds for the Zewar-e-Taleem program without seeking subscription to the formal regime of Project Appraisal under the framework of the planning manual. PC II, PC I, and PC III submissions and approvals in the manner prescribed have been circumvented. The ZTP lacks the proper feasibility and Monitoring and Evaluation mechanism required for the success of any project whereas this intervention is warranted to be regulated in the Project mode to enable constructive reviews and mid-course corrective actions. Codal formalities have not been fulfilled in true letter and spirit, resulting in making expenditure of billions of rupees as irregular.

xv. Primary-level formal education for girls is completely ignored.

The primary level of formal education for girls is completely ignored in the ZTP, hampering the overall ability of the program to generate results. The girls who have not been enrolled or passed the primary classes remain ineligible to benefit from the program from the very outset thus curtailing the enfranchisement canvass for female students in the age bracket of 5-14.

5. CONCLUSION

The Zewar-e-Taleem Program is a significant initiative of Government of the Punjab to increase the female literacy rate in the backward districts of Punjab province. However, the impact of this program is not optimal because of procedural lapses and considerable delays in each step of the program execution. It is significant to mention here that there are five key stages of this program: Enrollment, Eligibility, Registration, Payment, and Complaint. Audit has concluded that there are certain bottlenecks and delays at every stage of the program resulting in an impact loss. The enrollment statistics indicate that despite the introduction of the stipend program, the impact remains minimal. Lack of coordination among key stakeholders for effective stipend disbursement, insufficient awareness campaigns, non-maintenance of records, and unresolved complaints contributed to the program's ineffectiveness. In addition to the above, deferred payments, lack of monitoring, and cultural and financial barriers added fuel to the fire. To meet the SDGs' 2030 deadline, dropout prevention tactics should have been the main focus of national and international policy. For interventions to be effective, local problem analyses and evaluations of possible solutions must always be conducted at the service delivery point placing reliance on bottom-up strategy for policy formulation and implementation.

6. RECOMMENDATIONS

By analyzing the data/information gathered by conducting focused group discussions, surveys with key stakeholders, and general observations during field visits, the following recommendations have been formulated to increase the effectiveness of the program.

- The main issue in the implementation of this program is the procedural lapses in the system e.g. unaddressed complaints, backlog of registration and delayed payments. Efforts should be made to ensure seamless processing of registration and a timely complaint redress system.
- There should be an active and well-coordinated monitoring mechanism at the district level through the offices of the CEO and DMO. The stakeholders at the district level should be sensitized and made accountable for their defined/assigned roles in the program.
- There should be a yearly agenda for each district specifically for this program including target enrollment, monitoring mechanism, training schedule for head teachers, advertisement plan, and review of previous year's statistics. The progress of each district should be gauged against the well-defined KPIs by strict monitoring of the CEO of each district.
- Proper record maintenance should be emphasized at each level i.e. at the school level, DMO office, and CEO office, as this appears to be the weakest area at the tehsil level. Clear instructions should be issued and regular monitoring and up-dating of the record be ensured.
- There appears to be a huge backlog of complaints, there should be a real-time dashboard on website or a dedicated helpline where the students can track their complaint status easily. The students have more trust in the ombudsman and PM portal for their complaint resolution as they are time-bound mediums for redress. The current system should reciprocate in the same way.
- There should be a receiving form available with every authorized agent that the recipient should sign when they receive the amount. A copy of that form should be submitted to DMO by every agent by the end of each quarter. This can minimize the chance of corruption at agents' level as several students registered complaints about agents charging them extra money for every transaction. In case of a dispute the matter must be investigated at the CEO level and in case of any fraudulent activity, the agent must be blacklisted.
- Head teachers' proper training must be planned for a better understanding of their job in the program and to know the sensitivity of their roles in record keeping and usage of online attendance portal to avoid mistakes in data entry.
- B-form should be the main source of verification of the beneficiary data as the details of a B-form remain the same, unlike the data of parents.

- The issues like death of a parent, dissolution of marriage, change of guardian etc. can be avoided. This will ensure smooth and continuous payment of stipends and will also help in reducing the influx of complaints arising due to these issues. This will also provide a unique verified ID for each girl.
- The amount of stipend needs to be revised in relation to the increasing inflation rate of the country, as most of the beneficiaries showed reservations about the meager amount of stipend.
- Inter-departmental communication must also be improved and data sharing must be ensured for enhanced transparency, as it has been observed that complaints redress is being done by PMIU, and it has no access to the fund's utilization and status of disbursement. PMIU should be given ‘read-only’ access to the status of funds disbursement.
- The real impact of the program can only be ensured if it can be studied in liaison with the enhanced productivity and wages of females in future. It would be useful to understand whether the impact of this program on increasing enrollment is also translated into improvements in learning. It needs to be investigated whether Conditional Cash Transfers (CCTs) and comparable programs also contribute to poverty reduction in the long term.
- A special audit would be undertaken next year on the fund utilization of this program as there seems to be a lack of transparency in the disbursement of stipends and there exists considerable risk of embezzlement in the proper utilization.

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THEMATIC AUDIT

THEMATIC AUDIT OF UN-IMPLEMENTED STANDARD MINIMUM RULES (SMR) FOR THE TREATMENT OF PRISONERS

1.1 INTRODUCTION

The purpose of prison goes beyond the incarceration of prisoners and the contemplated protection of the people at large, prompted by public safety concerns. The prisoners are entitled to opportunities that will enable them to address their offending behavior so that, upon release, they can reintegrate into society and live their useful, law-abiding, and purposeful lives for enduring protection against recidivism.[36] The jurisprudence of incarceration has evolved and specialized approaches to incarceration postulate prison laws in four essential dimensions bearing the denomination of retribution[37], deterrence, incapacitation, and reformation thereby, striving for reformation through rehabilitation which is recognized in the contemporary age as a 'right of the offender'.

Article 10(2) of the United Nations International Covenant on Civil and Political Rights, 1966 (ICCPR) espouses the need to rehabilitate prisoners as a fundamental requirement of imprisonment. Rule 26 of the United Nations Standard Minimum Rules for the Administration of Juvenile Justice, 1985, (UNRAJJ), Principle Six of the United Nations Basic Principles for the Treatment of Prisoners, 1990 (UNBP), and Rule 58 of the United Nations Standard Minimum Rules for the Treatment of Prisoners,(UNSMR) envisage that the period of imprisonment is meant to ensure, so far as possible, that the offender eventually is willing and also able to lead a law-abiding and self-supporting life, imbued with self-respect and development of a sense of responsibility.

1.2 BACKGROUND

The level of overcrowding in the prisons of the Punjab province is often much worse in so far as the strength of inmates is concerned. Consequently, the prison conditions are correspondingly much poorer. Overcrowding instances impact also the quality of sanitation, health services, and care for vulnerable groups[38].

Improving poor and vulnerable people's access to justice[39] is also an essential element of ensuring that prisons are not filled with people were the police and criminal justice systems functioning as they should, ensuring conformity with service delivery standards. Out of the current Punjab prison population, approximately, 47,209 are under-trial prisoners. The Reclamation and

36 Chin, Vivienne, and Yvon Dandurand. "Introductory handbook on the prevention of recidivism and the social reintegration of offenders." Criminal Justice Handbook Series), New York: United Nations (2012).

37 Briggs, Steven. Criminology for dummies. John Wiley & Sons, 2021.

38 Gul, Rais. "Our prisons punitive or rehabilitative? An analysis of theory and practice." Policy Perspectives 15, no. 3 (2018): 67-83.

39 Fwangchi, Catherine Kyenret, and Gar Yein Ng. "Access to Justice and Legal Aid: A Human Rights Approach." (2010).

Probation Department established under the Probation of Offenders Ordinance of 1960, has been underutilized, and over some time drifted towards dormancy. Delays and obstacles encountered in accessing justice are cross-cutting causes for high levels of imprisonment. Vulnerable groups include women prisoners, prisoners with mental health care needs, drug-dependent prisoners, foreign national prisoners, racial and ethnic minorities, older prisoners, and prisoners with disabilities.

1.3 ESTABLISHING THE AUDIT THEME

1.3.1 Reasons for Selection

Thematic Audits were introduced in Audit year 2021-2022 as a new shift of focus, after having discussed the idea with different stakeholders like PAC, respective Governments, and auditee entities. A need was felt that audit reports of the Auditor-General of Pakistan should comment on the different activities of strategic importance shifting from traditional transaction based reporting to the broader framework of issue-based/thematic audits.

United Nations Sustainable Development Goal (UN SDG) 3 aims to ensure healthy lives and promote well-being for all at all ages. Similarly, Goal 10 intends to reduce inequalities. Target 3.8 envisages health coverage including financial risk protection, access to quality services, essential healthcare services, and access to safe, effective quality, and affordable essential medicines and vaccines for all. Further, target 10.3 emphasizes equal opportunities and ending discrimination.

The SDGs Framework of Pakistan-2018 also contains goals 3 and 10. Therefore, the theme is linked to UN SDGs as well as to the national prioritized goals.

1.3.2 Purpose/Objectives

The audit aimed to address the following objectives:

1. To identify and assess the risks associated with the implementation of a paradigm shift in conforming to Standard Minimum Rules (SMRs)
2. To evaluate the adequacy of controls in place to mitigate these risks
3. To assess the current status of SMR implementation in Punjab's prison system and identify the reasons for non-implementation
4. To evaluate the impact of non-implementation of SMR on prisoners in Punjab, including their living conditions, access to healthcare, and other basic needs.
5. To assess the adequacy of policies, guidelines, and procedures in place to support SMR implementation in Punjab's prison system.
6. To evaluate the effectiveness of Punjab's monitoring and evaluation mechanisms for SMR implementation, including the frequency and scope of inspections and reporting.

7. To assess the capacity and training needs of prison staff to implement SMR in Punjab's prison system effectively.
8. To evaluate the adequacy of resources allocated to support SMR implementation in Punjab's prison system, including staffing, infrastructure, and equipment.
9. To assess the involvement of civil society organizations and other stakeholders in promoting SMR implementation in Punjab's prison system.
10. To formulate recommendations for improving the effectiveness of the revamping of prison reforms intervention and ensuring their implementation.
11. To conduct a gap analysis on the implementation of the principles expressed in the Tokyo Rules, the Convention on the Rights of the Child, the United Nations Rules for the Treatment of Women Prisoners and Non-custodial Measures for Women Offenders (the Bangkok Rules), and the United Nations Standard Minimum Rules for the Administration of Juvenile Justice (the Beijing Rules).
12. This analysis explores whether these principles meaningfully lead to the adoption of sentencing policies tilted towards de-penalization and decriminalization in appropriate cases:
    i. Taking into account the specific circumstances of women who have committed offenses, including mitigating factors and their caring responsibilities, and giving preference to non-custodial measures and sanctions instead of imprisonment.
    ii. Providing a separate framework for the sentencing of children within a juvenile justice system, giving preference to alternatives that assist the development and rehabilitation of children.

1.3.3 Scope

Audit for the period 2022-23 was conducted with a view to undertake:

a) Evaluation of efficacy of efforts on custodial/alternative mechanisms to imprisonment required to be available at pre-trial/pre-sentencing, trial and sentencing, and post-sentencing stage under existing Pakistani law
b) Review overall governance, legal aid, and management systems/processes in prison administration
c) Review individual cases of human rights violations and victimization of inmates and suggest measures for institutional accountability
d) Gauging the effectiveness of non-custodial measures, catering to the rehabilitative needs of the offender reinforced by the additional backup measures and alternative surveillance strategies which must be supplied into the system to fill the gaps of access to justice

e) Commissioning of a foolproof ‘information management system’ devised to keep the records and data of probationers with relevant probation officers and the Reclamation & Probation Department.

2. LEGAL FRAMEWORK GOVERNING THE THEME

The establishment and management of prisons and all other matters relating to prisoners are generally regulated under the following Laws/Rules:

Acts 1894-2006

- The Prisons Act, 1894 (Act IX of 1894)
- The Prisoners' Act, 1900 (Act III of 1900)
- The Punjab Borstal Act, 1926
- Good Conduct Prisoners Probation Release Act, 1926
- Punjab Employees Efficiency, Discipline and Accountability Act, (PEEDA) 2006
- The Juvenile Justice System Act, 2018. Ordinance
- Probation of Offenders Ordinance (XLV of 1960)
- West Pakistan Maintenance of Public Order Ordinance (XXXI of 1960)
- Execution of the Punishment of Whipping Ordinance (IX of 1979)
- The Juvenile Justice System Ordinance (XXII of 2000)
- Mental Health Ordinance 2001

Rules and Regulations 1818-2010

- Regulation III of 1818 (A Regulation for the Confinement of State Prisoners)
- Good Conduct Prisoner's Probation Release Rules, 1927
- West Pakistan Prisons Department Delegation of Power Rules, 1962
- The Pakistan Prisons Rules, 1978
- The Punjab Execution of the Punishment of Whipping Rules, 1979
- Juvenile Justice System Rules, 2001
- Punjab Juvenile Justice System Rules, 2002
- Punjab Prisons Department Service Rules, 2010

3. STAKEHOLDERS AND GOVERNMENTAL ORGANIZATIONS IDENTIFIED AS DIRECTLY/ INDIRECTLY INVOLVED

Stakeholders and Government Organizations directly/indirectly involved are:

- United Nations Organization on Drugs and Crime (UNODC)
- Home Department Government of the Punjab

- Social Welfare Department
- Provincial Prosecution Department
- Provincial Police Office
- Inspectorate General of Prisons Punjab
- Commandant Punjab Prisons Staff Training College (PPSTC), Sahiwal.
- High Security Prison Sahiwal
- Central Jails
    - Bahawalpur, Gujranwala, Multan, Dera Ghazi Khan, Lahore, Sahiwal, Faisalabad, Mianwali, Rawalpindi
- District Jails
    - Faisalabad, Lahore, Mandi Bahaudin, Multan, Rahim Yar Khan, New District Jail Rajanpur.
- Other Jails
    - Women Jail, Multan
- Access to Justice Program.
- Law and Justice Commission of Pakistan.

4. ROLE OF IMPORTANT ORGANIZATIONS

4.1 Punjab Prisons Department

Punjab Prisons Department is a progressive department that aims at ensuring the return of the offender to society as a useful citizen. The Department is functioning under the administrative control of the Home Department. The Inspector General of Prisons (BS-21) is the Head of the Department at the Provincial level, assisted by Ten (10) Deputy Inspectors General of Prisons (BS-20). Punjab Prisons Department administers jurisdiction spanning over eight (8) regions namely Lahore, Rawalpindi, Faisalabad, Sargodha, Multan, Sahiwal, Bahawalpur, and DG. Khan Region. A Deputy Inspector General of Prisons (BS-20) oversees each region.

The objectives of the prison department are:

a) Keeping the inmates in a safe place of confinement to the satisfaction of the court.

b) Maintaining discipline within the prison premises.

c) Meeting basic needs of the inmates.

d) Providing treatment (physical, mental and psychological counseling) to reform and rehabilitate the convicted inmates.

e) Provision of facilities that are needed for a normal person to become productive member of the society.

The department is also responsible to:

- Execute the sentence awarded by the Court.
- Maintenance, Care, Custody and transfer of prisoners.
- Maintenance of orders and discipline amongst the prisoners.
- Control of expenditure relating to prison management.
- Enforcement of the Prison Act, all laws, Rules/Regulations, and orders pertaining to the protection and maintenance of prison/prisoners.
- Imparting useful education/training to the prisoners in various trades/skills and other vocational disciplines for their rehabilitation.
- Organizing recreational programs, welfare measures, and psychological counseling of inmates for their correction and rehabilitation.

4.2 Provincial Directorate of Reclamation and Probation

As an alternative to imprisonment, the release of prisoners on probation and parole is managed by the Provincial Directorate of Reclamation and Probation working as a department attached to the Provincial Home Department in Punjab. The Provincial Directorate is headed by a Director of Reclamation and Probation (R&P) and supported by Deputy Directors and Assistant Directors, probation and parole officers, office superintendents and other administrative and support staff. The overall mandate of the Directorates of Reclamation and Probation includes:

- To 'kill the crime not the criminal';
- To reduce overcrowding in prisons;
- To cut down Government expenditure on prisons; and
- To rehabilitate and re-integrate offenders as law-abiding citizens.

The functioning of the Directorate is governed by the legal instruments of:

- ➢ Probation of Offenders Ordinance (XLV of 1960); and the West Pakistan Probation of Offenders Rules, 1961
- ➢ The Good Conduct Prisoners' Probational Release Act, 1926
- ➢ The Good Conduct Prisoners' Probational Rules, 1927 and 2008
- ➢ Juvenile Justice System Ordinance 2000 and its Rules for Implementation
- ➢ The Juvenile Justice System Act, 2018.

5. ORGANIZATION’S FINANCIALS

The financing details for the year 2022-23relatable to provincial allocations are summarized as under:

Sr.		Budget	Expenditure

No.	Department/ Offices	Pay & Allowances (Rs. in million)	Operating & other Activities (Rs. in million)	Total (Rs. in million)	Pay & Allowances (Rs. in million)	Operating & other Activities| (Rs. in million)	Total (Rs. in million)
1	IG Prisons	8,997.19	6,870.08	15,867.27	8,998.89	6,857.65	15,856.54
2	Director Reclamation & Probation	168.23	38.09	206.32	175.09	37.52	212.61

Source: Appropriation Accounts

6. FIELD AUDIT ACTIVITY

6.1 METHODOLOGY

The audit activity was carried out to assess whether the management of prisons was fully geared up to rebuke human rights abuse and ensure on-ground adherence to the roadmap to ward off overcrowding and, the plight of prisoners due to dilapidated conditions. Interventions rolled out were evaluated whether these were adequately designed for the paradigm shift for Prison Reforms. Sample-based visits to view the present conditions of the jails and problems faced by the prisoners of the Punjab were undertaken. The results are reported in the succeeding paras.

6.2 AUDIT ANALYSIS

6.2.1 Review of Internal Controls

Internal control assessment was designed. The Internal Control assessments carried out are given in annexure-55.

6.2.2 Critical Review

6.2.2.1 Overcrowding, maltreatment of inmates due to congestion and inhuman treatment of Juvenile delinquents

In the "C Class" (the dwelling place for common prisoners), the prisoners' cells and barracks are overpopulated. The hardcore criminals come in close association with juvenile and other low-profile convicts owing to congestion and turn those involved in misdemeanor into felons[40]. The 8th committee on crime prevention and criminal justice came to the conclusion as

40 Khurshid Ahmad. The memories of imprisonment. (Lahore: Manshurat Publications, 2009). Pp 218-219.

early as in 2009 that prison overcrowding had a negative impact on the health and behavior of inmates and reduced the likelihood of their rehabilitation[41].

According to Rule 10 of the Standard Minimum Rules (SMR) for the Treatment of Prisoners, "Prisons shall provide all the accommodation facilities like sleeping place, health care, climate condition, minimum floor space, heating and ventilation and lighting,". However, in many prisons of Punjab, prisoners sleep in shifts or in close quarters with one another without access to basic amenities. The Prison Rule no. 745 of 1978 stipulate that each prisoner should have 18 square meters in a barrack, but to no avail. Human Rights Commission of Pakistan's study has underlined that nobody prioritizes the rehabilitation of prisoners in jails, and the extreme overcrowding has damaged the meager measures that are directed towards the reclamation of prisoners[42].

According to empirical findings of research carried out by Gul, Rais (2018), the said secondary source of data reveals that contrary to international standards, legal requirements, and theoretical goals for rehabilitative prison regimes, jails are typified by a wide range of issues, such as overcrowding, torture, understaffing, and a lack of basic necessities for inmates as well as adequate training for staff[43]. The issues have also been made worse by outmoded prison regulations that arise from the colonial criminal justice system's ineffectiveness and the state's disinterest in jails[44]. Inmates often face delays in trials, and inadequate educational, vocational, and recreational opportunities. Long prison terms with or without conviction, compulsory labor, and fines serve as barriers to their release and reintegration. Moreover, they are at the mercy of hardened criminals, sometimes occasioned at the behest of black sheep even amongst the prison staff accentuated due to non-segregation[45].

The Punjab province's prisons were modeled after European-American institutions, but the way they operated revealed a distinct colonial system of governance. In the Punjab region, convicts were put to work in a range of jobs such as gardening, jail maintenance, paper production, and canal building, in addition to prison authorities and staff. Because the British constructed the system for their own ends, the prisons are now hubs for corruption. A new paradigm is needed for the jail systems[46].

However, Punjabi prisons' theoretical objectives are custody, cure, control, care, correction, and community readjustment, ostensibly demonstrating the presence of the rehabilitative model of jail administration. But in light of the numerous issues that have been

41 Ali, Shujahat, Aamer Raza, and Muhammad Fahim Khan. "PRISONS AS PATHWAYS TO REHABILITATION OR CRIMINALITY? A CASE-STUDY OF THE PRISON'S EFFECT ON LONG-TERM REHABILITATION OUTCOMES ."

42 Human Rights Commission of Pakistan. Report on the status of the human rights, 2013

43 Gul, Rais. "Our prisons punitive or rehabilitative? An analysis of theory and practice." Policy Perspectives 15, no. 3 (2018): 67-83

44 Bohier, Jalal. "Colonial system of control: convict labour in the prisons of the colonial Punjab." Journal of the Research Society of Pakistan 59, no. 3 (2022): 71.

45 Vikram Parekh. Prison bound: the denial of juvenile justice in Pakistan. Human Rights Watch, 1999

46 Standing, Guy. The corruption of capitalism: Why rentiers thrive and work does not pay. Biteback Publishing, 2021.

documented, including overcrowding, a shortage of skilled staff, an inadequate criminal justice system, Government indifference toward the prisons, a disrespect for the rights of inmates, and antiquated prison regulations, Pakistan's prisons are essentially run on a punitive basis. Retribution, vengeance, and deterrence continue to be the core goals of incarceration.

6.2.2.2 Vulnerable groups deprived of entitled facilities

Children under the age of 5 in prisons could barely communicate, despite the existence of primary education programs. The situation also revealed several developmental and emotional issues that the children faced. It also highlighted problems in terms of the availability of gender-specific health care and services.

Although the Pakistan Prison Rules entail medical screening at the time of induction, a corresponding rule is yet to be inserted that includes a mandatory assessment of mental health care needs for women. This should cover issues such as post-traumatic stress disorder, the risk of suicide and self-harm, and the existence of drug dependency. With respect to children, the Pakistan Prison Rules specify age limits on the eligibility of the child to remain with his/her mother in jails.

6.2.2.3 Ignoring non-custodial measures as a preferred option for the poorest of the Poor

Despite having ample precedent of the Apex Court's ruling, the lower courts seem reluctant to apply this particularly lenient mechanism. Preference for non-custodial measure is invoked in petty cases only. The reason is that Section 499 of the Criminal Procedure Code (CPC) is quite narrow in its scope and does not authorize the court to place additional conditions with a bail bond. Therefore, in serious cases, the courts remain disinclined to trust merely the personal bond to bail out the person. Instead, the courts impose the other two mechanisms, i.e., the surety and the security.

At certain times, the bail-seeker remains unable to arrange the required amount of security or to arrange the surety due to reasons beyond his control, such as poverty or an arrest made far from his locality (where he could easily request people of his acquaintance to become his surety or to arrange the amount of security). This situation repeatedly prompts the bail-seeker to request the court to revise the sum of security or revisit the decision regarding furnishing sureties. This activity increases the burden of the court and intensifies the frustration of the bail-seeker.

6.2.2.4 Probation not accorded the priority it deserves

According to international standards, when awarding a sentence through employing a non-custodial measure, such as probation, the judge remains obliged to fulfill the needs of justice in compliance with the 'triangular threshold checks' given under Rule 8.1 of the United Nations Standard Minimum Rules for Non-Custodial Measures, (Tokyo Rules 1990 refers). These rules require the authority to consider the rehabilitative requirements of the offender, the protection of society, and the interests of the victim.

However, in Pakistan, probation-based decisions usually discuss the rehabilitation aspect of the offender in weird and irrational terms, while the aspects of 'protection of society' and 'interests of the victim' generally remain silent in the judgments.

The Government has not supported probation for the prisoners through an increase in budgets for its strength. The resource crunch of the Department of Reclamation & Probation (R&PD) is distressing the working potential of its employees. An under-resourced and understaffed department eventually fails to execute even the properly defined judgments.

6.2.2.5 Unregulated paroles and remissions amenable to whimsical decision-making

The executive branch exercises unfettered powers in granting and revoking the parole license. The issuance of release orders through the parole of an under-trial prisoner is equivalent to running a parallel justice system, which is an illegal act[47]. Wretched conditions prevalent in jails add to the suffering, and the miseries of jail inmates when juxtaposed with the 'fundamental right of the dignity of man' and call for a rational treatment of remissions and paroles, being granted during the incarceration of a prisoner.

6.2.2.6 Want of dignified dispensation to be extended to entitled inmates

In Punjab, family quarters are under-provisioned in various prisons, such as the Central Jail Faisalabad, Multan and the Adiala Jail Rawalpindi, defeating the furtherance of a correctional measure to permit the exercise of conjugal relations within the bounds of the prison.

Further, no tangible progress has been witnessed in the professional training of inmates in solar, geothermal, and smart energy management practices, construction technology, carpentry, drywall, masonry, plumbing, industrial painting, electrical construction, heating/ventilation/air conditioning/refrigeration, sheet metal, welding, electronics/network cabling, roofing, auto mechanics, engine service and repair, automotive body repair and refinishing, and small engine repair, office services and related technologies, computer literacy, cosmetology, and machine shop. Each of the programs is also not aligned with industry-recognized certification.

The Constitution of Pakistan 1973 enjoins that the state shall provide "medical relief" in its "Principles of Policy" chapter, but these principles are unenforceable aspirational objectives of the Government. Even the "medical relief" objective is restricted to those citizens who cannot earn their livelihood on account of infirmity, sickness, or unemployment. Prison structures are old, and indoor temperatures are harsh. Health needs of the inmates are not effectively met.

6.2.2.7 Pitfalls of Overcrowding defeating the purpose and intent of remedial interventions

Systems with significant overcrowding pose a particular challenge for reform efforts. Thus, prisons tend to be more populated than the estimated intake capacity because of the levels of

47 Suo Moto Case No. 16 of 2011 (Implementation proceedings of judgment of Supreme Court reported as PLD 2011 SC 997).

overcrowding in the prison system as a whole. Foolproof checks and balances are yet to be put in place e.g.

- Provision of safe drinking water, ensuring health and hygiene of inmates.
- Doing away with discriminatory treatment in extending indoor medical treatment outside prisons, assigning class or category to inmates.
- Recurrence of cases of access to drugs, use of cell phones instrumental in running crime syndicates.
- Prevention of security breaches leading to violence and bloodshed.

Interventions rolled out to achieve Standard Minimum Rules (SMR) for the Treatment of Prisoners in Punjab have been subjected to thematic audit appraisal.

6.2.2.8 Inchoate Sentencing Policies Inconsistent with SMR

The United Nations Rules for the Treatment of Women Prisoners and Non-Custodial Measures for Women Offenders (the Bangkok Rules) and the United Nations Standard Minimum Rules for the Administration of Juvenile Justice (the Beijing Rules) are not able to meaningfully lead to the adoption and development of sentencing policies. The core objectives of de-penalization and decriminalization in appropriate cases are deviated to the extent that:

i. Individualize sentencing, taking into account the background of the offender and circumstances of the offense[48].
ii. Balance the need to penalize the offender and protect the public with the need to facilitate rehabilitation and thus prevent reoffending
iii. Provide a range of sentences in legislation to enable courts to apply flexibility in sentencing
iv. Take into account the specific circumstances of women who have committed offenses, including mitigating factors and their caring responsibilities, and give preference to non-custodial measures and sanctions instead of imprisonment; and
v. Provide a separate framework for the sentencing of children, within a juvenile justice system, to the maximum possible extent, giving preference to alternatives that assist the development and rehabilitation.

6.2.2.9 Rehabilitation of prisoners is receiving insufficient attention

When designing prison infrastructure, careful consideration should be given to the profile of the offenders to be imprisoned. The findings of Pakistan's Senate Functional Committee on Human Rights are that the prisons in Pakistan primarily serve one purpose that is the confinement

48 Tokyo Rules, Rule 1.5. Tokyo Rules, Convention on the Rights of the Child, Article 37 (b); United Nations Rules for the Protection of Juveniles Deprived of their Liberty, Rules 1, 2; Beijing Rules, 13.1, 17.1 (b) and (c) and 19.1. Bangkok Rules, Rules 58 and 61. General Assembly resolution 65/229 of 21 December 2010. General Assembly resolution 40/33, annex. PART II STRATEGIES TO REDUCE OVERCROWDING IN PRISONS

of the alleged offenders till the disposal of their trial or the termination of imprisonment of the convicts for the term of their sentence.

6.2.2.10 Inadequacies of Criminal Justice System for commissioning rehabilitative programs

The United Nations Standard Minimum Rules for Non-Custodial Measures, 1990 (The Tokyo Rules) entail that "the judicial authority, having at its disposal a range of non-custodial measures, should take into consideration in making its decision the rehabilitative needs of the offender, the protection of society and the interests of the victim, who should be consulted whenever appropriate[49]." The few outdated statutes available with reference to non-custodial measures are less-trusted and less-utilized by the courts. Such situation critically deprives the deserving persons from their legal right to get benefit from a noncustodial measure.

6.2.3 Significant Audit Observations

6.2.3.1 Gap Analysis of Nelson Mandela Rules and Pakistan Prison Rules 1978

Item 32 of the Federal Legislative List in Fourth Schedule of the Constitution of Pakistan, 1973 obliges the Federal Government to implement the international treaties and agreements which include international soft law emanating out of resolutions and declarations of the General Assembly of the United Nations.

During thematic audit of the Inspectorate General of Prisons, Punjab, a gap analysis between Pakistan Prison Rules, 1978 and Nelson Mandela Rules, 2015 was carried out (Annexure-56). Some serious gaps in system are summed up below:

i) The legalistic umbrella of the Pakistan Prison Rules 1978 is not aligned to the intent, purpose and the spirit of Mandela Rules i.e. humane treatment of prisoners with dignity has not been braced in extant Rules.

ii) The transgender and inmates with disabilities, prisoners in need of special care do not find their peculiar problems catered for, specific to their special needs within the ambit of Prison Rules 1978.

iii) Overcrowding of prisons remained in need of alleviation

iv) Under-trial prisoners constitute a huge portion of the prison population and by compulsion remain confined in the same circumstances/conditions which are for the convicted prisoners.

Audit holds that systematic drawbacks were occasioned due to non-amendment/revision of colonial era Prison rules.

49 The Tokyo Rules, Rule 8.1.

The paradigm shift for Prison Reform could not be orchestrated due to the non-implementation of Mandela Rules 2015.

The audit pointed out the lapse in August 2023. Management noted the observation and had not furnished any reply.

The matter was further reported to the administrative department. In DAC meetings held on 26.01.2024, the department replied that (1) Punjab Prisons department had adopted policy of zero tolerance against torture and maltreatment of prisoners by the staff or the other prisoners. Construction of new jails has been completed thereby increasing authorized capacity by 16,047 prisoners. Moreover, construction of four (04) new jails i.e. High Security Prison, Mianwali, District Jail, Nankana, Sub Jail, Samundari, and Pindi Bhattian having a cumulative designed capacity of 2268 prisoners, will further reduce the overcrowding.

The Para was discussed in the DAC meeting at length wherein the management reiterated the above stance and in response thereto audit highlighted that the Prison Rule no. 745 of 1978 stipulate that each prisoner should have 18 square meters in a barrack which standard was deviated. More over classes for categorization of prison accommodation was embedded within the framework of the prison Rules No. 225, prescribing Superior Class, Ordinary class, and Political class and as per Rule 242, stipulated a further subdivision into A,B,C Class which eventually added to the unbridled discretion of the Prisons' management whereas Mandela Rules (MR) categorically denied any discrimination to prisoners. MR 2 and 5 stressed upon special treatment for special people either having physical disabilities or mental health issues. As far as prisoners suffering from mental health disorders were concerned, prisons had no sufficient Psychologists retained on their HR strength. MR 4 stressed upon vocational trainings, work opportunity, social, health & sports based opportunities and Rule No. 299 of PPR 1978 envisaged need to provision above opportunities to convicted prisoners but in practice, on ground reality was to the contrary regarding access to entertainment facilities. Vocational training was being afforded in 14 jails and no remission in sentence on completion of courses was being given. Further, facility of a Gym could only be provided in 9 Jails that too without any Gym instructor and other indoor sports facilities. Regarding conjugal rights to be allowed, family rooms in 4 prisons were not adequate to afford the facility and were not being fully utilized due to laborious and lengthy process of approval/verification or any other reason. As far as MR Rule 59 is concerned, Rule No. 159 of PPR provide shifting of prison to his home town 30 days before release instead from 1st day. Mandala Rule 103 express that there shall be a system of equitable remuneration of the works of the prisoners. There shall be a fund to distribute amount among prisoners at the time of release. Mandala Rule 86 to 90 deals with the guiding principal for administrated institution that the main aim of the prison system/sentence should be to ensure gradual return of the prisoner in the Society. This aim needs to be achieved.

The Committee kept the para pending with the direction to the department to move the case of the proposed changes in the legal framework to the administrative department for further submission of draft to the Law Department for perusal and guidance and inclusion of proposed provision of Mandela Rules in PPR Rules.

Audit recommends that existing gaps in colonial-era prison laws be plugged through amendments/revisions of existing laws and revamping of infrastructure, amenable to congestion, overcrowding and dilapidation.

(PDP No. 2023-0000002813_F00006)

6.2.3.2 Non-implementation of Prisoner Management Information System

Rules 6 & 7 of Standard Minimum Rules for the Treatment of Prisoners (the Nelson Mandela Rules) state that there shall be a standardized prisoner file management system in every place where persons are imprisoned. Such a system may be an electronic database. The following information shall be entered in the prisoner file management system upon admission of every prisoner: (a) Precise information enabling determination of his or her unique identity, respecting his or her self-perceived gender, (b) the reasons for his or her commitment and the responsible authority, in addition to the date, time and place of arrest, (c) the day and hour of his or her admission and release as well as of any transfer; (d) Any visible injuries and complaints about prior ill-treatment, (e) an inventory of his or her personal property, (f) the names of his or her family members, including, where applicable, his or her children, the children's ages, location and custody or guardianship status, (g) emergency contact details and information on the prisoner's next of kin.

During thematic audit of the Inspectorate General of Prisons, Punjab, it was observed that the Pilot Project was started in June, 2017 at District Jail, Lahore, and subsequently in 20 Jails of Punjab but partially implemented as evident from data collected from the selected 4 Jails given in annexure-57. In the 2nd Phase during the year 2021, the PMIS System was to be implemented in 8 Regional Offices and 22 Jails in Punjab with a gestation period of 2021-2024. Audit observed that out of the total approved cost of Rs. 314.025 million, Department had expended only 106.375 million till July 2023, which was 34 % of total approved cost.

Audit is of the view that since pilot project started in 2017, with the lapse of more than 6 years, the project is still in beta phase with many non-functional modules. Furthermore, MIS System was to be integrated with other programs which were also not started. As per Mandela Rules 4, 88, 89, 91-94, 96-108, there should be an active effort by the state to rehabilitate the individual and to reduce rates of recidivism. Over all the state should shift from the authoritarian crime control model to a due process model thus a prison should be viewed as a rehabilitation facility. The whole effort requires data-driven and evidence-based decision making. Non-functional modules, undermined the capacity to generate important data leading to decision making, meant to thwart the rehabilitation efforts. Prison population classification reports were not available with the management as these modules were non-functional in the PMIS. For example, 'Reduction in recidivism' requires data of habitual and casual offenders. This data serves as a feedback mechanism for the department. As PMIS was unable to generate such data, therefore, the cherished goal as envisaged in Mandela Rules, 2015, ‘reduction in recidivism’ seems far away from realization.

Audit is of the view that without a fully integrated and functional version of PMIS, prisons cannot be wholly reformative and rehabilitative in nature.

The audit pointed out the lapse in August 2023. Management noted the observation and had not furnished a reply.

The matter was further reported to the administrative department. In DAC meetings held on 26.01.2024, the department replied that the purpose of digitization of the Prisons Department was to bring transparency, reduce the burden on staff, and the maintenance of criminal database. To implement PMIS, the project was divided into 3 phases. PMIS (Phase-I) was inspected by DG(M&E) and they submitted an evaluation report of the completed project on 7.12.2017 PMIS (Phase-II). This phase was executed by PITB from July 2017 to June 2021 with a cost of Rs.286.074 million. 05 main modules of PMIS were introduced in 20 Jails. Lastly, the executing agency of PMIS scheme was PITB and funds were directly allocated to PITB from Home Department.

Audit highlighted that there was no enabling provision for electronic file management of prisoners. In practice, Punjab Prison Department had initiated a computerization of prisoners data through PMIS System project but still had not fully operationalized as quite a few non-functional modules and non-integration of PMIS System with all the Jails, allied department like Home department, Judiciary, Parole and probation department.

The Committee kept the para pending till the completion of third phase. Further, the Committee directed the department to constitute a Committee to analyze the functionality of all modules of PMIS and submit report to the administrative department on monthly basis.

Audit recommends that in order to significantly improve the governance and management system of the prisons, the entire system should have been digitized.

(PDP No. 2023-0000002813_F00007)

6.2.3.3 Overcrowding, inadequate accommodation and sanitation for prisoners

Rule 12 and 13 of Mandela Rules, 2015 states, “where sleeping accommodation is in individual cells or rooms, each prisoner shall occupy by night a cell or room by himself or herself and shall meet all requirements of health due regard being paid to climate conditions and particularly to cubic content of air, minimum floor space, lighting, heating and ventilation. If for special reasons, such as temporary overcrowding, it becomes necessary for the central prison administration to make an exception to this rule, it is not desirable to have two prisoners in a cell or room Rule 15 & 16 of Mandela Rules, 2015 posit that the sanitary installations shall be adequate to enable every prisoner to comply with the needs of nature when necessary and in a clean and decent manner. Additionally, adequate bathing and shower installations shall be provided so that every prisoner can, and may be required to, have a bath or shower, at a temperature suitable to the climate, as frequently as necessary for general hygiene according to season and geographical region, but at least once a week in a temperate climate.

During the thematic audit of the Inspectorate General of Prisons, Punjab, it was observed that 64,210 prisoners were confined in 43 Punjab Jails against the authorized capacity of 37,217 prisoners. In relation to the admissible strength of the overpopulated prisons, 139% overcrowding was evidenced which was against the above-mentioned provisions of the Mandela Rules. Details of major overcrowded jails are given in annexure-58. Furthermore, during the audit of Central Jail, Lahore, Faisalabad and Multan, it was observed that accommodations for the prisoners do not match with the mandatory requirements for health as very old prisons structures, non-periodical repair, and lack of ventilation were causing prisons to be unfit for habitation. The floor space was too narrow and the lighting, heating and ventilation environment was below the acceptable bench marks. The Islamabad High Court Chief Justice visited the Adiala Jail following a report by the NCHR and termed prisoners' maltreatment a "grave violation of human rights"[50]. The court ordered the setting up of a complaints centre in the jail. The Provincial Intelligence Centre noted malpractice and corruption in Adiala Jail in its report to the chief minister and inspector general of prisons[51]. According to the report, about 700 convicted prisoners were brought to the jail factory for labor daily[52] out of which 200 were exempted from labour through bribes of up to PKR 5,000 each. The report also notes that prisoners are forced to resort to bribery to avail basic facilities such as healthcare[53]. There were also reported cases of prisoners tortured to death in jails in Faisalabad[54] and Bahawalpur[55].

No strategic forecasting and plans were made available by the Prisons Department to cater to the major issue of accommodation and overcrowding. Rule 15 and 16 of Mandela Rules contradict with the on ground provisioning of the infrastructure in the Prisons in Punjab. No data regarding bathing facilities and the number of restrooms were shared with the audit; which shows a lack of planning, thus affecting the reformation and rehabilitation of prisoners adversely. Furthermore, Pakistan Prison Rules, 1978 are silent on one cell for one prisoner. Class A, B and C of prisons exist which further entails heart burning and pinching frustration of prisoners confined to Class C.

50 Baig, Khurram, Mahrukh Tanveer, Ashna Rehman, and Muhammad Shahid. "Unpacking International Commitments: Assessing the Implementation of ICCPR, ICESCR, and the Convention Against Torture in Pakistan's Legal Framework." Pakistan Journal of Criminal Justice 4, no. 1 (2024): 01-13.

51 M. Asghar. (2022, October 4). Corruption, malpractices rampant in Adiala jail: report. Dawn. https://www.dawn.com

52 Ibid

53 A. Chaudhary. (2022, May 9). Ailing inmates endanger lives in overcrowded prisons of Punjab. Dawn.

54 Faisalabad jail staff booked in prisoner's murder case. (2022, July 20). Dawn. https://www. dawn.com/

55 Under-trial prisoner dies in mysterious circumstances. (2022, January 13). Dawn. https://www. dawn.com/

The audit pointed out the lapse in August 2023. Management noted the observation and had not furnished any reply.

The matter was further reported to the administrative department. In DAC meetings held on 26.01.2024, the department replied that the Punjab jails are facing the problem of overcrowding. To tackle the situation 7 new jails are constructed in Punjab province as Sub jail Pindi Bhatian, HSP Mianwali, Sub Jail Samundar, District Jail Rawalpindi, Women Prison Faisalabad, Women Prison Lahore and Women Prision Rawalpindi. Moreover, construction of various barracks at each jails in Punjab, correction facilities and revamping programme at jails was under process. Audit highlighted that Punjab prisons were still highly overcrowded as 139% than authorized accommodation capacity and old jails required repair and maintenance.

The Committee kept the paras pending till the stated projects are completed and the prisoners are adjusted with further direction to ensure repair and maintenance of existing and old prisons.

Audit recommends the department to make efforts for early completion of new construction work besides up-gradation of existing facilities in accordance with Standard Minimum Rules, 2015.

(PDP No. 2023-0000002813_F00008 & PDP No. 2023-0000002813_F00001)

6.2.3.4 Non-pursuance of Probation for prisoners under trial for minor offenses

Section 5 of the Probation of Offenders Ordinance, 1960, confers the power on the court to issue a probation order in certain cases.

During the thematic audit of the Inspectorate General of Prisons, Punjab, it was observed that 64,210 prisoners were detained in 43 jails across the province. Out of these, 47,209 were under trial prisoners. The data shows 17,119 prisoners are under trial for minor offenses such as civil prisoners, and those implicated on charges of theft, violence, bogus cheques, etc.

Audit is of the view that those prisoners entitled to be afforded rehabilitative dispensation under the Probation of Offender Ordinance 1960, can be put under probation. Similarly, cost saving of Rs. 4,133,631,617 on annual basis may be achieved besides solving other social issues like depriving a person from getting connected with his family etc. (Annexure-59 & 60). Major issue of overcrowding can be addressed, if this important tier of criminal justice system performs to its full potential.

The probation system of Punjab has a crucial function to play in the contemporary juvenile justice system and reformation of juvenile prisoners. Currently, out of 41,107 probationers under the Punjab Probation and Parole Service's supervision 106 are juveniles, not being effectively managed. Audit has made a comparison of Punjab’s Probationers system vs that of Japan & China in terms of SWOT analysis and Challenges faced by the probationers in Punjab which is given in annexure-59.

Want of affording of probation to those convicted of minor offenses is contributory to the overcrowding of prisons across Punjab.

The audit pointed out the lapse in August 2023. Management noted the observation and did not furnish any reply.

The matter was further reported to the administrative department. In DAC meetings held on 26.01.2024, the department replied that according to Section 5 of the probation of offenders ordinance 1960, “it was the discretion of court to make probation order. Probation Officer cannot interfere in the courts matter”. Probation Officer perform following duties as per direction of court:

a) Prepare pre sentenced report before the offender
b) Rehabilitation and reformation of offender who placed on probation by the order of court

Moreover, the Prison Department was a permanent member of criminal justice committees in which matters related to releasing of offenders and monthly report for probationers was discussed before the learned District and Session Judge. Audit however adverted to the sentence wise data provided by prison department regarding under trial prisoners, there were many prisoners having completed imprisonment more than the awarded sentence. For example, the sentence under Section 325 PPC can be a term of imprisonment up to one year but audit highlighted that there were 10 prisoners in Punjab’s jails coping with under trial confinement for more than one year. Even 2 inmates had served imprisonment for 3 years. For the offense of theft under Section 411, 379 of PPC, maximum imprisonment can be given up to 3 years but as per data, there were 15 prisoners having exceeded imprisonment more than three years but still these inmates were having the status of the under trial prisoner and there were 55 prisoners who had served more than 2 years imprisonment in Jails.

The Committee kept the para pending with direction to address the matter, reviewing data, evaluating afresh the existing rules and policies in light of the audit observation to present the report along with data before next Criminal Justice Committee (CJS) meeting to resolve the matter.

Audit recommends that a holistic approach with cross-cutting improvisation encompassing organs of CJS is the need of the hour. The Probation Department must develop a multipronged approach to address the perennial issue of overcrowding in prisons.

(PDP No. 2023-0000002813_F00009)

6.2.3.5 Violation of Human Rights

Constitutional safeguards are enshrined under Articles 4, 5, 9, 10, 11, 13 and 14 of Constitution of 1973. UN Standard Minimum Rules, Mandela Rules, 2015 envisage benchmarks of the facilities to be extended to the prisoners.

In a landmark decision in March 2020, the Islamabad High Court enunciated the ruling that holding prisoners "in an overcrowded prison, having lack of sanitation, [is] tantamount to cruel and inhuman treatment for which the state ought to be accountable because it amounts to a breach of its fiduciary duty of care.

During the thematic audit of the Inspectorate General of Prisons, Punjab, it was observed that although Constitution of Pakistan, 1973, under Article 14(1), emphasizes the inviolability of human dignity subject to the law, punishments imposed by jail superintendents, including formal warnings, hard labor, and withholding of food, as well as the use of colonial-era shackles had not been done away with. The maltreatment incidents were of sizeable proportions as is revealed from the extracts of NCHR Report for 2022 reproduced below:

> "Modes of torture include strappado when a man is left hanging by his arms. This can result in dislocation of the shoulders. Another form of torture popular with jail staff is 'jahaaz banana' [make into an aeroplane]. The victim is held in the air by four people, each holding a limb while two others beat him with a 'chhittar' [whip] made out of tire rubber. Another form of torture is 'kawwa banana' [make into a crow], where a person squats, bending forward, with a rod passing through behind the knees. The victim is kept in the posture for hours, hampering his blood circulation. While torture at police stations is meant to force confessions and supposedly facilitate investigation, in jails there are other reasons for it. First of all, there is the failure to prosecute the perpetrators of torture[56]".

Approximately 900 of the 3800 inmates at the Lahore District Jail were still drug users, according to National Commission on Human Rights NCHR investigation of the facility. Approximately 1404 prisoners of Adiala Jail were drug users. Another matter that requires investigation is the manner in which the prohibited substances were obtained.

Acts of disobedience leading to punishment, such as assaulting wardens, damaging prison property, and attempting escape, can not infringe on fundamental rights protected by Constitution. Constitutional safeguards, like those in Articles 9 (right to security of the person), 13 (protection against double punishment), and 14 (inviolability of human dignity), are paramount. The arbitrary imposition of fetters by the Superintendent Jails without providing prisoners the right to defend themselves is a gross violation. To address this, judicial scrutiny by the district and session judge is essential, ensuring prisoners have a fair opportunity to present their defense. Public sector entities, despite criticism from organizations like Amnesty International and Human Rights CBO Watch Dogs, seem unresponsive to improving the dire conditions within Security/Bund wards.

56 State of Human Rights Report NCHR, 2022

Many inmates endure confinement with bar fetters, isolation in death row cells, challenging the credibility of the Government's commitment to the Mandela Rules 2015 and the Standard Minimum Rules for the Treatment of Prisoners. The stark contrast between current conditions and international standards underscores the need for immediate attention and corrective measures. Case-in-points.

a. Sarbajeet Singh’s Murder
b. Academician died during treatment while handcuffed
c. Multan Jail shoot out.
d. Murdering of judicial officers held hostage in Sialkot Prison premise.
e. Cases of Imdad and Kanizaan Bibi

Non-implementation of Human Rights Protection clauses as mentioned in criteria are causing abuses of Human Rights.

The audit pointed out the lapse in August, 2023. Management noted the observation and had not furnished the reply.

The matter was further reported to the administrative department. In DAC meetings held on 26.01.2024, the department replied that the Human Rights was the basic preference of the Punjab Prisons Department and no prisoner within the jails was treated inhumanly and prisoner enjoyed legal rights. Moreover, the rights of health, education & reforms of the prisoners were being ensured without any laxity. In case of any misuse or manhandling of any individual, strict departmental action was being taken against him under the Rules. As regards, instances reported in the observations by the audit, these are two old. Audit however emphasised that the instances of violence in the prison precincts warranted strict cognizance under the penal code and criminal prosecution of offences against the culprits.

The Committee kept the para pending for framing policy for stoppage of recurrence of such instances in the future as well as ensuring rolling out of the implementation plan.

Audit recommends that:

a. Indictment and investigation finalization lag be remedied
b. The intervening period between judicial remand and prosecution needs to be minimized
c. Recidivism for hardened criminals may be trailed
d. Want of reintegration through parole and probation merits re-engineering of process flows.
e. Regulating arbitrary punishments by jail superintendents need to be prioritized.

(PDP No. 2023-0000002813_F00010)

6.2.3.6 Higher intake of probationers for supervision against meager strength of Probationer Officers.

As per Rule 10 (b) of probation of offenders Rules 1961, in the first two months of probation of every probationer under his charge, meet the probationer at least once in a fortnight and thereafter, subject to the provisions of the probation order and any general or special orders of the officer-in-charge, keep in close touches with the probationer, meet him frequently, make inquiries into his conduct, mode of life and environment, and wherever practicable, visit his home from time to time.

During thematic audit of the Inspectorate General of Prisons, Punjab, a review of the data collected from the Directorate of Parole & Probation Department revealed that there were 41,107 prisoners on probation period during the year 2022-23 while the working strength of probationer's officer was 84. On average, one probation officer has to deal with 489 probationers which is an uphill task.

Overburdened staff resulted in less supervision of probationers.

The audit pointed out the lapse in August 2023. Management noted the observation and did not furnish a reply.

The matter was further reported to the dministrative department. In DAC meetings held on 26.01.2024, the department replied that the purpose of the Punjab Probation and Parole Service (PP&PS) was to rehabilitate offenders economically and reintegrate them in society and to make offenders good citizen. To achieve this aim, PP&PS is collaborating with other departments i.e. Punjab Emergency Rescue service 1122, Population welfare Department and city traffic police for providing life skills, first aid, and importance of family planning and traffic rules. Moreover, trainings are arranged for the offenders to make them good citizens. More than, 50 probationers attend the session arranged on District level for skill enhancement and training Further, revamping of the department is under process. Audit highlighted the anomaly of intangible effect of measures undertaken which turned out to be far from adequate.

The Committee kept the Para pending with the direction to the formation to introduce new initiatives to address the issues highlighted.

Audit recommends early filling of post to strengthen the parole and probation system.

(PDP No. 2023-0000002813_F00011)

6.2.3.7 Non computerization of probationer's data.

As per Rule 6 & 7 of Standard Minimum Rules for the Treatment of Prisoners (the Nelson Mandela Rules), there shall be a standardized prisoner file management system in every place where persons are imprisoned. Such a system may be an electronic database.

During the thematic audit of the Inspectorate General of Prisons, Punjab, it was observed that there were 41,107 probationers under probation for the period 2022-2023 having been placed under the supervision of parole & probation department but probationer's data was not got computerized which resulted into non detection of repeat offenders. Audit is of the view that as per above mentioned rule, there should have been computerized data of probationers to identify the repeat offender.

Weak internal control resulted in non-computerization of probationer data.

The audit pointed out the lapse in August, 2023. Management noted the observation and had not furnished the reply.

The matter was further reported to the administrative department. In DAC meetings held on 26.01.2024, the department replied that Nelson Mandela rules deal with confined prisoner while offenders' released on probation was to be afforded community correction. Moreover, an ADP project "offender management information system" was under process with collaboration with Punjab Information Technology Board. Within few months, probationer's data will be computerized and will be available for any kind of analysis.

The Committee kept the para pending until completion of all entry record in PMIS' software. The Committee directed to expedite the matter and submit updated report during next SDAC meeting.

Audit recommends for early automation and system assurance of the data of probationers for a meaningful analysis of data.

(PDP No. 2023-0000002813_F00012)

6.2.3.8 Work overload for the staff of the Prison Department owing to vacant posts

As per Rule 74 of SMR, the prison administration shall constantly seek to awaken and maintain in the minds both of the personnel and of the public the conviction that this work is a social service of great importance, and to this end all appropriate means of informing the public should be used.

During thematic audit of the Inspectorate General of Prisons, Punjab, it was observed that the state of occupancy of staff vacancy in Punjab prisons was poor across all the different cadres, executive staff, guarding staff and medical personnel etc. Out of total sanctioned strength of 21,775 number of officer/officials in all jails including administration offices of Punjab, 14182 number of posts were filled that was 65 % of total sanctioned strength. The details are as under:

a) Administrative Posts

Audit observed that against the sanctioned strength of 1528 Head Warders (m), only 1272 Head Warders (m) were working while on the post of Chief Warders (m), against sanctioned post of 160, only 106 number of Chief Warders were posted. Audit further observed that, in case of Female Head Warders, against sanctioned post of 196 posts, only 37 posts were filled while in case of Chief Warders female posts, against sanctioned post of 87. only 2 posts were filled.

b) Medical related posts

Audit observed that in Medical Side, against 62 sanctioned post of Medical Officer (M), 46 were working while in case of Medical Officer (F), against the sanctioned posts of 24, only 16 number of posts were filled. In case of 44 no of Psychologist post, only 16 numbers were filled while in case of junior Psychologist, against sanctioned posts of 43, only 11 post were filled. Against the very important post of Dentist Doctors, only 1 post of Dental Technician was working against sanctioned post of 41 nos. In Labs, against 42 number sanctioned posts of Lab Technicians, no one was working.

The audit pointed out the lapse in August 2023. Management noted the observation and had not furnished a reply.

The matter was further reported to the administrative department.In DAC meetings held on 26.01.2024, the department replied that specific policies had been approved by the Punjab Government to ensure provision of professional staff and officers for treatment of prisoners. Audit adverted to the fact that still many importatnt posts were vacant. The committee kept the para pending for more rationalization of staff according to the current strength of prisoners.

Audit recommends that management of the prison department should keep sufficient strength of the staff to ease the burn out syndrome.

(PDP No. 2023-0000002813_F00013)

6.2.3.9 Least Vocational, recreational and entertainment facilities

As per Rule 23 of SMR, every prisoner who is not employed in outdoor work shall have at least one hour of suitable exercise in the open air daily if the weather permits and young prisoner, and other suitable age and physic shall receive physical and recreational training during the period of exercise. As per Rule 4 (2) of Mandela Rules, the Prison administrations and other competent authorities should offer education, vocational training and work, as well as other forms of assistance that are appropriate and available, including those of a remedial, moral, spiritual, social and health- and sports-based nature.

During the thematic audit of the Inspectorate General of Prisons, Punjab, it was observed that in Punjab Prisons, vocational, recreational, cultural and entertainment facilities were being provided to prisoners. Only one project, open Air Gym was initiated by Punjab Sports Board in 9 jails against 43 jails of Punjab. No other sports programs/indoor or outdoor sport facility like table tennis, badminton, volleyball etc. was available to the prisoners. Further, vocational activities/trainings with the collaboration of TEVTA are being provided to prisoners in 14 Jails of the Punjab Province out of 43 Jails. Remission was also accorded to the passed prisoners for 01 month and 15 days respectively for passing 3 and 6-months courses but these remissions were not implemented so for. Audit further observed that very old designed courses were on offer like home appliances, motor winding, industrial stitching, motorcycle mechanic running course and domestic tailoring were being offered instead of imparting professional training to inmates in solar, geothermal, and smart energy management practices, construction technology, carpentry, drywall, masonry, plumbing, industrial painting, electrical construction, heating/ventilation/air conditioning/refrigeration, sheet metal, welding, electronics/network cabling, roofing, auto mechanics, engine service and repair, automotive body repair and refinishing, and small engine repair, office services and related technologies, computer literacy, cosmetology, and machine shop. Each of the programs is also not aligned with industry-recognized certification.

Weak Internal Controls and non- implementation of MR Rules had badly impacted prisoners mental and physical well-being.

The audit pointed out the lapse in August, 2023. Management noted the observation and did not furnish the reply.

The matter was further reported to the administrative department and DAC meetings was held on 26.01.2024 the department replied that at present, 25 jails of the Punjab province out of 43 jails provided indoor and outdoor sports facilities i.e. volley ball, carom board, basketball, table tennis, badminton, cricket and football to keep the prisoners' mental, physical health intact so that they become good citizen after release. Audit highlighted that the prison department was imparting vocational training only in 14 jails with obsolete courses while the facility of Gym was not extended across the board.

The Committee kept the para pending with the direction to the formation to submit a revised justified reply with supporting evidence during next DAC meeting along with operations of vocational and entertainment facilities in all prisons of the Punjab.

Audit recommends provide indoor sports facilities, entertainment facilities and latest vocational facilities including computer-based Labs etc. to keep the prisoner's mental, physical health in fine fettle.

(PDP No. 2023-0000002813_F00014)

6.2.3.10 Non-payment of equitable remuneration for the work of prisoners

As per Rule 103 (1) of the Mandela Rules, there shall be a system of equitable remuneration of the work of prisoners.

During the thematic audit of the Inspectorate General of Prisons, Punjab, it was observed that the Punjab Prison Department had not developed a system of equitable remuneration for compensating work of prisoners. Audit observed that jail management was collecting 35% of the cost as services from the purchaser of factory articles in Central Jails and sales proceeds was deposited into Government treasury without any system for compensating work remuneration to prisoners.

Weak Internal Controls resulted into violation of provision of Mandela Rules.

The audit pointed out the lapse in August, 2023. Management noted the observation and had not furnished the reply.

The matter was further reported to the administrative department. In DAC meetings held on 26.01.2024, the department replied that remuneration was given to the prisoner on the following schedule:

a) Rs. 7 per prisoner for peco of one dupatta at CJ, F/bad
b) Rs. 120 per prisoner for making of football at District Jail, Sialkot

As far as amendment in Pakistan Prisons Manual for providing set of works and payment of remuneration against services of inmates are concerned, Prisons Manual will be amended accordingly.

The Committee kept the para pending with the direction for the formation to take up the case for seeking advice from Law Department to bring the existing framework in conformity with Nelson Mandela Rules.

Audit recommends formulation of policy for providing work opportunity to prisoners and paying remuneration for the labor performed for maintaining their self-esteem.

(PDP No. 2023-0000002813_F00015)

6.2.3.11 Non utilization of Family Rooms to extend conjugal rights to Prisoners

As per Rule 58 “Contact with the outside world”, of Standard Minimum Rules for the Treatment of Prisoners (the Nelson Mandela Rules), where conjugal visits are allowed, this right shall be applied without discrimination, and women prisoners shall be able to exercise this right on an equal basis with men. Procedures shall be in place and premises shall be made available to ensure fair and equal access with due regard to safety and dignity.

During the thematic audit of the Inspectorate General of Prisons, Punjab, it was observed that in Central Jail, Faisalabad, and New Central Jail, Multan, 54 Family rooms were constructed by the Jail authority, but the policy/facility to spend time by the prisoner with his family in family rooms was started during 2021 and 2023 respectively and the inmates remained deprived of this facility about 11 years. The audit further observed in CJ Faisalabad, 73 applications of prisoners were pending at the Deputy Commissioner's Office and only 28 prisoners were allowed to exercise their conjugal rights. In Central Jail Multan, 07 prisoners availed the facility, and 18 applications were pending at DC office since 05.06.2023. Furthermore, out of total 54 rooms, only 12 were operational and remaining 42 rooms were left unused. Lengthy procedure for permission was also an obstacle for prisoners as well as their families to avail this facility such as DC office, DHQ/THQ, NADRA and Prison Department verifications.

Audit is of the view that huge expenditure was incurred by the department for construction of 54 rooms in 4 central jails, i.e. Multan, Faisalabad, Rawalpindi and Lahore but the rooms had not been fully utilized to facilitate the prisoners.

The audit pointed out the lapse in August, 2023. Management noted the observation and did not furnish the reply.

The matter was further reported to the administrative department. In In the DAC meetings held on 26.01.2024, the department replied that according to the policy of Government of the Punjab, Home Department was requested for operationalization of 54 family rooms constructed in 4 jails of Punjab i.e. Central Jail, Multan, Faisalabad, Lahore & Rawalpindi. In this connection Home Department, Lahore issued notification vide order No.SO(R&P)8-3/2005 dated 03.03.2021 for operationalization of family rooms in Punjab jails. After fulfilling the requirements family rooms are now functional and prisoners are availing this facility w.e.f. 03.07.2023 according to SOPs issued by Competent Authority. Further, the procedure of approval of applications was being adopted as per rules/ instructions devised by Home Department. Keeping in view, the health issues, security issues and other legal complications, the verification/approval is required from DC, office, DHQ hospital & NADRA. The jail administration was adopting the procedure without any discrimination and in accordance with the instructions of Government of the Punjab. Audit observed that most of the family rooms had been kept non-functional.

The Committee kept the para pending with the direction to formulate rules/SOPs in this regard and devise an efficient digitized process/mechanism to facilitate the prisoners in obtaining permissions more conveniently, besides amending rules to address issues in NADRA verification and simplification of procedures may be put in place with due regard to safety and dignity be ensured besides devising a comprehensive system for receiving application from prisoners to exercise their conjugal right.

Audit recommends for the provision of same facility in other jails of the Punjab and compliance of DAC's directions.

(PDP No. 2023-0000002813_F00016)

6.2.3.12 Non-functional Jail Hospital Ward to commission equipment provided by Punjab Aids Control Program

Rule 27 of the Standard Minimum Rules for the Treatment of Prisoners (the Nelson Mandela Rules) describes that all prisoners shall ensure prompt access to medical attention in urgent cases. Prisoners who require specialized treatment or surgery shall be transferred to specialized institutions or to civil hospitals. Where a prison service has its own hospital facility, they shall be adequately staffed and equipped to provide prisoners referred to them with appropriate treatment and care.

During the thematic audit of the Inspectorate General of Prisons, Punjab, a review of accounts of Central Jail Kot Lakhpat, Lahore revealed that a ward was constructed by the Health Department. Equipment was provided by the Punjab Aids Program but due to non-recruitment of staff, equipment's like Dialysis machines etc. could not be installed and commissioned. Further, in HSP, Sahiwal medical equipment like ultrasound machines remained dysfunctional since 2021. The lab equipment was completely non-operational due to non-posting of technical staff and ultrasound specialist. Similarly, ENT specialist, orthopedic surgeon and medical specialist paid very few visits, although it was part of the duty roaster. Moreover, the medicines recommended by the medical consultants to patients/prisoners were not provided to the outdoor patients/inmates.

Weak internal controls resulted into blockage of Government funds and depriving of prisoner from heath care facility, they were entitled to.

The audit pointed out the lapse in August, 2023. Management noted the observation and had not furnished the reply.

The matter was further reported to the administrative department and in DAC meetings held on 26.01.2024, and the department replied that Superintendent of central jail, Lahore intimated that there was no technical staff in jail hospital due to which 2 dialysis machines provided by Punjab AIDS Program were not installed and remained non-functional. Furthermore, Superintendent of HSP, Sahiwal informed that all lab equipment's were not completely non-operational as all related field specialist from DHQ hospital, Sahiwal paid regular visits to prisoners according to roaster and used medical equipment for prisoners treatment/ assessment. Moreover, all prescribed medicines by the medical consultants were provided to the prisoners on their availability in stock. Audit emphasised that value for money was yet to be conformed to, in the case of unused dialysis machines,

The Committee kept the para pending for compliance.

Audit recommends strict compliance of the decision of the SDAC decision.

(PDP No. 2023-0000002813_F00017)

6.2.3.13 Non-shifting of addicted prisoners in Specialized Institutions

The Mandela Rule 25 envisages that every prison shall have in place a health care service tasked with evaluating, promoting, protecting and improving the physical and mental health of prisoners, paying particular attention to prisoners with special health care needs or with health issues that hamper their rehabilitation. The health care services shall consist of an interdisciplinary team with sufficient qualified personnel acting in full clinical independence and shall encompass sufficient expertise in psychology and psychiatry.

During the thematic audit of the Inspectorate General of Prisons, Punjab, it was observed that there were 1796 addicted prisoners in the prisons which were not shifted to specialized institutions for rehabilitation.

Audit is of the view that if these prisoners are shifted to rehabilitation centers with the collaboration of the Health and Social Welfare Departments, the Government may achieve twofold benefits, 1st saving of prisoners cost of Rs. 442,959,443 annually and securing rehabilitation of prisoners (Annexure-61).

The audit pointed out the lapse in August, 2023. Management noted the observation and did not furnish any reply.

The formation replied that drug addicts barrack in each jail has been designated as rehabilitation centre where drug addicts are well treated. activities i.e. physical training, special attention towards cleanliness, daily religious education by religious teacher, weekly motivational and counselling session by medical officer jail, strict observance of prayers etc. are been carried out. On the other hand, inmates with mental health issues are transferred to special institutions after referrals are obtained by consultant psychiatrists. At present, 28 Nos. of mentally ill prisoners are admitted to the Punjab Institute of Mental Health Lahore for medical treatment vide letter No.34770/Pc/PIMH dated 18.12.2023 issued by the Medical Superintendent, PIMH. Audit emphasised that screening for psychological and mental illness was warranted.

The Committee kept the para pending for compliance

Audit recommends that addicted prisoners should be shifted in specialized institutions for rehabilitation purpose.

(PDP No. 2023-0000002813_F00018)

6.2.3.14 Long Solitary Confinement in Prison Rules

As per Rule No 43 of the Mandela Rules, in no circumstances may restrictions or disciplinary sanctions amount to torture or other cruel, inhuman or degrading treatment or punishment.

The following practices, in particular, shall be prohibited:

1. Indefinite Solitary Confinement
2. Prolonged Solitary Confinement
3. Placement of a Prisoner in a dark or constantly lit cell
4. Corporal Punishment
5. Collective Punishment

During thematic audit of the Inspectorate General of Prisons, Punjab, it was observed that there was a contradictory rule provision regarding solitary confinement for a long period as defined in PPR No. 638.

Audit is of the view that weak internal control regarding adoption of the Mandela Rules has allowed an anomaly to persist.

The audit pointed out the lapse in August, 2023. Management noted the observation and had not furnished the reply.

The matter was further reported to the administrative department. In DAC meetings held on 26.01.2024, the department replied that the prisoner were not kept in a solitary confinement as a jail punishment. The Superintendent Jail had authority to keep the prisoners separate from the other prisoners who commit any jail offence. It was not a solitary confinement but the prisoners were kept in a block which was called segregation block. However, the prisoners imposed solitary confinement sentence by the court is implemented in its letter & spirit.

The committee kept the para pending with the direction to take up the case for seeking advice/clarification from Law Department. Punjab Prisons Rules 1978 be amended to bring the same in conformity with Nelson Mandela Rules.

Audit recommends for amendment in the Pakistan Prison Rules regarding solitary confinement for long period of time and other restrictions or disciplinary sanctions which was tantamount to torture or other cruel, inhuman or degrading treatment or punishment.

(PDP No. 2023-0000002813_F00002)

6.2.3.15 Non formulation of any pre-release regime of prisoners

Mandala Rules 86 to 90 deal with the guiding principle that the main aim of the prison system/sentence should be to ensure gradual return of the prisoner in the society. This aim may be achieved, depending on the case, be a pre-release regime organized in the same prison or in another appropriate institution and collaboration with social works/non-Government organizations etc.

During thematic audit of the Inspectorate General of Prisons, Punjab, it was observed that there was required to be a model/program framed by the management of the Prison department regarding pre-release regime organized in the same prison or in another appropriate institution and collaboration with social works/non-Government organizations etc. No scheme with the probation department was started to release the prisoner of long sentence on probation who had completed a maximum period of imprisonment and were left with one or two year of sentence to serve.

Audit is of the view that dormant response entailed violation of the Mandela Rules.

The audit pointed out the lapse in August, 2023. Management noted the observation and had not furnished any reply.

The matter was further reported to the administrative department. In DAC meetings held on 26.01.2024, the department replied that under the Prisons Rules, the Superintendent Jail fixed the final date of release of convicted prisoner three months prior to release which was communicated to the prisoner and his relatives. However, the Punjab Prisons Department has drafted MOU with the Social Welfare Department to establish a pre-release unit at each jail of Punjab.

Social welfare officer shall explore all opportunities for the re-integration of prisoners into society especially drug addicts in line with Rule 18-A of Pakistan Prisons Rules, 1978, On release of prisoners, to ensure continuity of treatment, the medical officer shall, through the Superintendent, to the Medical Superintendent of District Headquarter Hospital and Tertiary care Hospital for treatment. The Superintendent jail shall also share such details with the District Criminal Justice Co-ordination Committee in its monthly meeting.

The Committee kept the para pending and directed the formation to take up the matter regarding framing a policy for formulation a Pre-release regime for prisoners in light of Mandela Rules.

Audit recommends devising a pre-release schemes/model in collaboration with NGOs, Social Work Organization, etc. besides ensuring formulation of policy for evolving a detailed mechanism of re-integration of pre- release regime for prisoners approaching the expiry of prison sentence.

(PDP No. 2023-0000002813_F00003)

6.2.3.16 Miscellaneous internal discrepancies in Jail

Rule 5 of the United Nations Standard Minimum Rules for the Treatment of Prisoners (the Nelson Mandela Rules) stipulate that prison administrations shall make all reasonable accommodation and adjustments to ensure that prisoners with physical, mental or other disabilities have full and effective access to prison life on an equitable basis. As per Rule 74 of SMR the prison administration shall constantly seek to awaken and maintain in the minds both of the personnel and of the public the conviction that this work is a social service of great importance, and to this end all appropriate means of informing the public should be used.

During thematic audit of the Inspectorate General of Prisons, Punjab, it was observed that in Central Jail Faisalabad, 1827 number of authorized accommodation were available whereas, 2676 number of prisoners were confined in the barracks resulted into overcrowding of jails. The jammers were not restricting mobile movement in jails as 35 mobile jammers installed in Central Jail, Faisalabad to control the calls from jail to outside. The management of the jail had taken into custody 150 mobiles from prisoners showing use of mobiles by prisoners. The jail management was paying huge amount to telecommunication companies to stop that activity but existence of mobiles in jail showed failure of mobile jammer system. Old typical articles like handmade carpets, nawar patti, bed sheets were manufactured instead of installation of automatic machines at the factory for better production and utilization of services of prisoners. A large number of washrooms were repairable in violation of a provision of the Mandala Rules regarding provision of hygienic environment to prisoners

Audit is of the view that the shortcomings were caused due to weak administrative controls.

The matter was reported to the entities in October 2023. The management noted the observations for compliance.

The matter was further reported to the administrative department. In DAC meeting held on 18.12.2023, the para was kept pending for probe at IG Prison's level and devising remedies for shortcomings.

Audit recommends that matter be looked into, and effective steps may be taken for ensuring:

- Proper maintenance of Mobile Jammers;
- Repair of washrooms
- Early functionality of under construction barracks be ensured.

(PDP No. 2023-0000003200_F00003)

7. RECOMMENDATIONS

The following recommendations are proposed:

i. A review of the Prison Rules and other relevant laws with the object of fulfilling the commitments enjoined by Constitution, international treaties and conventions is required.

ii. Electronic file Management System was to be commissioned to address prisoners complaints, profiling, periodic prisoner assessment, information related to behavior, any disciplinary sanctions, reported injuries, and periodic health reports of a prisoner.

iii. PMIS System in all the Jails of the Punjab be integrated besides sharing of prisoners data with other allied departments like Home Department, NADRA and Parole & Probation Department etc.

iv. Comprehensive Capacity Building Plan of Probation Services need to be devised besides trace and track system through ICT interventions, also ensuring digitization of Probationer data and integration of that data with the Home Department, Admin & Justice Department.

v. Government should address the grave issue of overcrowding in prisons and develop a plan of action to resolve the problem by adopting other alternative methods instead of imprisonment complemented by conferment of legislative cover needed to criminalize torture, followed by Setting up of specialized Prison Tribunals and operationalization of the Juvenile Justice Act 2018 and empowerment of District Legal Aid Committees also enhancing the number of E-Courts.

vi. Focus on speedy disposal of court cases is required as large numbers of prisoners are either under trial or their appeals pending in courts for a period of more than one year.

vii. Establishing a merit based pool of experienced legal practitioners is warranted for extending free legal aid to prisoners who cannot afford private legal representation.

viii. Prison facilities should be brought in line with international standards especially with regard to honoring the right to health.

ix. Indictment and investigation finalization lag be remedied. Furthermore, intervening period between judicial remand and prosecution needs to be minimized.

x. Steps are required to be taken in order to regulate arbitrary punishments by jail superintendents.

xi. Reintegration process of Probationers may be ensured by engagement of NGOs and Skill Development institutions in collaborations with Small & Medium Enterprises (SMEs) and reputed training service providers.

xii. Rehabilitation and skilling of prisoners may be ensured by offering wage earnings, gratuity schemes and incentives.

xiii. Indoor sports, entertainment and latest vocational facilities including computer-based Labs etc. be commissioned to keep the prisoner's mental, physical health intact.

xiv. Conjugal rights of Prisoners be extended without discrimination. Simplified procedures may be put in place and equal access with due regard to safety and dignity be ensured. Audit further recommends ensuring these facilities in all prisons of the Punjab.

xv. Addicted prisoners detained on charges of possessing drugs should be shifted to dedicated and specialized institutions for rehabilitation purpose.

xvi. Pre-Release Regime with the collaboration of Social Welfare Department be rolled out.

8. CONCLUSION

The Punjab province's prison system operates under the lingering legacy of archaic colonial legislation. The Good Conduct Prisoners Probation Release Act of 1926, the Prisoner Act of 1894, the Punjab Borstal Act of 1926, and the Pakistan Prison Rules of 1978 are incompatible with the SMR 2015, and hardly serve rehabilitative purposes. The Mandela Rules on Treatment of Prisoners are to be used as the standards and benchmarks for a gap analysis of the Prison Rules, which showed that the SMR 1985 placed a greater emphasis on human dignity than did the Prison Rules 1978. Furthermore, Punjab lacks adequately functional prisoner management information systems for managing prisons and their inmate population. In addition, prisoners are yet to be afforded periodic screening for mental and physical health problems. Furthermore, the Prison Rules are insufficient to address the problem of overcrowding or the rights of inmates, particularly those with disabilities, as these issues are being addressed globally.

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SOURCES OF DATA

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AUDIT REPORT

ON

THE ACCOUNTS OF

REVENUE RECEIPTS

GOVERNMENT OF THE PUNJAB

AUDIT YEAR 2023-24

REVENUE RECEIPTS GOVERNMENT OF THE PUNJAB

1.4 AUDIT PARAS

Irregularities

1.4.1 Less realization and non-verifiable challans relating to withholding taxes on transfer of immovable property -Rs. 4,612.232 million

As per Section 236-K of the Income Tax Ordinance, 2001, as amended through Finance Act, 2022, withholding tax was levied @ 2% from filer and 7% from non-filer in the case of purchaser of the property at the time of registering or attesting transfer of immovable property.

Further, as per Section 236-C of the Income Tax Ordinance, 2001 as amended through Finance Act, 2022, withholding tax was levied @ 2% from filer and 4% from non-filer in the case of seller of the property at the time of registering or attesting transfer of immovable property.

During the examination of record of the Board of Revenue, it was noticed that in 30 Revenue officers, there were instances of under reporting of withholding tax amounting to Rs. 4,641,516,750 involving non deposit, misapplication of prescribed rates by treating non-filers as filer in 13,890 cases and acceptance of challans without verification of genuineness in 1,138 cases related to purchasers and sellers of transfer of property up till Financial Year 2022-23.

Lack of internal and administrative controls resulted in less realization of government revenue amounting to Rs. 4,641,516,750 **(Annex. 2).**

The matter was reported to the respective formations as well as to the Principal Accounting Officer from the months of May to December, 2023 but no reply was received.

DAC in its meetings held in the months from September, 2023 to January, 2024 reduced the para to Rs. 4,612,231,598 after verification of Rs. 29,285,152 and directed the department to recover the balance amount at the earliest after probing the matter for non-verifiable challans.

Audit recommends recovery of the Government dues without further delay.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 1.4.3 and 1.4.4 having financial impact of Rs. 229.075 million. Recurrence of same irregularity is a matter of serious concern.

1.4.2 Non-realization of penalty on purchase of property through non-banking channel -Rs. 3,759.413 million

The Finance Act, 2019 amending Section 75 of the Income Tax Ordinance, 2001 with insertion of sub-section "A" states that "any person who purchases immovable property having fair market value greater than rupees five million through cash or bearer cheque shall pay a penalty of five percent of the value of property determined by the Federal Board of Revenue under sub-section (4) of Section 68 of Income Tax Ordinance, 2001 or by the provincial authority for the purposes of stamp duty, whichever is higher".

During the examination of record of the Revenue Department, it was noticed that 30 attesting and registering authorities had not charged the penalty amounting to Rs. 3,759,697,766 **(Annex. 3)** in 5,375 cases where payment was made through non-banking channels for the properties valued more than five million.

The violation of the above rule resulted in non-realization of the penalty enforceable.

The matter was reported to the respective formations as well as to the Principal Accounting Officer from the months of May to December, 2023 but no reply was offered.

DAC in its meetings held in the months from September, 2023 to January, 2024 reduced the para to Rs. 3,759,412,516 after verification of Rs. 285,250 and directed the department to recover the remaining amount at the earliest.

The Audit recommends recovering the penalty at the earliest besides strengthening weak internal controls.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 1.4.1 having financial impact of Rs. 1,567.566 million. Recurrence of same irregularity is a matter of serious concern.

1.4.3 Non retrieval of state land measuring 4742 acres and non-collection of rent from commercial entities -Rs. 2,892.189 million

According to Section 28 of the Colonization of Government Lands (Punjab) Act, 1912 all sums due to government in respect of a tenancy granted in pursuance of the Government Tenants (Punjab) Act, 1893, or under the provisions of this Act or of the rules and conditions issued thereunder, and all sums due on account of fines, confiscations, costs and penalties, shall be recoverable as if they were arrears of land revenue.

During examination of record of the Senior Member Board of Revenue Lahore for the year 2022-23, it was observed that the lease agreement of state land measuring 4,742 acres with 41 entities has been expired, but the department had neither made any effort to retrieve land nor made recovery of rent along with imposition of tawan on illegal occupation.

As per available data, lease rent of Rs. 2,892,189,710 for 4 entities were pending. Whereas, lease rent of other entities were neither assessed nor recovered.

The lapse occurred due to ineffective financial controls, which resulted in the non-retrieval of state land after expiry of lease agreements and the non-collection of rent from commercial entities amounting to Rs. 2,892,189,710.

The matter was reported to the management in November, 2023. In response to the audit observation, the management had not offered any reply.

DAC in its meeting held in the month of December, 2023 kept the para pending for compliance.

The audit recommends to take possession of state land and make recovery of lease rent along with penalty.

[AMIS Para ID 2023-0000002826_F00035]

1.4.4 Non-realization of condonation fee -Rs. 2,517.171 million

Section 30 of the Colonization of Government Lands (Punjab) Act, 1912 provides instruction regarding statement of conditions to be incorporated in the sale/conveyance deed. Condonation/conversion/ royalty fee is charged against the use of state land allotted for agriculture purpose subsequently converted into residential /commercial /industrial purpose, or land allotted for residential purpose converted into commercial /industrial purposes.

During examination of record of the Senior Member Board of Revenue, Lahore for the year 2022-23, it was observed that the department had not recovered the condonation fee for conversion of land into commercial/residential land amounting to Rs. 2,517,171,000.

It was further added that the department had not conducted complete survey for the assessment of condonation fees in Punjab for conversion of allotted state land into residential and commercial.

The lapse occurred due to weak internal and administrative controls, which resulted in the non-realization of condonation fee amounting to Rs. 2,517,171,000.

The matter was reported to the management in November, 2023. In response to the audit observation, the management had not offered any reply.

DAC in its meeting held in the month of December, 2023 kept the para pending for recovery of fee within 15 days.

The audit recommends recovering the amount in question and assessing the condonation fee involved in all cases through the District Price Assessment Committee.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2020-21 vide para number 2.4.7 having financial impact of Rs. 1,862.049 million. Recurrence of same irregularity is a matter of serious concern.

[Para ID 2023-0000002826_F00002]

1.4.5 Non-collection of Government share from the income of PCB, LCBDDA and non-retrieval of allotted land -Rs. 1,898.825 million

As per Clause (IV) of the lease deed, Pakistan Cricket Board was required to pay 20% share of income derived from commercial use of leasehold land after two years from date of execution of lease agreement.

As per Notification No. 1320-2021/2142-CS-I dated 30-08-2021 in exercise of the powers conferred under Section 10 of the Colonization of Government Lands (Punjab) Act, 1912, Governor of the Punjab is pleased to transfer State/Nazul land measuring 70 acres situated at Walton Airport/Flying Club in favor of Lahore Central Business District Development Authority (LCBDDA) on specific terms and conditions. Profit share of Government of the Punjab shall be 57.4% or higher as per utilization of state land of the net profits of LCBDDA.

During examination of record of the Senior Member Board of Revenue, Lahore and Additional Deputy Commissioner (Revenue), Lahore for the year 2022-23, it was observed that total state land measuring 1,174 kanals has been allocated to Nishtar Park Sports Complex for sports activities but in violation of statement of condition the land was not used for the sport activities. The said state land remained under the unauthorized occupation of departments, nurseries and theaters under control of Punjab Institute of Language, Art & Cultures (PILAC).

It was further observed that 304.83 acres of provincial government land fall under LCBDDA and the authority auctioned two plots for Rs. 56.48 billion. As per the terms and conditions mentioned above, an estimated profit or income of Rs. 1,545,000,000 was to be shared with the Government of the Punjab and to be deposited in the treasury.

The lapse occurred due to ineffective financial controls which resulted in non-recovery of government share amounting to Rs. 1,898,825,000 from the income of PCB and LCBDDA.

The matter was reported to the management in month of November, 2023. In response to the audit observation, the management had not offered reply.

DAC in its meeting held in the month of December, 2023 kept the para pending for compliance.

Audit recommends to recover the government share of income derived from entities along with retrieval of state land.

[Para ID 2023-0000002826_F00037 & 2023-0000004709_F00003]

1.4.6 Less recovery of stamp duty on transfer of immovable property -Rs. 1,759.179 million

Sub-section (2) of Section 27-A of the Stamp Act, 1899 states that "where an instrument mentioned in sub-section (1) relates to an immovable property consisting of land and structure including a multi-story building, such instrument shall state the value of the land and structure separately, and stamp duty on the structure shall be calculated as per the covered area or the area of the structure mentioned in the instrument whichever is higher, and in case there is no approved building plan, two percent duty of the value of land in addition to payable duty shall be charged prescribed in amended Punjab Finance Act, 2021.

Further, Section 27-A of the Act ibid, states that stamp duty, leviable on conveyance, exchange and gift deeds are required to be calculated according to the valuation table notified by the district collector concerned at the rate of one percent as prescribed in Punjab Finance Act, 2020.

During examination of record of 53 Revenue officers, it was observed that the registering authority either charged stamp duty at lower rate than applicable at the time of registering deeds or had not charged the same at all in 9,007 cases amounting to Rs. 1,765,665,543 **(Annex. 4).**

Audit is of the view that lack of internal and administrative controls resulted in non-recovery of stamp duty.

The matter was reported to the management from the months of June to December, 2023. In response to the audit observation, the management had not offered any reply.

DAC in its meetings held in the months from September, 2023 to January, 2024 reduced the para to Rs. 1,759,178,784 after verification of Rs. 6,239,983 and directed the department to recover the balance amount at the earliest.

Audit recommends that matter be probed for fixing the responsibility for registering the documents without payment of duties and inaction for invoking relevant provisions of law besides recovering the amount due.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 1.4.2 having financial impact of Rs. 179.843 million. Recurrence of same irregularity is a matter of serious concern.

1.4.7 Non-recovery of lease rent of state land -Rs. 1,266.36 million

According to para 15 of Notification/Memorandum issued by the BOR, Punjab vide Notification No. 2106-2019/753-CL(I) dated 13.9.2019, the rent of the second and subsequent years shall be paid with 15 % annual increase.

As per BOR's letter No.1773-2012/732-CLI dated 21.06.2012 "the Government has allowed to extend the period of leases up to *Rabi* 2013 and later on, vide letter No. 2411-2013/757-CLI dated 09.09.2013 up to *Rabi* 2015 subject to the payment of annual enhancement @ 15% over the rent paid last time".

During the examination of record of 9 Revenue Officers, it was revealed that outstanding lease rent of state land amounting to Rs. 1,270,103,526 in 586 cases **(Annex. 5)** was not recovered with stipulated enhancement from the allottees.

Audit is of the view that lack of internal and administrative controls resulted in non-recovery of government dues.

The matter was reported to the respective formations as well as to the Principal Accounting Officer in June, 2023. But no reply was offered

DAC in its meetings held in the months from September, 2023 to January, 2024 reduced the para to Rs. 1,266,359,779 after verification of Rs. 3,743,747 and directed the department to recover the balance amount at the earliest.

Audit recommends to recover the government dues from the concerned besides holding an inquiry for fixing the responsibility against those at fault.

1.4.8 Inaction of department for non-recovery of lease rent from temporary cultivation schemes -Rs. 544 million

According to para 15 of the Notification/Memorandum issued by the BOR, Punjab Lahore, vide No. 224-2010/119-CL-I dated 13.01.2010 subsequent Notification No. 916-2013/931-CL I dated 26.11.2013, the rent of the second and subsequent years shall be paid with 15% annual increase. Whereas, different schemes were introduced by the Board of Revenue for allotment of land under temporary cultivation schemes.

During examination of record of the Senior Member Board of Revenue, Lahore for the year 2022-23, it was observed that the department had not taken action against the pending recovery of lease rent under the temporary cultivation scheme in all over of Punjab.

The lapse occurred due to ineffective financial controls, which resulted in non-recovery of lease rent from temporary cultivation schemes amounting to Rs. 544,000,000.

The matter was reported to the management in the month of November, 2023. In response to the audit observation, the management had not offered any reply.

DAC in its meeting held in the month of December, 2023 kept the para pending for compliance.

The audit recommends that the matter be pursued and recovery be got affected besides strengthening the administrative controls.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2020-21 vide para number 2.4.8 having financial impact of Rs. 1,587.284 million. Recurrence of same irregularity is a matter of serious concern.

[Para ID 2023-0000002826_F00024]

1.4.9 Loss to Government exchequer by issuing fard with wrong valuation -Rs. 342.233 million

As per Section 15 of the Punjab Land Records Authority Act, 2017 "documents included in land records-The Authority shall specify the documents forming part of record of rights which are to be computerized, and such computerization shall be done in such form and manner as may be prescribed.

As per sub-section 4 of Section 25 of the Punjab Land Revenue Act, 1967 "survey number" or "khasra number" means a portion of land of which the area is separately entered under an indicative number in the record-of-rights; The fard for sale is an ownership certificate with the details of the property, the owner, the boundaries and any liens on the property as registered in the Records of Rights."

During examination of records of the Punjab Land Record Authority, Lahore for the year 2022-23, it was observed that the service center official issued fards with wrong valuation of land resulting in wrong calculation of property value causing loss of Rs. 81,396,000 due to undervaluation of properties. Furthermore, in 943 cases value for *khasras* were not mentioned in fards issued for sale of immoveable properties causing loss to government revenue of Rs. 260,837,000.

The lapse occurred due to weak internal and administrative controls, which resulted in a loss of Rs. 342.23 million to the government exchequer.

DAC meeting was not convened till finalization of this report.

Audit recommends to recover amount from concerned person(s) at fault besides taking corrective measures for incorporation of correct valuation of khasra number in fard.

[AMIS Para ID 2023-0000005650_F00003 and 2023-0000005650_F00004]

1.4.10 Evasion of taxes due to internal transfer and non-conducting of audit of private housing schemes -Rs. 292.351 million

Section 63 of the Stamp Act, 1899 states that "transfer of a right or interest relating to an immovable property that is to say:

i) An instrument of transfer of a right or interest relating to an immovable property or an acknowledgement of such transfer, by a development authority, housing authority or a statutory body.

ii) An instrument of transfer of right or interest relating to an immovable property or an acknowledgment of such transfer by a cooperative housing society will be charged at the rate one percent of the value of the property".

During examination of record of the Senior Member Board of Revenue, Lahore for the year 2022-23, it was observed that the internal auditors conducted audit of 19 societies during 2022-23, as per the data provided by the department, pointed out recovery of stamp duty amounting to Rs. 189,229,000. Out of 19 housing societies, 12 housing societies refused to produce records to Inspector of Stamps, but the department had not taken action against non-provision of records. It was further revealed that the BOR had not conducted an audit of 676 housing societies.

Furthermore, examination of record of Sub-Registrar, Fatah Jang for the period 2019-23 revealed that 12 housing societies were transferring the land internally instead of registration of sale deeds in the office of the sub-registrar. The non-implementation of instructions and laws, caused legal complications for the general public relating to ownership of properties in revenue record as well as a loss to the government exchequer of Rs. 107,892,556 as detected by internal auditors of Board of Revenue.

The lapse occurred due to ineffective financial controls which resulted in non-recovery of tax of Rs. 297,121,000.

The matter was reported to the management in the months of May and November, 2023. In response to the audit observation, the management had not offered any reply.

DAC in its meeting held in the month of December, 2023 reduced para to Rs. 292,351,000 after verification of Rs. 4,770,624. The committee directed the department to initiate audit of societies and recover the balance amount at the earliest.

The audit recommends that the amount be recovered and a comprehensive internal audit mechanism related to audit private housing societies is required to be devised by Board of Revenue.

[AMIS Para ID 2023-0000002826_F00019 and 2023-0000004710_F00009]

1.4.11 Non deposit of Government receipts into Consolidated Fund -Rs. 271.56 million

Article 118 of the Constitution of the Islamic Republic of Pakistan states that "all revenues received by the provincial government, all loans raised by that government, and all moneys received by it in repayment of any loan, shall form part of a consolidated fund, to be known as the Provincial Consolidated Fund".

During examination of record of the Senior Member Board of Revenue, Lahore for the year 2022-23, it was observed that the amount of Rs. 271,560,000 was required to be deposited in Consolidated Fund but the same was kept in an unauthorized bank account No.

6510047113900018 with the title as “Member Revenue Board/Chief Settlement Com” at the Bank of the Punjab.

Audit is the view that the amount on account of sale of land should be deposited into the government treasury on Challan 32-A under the receipt head C03721 (sale proceeds and rent of urban evacuee property and mortgage money).

The lapse occurred due to negligence on the part of the management which resulted in non-deposit of government receipts in Consolidated Fund of Rs. 271,560,000.

The matter was reported to the management in the month of November, 2023. In response to the audit observation, the management had not offered any reply.

DAC in its meeting held in the month of December, 2023 kept the para pending for compliance.

The audit recommends probing the matter for fixing responsibility and providing all the details of receipts deposited in commercial bank account up to June, 2023 since the opening of account besides such amounts be deposited in Consolidated Fund.

[AMIS Para ID 2023-0000002826_F00009]

1.4.12 Irrational assessment of commercial purpose state land and non-recovery of price -Rs. 249.493 million

Board of Revenue vide its Notification No. 918-213/933-CL (II) dated 26th November, 2013 prescribed the policy for sale of state land to federal and provincial government department.

More so, according to policy instruction circulated vide Memo No. 5525-75-1/234-CS dated 23-01-1976, where the state land is sold to federal government departments/agencies on current market price, the same is to be assessed by District Price Assessment Committee and approved by Provincial Price Assessment Committee.

During the audit of the accounts of General Assistant Colony Branch/Additional Deputy Commissioner Revenue, Toba Tek Singh, it was observed that 342 kanals and 13 Marla of government land was allotted to small industries, Kamalia. However, sale price of government land for Rs. 128,493,750 was not received as the same is evident from BOR’s letter No. 571-2022 /1694 CS3 dated 20.5.2022.

It was also observed that government land measuring 436 kanals & 11 marla within Prohibited Zone was handed over to NHA for motorway M-4 for which the price of land amounting to Rs. 121,000,000 was not recovered by the management. The said land is being used for commercial purposes, but the assessment of price was not made by applying commercial rates to the land which resulted in less assessment of value of state land.

The audit is of the view that this lapse on the part of the management resulted in an irrational assessment of commercial purpose state land and non-recovery of price amounting to Rs. 249,493,000, which indicates weak administrative and internal controls.

The matter was reported to the respective formation as well as to the Principal Accounting Officer in the month of June, 2023.

DAC in its meeting held in the month of December, 2023 kept the para pending for compliance.

The Audit recommends recovering the price of land from the concerned departments after assessment of land by applying the commercial rates.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 1.4.7 having financial impact of Rs. 6.613 million. Recurrence of same irregularity is a matter of serious concern.

[AMIS Para ID 2023-0000001544_F00004 & F00005]

1.4.13 Less-realization of mutation fee due to under valuation of rural land -Rs. 31.387 million

The Board of Revenue's Notification No. 1587-2010/1597-LR-I, dated 30.6.2010, prescribes 3% mutation fee chargeable at the rates of land notified by district collector on transfer of immovable property through oral mutation.

During examination of record of the Revenue Department, it was noticed that six Revenue Officers, while attesting oral transfer of immovable property, charged the mutation fee less than due amount in 3,091 cases amounting to Rs. 35,425,668. In these cases, actual khasra numbers of rural land were ignored while attesting the mutation. Another deviation was with respect to residential land with area of one kanal erroneously treated as agriculture in violation of instruction issued by Board of Revenue.

Moreover, it was also found that location used for issuance of fard varies with actual description about on ground location of property as available in mutation, verified by attesting authority.

Audit is of the view that lack of internal controls and oversight of DC rates on the part of management resulted in less-realization of mutation fee amounting to Rs. 35,425,668 **(Annex. 6).**

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the months of May to December, 2023 but no reply was offered.

DAC in its meetings held in the months from September, 2023 to January, 2024 reduced the para to Rs. 31,387,381 after verification of Rs. 4,038,287 and directed the department to recover the balance amount at the earliest.

Audit recommends that the recovery of government dues be made without further delay.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 2.4.7 having financial impact of Rs. 6.613 million. Recurrence of same irregularity is a matter of serious concern.

1.4.14 Short-realization of stamp duty due to misclassification of commercial property as agriculture land -Rs. 14.299 million

According to Schedule-I of the Stamp Act, 1899, as amended through the Punjab Finance Act, 2021, stamp duty @ 1% on conveyance, exchange and gift deed in an urban area are required to be calculated according to valuation table notified by the district collector under Section 27-A of the Stamp Act,1899.

During examination of record of the Sub Registrar, Multan (Cantt.) for year 2021-22, it was observed that in two sale deeds, i.e. 9437 and 9438 dated 14.06.22 of Mehran Solvex Industry Private Limited and Mehran Ginning Industries (Private) Limited respectively, commercial/industrial land was shown as agricultural land to avoid stamp duty and other taxes.

Audit is of the view that lack of internal controls resulted in short-realization of stamp duty due to change in the status of commercial property as agricultural land amounting to Rs. 14,299,193.

The matter was reported to the management in the months of June, 2023. In response to the audit observation, the management had not offered any reply.

DAC in its meeting held in the month of September, 2023 kept the para pending for compliance.

Audit recommends that the matter be pursued and recovery of government dues got affected besides fixing responsibility against officials at fault.

[AMIS Para ID 2023-0000001394_F00006]

1.4.15 Short realization of stamp duty on rural properties due to application of incorrect rate of tax -Rs. 11.659 million

According to Schedule-I of the Stamp Act 1899, as amended through the Punjab Finance Act, 2017, “urban area means an area which is:

(a) a rating area under the Punjab Urban Immovable Property Tax Act, 1958;

(b) the area already declared as an urban area under the Punjab Finance Act, 2010;

(c) any other area which the Board of Revenue may, by notification, declare as an urban area;

(d) an area developed by a development authority, housing authority, statutory body, cooperative housing society or a real estate company or developer".

Stamp duty @ 1% and 3 % is levied for urban and rural properties respectively on conveyance, exchange and gift deed as per value of land in accordance with the valuation table notified by the district collector under Section 27-A of the Stamp Act, 1899.

During examination of record of the Sub Registrar, Rawalpindi Urban I & II for the period up to 2021-22, it was observed that the stamp duty was less recovered while attesting the transfer of immovable properties in 192 cases by treating the rural properties as urban which resulted in short-realization of Stamp duty amounting to Rs. 11,659,209.

Audit is of the view that weak internal and administrative controls resulted in non-recovery of stamp duty.

The matter was reported to the management in the month of May, 2023. In response to the audit observation, the management had not offered any reply.

DAC in its meeting held in the month of December, 2023 kept the para pending for compliance.

Audit recommends to recover the government dues at the earliest.

[AMIS Para ID 2023-0000001551_F00004]

1.4.16 Non-realization of Ahlay Commission fee -Rs. 1.940 million

As per Board of Revenue, (Stamp Wing)'s Notification No. 3457-2019/2018-ST(I) dated 24-12-2019, an amendment in Article V of table of registration fees of Registration Act, 1908 was given effect, imposing a fee Rs. 5,000 for issuance of commission and for attending at private residence on whose behalf the journey is performed, in addition to the already prescribed fees for registration.

During audit of Revenue Department, it was noticed that three Registering Authorities had not collected due fee of Rs. 2,114,000 in 393 cases on appointment of *Ahlay* Commission up to financial year 2022-23.

Audit is of the view that weak internal and administrative controls resulted in non-realization of *Ahlay* Commission fee.

(Amount in Rs.)

Sr No.	**Name of Formation**	**PDP #**	**No of Cases**	**Amount Pointed Out**	**Verified**	**Balance**

1	Sub-Registrar, Rawalpindi (Urban-I + Rural)	2023-0000001551_F00010	34	204,000	173,300	30,700
2	Sub-Registrar, Urban-I&II Faisalabad	2023-0000001552_F00008	174	985,000	-	985,000
3	Sub-Registrar, Multan (city)	2023-0000003223_F00008	185	925,000	-	925,000
Total			**393**	**2,114,000**	**173,300**	**1,940,700**

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the months from May to December, 2023 but no reply was offered.

DAC in its meetings held in the months from September, 2023 to January, 2024 reduced the para to Rs. 1,940,700 after verification of Rs. 173,300 and directed the department to recover the balance amount at the earliest.

Audit recommends to fix the responsibility for negligence and recover the government dues at the earliest.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 1.4.9 having financial impact of Rs. 6.394 million. Recurrence of same irregularity is a matter of serious concern.

1.4.17 Non-completion of confiscation process for properties on direction of accountability courts

The government made a committee headed by Chairman P & D (Planning & Development) for allocation, management and disposal of confiscated cases and as well as other similar properties received by the Government.

During examination of record of the Senior Member Board of Revenue, Lahore for the year 2022-23, it was observed that 19 properties valuing Rs. 2,225,239,485 were transferred to Government of the Punjab vide Deed No. 3471 dated June 24, 2019 by Sub-Registrar, Nishtar Town Lahore. Whereas, the confiscated properties situated in Mouza Shahzada, Tehsil Model Town and Mouza Ahlo were still under the possession of a housing scheme. Neither entry in revenue record was made available to audit for confiscated property measuring 208 kanals and 10 Marla nor the efforts were made to safeguard and utilize the confiscated properties.

The lapse occurred due to ineffective financial controls, which resulted in non-completion of confiscation process of properties on direction of accountability courts.

The matter was reported to the management in the month of November, 2023. In response to the audit observation, the management had not offered any reply.

DAC in its meeting held in the month of December 2023 kept the para pending for compliance.

The audit recommends disposing off confiscated property at the earliest besides efforts be made for safeguard and proper utilization of properties.

[AMIS Para ID 2023-0000002826_F00018]

Value for Money

1.4.18 Non imposition of tawan on illicit cultivators and non-retrieval of land from allottees violating the statement of condition -Rs. 242,844 million.

Section 33 of the Colonization of Government Lands (Punjab) Act, 1912 states that “if any person, without permission of a Revenue Officer of a grade to be specified by the Board of Revenue– erects any building on any such land; or fells or otherwise destroys standing trees on such land; or (d) otherwise encroaches on any such land; or makes an excavation or constructs a water channel on any such land; he shall, on complaint made by order of or under authority from the Collector, be punished on conviction by any Magistrate with a fine not exceeding two hundred thousand rupees or with rigorous imprisonment not exceeding six months or with both”

During audit of various formations under the BOR in Punjab for the period up to 2022-23, it was noticed that state land was not retrieved from illegal occupants. Further, it was also revealed that the department had not retrieved valuable commercial and industrial land in 80 cases measuring 1019 acres of valuing Rs. 242,802,211,000 on violation of statement of condition of allotted state land. The department had not imposed penalties and assesses income derived from land. Whereas, the allottees of land had constructed housing colonies, commercial establishment and sublet the premises for which no prior approval was obtained from the competent authority.

(Amount in Rs.)

Sr.	Name of Formation	PDP #	No of Cases	Amount Pointed Out	Verified	Balance
1	General Assistant Colony branch Toba Tek Singh	2023-0000001544_F00002	66	41,934,750	-	41,934,750
2	Senior Member Board of Revenue (SMBR), Lahore	2023-0000002826_F00023	36	242,802,211,000	-	242,802,211,000
3	Senior Member Board of Revenue (SMBR), Lahore	2023-0000002826_F00025	33	0	-	0-
Total			**135**	**242,844,145,750**	**-**	**242,844,145,750**

Moreover, no remission of cost of demolition and removing the unauthorized structures was realized. Furthermore, neither details of encroached land, record for crops, super structures or any other movable or immovable property confiscated from encroached state land were traceable nor record for expenditure in this regard was shown to audit.

Audit is of the view that weak internal and administrative controls resulted in non-imposition of tawan on illicit cultivators and non-retrieval of land from allottees violating the statement of condition amounting to Rs. 242,844,145,750.

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the month of June, 2023.

DAC in its meeting held in the month of December, 2023 kept the para pending for compliance.

Audit recommends to recover the government dues from the concerned and hold a probe to fix responsibility against persons at fault.

1.4.19 *Unauthorized sanction/transfer on account of exchange of Ex-evacuee state land 2858 kanals valuing -Rs. 75,946.24 million*

Notification No. 105 dated 12-07-2023 and No. 1117-2023/619/Sec. (S&R) dated 07-04-2023 issued by Board of Revenue prescribed following policy for transfer/disposal of provincial government Ex-evacuee land as follows:

a) Provincial Government Ex-evacuee land under abandoned path, passages, water courses, ponds and certain available provincial government ex-evacuee land falling with in the private housing schemes may be exchanged with accessible equal piece and value of land in compact block of the private housing schemes.

b) The value of land should be assessed by District Price Assessment Committee (DPAC) and approved by Provincial Price Assessment Committee (PPAC).

c) In case the certain available provincial government Ex-evacuee land exceeds 20 kanals, the approval of exchange of land shall be given by the Board of Revenue, Punjab (Full Board).

During examination of record of the Senior Member Board of Revenue, Lahore for the year 2022-23, it was observed that the department had illegally sanctioned 5,355 kanal regarding the exchange of Ex-evacuee government land with renowned housing scheme. Out of which the department has exchanged 2858 kanal worth Rs. 75,946,246,044 before formation of policy in this regard.

Furthermore, in absence of policy, the department sanctioned the case for exchange of Central Government Ex-evacuee property, which was other than paths and water courses measuring 3040 kanal. An equal piece of land in measurement having equal value is required to be exchanged but the department exchanged 2134 kanals of government land worth Rs. 56,694,792,822 with 468 kanal vide deed No. 24625 and 24624 of 2022 which was unjustified being a violation of policy.

The department unjustly agreed with contention of housing scheme for the exclusion of 468 kanals from sanction by stating that the land was outside the boundary wall of housing scheme, but the department neither took possession of said property nor accounted for in exchange for a compact plot.

The lapse occurred due to ineffective financial controls, which resulted in an unauthorized sanction or transfer on account of the exchange of Ex-evacuee state land valued amounting to Rs. 75,946,246,044.

The matter was reported to the management in the month of May, 2023. In response to the audit observation, the management had not offered any reply.

DAC in its meeting held in the month of December, 2023 kept the para pending for compliance.

Audit recommends to probe the matter for exchange of land prior to formulation of policy and to fix responsibility on persons at fault besides corrective measures need to be taken for unlawfully exchanged land.

[Para ID 2023-0000002826_F00028]

1.4.20 Receipt syphoned off on account of failures of system assurance and data integration - Rs. 5,754.314 million

According to Para 89 (4) of the General Financial Rules Vol-I, all deposits of revenue receipts are required to be reconciled/verified from the Treasury/District Accounts Office concerned on monthly basis to avoid any leakage or fraud.

During examination of record of the Additional Deputy Commissioner (Revenue), Lahore for the year 2022-23, a variation of Rs. 5,754,314,993 was observed in stamp duty collected amount while making comparison of departmental collection of stamp duty with Bank of Punjab scrolls as appended in table below:

(Amounts in Rs.)

Amount of Stamp duty as per ADCR data	**Amount of stamp duty as per Bank**	**Difference of stamp duty.**
14,888,030,643	9,133,715,650	5,754,314,993

Furthermore, a difference of Rs. 397,042,200 was also observed in month-wise collection between the BOP scroll and Accountant General Punjab SAP data for the year 2022-23. The dependency on an e-stamping system is questionable as the same is without data integration and system assurances.

The lapse occurred due to ineffective financial controls which resulted in a loss of receipts on account of failures of system assurance and data integration amounting to Rs. 5,754,314,993.

The matter was reported to the management in the month of November, 2023. In response to the audit observation, the management had not offered any reply.

DAC in its meeting held in the month of January, 2024 directed the formation to probe the matter at administrative departmental level in the light of audit observation.

The audit recommends to probe the matter for fixing responsibility on the person at fault besides system assurance and data integration mechanism be devised to remove the differences occurred in collection of taxes.

[AMIS Para ID 2023-0000004709_F00011]

1.4.21 Loss due to less transfer of 97 kanal in favor of Government

As per Notification No. 105 of 2023 dated 12-07-2023 No. 1117-2023/619/sec.(S & R) dated 7-04-2023 "in exercise of powers conferred under Section 4 of the Evacuee Property and Displaced Persons Laws (Repeal) Act, 1975 as amended in 2022, following policies for transfer /disposal of provincial government Ex-evacuee land were made:

a) Provincial Government Ex-evacuee land under abandoned path, passages, water courses, ponds and certain available provincial government Ex-evacuee land falling with in the private housing schemes may be exchanged with accessible equal piece and value of land in compact block of the private housing schemes.

b) The value of land should be assessed by DPAC and approved by PPAC

c) In case the certain available provincial government Ex-evacuee land exceeds 20 kanal the approval of exchange of land shall be given by the Board of Revenue, Punjab (Full Board)"

During examination of record of the Senior Member Board of Revenue, Lahore for the year 2022-23, it was observed that the department had sanctioned exchange of Ex-evacuee government land with Defense Housing Society, Lahore but the department had not taken possession of land measuring 97 kanal out of 565.75 kanals valuing Rs. 128,794,466.

The lapse occurred due to ineffective financial controls, which resulted in loss of Rs. 128,794,466 to the government due to the non-transfer of 97 kanals in favor of the Punjab Government by the housing society.

The matter was reported to the management in the month of November, 2023. In response to the audit observation, the management had not offered any reply.

DAC in its meeting held in the month of December, 2023 kept the para pending for compliance.

Audit recommends probing the matter and fixing the responsibility of persons at fault besides retrieving the land from the housing society.

[AMIS Para ID 2023-0000002826_F00029]

1.4.22 Irregular award of Government land measuring 855.313 acres and non-payment of dues -Rs. 4.554 million

According to Section 10 of the Colonization of Government Lands (Punjab) Act, 1912 (Act V of 1912) "Issue of statements of conditions of tenancies- (1) The Board of Revenue subject to the general approval of the Government may grant land in a colony to any person on such conditions as it thinks fit and under sub-section 2 of the said section, the Provincial Government may issue a statement or statements of the conditions on which it is willing to grant land in a colony to tenants".

During examination of record of the Revenue Department, it was noticed that government land measuring 855.313 acres was allotted without observing codal formalities as consideration for award of land was not received by the responsible authority. Furthermore, irregular allotments were not cancelled nor state land was retrieved with imposition of tawan on illicit cultivators.

(Amount in Rs.)

Sr.	Name of Formation	PDP #	No of Cases	Amount Pointed Out	Verified	Balance
1	General Assistant Revenue (Col), District T.T Singh	2023-0000001544_F00019	45	-	-	-
2	General Assistant Revenue (Col), District T.T Singh	2023-0000001544_F00020	33	-	-	-
3	General Assistant Revenue (Col), District T.T Singh	2023-0000001544_F00021	51	4,554,000	-	4,554,000
Total			**129**	**4,554,530**	**-**	4,554,000

Audit is of the view that this lapse on the part of the management resulted in non-realization of government revenue which indicates weak administrative and internal controls.

The matter was reported to the respective formation as well as to the Principal Accounting Officer in the month of June, 2023.

DAC in its meeting held in the month of December, 2023 kept the para pending for compliance.

Audit recommends that amounts involved be recovered at the earliest besides strengthening the weak internal controls to avoid such lapse in future.

1.4.23 Conversion of state land measuring 2,489 kanals into residential and commercial units without transfer in revenue record

According to Section 41 (Periodical records) of the Land Revenue Act, 1967 “the Collector shall cause to be prepared by the patwari of each estate periodically, as the Board of Revenue may direct, an edition of any record-of-rights amended in accordance with the provisions of this Chapter.

(2) Such edition of the record-of-rights shall be called the periodical record for the estate, and shall comprise the statements mentioned in clause (a) of sub-section (2) of section 39, and such other documents, if any, as may be prescribed.

(3) For the preparation of periodical records, the Collector shall cause to be maintained by the patwari of each estate a register of mutations in the prescribed form and other prescribed registers, if any".

During examination of record of the Additional Deputy Commissioner (Revenue), Lahore for the year 2022-23, it was observed that Mental Hospital owned land measuring 429.85 kanals in the revenue record of Mouza Ichra. But land measuring 268.65 kanals was under possession of hospital and land measuring 161.2 kanals was converted into commercial and residential properties without transfer in revenue records.

In another case of land acquisition in Bhaikhaywal for Faisal Town, and Johar Town Lahore, 2,318 kanals land valuing Rs. 53,328,950.000 had not been implemented in the revenue record (*Jamabandi*) and the same was converted into *kachi* abadies, commercial and residential properties without transferring of title of land in revenue record.

The lapse occurred due to ineffective financial controls which resulted in conversion of state land measuring 2,489 kanals into residential and commercial units without transfer in revenue record.

The matter was reported to the management in the month of May 2023. In response to the audit observation, the management had not offered any reply.

DAC in its meeting held in the month of January, 2024 directed DC Lahore to look into the matter personally, and take necessary action in the light of audit observation.

Audit recommends to probe the matter and fix the responsibility besides record of land be corrected as per factual status of land.

[AMIS Para ID 2023-0000004709_F00005]

1.4.24 Data distortions in record of land maintained by LRMIS and illegal entry in land record on account of benami properties

As per Section 15 of the Punjab Land Records Authority Act, 2017 "Documents included in land records. The Authority shall specify the documents forming part of record-of-rights which are to be computerized, and such computerization shall be done in such form and manner as may be prescribed."

Further, Section 14 (Preparation of land record) of the Act 2017 ibid states that the Authority shall, in the prescribed manner, prepare, amend and keep the land record.

During examination of record of the Punjab Land Record Authority, Lahore, for the year 2022-23, it was observed that PLRA maintained LRMIS data of 5.5 million land owners for rural land, but the discrepancies as indicated by audit led to data distortion, which resulted in the wrong and improper maintenance of record for land. It was further observed that the officials of Authority in Arazi Record Center Fatah Jang, misclassified the mutation as *Sahat Indraj* for property under inquiry by FBR and NAB as *benami* property measuring of 1,787 kanals in *Mouza Moorat* in favor of Faisal Town Pvt. Ltd.

Furthermore, land inventory and data was found to be inaccurate in following cases due to double entries in the land record, wrong entries in *khana kashat*, wrong information regarding the status of land like barren, commercial and residential:

a) over all data received from all over Punjab indicates the difference of state land measuring 1164970 acres.
b) the corporate farming case indicates difference of 79,846 acres.
c) the exchange case of land with housing scheme having difference of land measuring 60 acres.

The lapse occurred due to weak internal and administrative controls which resulted in data distortions in record of land maintained by LRMIS and illegal entry in land record on account of benami properties.

The matter was reported to the management in the month of November, 2023. In response to the audit observation, the management had not offered any reply.

DAC in its meeting held in the month of December, 2023 kept the para pending for compliance.

Audit recommends to probe the matter and fix responsibility against the person at fault.

[AMIS Para ID 2023-0000005650_F00011 & 2023-0000002826_F00020]

1.4.25 Unjustified destruction and non-maintenance of record pertained to refund of stamp duty

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 12 of the Auditor General (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 empower the Auditor-General of Pakistan to conduct audit of revenue receipts of the provinces.

During examination of record of the Additional Deputy Commissioner (Revenue), Lahore for the year 2022-23, it was observed that the refund branch of stamp paper weeded out the record related to refund stamp papers worth Rs. 1,392,327,255 for 14,347 cases before the execution of external audit, by the Auditor-General of Pakistan. Although internal audit was conducted by the

Chief Inspector of Stamps. Due to irregular weeding out of auditable record, audit could not ascertain the validity of the refunds made by the department.

The lapse occurred due to ineffective financial controls which resulted in unjustified destruction and non-maintenance of record pertained to refund collected on stamp papers.

The matter was reported to the management in November, 2023. In response to the audit observation, the management had not offered any reply.

DAC in its meeting held in the month of January, 2024 directed the formation to probe the matter at administrative departmental level in the light of audit observation.

Audit recommends to probe the matter and fix the responsibility on person at fault along with availability of record for audit.

[AMIS Para ID 2023-0000004709_F00008]

1.4.26 Loss to Government due to abnormal delay in finalization of proprietary rights

[

Notification No. 2107-2019/754-CL(I), dated 13.9.2019 issued by Board of Revenue states that the grant of property rights shall be subject to the payment of price @ Rs.5000 Per Produce Index Unit (PIUs) calculated afresh, based on current data as per existing classification of the land.

During examination of record of Revenue Department, it was noticed that 9,130 number of allottees applied in various schemes and 5,734 conveyance deeds were issued and 3,396 number of cases were pending with the authority since 02.02.2001 under the Grow More Scheme.

(Amount in Rs.)

Sr.	**Name of Formation**	**PDP #**	**No of Cases**	**Amount Pointed Out**	**Verified**	**Balance**
1	GAR (Col), District T.T Singh	2023-0000001544_F00001	536	2,415,810,000		2,415,810,000
2	GAR (Col), District T.T Singh	2023-0000001544_F00006	3105	106,925,000		106,925,000
3	GAR (Col), District T.T Singh	2023-00000015	536	-		-

		44_F00015				
4	GAR (Col), District T.T Singh	2023-0000001544_F00017	291	-		-
Total			**4468**	**2,522,735,000**		**2,522,735,000**

Audit is of the view that weak internal controls on the part of the management resulted in loss to government due to abnormal delay in finalization of proprietary rights

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the month of June, 2023.

DAC in its meeting held in the month of December, 2023 kept the para pending for compliance.

Audit recommends to expedite the matter for recovery of government dues besides probing the matter for fixation of responsibility for the lapse.

1.4.27 Inaction of department over non availability of 27,210 registration deeds

Section 54 of the Registration Act, 1908 states that "every office in which any of the books here in before mentioned are kept, there shall be prepared current indexes of contents of such books; and every entry in such indexes shall be made, so far as practicable, immediately after the registering officer has copied, or filed a memorandum of, the document to which it relates".

Further, subsection (d) of Section 70-E of Act ibid states that one set of such prints arranged in the order of their serial numbers shall be made up into books and sewn or bound together.

During examination of record of Revenue Department, it was observed that the registering authority remained negligent as 27,210 registered deeds were not available in the office of Sub-Registrar. On the contrary, Book-1 is required to contain all registered deeds attested by registering authorities. Due to this negligence, audit was unable to give assurance of the deposit of stamp duty and income tax liable to be withheld under Section 236-C and 236-K of Income Tax Ordinance, 2001. Furthermore, index as prescribed by the law was not maintained in office which further highlighted the reckless management of affairs of an office meant for safe custody of registered deeds relating to ownership of precious land.

(Amount in Rs.)

Sr.	Name of Formation	PDP #	No of Cases	Amount Pointed Out	Verified	Balance
1	Sub-Registrar, Urban-I&II Faisalabad	2023-0000001552_F00009	14417	-	-	-
2	Sub Registrar, Sheikhupura	2023-0000003224_F00006	238	-	-	-
3	Sub-Registrar, (Rural) Faisalabad	2023-0000003219_F00001	12555	1,452,269,645	-	1,452,269,645
Total			**27210**	**1,452,269,645**	**-**	**1,452,269,645**

Audit is of the view that laxity on the part of management and lack of internal controls resulted in non-availability of 27,210 registration deeds.

The matter was reported to the management in the months of June to December, 2023. In response to the audit observation, the management had not offered any reply.

DAC in its meeting held in the month of January, 2024 directed Deputy Commissioner, Faisalabad to look into the matter personally and submit factual report after scrutiny of entire record. Moreover, it was directed to send a reference to Audit for conducting detailed audit of documents retrieved in this respect.

Audit recommends that disciplinary proceedings be initiated for negligence of registration authority for missing documents and revenue staff for mutation of land, based on documents not endorsed for mutation.

1.4.28 Inaction against 308 developers selling plots without stamp duty and taxes

Section 48-A. (Power of Collector to Seal Premises) of the Stamp Act-1899 states that "when a transferring or attesting authority fails to comply with the provisions of this Act, the Collector may seal such public office including the premises thereof after affording the transferring or attesting authority an opportunity of being heard. (3) An application under sub-section (2) shall not be entertained unless the applicant pays the deficient amount of the duty together with the penalty under this Act."

During examination of record of the Sub Registrar Urban-I and Rural Rawalpindi for year up to 2021-22, it was observed that the housing societies were transferring the ownership of property without depositing the taxes and duties since long. Whereas, the Collector had not taken the cognizance over unlawful sales of plots in shape of files instead of registering the transfer after payment of due taxes.

Record further revealed that only 7 societies were audited and deficiency of Stamp duty amounting to Rs. 254,736,949 was detected. Out of stated amount Rs. 159,246,967 was stated as recovered but no record for stated recovery is available in office. There is no record available in the office regarding total number of files sold by the 308 societies along with further transfers to other persons as per maps of the societies for which lists and proforma are available in the office of Sub Registrar.

The audit is of the view that laxity on the part of management and lack of internal controls resulted in loss of government revenue.

The matter was reported to the management in the month of May, 2023. In response to the audit observation, the management had not offered any reply.

DAC in its meeting held in the month of December, 2023 kept the para pending for compliance.

Audit recommends that the record be maintained and made available to audit in respect of housing societies evading the taxes. Moreover, a complete audit of transfer of plots in accordance with layout maps be conducted by Board of Revenue since inception of societies.
[AMIS Para ID 2023-0000001551_F00001]

1.4.29 Non-formulation of policy/ SOPs for missing mutations

Under Section 41 (a) (Preparation of computerized records) of the Punjab Land Revenue Act, 1967 (1) the Board of Revenue shall cause to be prepared, in computerized form, the latest edition of the periodical record of an estate and if no such record exists, the latest edition of the record-of-rights of the estate."

(2) The Board of Revenue shall, by notification, specify a date for the commencement of the operation of computerized edition of record-of-rights of an estate or a group of estates.

(3) The Board of Revenue shall, by notification, prohibit preparation of periodical record of an estate under Section 41 from a specified date.

During examination of record of ARC, Nankana Sb for the period up to 2021-22, it was observed that large number of mutation cases were still being entered in computerized land record without certifying the actual date of attestation of mutation by Service Center In-charge (SCI) and date of payment of mutation fee. The Administrative Department has not formalized any policy to curb this practice of attesting mutation in back dates causing loss to government in shape of mutation fee and FBR taxes.

The lapse occurred due to weak internal and administrative controls which resulted in loss of government revenue.

The matter was reported to the management in the month of May, 2023. In response to the audit observation, the management had not offered any reply.

DAC in its meeting held in the month of September, 2023 kept the para pending for compliance.

Audit recommends prompt entering of missing mutations in system besides ensuring payment of taxes and fixing responsibility for missing mutations since long.

[AMIS Para ID 2023-0000001393_F00003]

1.4.30 Loss of Government due to non-transfer/exchange of land 1066 acres pending against pathways and water courses in private housing societies

Notification No. 1835-2019/625-CS (II), dated 13-09-2019 of BOR states that provincial government land under abandoned path, passages, water courses, ponds and certain available provincial government land falling with in the private housing schemes may be exchanged with accessible equal piece and value of land in compact block of the private housing schemes.

During examination of record of the Senior Member Board of Revenue, Lahore for the year 2022-23, it was observed that the department has not exchanged government land measuring 1066 acres available in 592 housing societies all over Punjab.

Audit is of the view that the said state land in the case of a compact plot can be used for public purposes and the construction of office buildings all over Punjab, which will help to shift the extra burden on the government exchequer on account of the acquisition of land.

The lapse occurred due to ineffective asset controls, which resulted in a loss of government due to the non-transfer or exchange of 1066 acres pending against pathways and water courses in private housing societies.

The matter was reported to the management in the month of May, 2023. In response to the audit observation, the management had not offered any reply.

DAC in its meeting held in the month of December, 2023 kept the para pending for compliance.

Audit recommends that developed plots be obtained from housing societies and the plots be used for public purposes.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2020-21 vide para number 2.4.3 having financial impact of Rs. 10,551.4 million. Recurrence of same irregularity is a matter of serious concern.

[AMIS Para ID 2023-0000002826_F00027]

Performance related irregularities

1.4.31 Fluctuations in valuation table leading to under valuation of properties

According Section 27-A of the Stamp Act, 1899 "Value of immovable property. (1) Where any instrument chargeable with ad valorem duty under Articles 23, 27–A, 31, 33, 35 (1)(b), 48 (b), 48 (bb), 55(b), 63 and 63–A of Schedule I, relates to an immovable property, the value of the immovable property shall be calculated according to the valuation table notified by the district collector in respect of immovable property situated in the locality."

During examination of record of the Additional Deputy Commissioner (Revenue), Lahore for the year 2022-23, it was observed that the department made a valuation table with the support of revenue field staff, who gave the average sale price and actual description of the land of each khasra or square situated in their relevant revenue estates. Despite the lapse of considerable time, the field staff has not mentioned the khasra number of acres and mentioned different rates for the same residential land situated in the same village.

Negligence on the part of revenue field staff provided an opportunity to the buying parties to evade government taxes by applying the minimum rate or considering land as agriculture instead of residential or commercial. It is also noticed that at the time of possession, the parties knew the exact khasra number, or in the case of acquiring land for a particular housing society, the registered deeds depicted khasra numbers, but revenue staff intentionally had not mentioned khasra numbers in the valuation table in each village.

It is further added that on sample basis, data of registered deeds up to two kanals of land area along with khasra numbers were examined and after applying different rates as mentioned in the valuation table, it was observed that due to negligence of revenue staff, a minimum loss of Rs. 409,399,760 in 2618 cases on account of evasion of taxes was sustained.

The lapse occurred due to ineffective financial controls which resulted in fluctuations in valuation table leading towards under valuation of properties.

The matter was reported to the management in the month of November, 2023. In response to the audit observation, the management had not offered any reply.

DAC in its meeting held in the month of January, 2024 kept the para pending for compliance.

Audit recommends to probe the matter and recover the taxes besides ensuring actual description of land and khasra numbers.

[AMIS Para ID 2023-0000004709_F00004]

1.4.32 Difference of land inventory for 79,846 acres under corporate farming scheme

As per Notification No. 197-2023/0334-CS.II (IX) dated 20th February, 2023 of BOR:

1) The specified state land shall be leased out through open auction to a minimum piece of state land as directed by the cabinet committee subject to this statement of the conditions for any individual or consortium or company

2) Any individual or a company or consortium may participate under this statement of the conditions having at least five years' experience of agriculture farming.

During audit of the office of Senior Member Board of Revenue, Lahore for the financial year 2022-23, a difference of 79,846 acres was noticed for land proposed for corporate farming as reported by SLMS (State Land Management System) and as demanded by the Lessee. This indicates unauthentic data of land record. The land measuring 96,245 acres had been so far allotted out of total of one million acres. This difference of land and wrong reporting of status of land will also directly affect the status of barren land for which no rent is to be paid for three years. The department allotted the land without working and identification of barren land which might have resulted in loss of non-realization of rent of state land.

Furthermore, joint venture agreement dated 08-03-2023 was initiated for corporate farming. The agreement is irregular and un-justified on following grounds:

i. The consent was not obtained from Agriculture, Livestock and Forest departments
ii. The allotted land was reserved for forestation and same could not be utilized for the purpose other than forestation as mentioned in Forest Act, 1927.
iii. As per clause 14 of Standard Operating Procedures approved by the Cabinet for transfer /alienation of leased land, the lessee shall not be allowed to sub-lease, alienate or transfer the land. But the same land was handed over to FonGrow by the other party of joint venture and the company will manage corporate farming by signing Memorandums of Understanding (MOUs) with foreign companies which is a violation of above stated clause.
iv. The Fongrow (Private) Limited was established on 10-10-2022 and does not fulfill criteria of at least five year experience in agriculture farming.

The lapse occurred due to weak internal and administrative controls which resulted in difference of land inventory 79,846 acres under corporate farming project and irregularities in joint venture for the year 2022-23.

The matter was reported to the management in the month of November, 2023. In response to the audit observation, the management had not offered any reply.

DAC in its meeting held in the month of December, 2023 kept the para pending for compliance.

Audit recommends to fix the difference of land and actual status of barren land be determined for recovery of lease rent besides expediting the actions towards rectification of violations pointed out along with provision of supporting documents.

[AMIS Para ID 2023-0000002826_F00033]

CHAPTER 2

EXCISE, TAXATION & NARCOTICS CONTROL DEPARTMENT

2.1 Introduction

(A) This Department provides services for collection of various taxes and duties and suggests ways and means for additional resource mobilization in the province. Building up of taxpayer's confidence, creation of taxpaying culture and providing facilities to the general public in payment of taxes are the top most priorities. The Excise, Taxation & Narcotics Control Department consists of 87 formations and is primarily responsible for the collection of Property Tax, Motor Vehicles Tax, Professional Tax, Luxury House Tax, Entertainment Duty, Cotton Fee and Excise Duty in the Punjab. The department is also responsible for the collection of some Federal levies/taxes i.e. Income Tax (at the time of collecting motor vehicle tax) and Capital Value Tax (at the time of registration of imported motor vehicles if not paid at the time of import).

Audit profile of Excise, Taxation & Narcotics Control Department

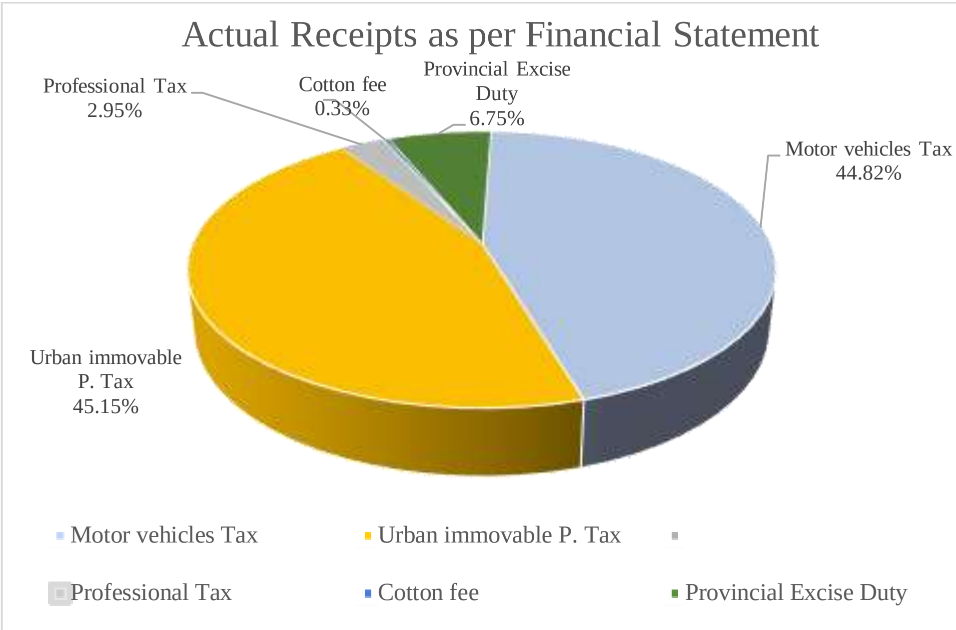
(Rs. in million)

Sr. No	Description	Total No	Audited	Revenue/Receipt audited FY 2022-23
1	Formations	87	37	15,845
2	• Assignment Accounts • SDAs	-	-	-
3	Authorities /Autonomous Bodies etc. under the PAO	-	-	-

B) Comments on Budgeted Receipts (Variance Analysis):

During the Financial Year 2022-23, the Excise, Taxation & Narcotics Control Department collected an amount of Rs. 38.75 billion (in major heads) against the revised estimates of Rs. 40.60 billion.

The distribution of receipts collected by the Department under different heads is shown in percentage in the following chart:



(Data Source: Civil Accounts 2022-23)

From the above chart, it is clear that in Financial Year 2022-23, the major portion of 45.15% (Rs. 17.50 billion) and 44.80% (Rs. 17.37 billion) of receipts collected by Excise, Taxation & Narcotics Control Department came from two sources viz. Motor Vehicles Tax & Urban Immovable Property Tax respectively.

A comparison of budget estimates, revised estimates and actual receipts for the Year 2022-23 for major segments of receipts of Excise, Taxation & Narcotics Control Department is tabulated below. The variation between the revised estimates and actual receipts is depicted both in absolute and percentage terms:

Variance Analysis for Excise, Taxation & Narcotics Control Department 2022-23
(Rs. in million)

S #	Category	Head of Account	Budgeted Estimates	Revised Estimates	Actual receipts as per Financial Statement	Variation excess/ (less) Col.6-5	Percentage of Variation
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
1	Motor vehicles Tax	B02801 to B02803 & B02805	17,500.00	18,342.48	17,368.33	(974.15)	-5.31%

2	Urban immovable P. Tax	B01301 B01303 B01313	22,096.00	18,000.88	17,497.05	(503.83)	-2.80%
3	Professional Tax	B01601 B01603	1,434.00	1,350.00	1,139.87	(210.13)	-15.57%
4	Cotton fee	B03055	220.00	220.00	129.74	(90.26)	-41.03 %
5	Provincial Excise Duty	B02601 -03, B02611 -13, B02621 -23	2,250.00	2,686.70	2,619.28	(67.42)	-2.51%
Total			**43,500.00**	**40,600.06**	**38,754.27**	**(1,845.79)**	**-4.55%**

(Data Source: Annual Budget Statement 2022-23 Govt. of Punjab & Civil Accounts 2022-23)

The above figures highlight that the actual receipts were 4.55 percent less than the total revised estimates. The variation between the original budgeted receipts (Rs. 43.50 billion) and actual receipts collected (Rs. 38.75 billion) was of Rs. 4.75 billion which was short by 10.90 percent of original budget estimates.

The receipt targets during the year were reduced from Rs. 43.50 billion to Rs. 40.60 billion, showing a decrease of 6.67 percent of original budget estimate. Thus, the receipt targets of the department were reduced during the financial year which shows deficiency in fiscal planning. This issue needs to be looked into by the provincial tax/duties collecting agencies.

Comparison of receipts targets and actual receipts for the financial year 2021-22 and 2022-23 is given below in the table:

Comparison of Budgeted Estimates, Revised Estimates and Actual receipts

(Rs. in million)

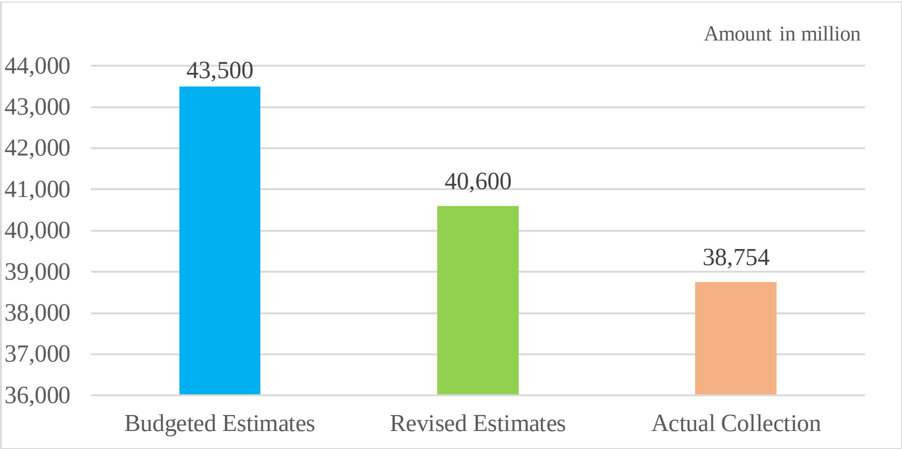
Year	**Budgeted Estimates**	**Revised Estimates**	**Actual receipts as per Financial Statement**
2021-22	42,410	39,107	39,993
2022-23	43,500	40,600	38,754

(Data Source: Annual Budget Statement 2022-23 Govt. of Punjab & Civil Accounts 2022-23)

The above figures show that actual receipts in 2022-23 were less than the previous year i.e. 2021-22.

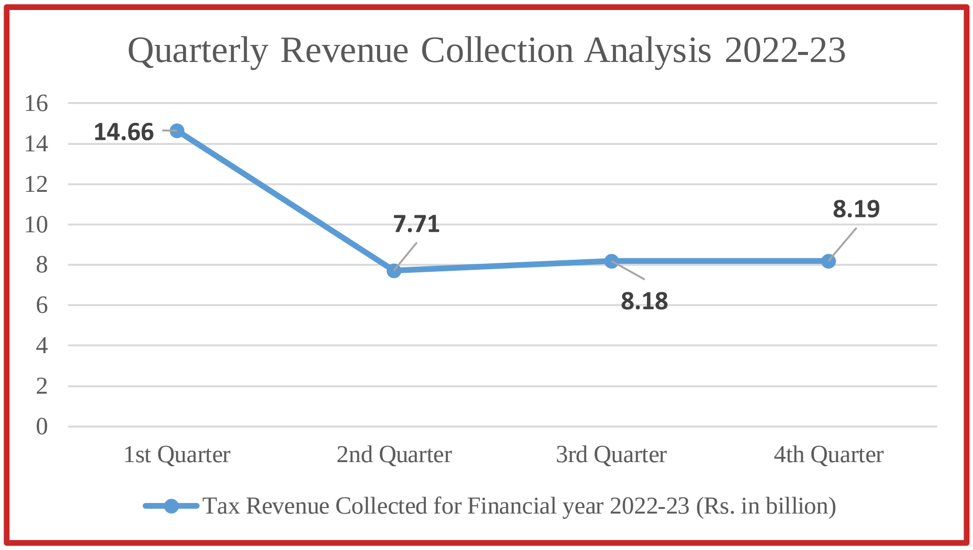
The comparison of budgeted revenue estimates, revised revenue estimates and actual collection of department for the financial year 2022-23 are also given in the following graph:

Comparison of Budgeted Estimates, Revised Estimates and Actual Collection



(Data Source: Annual Budget Statement 2022-23 Govt. of Punjab & Civil Accounts 2022-23)

The quarterly tax revenue collection during the financial year 2022-23 is as under:



(Data Source: Civil Accounts 2022-23)

The above line chart shows downward trend of revenue collected by the department in 2nd and 3rd quarters, however there is slight upward trend in 4th quarter.

2.2 *Classified Summary of Audit Observations*

Audit observations (recoveries) amounting to Rs. 30,011 million pertaining to provincial receipts were raised in this report during the current audit of Excise, Taxation & Narcotics Control Department.

Overview of audit observations

(Rs. in million)

Sr.No	Classification	Amount
1	Irregularities (Non/less realization of Govt. revenue)	30,011
2	Value for money and service delivery issues	0

2.3 *Brief Comments on the Status of Compliance with PAC Directives*

The status of compliance with PAC Directives, for reports discussed so far, is given below:

Sr. No	Audit Report Year	Total Paras	Compliance received	Compliance not received	Percentage of compliance
1	1985-1986	27	11	16	41
2	1986-1987	17	10	7	59
3	1988-1989	12	7	5	58
4	1989-1990	10	6	4	60

Sr. No	Audit Report Year	Total Paras	Compliance received	Compliance not received	Percentage of compliance
5	1990-1991	13	4	9	31
6	1992-1993	13	1	12	8
7	1993-1994	14	3	11	21
8	1994-1995	11	3	8	27
9	1996-1997	20	13	7	65
10	1997-1998	11	0	11	0
11	1998-1999	25	4	21	16
12	1999-2000	20	1	19	5
13	2000-2001	18	0	18	0
14	2001-2002	24	12	12	50
15	2003-2004	15	1	14	7
16	2006-2007	11	8	3	73
17	2009-2010	20	14	6	70
18	2010-2011	18	10	8	56
19	2011-2012	16	12	4	75
20	2012-2013	23	16	7	70
21	2013-2014	16	10	6	62
Total		**354**	**146**	**208**	**41**

The compliance with the PAC directives in Excise, Taxation & Narcotics Control Department for the years 1986-87, 1988-89, 1989-90, 1996-97, 2006-07, 2011-12, 2012-13 & 2013-14 is satisfactory with aggregate 65%. However, the compliance for the years 1992-93, 1997-98, 2000-01 and 2003-04 is comparatively low with aggregate 3% only. No PAC meeting was held for Audit Reports 2014-15 to 2021-22.

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*2*2.4 AUDIT PARAS

Irregularities

2.4.1 Non realization of arrears of property tax -Rs. 7,701.262 million

Section 16 (2) of the Punjab Urban Immovable Property Tax Act, 1958 states that any sum on account of the tax levied or penalty imposed under this Act remaining un-recovered without sufficient cause to the satisfaction of the Collector shall be recoverable as arrears of land revenue. Further, as per Section 12 of the Act ibid a late payment surcharge @ 1% of the gross payable tax shall stand imposed on the 1st day of every month of delay if the tax payable for any year is not paid by 30th September of the said year.

During examination of record of the Excise, Taxation & Narcotics Control Department for the period up to 2022-23, it was noticed that 26 Excise & Taxation Officers had not recovered the outstanding government revenue, causing accumulation of arrears of property tax in 28,728 cases to the tune of Rs. 7,995,427,256 **(Annex. 7).**

Audit is of the view that ineffective recovery mechanism and weak management controls resulted in non-recovery of arrears of property tax.

The matter was reported to the respective formations as well as to the Principal Accounting Officer in months of May to December, 2023 but no reply was offered.

DAC in its meetings held in the months from September, 2023 to January, 2024 reduced the para to Rs. 7,701,262,155 after verification of Rs. 294,165,101 and directed the department to recover the balance amount at the earliest.

Audit recommends that the department needs to take effective steps to recover government dues of property tax along with late payment surcharge at the earliest.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 2.4.3 having financial impact of Rs. 162.763 million. Recurrence of same irregularity is a matter of serious concern.

2.4.2 Short realization of property tax due to change in status of customized school -Rs. 7,482.352 million

As per S. No. 16 of Annexure-A of the Assessment of Special Properties (Revised) Rules read with clarification made vide minutes of meeting held on 5.6.2012 circulated vide letter No. SOTAX(E&T)1-11/2004 (Vol-I) dated 20.6.2012, the assessment of the value of property built and used as commercial properties (including offices and customized educational institutions buildings) shall be calculated on commercial rates of the localities self or rented as the case may be.

During audit of the Excise, Taxation & Narcotics Control Department for the period up to 2022-23, it was noticed that 27 Excise & Taxation Officers had assessed the Gross Annual Rental Value (GARV) of 5,227 educational institutions less than that of actual assessable by treating the customized educational institution as non-customized.

It was further observed that there existed no built-in mechanism in IT system to identify customized educational institution/offices as schools with customized accommodation having no resemblance with the house (as accommodation house includes bed/drawing/dining rooms, kitchens etc.).

Poor IT controls have unplugged gaps which allow the field offices to assess a customized school as a non-customized school, resulting in application of lessor rates.

Audit is of the view that weak internal and administrative controls resulted in short assessment of property tax due to treating the customized educational institution as non-customized amounting to Rs. 7,590,314,652 **(Annex. 8)** up to the year 2022-23.

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the months of May to December, 2023 but no reply was offered.

DAC in its meetings held in the months from September, 2023 to January, 2024 reduced the para to Rs. 7,482,352,046 after verification of Rs. 107,962,606 and directed the department to recover the balance amount at the earliest.

Audit recommends to issue directions for correction of assessments pointed out and recovery of tax be made besides proper IT controls be devised to strengthen the assessment mechanism to avoid the short assessments causing loss to government

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 2.4.11 having financial impact of Rs. 45.975 million. Recurrence of same irregularity is a matter of serious concern.

2.4.3 Short assessment of tax due to incorrect application of reduced rate to godowns by treating as tin-shed -Rs. 4,858.408 million

Sr. No. 21 of the Notification No. SO-TAX(E&T)3-38/2014 dated 30th June 2014 states that "the godowns and workshops with *kacha*/tin sheds shall be applied with 50 percent of rates for self or rented as the case may be".

During examination of record of the Excise, Taxation & Narcotics Control Department for the period up to 2022-23, it was revealed that 22 Excise & Taxation Officers, has mis-interpreted the wordings of notification and assessed less tax for godowns.

Audit is of the view that the lapse occurred due to weak internal controls which resulted in short-assessment of property tax of Rs. 4,858,969,264 **(Annex. 9)** for 99,494 cases due to incorrect application of reduced rates to godowns by treating as tin shed.

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the months of May to December, 2023 but no reply was offered.

DAC in its meetings held in the months from September, 2023 to January, 2024 reduced the para to Rs. 4,858,407,680 after verification of Rs. 561,584 and directed the department to recover the balance amount at the earliest.

Audit recommends that immediate steps are required to be taken for proper assessment and recovery of difference of tax amount besides instructions be issued to relevant authority for feeding of correct rates in systems and tracing out all the cases, applied with incorrect rates.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 2.4.12 having financial impact of Rs. 42.243 million. Recurrence of same irregularity is a matter of serious concern.

2.4.4 Non implementation of writ for collection of established demand of tax in an extended rating area -Rs. 3,408.694 million

Subsection (g) and (i) of Section 2 of the Punjab Urban Immovable Property Tax Act, 1958 defines the rating area and urban area as “rating area” means urban area where tax is levied under the provisions of this Act; and (i) “urban area” means an area within the jurisdiction of the Metropolitan Corporation, a Municipal Corporation, or a Municipal Committee and includes any other area which the Government may, by notification, declare to be an urban area for purposes of the Act”.

During audit of office of the Secretary Excise, Taxation & Narcotics Control Department, Lahore for the Financial Year 2022-23 it was observed that the *Pothohar* Town, Rawalpindi was notified as a rating area by the Administrator Town Municipal Administration in 2014 but the same was challenged by the residents of the town in Lahore High Court (Rawalpindi). The Lahore High Court (Rawalpindi Bench) disposed of 29 writ petitions in consolidated order as on 23-12-2018.

As per available record, an amount of Rs. 2,687.434 million along with default surcharge of Rs. 721.26 million up to June, 2021 was due against all property units assessed since 2014 but the administrative department had not made any efforts to get the tax recovered.

This has resulted in non-recovery of established tax amounting to Rs. 3,408.694 million which indicates ineffective administrative controls.

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the month of December, 2023 but no reply was offered.

The DAC meeting was not convened till the finalization of this Report despite issuance of reminder in December, 2023.

Audit recommends the clearance of arrears of levied tax be expedited.

(AMIS Para ID 2023-0000004708_F00005)

2.4.5 Short realization of property tax due to wrong assessment of hotel -Rs. 1,971.655 million

According to Government of the Punjab's Letter No. SO TAX(E&T)3-38/91/P-I dated 13th October, 2001, in the case of hotel consisting of rooms/boarding/lodging units used as residential accommodation 40% of the gross annual (365 days) rent shall be taken as a GARV (Gross Annual Rental Value). The gross rent shall be worked out on average/normal charges received per room per day.

Section 5 of the Punjab Urban Immovable Property Tax Act, 1958 states that "the annual value of any land or building shall be ascertained by estimating the gross annual rent at which such land or building together with its appurtenances and any furniture that may be let for use or enjoyment with such building might reasonably be expected to be let from year to year"

Sub-rule (e) of rule 6 of the Punjab Urban Immovable Property Tax Rule, 1958 states that "make an inquiry about the gross annual rent earned or which could reasonably be earned in respect of the property during the financial year immediately preceding the current financial year"

Sub-rule (f) of rule 6 of the Punjab Urban Immovable Property Tax Rule, 1958 states that "determine from such other data as may be available, the gross annual rent at which any property in the rating area may reasonably be expected to be let from year to year if in its opinion the average gross annual rent of such property ascertained under clause (e) be not fair or reasonable when compared with such rent or any other property in that locality"

During audit of the Excise, Taxation & Narcotics Control Department for the period up to 2022-23, it was noticed that 13 Excise & Taxation Officers had not correctly assessed the property tax for hotels in 1,140 cases by freezing the hotel room rent since long which required to be updated on yearly basis as prescribed in Section 5 of the Act ibid, no attention was being paid on physical aspects of hotels infrastructure like AC (Air Condition) rooms were kept as non AC and 153 hotels were assessed with zero tax for lodging units.

It was also observed that the assessing authority had corrected the assessment for a five star hotel in 2022-23 for which property tax was kept very low for previous year by keeping the room rent very low. 165 room were kept as non AC single rooms, 16 rooms were kept non AC double rooms and 9 deluxe rooms assessed with room rent of Rs. 5000, Rs. 7000 and Rs. 8000 respectively. On the contrary, there existed 23 Executive rooms, 2 Junior suites, 3 Executive suites, 6 Duplex suites, 2 Deluxe suites, 1 Royal suite and 1 Presidential suite which were not indicated in making assessment of hotel.

Audit is of the view that weak internal and administrative controls resulted in short assessment of property tax due to under valuation of property units amounting to Rs. 1,971,837,638 **(Annex. 10)** up to the period 2022-23.

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the months of May to December 2023 but no reply was offered.

DAC in its meetings held in the months from September, 2023 to January, 2024 reduced the para to Rs. 1,971,655,158 after verification of Rs. 182,480 and directed the department to recover the balance amount at the earliest. Further, the matter is also referred to department for chalking out a uniform policy for whole of Punjab pertaining to assessment of property tax for hotel on the basis of year to year rent.

Audit recommends to re-assess the property tax of hotels according to rent being charged for rooms after incorporating the physical aspects of hotel in property tax record.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 2.4.5 having financial impact of Rs. 53.170 million. Recurrence of same irregularity is a matter of serious concern.

2.4.6 Non realization of property tax on vacant plots -Rs. 643.677 million

Amendment has been made in Section 2 of the Punjab Urban Immovable Property Tax Act, 1958 through Section 3 of the Punjab Finance Act, 2016. According to which property tax shall be levied under this Act from 1st July 2016 onward. Further, Section 5-A of the Act ibid "the annual value of a vacant plot shall be in accordance with the valuation table notified for the respective locality of the rating area".

During examination of record of the Excise, Taxation & Narcotics Control Department for the period up to 2022-23, it was noticed that 13 Excise & Taxation Officers assessed 126,701 open plots without any tax calculations, causing loss of property tax of Rs. 644,659,551 **(Annex. 11).**

Audit is of the view that ineffective internal controls resulted in short realization of property tax.

The matter was reported to the respective formations as well as to the Principal Accounting

Officer in the months of May to December, 2023 but no reply was offered.

DAC in its meetings held in the months from September, 2023 to January, 2024 reduced the para to Rs. 643,676,650 after verification of Rs. 982,901 and directed the department to recover the balance amount at the earliest.

Audit recommends that matter be pursued and recovery of government dues be effected.

2.4.7 Less realization of property tax due to applying incorrect valuation categories -Rs. 537.718 million

According to Government of the Punjab, Excise & Taxation Department Notification No. SO-TAX(E&T) 3-38/2014 dated 20.6.2014, the assessable value of property units falling in a rating area will be ascertained in the light of instructions and consideration of rates of each category specified in the Valuation Table.

During examination of record of the Excise, Taxation & Narcotics Control Department for the period up to 2022-23, it was noticed that 20 Excise & Taxation Officers less realized the property tax by applying incorrect valuation categories to 14,492 property units up to the period 2022-23.

Audit is of the view that weak internal and administrative controls resulted in less assessment of property tax amounting to Rs. 671,898,630 **(Annex. 12).**

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the months of May to December, 2023 but no reply was offered.

DAC in its meetings held in the months from September, 2023 to January, 2024 reduced the para to Rs. 537,717,689 after verification of Rs. 134,180,941 and directed the department to recover the balance amount at the earliest

Audit recommends necessary correction in valuation categories for correct assessment and recovery of government dues.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 2.4.9 having financial impact of Rs. 50.947 million. Recurrence of same irregularity is a matter of serious concern.

2.4.8 Short realization of property tax due to application of wrong location and wrong exemption to commercial property units -Rs. 365.363 million

According to Government of the Punjab's letter No. SO. TAX(E&T)3-38/2014 dated 26th June 2014, the assessable value of property units falling in a rating area will be ascertained in the light of instructions and consideration of rates of each category specified in the Valuation Table.

It is further added that the roads with 30 or more width shall be considered "Main" and roads less than 30 feet shall be considered as "Off". However, these criteria shall not be applied in case of establishment/recognized commercial centers/clusters duly determined by the Assessing Authority and in such cases rate of "Main" shall be applied.

During examination of record of the Excise, Taxation & Narcotics Control Department for the period up to 2022-23, it was noticed that 26 Excise & Taxation Officers applied incorrect location (i.e. off road instead of main road) while calculating property tax of 16,690 commercial property units located in established commercial clusters resulting in short realization of tax of Rs. 367,755,642. Moreover, commercial property units having landed area less than 5 *Marla* have been exempted from property tax unduly treated as residential property.

Audit is of the view that the inaction of management resulted in short realization of property tax amounting to Rs. 367,756,000 **(Annex. 13).**

The matter was reported to the respective formation as well as to the Principal Accounting Officer in the months of June to December, 2023 but no reply was offered.

DAC in its meetings held in the months from September, 2023 to January, 2024 reduced the para to Rs. 365,362,782 after verification of Rs. 2,392,860 and directed the department to recover the balance amount at the earliest.

Audit recommends that necessary efforts be made for recovery of government dues without further delay.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 2.4.8 having financial impact of Rs. 52.889 million. Recurrence of same irregularity is a matter of serious concern.

2.4.9 Loss to Government for the amount withdrawn by Federal Board of Revenue after attachment of bank accounts -Rs. 348.417 million

Section 231-B of Income Tax Ordinance, 2001 states that every motor vehicle registering authority of Excise and Taxation Department shall collect advance tax at the time of registration of a motor vehicle, at the rates specified in Division VII of Part IV of the Schedule 5 of the Ordinance, ibid.

During audit of the Excise, Taxation & Narcotics Control Department for year 2021-22, it was observed that the department had failed to realize the amount of Rs. 329,771,545 withdrawn by Federal Board of Revenue on non-compliance of income tax laws. Neither defaulting vehicles were burdened with any tax demand nor responsibility was fixed on the persons at fault. Details of vehicles were not entered in MTMIS for recovery of defaulted amount as non-marking of vehicles in system will result in double transfer of amount to FBR.

It was further observed that registration fee and other motor vehicle taxes were being deposited in National Bank Account No. 4118193489 which was required to be deposited directly in treasury. The registration fee and other motor vehicle taxes paid by Lahore High Court, Session Judges and Police were also kept in above mentioned bank and FBR has withdrawn Rs, 18,646,029 from the same. As the amounts had been withdrawn by the FBR but vehicles were got registered without payment taxes into treasury put serious questions on reconciliation mechanism of department.

Audit is of the view that weak IT and administrative controls resulted in loss to government for the amount withdrawn by Federal Board of Revenue of Rs. 348,417,029.

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the months of May to December, 2023 but no reply was offered.

DAC in its meeting held in the month of December, 2023 kept the para pending for compliance.

Audit recommends that recovery be made from the concerned vehicle owners after marking of vehicles in system to avoid double transfer to FBR besides probing the matter for fixing responsibility thereof.

[AMIS Para ID 2023-0000000205_F00003 & 2023-0000000205_F00011]

2.4.10 Short assessment of rented properties with self-status being occupied by the person other than owners -Rs. 340.594 million

According to Government of the Punjab letter No. SO TAX(E&T)3-38/91/P-I dated 13th October, 2001, the assessable value of property units falling in a rating area will be ascertain in the light of instructions and consideration of specified rates of each categories according to Valuation Table. As per these instructions, the specified rates of the localities as per land or covered area either under self or rented occupation as the case may be, are introduced for the purpose of assessment of gross annual rental value (GARV) for calculation of tax.

During examination of record of the Excise, Taxation & Narcotics Control Department for the period up to 2022-23, it was noticed that 10 Excise & Taxation Officers had applied self-rates instead of rented rates of the valuation table for charging property tax for properties for which owners were not known to excise staff and names of occupants were entered in ownership column by adding the wordings “care of (CO)” and “Not Recorded in PT1".

As the properties were possessed by the persons other than owners, shall be treated as rented properties but the assessing authorities declared the properties under possession of owner for the charging less rates of tax.

This resulted in short assessment of tax amounting to Rs. 340,594,692 **(Annex. 14)** by treating rented properties as self-occupied, which indicates improper assessment and internal controls of the department.

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the months of May to December, 2023 but no reply was offered.

DAC in its meetings held in the month January, 2024 directed the department to remain vigilant in such cases and police report be obtained to verify the stance of occupant besides recovery be affected as pointed out by audit.

Audit recommends that proper mechanism for assessment of tax be established and government dues be recovered.

2.4.11 Non recovery of short assessed taxes pointed out after spot verifications -Rs. 337.085 million

According to rule 5 of the Punjab Urban Immovable Property Tax Rules, 1958. Duties of assessing authority.- An assessing authority shall "(a) prepare a property register in Form P.T.I for the rating area and enter therein the necessary particulars, separately for each unit of property; (b) be responsible for the proper maintenance and safe custody of all the prescribed registers and records" According to 2.33 of PFR Vol-1, every government servant 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.

During audit of the Excise, Taxation & Narcotics Control Department for year 2021-22, it was observed that the teams constituted by Director General, Excise & Taxation Lahore had pointed out the short assessment/evasion of property tax during internal audits by conducting spot verification in Region-A & B Lahore, Rawalpindi, Gujranwala and Sialkot division but no action in this respect was taken to either rectify the assessment of property tax as per spot verification and to recover the amount in this respect.

Audit is of the view that weak supervisory and financial controls resulted in inappropriate mechanism for recovery of evaded taxes pointed out after spot verifications for Rs. 337,085,854.

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the months of May to December, 2023 but no reply was offered.

DAC in its meeting held in the month of December, 2023 kept the para pending for compliance.

Audit recommends that recovery proceedings for evaded tax be supervised properly after unit to unit marking of properties in property tax system besides action be taken against the responsible persons at fault.

[AMIS Para ID 2023-0000000205_F00002]

2.4.12 Short recovery of excise duty with penalty due to misuse of alcohol other than industrial purposes -Rs. 319.043 million

According to Rule 22 sub-rule (e) of the Punjab Liquor Permit and Pass Rules, 1932 states that ordinance department, any hospital, dispensary scientific body, education institution, or to any other person who requires larger quantity of rectified spirit, shall be granted by the collector in form L-42-B on payment of Rs. 10000. Whereas, the duty on rectified spirit for industrial purposes shall be Rs. 5 per gallon with the condition that the end product does not contain the rectified spirit.

During audit of the office of the Excise & Taxation Officer (Excise), Lahore for the period 2021-22, it was observed that M/s RL Hummate (Pvt) Limited has been granted permit in 2015 for purchase of Alcohol for manufacturing of Nitrocellulose Solution (NC Solution) at discounted rate. The permit issued contains following irregularities:

1. Permit holder submitted unregistered lease documents without even signatures of lessor.
2. The unapproved map contains an area of 6280^{sft} but license of boiler and electricity bills are not available. Contrary to 6280^{sft} area, an area of 1718^{sft} for Plot No 267 was available on property tax challans submitted for renewal of licenses.
3. The permit No. 12 dated 18-08-2015 was issued in spite of contrary report of resident Excise Inspector dated 28-11-2015 which states that "Total area of land is one acre having two rooms (30x20) & (15x20). It is astonishing that the 44000 gallon monthly quota was issued in August 2015 for a site contains storage capacity of 4 percent of quota and minimum consignment for which *Rahdari* permit was issued contain 6600 gallon (29,964 litters).
4. Permit holder applied for permission to manufacture Hand Sanitizers and the supply orders, test report for sanitizers were submitted but no action was taken by authorities to recover the duty as per standard rates.

Audit is of the view that non-existence of mechanism and effective internal controls resulted in short recovery of Excise Duty with non-imposing of penalty for Rs. 319,043,000 due to misuse of alcohol other than industrial purposes.

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the month of May, 2023 but no reply was offered.

DAC in its meeting held in the month of October, 2023 did not agree with the probe made by the department and directed the department to re-probe the matter besides amount of duty be recovered.

Audit recommends that the matter be probed at the administrative department level for fixing responsibility besides recovering the government dues involved.

[AMIS Para ID 2023-0000000339_F00001]

2.4.13 Short realization of property tax due to wrong remission -Rs. 230.803 million

According to Notification No. SO.Tax (E&T) 3-38/2014 (Vol-VI) dated 8-12-2021 "In excise of powers under subsection (3) of Section 3 of the Punjab urban immovable property tax Act, 11958 (V of 1958), Governor of the Punjab is pleased to remit property tax in respect of all property units where the property tax liability for the financial year 2021-22 exceeding 110% of the property tax payable for the financial year 2013-14. This remission shall not be allowed in case the tax liability is increased due to any change in the type or use of the property or the land or building has been assessed for the first time on or after 01-08-2014"

During examination of record of the Excise, Taxation & Narcotics Control Department for the period up to 2022-23, it was noticed that 18 Excise & Taxation Officers had not taken any action to stop the remission of tax which the IT system had allowed against the law as the tax liability was increased.

Audit is of the view that lack of internal controls and inaction on part of the department resulted in short realization of property tax due to wrong remission amounting to Rs. 231,039,897 in 1,453 cases. **(Annex. 15).**

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the months of May to December, 2023 but no reply was offered.

DAC in its meeting held in the month of January, 2024 reduced the para to Rs. 230,803,140 after verification of Rs. 236,757 and directed the department to recover the balance amount at the earliest

Audit recommends that the matter be pursued and recovery of government dues be made besides IT system be rectified to correct the inadmissible remission.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2021-22 vide para number 2.4.15 having financial impact of Rs. 27.352 million. Recurrence of same irregularity is a matter of serious concern.

2.4.14 Non realization of luxury house tax -Rs. 222.487 million

According to the Punjab Finance Act, 2014, the Government of the Punjab has levied luxury house tax w.e.f. 01.07.2014 from residential houses having area of two *kanals* or above with covered area more than six thousand square feet, at prescribed rate in first schedule. The tax shall be paid once either in lump sum on or before September 30, 2014 or in four equal quarterly instalments with first instalment payable on or before September 30, 2014 and the subsequent three equal instalments being payable on or before the last day of each concerned quarter.

During audit of Excise, Taxation & Narcotics Control Department for the period up to 2022-23, it was noticed that 8 Excise & Taxation Officers had not recovered luxury house tax in 495 cases up to the year 2022-23 from owners of residential houses having area of two kanals or above with covered area more than six thousand square feet.

Audit is of the view that laxity in collecting luxury house tax by the management deprived public exchequer of revenue to the tune of Rs. 316,106,619. **(Annex. 16).**

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the months of May to December, 2023 but no reply was offered.

DAC in its meetings held in the months from September, 2023 to January, 2024 reduced the para to Rs. 222,486,551 after verification of Rs. 93,620,068 and directed the department to recover the balance amount at the earliest.

Audit recommends that the department needs to take effective steps for timely recovery of luxury house tax.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 2.4.19 having financial impact of Rs. 7.368 million. Recurrence of same irregularity is a matter of serious concern.

2.4.15 Loss of Government revenue due to non-creation of tax demand in extended area -Rs. 180 million

According to subsection (g) and (i) of Section 2 of the Punjab Urban Immovable Property Tax Act, 1958 defines the rating area and urban area as "rating area" means urban area where tax is levied under the provisions of this Act; and (i) "urban area" means an area within the jurisdiction of the Metropolitan Corporation, a Municipal Corporation, or a Municipal Committee and includes any other area which the Government may, by notification, declare to be an urban area for purposes of the Act".

During scrutiny of the property tax record of Excise and Taxation Officer, Gujrat for the period up to 2022-23, it was noticed that a large number of taxable property units fall under the jurisdiction of Municipal Committee Dinga but neither tax was levied nor any tax demand was created in this respect.

As Dinga is a declared Municipal Committee and every Municipal Committee fall under the definition of rating area but the assessing authority has failed to bring the urban area in property tax net and the administrative department had not adopted any administrative measures to tap tax potential of Rs. 30 million per annum.

This has resulted in loss of government revenue of Rs. 180,000,000 due to non-creation of tax demand in extended area since long which indicates ineffective administrative and internal controls.

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the month of December, 2023 but no reply was offered.

The DAC meeting was not convened till the finalization of this Report despite issuance of reminder in the month of December, 2023.

Audit recommends early creation of property tax demand along with recovery of tax since inception of Municipal Committee besides probing the matter to fix responsibility.

(AMIS Para ID 2023-0000003225_F00001)

2.4.16 Short realization of property tax due to under valuation of property units -Rs. 171.248 million

According to Section 5 of the Urban Immoveable Property Tax Act, 1958, the annual value of any land or building shall be ascertained by estimating the gross annual rent at which such land or building that may be let for use or enjoyment with such building might reasonably be expected to be let from year to year, less an allowance of ten per centum for the cost of repairs and for all other expenses necessary to maintain such building in a state to command such gross annual rent. Further under Section 5-A of the Act, the annual value may be determined on the basis of such valuation tables and for such localities as may be notified by or under the authority of the Government.

During audit of record for 11 Excise & Taxation Officers for the period up to 2022-23, it was observed that the above provisions of law were not followed in calculating the GARV which resulted in short realization of property tax amounting to Rs. 172,865,947 in 327 cases **(Annex. 17).**

The weak managerial controls resulted in short realization of property tax due to under valuation of property units.

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the months of May to December, 2023 but no reply was offered.

DAC in its meeting held in the month of January, 2024 reduced the para to Rs. 171,248,316 after verification of Rs. 1,617,631 and directed the department to recover the balance amount at the earliest.

Audit recommends recovery of the amount pointed out by Audit besides fixing responsibility for this lapse.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2021-22 vide para number 2.4.5 having financial impact of Rs. 179.793 million. Recurrence of same irregularity is a matter of serious concern.

2.4.17 Non assessment of 17 acres land converted in residential and commercial properties - 148.497 million

According to Section 5 of the Urban Immoveable Property Tax Act, 1958, the annual value of any land or building shall be ascertained by estimating the gross annual rent at which such land or building that may be let for use or enjoyment with such building might reasonably be expected to be let from year to year, less an allowance of ten per centum for the cost of repairs and for all other expenses necessary to maintain such building in a state to command such gross annual rent. Further Section 5-A of the Act, ibid, the annual value may be determined on the basis of such valuation tables and for such localities as may be notified by or under the authority of the Government.

During scrutiny of property tax record of Excise & Taxation Officer, Zone-V, Lahore for the year 2022-23, it was observed that the assessing authority has assessed a land of 80000 square yards under ownership of Civil Aviation Authority (CAA) but CAA had sold out the land to PAF Falcon Society against price of land and development charges as well. The same land is now being owned and possessed by private persons in shape of residential and commercial properties including a well-established club (AFOSH Club) on land measuring 25.5 kanals under the management control of Options International (SMC) Pvt. Ltd.

Transfer of land to Pakistan Air Force (PAF) Falcon Society was also discussed in Federal Public Accounts Committee and CAA admitted that land was awarded to PAF for settlement of land disputes which the PAF sold out in shape of files. As the land has been sold out to private individuals by the society, property tax is chargeable under the provisions of the Act ibid but the assessing authority is still showing the land on the name of Civil Aviation Authority causing loss of Rs. 148,497,978.

This resulted in loss of government revenue amounting to Rs. 148,497,978 which indicates ineffective assessment mechanism and weak internal control of the department.

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the month of November, 2023 but no reply was offered.

The DAC meeting was not convened till the finalization of this Report despite issuance of reminder in the month of December, 2023.

Audit recommends to take immediate steps for assessment of tax on actual basis besides recovery of the tax imposed.

(AMIS Para ID 2023-0000004378_F00001)

2.4.18 Non realization of property tax from state owned organizations -Rs. 127.061 million

According to Section 4(a) of the Punjab Urban Immovable Property Tax Act, 1958, buildings and lands owned by the Government or administered by a Local Authority are exempt from payment of Property Tax. However, autonomous bodies, corporations, development authorities are not exempt from the levy of property tax.

During examination of record of the Excise, Taxation & Narcotics Control Department for the period up to 2021-22, it was noticed that 20 Excise & Taxation Officers have neither demanded nor recovered property Tax in respect of properties belonging to WAPDA/LDA/PCB.

Audit observed that the inaction of management resulted in non-realization of government revenue amounting to Rs. 127,195,887 in 293 cases **(Annex. 18).**

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the months of May to December, 2023 but no reply was offered.

DAC in its meeting held in the month of January, 2024 reduced the para to Rs. 127,061,091 after verification of Rs. 134,796 and directed the department to recover the balance amount at the earliest.

Audit recommends that necessary efforts be made for recovery of government dues without further delay.

2.4.19 Non realization of tax on properties abutting to highways/ motorways -Rs. 114.943 million

The Punjab Finance Act, 2019 introduced tax on properties abutting to Highways / Motorways as "there shall be charged, levied, assessed and paid a tax at the rate of five percent of the Annual Taxable Value of all categories of properties other than agricultural land, outside limits of the rating area, abutting to national or provincial highway or part thereof or within the area of motorways, in such limits and lengths, as may be notified by the Government"

During examination of record of the 3 Excise, Taxation & Narcotics Control Officers for the period up to 2022-23, it was noticed that road abutting tax on properties amounting to Rs. 118,434,932 in 187 cases had not been recovered and assessing authority had not made any concrete efforts to invoke relevant provisions of law for recovery of the outstanding amount.

(Amount in Rs.)

Sr.	Office Name	AMIS Para ID	No. of cases	Amount Pointed Out	Amount Verified	Balance
1	ETO, Rawalpindi (Property Tax,	2023-0000001578_F00016	105	4,355,560	3,027,197	1,328,363

Sr.	Office Name	AMIS Para ID	No. of cases	Amount Pointed Out	Amount Verified	Balance
	Professional Tax & Excise)					
2	ETO, Multan (Property Tax, Professional Tax & Excise)	2023-0000001580_F00025	80	1,395,372	464,622	930,750
3	ETO, Gujrat	2023-0000003225_F00002	2	112,684,000	-	112,684,000
Total			**187**	**118,434,932**	**3,491,819**	**114,943,113**

The weak internal and administrative controls resulted in non-realization of tax on properties abutting to highways motorways.

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the months of May to November, 2023 but no reply was offered.

DAC in its meetings held in the months from September 2023 to January, 2024 reduced the para to Rs. 114,943,113 after verification of Rs. 3,491,819 and directed the department to recover the balance amount at the earliest

Audit recommends to recover the outstanding amount besides fixing responsibility for this lapse.

2.4.20 Non recovery of education cess and non-assessment of 37 clubs -Rs. 106.870 million

Subsection (3) of Section 7 of the Finance Act, 2011 levies education cess on clubs as "(3) notwithstanding any tax or duty levied under any other law, the Government shall levy education cess on clubs at the following rates:

1. Initial membership fee 10% of the initial membership fee
2. Services rendered by the club 10% of the charge for a service rendered.

During audit of office of the Secretary Excise, Taxation & Narcotics Control, Lahore for the financial year 2022-23, it was observed that honorable Supreme Court of Pakistan upheld the levy of education cess by amending the judgment dated 16-12-2015 announced by the Lahore High

Court, Lahore in favor of department for recovery of education cess against the assessment of Rs. 106,870,740 for 5 clubs with one year tax only.

Whereas, the authority notified only 37 clubs vide Notification No. SOTAX(E&T) 3-9/2011 dated 9th March 2012 but assessment was not made in this respect. Other clubs functional in Punjab were also not notified for collection of education cess.

This has resulted in non-recovery of education cess of amounting to Rs. 106.870 million and non-assessment of 37 clubs thereof which indicates ineffective administrative controls.

Audit pointed out the lapse in the month of November, 2023. The department had not offered any reply.

The matter was further reported to the administrative department. The authority accepts the observation but no reply was given.

The DAC meeting was not convened till the finalization of this Report despite issuance of reminder in the month of December, 2023.

Audit recommends to recover assessed education cess from clubs besides recovery of stayed period be also be made after proper assessment of cess.

(AMIS Para ID 2023-0000004708_F00003)

2.4.21 Non realization of Property Tax due to grant of un-authorized exemption of taxable units -Rs. 90.054 million

According to the amendment in Section 4 (i) of the Punjab Urban Immovable Property Tax Act, 1958 through the Punjab Finance Act, 2005 the Government of the Punjab effecting from 1st July, 2004, granted exemption from payment of property tax to the owners of one residential house measuring an area up to five marla for residential purpose irrespective of its annual value. Furthermore, Section 4(f) of the Property Tax Act, 1958, the property tax shall not be leviable on buildings and lands or portions thereof used exclusively for public worship or public charity including mosques, churches, *dharma shalas*, *gurdwara*, hospital, dispensaries, orphanages, alms houses, drinking water fountains, infirmaries for the treatment and case of animals and public burial or burning grounds or other places for the disposal of the dead. A certificate to that effect are required to be issued in Form PT-17 by the Director Excise & Taxation under whose jurisdiction it fall after examination and satisfaction of record of income and expenditure of an institution.

During audit of Excise, Taxation & Narcotics Control Department for the period up to 2022-23, it was noticed that 14 Excise & Taxation Officers exempted 626 taxable property units without any reason. Audit is of the view that laxity in collecting admissible property tax by the management deprived public exchequer of revenue to the tune of Rs. 102,202,183 **(Annex. 19).**

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the months of May to November, 2023 but no reply was offered.

DAC in its meetings held in the months from September, 2023 to January, 2024 reduced the para to Rs. 90,054,293 after verification of Rs. 12,147,890 and directed the department to recover the balance amount at the earliest.

Audit recommends that the department needs to take effective steps for timely recovery of tax.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2020-21 vide para number 1.4.6 having financial impact of Rs. 43.224 million. Recurrence of same irregularity is a matter of serious concern.

2.4.22 Short assessment of property tax -Rs. 83.335 million

According to Government of the Punjab letter No. SO TAX(E&T)3-38/2014 dated 30th June, 2014, the marriage halls/banquet hall, marriage lawn/event hall/marquee/exhibition centre, in case of self-properties shall be assessed at the rate 175% of commercial rate of valuation tables prescribed for the locality. Rented properties shell be assessed as per rates prescribed for commercial rented properties.

During examination of record of the Excise, Taxation & Narcotics Control Department for the period up to 2022-23, it was noticed that 19 Excise & Taxation officers had not calculated the property tax in the manner as prescribed above where 241 marriage halls and other commercial plazas/units were short assessed.

This resulted in short realization of government revenue amounting to Rs. 124,614,964 in 234 cases **(Annex. 20)** due weak assessment and internal controls.

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the months of May to November, 2023 but no reply was offered.

DAC in its meetings held in the months from September, 2023 to January, 2024 reduced the para to Rs. 83,335,098 after verification of Rs. 41,279,866 and directed the department to recover the balance amount at the earliest.

Audit recommends that necessary efforts be made for recovery of government dues without further delay.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 2.4.10 having financial impact of Rs. 46.971 million. Recurrence of same irregularity is a matter of serious concern.

2.4.23 Non realization of property tax from properties being administered by the autonomous bodies -Rs. 45.391 million

According to subsection (e) of Section 2 of the Punjab Property Tax Act, 1958 “owner” includes a mortgagee with possession, a lessee in perpetuity, a trustee having possession of a trust property and a person to whom an evacuee property has been transferred provisionally or permanently under the Displaced Persons (Rehabilitation and Compensation) Act, 1958 and subsection (b) of Section 4 of the Act ibid “Exemptions. – The tax shall not be leviable in respect of the following properties, namely:

(b) “buildings and lands other than those leased in perpetuity owned and administered by the Government of the Punjab or a local government as defined in Section 2 clause (xvi) of the Punjab Local Government Ordinance, 2002 (XIII of 2001)”

During examination of record of the Excise, Taxation & Narcotics Control Department for the period up to 2022-23, it was noticed that 4 Excise & Taxation had wrongly kept 41 properties exempted which are not administered by the government or local government as prescribed above and school business are being carried out by respective boards governors of such institutions which are not covered under the definition of government.

Audit is of the view that lack of internal controls of management resulted in to non-charging of tax from properties being administered by the autonomous bodies amounting to Rs. 45,390,819.

(Amounts in Rs.)

Sr.	Office Name	AMIS Para ID	No. of cases	Amount Pointed Out	Amount Verified	Balance
1	ETO, Rawalpindi	2023-0000001578_F00008	34	23,313,426	-	23,313,426
2	ETO, Gujrat	2023-0000003225_F00012	1	9,622,374	-	9,622,374
3	ETO, Zone-XVI, Lahore (Property Tax)	2023-0000004381_F00016	5	1,136,667	-	1,136,667
4	ETO, Zone-V, Lahore	2023-0000004378_F00010	1	11,318,352	-	11,318,352

Sr.	Office Name	AMIS Para ID	No. of cases	Amount Pointed Out	Amount Verified	Balance
	(Property Tax)					
Total			**41**	**45,390,819**	-	**45,390,819**

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the months of May to December, 2023 but no reply was offered.

DAC in its meeting held in the month of January, 2024 kept the para pending for compliance.

Audit recommends that matter be pursued besides ensuring recovery of outstanding government dues.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 2.4.7 having financial impact of Rs. 54.383 million. Recurrence of same irregularity is a matter of serious concern.

2.4.24 Non exercise of jurisdiction by assessing authority within the prescribed limit of the rating area under housing society -Rs. 32.239 million

Section 3 of the Punjab Urban Immovable Property Tax Act, 1958 states that "Government may, by notification, specify urban areas where tax shall be levied under this Act, provided that one urban area may be divided into two or more rating areas or several urban areas may be grouped as one rating area".

During audit of office of the Secretary Excise Taxation & Narcotics Control, Lahore for the financial year 2022-23, it was observed that letter No. 932/TXNA dated 20-06-2023 issued by Excise and Taxation, Region A, Lahore indicates that property tax of Rs. 32,239,000 is pending against head office of a renowned housing scheme in rating area of Zone-13, Lahore.

Whereas, the assessing authority has made assessment of tax and communicated the same to the Authority but the concerned office has not made the payment of tax liability since long negating the mandate of assessing authority.

This has resulted in encroached upon jurisdiction of assessing authority within the prescribed limit of the rating area by housing Society – Rs. 32,239,000 which indicates ineffective administrative controls.

Audit pointed out the lapse in the month of November, 2023. The department had not offered any reply.

The matter was further reported to the administrative department. The authority accepts the observation but no reply was given. The DAC meeting was not convened till the finalization of this Report despite issuance of reminder in the month of December, 2023.

Audit recommends expediting the recovery of imposed tax.

(AMIS Para ID 2023-0000004708_F00004)

2.4.25 Non assessment of property tax for agricultural land and buildings in housing societies -Rs. 30.340 million

According to Government of the Punjab letter No. SO TAX(E&T)3-38/91/P-I dated 13th October, 2001, the assessable value of property units falling in a rating area will be ascertain in the light of instructions and consideration of rates of each categories specified in the Valuation Table enclosed with the letter. In the light of these instructions, properties and land of any category rate of the localities self or rented as the case may be for the purpose of assessment of gross annual rental value (GARV).

During examination of record of the Excise, Taxation & Narcotics Control Department for the period up to 2022-23, it was noticed that 6 Excise & Taxation Officers had not assessed the property tax for agricultural land and buildings in housing societies.

Audit is of the view that lack of internal controls and inaction on part of the department resulted in non-assessment of property tax on agricultural land for Rs. 41,329,364 in 21 cases **(Annex. 21).**

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the months of May to December, 2023 but no reply was offered.

DAC in its meetings held in the months from September, 2023 to January, 2024 reduced the para to Rs. 30,339,858 after verification of Rs. 10,989,506 and directed the department to recover the balance amount at the earliest.

Audit recommends that complete properties of such nature be surveyed and brought to tax net besides recovery of actual amount involved in these cases.

2.4.26 Short assessment of property tax on towers -Rs. 25.986 million

According to Section 5 of the Urban Immoveable Property Tax Act, 1958, the annual value of any land or building shall be ascertained by estimating the gross annual rent at which such land or building that may be let for use or enjoyment with such building might reasonably be expected to be let from year to year. Further, according to Government of the Punjab letter No. SO TAX(E&T)3-38/2014 dated 30th June, 2014, Sr. No.14 actual rent in case of rented properties. Self-commercial rate of valuation tables shall be applied in case of company owned properties. In this case whole land area shall be considered as covered area.

During examination of record of the Excise, Taxation & Narcotics Control Department for the period up to 2022-23, it was noticed that 15 Excise & Taxation Officers had entered less rent of towers being under use of Telecom Companies in the system of property tax for calculating the ARV (Annual Rental Value) of properties.

Audit is of the view that ineffective internal controls resulted in short realization of property tax of Rs. 26,731,961 in 467 cases. **(Annex. 22)**

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the month of May, 2023 but no reply was offered.

DAC in its meetings held in the months from September, 2023 to January, 2024 reduced the para to Rs. 25,986,038 after verification of Rs. 745,923 and directed the department to recover the balance amount at the earliest.

Audit recommends that matter be pursued and recovery of government dues be got affected.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2020-21 vide para number 1.4.9 having financial impact of Rs. 13.916 million. Recurrence of same irregularity is a matter of serious concern.

2.4.27 Non realization of property tax treating the units as demolished ignoring tax on vacant land -Rs. 20.283 million

As per amendment in Act V, 1958 through the Punjab Finance Act, 2016 "One residential house or vacant plot, measuring an area not exceeding five marla, used or to be used for residential purpose except a residential house or vacant plot with annual value of more than five thousand rupees situated in a part of a rating area and categorized as category-A area".

During scrutiny of record of seven Excise, Taxation & Narcotics Control Officers for the year up to 2022-23, it was observed that property tax is not being levied on the properties presented as demolished or under construction in the system since ages. No mechanism has been established in system to show history of these units whether these are completed/under process nor these are treated as open plots for taxation. Resultantly, these urban properties are exempted from tax and their arrears are also suspended for the last many years.

The slackness on the part of management resulted in loss of govt. revenue amounting to Rs. 20,947,017 in 440 cases.

(Amount in Rs.)

Sr.	Office Name	AMIS Para ID	No. of cases	Amount Pointed Out	Amount Verified	Balance
1	ETO, Multan (Property	2023-0000001	48	3,793,286	664,369	3,128,917

Sr.	Office Name	AMIS Para ID	No. of cases	Amount Pointed Out	Amount Verified	Balance
	Tax, Professional Tax & Excise)	580_F00015				
2	ETO, Zone-I, Lahore (Property Tax)	2023-0000003217_F00014	15	268,351		268,351
3	ETO, Zone-V, Lahore (Property Tax)	2023-0000004378_F00011	33	11,263,976		11,263,976
4	ETO, Zone-XIII, Lahore (Property Tax)	2023-0000004379_F00012	38	1,011,379		1,011,379
5	ETO, Zone-XIV, Lahore (Property Tax)	2023-0000003220_F00016	24	1,452,951		1,452,951
6	ETO, Zone-XVI, Lahore (Property Tax)	2023-0000004381_F00012	166	1,249,569		1,249,569
7	ETO, Zone-XVII, Lahore (Property Tax)	2023-0000004382_F00018	116	1,907,505		1,907,505
Total			**440**	**20,947,017**	**664,369**	**20,282,648**

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the months of May to December, 2023 but no reply was offered.

DAC in its meetings held in the months from September, 2023 to January, 2024 reduced the para to Rs. 20,282,648 after verification of Rs. 664,369 and directed the department to recover the balance amount at the earliest

Audit recommends recovery of the amount pointed out by Audit, besides fixing responsibility for this lapse.

2.4.28 Non realization of property tax due to allowing excess exemption to more than one five marla houses -Rs. 15.744 million

Section 4 (I) of the Punjab Urban Immovable Property Tax Act, 1958 states that "with effect from 01.07.2004, property tax shall not be levied in case of one residential house, measuring an area up to five marlas, used for residential purpose irrespective of its annual rental value".

During examination of record of the Excise, Taxation & Narcotics Control Department for the period up to 2022-23, it was noticed that 15 Excise & Taxation Officers had given exemption to all (more than one) five marla residential houses owned by the same owner whereas, only one five marla house is exempted under the law.

Audit is of the view that ineffective internal controls resulted in non-realization of property tax of Rs. 16,281,003 in 1388 cases **(Annex. 23).**

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the months of May to December, 2023 but no reply was offered.

DAC in its meetings held in the months from September, 2023 to January, 2024 reduced the para to Rs. 15,743,517 after verification of Rs. 537,486 and directed the department to recover the balance amount at the earliest.

Audit recommends that matter be pursued and recovery of government dues be effected.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 2.4.24 having financial impact of Rs. 2.174 million. Recurrence of same irregularity is a matter of serious concern.

2.4.29 Non realization of farm house tax -Rs. 1.2 million

According to Section 6 of the Finance Act, 2011 "Farm House tax was levied by Government of the Punjab, on farm houses lying outside existing rating areas of property tax and whose total area is four kanals, including the areas under farming, minimum covered area of 5000 square feet, and constructed after the year 1980, at the rates as a farm house with covered area of more than 10,000 square feet PKR.20/- per square foot of the covered area per annum".

During audit of Excise and Taxation Officer Gujrat, it was noticed that the Taxation authority had not assessed farm house tax which was liable to be assessed on farm house established outside the limits of rating area.

This has resulted in non-realization of farm house tax amounting to Rs. 1,200,000 in a case which indicates ineffective administrative controls

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the month of November, 2023 but no reply was offered.

The DAC meeting was not convened till the finalization of this Report despite issuance of reminder in the month of December, 2023.

Audit recommends creation of tax demand after assessing the farm house tax and recovery of the stated amount be made.

(AMIS Para ID 2023-0000003225_F00003)

Value for Money

2.4.30 Accumulative default un-addressed -Rs. 24,813.75 million

According to Section 16 of the Punjab Urban Immoveable Property Tax Act, 1958, any sum due on account of property tax remains unpaid after due date without sufficient cause to the satisfaction of the Collector is required to be recovered as arrear of land revenue.

During audit of office of the Secretary Excise, Taxation and Narcotics Control, Lahore for financial year 2022-23, UIPT (Urban Immoveable Property Tax) system dash board revealed that amounting to Rs. 24,813.75 million was pending on account of arrears for many years up to June 2022 but no concrete efforts have been made at administrative level for recovery of long outstanding dues.

It is further added that the department made efforts to achieve the recovery of assigned targets for each year without noticing the total demand of property tax along with the arrears of previous years.

This has resulted in accumulative default remained un-addressed of Rs. 24,813.75 million which indicates ineffective administrative controls.

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the month of December, 2023 but no reply was offered.

The DAC meeting was not convened till the finalization of this Report despite issuance of reminder in the month of December, 2023.

Audit recommends to supervise early recovery of the stated amount from concerned person(s) besides mechanism for allocating the target to field formations be streamlined and actual potential of revenue be communicated to Finance Department.

(AMIS Para ID. 2023-0000004708_F00001)

2.4.31 Non recovery of taxes proved in inquiries against the officers and official -Rs. 89.774 million

According to 2.33 of PFR Vol-1, every government servant 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. Subsection (f) of Section 7 of the Punjab Employees Efficiency, Discipline and Accountability Act, 2006 state that “where charge or charges of grave corruption are proved against an accused, the penalty of dismissal from service shall be imposed, in addition to the penalty of recovery, if any.

During audit of the Excise, Taxation & Narcotics Control Department for year 2021-22, it was observed that no proper mechanism exists for recovery from defaulters. It is further added that supervisory authorities in most of the cases ignored the issue as no orders for inquiry was available on record and in some cases minor penalties were imposed by shifting all the burden of offence on data entry operators and inspectors only.

The inquiries for year 2020-21 were not carried forward in the year 2021-22 for proper monitoring of the fate of inquiries as the proforma-A & II (As on 30-05-2022) contained the inquiries of F.Y 2021-22 only.

Audit observed that weak supervisory and financial controls resulted in non-recovery of taxes established in inquiries against the officers and officials amounting to Rs. 89,774,540 in 14 cases.

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the month of May, 2023 but no reply was offered.

DAC in its meeting held in the month of December, 2023 kept the para pending for compliance.

Audit recommends that follow up of the amount of recovery be monitored besides the inquiries for the years 2020-21 & 2021-22 be finalized and implementation of penalties be supervised properly.

[AMIS Para ID 2023-0000000205_F00006]

2.4.32 Inaction over registration of 953 imported vehicles not available in Custom data base

Clause (d) of Section 28(1) (Refusal of registration) of the Provincial Motor Vehicles Ordinance 1965 states that (1) The registering authority may, for reasons to be recorded in writing, refuse to register any motor vehicle, if–(d) the applicant fails to produce before the registering authority: (ii) where the vehicle has been imported from any place outside Pakistan and has not been previously registered in any place in Pakistan, an import license for the vehicle.

During audit of the office of the Director General, Excise & Taxation, Lahore for the period 2021-22, it was observed that the department has failed to take any action for registration of 953 non verified vehicles from the custom department and 31 vehicles registered against artificial documents as intimated by Customs Department vide 01/ASO/287/2020/65 dated 24/03/2022. Resulting in non-deposit of Custom Duty for 953 vehicles.

Audit is of the view that lapse occurred due to weak supervisory and financial controls which resulted in inaction over registration of imported 953 vehicles not available in Custom data base.

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the months of May to December, 2023 but no reply was offered.

DAC was not convened till finalization of this report.

Audit recommends that non custom vehicles be impounded after cancelation of registration and making the department representatives and owners of vehicles accountable.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 2.4.25 having financial impact of Rs. 11,315.82 million. Recurrence of same irregularity is a matter of serious concern.

[AMIS Para ID 2023-0000000205_F00035]

2.4.33 Distortions evident in data fields with misleading data analytics due to outsourcing pitfalls

As per the legal framework that determines the property tax administration in the province is governed by the UIPT Act, 1958, The collection made under UIPT is subject to revenue sharing with the WASAs, TMA's and City Districts. With the sole objective of plugging the leakages for increase in revenue, the Government of the Punjab on the recommendations of Punjab Fiscal Reforms Commission, 1998, did away with the then prevailing system of assessment of UIPT in Punjab on the basis of actual rents (determined by the E&TI) for rented properties and notional rents for owner-occupied properties.

Further, the Government of the Punjab initiated a project of Urban Immovable Property Tax (UIPT) in 2013 with the clear vision of bringing enhanced transparency, better management and improve service delivery in regime of taxation after implementation of e-governance in the departments in achieving major objective.

During audit of the Secretary, Excise, Taxation & Narcotics Control, Lahore for the financial year 2022-23, it was observed that every year short assessment of property tax pointed out by audit on account of allocating wrong categories as defined in valuation table along with wrong data fields (main to off, rented to self, customized to non-customized & misinterpretation of godown reduce rate) which leads to revenue reduction and loss to public exchequer but the administrative department had not made any efforts to eliminate the pitfalls.

Whereas, the same could easily be identified by going through the data field for which data was demanded from management but no data was made available to audit by stating baseless hiccups meaning thereby the administrative department is governing a tax regime for which no data is available in department. As management dash board was an important deliverable of UIPT system but the administrative department is not utilizing the same and statements for recovery of taxes were called by directly from field formation.

This has resulted in distortions evident in data fields with misleading data analytics due to outsourcing pitfalls which indicates ineffective administrative controls

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the month of December, 2023 but no reply was offered.

The DAC meeting was not convened till the finalization of this Report despite issuance of reminder in the month of December, 2023.

Audit recommends data be made available to audit for further data analysis by utilizing the Audit Management information system besides distortion pointed out by audit be eliminated after devising a system based strategy for better revenue mobilization .

(AMIS Para ID 2023-0000004708_F00016)

2.4.34 Non implementation of corrective measures pointed out in 3rd party audit report

As per 6 of PC-I of the project titled as "GIS Integrated Computerization of Urban Immovable Property Tax (UIPT) System in Thirty Districts of Punjab", a 3rd party audit for whole system is mandatory to complete the project cycle with following objective:

> "The excise & taxation department intends to gather information regarding leakages through under assessments and non-assessments of property units and resultant loss to government exchequer. Although the excise & taxation department has an internal audit wing however the said wing does not have capacity for doing the exercise on large scale. Further department wants to have an unbiased audit for getting exact information"

During the scrutiny of data of UIPT system maintained by office of the Director General, Excise, Taxation & Narcotics Control, Lahore for the period 2021-22, it was observed that the directions of 3rd party audit were not implemented as 3rd party audit pointed out the non-assessment of units, land use differences, difference in area and rent ability differences in assessment of commercial properties located in "A" categorized localities in District Lahore.

Calculations were made on test check basis in comparison with existing PT-1 data available at e-portal maintained by Urban Unit which revealed that the data was not amended in the system for short assessment of Rs. 1,557,560,035 for which no remedial measures were taken by the department.

Audit is of the view that weak financial and internal control of the department resulted in wasteful expenditure on 3rd Party Audit due to non-compliance of third party audit directions.

The matter was reported to the respective formations as well as to the Principal Accounting Officer in the month of May, 2023 but no reply was offered.

DAC was not convened till finalization of this report.

Audit recommends recovery of the amount pointed out by Audit, besides fixing responsibility for this lapse.

[AMIS Para ID 2023-0000000205_F00036]

CHAPTER 3

THE PUNJAB REVENUE AUTHORITY

3.1 A) *Introduction*

According to Sales Tax Act, 1951, sales tax on services was the Federal Subject. The federal government, however, asked provinces in year 2000 to introduce legislations to manage provincial sales tax on services. Further, 18th Constitutional amendment read with 7th NFC Award empowered the provinces to collect and administer sales tax on services.

Accordingly, the Punjab government established the Punjab Revenue Authority (PRA), as an autonomous organization under the administrative control of Finance Department, with automated tax payment and collection system on 1.07.2012. It also enacted the Punjab Sales Tax on Services Act, 2012 in supersession of the Punjab Sales Tax Ordinance, 2000.

B) Comments on Budgeted Receipts (Variance Analysis)

During the Financial Year 2022-23, the Punjab Revenue Authority collected an amount of Rs. 197 billion against the revised targets of Rs. 193 billion.

A comparison of original budgeted revenue estimates, revised estimates and actual receipts for the year 2022-23 is tabulated below. The variation between the revenue target and actual receipts is depicted both in absolute and percentage terms:

Variance Analysis for Punjab Revenue Authority 2022-23
(Rs. in million)

S #	Category	Head of Account	Budgeted Estimates	Revised Estimates	Actual receipts as per Financial Statement	Variation excess/ (less) Col.6-5	Percentage of Variation
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
1	Punjab Sales Tax on Services	B0-2385	184,000	193,300	197,555.37	4,255.37	2.2%

(Data Source: **1**. Annual Budget Statement 2023-24 **2**. Civil Accounts Govt. of Punjab for 2022-23)

The above figures highlight that the actual receipts were 2.2% greater than the revised revenue estimates for the financial 2022-23. The original revenue estimates were increased by 5%.

The Punjab Revenue Authority achieved its revenue targets during the financial year 2022-23. Comparison of receipts targets and actual receipts for the financial year 2021-22 and 2022-23 is given below:

Budgeted Estimates, Revised Estimates and Actual Receipts

(Rs. in billion)

Year	Budgeted Estimates	Revised Estimates	Actual Receipts as per Financial Statement
2021-22	151	161	165
2022-23	184	193.3	197.55

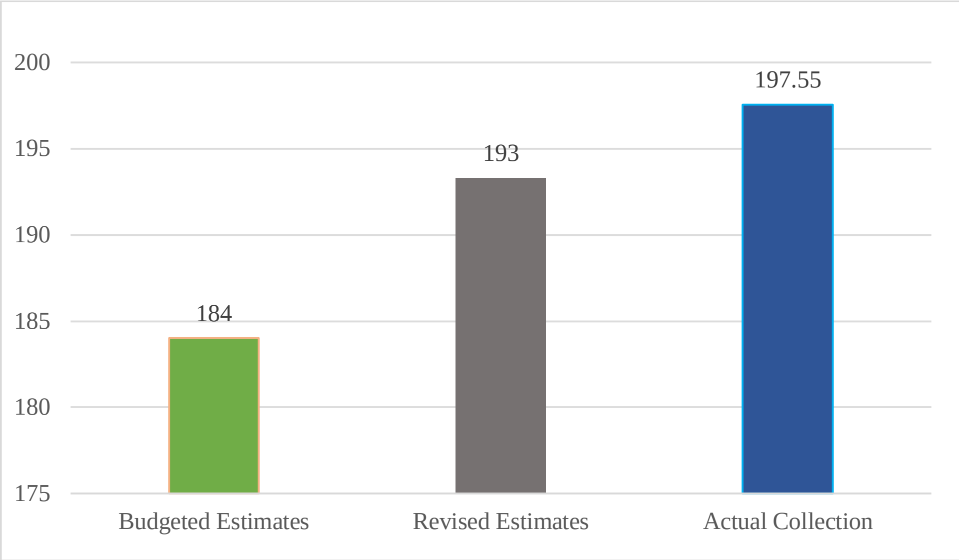
(Data Source: 1. Annual Budget Statement 2023-24 2. Civil Accounts Govt. of Punjab for 2022-23)

The above figures show that actual receipts in 2022-23 were more than that of financial year 2021-22. The Punjab revenue authority has exceeded in realizing its revised revenue targets.

The comparison of budgeted revenue estimates, revised revenue estimates and actual collection of department for the financial year 2022-23 is given in the following graph:

Comparison of Budgeted Estimates, Revised Estimates and Actual Collection

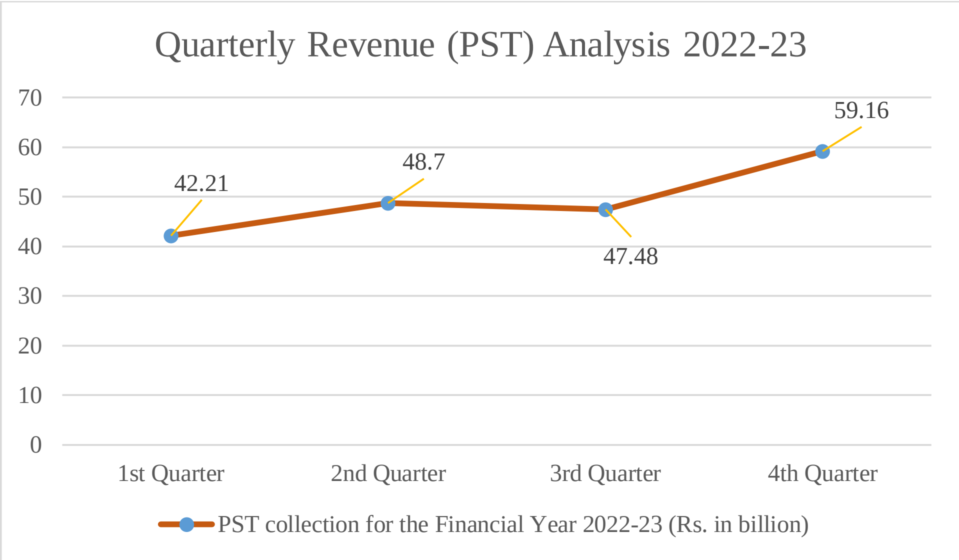
(Rs. in billion)



(Data Source: 1. Annual Budget Statement 2023-24 2. Civil Accounts Govt. of Punjab for 2022-23)

The above graph shows that the actual receipts were greater than the original estimates and revised estimates.

The quarterly tax revenue collection during the financial year 2022-23 is as under:



(Data Source: Civil Accounts Govt. of Punjab for 2022-23)

The above line chart is showing the upward trend of revenue collected by the department quarterly except in 3rd quarter.

Audit profile of Punjab Revenue Authority

(Rs. in million)

Sr. No	Description	Total No	Audited	Revenue/Receipts audited FY 2022-23
1	Formations	1	1	165,464
2	Assignment Accounts SDAs	-	-	-
3	Authorities /Autonomous Bodies etc. Under the PAO	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-

3.2 Classified Summary of Audit Observations

Audit observations (recoveries) amounting to Rs. 179,960 million were raised in this report during the current audit of Punjab Revenue Authority.

Overview of audit observations

(Rs. in million)

Sr. No	Classification	Amount
1	Irregularities (Non/less realization of Govt. revenue)	179,960

3.3 Brief Comments on the Status of Compliance with PAC Directives

No PAC meeting was held till the finalization of the Report.

3.4 AUDIT PARAS

Irregularities

3.4.1 Non-assessment of minimum or actual tax liability for taxable services -Rs. 85,857.230 million

Section 24 (Assessment of Tax) of the Punjab Sales Tax on Services Act, 2012 prescribes that "where on the basis of any information acquired during an audit, inquiry, inspection or otherwise, an officer of the Authority 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, the officer shall make an assessment of the tax actually payable by that person and shall impose a penalty and charge default surcharge in accordance with Sections 48 and 49".

Furthermore, Rule 3 read with Rule 8 of the Punjab Sales Tax on Services (Determination of Minimum Tax Liability) Regulations, 2019 states that audit determination or payment of minimum tax liability for a tax period shall not be final tax liability and the registered person shall be liable to discharge actual liability which may accrue or be determined at a later stage through audit, investigation or inquiry.

During the audit of the Punjab Revenue Authority for the year 2021-22, it was observed that the authority neither conducted a survey for the registration of new units nor determined minimum or actual tax liability through audit, inquiry or investigation for 26 types of services. No evidence was shared regarding action taken by the respective enforcement wing by calling the information of taxpayers under Section 57 of the Act, 2012 ibid. The non-invocation of Rule 3 and 8 of the Punjab Sales Tax on Services (Determination of Minimum Tax Liability) Regulations, 2019 was a serious enforcement lapse.

The audit is of the view that lack of internal controls and abdication of the statutory mandate of robust enforcement and audit functions by the management resulted in non-assessment of minimum or actual tax liability for taxable services, assessable for collection of Punjab sales tax on Services with a demand for Rs. 85,857,230,219. The service providers were the beneficiaries of evading tax, escaping lawful and valid assessment and corresponding demand, occasioned by the non/short declaration of turnover of their taxable activity.

Audit pointed out the lapse on 27th June, 2023. The department provided an unsubstantiated reply against observation number 21,24,25,29,30,31,33,35,36,37,38,53 and 54 without a case to case examination of even minimum tax liability of services as mentioned in each supporting annexure and contended that the audit worked out the tax liability for units on a self-estimation basis. The reply was not tenable as the audit detection adverted to the minimum potential of untapped tax from the taxpayer, mentioned in the list by quoting the source of information that was not utilized by enforcement staff who remained negligent and dormant. The Authority's role was inept as it preferred non-utilization of the powers conferred under Act ibid as set forth under

Sections 14, 52, and 57, after getting more pieces of evidence to stop the short and non-declaration of revenue, causing loss to state.

DAC meeting was held in the month of January, 2024. The department contested that audit has assessed the tax liability on estimation basis. Audit is of the view that untapped and non-compliant cases were pointed out in paras, where actions are required to be taken by PRA. PRA enacted the Punjab Sales Tax on Services (Determination of Minimum Tax Liability) Regulations, 2019 but action was not taken by PRA in light of said regulations. Therefore, the committee has formed a working group with nominees from Finance Department, PRA and Audit department for review of working and actions taken by PRA for assessment of actual tax liability with the date of levy of tax for the cases pointed out by Audit.

Audit recommends that legal obligation for assessment of tax be fulfilled and recovery be given effect under the law for each taxpayer taking cognizance of declaring wrong turnovers with effect from the due date of levy of taxes.

[Detail in Annexure 24)

3.4.2 Non-deposit of Punjab sales tax on declared turnover -Rs. 18,432.772 million

According to Section 11 (Person liable to pay tax) of the Punjab Sales Tax on Services Act, 2012, "Where a service is taxable by virtue of sub-section (1) of Section 3, the liability to pay the tax shall be on the registered person providing the service".

(2) Where a service is taxable by virtue of sub-section (2) of Section 3, the liability to pay the tax shall be on the person receiving the service.

(4) Nothing contained in this section shall prevent the collection of tax from a different person if that person is made separately or jointly or severally liable for the tax under Section 19.

Rule 8 of the Punjab Sales Tax on Services (Determination of Minimum Tax Liability) Regulations, 2019 states that Audit determination and /or payment of minimum tax liability for a tax period shall not be final tax liability and the registered person shall be liable to discharge actual liability which may accrue or determined at a later stage through audit, investigation or inquiry.

During audit of PRA, it was observed that data of PST collection given by authority for the year 2021-22 showed turnover of Rs. 163,968,374,928 against 9780 taxpayers but it was noticed that system shows zero PST collection during 2021-22 against the said taxpayers. As per rate of tax applied on collection, an amount of Rs. 18,432,771,996 was not deposited into government treasury.

Audit is of the view that non-existence of internal controls and inaction on part of management resulted in non-deposit of Punjab sales tax of Rs. 18,432,771,996.

Audit pointed out the lapse on 27th June, 2023. No reply was given by authority.

DAC meeting was held in the month of January, 2024. The department contested that audit has assessed the tax liability on estimation basis. Audit is of the view that untapped and non-compliant cases were pointed out in paras, where actions are required to be taken by PRA. PRA enacted the Punjab Sales Tax on Services (Determination of Minimum Tax Liability) Regulations, 2019 but action was not taken by PRA in light of said regulations. Therefore, the committee has formed a working group with nominees from Finance Department, PRA and Audit department for review of the working and actions taken by PRA for assessment of actual tax liability with the date of levy of tax for the cases pointed out by Audit.

Audit recommends to inquire into the matter and also determine the tax liability besides fixing the responsibility against persons responsible for inaction in this respect.

[AMIS Para ID 2023-0000000189_F00038]

3.4.3 Less realization of Punjab sales tax due to late registration of service providers -Rs. 16,891.156 million

According to Section 25 (Registration) of the Punjab Sales Tax on Services Act, 2012 "a person shall register under this Act, who–

(a) provides any taxable service from his office or place of business in the Punjab; and Section 10 of the Act, 2012 ibid states that Subject to the provisions of this Act and the rules, there shall be charged, levied, collected and paid the tax on the value of a taxable service at the rate or rates specified in the Second Schedule."

Section 27 of the Punjab Sales Tax on Services Act, 2012 states that "if the Commissioner is satisfied that a person who is required to be registered and has not applied for registration, the Commissioner shall register the person and shall, not later than fifteen days before the day on which the registration takes effect, notify the person of the registration, the day on which it takes effect, and the registration number issued to the person.

During audit of Punjab Revenue Authority, Lahore for the year 2021-22, it was observed that the authority took no action for late registration on the part of service providers whereas, the same were already depositing tax to FBR. It is further added that authority had not undertaken audit of these units for determination of previous year's tax liability as these units were in category of compulsory registration also and no concrete measures were taken by PRA to penalize the late registration and defaulted payment of taxes. Audit Cum Risk Compliance Officers were posted in PRA but neither they conducted audit of previous years of late registered units nor determined minimum or actual tax liability of registered person. It was further observed that the authority allotted compulsory registration numbers but these units were registered after lapse of years and had not made payment of PST and penalty for non-filing during gap period.

Audit is of the view that lack of internal controls, weak enforcement and non-pursuance by the management resulted in less realization of Punjab sales tax amounting to Rs. 16,891,155,648 due to late registration of service providers.

Audit pointed out the lapse on 27th June, 2023. The department replied that the audit has mentioned 47 units which have not been audited under the Punjab Sales Tax on Services (determination of minimum tax liability) Regulation, 2019.

The department in its reply admitted that the 47 taxpayers were not timely registered with PRA and no action has been initiated to recover the tax from the date of levy of PST. The reply of authority is not tenable as Section 25 of the Act ibid puts an obligation on the taxpayer to get himself registered with PRA and if he fails, it is the responsibility of PRA to get him registered besides recovering tax not paid as Section 10 (Scope of tax and allied matters) enjoins that "there shall be charged, levied, collected and paid the tax on the value of a taxable service". Admission of PRA's disability is tantamount to providing favor to the taxpayer.

DAC meeting was held in the month of January, 2024. The department contested that audit has assessed the tax liability on estimation basis. Audit is of the view that untapped and non-compliant cases were pointed out in paras, where actions are required to be taken by PRA. PRA enacted the Punjab Sales Tax on Services (Determination of Minimum Tax Liability) Regulations, 2019 but action was not taken by PRA in light of said regulations. Therefore, the committee has formed a working group with nominees from Finance Department, PRA and Audit department for review of working and actions taken by PRA for assessment of actual tax liability with the date of levy of tax for the cases pointed out by Audit.

Audit recommends that the mandated assessment of tax be made and recovery be given effect under the law for each taxpayer from the due date of levy of taxes.

[AMIS Para ID 2023-0000000189_F00003, F00005]

3.4.4 Loss due to non-registration and under-declaration of turnover by the restaurant sector -Rs. 15,092.871 million

According to Section 24 of the Punjab Sales Tax on Services Act, 2012, where on the basis of any information acquired during an audit, inquiry, inspection, or otherwise, an officer of the Authority 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, the officer shall make an assessment of the tax actually payable by that person and shall impose a penalty and charge default surcharge in accordance with Sections 48 and 49.

According to Sr. No. 11 of the 2nd Schedule of Punjab Sales Tax on Services Act, 2012 "Services provided by restaurants including cafes, food (including ice-cream) parlors, coffee houses, coffee shops, deras, food huts, eateries, resorts and similar cooked, prepared or ready-to-eat food service outlets, etc. shall be charged with sales tax @ 16 % or 5 % as the case may be".

During the audit of registration data maintained by the Punjab Revenue Authority for the year 2021-22, it was observed that in connection with the assessment of the category of restaurants, the authority had not assessed minimum or actual tax liability, although it registered 6,939 restaurants. Tax demand of Rs. 15,003,821,307 in seven Commissionarates of the Punjab remained unrecovered. Furthermore, the registered taxpayer profile of restaurants did not mention a complete list of their business extension branches. Although the businesses are charging PST from their customers but are not depositing the same to government exchequer. The enforcement wing of PRA had not sent any notices to these business units for the provision of information, compulsory registration, impounding of record and sealing of taxpayer business premises over non-compliance of the Act.

Audit is of the view that lack of internal controls, weak enforcement and non-pursuance by the management resulted in loss of Rs. 15,092,871,307 due to non-registration and under-declaration of turnover by restaurant sector.

Audit pointed out the lapse on 27th June, 2023. The department provided irrelevant reply against observation number 12 and 71 without case to case examination of identified restaurants, providing services in Punjab.

The reply is not tenable as audit has pointed out minimum potential of untapped tax from the taxpayer mentioned in the list, by quoting the source of information which was not utilized by enforcement staff. Therefore, enforcement wing is required to make a detail review of cases pointed out by audit and with proactive approach by utilizing the powers conferred under Act 2012 ibid like Section 14, 52 and 57 after getting more evidences to stop under reporting of revenue causing loss to the state. Audit stresses that the cases pointed out are required to be probed under the law.

DAC meeting was held in the month of January, 2024. The department contested that audit has assessed the tax liability on estimation basis. Audit is of the view that untapped and non-compliant cases were pointed out in paras, where actions are required to be taken by PRA. PRA enacted the Punjab Sales Tax on Services (Determination of Minimum Tax Liability) Regulations, 2019 but action was not taken by PRA in light of said regulations. Therefore, the committee has formed a working group with nominees from Finance Department, PRA and Audit department for review of working and actions taken by PRA for assessment of actual tax liability with the date of levy of tax for the cases pointed out by Audit.

Audit recommends that mandated assessment of tax be made and recovery be given affect under the law for each taxpayer, taking cognizance of wrong turnovers, with effect from the due date of levy of taxes.

[AMIS Para ID 2023-0000000189_F00002]

3.4.5 Non realization of default surcharge and penalty for late or non-filing of returns -Rs. 10,929.491 million

Section 49 of the Punjab Sales Tax on Services Act, 2012, defines Default surcharge as "Notwithstanding the provisions of Section 24, 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 thereunder, he shall, in addition to the tax due and any penalty under Section 48, pay default surcharge at the rate mentioned below:-

(a) the person liable to pay any amount of tax or charge shall pay default surcharge at the rate of inter-bank rate plus three percent per annum of the amount of the tax due; and

(b) in case, the default is on account of tax fraud, the person who has committed tax fraud shall pay default surcharge at the rate of two percent per month, of the amount of tax evaded, till such time the entire liability including the amount of default surcharge is paid.

(2) For the purpose of calculation of default surcharge, the period of default shall be reckoned from the sixteenth day following the due date of the tax period to which the default relates, to the day preceding the date on which the tax due is actually paid

During audit of Punjab Revenue Authority, for the period 2021-22, it was observed that the assessed units (service providers) made late payments but authority had not imposed default surcharge of Rs. 277,790,638 on 3,691 taxpayer who paid their tax liability after expiry of due date as prescribed under law.

Furthermore, in connection with filing of returns and payment of sales tax in June, 2022, 45205 registered units had neither paid sales tax nor filed the returns after lapse of prescribed period but no action was taken by authority to invoke the relevant provision of law regarding imposition of penalty of Rs. 9,945,100,000.

Moreover, private limited companies are also registered with PRA but annual audited accounts are not available with PRA. The enforcement team neither make any efforts to conduct audit nor compare the turnover declared in monthly returns with their annual accounts. Due to this Government of the Punjab, sustained a huge loss on account of tax evasion. 7066 companies had not declared their turnover and the enforcement team had not taken any cognizance for declining trends in revenue declarations by issuance of any show cause notices for imposition of penalty of Rs. 706,600,000. Enforcement measures like audit of self-assessed returns and impounding of record were also not taken. Whereas, information from FBR under Section 153 (1) c & 153 (1) b was not obtained for charging the Punjab sales tax on services as per actual potential.

Audit is of the view that non-existence of internal controls and inaction on part of management resulted in non-realization of default surcharge and penalty of late or non-filing of returns along with tax due amounting to Rs. 10,929,490,638.

Audit pointed out the lapse on 27th June, 2023. No reply was given by authority.

DAC meeting was held in the month of January, 2024. The department contested that audit has assessed the tax liability on estimation basis. Audit is of the view that untapped and non-compliant cases were pointed out in paras, where actions are required to be taken by PRA. PRA enacted the Punjab Sales Tax on Services (Determination of Minimum Tax Liability) Regulations, 2019 but action was not taken by PRA in light of said regulations. Therefore, the committee has formed a working group with nominees from Finance Department, PRA and Audit department for review of working and actions taken by PRA for assessment of actual tax liability with the date of levy of tax for the cases pointed out by Audit.

Audit recommends to recover the default surcharge from persons who made late payment of PST and from those who skipped the tax return.

[AMIS Parra ID 2023-0000000189_F00015, F00024 & F00039]

3.4.6 Inaction to bring compulsory registered service providers in tax net -Rs. 7,970.220 million

Section 27 of the Punjab Sales Tax on Services Act, 2012 defines Compulsory Registration as "(1) If the Commissioner is satisfied that a person who is required to be registered and has not applied for registration, the Commissioner shall register the person and shall, not later than fifteen days before the day on which the registration takes effect, notify the person of the registration, the day on which it takes effect, and the registration number issued to the person".

Serial No. 1 of Section 48 of Punjab Sales Tax Act, 2012 provides with following penal measures:

Offence	**Penalties**
Any person who is required to apply for registration under this Act fails to make an application for registration before providing any taxable services	Such person shall be liable to pay a penalty of fifty thousand rupees or five percent of the amount of the tax he would have been liable to pay, whichever is higher. In the case of non-compliance of compulsory registration, the minimum penalty for a company shall be one hundred thousand rupees and for a person, other than a company, shall be fifty thousand rupees: If such person who is required to get himself registered under this Act, fails to get registered within ninety days of providing taxable services, he shall be further liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to one year, or with fine which may extend to the amount of the tax he would have been liable to pay, or with both.

During audit of Punjab Revenue Authority, Lahore for the period of 2021-22, it was observed that the authority had allotted compulsory registration number (CR No) to 25416 units up till June, 2022 but after data analysis on sample basis, 6455 units were not found in regular registration data. These units are providing services and same are on active taxpayer list of FBR but PRA neither took any action to get the compulsorily registered tax payers to regularize their registration for payment of their monthly tax and to recover penalty nor recommended imprisonment for tax defaulters as per law.

Furthermore, no record was maintained for notices issued to service providers under Section 57 of the Act ibid for provision of information, audit or for impounding of record and show cause notice for sealing of taxpayer.

Audit is of the view that lack of internal controls and non-pursuance by the management resulted in loss to government of Rs. 7,970,220,000 on account minimum determination of Punjab sales tax and penalty for non-registration.

Audit pointed out the lapse on 27th June, 2023. The department replied that the audit team has mentioned 1044 units and called them as Ghost units. These units could not be called as Ghost by any means as these are registered with PRA.

The reply is not tenable as the Punjab Revenue Authority allotted compulsory registration number (CR NO) to different taxable units in 2013 to 2022. As per Section 27 of the Act ibid, the commissioner shall register the person and shall, not later than fifteen days before the day on which the registration takes effect but the authority had not taken action to get the person registered under Section 25 of the Act ibid nor de-registered the units under Section 29 of the Act ibid. Further, after allotment of CR No in PRA, these units had applied for suspension of sale tax registration under FBR. It is to worth mentioning here that neither these units paid tax in FBR nor in PRA. Therefore, these unit could be called “Ghost” in the system.

DAC meeting was held in the month of January, 2024. The department contested that audit has assessed the tax liability on estimation basis. Audit is of the view that untapped and non-compliant cases were pointed out in paras, where actions are required to be taken by PRA. PRA enacted the Punjab Sales Tax on Services (Determination of Minimum Tax Liability) Regulations, 2019 but action was not taken by PRA in light of said regulations. Therefore, the committee has formed a working group with nominees from Finance Department, PRA and Audit department for review of working and actions taken by PRA for assessment of actual tax liability with the date of levy of tax for the cases pointed out by Audit.

Audit recommends to probe the matter and fix the responsibility against persons at fault along with recovery of potential tax liability on account of Punjab sales tax during default period.

[AMIS Para ID 2023-0000000189_F00004]

3.4.7 Less realization of Punjab sales tax from hotels due to short declaration of turnover -Rs. 7,532.663 million

Subsection (43) of Section 2 of the Punjab Sales Tax on Services Act, 2012 states “tax fraud” means knowingly, dishonestly or fraudulently and without any lawful excuse–

(a) doing of any act or causing to do any act; or

(b) omitting to take any action or causing the omission of any action, including providing of taxable services without being registered under the Act; or

(c) falsifying or causing falsification of tax invoices or other tax documents or records; or

(d) acting in contravention of the duties or obligations imposed under the Act or rules or instructions issued thereunder-

with the intention of understating or suppressing the tax liability or under paying or not paying the tax liability;

During audit of Punjab Revenue Authority for the period 2021-22, it was observed that the authority had not integrated data of hotels under tax net of Excise and Taxation Department, Punjab with PRA data base. There was a difference in hotels registered with PRA as compared with the data of registered hotels with Excise and Taxation Department and PRA was also unaware of total rooms and room rent charged by the hotel sector.

Furthermore, the authority neither integrated data with other tax collecting agencies nor notices were issued under Section 57 of the Act ibid.

Audit is of the view that non-existence of internal controls and inaction on part of management resulted in less realization of Punjab sales tax of Rs. 7,532,663,000 from hotels through declaring short turnover which indicates weak financial and administrative controls.

Audit pointed out the lapse on 27th June, 2023. No reply was given by authority.

DAC meeting was held in the month of January, 2024. The department contested that audit has assessed the tax liability on estimation basis. Audit is of the view that untapped and non-compliant cases were pointed out in paras, where actions are required to be taken by PRA. PRA enacted the Punjab Sales Tax on Services (Determination of Minimum Tax Liability) Regulations, 2019 but action was not taken by PRA in light of said regulations. Therefore, the committee has formed a working group with nominees from Finance Department, PRA and Audit department for review of working and actions taken by PRA for assessment of actual tax liability with the date of levy of tax for the cases pointed out by Audit.

Audit recommends that a comparison of other tax collecting agencies be made with returns available with PRA besides probing the matter for fixation of responsibility against persons at fault along with ensuring recovery of actual tax liability on account of PST.

[AMIS Para ID 2023-0000000189_F00010]

3.4.8 Short realization of PST due to inadmissible input claim -Rs. 5,677.171 million

Section 16-B of the Punjab Sales Tax on Services Act, 2012 defines Tax Credit not Allowed as "Notwithstanding anything contained in this Act or the rules, a registered person shall not be entitled to claim input tax adjustment in respect of:

(g) goods and services liable to a tax rate lesser than fifteen percent of the charges or to a specific rate of tax not based on value when used for providing or rendering any service".

During audit of PRA for the period 2021-22, it was observed that the authority had not recovered the amount of Rs. 5,305,135,816 due to inadmissible input adjustment claimed on goods and services liable to tax rate less than fifteen percent. Furthermore, it was also observed that the restaurants were charging 5% PST through debit/credit card but claiming input tax which is not admissible. This has resulted in short realization of PST due to inadmissible input claim of Rs. 371,980,821.

Settlement reports of all merchant accounts, regarding sale through debit/credit card for previous months issued by the banks and copies of bank statements where the amounts have been credited were not available.

Audit is of the view that lack of internal controls and non-pursuance by the management resulted in short realization of Rs. 5,677,171,000 due to inadmissible input claim.

Audit pointed out the lapse on 27th June, 2023. No reply was given by authority.

DAC meeting was held in the month of January, 2024 and the para was kept pending for compliance after detailed working by PRA.

Audit recommends to recover inadmissible input claim and penalize the taxpayers at fault besides strengthening the internal controls in this respect.

[AMIS Para ID 2023-0000000189_F00006, F00007]

3.4.9 Non recovery of PST against upheld cases -Rs. 4,009.780 million

Section 24 of the Punjab Sales Tax on Services Act, 2012 defines Assessment of tax as "(1) where on the basis of any information acquired during an audit, inquiry, inspection or otherwise, an officer of the Authority 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, the officer shall make an assessment of the tax actually payable by that person and shall impose a penalty and charge default surcharge in accordance with Sections 48 and 49".

During audit of PRA for the period 2021-22, it was observed that the Commissioner Appeal upheld 37 assessment order of Punjab sales tax amounting to Rs. 4,009,780,004 during 2021-22 but no efforts were made by enforcement team for recovery of Punjab sales tax which resulted in non-recovery of PST.

Audit is of the view that non-existence of internal controls and inaction on the part of management resulted in non-recovery of PST of Rs. 4,009,780,004 which indicates weak financial and administrative controls

Audit pointed out the lapse on 27th June, 2023. No reply was given by authority.

DAC meeting was held in the month of January, 2024 and a committee is formed with nominees from Finance Department, PRA and Audit department for review of working by PRA for assessment of actual tax liability.

Audit recommends to recover Punjab sales tax as per law.

[AMIS Para ID 2023-0000000189_F00049]

3.4.10 Less realization of PST due to registration in wrong category of services and application of incorrect rates -Rs. 2,213.236 million

According to sub-section 10 of Section 2 (Definitions) of the Punjab Sales Tax on Services Act, 2012 "common taxpayer identification number means the registration number or any other number or identification code allocated to a registered person"

Further, Section 16 of the Act, ibid states that "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 on the receipt of taxable services exclusively used in connection with the taxable services he provides, subject to the condition that he holds a true and valid tax invoice not older than six tax periods, showing the amount of tax charged under the Act on the services so received, but the Authority may disallow or subject to additional conditions may restrict such deduction in cases or with respect to taxable services or goods specified in Section 16A or Section 16B or the rules".

During audit of Punjab Revenue Authority for the period 2021-22, it was observed that the taxpayers registered with PRA with multiple categories of services had not paid tax amounting to Rs. 1,902,189,000 against all services provided to its consumers.

Furthermore, it was observed that in 735 cases, the service providers having tax rate five percent without input adjustment paid tax with less than 5% rate resulting into less realization of PST of Rs. 311,046,523

Audit is of the view that non-existence of internal controls and inaction on the part of management resulted in less realization of PST of Rs. 2,213,235,523 due to allotment of wrong category of services and application incorrect rates.

Audit pointed out the lapse on 27th June, 2023. No reply was given by authority.

DAC meeting was held in the month of January, 2024. The department contested that audit has assessed the tax liability on estimation basis. Audit is of the view that untapped and non-compliant cases were pointed out in paras, where actions are required to be taken by PRA. PRA enacted the Punjab Sales Tax on Services (Determination of Minimum Tax Liability) Regulations, 2019 but action was not taken by PRA in light of said regulations. Therefore, the committee has formed a working group with nominees from Finance Department, PRA and Audit department for review of working and actions taken by PRA for assessment of actual tax liability with the date of levy of tax for the cases pointed out by Audit.

Audit recommends to probe the matter and fix responsibility for the persons at fault.

[AMIS Para ID 2023-0000000189_F00012&F00029]

3.4.11 Non-realization of Punjab sale tax on franchise and sponsorship services of Pakistan Super League -Rs. 2,127.320 million

Sr. No 13 of the 2nd Schedule to the Punjab Sales Tax on Services Act, 2012 states that "Franchise service including intellectual property rights services and licensing services shall pay (a) Five percent without input tax adjustment for services relating to educational institutions; and (b) Sixteen percent for others. Further, Sr. No. 59 of the Schedule ibid states that sponsorship services providers shall pay the tax at the rate of 16 %".

During audit of PRA for the period 2021-22, it was observed that Pakistan Super League was not registered with PRA as taxpayer or as withholding agent. The PSL has franchise agreement with six teams and charging franchise fee amounting to Rs. 10,603,750,000 and Sponsorship fee of Rs. 2,692,000,000. But the entity had not collected potential of PST amounting to Rs. 2,127,320,000. Furthermore, the PSL is generating revenues from many other services like advertisement services and allied services which should be assessed by PRA as per tax potential.

Audit is of the view that non-existence of internal controls and inaction on the part of management resulted in non/short deposit of PST of Rs. 2,127,320,000.

Audit pointed out the lapse on 27th June, 2023. No reply was given by authority.

DAC meeting was held in the month of January, 2024. The department contested that audit has assessed the tax liability on estimation basis. Audit is of the view that untapped and non-compliant cases were pointed out in paras, where actions are required to be taken by PRA. PRA enacted the Punjab Sales Tax on Services (Determination of Minimum Tax Liability) Regulations, 2019 but action was not taken by PRA in light of said regulations. Therefore, the committee has formed a working group with nominees from Finance Department, PRA and Audit department for review of working and actions taken by PRA for assessment of actual tax liability with the date of levy of tax for the cases pointed out by Audit.

Audit recommends to conduct audit of the above mentioned taxpayer and recover the short payment of PST besides tax be assessed on services rendered or utilized by PSL and its franchisee's as well.

[AMIS Para ID 2023-0000000189_F00041]

3.4.12 Non deposit of Punjab sales tax on services rendered by Punjab Food Authority -Rs. 172.512 million

Section 14 (Special procedure and tax withholding provisions.) of the Punjab Sales Tax on Services Act, 2012 states that "(1) Notwithstanding anything contained in this Act, the Authority may, by notification in the official Gazette, prescribe a special procedure for the payment of tax, registration, book keeping, invoicing or billing requirements, returns and other related matters in respect of any service or class of services, as may be specified. (Services as per sr.no 42 and 13 of 2nd schedule)

(2) Notwithstanding other provisions of this Act, the Authority may require any person or class of persons whether registered or not for the purpose of this Act to withhold full or part of the tax charged from such person or class of persons on the provision of any taxable service or class of taxable services and to deposit the tax so withheld, with the Government within such time and in such manner as it may, by notification in the official Gazette, specify".

During audit of PRA for the period 2021-22, it was observed that Punjab Food Authority (PFA) collected Rs. 1,157,577,229 on account of different services i.e. License services, Training services and Lab testing services and withheld Punjab Sales Tax of Rs. 185,212,357 on these services but deposited only Rs 12,700,008 which was shown in their PST returns.

Audit is of the view that non-existence of internal controls and inaction on the part of management resulted in non-deposit of Punjab Sales Tax on services rendered by Punjab Food Authority -Rs. 172,512,349.

Audit pointed out the lapse on 27th June, 2023. No reply was given by authority.

DAC meeting was held in the month of January, 2024. The department contested that audit has assessed the tax liability on estimation basis. Audit is of the view that untapped and non-compliant cases were pointed out in paras, where actions are required to be taken by PRA. PRA enacted the Punjab Sales Tax on Services (Determination of Minimum Tax Liability) Regulations, 2019 but action was not taken by PRA in light of said regulations. Therefore, the committee has formed a working group with nominees from Finance Department, PRA and Audit department for review of working and actions taken by PRA for assessment of actual tax liability with the date of levy of tax for the cases pointed out by Audit.

Audit recommends to make assessment of previous year tax evasion and recover the short payment of PST.

[AMIS Para ID 2023-0000000189_F00040]

3.4.13 Non-realization of PST due to in-admissible exemption -Rs. 39.201 million

According to Section 12(Exemptions.) of the Punjab Sales Tax on Services Act, 2012 "(1) Notwithstanding the provisions of Sections 3 and 10, the Authority may, with the approval of the Government and subject to such conditions, limitations or restrictions as it may impose, by notification in the official Gazette, exempt–

(a) taxable service or services from the whole or any part of the tax;
(b) taxable service or services provided by a person or class of persons from the whole or any part of the tax;

(c) recipient or recipients of service or services, including international organizations and institutions, from the payment of the whole or any part of the tax; and

(d) a class of persons, any area or areas of the Punjab from the whole or any part of the tax."

During audit of PRA for the period 2021-22, it was observed that taxpayers availed tax exemptions of Rs. 39,201,833 on account of Punjab Sales Tax in tax returns. But the exemptions were inadmissible as notification or justification for such exemptions was not provided by authority.

Audit is of the view that non-existence of internal controls and inaction on part of management resulted in non-realization of PST of Rs. 39,201,833 due to in-admissible exemption.

Audit pointed out the lapse on 27th June, 2023. No reply was given by authority.

DAC meeting was held in the month of January, 2024. The department contested that audit has assessed the tax liability on estimation basis. Audit is of the view that untapped and non-compliant cases were pointed out in paras, where actions are required to be taken by PRA. PRA enacted the Punjab Sales Tax on Services (Determination of Minimum Tax Liability) Regulations, 2019 but action was not taken by PRA in light of said regulations. Therefore, the committee has formed a working group with nominees from Finance Department, PRA and Audit department for review of working and actions taken by PRA for assessment of actual tax liability with the date of levy of tax for the cases pointed out by audit.

Audit recommends to provide all record, reasons for exemption and data related to exemption for the period 2021-22 besides amount of inadmissible exemption be recovered as per law.

[AMIS Para ID 2023-0000000189_F00047]

3.4.14 Filing of returns with fixed turnover causing loss -Rs. 14.561 million

Section 35 of the Punjab Sales Tax on Services Act, 2012 defines Return as "(1) Every registered person shall furnish to the Authority, not later than the due date, a true, correct and properly filled-up return in the form notified by the Authority, indicating the tax due and paid during a tax period and such other information or particulars as may be notified by the Authority".

During audit of Punjab Revenue Authority for the period 2021-22, it was observed that taxpayers submitted returns by declaring fixed or minimum sales which clearly showed stereo typed or manipulated turnover i.e. Rs. 200,000 with tax deposited @ 5 % for Rs. 10,000 per month and PRA took no action against the taxpayers.

Audit is of the view that non-existence of internal controls and inaction on the part of management resulted in filing of returns with fixed turnover causing loss of Rs. 14,561,000 in 139 cases.

Audit pointed out the lapse on 27th June, 2023. No reply was given by authority.

DAC meeting was held in the month of January, 2024 directed the department to ensure the compliance of tax law.

Audit recommends to probe the matter and fix responsibility against the persons and taxpayers at fault and conduct an audit of those are filing returns with false turnover.

[AMIS Para ID 2023-0000000189_F00016]

Value for Money

3.4.15 Dormant role of Punjab Revenue Authority for documentation of assessee's data base

Section 9 of the Punjab Revenue Authority Act, 2012 defines Data bank as "(1) The Authority shall create and maintain a data bank containing information from third parties necessary to achieve the purposes of this Act.

(2) The Authority shall use the data, amongst other things, to increase the taxpayers' base, ensure accuracy of information, financial analysis and to evaluate the performance of the employees."

During audit of Punjab Revenue Authority for the period 2021-22, it was observed that authority had not performed key activities for broadening of tax base. Following governance issues were found:

Sr.	**Description**	**AMIS Para ID**
1	Non-maintenance of records regarding court cases, non-availability of records of proceedings of the fact-finding committee and tampering of records at Multan Commissionerate contrary to Section 9 of the Punjab Revenue Authority Act, 2012, the authority did not provide read only access to PTMS, Annex C of returns of registered taxpayers data with FBR registration date, and one view reports were not maintained.	2023-0000000189_F00018, F00020, F00023
2	Non recovery of input claim claimed by restaurants due to non-fulfillment of condition of permission granted contrary to Notification No. SO (Tax) 1-10/2020-21 (P) 14 Dated 30-09-2020	2023-0000000189_F00013
3	Non-recovery and verification of PST pointed out in IS Audit as directed by administrative department whereas Section 70 of Punjab Sales Tax on Services Act, 2012 defines "Recovery of Arrears of Tax	2023-0000000189_F00017
4	Short declaration of turnover on tax return in comparison to FBR cross data analysis causing less realization of PST in breach of provisions of Section 10 of the Punjab Sales Tax on services Act, 2012. **(Detail in Annex. 25 & 26)**	2023-0000000189_F00008
5	Non-realization of Punjab infrastructure development cess on imported Vehicles due to non-existence of mechanism for recovery of PIDC for imports of goods at the ports situated outside Punjab province contrary to Section 44 of the Punjab Infrastructure Development Cess Act 2015.	2023-0000000189_F00027
6	Non-realization of Punjab Worker Welfare Fund demand due to not assessment of net profit through FBR returns of industrial unit for actual recovery of Punjab Worker Welfare fund.	2023-0000000189_F00028

7	Non-recovery of PST on commission allowed to Petroleum dealer as PRA have no sale data of fuel supplied to every petrol pump whereas Subsection 9A and 9B of Section 2 of the Act 2012 ibid "commission" includes any consideration in whatever form.	2023-0000000189_F00030
8	Less collection of Punjab sales tax due to a negative trend on account of PST in annual returns whereas to Section 3 of the Punjab Sales Tax on Services (Determination of Minimum Tax Liability) Regulations, 2019.	2023-0000000189_F00035
9	Loss of revenue due to non-determination of tax liability for filling of nil return in two years whereas to Section 3 of the Punjab Sales Tax on Services (Determination of Minimum Tax Liability) Regulations, 2019.	2023-0000000189_F00036, F00037
10	Loss of revenue due to slipshod assessment without supporting documents contrary to Section 24 of the Punjab Sales Tax Act, 2012.	2023-0000000189_F00048
11	Short realization of input tax claimed from FBR subject to provisions of Section 16A or Section 16B or to such conditions and restrictions as may be prescribed.	2023-0000000189_F00046
12	Loss of Government exchequer due to non-conducting the exercise for cross-input tax adjustment subject to provisions of Section 16A or Section 16B.	2023-0000000189_F00045
13	Non-functioning of projects Restaurant Invoice Monitoring System (RIMS) and (e-IMS) after incurring of expenditure whereas Punjab Electronic Invoice Monitoring System Rules, 2019 Rule states that the registered person shall not issue any invoice to its customer other than that generated through the e-IMS. Invoices of four registered units on RIMS/e-IMS were checked and found that the invoices were without registration number and issue from other than POS installed point and these units were not uploading invoices on e-IMS. (**Detail in Annex. 27)**	2023-0000000189_F00055
14	Non realization of Punjab sale tax on repair and maintenance services as per Sr. No. 56 (effective from 1st November 2018) and Sr. No. 39 of 2nd Schedule of the Punjab Sales Tax on Services Act 2012	2023-0000000189_F00031

Audit is of the view that non-existence of internal controls and inaction on part of management resulted in dormant role of Punjab Revenue Authority for documentation of assessee's database.

Audit pointed out the lapse on 27th June, 2023. No reply was given by authority.

DAC meeting was held in the month of January, 2024. The department contested that audit has assessed the tax liability on estimation basis. Audit is of the view that untapped and non-compliant cases were pointed out in paras, where actions are required to be taken by PRA. PRA enacted the Punjab Sales Tax on Services (Determination of Minimum Tax Liability) Regulations, 2019 but action was not taken by PRA in light of said regulations. Therefore, the committee has formed a working group with nominees from Finance Department, PRA and Audit department for review of working and actions taken by PRA for assessment of actual tax liability with the date of levy of tax for the cases pointed out by Audit.

Audit recommends integration of tax data with all other relevant agencies, efforts are required to be made for broadening of tax base and proper declaration of business turnover be ensured by using the information available at different sources besides mapping out information of under declaration of turnover be utilized for assessment of unpaid PST.

3.4.16 Non performing of functions for enhancement of tax base

As per Section 5 of the Punjab Revenue Authority Act 2012, Powers and functions of the Authority "the authority shall exercise such powers and perform such functions as are necessary to achieve the purposes of this Act. (2) without prejudice to the generality of the powers mentioned in sub-section (1)"

During audit of PRA, for the period 2021-22, it was observed that following functions were not performed by the authority:

1) the data, amongst other things, to increase the taxpayers' base, ensure accuracy of information, financial analysis and to evaluate the performance of the employees,
2) non-achievement of objective/targets of the initiatives like RIMS, e-IMS and use of Drones for monitoring the service providers,
3) direct or advise, where necessary, investigation or inquiry into suspected duty or tax evasion and tax or commercial fraud;
4) grant such performance based additional allowances or incentives and rewards to the employees and members of the Authority as may be prescribed;

Due to non-performing of defined functions, government sustained a minimum loss of Rs. 102,593.735 million as highlighted in different paras included in this the audit report.

Audit is of the view that the non-existence of internal controls and inaction on the part of management resulted in non-performing of functions as defined in in Punjab Sales Tax on Service Act, 2012, causing a loss to the government exchequer.

Audit pointed out the lapse on 27th June, 2023. No reply was given by the authority.

DAC meeting was held in the month of January, 2024. The department contested that audit has assessed the tax liability on estimation basis. Audit is of the view that untapped and non-compliant cases were pointed out in paras, where actions are required to be taken by PRA. PRA enacted the Punjab Sales Tax on Services (Determination of Minimum Tax Liability) Regulations, 2019 but action was not taken by PRA in light of said regulations. Therefore, the committee has formed a working group with nominees from Finance Department, PRA and Audit department for review of working and actions taken by PRA for assessment of actual tax liability with the date of levy of tax for the cases pointed out by Audit.

Audit recommends remedial action for non-performing of core functions and fixing responsibility on persons at fault for incurring loss to the government exchequer.

[AMIS Para ID 2023-0000000189_F00022]

3.4.17 Mis-reporting of achievements in Annual Report

Section 25 of the Punjab Revenue Authority Act, 2012 states that “Annual report. (1) The Authority shall, within three months of the close of a financial year, submit to the Government an annual report. (2) The report shall consist of:

(a) the statement of accounts;

(b) a comprehensive statement of the work, activities and performance of the Authority during the preceding financial year; and

(c) such other matters as may be prescribed and as the Authority may consider appropriate”.

During audit of PRA, it was observed that the authority published its Annual Report 2021-22 with wrong and misleading data for higher authorities as per detail given below:

i. The authority reported registered tax payers as 109,519. However, as per data provided to audit the registered units up to June, 2022 were 82,307, out of which 67,713 units had not paid any tax during the year 2021-22 ,or filing Nil returns.

ii. IT initiatives with the name PRA Mirror and PRA Eye were mentioned in report but the same were not operational

iii. Electronic Invoice Monitoring System (E-IMS) was not working properly

iv. The Authority reported that the IT initiatives were started by PRA during financial year 2021-22, for integration of PRA database with Excise. Taxation and Narcotics Department, Punjab Food Authority and PESSI but nothing was shown to audit.

v. The authority depicted in its annual report that Rs. 170.53 billion has been collected whereas, in actual, it was observed that the authority had a shortfall in PST as MIS system states the PST collection of Rs. 150,436,323,929 during 2021-22. Furthermore, cross input adjustment received from FBR for Rs. 12,959,342,000 could not be reflected as achievement against targets of 2021-22. This resulted in shortfall of Rs. 15,024,728,566 against the target of 165 billion for year 2021-22.

Audit is of the view that non-existence of internal controls, reporting and reconciliation mechanism on the part of management resulted in misleading reporting of target achievement despite short fall of Rs. 15,024,728,566 in annual report.

DAC meeting was held in the month of January, 2024 committee directed to probe the mis-reporting in respect of registered taxpayer, e-IMS and IT initiatives and data integration at administrative level besides Annual Report be revised by incorporating factual achievements of PRA.

Audit recommends that annual report be revised by indicating the correct facts and figures and reporting/reconciliation mechanism be devised for cross input adjustment against the target of current financial year besides action be taken against the persons submitting misleading annual statements.

[AMIS Para ID 2023-0000000189_F00021]

CHAPTER 4

TRANSPORT DEPARTMENT

4.1 Introduction

Transport Department was established in the year 1987. Previously, it existed as Transport Cell in the Services, General Administration and Information Department under the supervision of the Additional Chief Secretary, Government of the Punjab.

The Punjab Provincial Transport Authority is a statutory body constituted under Section 46 of the Motor Vehicles Ordinance, 1965 and is an important satellite organization of the transport department to regulate the public transport in the Province.

The Punjab Provincial Transport Authority exercises and discharges various functions under the Motor Vehicles Ordinance, 1965 throughout the province, whereas, the District Regional Transport Authorities established at each district of the province to exercise power and functions conferred by the Motor Vehicles Ordinance, 1965, within their respective territorial jurisdictions.

Core Operational Activities

- Route permit fee,
- License fee for bus/wagon stands,
- License fee for carrying the business of goods forwarding,
- Fitness fee from different categories of public transport and
- License of bus body building workshop

The main source of income of the department is from issuance and renewal of route permits & motor vehicles fitness certificates. The revenue from these two sources is collected under the heads of account "B-02812" and "B-02811" respectively.

Route permit fee is levied under Motor Vehicle Ordinance, 1965 and rules made there under. Route permits to the owners of commercial vehicles are issued under the said law for a specific period. On expiry, these are renewed on payment of prescribed fee. In case of renewal of route permit, the owner shall make application one month before the expiry of the permit on the application forms and paid the dues as prescribed. In case of application submitted after the stipulated period, late fee on prescribed rates per month or part thereof is charged.

Audit profile of Transport Department

(Rs. in million)

Sr. No	Description	Total No	Audited	Revenue/Receipt audited FY 2022-23
1	Formations	75	6	262
2	• Assignment Accounts • SDAs	-	-	-
3	Authorities /Autonomous Bodies etc. Under the PAO	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-

(B) Comments on Budgeted Receipts (Variance Analysis)

During the Financial Year 2022-23, the Transport Department of the Government of the Punjab collected an amount of Rs. 1,281.61 million against the revised estimates of Rs. 1,350 million.

A comparison of budgeted estimates, revised estimates and actual receipts for the year 2022-23 is tabulated below. The variation between the revised estimates and actual receipts is depicted both in absolute and percentage terms:

Variance Analysis for Transport Department 2022-23
(Rs. in million)

S #	Category	Head of Account	Budgeted Estimates	Revised Estimates	Actual receipts as per Financial Statement	Variation excess/ (less) Col.6-5	Percentage of Variation
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
1	Fitness Fee	B02811	65	95.25	99.74	4.49	4.71%
2	Route Permit Fee	B02812	940	1,254.75	1181.87	-72.88	-5.81%
Total			**1005**	**1350**	**1281.61**	-68.39	-5.07%

(Data Source: Annual Budget Statement 2023-24, Civil Accounts 2022-23, Govt. of Punjab)

The above figures highlight that the actual receipts against Fitness Fee & Route Permit Fee of the Transport Department was 5.07% less than the revised estimates of the receipts. The variation between the original budgeted receipts (Rs. 1,005 million) and actual receipts (Rs. 1,281.61 million) collected was Rs. 276.61 million. The budgeted receipt targets during the year were revised from 1,005 million to 1,350 million.

Comparison of receipts targets and actual receipts for the financial year 2021-22 and 2022-23 is given below in the table:

Budgeted Estimates, Revised Estimates and Actual Receipts

(Rs. in million)

Year	Budgeted Estimates	Revised Estimates	Actual receipts as per Financial Statement
2021-22	700.25	991	1058.17
2022-23	1005	1350	1281.61

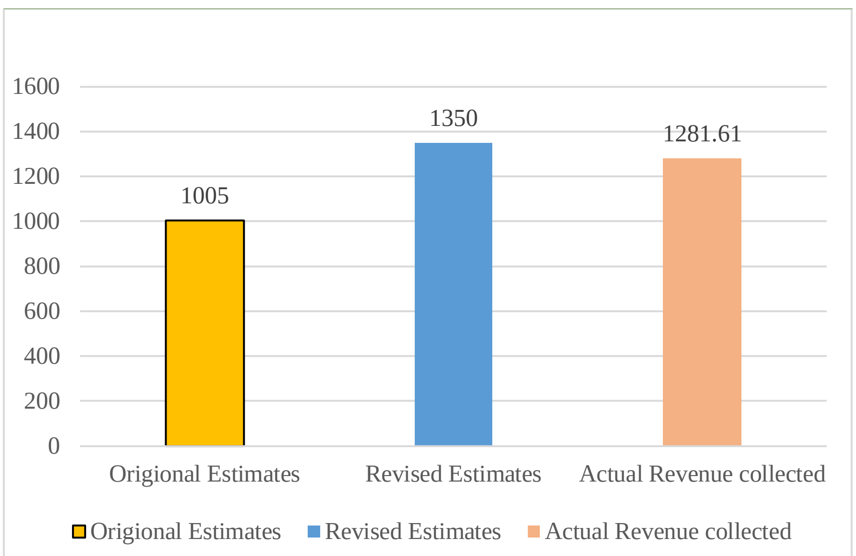
(Data Source: Annual Budget Statement 2023-24, Civil Accounts 2022-23, Govt. of Punjab)

The above figures show that actual receipts in 2022-23 were greater than the previous year i.e 2021-22. However, the revised estimates in 2020-21 were 41.52 percent more than original estimates whereas in 2022-23 revised estimates were 34.32 percent more than the original estimates.

The comparison of budgeted revenue estimates, revise revenue estimates and actual collection of department for the financial year 2022-23 also shown in the following graph:

Budgeted Estimates, Revise Estimates and Actual Collection

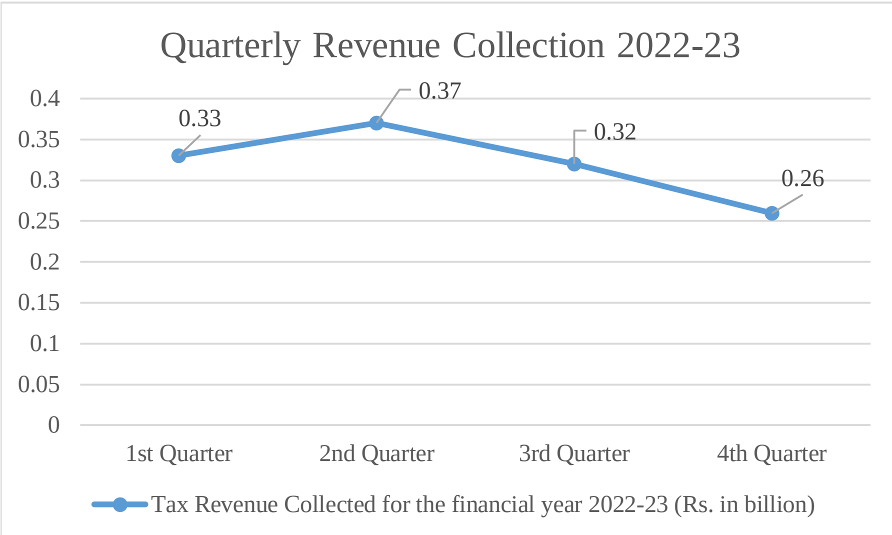
Rs. in million



(Data Source: Annual Budget Statement 2023-24, Civil Accounts 2022-23, Govt. of Punjab)

4.2 Classified Summary of Audit Observations

The quarterly tax revenue collection during the Financial Year 2021-22 is as under:



(Data Source: Civil Accounts 2022-23, Govt. of Punjab)

The above line chart shows upward trend in 2nd quarter, however, there is downward trend of revenue collected by the department in 3rd and 4th quarter.

Audit observations (recoveries) amounting to Rs. 166 million pertaining to provincial receipts were raised in this report during the current audit of Transport Department.

Overview of audit observations

(Rs. in million)

Sr. No.	**Classification**	**Amount**
1	Irregularities (Non/less realization of Govt. revenue)	166
2	Value for money and service delivery issues	26

4.3 Brief comments on the status of compliance with PAC Directives

The status of compliance with PAC Directives, for reports discussed so far, is given below:

Sr No	**Audit Report Year**	**Total Paras**	**Compliance received**	**Compliance not received**	**Percentage of compliance**
1	1985-1986	1	1	0	100
2	1986-1987	1	0	1	0
3	1990-1991	2	1	1	50
4	1992-1993	1	0	1	0
5	1993-1994	1	0	1	0
6	1996-1997	1	0	1	0
7	1997-1998	1	0	1	0
8	1998-1999	1	1	0	100
9	1999-2000	2	2	0	100
10	2000-2001	1	0	1	0
11	2001-2002	1	1	0	100
12	2006-2007	2	1	1	50
13	2007-2008	3	1	2	33
14	2009-2010	3	1	2	33
15	2011-2012	2	2	0	100

16	2013-2014	2	2	0	100
Total		**25**	**13**	**12**	**52**

The compliance with PAC Directives in Transport Department is 100 percent for Audit years 1985-86, 1998-99, 1999-2000, 2001-02, 2011-12& 2013-14. For other years, department needs to be more proactive. No PAC meeting was held for Audit Reports 2014-15 to 2022-23.

4.4 AUDIT PARAS

Irregularities

4.4.1 Non-deposit of 50% share in treasury on collection penalty for late inspection by OPUS -Rs. 92.945 million

As per Clause 1.8 of general conditions of the agreement dated 3rd February 2015, between Secretary Transport, Govt. of Punjab and Opus Inspection (Pvt) Ltd, there shall be charged a penalty @1% per day of the renewal fee if the PSVs (Public Service vehicles) fails to apply for renewal of fitness certificate within 15 days of the expiry of last fitness certificate.

During examination of record of the Secretary, Transport Department, Lahore for the period 2020-22, it was observed that the OPUS company has collected penalty, from owners of PSVs who had failed to renew the fitness certificates of vehicles within due time, amounting to Rs. 185,890,000. The company was required to pay Rs. 92,945,000 as a share from penalty recovered but had not deposited the same into government exchequer.

The lapse occurred due to weak supervisory and financial controls of the management.

This resulted in non-deposit of 50% share in government treasury, on collection of penalty for late inspection by OPUS amounting to Rs. 92,945,000.

Audit pointed out the lapse in the month of May, 2023. The department noted the observation for compliance. The matter was further reported to the administrative department neither any reply was received nor DAC was convened till finalization of this report despite issuance of reminders in the months of November and December, 2023.

Audit recommends that immediate action be taken against the company to recover the government dues.

(AMIS Para ID 2023-0000000295_F00017]

4.4.2 Non-recovery of lease rent of land from Opus Inspection Company -Rs. 70.40 million

As per Clause 1.3.2 of general conditions of the agreement dated 3rd February 2015, between Secretary Transport, Govt. of Punjab and Opus Inspection (Pvt) Ltd, the company shall pay the lease/rent of land throughout the concession period at the rate determined by the relevant authority with annual increase of 10% or as per rate of inflation as notified by the Pakistan Bureau of Statistics, whichever is less.

During examination of record of the Secretary, Transport Department, Lahore for the year 2020-22, it was observed that the Opus Inspection Company has not been paying lease/rent since April 2020. As the company had paid its last rent for the month of March, 2020.

The lapse occurred due to weak supervisory and financial controls of the management.

This resulted in non-collection of lease rent of Rs. 70,395,941.

Audit pointed out the lapse in the month of May, 2023. The department noted the observation for compliance. The matter was further reported to the administrative department. Neither any reply was received nor DAC was convened till finalization of this report despite issuance of reminders in the months of November and December, 2023.

Audit recommends that strict measures be taken to recover the lease/rent amount from the company besides penalty may also be imposed on outstanding amount due till date.

(AMIS Para ID . 2023-0000000295_F00015)

4.4.3 Non realization of Government revenue -Rs. 3.100 million

According to Sections 34 (1) (b) and 60 of the Motor Vehicles Ordinance 1965, read with Rules 64 (2), 85 and 91 of the Motor Vehicles Rules 1969, Route Permit is issued for a specific period. On expiry of that period, it is required either to be surrendered to the issuing authority or be got renewed on payment of prescribed fee. In case of default, registration of such vehicles is liable to suspension. Furthermore, revise rate applicable as per Notification No. SO(P-1)2-1/2017 (RPBW) dated: 09.04.2021.

In pursuance of Government of the Punjab, Transport Department Notification No. SO-TR-I/9-2/96, Dated: 22.07.1996, amended vide Notification No. SO-TR-I/2-3/2006, Dated: 22.07.2006, C-Class and D-class Stands situated within the limits of Corporation, Municipal Corporation and Town Committee area/rural area are required to be renewed on payment of prescribed fee.

During audit of the various formations of Transport Department, it was observed that the management had not taken any action against permit holders who had neither surrendered their expired route permits nor got the same renewed. Furthermore, expired licenses of bus stands had not got renewed by the proprietors of the stands, details are as under:

(Amount in Rs.).

S. No	**Name of Formation**	**PDP No**	**Nature of irregularity**	**Amount**
1	Secretary District Regional Transport Pakpattan	2023-0000004750_F00001	Non-realization of government revenue due to non-renewal of Rout Permits – Rs. 486,700.	486,700
2	Secretary District Regional Transport Pakpattan	2023-0000004750_F00002	Non-realization of Licenses Renewal Fee of C - Class Stands – Rs.286,000.	286,000

S. No	Name of Formation	PDP No	Nature of irregularity	Amount
3	LO4226 - SCY PB PROV TPRT AUTHORITY LHR	2023-0000000360_F00001	Non-realization of Govt. revenue due to non-renewal of route permits of vehicles – Rs. 1,014,150	1,014,150
4	Secretary District Regional Transport Authority Sahiwal	2023-0000001396_F00002	Non-realization of Licenses Renewal Fee of C and D - Class Stands – Rs.255,000.	255,000
5	Secretary District Regional Transport Authority Sahiwal	2023-0000001396_F00001	Non-realization of government revenue due to non-renewal of Rout Permits – Rs.609,750	609,750
6	Secretary District Regional Transport Authority Sahiwal	2023-0000001396_F00003	Short-realization of renewal fee on Rout Permits – Rs.88,350.	88,350
7	GA5375 - Secretary District Regional Transport Authority Gujranwala	2023-0000001539_F00001	Non-Realization of Route Permits Renewal Fee-Rs. 360800	360,800
Total				**3,100,750**

The lapse occurred due to weak supervisory and financial controls of the management.

This resulted in loss to government due to non-renewal of Route Permits & Licenses Renewal Fee of bus stands amounting to Rs. *3,100,750*.

Audit pointed out the lapse in the month of October, 2023. The department noted the observation for compliance. The matter was further reported to the administrative department neither any reply was received nor DAC meeting was convened till finalization of this report despite issuance of reminders in the months of November and December, 2023.

Audit recommends devising of proper policy for recovery of government dues along with prescribed penalty.

Value for money

4.4.4 Loss to Government due to misuse of security featured papers -Rs. 25.742 million

According to Chapter-IV Rule 4.7(1) of Punjab Financial Rules, Vol-I, it is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government account.

During audit of Secretary, District Regional Transport Authority, Lahore for the year 2022-23, it has been revealed that, Regional Transport Authority procured 19000 security featured papers with embossed seal. Out of 19000 security papers, 16347 were consumed for issuance of route permits to various types of commercial vehicles. An amount of Rs. 158,610,500 was collected by the issuance of these papers. An average amount of Rs. 9,703 was received against single paper.

Out of 19000 security papers, 16347 papers were used but utilization record of remaining 2653 security papers were not shown to audit. An amount of Rs. 25,742,059 could be collected from the missing security papers.

The lapse occurred due to weak supervisory and financial controls of the management.

This resulted in loss to government due to missing security papers having tentative worth of Rs. 25,742,059.

Audit pointed out the lapse in the month of October, 2023. The department noted the observation for compliance. The matter was further reported to the administrative department. Neither any reply was received nor was DAC meeting convened till finalization of this report despite issuance of reminders in the months of November and December, 2023.

Audit recommends fixing the responsibility by probing the matter at proper forum and got the recovery affected.

(AMIS Para ID . 2023-0000004739_F000020)

AUDIT REPORT

ON

THE ACCOUNTS OF

PROVINCIAL ZAKAT FUND

AND

DISTRICT ZAKAT COMMITTEES

PUNJAB

AUDIT YEAR 2023-24

PROVINCIAL ZAKAT FUNDAND DISTRICT ZAKAT COMMITTEES PUNJAB

1.4 AUDIT PARAS

1.4.1 Unauthorized payment of Zakat to ineligible beneficiaries - Rs. 63.432 million

Para 1.2 of the Zakat Disbursement Procedure provides 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) Punjab paid an amount of Rs. 3,385 million to 185,539 beneficiaries as *Guzara* Allowance during financial year 2022-23.

Audit observed that out of total beneficiaries of *Guzara* Allowance, 3,524 beneficiaries were also registered as Benazir Income Support Programme (BISP) beneficiaries and were paid an amount of Rs. 63.432 million out of Zakat Fund.

Audit held that the payment of *Guzara* allowance to BISP beneficiaries was not justified and irregular.

Initial audit observation was issued on 29.08.2023. The management replied that DAC in its previous meeting dated 21.12.2021 directed the department to take up the matter with BISP for integration of data of beneficiaries to avoid duplication in disbursement. The department had already taken up the matter with BISP dated 08.06.2021 to provide data of beneficiaries registered with BISP but no response was received till-date. Without cooperation of BISP, it was not possible to cater the duplications. However, Zakat & Ushr Department verified the data of *Mustehiqeen* from Punjab Social Protection Authority (PSPA) before release of funds.

The reply was not tenable as the Zakat was disbursed to ineligible beneficiaries despite the fact that the matter was already brought to the notice of the PAO since Audit Year 2020-21.

The matter was discussed in the DAC meeting held on 30.01.2024 and 31.01.2024. DAC pended the para with the direction that efforts will be made for non-occurrence of such irregularity in future and list will be regularly monitored.

Audit recommends that the objected amount may be recovered besides integration of data of beneficiaries with BISP to avoid duplicate payments in future.

{Para No.09 of AIR of PZF Punjab for the Audit Year 2023-24}

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23 vide para no. 1.5.2, 1.4.1 and 2.4.1 having financial impact of Rs. 640.042 million. Recurrence of same irregularity is a matter of serious concern.

1.4.2 Non-transfer of proceeds of Ushr to Provincial Zakat Fund

Section 7 of Punjab Zakat and Ushr Act 2018, provides that there shall be established a Provincial Zakat Fund (PZF) to which shall be credited among others proceeds of Ushr.

Provincial Zakat Administration (PZA) Punjab disbursed an amount of Rs. 5,708.072 million Zakat during Financial Year 2022-23.

During audit of PZA Punjab, for the financial year 2022-23, it was observed that proceeds of Ushr were not credited in the Zakat fund.

Audit held that non-credit of Ushr into PZF resulted in deprivation of the Zakat Fund and non-disbusement to the eligible beneficiaries.

Initial audit observation was issued on 29.08.2023. The management replied that assessment and collection of Ushr was the responsibility of Board of Revenue, Punjab in terms of section 5 of the Punjab Zakat and Ushr Act, 2018. The matter was being constantly pursued with the Board of Revenue Punjab by the Zakat and Ushr Department.

The matter was discussed in the DAC meeting held on 30.01.2024 and 31.01.2024. DAC pended the para with the direction to vigorously pursue the matter of collection of Ushr with Board of Revenue.

Audit recommends that proceeds of Ushr may be credited into Provincial Zakat Fund (PZF) as required under the Act. Besides, a proper mechanism may be formulated for collection of proceeds of Ushr and its credit to the PZF.

{Para No.05 of AIR of PZF Punjab for the Audit Year 2023-24}

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2019-20 and 2021-22 vide para no. 1.5.2 and 1.5.7. Recurrence of same irregularity is a matter of serious concern.

CHAPTER–2 DISTRICT ZAKAT COMMITTEES

2.1 Introduction

A. Provincial Zakat Council/Administration, Punjab issues lump sum amount directly to 36 District Zakat Committees constituted in each District of Punjab 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. 5,708.072 million was released by Provincial Zakat Council Punjab to 36 Districts during the year 2022-23, out of which 10 Districts, having total available budget of Rs. 4,980.743 million (including previous years) were audited, which was 87% of total formations.

(Rs. in millions)

Name of District Zakat Committee	Financial Years	Opening Balance	Receipts	Total Available	Disbursement	Closing Balance
Khanewal	2017-23	22.030	787.931	809.961	808.033	1.927
Mianwali	2017-23	0.000	465.404	465.404	465.090	0.315
Bhakkar	2017-23	0.000	425.793	425.793	420.845	4.948
Layyah	2017-23	0.637	489.779	490.416	485.371	5.045
Bahawalnagar	2017-23	0.000	867.171	867.171	867.171	0.000
Sahiwal	2017-23	5.330	567.028	572.358	563.339	9.019
Rajanpur	2017-23	4.724	490.267	494.992	488.761	6.231
Toba Tek Singh	2020-23	0	296.504	296.504	281.815	14.689
Gujrat	2020-23	0	366.488	366.488	366.488	0
Narowal	2020-23	0	235.991	235.991	233.830	2.161

C. Audit Profile of District Zakat Committees, Punjab

(Rs. in millions)

Sr. No.	Description	Total Nos	Audited	Expenditure audited FY 2017-23

1	Formations	36	10	4,980.743

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 406.235 million were raised as a result this audit. Summary of audit observations classified by nature is as under:

(Rs. in millions)

Sr. No.	Classification	Amount
1	**Irregularities**	**12.377**
A	HR/ Employees related irregularities	-
B	Procurement related irregularities	-
C	Financial Management	12.377
2	**Value for money and service delivery issue**	**388.908**
3	**Others (Weak Internal Controls)**	**4.950**

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 Disbursement of Zakat funds to the non-registered Vocational Training Institutes (VTIs) - Rs. 388.908 million

Section 13 (1) of Punjab Skill Development Act-2019, states that after the commencement of the Act, no person, institute, public or private technical education and vocational training body, assessment agency or organization engaged in any technical education and vocational training sector service delivery shall commence its business until it is registered with the Authority under the Act.

The management of following four District Zakat and Ushr Committees (DZCs) released Zakat funds to Vocational Training Institutes (VTIs) amounting to Rs. 388.908 million during the period 2017-23 as detailed under:

(Rs. in millions)

Sr. no.	Name of DZC	Para No. of AIR	No. of VTIs	FY(s)	Amount
1	Bahawalnagar	8	04	2017-23	152.390
2	Bhakkar	3	03	2017-23	74.674
3	Layyah	7	03	2017-23	75.412
4	Mianwali	2	04	2016-23	86.432
	Total				**388.908**

During audit of DZCs for the financial years 2017-23, it was observed that the funds were disbursed to the VTIs which were not registered with Punjab Skills Development Authority.

Audit held that disbursement of Zakat funds to un-registered VTIs resulted in irregular disbursement of Zakat Fund.

Initial audit observation was issued on 03.11.2023. The management of DZCs replied that Zakat aided Vocational Training Institutes were registered with Punjab skills development authority after audit objection.

The matter was discussed in the DAC meeting held on 30.01.2024 and 31.01.2024. DAC pended the para with the direction that the respective District Zakat Officer will pursue the matter of registration with Technical Board.

Audit recommends to inquire the matter for fixation of responsibility against the person(s) at fault.

2.4.2 Disproportionate disbursement of Guzara allowance – Rs. 12.377 million

Section 9 (2) of Punjab Zakat & Ushr Act 2018, states that the Council may, from the Provincial Zakat Fund, make disbursements and transfer funds to the District Zakat Funds on the basis of population or to an institution in such form and manner as may be prescribed and as would help in ensuring satisfaction of the needs of the needy and the poor throughout its jurisdiction, as far as possible, on a uniform basis.

The managements of District Zakat & Ushr Committees (DZCs) of Sahiwal and Bhakkar disbursed funds amounting to Rs. 563.339 million and Rs. 420.845 million respectively as guzara allowance during the years 2017-23.

During audit of DZCs, for the financial years 2017-23, it was observed that the management of DZCs Sahiwal and Bhakkar disbursed Zakat funds amounting to Rs. 12.377 million to Local Zakat Committees (LZCs) disproportionately by selecting more Zakat beneficiaries (upto 33 beneficiaries per LZC) without any justification. Details are provided in **Annexure-II.**

Audit held that Provincial Zakat Administration had allocated funds to each district based on population, however, at district level, population of tehsil/ward was not considered. The disproportionate disbursement resulted in depriving off other deserving beneficiaries.

Initial audit observations were issued to the managements of DZC Sahiwal and DZC Bhakkar on 01.11.2023 and 03.11.2023 respectively. The management replied that DZCs approved the most deserving effected areas beneficiaries due to pandemic Corona Virus.

The matter was discussed in the DAC meeting held on 30.01.2024 and 31.01.2024. DAC, in case of DZC Bhakkar, pended the para with the direction that the matter be probed by Provincial

Zakat Administration. However, in case of DZC Sahiwal, DAC pended the para with the direction that a Fact Finding be carried out by DAZ (M&E) of other division within one month.

Audit recommends implementation of DAC directive.

{Para No.11 & 07 of DZCs Bhakkar & Sahiwal respectively}

2.4.3 Doubtful payment to beneficiaries by allowing multiple transactions on the same Cell No. and CNIC - Rs. 4.76 million

Standard Operating Procedures (SOPs) regarding the disbursement of Zakat fund through branchless banking provides that biometric verification of the beneficiaries shall be made by the outlet/retailer/franchise while payment of Guzara allowance and other heads.

The Provincial Zakat Administration (PZA) disbursed Zakat Funds to *Mustahiqeen* in Punjab during the financial years 2018-23 through branchless banking mechanism.

Audit observed, from the data provided by the Zakat Administration relating to the following 04 districts, that multiple transactions were made against single cell number or same beneficiary was paid on multiple numbers. Details are as under:

(Rs. in millions)

Sr. No.	**Name of DZC**	**Para No. of AIR**	**No. of beneficiaries**	**FY(s)**	**Amount**	**Remarks**
1	Sahiwal	8	74	2021-22	0.666	Same beneficiary paid on different mobile numbers
	-do-	9	72	2021-22	0.648	Different beneficiaries paid on same mobile number
2	Bhakkar	10	48	2019-22	0.440	-do-
3	Layyah	3	92	2019-22	0.828	-do-
4	Bahwalnagar	4	68	2021-22	0.612	-do-
	-do-	5	87	2021-22	1.566	Same beneficiary paid on different mobile numbers
	Total				**4.760**	

Audit held that multiple transactions against a single cell number or same beneficiary paid on multiple numbers resulted in doubtful payments to the beneficiaries.

Initial audit observation was issued on 03.11.2023. The management of respective DZCs replied that pointed out beneficiaries were either those whose biometric could not be possible during the 1st Installment or those who had passed away before 2nd Installment. Local Zakat Committees provided names of their blood relation with their CNIC and mobile numbers.

The reply of the management was not tenable as no evidence in support of management's reply was provided to Audit.

The matter was discussed in the DAC meeting held on 30.01.2024 and 31.01.2024. DAC pended the para with the direction that a Fact Finding be carried out by Deputy Administrator Zakat (M&E) of other division within one month.

Audit recommends implementation of DAC directives.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21 and 2021-22 vide para no. 1.5.6 and 1.4.2 having financial impact of Rs. 9.027 million. Recurrence of same irregularity is a matter of serious concern.

AUDIT REPORT

ON

THE ACCOUNTS OF

C&W, HUD&PHE, IRRIGATION, LG&CD DEPARTMENTS,

PMA, KSIP AND CDA

GOVERNMENT OF THE PUNJAB

AUDIT YEAR 2023-24

C&W, HUD&PHE, IRRIGATION, LG&CD DEPARTMENTS, PMA, KSIP AND CDA

CHAPTER – 1

PUBLIC FINANCIAL MANAGEMENT ISSUES

1.1 Sectoral Analysis

Overview

The economic vitality of the Punjab plays a pivotal role in shaping the overall growth trajectory of the national economy. Spearheading the formulation of development policies and Annual Development Programmes (ADPs) in the province is the Planning & Development (P&D) Board, serving as the premier entity for this purpose.

Government of the Punjab, guided by the Punjab Growth Strategy 2018, envisioned the province as a secure, economically vibrant, industrialized, and knowledge-based region. The goal was to create a prosperous environment where every citizen could aspire to lead a fulfilling life.[57] This vision underscored the commitment to comprehensive development and economic progress.

Looking forward, the latest vision articulated in the Punjab Growth Strategy 2023 aspires to position Punjab as a globally connected and competitive province. The vision emphasizes equity, cultural vibrancy, and technological advancement, with sustainable economic growth driven by a dynamic private sector, an efficient public sector, rich and productive human capital, and a regionally equalized development footprint. By 2023, the aim was to achieve a balanced and prosperous future, aligning with the evolving needs and aspirations of the citizens and ensuring Punjab's continued contribution to the national economic landscape[58]. The strategy sets ambitious targets for the government, aiming to achieve several key outcomes, including:

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[57] Punjab Growth Strategy 2018

[58] Punjab Growth Strategy 2023

i. Sustainable annual economic growth of 7 per cent by 2023.
ii. Creating, on average, 1.200 million new jobs annually.
iii. Reducing the idle youth in the Punjab from 10.3 per cent in 2017-18 to 8.8 per cent by 2023.
iv. Reducing the multi-dimensional poverty in the Punjab from 26.2 per cent in 2017-18 to 19.5 per cent by 2023.
v. Increasing the average number of new housing units to 640,000 annually.

These ambitious targets collectively reflect the comprehensive nature of the strategy, aiming not only for economic growth but also for the holistic development and well-being of Punjab and its residents. The foundation of this strategy was a dynamic sub-national growth model, drawing its strength from an analysis of provincial Gross Domestic Product (GDP) data spanning the last two decades. Additionally, the model incorporates insights from 142 national and provincial policy variables. This data-driven approach provided a robust and comprehensive framework for shaping the strategic initiatives, allowing for a nuanced understanding of economic trends and policy impacts within Punjab. The key pillars of the strategy include:

1. Enhancing focus on social sectors (in which the Punjab has a comparative advantage in the national context) and harnessing their potential.
2. Creating an enabling environment for private sector-led growth.
3. Investing more in the quality formation of human capital and its utilization.
4. Making public investment and ADP sectoral priorities so as to maximize the impact on growth.
5. Advocating and coordinating with the federal government on managing key macroeconomic policy variables that have a significant impact on the Punjab's economy.

As the strategy approaches its conclusion in 2023, it becomes apparent that the envisioned targets are still distant, with several factors contributing to this non-achievement. The challenges stem from a combination of internal and external causes. The internal factors have been adequately examined and discussed in this audit report within the context of relevant issues.

Because of constraints in its scope, this audit report doesn't delve into the external causes. External factors, which lie beyond the direct influence of the provincial government, have undoubtedly played a role in shaping the outcomes. These external dynamics, such as global economic trends, geopolitical shifts, or unforeseen natural events, significantly impacted the ability of the government to meet predetermined targets.

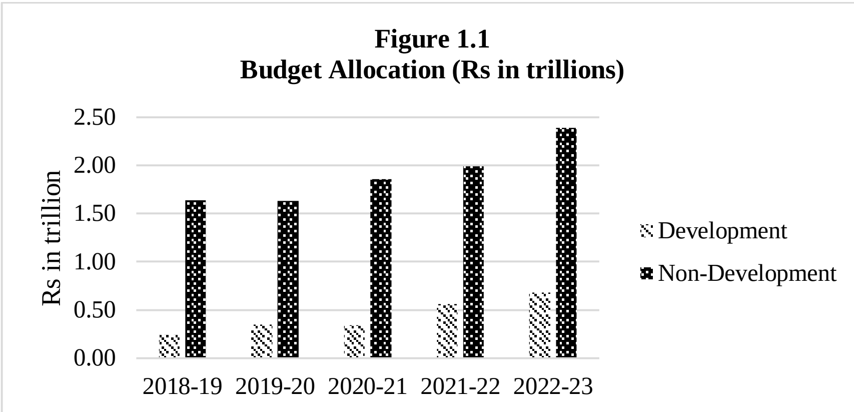
While the internal challenges are within the realm of the provincial government's control, navigating external factors often requires a different set of strategies and collaborative efforts. Acknowledging the influence of these external variables is essential for a comprehensive understanding of the overall performance of the strategy. Future analyses and assessments may need to explore these external factors more deeply to provide a holistic evaluation of the strategy's outcomes.

Budget Trend Analysis

Budget allocations in the Punjab exhibit a notable skew towards the non-development side, primarily due to the province's possession of the largest public sector apparatus among all provinces. This imbalance results in a comparatively lesser allocation to the development sector.

The significant size of the public sector in the Punjab requires substantial financial resources for salaries, administrative costs, and other non-development expenditures. As a consequence, a higher proportion of the budget is directed towards non-development activities, leaving a relatively smaller share for developmental initiatives such as infrastructure projects, education, and healthcare.

Addressing this skew in budget allocations may necessitate a careful reassessment of priorities and resource distribution. Striking a balance between the operational needs of the public sector and the imperative for development is crucial for fostering sustainable economic growth and addressing the evolving needs of the province. Future budgetary considerations and policy frameworks may explore ways to optimize resource allocation, ensuring a more equitable distribution between non-development and development sectors. Budgetary allocations for the last five financial years are presented in Figure 1.1 below:



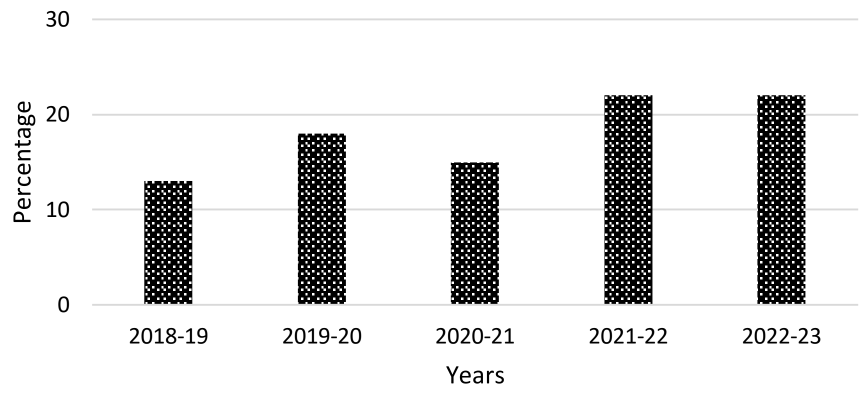
Source: SAP and Budget Books (FY 2018-19 to 2022-23)

The bar chart vividly illustrates a substantial disparity in fund allocation between the development and non-development sectors in Punjab. Despite this overall trend, a closer examination of the intra-sector allocation over the past five years, as presented in Figure 1.2, reveals a notable improvement in funding to the development sector. This positive shift comes after a dip in the FY 2018-19.

In terms of the percentage of total allocations, the development sector experienced a gradual upward trajectory: 13% in 2018-19, 18% in 2019-20, 15% in 2020-21, and a significant increase to 22% in both 2021-22 and 2022-23. This shift indicates a conscious effort to enhance the prioritization of development initiatives within the budgetary framework. The positive trend suggests a strategic reallocation of resources to support critical developmental projects and address the infrastructure and growth needs of the province.

While challenges persist in achieving a perfect balance, these percentage increases reflect a noteworthy effort to bolster the development sector in recent years, underscoring a responsive approach to the evolving needs and priorities of the province.

Figure 1.2
Allocation to Development Sector as a Percentage of Overall Allocation

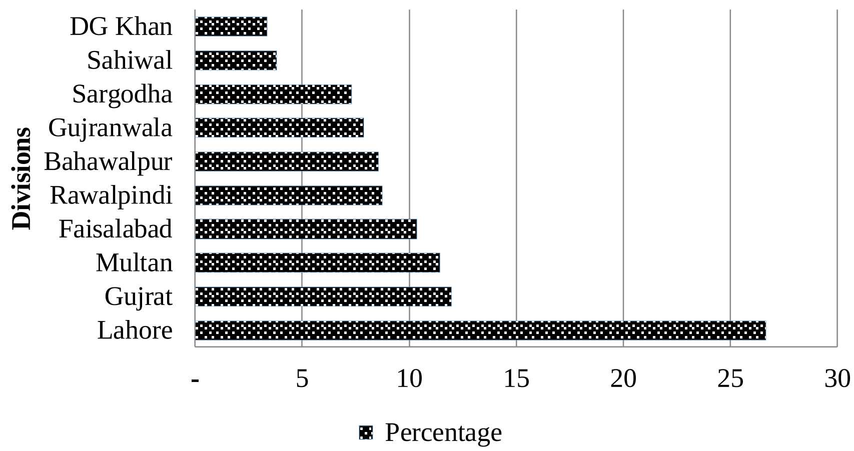


Source: SAP and Budget Books (FY 2018-19 to 2022-23)

Inclusive Growth and Regional Equalization

The 2018 and 2023 Growth Strategies aimed at inclusive growth and regional equalization, as shown in Figure 1.3 detailing development fund allocations. D.G. Khan and Sahiwal divisions received far less ADP share, while Lahore division received significantly more. This deviation from regional equalization goals suggests a need to align budgetary allocations with inclusive growth and regional balance objectives. Addressing this requires a thorough examination of factors influencing fund decisions, including adequacy of existing infrastructure, population density, and economic needs. Strategic realignment of resource distribution, guided by growth strategy objectives, is crucial for equitable development benefits across all divisions in the province.

Figure 1.3
Actual Development Expenditure (Rs in billion)
(FY 2022-23)



Source: SAP figures (FY 2022-23)

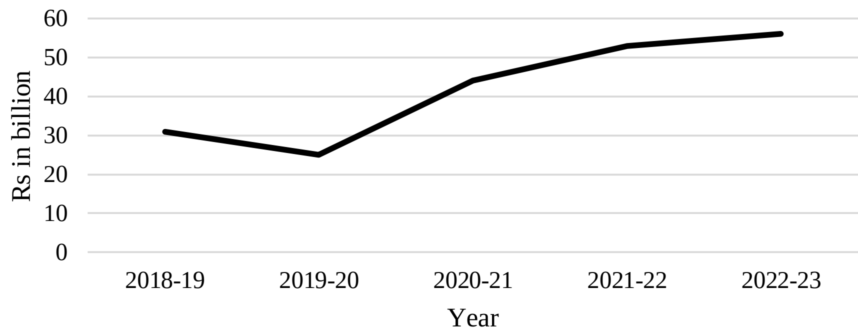
Infrastructure Development in the Punjab

The significance of the infrastructure sector in the context of development cannot be overstated, as it stands as the primary catalyst for Punjab's economic growth. The effectiveness of this crucial sector hinges on the performance of departments entrusted with infrastructure development, including but not limited to C&W, HUD&PHE, Irrigation, LG&CD, Transport, and Energy. These departments, along with various provincial authorities, receive a substantial portion of the development budget, underlining their pivotal role in shaping the province's overall progress.

By allocating a significant share of the development budget to these entities, the government underscores its recognition of the instrumental role played by the infrastructure sector in fostering economic growth. The performance and efficiency of these departments and authorities are pivotal in translating budgetary allocations into tangible outcomes, ranging from improved transportation networks to enhanced energy infrastructure, all of which contribute substantially to Punjab's developmental trajectory. The synergy between budget allocation, departmental performance, and infrastructure development is fundamental to achieve sustained and inclusive economic growth.

The Directorate General of Audit Works (Provincial) holds the responsibility of conducting audits for the mentioned entities, overseeing their adherence to financial and operational guidelines. Figure 1.4 visually represents the development budget allocations for these departments, showcasing a consistent upward trend that aligns with the overall growth in development allocations.

Figure 1.4
Allocation to Infrastructure Sector (Rs in billion)



Source: SAP and Budget Books (FY 2018-19 to 2022-23)

In terms of percentages, the allocations to these departments, relative to the overall development allocations, witnessed variations over the past five years: 31% in 2018-19, 25% in 2019-20, a substantial increase to 44% in 2020-21, 53% in 2021-22 and further rising to 56% in 2022-23. These percentages provide insights into the evolving prioritization of these key departments within the broader context of development initiatives.

The rising trend indicates a growing recognition of the pivotal role played by these departments in infrastructure development. The fluctuations in percentages could be indicative of shifting priorities, emerging needs, or specific policy directions over the years. The audit process, facilitated by the Directorate General, serves as a crucial oversight mechanism to ensure effective and transparent utilization of funds allocated to these departments, contributing to the overall accountability and success of development initiatives.

Target achievement vis-à-vis MTDF/ADPs

The targets outlined in both the Medium-Term Development Framework and ADPs mirror the ambitious nature seen in the two growth strategies. However, the reality presents a different picture as these lofty goals were often far from being realized, especially in the concluding year of the strategy.

Changes in the Number of Schemes over Time

The discrepancy becomes evident due to the financial managers and planners' inability to launch schemes that realistically align with the Medium-Term Development Framework (MTDF) targets and the available funding. A detailed discussion on this matter follows in the subsequent paragraphs.

Significant deviations have been observed between the number of original schemes and revised schemes as presented in Table 1.1. The table shows the total number of schemes originally conceived in the respective ADPs and the revised number of schemes which were included in the ADPs through supplementary grants.

Table 1.1: Number of Original Vs Revised Schemes in ADP

Department	2020-21		2021-22		2022-23	
	Original	Revised	Original	Revised	Original	Revised
C&W	1588	1899	2969	3669	2551	2873
HUD&PHE	1478	1565	1902	2100	923	1111
Irrigation	140	180	168	230	137	100
LG&CD	211	559	1125	1706	570	826
Others	51	54	91	93	84	75

Source: SAP and Departmental figures (FY 2020-21 to 2022-23)

The data reveals that a substantial number of schemes were added during the FY 2022-23 for C&W, HUD, and LG&CD departments, while the number of schemes decreased in Irrigation and other departments. This phenomenon indicates serious inadequacies in the initial planning and resource allocation. The discrepancies underscore the necessity for an in-depth analysis of the planning process within Government of the Punjab. Identifying and understanding inconsistencies in the planning phase is crucial for enhancing the effectiveness of future development initiatives. Reduction in number of Irrigation schemes in a province having strong agricultural base should be worrying.

The existing situation warrants a thorough analysis that delves into the intricacies of the planning process. This examination is vital for understanding the factors that contribute to deviations in both the number of schemes and their corresponding budgetary allocations. Identifying the root causes of these discrepancies is essential for refining the planning framework and ensuring a more accurate alignment between set targets and actual outcomes. Several factors may play decisive role in this regard, including:

Incomplete Initial Assessments: Inadequate or incomplete assessments during the initial planning stages may lead to overly ambitious targets that are challenging to achieve within the designated timeframes.

Changing Priorities: Shifts in government priorities or emerging issues may necessitate adjustments to the planned schemes, impacting the original targets and budget allocations.

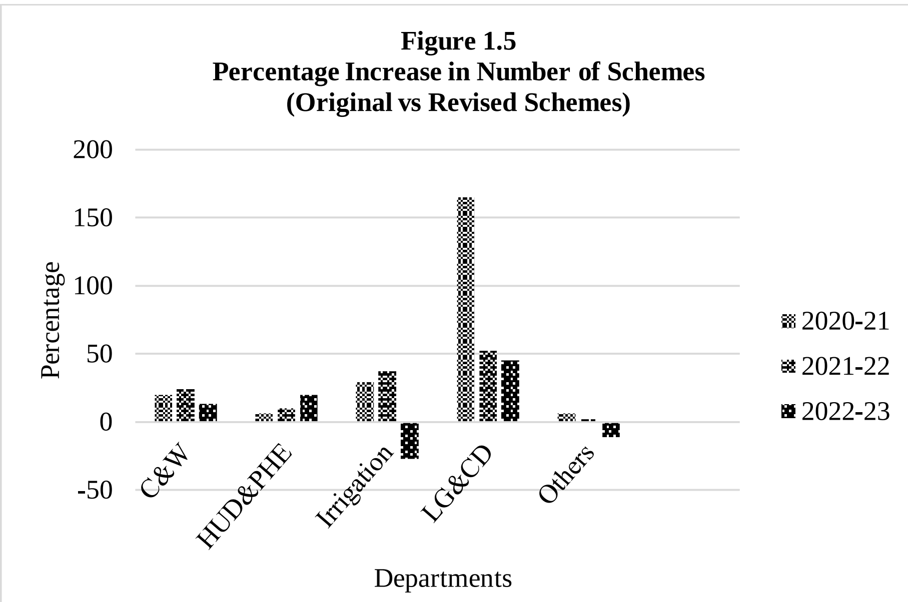
Resource Constraints: Limited availability of financial resources or unexpected fiscal challenges may result in adjustments to the number and scope of schemes, affecting the overall development landscape.

Implementation Bottlenecks: Delays or obstacles in the implementation phase can lead to modifications in the planned schemes, influencing both their numbers and budgetary requirements.

Dynamic External Factors: The influence of external factors, such as economic fluctuations or geopolitical events, may require recalibration of development plans, leading to deviations from the original targets.

A comprehensive analysis will help pinpoint the specific challenges within the planning process, allowing for targeted improvements. Addressing these factors will contribute to a more realistic and effective planning framework, ensuring that future development targets are both ambitious and achievable. By addressing inconsistencies in the planning process, Government of the Punjab can enhance its capacity to translate objectives into tangible outcomes and drive sustainable development in the region.

Figure 1.5 highlights the extent of revisions by showing a percentage increase or decrease in the number of schemes:



Source: SAP and Departmental figures (FY 2020-21 to 2022-23)

Variances from Initial Budgets

The significance of deviations from the original planning becomes even more apparent when considering actual budget allocations. A comparison of total budget allocations of original schemes and revised schemes is presented in Table 1.2. These deviations underscore the challenges in aligning financial resources with the initially envisaged schemes and their corresponding budgetary requirements.

Table 1.2: Original Budget Vs Revised Budget *(Rs in billion)*

Department	2020-21		2021-22		2022-23	
	Original	**Revised**	**Original**	**Revised**	**Original**	**Revised**
C&W	62.131	89.276	202.885	241.354	290.379	268.779
HUD&PHE	28.199	38.709	48.788	67.500	107.770	133.575
Irrigation	17.470	20.025	30.778	32.672	27.630	18.324
LG&CD	13.129	23.963	26.586	32.756	19.010	33.762
Others	5.205	5.214	9.565	9.655	12.785	15.769

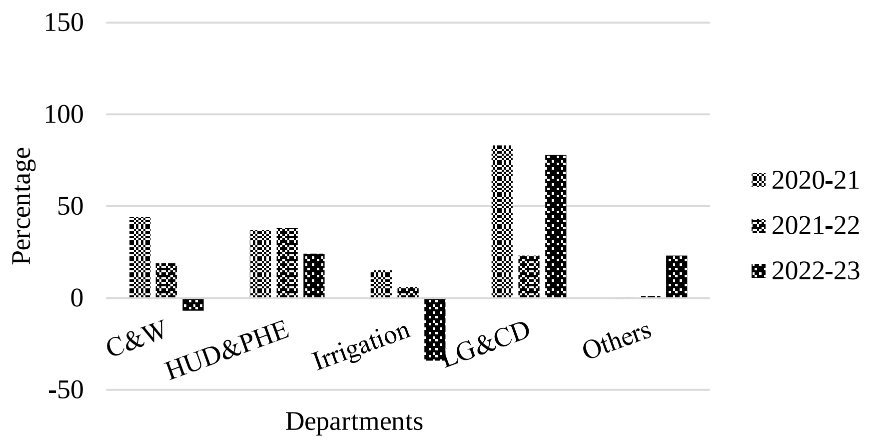
Source: SAP and Departmental figures (FY 2020-21 to 2022-23)

In FY 2022-23, the budget of C&W department was revised downwards by 7.4%, while the number of schemes increased by 12.6%. This indicates a strong possibility that a significant number of schemes may have remained underfinanced by the end of the year.

Understanding of the factors causing deviations from the original budget allocations is crucial for improving the accuracy of budget planning and allocation processes. By addressing the root causes of these discrepancies, the government can enhance its ability to allocate resources effectively and achieve a more aligned and realistic budget execution in subsequent planning cycles.

Figure 1.6, illustrating the percentage analysis of deviations from the originally conceived budget, effectively highlights the disparities between the planned and actual budget allocations. Notably, the most substantial deviations were observed in HUD&PHE department, followed by LG&CD and Irrigation departments.

Figure 1.6
Percentage Increase in Budget from Original Budget



Source: SAP figures (FY 2020-21 to 2022-23)

This analysis draws attention to the challenges and variations in budgetary planning and execution, particularly within these specific departments. Potential factors contributing to these pronounced discrepancies might include changing project scopes, unexpected financial constraints, or shifts in development priorities. A thorough examination of the underlying causes will enable the government to implement corrective measures and refine its budgetary planning procedures. This, in turn, can contribute to a more precise alignment between planned and actual budget allocations, fostering transparency and effectiveness in resource utilization across various departments.

Inadequate Funding for Newly Conceived Schemes

The data presented in Table 1.3 illustrates a concerning trend where schemes were incorporated into the ADPs without adequate consideration of fund availability. This has resulted in a substantial number of newly conceived schemes remained unfunded even in their respective first years.

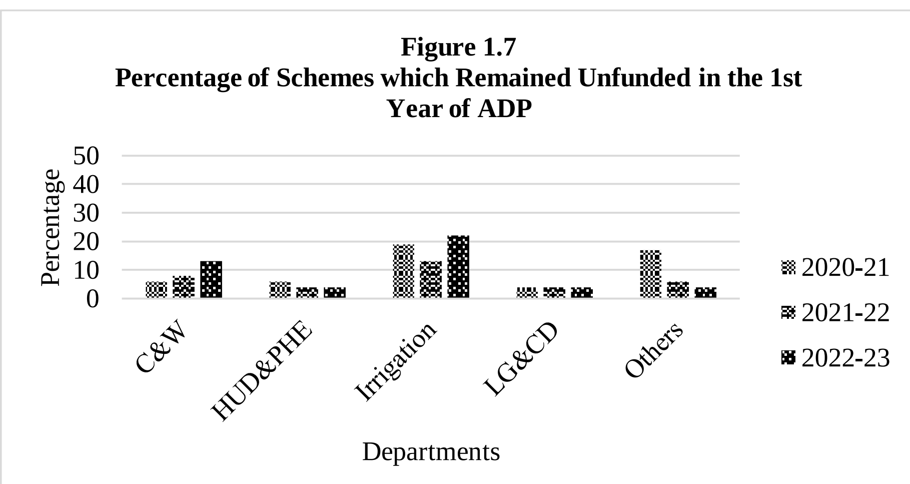
Table 1.3: Unfunded Schemes in 1st Year of ADP

Department	2020-21	2021-22	2022-23
C&W	106	311	339
HUD&PHE	99	75	41
Irrigation	34	31	30
LG&CD	23	65	25
Others	9	6	3

Source: SAP figures (FY 2020-21 to 2022-23)

The data reveal a consistent pattern across various departments, with a notable number of schemes lacking the necessary funding in respective financial years. This situation raises concerns about the adequacy of the planning and budgeting processes, emphasizing the need for a more stringent and realistic approach when including schemes in ADPs.

Percentage analysis of the unfunded schemes showed that the highest percentage of unfunded schemes, against its revised schemes, was in the case of Irrigation department followed by C&W in FY 2022-23. It raises considerable alarm that in a province which is reliant on agriculture, Irrigation projects are not receiving funding in the initial year of the ADP. This is depicted in Figure 1.7 below:



Source: SAP figures (FY 2020-21 to 2022-23)

Table 1.4 highlights another concerning pattern where newly conceived schemes received allocations significantly less than 15% of their original budget in the first year of implementation. This situation indicates a substantial disparity between the initially planned budget and the actual funds allocated, which may impact the successful execution and outcomes of these schemes.

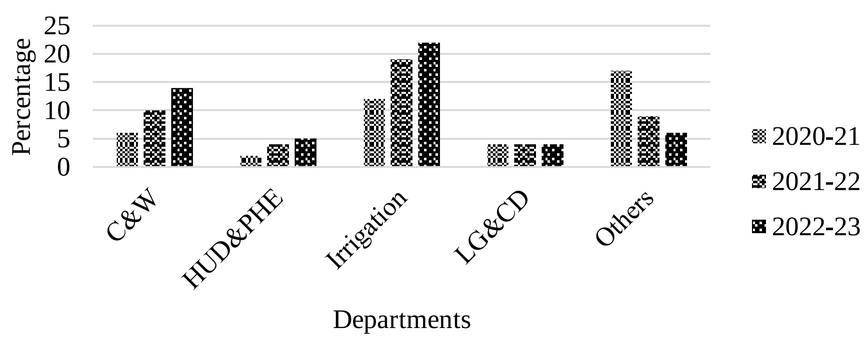
Table 1.4: Schemes receiving less than 15% of their budget

Department	2020-21	2021-22	2022-23
C&W	113	379	349
HUD&PHE	37	83	43
Irrigation	21	43	30
LG&CD	25	66	25
Others	9	8	5

Source: SAP figures (FY 2020-21 to 2022-23)

Percentage analysis in this regard is presented in Figure 1.8 below which shows that the number of schemes which received less than 15% of their original allocations was highest in Irrigation department. This is reflective of the inadequacy in the planning of the department.

Figure 1.8
Percentage of Schemes with less than 15% Allocations



Source: SAP figures (FY 2020-21 to 2022-23)

This situation underscores a critical issue in the budgetary process, where a significant number of schemes are receiving only a fraction of their initially proposed budget. This can lead to challenges in achieving the intended goals of these projects, affecting their overall impact and success.

Addressing this issue requires a reassessment of the criteria for scheme inclusion, ensuring that financial considerations are central to the decision-making process. A more robust evaluation of fund availability during the planning phase will contribute to a more prudent allocation of resources, reducing the prevalence of unfunded or underfunded schemes and enhancing the overall effectiveness of development initiatives.

Schemes Funded Beyond Original Budget

Table 1.5 sheds light on the funding status of schemes, revealing that while a substantial number of schemes are not adequately funded, there is another set of schemes allocated funds beyond their originally planned budgets. The data is presented as follows:

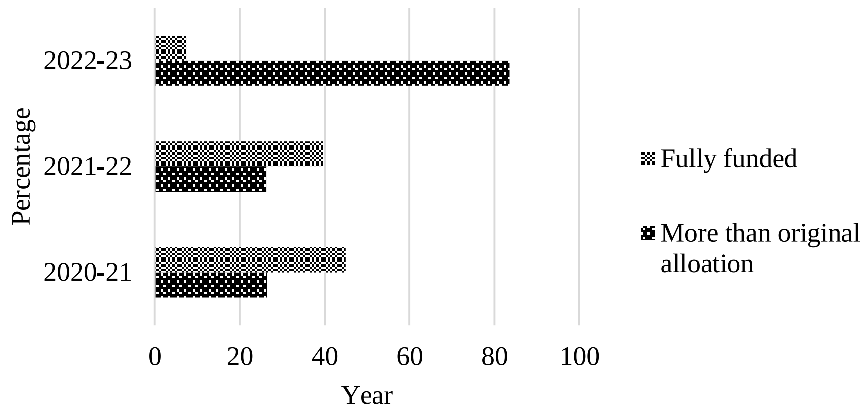
Table 1.5: Funding Status of Schemes *(No. of Schemes)*

Description	**2020-21**	**2021-22**	**2022-23**
Schemes with more than the original allocations	1127	2054	3561
Fully funded	1912	3098	316
Total number of schemes	4257	7798	4265

Source: *SAP figures (FY 2020-21 to 2022-23)*

Percentage analysis reveals that in FY 2022-23, 7.4% of the schemes were fully funded, while 83% of the schemes received allocations surpassing their original amounts. The remaining 9.6% of schemes either remained unfunded or received less than 15% of their initial allocations. Figure 1.9 illustrates three years' worth of data pertaining to fully funded schemes and those receiving amounts exceeding their original allocations:

Figure 1.9
Funding Status of Schemes (percentage of total schemes)



Source: SAP figures (FY 2020-21 to 2022-23)

This data highlights a significant number of schemes falling into the category of receiving more than their original allocations. Additionally, the "Fully funded" category suggests schemes that have been adequately funded according to their initially proposed budgets.

While this indicates a positive aspect of schemes receiving more funds than planned, it's crucial to assess the reasons behind this over-allocation. Understanding whether this is a result of project expansions, unforeseen requirements, or other factors will provide insights into the effectiveness of budgetary planning.

A comprehensive review of the budget allocation process, along with a closer examination of the schemes falling into these categories, will help refine future planning strategies. This dual scenario of underfunded and overfunded schemes emphasizes the need for a more precise and dynamic approach to budgetary management in order to ensure optimal utilization of resources across all development initiatives.

Allocation of Budget by Sector

Total development expenditures for the FY 2022-23 fell short of the budget allocation, resulting in an unutilized amount of

Rs 75.416 billion (16.04%). This discrepancy suggests challenges in financial management practices, and its correlation with the non-achievement of Medium-Term Development Framework (MTDF) targets underscores a systemic issue. In this regard, key points to note are:

Budget vs. Expenditure:

Budget Allocation: Rs 470.212 billion

Expenditure: Rs 394.795 billion

Unutilized Funds: Rs 75.416 billion (16.04%)

Financial Management Implications: The unutilized funds indicate a gap between the planned budget and the actual expenditure, pointing towards challenges in financial management practices.

MTDF Targets: The connection between unutilized funds and the non-achievement of MTDF targets suggests that inefficient financial management may contribute to the broader challenges in meeting development goals.

Systemic Nature: The statement identifies the issue as systemic, indicating that it is a recurring problem persisting over a five-year trend. A five-year trend is shown in Table 1.6.

Table 1.6: Percentage of Unutilized Funds

Sr. No.	**Departments**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**
1	C&W	4.91	1.405	29.56	2.59	1.04
2	HUD & PHE	36.485	46.785	38.295	44.42	43.83
3	Irrigation	12.51	4.29	18.08	19.07	16.09
4	LG&CD	12.3	13.72	23.27	17.12	29.11
5	Others	12.925	19.92	22.725	15.5625	18.16

Source: SAP and Departmental figures (FY 2018-19 to 2022-23)

The presented data indicates an overall improvement in the utilization of budget across various departments over the five-year period. However, it is noteworthy that challenges persist, particularly in HUD&PHE, LG&CD and Irrigation departments, where the situation does not appear to be up to the mark. Trends are analyzed as follows:

C&W Department: Demonstrates a fluctuating pattern but generally shows improvement, especially when comparing 2020-21 and 2021-22.

HUD & PHE Department: A consistent trend of underutilization of development funds, ranging from 36% to 47%, is evident, with the percentage remaining relatively higher compared to other departments.

Irrigation Department: Despite a decrease in the percentage of unutilized funds in 2022-23, there is still room for improvement.

LG&CD Department: The data reveals a persistent challenge, with the percentage of unutilized funds remaining relatively high across the five-year period.

Others: A consistent trend of underutilization of development funds, ranging from 12% to 23%.

While there has been an overall improvement, the situation in HUD&PHE, LG&CD and Irrigation departments highlights areas that require focused attention and intervention. Understanding the specific challenges within each department, such as procedural bottlenecks or resource allocation issues, can facilitate targeted improvements. This analysis can guide efforts to refine financial management practices, ensuring that budget allocations are optimally utilized.

Identifying the root causes of the unutilized funds and implementing corrective measures can contribute to more effective utilization of resources and better alignment with development targets outlined in the MTDF. This holistic approach would go a long way towards fostering a more efficient and transparent financial management system within the departments.

Sectoral Issues

Some interconnected issues are discussed below:

i. In the FY 2022-23, the initiation of 720 new schemes left 438 ongoing projects devoid of sufficient funds for their completion. This situation arose due to the re-appropriation of funds from incomplete schemes to fund the newly introduced initiatives. Regrettably, this redirection of funds resulted in the suspension of the finalization of the ongoing schemes from which the funds were diverted.

ii. Allocating less than 15% of the original budget to 452 schemes for the FY 2022-23 suggests a strategy of piecemeal funding and a potential diversion of funds from ongoing schemes to new ones. This indicates inadequate planning and raises concerns about the likelihood of cost overruns, time delays, and price escalations in the execution of these projects.

iii. Departments do not give due consideration to the directives issued by SDACs, resulting in heightened non-compliance on similar issues and an increasing number of outstanding paras. A thematic audit, centered on "recoveries," revealed that although the department acknowledged the necessity for recovery on specific issues within a particular scheme, it failed to initiate recovery for the same issues across other schemes within the works division. This oversight contributes as an important factor to the accumulation of audit paras on similar issues each year. These challenges are further compounded by deficiencies in supervisory and managerial controls.

iv. A thematic audit focused on "Securities and Advances" revealed a lack of an effective monitoring system related to various types of securities. This deficiency resulted in the granting of undue financial benefits to contractors through premature releases of securities, allowing inadmissible advances, and irregularities in the adjustment of advances. These practices also contribute to the escalation of risks associated with the projects.

v. Numerous instances have been identified where the scope of works/contracts has been expanded by more than 20%, contravening the guidelines set forth by the PPRA. Exceeding the permissible limit for enhancing the scope of works or contracts not only has immediate financial implications but also raises concerns about procedural integrity, fair competition, and the overall success and credibility of the projects undertaken by the department.

vi. The departments are notably behind in revenue enhancement, primarily because they have failed to collect right-of-way charges and conduct auctions for toll plazas. Moreover, potential revenue streams such as the collection of effluent charges from rural area users and factories remain untapped, lacking adequate pursuit. The failure to collect right-of-way charges, auction toll plazas, and pursue untapped revenue streams can have cascading effects, leading to financial deficiencies, operational limitations, and potential challenges in fulfilling the department's responsibilities and objectives.

Challenges Across Different Departments

1. Communication and Works Department

i. Punjab Highways Department has allocated a significant portion of its financial resources to procure luxury vehicles, even though about 30% of planned schemes face funding shortages due to the non-allocation of financial resources. This situation is further aggravated by the fact that the vehicles, acquired using development funds for supervisory purposes, are not located in the divisions for which they were originally intended. Instead, they have been transferred to the control of the secretariat of C&W.

ii. The Buildings and Highways departments have been opting for longer routes to transport stone and crushed aggregate from distant quarries such as Kirana and Margalla Hills. This is occurring despite the presence of a more proximal source, the Melot Quarry, which provides a shorter and, consequently, more cost-effective transportation route. The omission of the Melot Quarry from the list of approved quarries by C&W is a significant oversight. The selection of transport routes in logistical operations is a crucial factor that determines overall project costs. This oversight may lead to substantial financial losses to the public exchequer due to higher carriage costs.

iii. The irregular utilization of Maintenance & Repair (M&R) funds in Highways Department particularly warrants attention. The yardstick set by FD for M&R works is Rs 176,000 per km, which is considered unrealistic and, consequently, is not adhered to by the department. However, the absence of a practical yardstick has led to a situation where works divisions of the department are arbitrarily incurring very high costs per kilometer for M&R works on roads. This discrepancy has resulted in disparities in the allocation of funds for M&R in different works divisions. The skewed distribution of funds has created a disparity in the M&R operations across different road networks in the province, emphasizing the need setting a practical yardstick for per kilometer cost of M&R for greater transparency and accountability in the allocation and utilization of funds within the department.

iv. The recurring irregularities involving deviations from the original specifications without proper approval or revision of the TS estimate, non-observance of contract clauses, and enhancements of agreements beyond 20% of the contract cost, violate the PPRA rules. It is imperative that these irregularities are addressed to ensure compliance with regulations and uphold the transparency and fairness of the department's operations.

v. Highways Department Punjab is encountering challenges in toll collection, primarily stemming from inefficiencies in setting reserve prices and the subsequent toll collection by divisional staff. The reserve prices, set by the Chief Engineer (CE) of each zone, is usually not realistic, therefore, contractors are often reluctant to bid against high reserve prices. Consequently, toll collection is done by divisional staff which is also lower than the reserve price. Establishing realistic reserve prices would encourage contractor participation, facilitating competitive bids and optimizing toll revenue. Addressing this issue is crucial to ensure the financial viability of toll collection and prevent undue losses to public funds.

2. HUD&PHE Department

i. The audit repeatedly identified instances of rule violations within the works divisions, specifically related to overpayments resulting from allowing rates higher than the approved ones and deviating from the approved specifications. Notably, there is a recurring trend of expanding project scopes without obtaining approval from the competent forum, contravening applicable regulations. These practices underscore the urgent need for the department to improve adherence to established financial guidelines and promptly implement audit recommendations. The potential impact of these findings extends beyond immediate financial implications, affecting the overall efficiency, credibility, and success of the projects undertaken by the department.

ii. Authorities and agencies consistently ignored FD's prescribed templates for work items, incorporating inadmissible items and quantities in rate analyses. This widespread practice has the potential to inflate project costs significantly.

iii. There was a pervasive lack of care in the preparation of TS estimates, with a consistent preference for uneconomical and inefficient works items relying on manual labour over more efficient and economical options based on mechanized mode. Additionally, in numerous instances, approvals for contractor profits and overheads related to machinery and electrical items exceeded the limits specified by FD. These oversights collectively led to inflated project costs and undue benefits for contractors.

iv. Illegal occupation and misuse of government and private properties were rampant in Lahore, showcasing issues like inadequate land surveys, fraudulent allocations, and double exemptions as highlighted by the Audit. Actions to remove these encroachments were largely ineffective or absent.

v. Instances were identified where No Objection Certificates (NOCs) for property transfers were issued without ensuring the collection of relevant fees/charges or obtaining clearances from all necessary departments. This situation has led to an unjustified burden on the purchaser of the property.

3. Irrigation Department:

Issues observed during audit are discussed below:

i. Fraudulent practices have been identified in the process of awarding framework contracts for the procurement of stationery, computer stationery and other items. During a joint verification conducted by the audit team and a departmental representative, it was discovered that some assets were missing. Furthermore, there were instances of non-compliance with PPRA rules, specifically in the procurement of Information Technology (IT) equipment, software, plant & machinery, and Petroleum, Oil & Lubricants (POL), as the process involved splitting.

ii. The department was found falling short of achieving optimal revenue generation, primarily due to untapped resources. These include overlooked avenues such as effluent charge recoveries, leasing of government lands and unrealized toll plaza revenue collection. Addressing these opportunities could significantly enhance the department's overall revenue generation.

iii. Excessive payments beyond the admissible rates were identified. In particular, works items based on manual labour were applied for huge quantities of earthworks. Notably, these tasks, which were practically implausible to be accomplished solely by manual labour, were actually executed using mechanized mode. However, the department incorrectly processed payments for manual labour works items, which carried higher rates compared to the works items involving mechanized mode.

4. Local Government & Community Development Department (LG&CD)

i. The inadequacy in planning and cost estimation of approved works, as highlighted by audit observations and fund utilization patterns, can potentially lead to a significant impact on efficiency. Inefficient planning may result in misallocation of resources, delays in project timelines, and increased financial burdens. Additionally, inaccurate cost estimations can lead to budget overruns, affecting the overall effectiveness and successful completion of projects. Addressing these inadequacies is crucial for improving efficiency, ensuring optimal resource utilization, and achieving project objectives within stipulated timelines and budgets.

ii. Internal controls related to recording in Measurement Books (MBs) warrant special attention, as the audit identified numerous instances where the proper location of the site where works were executed was not recorded in the MBs. This omission renders the entries in the MBs unverifiable, highlighting a critical deficiency in the accuracy and reliability of the recorded information. Enhancing internal controls in this regard is imperative to ensure the integrity and verifiability of the payments made against the recorded works.

iii. Audit observations indicate a high incidence of payment-related control violations, leading to overpayments. These overpayments stem from non-compliance with contract specifications, input rates, and the pertinent instructions from FD. Addressing and rectifying these payment-related control issues is essential for maintaining financial discipline, ensuring the effective use of resources, and safeguarding the organization's reputation and project outcomes.

iv. The LG & CD department has been utilizing longer routes for transporting stone and crushed aggregate from distant quarries like Kirana and Margalla Hills to the worksite, despite the availability of a more proximal source, the Melot Quarry. This quarry offers a shorter and more cost-effective transportation route, which is also being utilized by the Highways Division Jhelum. Transport route choices in logistic operations play a critical role in determining overall project costs. Opting for longer routes when shorter and more cost-effective alternatives exist not only signifies inefficiency but also exposes the project to the risk of substantial financial losses for the public exchequer, primarily due to higher carriage costs.

v. The laxity of the control environment is evident through the recurring deviations from contract specifications and agreement clauses without obtaining prior approvals or revising the TS estimates. Instances of enhancements in the cost of contracts beyond 20% of the original contract cost, in violation of the PPRA Rules, also serve as indicators of a weak control environment. Strengthening the control environment is vital not only for reinforcing control measures but also for ensuring strict adherence to regulations, upholding the integrity of the procurement process, and fostering accountability in the execution of contracts.

5. Punjab Masstransit Authority (PMA)

- Contradictory contract clauses, specifying different "guaranteed km per day," were identified in the Lahore Metro Bus System contract executed by the Authority. Additionally, instances were noted where bids exceeding 4.5% above the TS estimates were accepted, contravening FD instructions. These discrepancies and irregularities underscore a laxity in contract management.

6. Koh-e-Suleman Improvement Project (KSIP), D.G Khan

- PPRA rules explicitly prohibit departments from engaging consultants not registered with the Pakistan Engineering Council. Further, a detailed mechanism is established to qualify only those consultants meeting the requisite criteria. In this context, KSIP failed to adhere to these rules by awarding a contract to a consultant with an expired registration highlighting potential deficiencies in these areas.

7. Cholistan Development Authority (CDA), Bahawalpur

i. The authority failed to exercise due prudence in the preparation of work estimates. Instead of opting for efficient and economical works items based on mechanized mode, the authority utilized uneconomical and less efficient works items involving manual labour.
ii. Price variation payments were made in violation of FD's instructions and contract agreement clauses. The prominent issues included the incorrect calculation of current rates and an excess over provision for price variation in the revised TS estimates. These overpayments resulted in losses to the government.

CHAPTER – 2

COMMUNICATION AND WORKS DEPARTMENT

2.1 Introduction

A. Description of Department

Communication and Works (C&W) department in Punjab holds the crucial responsibility of overseeing various functions associated with the development and maintenance of the province's infrastructure. The primary focus of the department is to ensure the establishment and maintenance of efficient communication and transportation networks.

Since its establishment, the department has undergone significant evolution, expanding its scope to include a diverse set of responsibilities. These responsibilities play a pivotal role in driving the progress and prosperity of the region. Nowadays, C&W department continues to be a key player in shaping and sustaining the infrastructure that supports the overall development of Punjab.

C&W Department comprises two wings and an authority, namely, the Punjab Highways Department, the Punjab Buildings Department, and Lahore Ring Road Authority. The Secretary, C&W acts as the PAO for the department.

Each wing is further organized into three zones - North, Central, and South. These zones are headed by CEs. Within these zones, there are two to three circles, overseen by Superintending Engineers (SEs). The circles are structured based on formations, which serve as the fundamental executing units under the administrative jurisdiction of the Executive Engineer.

There are a total of 183 formations out of which 74 formations pertain to Highways, 107 formations pertain to Buildings and 02 formations pertain to Ring Road Authority, Lahore. This hierarchical structure ensures effective coordination and management of diverse functions within C&W Department.

C&W Department is primarily responsible for the comprehensive life cycle management of roads, bridges, and buildings throughout the province. This encompasses the entire spectrum from planning and design to construction and maintenance. The department plays a pivotal role in the development of highways and other critical transportation arteries, crucial for enhancing trade, fostering commerce, and improving overall connectivity in the region.

In addition to its role in transportation infrastructure, C&W Department takes on the significant task of constructing and maintaining public buildings. Ensuring compliance with safety standards, these structures are designed to meet the evolving needs of the community, creating spaces that contribute to the well-being and functionality of the public at large. The department's multifaceted responsibilities underscore its integral role in shaping the physical and functional landscape of the province.

Furthermore, the department oversees the implementation of various development projects aimed at enhancing the overall infrastructure of Punjab. This involves strategic planning, resource allocation, and project management to ensure that initiatives are executed efficiently and effectively. By leveraging modern technologies and best practices in engineering and construction, C&W department strives to deliver high-quality infrastructure that aligns with the evolving needs of the province.

In addition to the aforementioned primary functions, C&W Department assumes a critical role in disaster management and response. When faced with natural calamities like floods or earthquakes, the department has the potential to swiftly mobilize its resources to engage in relief and rehabilitation efforts. This involves a prompt and coordinated response aimed at restoring essential infrastructure that is crucial for supporting communities affected by such disasters.

The department's involvement in disaster management underscores its responsiveness to not only the development and maintenance of infrastructure but also to the well-being and resilience of the communities it serves. Through these capabilities, C&W Department possesses the potential to contribute significantly to the restoration and stability of areas impacted by unforeseen events, showcasing its adaptability and broader societal impact.

Functioning as the custodian of Punjab's infrastructure, C&W Department operates in close collaboration with a diverse array of stakeholders. This includes active engagement with government bodies, private sector entities, and international organizations. Through strategic partnerships and alliances, the department endeavors to leverage expertise and resources that can enhance its capacity to deliver sustainable and effective infrastructure solutions.

Table 2.1: Audit profile *(Rs in million)*

Sr. No.	Description of Formations	Total No. of Formations	Audited Formations	Audited Expenditure	Audited Revenue/ Receipts
1.	**<u>Formations:</u>** **Phase-I (23-24)**	183			
	Buildings		11	19,822.008	41.986
	Highways		23	77,673.388	158.922
	Sub-total		34	97,495.396	200.908
	Phase-II (22-23)				
	Buildings		4	2,266.401	0
	Highways		6	1,960.401	0
	Sub-total		10	4,226.802	0
2.	Authorities/ Autonomous Bodies		2	2,272.747	0
Grand Total		**183**	**46**	**103,994.945**	**200.908**

B. Comments on Budget and Accounts (Variance Analysis)

The budget of Communication and Works Department comprises development as well as non-development allocations. The non-development budget is allocated under Grants No. PC-21010, PC-21024 and PC-21025 to cater for salary and other non-development expenditures. The development budget is provided through Grants No. PC-12041, PC-12042, and PC-22036. However, the department could not utilize the development and non-development budget to the extent of 1.04% and 2.05%, respectively. The overall budgetary position for the FY 2022-23 is as follows:

Table 2.2: Variance Analysis *(Rs in million)*

Grant No. and Nature	Original Budget	Revised Budget	Actual Expenditure	Variation Excess/ Savings	Variation in %
Non-Development					
PC21010 (LQ4071, SP4006)	520.25	571.19	548.37	(22.83)	(4.00)
PC21024/PC24024	8,808.43	11,531.30	11,143.56	(387.74)	(3.36)
PC21025	8,958.72	22,897.22	22,588.93	(308.29)	(1.35)
PC21031 (LQ5311)	0.78	0.78	0.39	(0.39)	(49.94)
Sub Total	18,288.17	35,000.48	34,281.24	(719.25)	(2.05)
Development					
PC12041	101,773.00	203,414.89	201,908.29	(1,506.60)	(0.74)
PC12042	188,328.31	65,341.91	64,067.35	(1,274.56)	(1.95)
PC22036 (LE4392)	278.00	23.04	23.04	(0.00)	(0.00)
Sub Total	290,379.31	268,779.84	265,978.69	(2,801.15)	(1.04)
Grand Total	**308,667.48**	**303,780.32**	**300,279.92**	**(3,500.40)**	**(1.15)**

Source: SAP figures (FY 2022-23)

C. Sectoral analysis on the achievements against targets agreed under MTDF/MTBF

Brief comments on targets achieved under MTDF are given in Chapter No. 1, i.e., Sectoral Analysis.

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 4,120.438 million were raised as a result of audit of C&W Department. This amount also includes recoveries of Rs 1,928.491 million, as pointed out by the Audit. The summary of the audit observations classified by nature is as under:

Table 2.3: Overview of Audit Observations *(Rs in million)*

Sr. No.	**Classification**	**Amount**
1	**Irregularities:**	-
(i)	Irregularities resulting in overpayments	1,379.893
(ii)	Irregularities resulting in non-recoveries	548.598
(iii)	Irregularities relating to procurements and contracts	1,681.888
(iv)	Irregularities resulting in undue financial benefit to contractors	154.608
(v)	Irregularities resulting in loss to government	226.650
(vi)	Miscellaneous irregularities	128.801
	Total	**4,120.438**

2.3 Comments on the status of compliance with PAC directives

Compliance position with PAC's directives on Audit Report relating to Audit years 1956-57 to 2016-17 (excluding years not discussed in PAC) is as under:

BUILDINGS DEPARTMENT

Table 2.4: Compliance of PAC directives

Sr. No.	Audit Report Year	Outstanding Directives	Compliance Reported	Compliance Awaited	Percentage (%)
1	1956-57 to 1999-2000	518	-	518	-
2	2000-01	34	-	34	-
3	2001-02	27	-	27	-
4	2003-04	02	-	02	-
5	2005-06	15	-	15	-
6	2006-07	08	-	08	-
7	2009-10	09	-	09	-
8	2010-11	11	-	11	-
9	2011-12	15	-	15	-
10	2012-13	44	-	44	-
11	2013-14	65	-	65	-
Total		**748**	**-**	**748**	**-**

HIGHWAYS DEPARTMENT

Table 2.5: Compliance of PAC directives

Sr. No.	Audit Report Year	Outstanding Directives	Compliance Reported	Compliance Awaited	Percentage

					(%)
1	1956-57 to 1999-2000	1446	-	1446	-
2	2000-01	42	-	39	-
3	2001-02	08	-	08	-
4	2003-04	07	-	07	-
5	2005-06	16	-	14	-
6	2006-07	24	-	27	-
7	2008-09	01	-	01	-
8	2009-10	42	-	55	-
9	2010-11	38		36	
10	2011-12	104	-	103	-
11	2012-13	6	-	5	-
12	2013-14	22	-	22	-
13	2015-16	02	-	02	-
14	2016-17	17	-	17	-
Total		**1775**	**-**	**1782**	**-**

2.4 AUDIT PARAS

2.4.1 Buildings Department

Irregularities

Irregularities resulting in overpayments

2.4.1.1 Overpayment due to higher input rates than those provided in FD's template – Rs 34.087 million

According to FD's instruction No. RO(Tech)FD-18-23/2004 dated 21st September 2004, "the rate analysis for a non-standardized item shall be approved by SE, giving specifications of the material used as per FD's website. The standardized analysis shall be used to work out the rate of items as far as possible".

Executive Engineers of various Buildings Divisions, paid for the non-standardized items *"P/L RCC Bored piles etc.", "Excavation in foundations etc.", "Parking sheds"* and *"P/L Tiles etc."*. Audit observed that the department, in fourteen (14) cases, prepared rate analyses on higher side due to reasons including using manual labour and taking excess material, labour and wastage components.

Violation of FD's instructions resulted in overpayments amounting to Rs 34,086,835.

Audit pointed out the overpayments from September to October 2023.

The paras were discussed in the SDAC meetings held from November to December 2023. In DP Nos. 159 & 309, the department admitted recoveries pointed out by Audit and the Committee directed the department to effect recoveries. In twelve (12) cases, the department explained that the items were paid as per approved TS estimates. Audit asserted that the rate analyses were prepared on the basis of excessive quantities of material and labour, along with the application of rates higher than those officially notified by FD. The rates of excavator, batching plants and transit mixers had been notified by FD since 2004. Therefore, the department was required to prepare the rate analyses with mechanized mode as standardized by FD in MRS. The Committee directed the department in DP Nos. 186, 187, 190, 192 and 203, to refer the matter to FD for clarification regarding application of FD's template retrospectively. In DP Nos. 129, 147, 326 and 382, the Committee directed the department to get the record verified from Audit. In DP Nos. 126, 136 and 331, the Committee directed the department to prepare rate analyses as per FD's template and effect recoveries. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance with the SDAC directives besides effecting recovery and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-I)

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2018-19 to 2022-23, vide Para No. 2.4.1.3 in AR 2018-19, Para No. 2.5.1.2 in AR 2019-20, Para No. 2.5.1.1 in AR 2020-21, Para No. 2.4.1.2 in AR 2021-22, and Para No. 2.4.1.1 in AR 2022-23 having financial impact of Rs 510.019 million. Recurrence of same irregularity is a matter of serious concern.

2.4.1.2 Overpayment due to incorrect calculation of steel – Rs 30.477 million

According to rule 7.29 of Departmental Financial Rules (DFR) Vol-I, "before signing the bill, a sub-divisional officer should compare the quantities in the bill with those recorded in the MB and see that all the rates were correctly entered and that calculations were checked arithmetically to be correct". Further, as per lab test reports of steel bars sizes viz. ⅜, ½, ¾ and 1 inch, the actual weight came to 0.367, 0.650, 1.455 and 2.600 lbs per foot, respectively.

Executive Engineers of various Buildings Divisions, paid for the item *"Fabrication of mild steel etc."*. Audit observed that the department miscalculated the quantities of steel by using standard weight factors of 0.375, 0.667, 1.50, and 2.67 lbs per foot for steel bars of sizes ⅜, ½, ¾, and 1 inch, respectively. The correct weight factors, as indicated by laboratory test reports, should have been 0.367, 0.650, 1.455, and 2.600 lbs per foot. Furthermore, in four (04) cases, the department applied a weight conversion factor (pound to kg) of 0.454 instead of the correct factor of 0.4536, leading to an excess weight measurement for the steel.

Violation of the DFR resulted in overpayments amounting to Rs 30,477,163.

Audit pointed out the overpayments from August to October 2023.

The paras were discussed in the SDAC meetings held from November to December 2023. The department admitted due recoveries according to lab test reports. Audit emphasized that the recoveries be expedited. The Committee, in all cases, directed the department to effect due recoveries and get it verified from Audit. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility against the person(s) responsible for overpayments and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-II)

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2019-20 and 2022-23, vide Para No. 2.4.1.9 in AR 2019-20, Para No. 2.4.1.6 in AR 2022-23 having financial impact of Rs 8.136 million. Recurrence of same irregularity is a matter of serious concern.

2.4.1.3 Overpayment due to inadmissible price variations – Rs 30.273 million

As per clause 55 (9) (10) & (11) of the agreement, "no price variation shall be admissible on the items in respect of the quantities for which a secured advance has been paid to the contractor. Further, the increase or decrease in the contract price subsequent to any increase or decrease in the cost of high-speed diesel (HSD) and labour shall be calculated from the increase or decrease on the value of work done".

Executive Engineers of various Buildings Divisions, in four (04) cases, made payment of price variations which were either on inadmissible items or were calculated using rates higher than permissible. Audit observed that, in two (02) cases, the department paid the price variation on the amount of secured advance and supply items, which contradicted the agreement clause according to which price variation was inadmissible on secure advance and supply items. Furthermore, in remaining two (02) cases, the department applied incorrect current rates for Diesel and Labour. The details are as under:

(Amount in Rs)

DPs	Formations	Amount Overpaid	Reasons of overpayment
112	Buildings Division (BD) Hafizabad	18,600,811	Price variation of diesel and labour allowed on the amount of secured advance which was inadmissible.
164	BD D.G Khan	451,338	Current rate of steel at the rate of Rs 195,334 per ton was applied for the month of February 2022, whereas actual rate for February 2022 was Rs 189,334 per ton.
170	BD D.G Khan	1,880,566	Current rate of Diesel at the rate of Rs 204.15 was applied for the month of June 2023, whereas work was executed during May 2023, wherein rate was not increased.
330	BD-I Multan	9,340,148	Price variation was paid on supply items viz. ACs, Pumps etc. which was inadmissible.

Violation of the agreement resulted in overpayment amounting to Rs 30,272,863.

Audit pointed out the overpayments from September to November 2023.

The paras were discussed in the SDAC meetings held from November to December 2023. In DP Nos. 112 and 164, the department admitted the viewpoint of Audit and the Committee directed to effect recoveries. In DP Nos. 170 and 330, the department explained that payment was made as per clause-55 of the agreement. Audit, in DP 170, contended that current rates of June 2023 were required to be applied instead of May 2023 to calculate the price variation of labour and diesel based on the months in which the actual work was executed and, in DP 330, contended that price variation was not admissible on the value of supply items. The Committee directed the department, in DP 170, to effect due recovery and in DP No. 330, directed the department to get clarification from FD. Compliance with the Committee’s directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 112,164,170&330 (2023-24)

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, vide Para No. 2.4.1.7 in AR 2022-23 having financial impact of Rs 3.419 million. Recurrence of same irregularity is a matter of serious concern.

2.4.1.4 Overpayment due to rates being higher than those stipulated in MRS – Rs 23.277 million

As per FD's notification No. RO(Tech)FD 2-3/2004 dated 2nd August 2004, "the CE, based on input/MRS rates fixed/notified by FD, shall fix/approve the rates of each item of work for Rough Cost Estimates (RCE) for Administrative Approval (AA). However, these can be modified, replaced and added to with the approval of FD. Administrative Departments shall ensure transparency of tendering based on market rates".

Executive Engineers of various Buildings Divisions, in eight (08) cases, made payments for various non-standardized items. Audit observed that the department made payments for these items by calculating rates higher than those specified in the MRS for the relevant quarters which was inadmissible.

Violation of FD's instructions resulted in overpayments amounting to Rs 23,277,204.

Audit pointed out the overpayments from September to October 2023.

The paras were discussed in the SDAC meetings held from November to December 2023. In DP Nos. 108, 110, 138, 237, 251, 306 and 378, the department admitted the recoveries pointed out by Audit. The Committee directed the department to effect recoveries. In DP No.140, department explained that the section of window given in MRS was not available in the market and the item was paid as per Revised TS estimate. Audit informed that other similar and admissible items were available in MRS, standardized by FD by taking market rates, which were to be sanctioned and paid accordingly. The Committee directed the department to refer the matter to CE

(Buildings) for submission of report regarding non-availability of the item in market. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance with the directives of the SDAC and effecting the recoveries besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-III)

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 and 2022-23, vide Para No. 2.4.1.4 in AR 2021-22, Para No. 2.4.1.3 in AR 2022-23, having financial impact of Rs 52.878 million. Recurrence of same irregularity is a matter of serious concern.

2.4.1.5 Overpayment due to allowing excess lead – Rs 19.521 million

As per condition No. 5 of FD's letter No. RO(Tech)F.D 2-3/2004 dated 2nd August 2004, "the material of crushed stone aggregate and sand material shall be carried from the nearest quarry and the shortest route shall be used/adopted for carriage".

Executive Engineers of various Buildings Divisions, in eight (08) cases, got executed different works items involving usage of stone materials. Audit observed that, in the identified cases, the department made overpayments for stone carriage by opting for longer routes.

Violation of FD's instructions resulted in overpayments amounting to Rs 19,521,431.

Audit pointed out the overpayments from March to September 2023.

The paras were discussed in the SDAC meetings held from November to December 2023. In DP Nos. 162 and 247, the department admitted the recoveries. The Committee directed the department to effect recoveries. In six (06) cases, the department explained that items were paid as per provision and lead approved in TS estimates. Audit contended that as per FD's instructions, the shortest route was required to be used. The Committee directed the department, in DP No. 17 and 132, to provide proof of invoices that stone was transported from Margalla Quarry and approved lead charts respectively and in remaining four (04) cases, directed to effect due recoveries and get it verified from Audit within 15 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-IV)

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2018-19 and 2022-23, vide Para No. 2.4.1.48 in AR 2018-19, Para No. 2.5.1.5 in AR 2022-23 having financial impact of Rs 16.076 million. Recurrence of same irregularity is a matter of serious concern.

2.4.1.6 Overpayment due to incorrect input rates and loose factor – Rs 15.934 million

According to FD's instruction No. RO(Tech)FD-18-23/2004 dated 21st September 2004, "the rate analysis for a non-standardized item shall be approved by SE, giving specifications of the material/inputs used as per FD's website. The standardized analysis shall be used to work out the rate of items as far as possible".

Executive Engineers of various Buildings Divisions, in eight (08) cases, got executed and paid for the non-standardized item *"Providing and laying structural pad etc."*. Audit observed that the department calculated the rates on the higher side by applying an excess loose factor on stone aggregate and sand, and by allowing extra lead in the rate analysis. This resulted in making overpayments to the contractors.

Violation of FD's instructions resulted in overpayments amounting to Rs 15,933,746.

Audit pointed out the overpayments from September to October 2023.

The paras were discussed in the SDAC meetings held in November & December 2023. In DP Nos. 102, 209 and 211, the department admitted the recoveries pointed out by audit. The Committee directed the department to effect recoveries. In DP Nos. 213, 377, 336, 171 and 130 the department explained that the items were paid as per approved TS estimates and Building Research Station (BRS) reports. Audit contended that the department was required to apply 5% loose factor on sand and stone aggregate as per FD's clarification dated 9th March 2022 and lead was to be paid from the nearest quarries. The Committee directed the department, in DP Nos. 130, 171 and 377 to get the record re-verified from Audit and in DP Nos. 213 and 336 directed the department to refer the case to BRS and to effect the recovery in the light of the BRS reports. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides strengthening of internal controls to avoid the recurrence of such issues.

(Annexure-V)

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2018-19, vide Para No. 2.4.1.3.6 in AR 2018-19, having financial impact of Rs 7.864 million. Recurrence of same irregularity is a matter of serious concern.

2.4.1.7 Overpayment due to allowing inadmissible contractor's profit – Rs 10.711 million

As per FD's letter No. RO(Tech)FD-18-29/2006 dated 3rd March 2005,read with FD's notified template for electrical items in 2022, "12.5% contractor profit and overhead charges are allowed of the total value of the cost of the electrical items".

Executive Engineers of various Buildings Divisions, in seven (07)cases, prepared the rate analyses and made payment of various electrical items such as Light Emitting Diode (LED), fans and pumping machinery/turbines. Audit observed that the department allowed 20% of the value of supplies for contractor's profit and overhead charges, exceeding the specified percentage of 12.5%. Furthermore, the department allowed 12.50% profit on General Sales Tax (GST) amount included in quotation while preparing rate analyses which was inadmissible.

Violation of FD's instructions resulted in overpayments amounting to Rs 10,711,411.

Audit pointed out the overpayments from March to September 2023.

The paras were discussed in the SDAC meetings held from August to November 2023. In DP Nos. 205, 230 and 235, the department admitted the recoveries pointed out by Audit. The Committee directed the department to effect recoveries. In DP Nos 50, 70, 124 and 212, the department explained that rates were prepared as per FD's template and approved in TS Estimates. Audit contended that only 12.5% contractor's profit and overhead charges were admissible instead of 20% as per FD's instructions. Further, contractor's profit on general sales tax was also inadmissible. The Committee directed the department in DP Nos 50, 124, and 212, to effect due recoveries and in DP No 70, to get the record re-verified from Audit. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-VI)

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2019-20 and 2022-23, vide Para No. 2.5.1.3 in AR 2019-20, Para No. 2.4.1.8 in AR 2022-23 having financial impact of Rs 76.180 million. Recurrence of same irregularity is a matter of serious concern.

2.4.1.8 Overpayment due to non-reduction of rate of dressing and refilling – Rs 4.540 million

As per MRS item No. 21 under Chapter-3 (Earthwork), "the composite rate of item i.e. *Excavation in foundations* included rate of dagbelling, dressing, refilling, watering and ramming, etc".

Executive Engineers of various Buildings Divisions, in two (02) cases, paid for the item *"Excavation in foundation etc."* at composite rates. Audit observed that the department disposed of excavated earth without executing the associated activities such as dagbelling, dressing, refilling, watering, and ramming at the site. These activities were originally included in the composite item of "excavation in foundation". As a result, excess payments for these items were made to the contractors.

Violation of the MRS resulted in overpayments amounting to Rs 4,540,150.

Audit pointed out the overpayments from August to September 2023.

The paras were discussed in the SDAC meetings held on 2nd & 29th November 2023. In DP No. 105, the department admitted the recovery pointed out by Audit. The Committee directed the department to effect recovery. In DP No. 297, the department explained that activities of ramming/watering and dressing of earth shall be executed on the trench after excavation for laying of Plain Cement Concrete (PCC) in foundations. Audit contended that earth, excavated from foundation was disposed of, hence, watering/ramming and dressing was not required at site. The Committee directed the department to effect recovery and get it verified from Audit. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.105&297(2023-24)

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2019-20, vide Para No. 2.5.1.12 in AR 2019-20 having financial impact of Rs 1.195 million. Recurrence of same irregularity is a matter of serious concern.

2.4.1.9 Overpayment due to allowing rates higher than those agreed in the contract agreement – Rs 2.944 million

As per Note (I) under rule 7.28 of DFR read with PAC directives dated 5th December 1995 and 16th April 2007, "the contractual obligations would be paid at the rate, agreed with the department at the time of award of work and lead cannot be changed after the sanction of estimate".

Executive Engineers, Building Division, Attock got executed the item *"Earthwork filling borrow from outside etc"*. Audit observed that the department made payments at rates higher than those initially agreed upon in the original contract agreement and TS estimates by allowing excess lead. Furthermore, the department also paid lead on debris for disposal, which was inadmissible as it was the responsibility of the contractor.

Violation of contractual obligations resulted in overpayment of Rs 2,944,180.

Audit pointed out the overpayments during March and August 2023.

The paras were discussed in the SDAC meeting held on 2nd November 2023 and 21st August 2023. The department, in DP No.139, explained that during execution of work, the quantity of earthwork at site was increased and accordingly lead was enhanced. Audit contended that contractors quoted the rates after site survey in the light of Para no.7 of General Directions to Tenderers, therefore, lead once agreed cannot be enhanced. The Committee directed the department to effect the recovery. In DP No.30, the department explained that lead was paid for disposal of debris and will be incorporated in revised TS estimate. Audit contended that contractor was required to remove all type of surplus material such as buildings' debris under Clause 40 of Agreement. Hence, extra rate was paid to the contractor. The Committee directed the department to issue warning letters to delinquents for non-production of record during verification and get the record verified from Audit within 07 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 30 & 139 (2023-24)

Note: The issue was reported earlier also in the Audit Report for Audit Year 2018-19, vide Para No. 2.4.1.3.17 in AR 2018-19 having financial impact of Rs 1.979 million. Recurrence of same irregularity is a matter of serious concern.

Irregularities resulting in non-recoveries

2.4.1.10 Non-recovery due to use of substandard bricks – Rs 171.918 million

As per section 801 and section 1041-8 of Standard Specifications for Roads & Bridges Construction 197, read with FD's material rates of item No.07.001, the standard size of bricks was 9″ x 4-1/2″ x 3″ and the crushing strength was 2000 Pounds per Square Inch (PSI). Further, as per MRS remarks column of chapter "Brick Work", if 2nd class bricks were used, the item rate would be reduced by 7%.

Executive Engineers of various Buildings Divisions paid, in eight (08) cases, for the item *"Pacca brick work cement sand mortar etc"*. Audit observed that as per lab test reports, the strength and size of bricks were below the standard specification and fall under the category of 2nd class bricks. Therefore, department was required to reduce the rates by 7%. However, the department did not reduce the rates while paying for the said item of brick work.

Violation of the Specifications, FD's instructions and MRS resulted in non-recoveries amounting to Rs 171,918,289.

Audit pointed out the non-recoveries from August to October 2023.

The paras were discussed in the SDAC meetings held from October to November 2023. The department explained that as per lab test reports strength and size of bricks were as per specifications. Audit contended that as per lab reports, 2nd class bricks were used as evident from the smaller size and lower strength. The Committee in six (06) cases, directed the department to get the record re-verified from Audit, to effect due recovery in DP No.350, and to refer the case to FD for clarification in DP No. 236. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance with the directions of SDAC besides effecting recovery, fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-VII)

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2018-19 to 2022-23, vide Para No. 2.4.1.17 & 2.4.1.24 in

AR 2018-19, Para No. 2.5.1.13 in AR 2019-20, Para No. 2.5.1.6 in AR 2020-21, Para No. 2.4.1.8 in AR 2021-22, and Para No. 2.4.1.10 in AR 2022-23 having financial impact of Rs 396.094 million. Recurrence of same irregularity is a matter of serious concern.

2.4.1.11 Non-utilization of excavated earth – Rs 55.941 million

As per section 411 of Standard Specifications for Roads & Bridges Construction 1971, "available useable material from the excavation was to be used in work before using material from an outside source. Further, as per specification No 17.1(A) (11) (i) of Specifications for Execution of Works 1967 Volume-I Part-II, if cutting and filling were to be done simultaneously, all suitable materials obtained from excavation would be used in filling".

Executive Engineers of various Buildings Divisions, in thirteen (13) cases, got executed and paid for the item "*Excavation in foundation of buildings and other structures etc*". Audit observed that rather than adjusting the excavated earth, the department brought earth from outside by making payment for another item *"Filling watering and ramming new earth with lead etc".*

Violation of the Specifications resulted in non-utilization of excavated earth amounting to Rs 55,941,222.

Audit pointed out the non-utilization of excavated earth from March to November 2023.

The paras were discussed in the SDAC meetings held in November & December 2023. In DP Nos. 96, 295, 345, 348, 353, 366 and 375, the department admitted to utilize the excavated earth in the next running bills. The Committee directed the department to effect recoveries. In remaining six (06) cases, the department explained that excavated earth will be utilized. Audit contended that in DP Nos. 31 & 36, department did not produce the record and in other cases, excavated earth was required to be adjusted at the time of its excavation. The Committee in DP Nos. 31 & 36, directed the department to issue warnings to incumbents in addition to get the record verified from Audit and in remaining four (04) cases, directed to effect recoveries. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-VIII)

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2018-19 to 2022-23, Para No. 2.4.1.21 in AR 2018-19, Para No. 2.5.1.6 in AR 2019-20, Para No. 2.5.1.3 in AR 2020-21, Para No. 2.4.1.3 in AR 2021-22, and Para No. 2.4.1.4 in AR 2022-23 having financial impact of Rs 142.932 million. Recurrence of same irregularity is a matter of serious concern.

2.4.1.12 Non/less recovery of PST and Income Tax – Rs 26.729 million

As per section 49(a) of the Punjab Sales Tax on Services Act, 2012, "sales tax on services was required to be deducted at the rate of 5% with effect from 1st July 2017". Further, as per Federal Board of Revenue (FBR's) clarification vide No.5/WHT-U-03 dated 24th April 2018, the income tax at the rate of 7.5% was required to be deducted from the contractors on the gross value of work done including amount of PST u/s 153 of Income Tax Ordinance 2001.

Executive Engineer, Buildings Division No.3, Lahore, awarded contracts to various contractors after 1st July 2017 and made payments accordingly. Audit observed that the department erroneously recovered PST at the rate of 1% instead of the correct rate of 5% of the value of work done resulting in less recovery of PST amounting to Rs 24,864,514. Additionally, the 7.5% income tax on the PST amounting to Rs 1,864,838 was not recovered as required.

Violation of the Punjab Sales Tax Act resulted in non/less recoveries amounting to Rs 26,729,352.

Audit pointed out non/less recovery in April 2023.

The para was discussed in the SDAC meeting held on 21st August 2023. The department explained that 1% PST was provided in the AA/TS estimate, therefore, accordingly 1% PST was deducted while making payments. Audit contended that 5% PST on ADP works was applicable because works were awarded and payments were made after FY 2019-20. The Committee directed the department to effect recovery of 5% PST and Income Tax on PST in all the cases where contracts were awarded after 1st July 2017. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 02 (Phase-II 2022-23)

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2018-19 and 2019-20, vide Para No. 2.4.1.5 in AR 2018-19 and Para No. 2.5.1.15 in AR 2019-20 having financial impact of Rs 136.664 million. Recurrence of same irregularity is a matter of serious concern.

2.4.1.13 Non-recovery of dismantled material – Rs 14.337 million

According to para 9(i) of Chapter 18.1 of Specifications for Execution of Works 1967, "the dismantled material is the property of the government and cost of it should either be recovered from contractor as credit of dismantled material or it should be counted, measured and recorded for open auction".

Executive Engineers of various Buildings Divisions, in four (04) cases, paid for the items "*Dismantling of RCC", "Dismantling of brick work,* and *"Removing of Chowkats and Doors etc*". Audit observed that the department, neither recovered nor accounted for the cost of dismantled material from the contractors which was the property of the government.

Violation of the Specifications resulted in non-recovery amounting to Rs 14,337,464.

Audit pointed out the non-recoveries from August to September 2023.

The paras were discussed in the SDAC meetings held from November to December 2023. In DP Nos. 119, 144 and 274, the department admitted the recoveries pointed out by Audit. The Committee directed the department to effect recoveries. In DP No. 115, the department explained that a letter had been written to Project Director (PD), IDAP for effecting recovery. The Committee directed the department to effect recovery and take up the matter at the level of Administrative Department. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.115,119,144&274 (2023-24)

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2018-19 to 2022-23, vide Para No. 2.4.1.20 in AR 2018-19, Para No. 2.5.1.18 in AR 2019-20, Para No. 2.5.1.9 in AR 2020-21, and Para No. 2.4.1.11 in AR 2022-23 having financial impact of Rs 56.261 million. Recurrence of same irregularity is a matter of serious concern.

2.4.1.14 Non-recovery of General Sales Tax – Rs 8.004 million

According to para 4(ii) of the FBR's letter No.1(42)STM/2009/99638-R dated 24th July 2013, "in case of public works, it may be ensured that the contractors engaged make purchases only from sales tax registered persons. The contracting department/organization must require such contractors to present sales tax invoices of all the material mentioned in the Bill of Quantities (BOQ) as evidence of its legal purchase, before payment is released".

Executive Engineers, Buildings Divisions, in three (03) cases, made payments for the items viz. *"Pumping machinery, Turbine, Transformers,* and *Cooling Towers, etc."* to various contractors. Audit observed that the department did not obtain GST invoices from the contractors before releasing payments, which would have confirmed whether the materials were procured from sales tax registered firms. Consequently, the amount of GST, which was initially included in the agreed-upon rates with the contractors, should have been recovered during the payment process.

Violation of FBR's instructions resulted in non-recovery of Rs 8,004,337.

Audit pointed out the overpayments from August to September 2023.

The paras were discussed in the SDAC meetings held in November 2023. The department, in all cases, admitted the recoveries pointed out by audit. The Committee directed the department to effect recoveries. Compliance with Committee's directives was not reported till finalization of report.

Audit recommends early recovery and strengthening internal controls to avoid the recurrence of such issues.

DP No. 88,234&271 (2023-24)

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2018-19 and 2022-23, vide 2.4.1.7 in AR 2018-19 and Para No. 2.4.1.9 in AR 2022-23 having financial impact of Rs 77.572 million. Recurrence of same irregularity is a matter of serious concern.

2.4.1.15 Non-completion of works at the risk and expense of the contractors – Rs 5.689 million

As per clauses 60 and 61 of the contract agreement, "on the default of a contractor to complete the work, his work will be rescinded and remaining work will be completed at risk and expense of the original contractor, besides forfeiting his securities".

Executive Engineer, Buildings Division, Attock declared two contractors as defaulter during April and May 2020. Audit observed that the department did not forfeit the securities of the contractors nor awarded the works at the risk and expenses of the original contractors as per clauses ibid.

Violation of contract agreement resulted in non-recovery of Rs 5,689,429.

Audit pointed out the non-recovery in August 2023.

The para was discussed in the SDAC meeting held on 2nd November 2023. The department explained that balance work would be awarded after revised AA from competent forum. The Committee directed the department to get the matter probed by SE, Building Circle No.1, Rawalpindi regarding wasteful expenditure and non-completion of work at risk & expense of the original contractor. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery along with blacklisting the contractors, besides fixing responsibility against the person(s) who had not forfeited securities even after a laps of three years.

DP No.118(2023-24)

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2018-19 to 2020-21, vide Para No. 2.4.1.14 in AR 2018-19, Para No. 2.5.1.16 in AR 2019-20 and Para No. 2.5.1.7 in AR 2020-21 having financial impact of Rs 372.526 million. Recurrence of same irregularity is a matter of serious concern.

2.4.1.16 Non/less recovery of Income Tax – Rs 4.596 million

According to Section 153, Division-III, sub-section 2(b)(ii)(b) of Income Tax Ordinance 2001, "that on execution of a contract, other than a contract for the sale of goods or the rendering of or providing of services, tax is to be deducted at the rate of 7.5% from the gross amount".

Executive Engineers, Buildings Divisions made payment to different contractors. Audit observed that, in three (03) cases, the department did not deduct income tax amounting to Rs 4,595,613 on the value of cost of old material and mobilization advance.

Violation of FBR's rules led to the non/less deduction of income tax amounting to Rs 4,595,613.

Audit pointed out the non-recoveries from April to October 2023.

The paras were discussed in the SDAC meetings held from August to November 2023. The department admitted the recoveries pointed out by audit. The Committee directed the department to effect recoveries and get it verified by Audit. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.08 (Phase-II 2022-23) 169&172 (2023-24)

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2018-19 to 2022-23, vide Para No. 2.4.1.9 in AR 2018-19, Para No. 2.5.1.14 in AR 2019-20, Para No.

2.5.1.8 in AR 2020-21, and Para No. 2.4.2.21 in AR 2022-23 having financial impact of Rs 97.732 million. Recurrence of same irregularity is a matter of serious concern.

Irregularities resulting in undue financial benefit to contractors

2.4.1.17 Irregular payments due to execution of excess quantities without prior approval – Rs 154.608 million

According to para 5.19 of Buildings & Roads (B&R) Department Code, no excess over revised technical sanction estimate can be paid without the concurrence of FD.

Executive Engineers, Buildings Division No. 1, Lahore and D.G Khan, in three (03) cases, paid for different items in quantities that exceeded those provided in the revised TS estimates. Audit observed the department did not obtain prior concurrence from FD as required.

Violations of the B&R Department Code resulted in irregular payments amounting to Rs 154,607,517.

Audit pointed out the irregularities from March to October 2023.

The paras were discussed in the SDAC meetings held from August to November 2023. The department explained that works were carried out as per site requirements and approved drawings by P&D Department whereas enhancement of agreements and approval of revised TS estimates were under process. Audit contended that payments were made without prior concurrence of FD as required. The Committee directed the department to get the ex-post fact approvals from FD. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early regularization of the matter from FD besides action against the delinquents who made payment without prior approval from the competent authorities.

DP No. 28 (Phase -II 2022-23) 150&160 (2023-24)

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, vide Para No. 2.4.1.20 in AR 2022-23 having financial impact of Rs 564.329 million. Recurrence of same irregularity is a matter of serious concern.

2.4.2 Highways Department

Irregularities

Irregularities resulting in overpayments

2.4.2.1 Overpayment due to application of uneconomical items – Rs 429.107 million

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

Executive Engineers of various Highways Divisions, in eight (08) cases, paid for the items *"Excavation in open cutting up to 5 feet depth", "Earthwork excavation in foundation in ordinary soil"* and *"earthwork in ashes, sand and soft soil"* on the basis of manual labour. Audit observed that input rates of excavator were notified by FD since 2004 and composite item regarding excavation with machinery viz. "*earthwork in excavation of drains, irrigation channels through excavator/drag lines in all kinds of soil etc."* vide item No. 52 of chapter 3 of MRS was also available which had lesser rates as compared with the paid items. Further, such a large volume of excavation could not have been executed through manual labour.

Violation of the B&R Department Code resulted in overpayments amounting to Rs 429,107,127.

Audit pointed out the overpayments from August to September 2023.

The paras were discussed in the SDAC meetings held in November and December 2023. In DP No. 419, 451, 461, 470, 665 & 749, the department explained that the works had been executed according to the specification and TS estimates approved by the competent authority. Audit contended that department was required to prepare the rate analyses on FD's template as such a large volume of excavation could not have been executed through manual labour. In DP No. 665, the Chair and Member FD directed the department to get the matter technically probed by CE Highways (North). Audit stressed that recovery was required to be effected. In DP No. 451 & 461, the Committee directed the department to calculate the rate of item as per FD's template and effect due recovery, in DP No. 419, to refer the case to FD for clarification, in DP No. 470, to obtain a technical report from SE, Building Circle, Sargodha regarding non-use of economical item and in DP No. 749, to get clarification/justification regarding execution through manual process instead of mechanical means from CE Highways (South) as both items were included in MRS. In DP No. 178, the department explained that the item "*Earthwork excavation of drain irrigation channel"* was applicable for irrigation channel only instead of Highways works. Audit contended that the relevant item No. 21 of MRS Chapter-3 "Earthwork" based on mechanical means was required to be paid. The Committee directed the department to work out the rate as per FD's template and effect due recovery. In DP No. 894, the department admitted recovery. The Committee directed the department to effect recovery. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-IX)

Note: This issue was reported earlier also in the Audit Reports for the years 2021-22 to 2022-23 vide Para No. 2.4.2.3 in AR 2021-22 and Para No. 2.4.2.1.1 in AR 2022-23 having financial impact of Rs 188.966 million. Recurrence of same irregularity is a matter of serious concern.

2.4.2.2 Overpayment due to allowing excess quantity of bitumen than actually used – Rs 149.653 million

As per FD's notification No. RO(Tech)FD 2-3/2004 dated 2nd August 2004, "payment is to be made to the contractor as per Job Mix Formula (JMF)or actual bitumen used in the work".

Executive Engineers of various Highways Divisions, in six (06) cases, paid for the item *"P/L premixed asphaltic carpet by using 4% and 4.5% bitumen contents"*. Audit observed that as per JMF issued by the Road Research & Material Testing Institute (RR&MTI), the contents of bitumen were ranging from 3.8% and 4.2% whereas department paid for excess percentages of bitumen than those provided in JMF.

Violation of FD's instructions resulted in overpayments amounting to Rs 168,210,686.

Audit pointed out the overpayments from August to September 2023.

The paras were discussed in the SDAC meetings held in November 2023. In DP No. 166, 255, 341, & 652, the department effected partial recovery of Rs 41,949,484 and in DP No. 231, & 595, admitted recovery. The Committee directed the department to effect due recovery. Overall amount of para was reduced to Rs 149,653,273. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-X)

Note: This issue was reported earlier also in the Audit Reports for the years 2018-19 to 2022-23 vide Para No. 2.4.2.8 in AR 2018-19, Para No. 2.5.2.26 in AR 2019-20, Para No. 2.5.2.16 & 2.5.5.21 in AR 2020-21, Para No. 2.4.2.15 in AR 2021-22 and Para No. 2.4.2.8 & 2.4.2.14 in AR 2022-23 having financial impact of Rs 685.798 million. Recurrence of same irregularity is a matter of serious concern.

2.4.2.3 Overpayment due to inadmissible price variation on M&R works – Rs 109.741 million

As per Delegation of Financial Powers Rules, 2016 read with FD's clarification No. FD(C&W)4-207/2021-22 dated 14th June 2022, no price variation is admissible on M&R works.

Executive Engineers of various Highways Divisions, in eight (08) cases, paid Rs 110,777,411 on account of price variation against M&R works. Audit observed that price variation on M&R works was inadmissible as per FD's clarification.

Violation of FD's instructions resulted in overpayments amounting to Rs 110,777,411.

Audit pointed out the overpayments from March to September 2023.

The paras were discussed in the SDAC meetings held in August & November 2023. In DP No. 105, 106, 132, 133, 618 & 685, the department explained that the price variation was paid prior to issuance of clarification by FD. Audit informed that FD's clarification was based on the previous similar audit observations; hence, no price variation was involved on special repair works. The Committee directed the department, in DP No. 618 & 685, to effect recovery and in DP No. 105, 106, 133 & 132, refer the matter to FD for clarification. In DP No. 193 & 218, the department explained that the matter was sub judice and final action would be taken on finality of court judgment. Audit informed that no record of court proceedings was produced in support of its reply by the department. Further, the amount of DP No. 218 was reduced to Rs 4,676,746 as the price variation was not paid in one case. The Committee directed the department to keep this issue pending till the decision of the court. Overall amount of para was reduced to Rs 109,740,520. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-XI)

2.4.2.4 Overpayment due to higher rates of non-standardized items – Rs 88.069 million

As per FD's notification No. RO(Tech)FD 2-3/2004 dated 2nd August 2004, the CE, based on input/MRS rates fixed/notified by FD, shall fix/approve the rates of each item of works for Rough Cost Estimates (RCE) for AA. However, these can be modified, replaced and added to with the approval of FD. Further, as per FD's letter No. RO(Tech)FD-18-29/2006 dated 3rd March 2005, read with FD's notified template for electrical items in 2022, 12.5% contractor profit and overhead charges are allowed.

Executive Engineers of various Highways Divisions, in fourteen (14) cases, paid for the various non-standardized items to the contractors. Audit observed that the department prepared rates of the items on higher side by taking excess rate of material, and/or labour, 20% contractor's profit on hiring of machinery, and excess wastage than admissible as per FD's template.

Violation of FD's instructions resulted in overpayments amounting to Rs 88,069,041.

Audit pointed out the overpayments from April to September 2023.

The paras were discussed in the SDAC meetings held from August to November 2023. In DP No. 43, 142, 381, 358, 480, & 758, the department explained that rates were paid as per TS estimates approved by the Competent Authority. Audit contended that the department was required to prepare rate analyses on FD's template. The Committee directed the department to effect due recovery based on FD's template. In DP No. 239, 702, & 479, the department admitted recovery. The Committee directed the department, in DP No. 702, to fix responsibility against the delinquents in addition to effecting recovery. In DP No. 795, the department explained that correct numbers of dowel bars had been incorporated in RTSE and paid accordingly. Audit contended that actual quantity of steel bars with 10 dowel bars comes to 31000 kg whereas the department paid 35777.34 kg. The Committee directed the department to get the record re-verified and effect due recovery within 07 days. In DP No. 305, the department explained that the item was executed with 88 cft of crush/bajri. Audit contented that as per approved rate analysis, 73.93 cft crushed stone/bajri was required to be used. The Committee directed the department to effect recovery of Rs 2.865 million. In DP No. 734, the department explained that Audit had challenged the analysis on the basis of input rates of 2nd Biannual 2020 while the work was allotted in 2015 well before the input rates of kerb stone. The department had paid carriage separately. Audit contended that the work was awarded in 2021. Further, as per input rates even in 2015 the rate of said item was for material at site. Hence, separate carriage was not admissible. In DP No. 843, the department explained that the item no. 18.005 was applicable only on base course and therefore item no 18.006 was approved and executed. Audit contended that item no. 18.005 was required to be paid which was economical and suitable being at site rate. The Committee, in DP No 734 and 843, directed the department to get the relevant record verified from Audit within 07 days otherwise effect recovery. In DP No. 39, the department explained that the work was executed by the contractor, hence, 20% profit was admissible. Audit contended that 20% profit on hiring of machinery was not admissible as per FD's template. The Committee directed the department to get clarification from FD regarding allowing of 20% profit on hiring of machinery rates. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-XII)

2.4.2.5 Overpayment due to execution of incorrect/uneconomical items – Rs 80.149 million

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

2.4.2.5.1 Executive Engineers of various Highways Divisions, in five (05) cases, paid for the various MRS items at higher rates. Audit observed that the relevant and suitable items on economical rates were available in MRS which should have been applied. The detail is as under:

(Amount in Rs)

Sr. No.	DP No.	Name of Divisions	Item paid	Item to be paid	Amount Overpaid
1	238	Jhelum	Earthwork excavation in open cutting in hard soil	Earthwork excavation in open cutting in soft soil	26,373,111
2	653	Gujrat	Earthwork in open cutting and rehandling 50 ft	For rehandling extra for every 50 ft	23,544,854
3	671	Gujrat	Regular excavation dressed	Single throw of kassi soft soil	3,378,781
4	370	Sahiwal	Relaying of brick soling on edge	Restoration of bricks pavement on edge	1,508,799
5	639	Okara	Regular excavation dressed	Single throw of kassi soft soil	529,262
Total					**55,334,807**

Violation of B&R Department Code resulted in overpayments amounting to Rs 55,334,807.

Audit pointed out the overpayments from August to September 2023.

The paras were discussed in the SDAC meetings held in November 2023. In DP No. 238, 370, 639 & 671, the department explained that correct rates/items were paid as per approved TS estimates. Audit contended that the department paid excess rate due to execution of incorrect and uneconomical items. The Committee directed the department to effect due recovery. In DP No. 653, the department explained that the construction of guide banks involved re-handling of earth instead of carriage only. Hence, the item *"re-handling of earthwork upto a lead of 50-ft"* was correctly paid to the contractor. Audit contended that lead of 100' was required to be provided with the main item of excavation wherein already 50' lead had been added for disposal. The department paid extra item of re-handling for this work. The Chair and member FD directed the department to get the matter technically probed by CE Highways (North) within 30 days. Audit stressed that the item of re-handling of earth was unnecessary and only lead of 100' was required to be paid for filling of earth on guide bank. Hence, recovery was required to be made. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

2.4.2.5.2 Executive Engineers of various Highways Divisions, in three (03) cases, paid for the item No. 6(a)(i) of Chapter-6 (Concrete) "*Providing and laying RCC roof slab, beams, column lintels, girders & other structural members complete in all respect*". Audit observed that the rate of admissible item No. 6(a)(ii) without horizontal shuttering was available which should have been applied.

(Amount in Rs)

Sr. No.	**DP No.**	**Name of Division**	**Item paid**	**Item to be paid**	**Amount Overpaid**
1	513	Muzaffargarh	P/L RCC 1:2:4 [MRS Item No. 6(a)(i)(3) of Ch. 6 (with shuttering)	P/L RCC 1:2:4 [MRS Item No. 6(a)(ii)(3) of Ch. 6] (without shuttering)	8,365,409

2	673	Gujrat	P/L RCC 1:1.5:3 roof slab, beams etc. for retaining wall.	RCC in retaining walls item No. 6(a)(ii) Ch. 6	3,660,951
3	421	Multan	P/L RCC 1:2:4 roof slab, beams etc.	RCC in slab of raft/strip foundation	1,623,723
	Total				**13,650,083**

Violation of B&R Department Code resulted in overpayments amounting to Rs 13,650,083.

Audit pointed out the overpayments in September 2023.

The paras were discussed in the SDAC meetings held from November to December 2023. In DP No. 673, the department explained that due recovery would be made. The Committee directed the department to effect due recovery. In DP No. 421, the department explained that bridge/culvert slab always laid at site with vertical and horizontal shuttering. Audit contended that the department paid inadmissible item i.e. RCC in roof slab, beam etc. for the execution of bed plate and parapet of culvert instead of RCC raft/strip foundation. The Committee directed the department to get the record re-verified from Audit within 07 days. DP No. 513 was based on 03 sub-paras. In sub-para No. 34, the department admitted recovery and in sub-para 25 & 35, the department explained that payments were made as per TS estimates. Audit contended that the area of walls needs to be deducted against the shuttering as the same area was supported with walls and hence shuttering was neither required nor admissible. The Committee directed the department to get the record verified from Audit regarding reducing the rate of shuttering by excluding the area of walls within 30 days. Compliance with the Committee's directives was not reported till finalization of the report.

2.4.2.5.3 Executive Engineer, Highways Division, Gujrat paid for the item *"RCC 1:1.5:3 and 1:1:2"* for a quantity 48763 cft & 112980 cft at rate of Rs 494.25 & Rs 580.55 per cft respectively for superstructure of bridge and applied the item 6 (a) (i) of Chapter 6. Audit observed that the rate of RCC with batching plant was available in MRS vide item No. 8 of the same chapter for Rs 444.75 & Rs 503.10 per cft. In this way, the department paid excess rate of Rs 49.50 & 77.45 per cft which resulted in overpayment of Rs 11,164,070 to the contractor.

Violation of B&R Department Code resulted in overpayment due to incorrect rate of Rs 11,164,070.

Audit pointed out the overpayment in September 2023.

The para was discussed in the SDAC meeting held on 29th November 2023. The department admitted due recovery pointed out by the Audit. The Committee directed the department to effect due recovery within 30 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 676(2023-24)

2.4.2.6 Overpayment due to incorrect calculation of price variation – Rs 60.574 million

According to clause 55 of the contract agreement, where any variation (increase or decrease) to the extent of 5% or more in the price of an item of works takes place after acceptance of the tender and before completion of works, the amount payable should be adjusted to the extent of actual variation in the cost of the item of works. Further, as per clause 55(10) of the contract agreement, in the case of buildings and RCC structures, the factor for calculation of price variation of HSD was 0.07.

2.4.2.6.1 Executive Engineers of various Highways Divisions, in eleven (11) cases, paid price variation against various items. Audit observed that the department made overpayments on account of price variation by taking incorrect rates and wrong months of recording measurement.

Violation of the contract agreement resulted in overpayments amounting to Rs 31,137,264.

Audit pointed out the overpayments from August to September 2023.

The paras were discussed in SDAC meetings held from November to December 2023. In DP No. 201, 462, 700 & 827, the department admitted recovery. The Committee directed the department to effect recovery. In DP No. 272, 273, 202, 203, 458 & 914, the department contended that correct rates had been applied. Audit informed that the department had taken incorrect rates/months for price variation. Further, the department did not provide check requests and Interim Payment Certificates (IPCs) vetted by the consultants. The Committee directed the department to get the record re-verified from Audit. In DP No. 315, department explained that no tempering of record entries and billing date was made. Audit informed that the department tempered the date of billing to extend the undue benefit to the contractor. The Committee directed the department to get the matter probed by SE Highways Circle, Lahore. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-XIII)

Note: This issue was reported earlier also in the Audit Reports for the years 2018-19 to 2022-23 vide Para No. 2.4.2.22 in AR 2018-19, Para No. 2.5.2.3 in AR 2019-20, Para No. 2.4.2.15 in AR 2020-21, Para No. 2.4.2.20 in AR 2021-22 and Para No. 2.4.2.4 in AR 2022-23 having financial impact of Rs 203.665 million. Recurrence of same irregularity is a matter of serious concern.

2.4.2.6.2 Executive Engineers of various Highways Divisions, in three (03) cases, paid excess price escalation on "*HSD*" by using 0.15 factor for RCC bridge, rigid pavement and culverts. Audit observed that admissible factor was 0.07.

(Amount in Rs)

Sr. No.	DP No.	Name of Divisions	Amount Overpaid
1	359	Sahiwal	22,973,869
2	775	Chakwal	3,169,591
3	241	Jhelum	2,213,238
		Total	**28,356,698**

Violation of the contract agreement resulted in overpayments amounting to Rs 28,356,698.

Audit pointed out the overpayments from August to September 2023.

The paras were discussed in SDAC meetings held from November to December 2023. In DP No. 241, 359 & 775, the department explained that the payment of price escalation had been made to the contractors as per clause-55 of the contract agreement. Further, RCC structure for buildings and bridges was different from rigid pavement. Audit contended that rigid pavement was also RCC structure, hence, factor of 0.07 for price variation was required to be applied. The Committee directed the department, in DP No. 775 & 359, to refer the cases to FD for clarification of application of factor for price variation on RCC Rigid pavement and in DP No. 241, directed the department to get the record verified regarding payments of culverts and rigid pavement from Audit. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

2.4.2.6.3 Executive Engineers, Highways Divisions, Jhelum & Narowal, paid price variation on sub-base of pit run gravel by applying the rates of sub-base of crushed stone amounting to Rs 1,080,274. Audit observed that as per notification of price variation the rate of pit run gravel was not available. So, the payment of price variation on said item was not admissible.

(Amount in Rs)

Sr. No.	**DP No.**	**Name of Divisions**	**Amount Overpaid**
1	300	Jhelum	601,932
2	350	Narowal	478,342
		Total	**1,080,274**

Violation of contractual obligation resulted in overpayment amounting to Rs 1,080,274.

Audit pointed out the overpayments from August to September 2023.

The paras were discussed in SDAC meetings held in November 2023. In DP No. 300 & 350, the department explained that the item was allowed as per approval of the Competent Authority. Audit contended that item *"pit/bed run gravel for sub-base"* was not available in FD's notification for payment of price variation. The Committee upheld the viewpoint of Audit and directed the department to effect recovery. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

2.4.2.7 Overpayment due to allowing price variation on excess quantities – Rs 49.329 million

According to rule 7.29 of DFR Vol-I, before signing the bill, a sub-divisional officer should compare the quantities in the bill with those recorded in the MB and see that all the rates were correctly entered and that calculations were checked arithmetically to be correct.

Executive Engineer, Highways Division, Muzaffargarh, paid price variation amounting to Rs 528,493,971 on various items of works. The department accounted for an excess quantum of work done compared to what was actually executed.

(Amount in Rs)

Sr. No.	DP No.	Quantity paid (cft)	Quantity to be paid (cft)	Excess Quantity (cft)	Amount Overpaid
1	504	19417338	13730369	5686969	41,053,438
2	501	360800	180400	180400	2,420,968
3	505	1263790	790190	473600	1,165,920
Total					**44,640,326**

Violations of DFR resulted in overpayments amounting to Rs 44,640,326.

Audit pointed the overpayment in September 2023.

The paras were discussed in the SDAC meeting held on 22nd November 2023. In DP No. 504 & 505, the department admitted recovery. The Committee directed the department to effect recovery. In DP No. 501, the department explained that the amount of price variation was correct. Audit informed that the entry for the base course was duplicated while calculating the payment of price variations for labour and diesel, and actual amount of para was enhanced to Rs 7,109,320 during verification of record. The Committee directed the department to effect actual recovery. Overall amount of para was enhanced to Rs 49,328,678. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

2.4.2.8 Overpayment due to allowing excess lead – Rs 44.840 million

As per condition No. 5 of FD's letter No. RO(Tech)F.D 2-3/2004 dated 2nd August 2004, "the material of crushed stone aggregate and sand material shall be carried from the nearest quarry and the shortest route shall be used/adopted for carriage".

Executive Engineers of various Highways Divisions, in seven (07) cases, paid for the item "*Carriage of stone and bajri*" by allowing excess lead instead of adopting the shortest route. Audit observed that due to allowing longer distance for carriage of stone and bajri, the department prepared and paid higher rates.

Violation of FD's instructions resulted in overpayments amounting to Rs 44,840,359.

Audit pointed out the overpayments from August to September 2023.

The paras were discussed in the SDAC meetings held from November to December 2023. In all cases, the department explained that the material was obtained from the nearest quarry as approved in the TS estimates. Audit contended that the department paid excess lead by taking longer route. The Committee directed the department, in DP No. 234, 670 & 769, to effect due recovery and in DP No. 608, 609, 875 & 942, produce the relevant record for re-verification regarding lead calculation.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-XIV)

Note: This issue was reported earlier also in the Audit Reports for the years 2018-19 to 2022-23 vide Para No. 2.4.2.60 in AR 2018-19, Para No. 2.5.2.10 & 2.5.2.20 in AR 2019-20, Para No. 2.5.2.8 & 2.5.2.10 in AR 2020-21, Para No. 2.4.2.10 in AR 2021-22 and Para No. 2.4.2.11 in AR 2022-23 having financial impact of Rs 140.448 million. Recurrence of same irregularity is a matter of serious concern.

2.4.2.9 Overpayment due to non-deduction of shrinkage – Rs 34.458 million

As per instructions of chapter No. 3, "Earthwork" of MRS, 10% shrinkage was required to be deducted in case work is done with manual labour and 3% to 6% in case work is done by mechanical means.

Executive Engineer, Highways Division, Gujrat paid for the item *"borrowpit excavation dressed complete in all respect"* for the quantity of 49209250 cft. Audit observed that the department did not deduct 10% shrinkage, totaling 4920925 cft, as stipulated in MRS.

Violation of MRS resulted in overpayment amounting to Rs 34,457,807.

Audit pointed out the overpayment in September 2023.

The para was discussed in the SDAC meeting held on 29th November 2023. The department explained that the estimate was prepared on the basis of item 4(a) borrow excavation undressed & not on bank measurements, hence, the payment had also been made on account of excavated material rather than X-section of bank. Audit informed that shrinkage was required to be deducted because in both cases, undressed earth was borrowed and bank measurement was made. The Committee directed the department to effect due recovery within 30 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 694(2023-24)

2.4.2.10 Overpayment due to application of incorrect unit factor – Rs 30.996 million

As per MRS as well as TS estimate, the earthwork is measured by taking per 1000 cft read with rule 7.29 of DFR Vol-I, before signing the bill, a sub-divisional officer should compare the quantities in the bill with those recorded in the MB and see that all the rates were correctly entered and that calculations were checked arithmetically to be correct.

Executive Engineer, Highways Division, Kasur paid for the item *"Disposal of dismantled material ¼ mile lead with all lead and lift complete as approved"* for a quantity of 775907 cft by applying the factor of 100 cft. Audit observed that correct unit factor for the said item was per 1000 cft instead of 100 cft. Department applied wrong factor and made overpayment to the contractor.

Violation of DFR resulted in overpayment amounting to Rs 30,996,426.

Audit pointed out the overpayment in September 2023.

The para was discussed in the SDAC meeting held on 6th December 2023. The department admitted the recovery and committed that recovery would be made. Audit contended that frequent calculation errors resulting in huge overpayments to contractors had been observed which was very serious issue and needed to be addressed. The Committee directed the department to effect recovery and produce relevant record to ensure its authenticity within 07 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 567(2023-24)

2.4.2.11 Overpayment due to non-utilization of excavated earth – Rs 27.459 million

As per specification No 17.1(A)(11)(i) for execution of works 1967 Volume-I Part-II, if cutting and filling are being done simultaneously all suitable materials obtained from cutting shall be used in filling after recording X-Sections in MBs.

Executive Engineers of various Highways Divisions, in seven (07) cases, paid for the item "*Excavation in open cutting*", "*Excavation in foundation in building bridges*", "*Regular excavation, structural excavated earth and Excavation undressed lead upto single throw of kassi*". Audit observed that the department did not utilize the excavated earth and, instead, acquired earth from an external source by making payments under the item *"Earthwork for making embankment"*, leading to an undue financial benefit for the contractor.

Violation of specification resulted in overpayments amounting to Rs 27,458,570.

Audit pointed out the overpayments from August to September 2023.

The paras were discussed in SDAC meetings held from November to December 2023. In DP No. 411, 592, 701 & 888, the department admitted recovery. The Committee directed the department to effect recovery. In DP No. 908 & 916, the department explained that excavated earth was unsuitable and could not be utilized. Further, department admitted due recovery of rate difference of the earthwork of ordinary soil and soft soil. Audit informed that the department neither utilized the 2/3rd quantity of available earth nor reduced the rate of earthwork in cases where excavated earth was proved as unsuitable/soft soil as per lab test reports. The Committee directed the department to effect due recovery. In DP No. 407, the department explained that quantity of 4677621 cft of road crust had been adjusted. Audit contended that the departmental reply was pertaining to road crust rather the issue of utilization of available earth. The Committee directed the department to get the record re-verified from Audit within 07 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-XV)

Note: This issue was reported earlier also in the Audit Reports for the years 2018-19 to 2022-23 vide Para No. 2.4.2.59 in AR 2018-19, Para No. 2.5.2.40 in AR 2019-20, Para No. 2.5.2.1 in AR 2020-21, Para No. 2.4.2.7 in AR 2021-22 and Para No. 2.4.2.2 in AR 2022-23 having financial impact of Rs 384.354 million. Recurrence of same irregularity is a matter of serious concern.

2.4.2.12 Overpayment due to non-deduction of road crust – Rs 26.768 million

As per the provision of the TS estimate, the area of the road crust was required to be deducted from the total measured quantity of earthwork for making an embankment.

Executive Engineers of various Highways Divisions, in seven (07) cases, paid for the item *"Earthwork for making embankment"*. Audit observed that the department did not deduct the quantity of road crust from the embankment as provided for in the respective TS estimates.

Violation of the TS estimate resulted in overpayments amounting to Rs 36,115,798.

Audit pointed out the overpayments from August to September 2023.

The paras were discussed in SDAC meetings held from November to December 2023. In DP No. 532, 631, 632, 634 & 635, the department explained that recovery/adjustment would be made. The Committee directed the department to make recovery/adjustment. In DP No. 556, the department effected partial recovery of Rs 2,915,454 and stated that balance recovery would be made. The Committee directed the department to effect balance recovery and amount was reduced to
Rs 733,966. In DP No. 420, the department explained that the sub-para No. 36, was duplicate of PDP No. 335 for the year 2022-23 and in sub-para No. 26, effected recovery of Rs 177,070 on account of road crust. Audit informed that the sub-para No. 36 was not duplicate because the instant issue was different in nature and in sub-para No. 26, the department did not produce accountal of effected recovery. The Committee directed the department to produce complete record and get it verified from Audit. Overall amount of para was reduced to Rs 26,768,419. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-XVI)

Note: This issue was reported earlier also in the Audit Reports for the years 2018-19, 2019-20 & 2022-23 vide Para No. 2.4.2.14 in AR 2018-19, 2.5.2.2 in AR 2019-20 and Para No. 2.4.2.9 in AR 2022-23 having financial impact of Rs 296.469 million. Recurrence of same irregularity is a matter of serious concern.

2.4.2.13 Overpayment due to less deduction of rate of carpeting – Rs 21.843 million

As per FD's notification No. RO(Tech)FD 2-3/2004 dated 2nd August 2004, payment is to be made to the contractor as per JMF or actual bitumen used in the work. According to FD's template for the item *"P/L plant premixed carpet",* the quantity of bajri is fixed at 62% as constant and 33.5 % filler is variable with the percentage of the contents of the bitumen at 4.5%.

Executive Engineer, Highways Division, Multan in eight (8) works, paid for the item *"P/L plant premixed bituminous carpeting including compaction and finishing and required camber 2* *inch thick Asphaltic Base Course (ABC)* and *1.5 inch thick Asphaltic Wearing Course (AWC) with different bitumen contents"* at reduced rates by making rate analyses as per JMF. Audit observed that the department reduced the bitumen contents from 4% to 3.8% and 4.5% to 4.3% and ratio of stone dust/filler from 33.8% to 26.70%. Further, department increased the contents of bajri/crush from 62% to 67% and 69% in violation of FD's template. Resultantly, department derived higher rates and made payments accordingly.

Violation of FD's template resulted in overpayment amounting to Rs 21,843,292.

Audit pointed out the overpayment in August 2023.

The para was discussed in the SDAC meeting held on 12th December 2023. The department explained that payment had been made to the contractor as per approved JMF. Audit informed that the department increased the content of bajri/crush from 62% to 67% and 69% and paid excess bajri in contravention of FD's template. The Committee directed the department to refer the case to RR&MTI for clarification regarding why FD template was not followed. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 405(2023-24)

2.4.2.14 Overpayment due to double payment of dressing – Rs 12.305 million

As per clarification issued by FD vide No. RO(Tech) FD 2-6/85 dated 16th March 1988, the activity of leveling and dressing was included in the item of compaction, hence separate payment of dressing was not allowed.

Executive Engineers of various Highways Divisions, in eight (08) cases, paid for item of work *"Regular excavation dressed"* along with execution of item "*Compaction of earthwork with* *power road roller 95% to 100%"*. Audit observed that dressing was paid twice - once in regular excavation and then in compaction of earthwork.

Violation of FD's instruction resulted in overpayments amounting to Rs 12,305,179.

Audit pointed out the overpayments from August to September 2023.

The paras were discussed in SDAC meetings held from November to December 2023. In DP No. 756, 837 & 937, the department admitted recovery. The Committee directed the department to effect recovery. In DP No. 196, 448 & 890, the department explained that item was approved by the Competent Authority and paid accordingly. Audit contended that dressing was paid twice. The Committee directed the department to effect due recovery. In DP No. 474 & 476, the department explained that dressing was not included in compaction rate. Audit argued that dressing was included in compaction as per clarification of FD. The Committee directed the department to effect recovery within 15 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-XVII)

Note: This issue was reported earlier also in the Audit Reports for the years 2019-20 & 2021-22 vide Para No. 2.5.2.36 in AR 2019-20 and Para No. 2.4.2.9 in AR 2021-22 having financial impact of Rs 10.977 million. Recurrence of same irregularity is a matter of serious concern.

2.4.2.15 Overpayment due to incorrect rate – Rs 8.717 million

As per Acceptance letter, the rate of item "dismantling and removing road pavement etc. was Rs 2,820.62 % cft".

Executive Engineer, Highway Division, Kasur paid for the item *“dismantling and removing road pavement”* for a quantity of 456859 cft at the rate of Rs 4,728.55 per % cft. Audit observed that as per acceptance letter, the correct rate of the item was Rs 2,820.62 per % cft and same was required to be paid, whereas the department paid excess rate of Rs 1,907.93 % cft.

Violation of MRS resulted in overpayment amounting to Rs 8,716,550.

Audit pointed out the overpayment in September 2023.

The para was discussed in the SDAC meeting held on 6th December 2023. The department explained that recovery of Rs 8,716,530 had been effected vide 11th & running bill. Audit informed that voucher was without number and date, and cash book was also required for verifying the recovery. The Committee directed the department to produce relevant record of the effected recovery. The Committee further expressed serious concern about the payment at higher rates and directed that greater care should be taken in the future when making payments to the contractors. Compliance with the committee’s directives was not reported until the finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 541(2023-24)

2.4.2.16 Overpayment due to wrong carrying forward of quantity of base course – Rs 7.148 million

According to rule 7.29 of DFR Vol-I, before signing the bill, a sub-divisional officer should compare the quantities in the bill with those recorded in the MB and see that all the rates were correctly entered and that calculations were checked arithmetically to be correct.

Executive Engineers of various Highways Divisions, in four (04) cases, paid for the item “*P/L base course of crushed stone aggregate, road edging, P/L thermopore sheet and earthwork in ordinary soil”*. Audit observed that the department carried forward the excess quantities in measurement books which resulted in overpayment to the contractors.

(*Amount in Rs*)

Sr. No.	**DP No.**	**Name of Divisions**	**Amount Overpaid**
1	460	Taunsa	5,036,850
2	819	Lodhran	993,368
3	816	Lodhran	814,361
4	594	M.B Din	303,487
		Total	**7,148,066**

Violation of rule resulted in overpayments amounting to Rs 7,148,066.

Audit pointed out the overpayment in August 2023.

The paras were discussed in the SDAC meeting held from November to December 2023. In DP No. 460, 594, 816 & 819, the department admitted recovery. The Committee directed the department, in DP No. 460 & 594, to effect recovery and in DP No. 816 & 819, effect recovery besides issuing warning letters to delinquents to remain vigilant in future. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

2.4.2.17 Overpayment due to allowing inadmissible lead – Rs 6.777 million

According to Appendix-5 of PFR Vol-II, Sr. No. 4 terms of contract once entered into should not be materially changed. Moreover, as per PAC directive, lead once approved cannot be changed. Further, as per Para 7 of General directions for the Guidance of the Tenderers, the tenderer shall at his own expense, inspect and examine the site and surroundings and ensure availability of source of material before submission of bid.

Executive Engineer, Highway Division, Jhelum paid for the item *"Earthwork embankment 95 to 100% with all leads and lifts etc. lead upto 1/4th mile"*. Audit observed that the department paid extra lead up to 5 km and 8 km amounting to Rs 6,776,569, which was not provided in the agreement.

Violation of contractual obligations/PAC directives resulted in overpayment amounting to Rs 6,776,569.

Audit pointed out the overpayment in August 2023.

The para was discussed in the SDAC meeting held on 13th November 2023. The department explained that the subject scheme was in hilly terrain and salt range and no suitable earth was available for embankment within 01 Km in some stretches of the road. Subsequently, earthwork with lead from 5 Km and 8 Km was paid, and the same had been approved in the revised PC-1/Cost estimate. Audit contented that the department paid separately extra lead up to 5 km and 8 km, which was not provided in the acceptance/TS estimate. The Chair and member FD directed the department to form a committee headed by the CE Highways (North) to determine actual lead as per site as the scheme was in hilly terrain. Audit informed that as per para No.07 of General Instruction of Guidance of Tenderers, the tenderer shall inspect and examine the site and surroundings and ensure availability of source of material before submission of bid. Therefore, the lead could not be altered once the bid had been submitted and the contract was awarded; as a result, recovery should be effected. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 301(2023-24)

2.4.2.18 Overpayment due to violation of approved pavement design – Rs 6.226 million

According to item No.5(I) of Rigid Pavement Design approved by the RR&MTI Lahore vide letter No.G-6/Kasur/1098 dated 15th July 2021, in case of new construction the thickness of sub-base was 4" and in case of existing road, existing crust may be treated as sub-base.

Executive Engineer, Highways Division, Okara, in two (02) cases, paid for the items *"base course, and fabrication of mild steel"*. Audit observed that according to the approved design and Technical Specifications (TS estimate), the stipulated thickness for the base course in the overlay portion was 4 inches. However, the department measured it as 8 inches thick, resulting in payment for a quantity of 18,480 cft instead of the admissible quantity of 9,240 cft. Further, the department paid excess quantity of steel bars and the mesh in rigid pavement in violation of the approved pavement design of RR&MTI.

Violation of approved pavement design resulted overpayments amounting to Rs 6,225,882.

Audit pointed out the overpayments in September 2023.

The paras were discussed in the SDAC meetings held in November 2023. In DP No. 645, the department admitted recovery of Rs 2,747,606. The Committee directed the department to effect recovery. In DP No. 628, the department explained that the mesh for one panel was taken as 0.84 lbs per sft for the rigid pavement and the same was provided for in the TS estimate. However, the recovery of Rs 1,153,611 on account of dowel would be made in the next running bill. Audit contended that recovery for excess quantity of steel was required to be made. The Committee directed the department to get the record verified from Audit and effect admitted recovery of Rs 1,153,611. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 628 & 645(2023-24)

2.4.2.19 Overpayment due to allowing extra carriage of stone – Rs 6.055 million

As per FD's Template of MRS Item No.10 (iii) under Chapter-18 (Road & Road Structure), there was provision of 16.45 cft crushed stone/bajri in the item *"Providing and laying 2" thick plant premixed bituminous carpet 4% bitumen etc."* and accordingly carriage was required to be paid on same quantity.

Executive Engineer, Highway Division, Jhelum paid for the item *"Providing and laying plant premixed bituminous carpet (ABC) 4% bitumen etc."*. Audit observed that the department prepared the rate analysis for the said item for by taking 24.67 cft bajri instead of 16.45 cft and paid accordingly.

Violation of FD's template resulted in overpayment amounting to Rs 6,054,978.

Audit pointed out the overpayment in August 2023.

The para was discussed in the SDAC meeting held on 13th November 2023. The department admitted recovery. The Committee directed the department to effect recovery. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery from the contractor and issuance of corrigendum in Acceptance letter by reducing the rates.

DP No. 232(2023-24)

2.4.2.20 Overpayment due to incorrect measurement – Rs 3.970 million

According to the Evaluation Report of Junior Research Officer (JRO) on existing pavement structure, issued vide No.R-2(DP)/686 dated 21st June 2022, the thickness of base and sub-base was 6 inch each for 20 feet road width. Further, as per Para No.18 (1) 9(1) of Book of Specifications, all demolished material shall be considered the property of the government and shall be disposed of as directed by the Engineer In-charge.

Executive Engineer, Highways Division, Okara paid for the item *"dismantling and removing of existing road pavement"* by taking 6" thick and 10' width instead of 12" thick and 20' width as per evaluation report of JRO. Audit observed that the department recovered stone for 8,200 cft instead of the correct quantity of 32,800 cft. In this way, the department had received 24600 cft less quantity of dismantled material from road pavement which could not be re-used as sub-base course on labour rate and the same quantity was executed on full rates.

Violation of TS estimate resulted in overpayment amounting to Rs 3,970,366.

Audit pointed out the overpayment in September 2023.

The para was discussed in the SDAC meeting held on 27th November 2023. The department admitted recovery. The Committee directed the department to effect recovery. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides disciplinary action against the person(s) at fault.

DP No. 644(2023-24)

2.4.2.21 Overpayment due to incorrect calculation – Rs 2.262 million

According to rule 7.28 and 7.29 of DFR Vol-I, before signing the bill, sub-divisional officer should compare the quantities in the bill with those recorded in measurement book and see that all the rates were correctly entered and that calculation were checked arithmetically to be correct.

Executive Engineer, Highways Division, Multan paid for the item, *"Fabrication of mild steel grade-60"* for a quantity of 647833 kg of Rs 25,071.45 per % kg. Audit observed that the department incorrectly calculated the quantity of steel by applying wrong conversion factor, resulting in a quantity of 17,078 kg instead of the correct payable quantity of 8,541.28 kg. Consequently, the department paid for an excess quantity of 8,536.72 kg.

Violation of DFR resulted in overpayment amounting to Rs 2,261,840.

Audit pointed out the overpayment in August 2023.

The para was discussed in the SDAC meeting held on 12th December 2023. The department explained that calculation error had been rectified by making over all measurement of said item in 20th running bill. Audit informed that the department did not provide the record regarding effected recovery. The Committee directed the department to effect recovery. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 410(2023-24)

2.4.2.22 Overpayment due to award of work at higher percentages than those agreed by the contractor – Rs 1.683 million

According to rule 7.29 of DFR Vol-I, before signing the bill, a sub-divisional officer should compare the quantities in the bill with those recorded in the MB and see that all the rates were correctly entered and that calculations were checked arithmetically to be correct.

Executive Engineer, Highways Division, Hafizabad awarded two (02) groups of a work to the contractor at 4.41% and 4.43% above the estimated cost on his initial undertaking. Audit observed, based on the available records of the division, that the contractor had also submitted an undertaking to execute the works at 4.30% and 4.35% above the estimated cost. Despite this, the department made payments based on the initial undertaking.

Violation of DFR resulted in overpayment amounting to Rs 1,682,606.

Audit pointed out the overpayment in September 2023.

The para was discussed in the SDAC meeting held on 30th November 2023. The department explained that the contractor voluntarily offered his undertaking at the rate of 4.41% & 4.43% above the estimated cost. Audit contended that the department should have made payment at the undertaking offered by the contractor subsequently i.e. 4.30% and 4.35%. The Committee directed the department to get the matter probed by SE, Highway Circle, Gujranwala regarding duplication of undertaking submitted by the contractor in both cases within 30 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 860(2023-24)

Irregularities resulting in non-recoveries

2.4.2.23 Non/Less recovery of retrieved material – Rs 194.218 million

As per C&W Department's letter No. SOH-I(C&W) 1-42/ 97(Misc.) dated 28th November 1997, a material extracted from dismantling brick soling/brick edging and road pavement would be used for laying sub-base course in full and 90%, respectively. Further, according to para 9(i) of Chapter 18.1 of Specification for Execution of Works 1967, the dismantled material is the property of the government and cost of it should either be recovered from contractor as credit of dismantled material or it should be counted, measured and recorded for open auction.

Executive Engineers of various Highways Divisions, in seventeen (17) cases, paid for the item *"dismantling of existing road pavement, brick edging, RCC slab, replacement of existing pumps & motors etc"*. Audit observed that the department neither reused retrieved material nor recovered its cost from the contractors amounting to Rs 275,934,160.

Violation of the contract agreement resulted in less recovery amounting to Rs 275,934,160.

Audit pointed out the less recovery from April to September 2023.

The paras were discussed in SDAC meetings held from September to December 2023. In DP No. 264, 538, 617, 622, 731, 781, 786, 803, 858, 906 & 929, the department effected partial recovery for Rs 89,075,813. Audit contended that full recovery was not made by the department. The Committee directed the department to make the balance recovery/adjustment. In DP No. 344, 377, 499, 655, 825 & 896, the department committed that recovery/adjustment would be made. Audit contended that the department was required to make recovery/adjustment. The Committee directed the department to make the balance recovery/adjustment. Overall amount of para was reduced to Rs 194,218,336. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-XVIII)

Note: This issue was reported earlier also in the Audit Reports for the years 2018-19 to 2021-22 vide Para No. 2.4.2.53 in AR 2018-19, Para No. 2.5.2.12 & 2.5.2.30 in AR 2019-20, Para No. 2.5.2.20 in AR 2020-21, Para No. 2.4.2.14 & 2.4.2.16 in AR 2021-22 having financial impact of Rs 433.373 million. Recurrence of same irregularity is a matter of serious concern.

2.4.2.24 Less recovery due to incorrect calculation of old material – Rs 48.962 million

According to para 9(i) of chapter 18.1 of book of specifications 1971 execution of work, the dismantled material is the property of the government, it should either be recovered from contractor as credit of dismantled material or it should be counted, measured and recorded for open auction. Further as per specification and FD template of the item "Sub-base", loose factor 120 cft to be applied instead of 100 cft.

Executive Engineers of various Highways Divisions, in eight (08) cases, paid for the item *"Relaying of dismantled material as sub-base"*. Audit observed that department derived incorrect rate for credit of old surplus stone by taking the rate of pit/bed run as Rs 325 per % cft instead of the correct rate for stone aggregate for the sub-base course of Rs 2,100 per %cft and carriage for 100 cft instead of 120 cft in violation of FD's template and specifications. Hence, department calculated less recovery on account of retrieved stone. Further, the department calculated incorrect rate of recovery of old material by excluding carriage charges.

Violation of specification resulted in less recovery amounting to Rs 48,962,271.

Audit pointed out less recovery in September 2023.

The paras were discussed in the SDAC meetings held from November to December 2023. In DP No. 773, 797, 801, 802 & 808, the department explained that the rate of pit run gravel was used for the recovery of old road pavement, and for the new sub-base, the same item of pit run gravel was being used in works. Further, the loose volume of 120 cft was considered only for carriage. Audit contended that the old pavement material also contained almost half the quantity of base course, so the recovery should have been made with sub-base crushed stone because, as per specification of bed/pit run, it could not be used for the base course. Furthermore, in all other works, the recovery had been calculated on the rate of crushed stone. Moreover, the template of the sub-base item indicated a 20% loose volume, so while the excavation of the old crust, 120 cft of loose material was obtained from excavation of 100 cft volume. The Committee directed the department to refer the case to CE Highways North to submit a technical report within 15 days in DP No. 773, and in remaining cases, to get the record re-verified from Audit within 07 days. In DP No. 667, the department explained that retrieved material of road pavement had been re-used as a sub-base course. However, the audit informed that the rate of recovery was calculated on the lesser side as 20% loose volume on account of carriage of material was not accounted for. The Committee accepted the viewpoint of Audit and directed the department to effect recovery within 30 days. In DP No. 514, the department admitted recovery, and the Committee directed the department to effect recovery. In DP No. 424, the department explained that the rate of recovery of dismantled material was approved by the competent authority. Audit contended that the department made lumpsum provision of Rs 3,000 % cft for recovery of dismantled material instead of Rs 11,546.94 % cft which includes the cost of carriage. The Committee directed the department to produce complete record including rate analysis for verification within 07 days. Compliance with the Committee's directives was not reported till the finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-XIX)

2.4.2.25 Overpayment due to incorrect rate and non-recovery of kerb stone – Rs 13.972 million

According to item No. 09 of Chapter 18.1 of specification for execution of works Volume-I, the dismantled material is the property of the Government & as such it is required to be recovered/adjusted or accounted for accordingly.

Executive Engineer Highways Division, Gujrat paid the item *"dismantling of existing PCC ramps & kerb stone alongwith disposal up to 2 km"*. Audit observed that the department incorrectly applied item No. 19-C, charging Rs 9,060.50 per cft for the dismantling of existing kerb stone, instead of the correct payable item No. 14 from chapter 4, which was Rs 3,088.80 per cft. Further, the cost of kerb stones obtained as a result of dismantling was not recovered from the contractor.

Violation of specification resulted in overpayment amounting to Rs 13,972,065.

Audit pointed out the overpayment in September 2023.

The para was discussed in the SDAC meeting held on 28th November 2023. The department explained that the kerb stones were composed of PCC 1:2:4, hence the item No. 19-C was correctly applied. Furthermore, the dismantled kerb stones could not be re-used in the project. Audit contended that incorrect rate for dismantling of kerb stone was applied and recovery of dismantled kerb stones was not made. The Chair and member FD directed the department to get the matter technically probed by CE Highways (North) regarding application of incorrect rate and recovery thereon. However, Audit stressed that recovery regarding application of incorrect rate and dismantled material should be effected. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 654(2023-24)

2.4.2.26 Less-recovery of government taxes – Rs 4.936 million

As per Government of the Punjab, FD's Second Schedule (Tax Services), under section 3, the Punjab Sales Tax (PST) at the rate of 5% w.e.f 1st July 2017 would be deductible on construction services and services provided by contractors of building (including water supply, gas supply and sanitary works) roads and bridges, electrical and mechanical works (including air conditioning) horticultural works, multi-discipline works (including turn-key projects) and similar other works. Further, as per FBR's clarification vide No.5/WHT-U-03 dated 20th April 2018, the Income Tax was required to be deducted from the contractors on the gross value of work done by including amount of PST u/s 153 of Income Tax Ordinance 2001.

Executive Engineers of various Highways Divisions, in five (05) cases, made payments to the contractors and deducted income tax on the net value of work done instead of gross value i.e. deduction was made after excluding PST and cost of dismantled material from total value. Further, in one case the department did not deduct PST.

(*Amount in Rs*)

Sr. No.	**DP No.**	**Name of Divisions**	**Amount Recoverable**
1	727	Layyah	4,358,831
2	610	M.B Din	2,021,101
3	692	Gujrat	1,451,785
4	593	M.B Din	362,027
5	40 (2022-23 Phase-II)	Mechanical, Lahore	190,065
		Total	**8,383,809**

Violation of rules resulted less-recovery of government taxes amounting to Rs 8,383,809.

Audit pointed out the less recovery from April to September 2023.

The paras were discussed in the SDAC meetings held from August to December 2023. In DP No. 593, 610 & 692, the department admitted recovery. The Committee directed the department to effect recovery. In DP No. 727, the department explained that the scheme was approved by the competent authority on 11th August 2016 with no provision of PRA. While the notification of application of PRA was issued on 28th November 2016. Audit contended that 1% PST was required to be deducted w.e.f 1st July 2016. The Committee reduced the para to actual amount to Rs 910,611 and directed the department to refer the case to PRA for clarification. Overall amount of para was reduced to Rs 4,935,589. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

<u>Note:</u> This issue was reported earlier also in the Audit Reports for the years 2019-20 and 2022-23 vide Para No. 2.5.2.35 in AR 2019-20 and Para No. 2.4.2.21 in AR 2022-23 having financial impact of Rs 9.872 million. Recurrence of same irregularity is a matter of serious concern.

2.4.2.27 Less recovery of Income Tax on compound interest –Rs 1.587 million

As per Finance Act 2021, 15% income tax was recoverable on profit/interest earned w.e.f. 1st July 2021.

LAC, Punjab Highways Department Lahore, made payment to the various affectees on account of 8% compound interest on delayed payment on land compensation. Audit observed that 10% income tax was deducted instead of 15%.

Violation of FD's Act resulted in less recovery amounting to Rs 1,586,592.

Audit pointed out less recovery in April 2023.

SDAC meeting was not convened by the department till finalization of this report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 70(2022-23 Phase-II)

Irregularities relating to procurements

2.4.2.28 Irregular enhancement of contract – Rs 1,681.888 million

As per clarification by PPRA dated 18th June 2019, enhancement in the original scope of work cannot be allowed under the PPRA rules being a different modality from the concept of variation, which is allowed (to the extent of 20% of the original procurement in the category of works only and based on unforeseen engineering anomalies) in the light of clause 42 of contract agreement circulated by FD.

Executive Engineers of various Highways Divisions in four (04) cases, awarded different works to various contractors. Audit observed that the department enhanced the contracts beyond 20% in contravention of PPRA clarification. The detail is as under:

(Amount in Rs)

Sr. No.	**DP No.**	**Name of Divisions**	**Enhanced Amount**	**Amount of agreement**	**Difference**	**% above beyond 20%**
1	649	Gujrat	6,605,421,900	5,112,742,740	1,492,679,160	21 to 45.27
2	217	Sheikhupura	76,518,068	12,901,627	63,616,441	311.70 to 1363.55
3	515	Muzaffargarh	37,938,639	11,323,111	26,615,528	93.50 to 1372

4	134 (2022-23 Phase-II)	Lahore	175,556,699	76,579,118	98,977,581	202.74 to 300.80
		Total	**6,895,435,306**	**5,213,546,596**	**1,681,888,710**	

Violation of the PPRA's clarification resulted in irregular enhancement of contract amounting to Rs 1,681,888,710.

Audit pointed out the irregular enhancement of contract from August to September 2023.

The paras were discussed in the SDAC meetings held in November 2023. In all cases, the department explained that due to site requirement, the scope of works was enhanced. Audit contended that the department abnormally enhanced the scope of works beyond the 20% in violation of the rule ibid. The Committee directed the department to refer the cases to FD for regularization. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early regularization of the matter from competent forum besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

Irregularities resulting in loss to government

2.4.2.29 Loss to government due to paying excess lead for stone material – Rs 226.650 million

As per FD's notification No.RO (Tech) FD 18-23/2004 dated 21st September 2004, material from the nearest approved quarry shall be used however, if rate of finished product from another quarry is cheaper, the lowest rate shall be used. Also, according to FD's letter No. RO(Tech)FD2-3/2015(2nd Biannual) dated 5th August 2015, Melot quarry is approved by Highways Department.

Executive Engineers of various Highways Divisions, in three (03) cases, paid for the item *"P/L sub-base & base course"*. Audit observed that stone for sub-base & base course was taken from Kirana Hills Sargodha quarry, whereas the same was also available at Melot quarry Jhelum.

(*Amount in Rs*)

Sr. No.	**DP No.**	**Name of Division**	**Loss**
1	668	Gujrat	115,098,158
2	664	Gujrat	55,992,659
3	260	Sialkot	55,559,445
		Total	**226,650,262**

Violation of FD's instructions resulted in loss to government amounting to Rs 226,650,262.

Audit pointed out the loss from August to September 2023.

The paras were discussed in the SDAC meetings held in November 2023. In DP No. 664 & 668, the department explained that Kirana & Dina quarry were approved vide CE (North Zone) Punjab Highway Department. Furthermore, Melot quarry had not been approved by Highway Department (North Zone). Audit contended that as per FD's letter No. RO(Tech)FD2-3/2015(2nd Biannual) dated 5th August 2015 the Melot quarry had been approved by Highways department, Punjab. Further, FD directed to District Coordination Officer (DCO) to fix the rate of stone of Melot quarry but C&W department did not pursue the matter with the concerned authorities for fixing the rate of stone available at Melot quarry. In DP No. 260, the department explained that stone for base course was not available in huge quantity to meet the requirements of Highway Department. Audit reiterated its earlier stance. The Committee directed the department to refer the case to Mines and Minerals Department regarding availability of base course to be used in road projects within 30 days. Audit stressed that Melot quarry is considered approved by FD, therefore, due recovery of excess lead be made. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides strengthening internal controls to avoid the recurrence of such issues.

Miscellaneous irregularities

2.4.2.30 Undue financial benefit to contractors due to allowing advance payments without execution of works at site – Rs 125.078 million

As per rule 2.33 of PFR (Vol-I), every government servant should realise fully and clearly that he would be held personally responsible for any loss sustained by government through fraud or negligence on his part.

Executive Engineers, Highways Divisions, Muzaffargarh & Gujrat, in five (05) cases, paid an amount of Rs 125,078,014 for the items, *"providing and laying Tipple Surface Treatment using 67 Ibs bitumen, P/F informatory/cautionary boards, fabrication of high tensile steel pre-stressing cables & tuff tile etc"*. However, during the site visit of the works, Audit observed that the aforementioned items of works were not executed at site resulting in undue financial benefit to contractor.

(*Amount in Rs*)

Sr. No.	**DP No.**	**Name of Divisions**	**Amount**
1	707	Gujrat	92,826,072
2	698	Gujrat	17,994,390
3	651	Gujrat	9,624,002
4	512	Muzaffargarh	3,652,174
5	339	Narowal	981,376
		Total	**125,078,014**

Violation of rules resulted in undue financial benefit amounting to Rs 125,078,014.

Audit pointed out irregularity in September 2023.

The paras were discussed in the SDAC meetings held in November 2023. In DP No. 651, 698 & 707, the department explained that the items had been executed at site as per approved TS estimates. Audit contended that during site visit, items were not found executed on sites and department made advance payments to the contractors. The Committee directed the department, in DP No. 698 & 651, to get the matter probed by SE concerned regarding actual position of the work executed at site and in DP No. 707, fixing responsibility against the person(s) responsible besides effecting recovery of lifting and transportation charges/cost of cable. In DP No. 512, the department explained that Rs 5.00 million were withheld from the contractor's claim. Audit contended that the department made advance payment for 3' wide Triple Surface Treatment for treated shoulders which was observed during site visit on 20th September 2023 accompanied by the SDO Muzaffargarh. Further, no amount was withheld from payment of the contractor. The Committee directed the department to issue warning letters to delinquents (SDO & Sub Engineer). In DP No. 339, the department explained that payment was made to contractor with reduced rates. Further, if the contractor were to install only grey-colored tuff tiles at the final stage, then Rs 3 per square foot would have to be recovered from the contractor. Audit contended that in agreement, rate was included for 50% grey and 50% color but only grey tuff tiles were laid at site up till now. The Committee directed the department to recover difference of grey and colors tuff tiles at final stage. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility on supervisory staff including consultant and strengthening internal controls to avoid the recurrence of such issues.

2.4.2.31 Unjustified payment for the item of re-handling of earthwork – Rs 2.063 million

As per rule 7.29 of DFR Vol-I, 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 rates are correctly entered and all calculations have been checked arithmetically.

Executive Engineer, Highways Division, Sialkot, in two (02) works, paid for the item *"re-handling of earthwork lead up to a single throw of kassi"*. Audit observed that the department had already made payment for the item *"Earthwork excavation up to a single throw of kassi lead 1 mile"* in the same works. Therefore, the inclusion of the re-handling item was inadmissible.

Violation of DFR resulted in unjustified payment amounting to Rs 9,181,343.

Audit pointed out unjustified payment in August 2023.

The para was discussed in the SDAC meeting held on 7th November 2023. The department admitted a recovery of Rs 2,062,782. The Committee directed the department to effect the admitted recovery along with the verification of certificate by the SE, Highway Circle, Gujranwala regarding the provision of item re-handling with 1 km lead. The amount of para was reduced to Rs 2,062,782. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 254(2023-24)

2.4.2.32 Irregular expenditure due to misclassification – Rs 1.660 million

According to rule 2.10(a) of PFR Vol-I a Govt. servant should exercise the same vigilance for incurring expenditure from Govt. funds as a person of ordinary prudence would exercise in respect of expenditure incurred from his own money.

Executive Engineer, Highways Division, Lahore incurred an expenditure of Rs 1,660,390 on repair & maintenance of vehicle No. MNX-5600 allotted to the CE, Central Zone Punjab Highways Department Lahore from the divisional office budget. Audit observed that the repair of the vehicle allocated to the CE from the division's funds was considered inadmissible.

Violation of rules resulted in irregular expenditure amounting to Rs 1,660,390.

Audit pointed out irregularity in September 2023.

The para was discussed in the SDAC meeting held on 30th November 2023. The department explained that the estimate was sanctioned by the competent authority and payment was made accordingly. Audit contended that vehicles of CE cannot be repaired from divisional budget. The Committee directed the department to get the matter probed by CE Highways (Central) within 15 days and refer the case to FD for regularization after finalization of probe. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance with the SDAC directives besides strengthening internal controls to avoid the recurrence of such issues.

DP No. 881(2023-24)

CHAPTER – 3

1)

HOUSING, URBAN DEVELOPMENT & PUBLIC HEALTH ENGINEERING DEPARTMENT

3.1 Introduction

A. Description of Department

Housing and Physical Planning Department (H&PP) was established in August 1972 replacing West Pakistan Housing and Settlement Agency. Subsequently, Improvement Trusts in Faisalabad, Gujranwala, Multan, Rawalpindi, Sargodha, and Murree were placed under the administrative control of H&PP Department in 1973. These Improvement Trusts were later transformed into Development Authorities, except Murree and Sargodha.

In 1978, Public Health Engineering Department (PHED) was brought under the administrative control of H&PP Department. The department was then renamed as Housing Physical & Environmental Planning (HP&EP). In 1997, HP&EP was again renamed as the "Housing, Urban Development & Public Health Engineering Department (HUD&PHED)". This department currently comprises of Public Health Engineering Department, Urban Development Authorities, Parks & Horticulture Authorities, Punjab Aab-e-Pak Authority (PAPA), and Agencies such as Water & Sanitation Agencies and Punjab Housing & Town Planning Agency. The Secretary, HUD&PHED acts as the PAO for the department.

HUD&PHED, Government of the Punjab, is mandated to carry out the following functions as per Rules of Business.

Functions of Development Authorities

i. Establish, maintain and periodically revise as necessary, planning, controls and building regulations for the Area.

ii. Prepare ADP for the area, ensure compliance with the ADP with priorities established in the Metropolitan Development Plan after its preparation, and evaluate performance under the ADP at the end of each year.
iii. Initiate and maintain a continuous process of comprehensive development planning for the area with the objective of preparing a Metropolitan Development Plan.
iv. Provide appropriate urban design and protect public safety.
v. Ensure compliance with the Metropolitan Development Plan after its preparation.
vi. Take all steps and measures necessary for the implementation and enforcement of the Act.

Functions of Water and Sanitation Agencies (WASA)

WASAs are Agencies of respective Development Authorities and are responsible for:

i. Planning, designing and construction of water supply, sewerage & drainage facilities for:
    - New works
    - Rehabilitation and augmentation of the existing system;
ii. Operation and maintenance of water supply, sewerage & drainage system.
iii. Billing and collection of rates, fees and charges for the services provided to consumers.

Functions of Punjab Horticulture Authorities (PHA)

i. Streamline and bring about a uniform and integrated approach to horticulture development for beautification of the cities.
ii. Development and maintenance of new parks, round-abouts, triangles, green belts, green verges, central medians, playgrounds and open spaces.
iii. Preservation of places of cultural and recreational importance.
iv. Face lifting, landscaping, illumination and beautification of assigned areas.
v. Environmental improvements.
vi. Regulate outdoor advertisement activity in City Districts.

Functions of Punjab Housing and Town Planning Agency (PHATA)

i. Identify state and other lands for developing low income and low-cost housing schemes.
ii. Facilitate public and private partnership or ventures in housing.
iii. Formulate Provincial Land use Policy, plan and prepare Regional Development Plans for an integrated, coordinated and systematic planning.
iv. Implement parameters of National Housing Policy, 2001.
v. Prepare guidelines, long term and short-term plans for implementation of the low-cost housing schemes and programmes in Punjab.

Functions of Punjab Aab-e-Pak Authority (PAPA)

i. Improving public access to safe drinking water and ensure sustainable operation and maintenance of water supply services, for each household of Punjab province.
ii. Helping the government eradicate water-borne diseases and improve the health of all the people of Punjab province.
iii. Provision of clean drinking water to the population in 36 districts of Punjab province mainly in rural, semi-urban and peri-urban areas.

Functions of Public Health Engineering (PHE)

i. Enhancing the quality of life of the people of Punjab by providing safe drinking water in Brackish, Barani and areas where ground water is contaminated or otherwise not suitable for drinking purposes.
ii. Providing pollution free environment by executing sewerage/drainage schemes and construction of sewage treatment plants.

HUD&PHED is also responsible for administration of the following laws and the rules framed thereunder:

a. The Town Improvement Act 1922 (IV of 1922).
b. The Lahore Development Authority Act 1975 (XXX of 1975).
c. The Punjab Development of Cities Act 1976 (XIX of 1976).
d. The Bahawalpur Development Authority Act, 1991(XI of 1991).
e. The Punjab Housing and Town Planning Agency Ordinance 2002 (LXXVIII of 2002).
f. The Parks and Horticulture Authority Act 2012 (XLVII of 2012).
g. The Lahore Canal Heritage Park Act 2013 (XV of 2013).
h. The Management and Transfer of Properties by Development Authorities Act 2014(XIX of 2014).
i. The Koh-e-Suleman Development Authority Act 2016 (XXIII of 2016).
j. Punjab Aab-e-Pak Authority Act 2019 (XII of 2019).
k. The Ravi Urban Development Authority Act 2020 (XVII of 2020).
l. Punjab Central Business District Development Authority Act 2021 (VI of 2021).

Table 3.1: Audit profile *(Rs in million)*

Sr. No.	Description of Formations	Total No. of Formations	Audited Formations	Audited Expenditure	Audited Revenue/ Receipts
1	**Formations:** **Phase-I**				
	HUD	244	01	-	118.560
	PHE	52	13	12,694.945	0.183
	Phase-II				
	HUD		47	5,089.761	5,427.227
	PHE		01	34.718	-
	Grand Total	**296**	**62**	**17,819.424**	**5,545.970**

B. Comments on Budget and Accounts (Variance Analysis)

B(i) Housing, Urban Development (HUD)

In the FY 2022-23, the HUD department received allocations for both development and non-development funds. The Authorities also made use of funds generated through indigenous resources. However, it is noteworthy that the department faced challenges in fully utilizing the allocated budget, with a non-utilization of 61.59% for the development budget and 28.24% for the non-development budget. Budgetary position in FY 2022-23 along with variance analysis is presented below:

Table 3.2: Variance analysis (HUD) *(Rs in million)*

Nature of Budgetary Allocation	Original Budget	Revised Budget	Actual Expenditure	Variation Excess/ (Saving)	Variation in %
Non-Development	60,217.451	60,412.516	43,346.080	(17,066.436)	(28.24)
Development	95,820.079	94,979.622	36,484.499	(58,495.123)	(61.59)
Total	**156,037.530**	**155,392.138**	**79,830.579**	**(75,561.559)**	**(48.63)**

Source: Departmental figures (FY 2022-23)

B(ii) Public Health Engineering Department (PHED)

In the FY 2022-23, Public Health Engineering Department (PHED) received allocations for both development and non-development funds. Despite the availability of funds, the department faced challenges in utilizing the allocated budget efficiently, with a non-utilization of 0.14% for the development budget and 2.30% for the non-development budget. Budgetary position in FY 2022-23 along with variance analysis is presented below:

Table 3.3: Variance analysis (PHED) *(Rs in million)*

Nature of Budgetary Allocation	Original Budget	Revised Budget	Actual Expenditure	Variation Excess/ (Saving)	Variation in %
Non-Development	3,161.327	2,839.955	2,774.651	(65.304)	(2.30)
Development	11,950.000	38,595.643	38,538.036	(57.607)	(0.14)
Total	**15,111.327**	**41,435.598**	**41,312.687**	**(122.911)**	**(0.30)**

Source: Departmental figures (FY 2022-23)

3.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 24,785.742 million were raised as a result of audit of HUD&PHE Department. This amount also includes recoveries of Rs 15,744.888 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Table 3.4: Overview of Audit Observations *(Rs in million)*

Sr. No.	Classification	Amount
1	**Irregularities:**	-
(i)	Irregularities resulting in overpayments	436.270
(ii)	Irregularities resulting in non-recoveries	15,308.618
(iii)	Irregularities relating to undue financial benefit to contractor	43.685
(iv)	Irregularities resulting in loss to government	1,489.405

(v)	Irregularities relating to procurements	15.255
(vi)	Miscellaneous irregularities	7,492.509
Total		**24,785.742**

3.3 Comments on the status of compliance with PAC directives

Compliance position with PAC's directives on Audit Report relating to Audit years 1960-61 to 2019-20 (excluding years not discussed in PAC) is as under:

Table 3.5: Lahore Development Authority (LDA)

Sr. No.	Audit Report Year	Outstanding Directives	Compliance Received	Compliance Awaited	Percentage (%)
1	1982-83 to 1999-2000	265	-	265	-
2	2000-01	5	-	5	-
3	2001-02	3	-	3	-
4	2003-04	4	-	4	-
5	2005-06	7	-	7	-
6	2006-07	9	-	9	-
7	2009-10	26	-	26	-
8	2010-11	24	-	24	-
9	2011-12	42	-	42	-
10	2012-13	62	-	62	-
11	2013-14	30	-	30	-
	Total	**477**	**-**	**477**	-

Table 3.6: Faisalabad Development Authority (FDA)

Sr. No.	Audit Report Year	Outstanding Directives	Compliance Received	Compliance Awaited	Percentage (%)
1	1985-86 to 1999-2000	159	-	159	-
2	2000-01	3	-	3	-
3	2001-02	5	-	5	-
4	2003-04	2	-	2	-
5	2005-06	2	-	2	-
6	2006-07	2	-	2	-
7	2009-10	6	-	6	-
8	2010-11	7	-	7	-
9	2011-12	9	-	9	
10	2012-13	1	-	1	-
11	2013-14	16	-	16	-
	Total	**212**	-	**212**	

Table 3.7: Multan Development Authority (MDA)

Sr. No.	Audit Report Year	Outstanding Directives	Compliance Received	Compliance Awaited	Percentage (%)
1	1982-83 to 1999-2000	57	-	57	-
2	2000-01	4	-	4	-
3	2001-02	1	-	1	-

Sr. No.	Audit Report Year	Outstanding Directives	Compliance Received	Compliance Awaited	Percentage (%)
4	2003-04	2	-	2	-
5	2006-07	1	-	1	-
6	2010-11	19	-	19	-
7	2011-12	1	-	1	-
8	2013-14	35	-	35	-
9	2014-15	2	-	2	-
10	2019-20	6	-	6	-
	Total	**128**	**-**	**128**	-

Table 3.8: Gujranwala Development Authority (GDA)

Sr. No.	Audit Report Year	Outstanding Directives	Compliance Received	Compliance Awaited	Percentage (%)
1	1995-96	9	-	9	-
2	2000-01	1	-	1	-
3	2011-12	4	-	4	-
4	2013-14	3	-	3	-
	Total	**17**	-	**17**	-

Table 3.9: Rawalpindi Development Authority (RDA)

Sr. No.	Audit Report Year	Outstanding Directives	Compliance Received	Compliance Awaited	Percentage (%)
1	1997-98	1	-	1	-
2	2011-12	2	-	2	-
3	2012-13	5	-	5	-
	Total	**8**	**-**	**8**	-

Table 3.10: PHATA

Sr. No.	Audit Report Year	Outstanding Directives	Compliance Received	Compliance Awaited	Percentage (%)
1	1968-69 to 1999-2000	166	-	166	-
2	2000-01	1	-	1	-
3	2001-02	9	-	9	-
4	2009-10	4	-	4	-
5	2010-11	7	-	7	-
6	2013-14	21	-	21	-
	Total	**208**	-	**208**	-

Table 3.11: Public Health Engineering Department

Sr. No.	Audit Report Year	Outstanding Directives	Compliance Received	Compliance Awaited	Percentage (%)
1	1960-61 to 1999-2000	536	-	536	-
2	2000-01	15	-	15	-
3	2001-02	15	-	15	-
4	2009-10	22	-	22	-
5	2010-11	39	-	39	-
6	2011-12	27	-	27	-
7	2013-14	55	-	55	-
	Total	**709**	**-**	**709**	-

3.4 AUDIT PARAS

3.4.1 Lahore Development Authority (LDA), Lahore

Irregularities

Irregularities resulting in overpayments

3.4.1.1 Overpayment due to allowing higher rates of non- standardized items – Rs 18.101 million

According to FD's instruction No. RO(Tech)FD-18-23/2004 dated 21st September 2004, the rate analysis for a non-standardized item shall be approved by SE, giving specifications of the material used as per FD's website.

Project Director Shahkam Flyover, LDA Lahore, in six (6) cases, got executed various non-standardized items in the project. Audit observed that the Authority paid higher rates of the items by allowing inadmissible components in violation of FD templates.

Violation of FD's instructions resulted in overpayments amounting to Rs 18,100,982.

Audit pointed out the overpayments in November 2022.

The paras were discussed in the SDAC meeting held in April 2023. The Authority explained that the items were paid as per requirement of work and at approved rates. Audit contended that the inadmissible components and rates were allowed and paid. The Committee directed the Authority, in two (02) cases (SAR Paras 70 & 89), to effect actual recovery, in SAR Para 11, to produce record for verification, in three (03) cases (SAR Paras 30, 58 & 90), to refer the cases to FD for clarification. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance with the SDAC's directives besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-XX)

3.4.1.2 Overpayment due to allowing higher rates of MRS items – Rs 11.723 million

As per FD's notification No. RO (TECH)FD.2-3/2004 dated 2nd August 2004, the Chief Engineers on the basis of input rates notified by FD on its website shall fix the rate of each item of the work for rough cost estimates for Administrative Approval and detailed estimate for technical sanction. Further, FD's template for standardized items shall be used to work out the rate of items as far as possible.

Project Director Shahkam Flyover, LDA Lahore, in nine (09) cases, got executed various items. Audit observed that the Authority paid higher rates of the items either by applying incorrect items/rates or by allowing inadmissible components.

Violation of FD's instructions resulted in overpayments amounting to Rs 11,723,268.

Audit pointed out the overpayments in November 2022.

The paras were discussed in the SDAC meeting held in April 2023. The Authority explained that the items were paid as per requirement of work and at approved rates. Audit contended that the inadmissible components and rates were allowed and paid. The Committee directed the Authority, in seven (07) cases (SAR Paras 7,8,9,13,21,47 & 87) to effect actual recovery and in two (02) cases (SAR Paras 83 & 88) to produce record for verification. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends compliance with the SDAC's directives besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-XXI)

3.4.1.3 Overpayment due to allowing excess quantity of bitumen than actually used – Rs 8.978 million

As per FD's notification No. RO(Tech)FD 2-3/2004 dated 2nd August 2004, "payment is to be made to the contractor as per JMF or actual bitumen used in the work whichever is less".

Project Director Shahkam Flyover, LDA Lahore, in two (02) cases, got executed items, "*ABC with bitumen contents of 4%*" and "*AWC with bitumen contents of 4.5%*". Audit observed that as per bitumen extraction tests, the contents of bitumen were 3.7% and 4.3% whereas authority made payments including price variation for bitumen content as 4% and 4.5%, respectively.

(Amount in Rs)

Sr. No.	**SAR Para No.**	**Name of Item**	**Actual %age of bitumen**	**Excess Quantity (Ton)**	**Rate of Bitumen (Rs/Ton)**	**Amount Overpaid**
1	1	ABC (4%)	3.70%	112.06	75,301.15	8,438,247
2	3	AWC (4.5%)	4.30%	8.17	75,301.15	615,210
3	2	Price Variation on above items				6,274,391
	Total					**15,327,848**

Violation of FD's instructions resulted in overpayments amounting to Rs 15,327,848.

Audit pointed out the overpayments in November 2022.

The paras were discussed in the SDAC meeting held in April 2023. In SAR Paras 01 & 02, the Authority explained that Rs 4,384,102 and Rs 1,966,163 were recovered, respectively. Audit stressed the recovery of the balance amount. In SAR Para 03, Authority explained that recovery was not warranted due to application of bitumen by weight of dry aggregate. Audit contended that as per extraction test reports, rates were required to be reduced. The Committee directed the Authority to effect actual recovery as per extraction test reports till the final bill and produce the record to Audit within 15 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

Para No. 01, 02 & 03(SAR 2022-23)

3.4.1.4 Overpayment due to allowing inadmissible costs in rate analysis – Rs 3.206 million

According to FD's instruction No. RO(Tech)FD-18-23/2004 dated 21st September 2004, the rate analysis for a non-standardized item shall be approved by SE, giving specifications of the material used as per FD's website. The standardized analysis shall be used to work out the rate of items as far as possible.

Project Director Shahkam Flyover, LDA Lahore, got executed the item "*PCC foundation for steel structure pole 45' long*" at the rate of Rs 54,500 each. Audit observed that in the rate analysis, two components i.e., "*cost of shuttering*" and "*crane charges*" were added which were not admissible because cost of shuttering was included in the rate of PCC and installation & erection of steel structure pole was paid separately under this contract.

Violation of FD's instructions resulted in overpayment amounting to Rs 3,206,304.

Audit pointed out the overpayment in November 2022.

The para was discussed in the SDAC meeting held in April 2023. The Authority explained that the shuttering of the electrical pole foundation and crane to hold the 45 feet steel structure were admissible. Audit informed that the shuttering was not admissible as item executed was related to foundation of pole. Further, installation and erection of steel structure pole was paid separately under this contract. The Committee directed the Authority to revisit the rate analysis of the two components, effect actual recovery and produce record for verification within 30 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

Para No. 61 (SAR 2022-23)

3.4.1.5 Overpayment due to inadmissible price variation – Rs 1.113 million

As per clause 55(1) of the contract agreement; "where any variation (increase or decrease), to the extent of 5% or more, in the price of any of the item mentioned in sub-clause (2) takes place after the acceptance of tender and before the completion of contract, the amount payable under the contract shall be adjustable to the extent of the actual variation in the cost of the item concerned".

Project Director Shahkam Flyover, LDA Lahore made payments of price variation amounting to Rs 1,113,449. Audit observed that inadmissible price variation payments were made for items where the variation in price was less than 5%.

Violation of the contract agreement resulted in overpayment of price variation amounting to Rs 1,113,449.

Audit pointed out the overpayment in November 2021.

The para was discussed in the SDAC meeting held in April 2023. The Authority admitted the recovery. The Committee directed to effect recovery and get it verified from Audit within 30 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

Para No. 96 (SAR 2022-23)

Irregularities resulting in non-recoveries

3.4.1.6 Non-recovery of commercialization fee and penalty - Rs 7,651.834 million

As per rule 4.5(1) of PFR (Volume-I), “it is the primary responsibility of departmental authorities to see that all government revenue/dues were correctly and promptly assessed, realized and credited to the proper account”. Further, as per para No.12 Chapter-VII of Notification No. SO(H-II) 3-2/2016, dated 5th August 2020, issued by HUD&PHED and as per condition of challan, in case payment is not made by the due date, mark-up at the rate of 17.50% per annum will be charged on all such belated payments till the date of final payment.

Chief Town Planner, LDA Lahore, in forty-six (46) cases, allowed permanent/annual commercialization of various residential properties. Audit observed that the Authority neither recovered the fee along with penalty amounting to Rs 7,713,115,048 nor initiated any action against the defaulters.

Violation of the rules resulted in non-recoveries of permanent commercialization fee amounting to Rs 7,713,115,048.

Audit pointed out the non-recoveries in April-May 2023.

The paras were discussed in SDAC meetings held on 26th July 2023 and 7th September 2023. The Authority explained that challans/notices were issued to the owners of the properties besides effecting recovery amounting to Rs 61,281,068. Audit contended that Authority failed to recover the fee along with penalty. Further, no effective mechanism of monitoring existed to monitor the Authority’s outstanding dues and expediting recovery thereof. The Committee directed the Authority, in forty four (44) cases, to effect recovery and in two (02) cases (DP 561 & 653), to get complete record verified from Audit. Compliance with the Committee’s directives was not reported till finalization of the report.

Audit recommends early recovery in all cases besides fixing responsibility and strengthening internal control to avoid the recurrence of such issues in future.

(Annexure-XXII)

<u>Note:</u> This issue was reported earlier also in the Audit Reports for the years 2018-19 and 2021-22 vide Para No. 3.4.1.9 in AR 2018-19 and Para No. 3.4.1.4 in AR 2021-22 having financial impact of Rs 1,603.317 million. Recurrence of same irregularity is a matter of serious concern.

3.4.1.7 Non-retrieval of encroached land – Rs 5,945.304 million

As per Sections 39 and 40 of the LDA Act 1975, the Authority is vested with the power to evict illegal encroachments and to demolish unauthorized constructions.

3.4.1.7.1 Various Directorates of Housing LDA, Lahore, in fifteen (15) cases, did not retrieve 297 LDA owned plots/properties from various encroachers. Audit observed that the plots were encroached due to negligence of LDA staff. Also, the anti-encroachment cell failed to retrieve the properties worth billions of rupees from the encroachers.

Violation of LDA Act resulted in non-retrieval of encroached land valuing Rs 3,003,830,575.

Audit pointed out non-retrieval of encroached land in May 2023.

The paras were discussed in SDAC meetings held on 6th July 2023 and 5th September 2023. In nine (09) cases (DP Nos. 21,32,35,38,39,41,48,57 & 60), the Authority explained that plots were under litigation/pending for decision of Bonafide Commission (BC). Audit contended that the Authority did not pursue cases pending before court and the BC. The Committee directed the Authority to vigorously pursue the cases and retrieve the plots. In two (02) cases (DP Nos. 40 & 64), the Authority explained that show cause notices were issued to the illegal occupants for verification/retrieval of properties. Audit contended that the record was not produced. The Committee directed the Authority to get the plots retrieved and record verified from Audit. In two (02) cases (DP Nos. 53 & 61), the Authority explained that plots had been retrieved. Audit contended that record of DP 53 was not produced for verification and in DP 61, possession was not made in favour of LDA. The Committed directed the Authority to get possession of the property and produce record for verification. In DP 36, the Authority explained that applicants of 4-plots of Mustafa Town did not deposit the price of land within the prescribed period of 06 months despite the directions of BC to demolish the structure. Now the case had been forwarded to Estate Officer for retrieval of plot. Audit contended that no record was produced. The Committee directed the Authority to get the matter probed by ADG Housing to fix responsibility regarding slackness in implementation of decision of BC. In DP 04, the Authority explained that 39 plots of Tajpura Scheme were cancelled due to bogus entries in physical possession register in 2006. Show cause notice had also been issued to the encroachers. Audit contended that plots were encroached due to negligence and connivance of LDA. The Committee directed the Authority to get the record verified.

Audit recommends early retrieval of LDA property and strengthening internal control mechanism to avoid such lapses in future. Further, the sanctity of record regarding possession of properties should be ensured besides initiating actions against the responsible officers/officials.

(Annexure-XXIII)

3.4.1.7.2 Directorates of Housing LDA, Lahore, in nineteen (19) cases, did not retrieve 902 plots/properties from various encroachers. Audit observed that plots worth billions of rupees were encroached by tempering and fabricating the record with the connivance of LDA authorities.

Violation of LDA Act resulted in non-retrieval of encroached land valuing Rs 2,578,244,999.

Audit pointed out non-retrieval of encroached land in May 2023.

The paras were discussed in SDAC meetings held on 6th July 2023 and 5th September 2023. The Authority explained that cases were pending before Court/BC/Provincial Cabinet. Further, recovery amounting to Rs 2,750,000 had been effected besides issuing notices to the illegal occupants. In some cases, plots were retrieved. Audit contended that encroachment was made with the connivance of LDA authorities. Also, LDA did not initiate any prompt action since the identification of illegal occupants. In case of retrieved plots, no record was produced for verification. In eleven (11) cases, the Committee directed to vigorously pursue the cases pending in Court (DP 14, 44, 45, 49 & 78), BC (DP 16 & 22), Scrutiny Committee (DP 17 & 30) and

Provincial Cabinet (94 & 96). Further, in seven (07) cases, the Committee directed the Authority to get the record verified from Audit and in DP 80, to conduct inquiry. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early retrieval of LDA property and strengthening internal control mechanism to avoid such lapses in future. Further, the sanctity of record regarding possession of properties be ensured besides initiating departmental actions against the officers/officials responsible.

(Annexure-XXIV)

Note: This issue was reported earlier also in the Audit Reports for the years 2018-19 and 2019-20 vide Para No. 3.4.1.7 in AR 2018-19 and Para No. 3.5.1.18 in AR 2019-20 having financial impact of Rs 3,789.420 million. Recurrence of same irregularity is a matter of serious concern.

3.4.1.7.3 Directorates of Housing LDA, Lahore, did not retrieve 26 plots/properties in four cases from various irregular exemptees. Audit observed that LDA allotted these plots twice due to exemptions. This situation pointed a critical issue where exemptions granted by the authority had led to the allocation of the same plots or properties multiple times.

(Amount in Rs)

Sr. No.	**DP No.**	**Name of Directorate**	**No of Properties**	**Amount**
1	29 (Phase-II) 2022-23	Housing-III	4	60,900,000
2	50 (Phase-II) 2022-23	Housing-V	16	144,000,000
3	73 (Phase-II) 2022-23	Housing-VII	2	40,438,708
4	77 (Phase-II) 2022-23	Housing-VII	4	33,340,000
Total			**26**	**278,678,708**

Violation of LDA Act resulted in non-retrieval of encroached land valuing Rs 278,678,708.

Audit pointed out non-retrieval of encroached land in May 2023.

The paras were discussed in SDAC meetings held on 6th July 2023 and 5th September 2023. In two (02) cases (DP 29 & 50), the Authority explained that the matter was pending before court and BC. Audit contended that department neither held the BC nor initiated any departmental inquiry to sort out the long outstanding issue of double exemption. The Committee directed the Authority to pursue the court cases vigorously and expedite the retrieval process of properties. The Committee also directed the Scrutiny Committee to decide the matter regarding submitting the cases to BC. In DP 73, the Authority did not reply. The Committee directed the Authority to get the record verified within 15 days. In DP 77, the Authority admitted the lapse and explained that the plots had been cancelled. Audit informed that plots were required to be retrieved in favour of LDA. The Committee directed the Authority to retrieve the plots and get the record verified within 30 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early retrieval of LDA property besides initiating actions against the responsible(s) and strengthening internal control mechanism to avoid such lapses in future.

3.4.1.7.4 Directorates of Housing LDA, Lahore did not retrieve three plots from various encroachers. Audit observed that the Court cancelled the ownership of these plots, valued at millions of rupees, in March 2017. However, despite lapse of six years, LDA could not retrieve the plots.

Violation of LDA Act resulted in non-retrieval of encroached land valuing Rs 87,300,000.

Audit pointed out non-retrieval of encroached land in May 2023.

The paras were discussed in SDAC meeting held on 6th July 2023. The Authority explained that notices were served to the occupants of cancelled plots. Out of 03 cancelled plots, 01 occupant approached the court of law and 02 occupants submitted application to BC. Action would be taken in accordance with the decision by the court and BC. The Committee directed the Authority to pursue the court cases vigorously and submit cases to BC within 30 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early retrieval of LDA property besides initiating departmental actions against the officers/officials responsible and strengthening internal control mechanism to avoid such lapse in future.

DP No. 51 (2022-23 Phase II)

3.4.1.8 Non-recovery of government dues – Rs 892.810 million

According to rule 4.5(1) of PFR (Volume-I), "it is the primary responsibility of departmental authorities to see that all government revenue/dues were correctly and promptly assessed, realized and credited to the proper head of account". Further, as per item C(ii) of Directorate General Katchi Abadies (Colonies Department) Board of Revenue, Punjab letter dated 9th September 2013, "cost of land for occupation of above 5-Marla and up to 10 Marla will be current valuation table rate at the time of grant of proprietary rights".

Various Directorates of LDA, Lahore in thirty (30) cases, did not recover the outstanding dues on account of cost of land charges, extension of building completion period surcharge, miscellaneous penalties and fees/charges from the owners of various properties located in controlled area of LDA. The recoverable amount of Rs 920,865,282 million pertained to the period from 2017-18 to 2021-22.

Violation of rules resulted in non-recovery of government dues amounting to Rs 920,865,282.

Audit pointed out the non-recovery in April-May 2023.

The paras were discussed in SDAC meetings held on 26th July 2023 and 7th September 2023. In twenty seven (27) cases, the Authority explained that challan/notices were issued to the owners of the properties besides effecting recovery amounting to Rs 28,054,825. Audit verified the recovery and contended that no real effort was made for realization of long outstanding recovery despite the lapse of considerable period. Further, in three (03) cases (DP 578, 625&631), record was not produced for verification. The Committee, in twenty (20) cases, directed the Authority to effect actual recovery and in nine (09) cases, to get the record verified from Audit. In two (02) cases (DP 460 and 464), the Authority explained that the contractors did not continue due to COVID-19 and filed litigations against LDA. Audit contended that the actual recoverable dues were effected from the contractors. The Committee kept the paras pending for decision by the Court and effecting actual recovery accordingly. In DP 530, the Authority, explained that para pertained to another directorate. Audit contended that no effort was made for realization of long outstanding recoveries despite the lapse of considerable period. The Committee directed that Authority to transfer the para TP-VII for effecting recovery. Compliance with Committee's directive was not reported till finalization of the report.

Audit recommends early recovery in all cases besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues in future.

(Annexure-XXV)

Note: This issue was reported earlier also in the Audit Reports for the years 2018-19 to 2021-22 vide Para No. 3.4.1.13 in AR 2018-19, Para No. 3.5.1.4 in AR 2019-20 and Para No. 3.4.1.5 in AR 2021-22 having financial impact of Rs 1,186.816 million. Recurrence of same irregularity is a matter of serious concern.

3.4.1.9 Non-recovery of excess area cost from property owners – Rs 363.278 million

As per clause 2(a) & 5(iii & iv)) of Policy of excess area approved by the Authority vide No.LDA/DC&I/2225 dated 11th August 2017, the cost of excess area will be recovered from the exemptee/allottee/present owners at the rate 40% above the current Deputy Commissioner (DC) rate in case of allotted/exempted residential plots.

Various Directorates of Housing, LDA, Lahore did not recover the cost of excess area from the owners of seventy nine (79) properties in nine (09) cases, as assessed by the Price Assessment Committee. Audit observed that, in certain cases, excess area charges were identified since 1971, yet these charges were not recovered despite the properties being transferred.

Violation of excess area policy resulted in non-recovery of excess area cost amounting to Rs 370,830,442.

Audit pointed out non-recovery in May 2023.

The paras were discussed in the SDAC meeting held on 6th July 2023 and 5th September 2023. In five (05) cases (DP 2, 46, 62, 79 & 83), the Authority explained that show cause notices were issued to the owners of the properties besides effecting recovery amounting to Rs 7,552,500. Audit informed the Committee that the recovery had been verified. However, Audit contended that the excess area charges in remaining cases were not recovered despite lapse of considerable time period. The Committee directed the Authority to get the excess area reconciled with Audit and effect balance recovery. In DP 18, the Authority explained that possession of the plot was not handed over to the owner and he was informed to apply for exchange of plot. Audit contended that triple storey building was already constructed on the plot. The Committee kept the para pending for recovery of excess area. In DP 26, the Authority explained that recovery of Rs 440,520 was made as per prevailing rates/policy. Audit contended that actual recovery was Rs 617,096. The Committee directed the Authority to effect the balance recovery within 30 days. In DP 54, the Authority explained that Rs 8,976,000 were recovered against excess area. Audit contended that no record was produced for verification. The Committee directed the Authority to produce complete record for verification within 15 days. In DP 66, the Authority explained that the owner had approached BC which had been inactive since August 2021. Audit contended that considerable time had been lapsed but excess area charges were not recovered. The Committee directed the Authority to plead the case before the BC and get the record verified. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-XXVI)

<u>Note:</u> This issue was reported earlier also in the Audit Reports for the years 2018-19 and 2019-20 vide Para No. 3.4.1.25 in AR 2018-19 and Para No. 3.5.1.6 in AR 2019-20 having financial impact of Rs 73.217 million. Recurrence of same irregularity is a matter of serious concern.

3.4.1.10 Less recovery of extension fee and penalty against non-completion of development works – Rs 140.782 million

As per Section 34 & 34A of LDA Act 1975, if the sponsor continues to develop the scheme without approval of layout plan or fails to develop the scheme after approval of plan within the stipulated period, the Authority besides other steps shall impose the fines at the rates of Rs 5,000, Rs 10,000, Rs 15,000 and Rs 20,000 per day till the default continues in respect of schemes having area up to 300 kanals, 300 kanals to 500 kanals, 500 to 1000 kanals and above 1000 kanals, respectively. If a sponsor fails to develop the scheme within the given period, the Authority may, extend the period of development work up to two years on payment of fee of Rs 10,000 per kanal per year.

The Chief Metropolitan Planner LDA, Lahore, technically/finally approved the revised layout plans of private housing schemes namely, Al-Hamra Town, Model City, Al-Hamd, and Safari Garden, with extension fee and penalty. Audit observed that extension fee and penalty on account of non-completion of development works within the stipulated period was not imposed from the date of commission of offence which resulted in less recovery amounting to Rs 140,782,250.

Violation of LDA Act 1975 resulted in less recovery amounting to Rs 140,782,250.

Audit pointed out the less recovery in April 2023.

The para was discussed in SDAC meeting held on 4th September 2023. The Authority explained that in case of Al-Hamra Town housing scheme, the Authority had recovered extension fee amounting to Rs 7,643,750 and penalty for non-completion of development works amounting to Rs 5,595,000 totaling amounting to Rs 13,238,750 from the sponsor. In case of Model City, a penalty of Rs 5,000 per day in accordance with rule 36(a) of LDA PHS Rules was imposed on the owner/sponsor who started development works on the site prior to approval from LDA. In case of Al-Hamd housing scheme, extension in development period was granted for two (02) years after paying the amount of penalty and extension fee amounting to Rs 23,826,000 by the sponsor. In case of Safari Garden**,** a number of letters had been issued to the sponsor of the scheme for payment of penalty and fulfillment of other conditions of technical approval letter. No final approval of the scheme would be granted before submission of extension fee and penalty by the sponsor for carrying out illegal sale/purchase of plots. Audit contended that the penalties were not calculated from the date of commission of offence to the date of meeting of scrutiny committee (as levied/recovered in case of Bahria Town Sector-E&F for the maximum period of nine years). Undue financial benefit to the sponsors was given by imposing less penalties. The Committee directed the Authority for verification of record within 15 days besides effecting actual recovery. Compliance with the Committee’s directives was not reported till finalization of the report.

Audit recommends full recovery of penalties besides ensuring completion of development works at the earliest.

DP No. 99(2022-23 Phase-II)

3.4.1.11 Non-recovery of outstanding lease money – Rs 113.883 million

As per lease agreement dated 5th April 2000, a plot measuring 3 kanal and 6 marla was leased out at the rate of Rs 555,000 per year for the period of three years for the first instance. The agreement was renewable at the discretion of LDA.

The Director Housing-X, LDA, Lahore leased out a petrol pump site measuring 3 kanal and 6 marla in Quaid-e-Azam Town, Lahore on 5th April 2000 for the period of three years for the first instance. Audit observed that after expiry of lease agreement on 15th January 2019, the plot remained under the illegal possession of lessee. The Authority issued challans on 3rd May 2023 of outstanding lease money plus advance income tax and markup amounting to Rs 113,882,917 but the same had not been recovered. Further, no action was taken to retrieve the plot from the encroacher.

Violation of financial rules resulted in non-recovery of outstanding dues amounting to Rs 113,882,917.

Audit pointed out non-recovery in May 2023.

The para was discussed in SDAC meeting held on 6th July 2023. The Authority explained that LDA could not take any action due to stay order. After the dismissal of petition by Lahore High Court Lahore on 18th May 2023, the site had been retrieved and notice for recovery had also been issued on 31st May 2023. Audit contended that the Authority needed to expedite the recovery. The Committee directed the Authority to recover the outstanding dues and auction the site within 30 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early retrieval of plot and recovery of due amounts besides strengthening internal controls to avoid the recurrence of such issues.

DP No. 89(2022-23 Phase-II)

3.4.1.12 Non-recovery of theft of transformers and steel from security company – Rs 20.550 million

As per condition No.5(xi) of Agreement with Security Company, in case any loss occurs to LDA on account of theft or negligence on part of the service provider, the recovery of the losses will be made from the monthly invoices of the security company or the security deposit/performance guarantee as per the decision of the LDA.

Director Coordination and Implementation (C&I), LDA, Lahore, awarded a contract to a security company for the watch and ward of LDA's assets. Audit observed that three transformers and steel shuttering were stolen from Jubilee Town, LDA Avenue-I, and LDA school, however, despite these thefts, no recovery for the stolen items had been made from the contracted security company.

Violation of contract agreement resulted in non-recovery amounting to Rs 20,550,000 from the security company.

Audit pointed out the non-recovery in May 2023.

The para was discussed in SDAC meeting held on 4th September 2023. The Authority explained that letter had been issued to Chief Security Officer, LDA for recovery of the theft. Audit contended that Director C&I awarded the contract of security services and authorized the payments. Therefore, the cost of stolen items from the company was required to be recovered while making payments. The Committee directed to effect recovery within 30 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery from the Security Company and action against the responsible officers besides strengthening internal controls in order to avoid the recurrence of such issues.

DP No. 141(2022-23 Phase-II)

3.4.1.13 Non/Less recovery of dismantled material – Rs 16.823 million

According to para 9(i), chapter 18.1 of Book of Specifications for Execution of Works 1967, the dismantled material is the property of the government, it should either be recovered from the contractor as credit of dismantled material or it should be counted, measured and recorded for open auction.

Project Director Shahkam Flyover, LDA Lahore, in three (03) cases, did not recover the cost of dismantled material. The detail is as under:

(*Amount in Rs)*

Sr. No.	Para No. (SAR 2022-23)	Description of item	Recovery pointed out	Recovery effected	Balance recovery	Remarks
1	23	Recovery of concrete paver	781,760	16,229	765,531	Recovery was not effected
2	28	Recovery of steel	250,000	-	250,000	-do-
3	102	Recovery of steel	15,807,960	-	15,807,960	Recovery of steel retrieved from dismantling of two sides existing drain of Defense Road of six (06) Km was not made.
Total			**16,839,720**	**16,229**	**16,823,491**	

Violation of the applicable specifications resulted in non/less recoveries amounting to Rs 16,839,720.

Audit pointed out the non/less recovery in November 2022.

The paras were discussed in the SDAC meeting held in April 2023. In SAR Para 23, the authority explained that actual recovery was effected. Audit contended that the Authority recovered Rs 16,229 instead of actual recovery of Rs 781,760. The Committee directed the Authority to effect balance recovery of Rs 765,531 within 15 days. In SAR Para 28, the authority explained that dismantling of RCC concrete had not been done at site. Audit contended that the recovery of dismantled material was required to be made as per TS estimate. The Committee directed the Authority to probe the matter through administrative department by deputing an officer not below the rank of Director/SE within 30 days and submit fact finding report to Audit for verification. In SAR Para 102, the authority explained that neither drain existed at site nor any payment was made against dismantling of the said drain. Audit contended that as per report of Resident Engineers/consultant, National Engineering Services of Pakistan (NESPAK) of the project, the existing (old) drain on both sides of Defence Road was dismantled by petty contractor. The Chair directed that a technical probe be conducted by SE, Highways Department, Lahore to find out the actual position/recovery within 30 days, however, representative of Audit and FD stressed for recovery. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

3.4.1.14 Illegal selling of mortgaged plots and non-recovery of dues – Rs 6.110 million

As per Section 34 of LDA Act, 1975, read with mortgage rule 24(1)(b)(iv) of LDA PHS Rules 2014, if the sponsor continues to develop the scheme without approval of layout plan, the Authority, besides other steps, shall impose the fine at the rate of Rs 20,000 per day till the default continues. Further, as per para-11(e) of mortgage deed of LDA PHS Rules 2014, "the property offered as security for provision of development works is free from all sorts of encumbrances and charges and undertakes that the said property shall not be sold or charged without the prior approval in writing of the LDA".

The Chief Metropolitan Planner, LDA, Lahore approved layout plans of Valancia Town. Audit observed that the developer transferred the mortgaged plots and gave possession without redeeming these from LDA. Moreover, a private housing scheme "Al-Kareem City (Ashrafi Town)" commenced development works and sold plots prior to final approval of the Authority. In both the cases, the Authority did not impose penalty as per criteria ibid.

Violation of LDA Act resulted in non-recovery of dues amounting to Rs 11,630,000.

Audit pointed out the non-recovery during April 2023.

The para was discussed in SDAC meeting held on 4th September 2023. In DP 128, the Authority explained that the LDA had released about 90% mortgaged area against the development works in Valencia Town Housing Scheme Phase (I-IV) on receiving reports from concerned agencies. The remaining 10% mortgaged area would be released upon receiving further development works reports. Further, the matter of selling mortgaged plots in Valencia Town pertained to Directorate of Estate Management (PHS), LDA being the custodian of mortgaged plots in private housing schemes. Audit contended that the sale/purchase of mortgaged plots, without being redeemed, was made by the sponsors with the connivance of LDA officers. The Committee directed the authority for verification of mortgaged plot data. In DP 101, the Authority explained that an amount Rs 5,520,000 was recovered from the sponsor on account of marketing and development work in Al Kareem City before technical approval. The sponsor would be charged penalty on account of execution of development work and marketing before the issuance of final approval. Audit contended that penalties should be imposed and recovered immediately besides taking appropriate action against the sponsor. The Committee directed the Authority to effect actual recovery. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends the recovery of penalties and dues owed to the Authority from sponsors, cessation of the illegal selling of mortgaged plots, and the initiation of departmental action against the officers or officials responsible.

DP No.101, 128(2022-23 Phase-II)

Irregularities resulting in undue financial benefit to contractors

3.4.1.15 Non-forfeiture of deposited fees of defaulters and non-cancellation of NOCs – Rs 43.685 million

As per para 23 of Land Use Regulations, 2020, in case of failure of payment of full conversion fee in the time frame, the competent authority, besides withdrawal of offer of conversion of land use, shall forfeit 20% of the deposited fee and remaining fee shall be refunded on demand by the applicant. However, the owner may submit a fresh application for change of land use as per prevalent rules and in such case the forfeited fee shall not be adjusted in any manner.

Chief Metropolitan Planner and Chief Town Planner, LDA, Lahore, issued NOCs for conversion of land use from residential to area development project. Audit observed that the sponsors became defaulters, yet the Authority neither recovered the remaining amount nor forfeited the 20% of deposited fees.

Violation of Land Use Regulations 2020 resulted in non-forfeiture of fees amounting to Rs 43,685,102.

Audit pointed out the non-forfeiture of fees in April-May 2023.

The paras were discussed in SDAC meeting held on 4th September 2023 and 7th September 2023. In DP 132, the Authority explained that the para pertained to Town Panning Wing, LDA. Audit contended that 20% of deposited fees was required to be forfeited. The Committee transferred the para to Town Planning Wing. In DP 526, the Authority explained that notice had been issued to the owner/occupant. Thereafter, legal action would be taken including sealing of property, lodging First Information Report (FIR), disconnection of services etc. Audit contended that notices were issued upon raising the issue by Audit. Whereas the Authority lacked an effective monitoring mechanism to expedite the recovery of commercialization fees and penalties. The Committee directed the Authority to effect actual recovery. In DP 634, the Authority explained that notice had been served in order to take fresh approval and stop any illegal commercial activity at site. Audit contended that the notice to stop any illegal commercial activity at site was not produced to Audit during verification. The Committee directed the Authority to effect actual recovery. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early forfeiture of 20% fees besides fixing responsibility and strengthening internal control to avoid the recurrence of such issues.

DP No. 132,526&634(2022-23 Phase-II)

3.4.1.16 Undue benefit by issuing NOC without recovery of excess area charges

As per clauses 2(a) & 5(iv) of Policy of excess area approved by the Authority vide No.LDA/DC&I/2225 dated 11th August 2017, the cost of excess land/area shall be recovered from the exemptee/allottee/present owner at the rate of 40% above the current DC rate in case of allotted/exempted residential plots.

Directorate Housing-VII, LDA, Lahore allotted plot No. 260-H M.A Johar Town measuring 160 Sq.m to Mr. Boda through General Power of Attorney Mr. Khalil ur Rehman on

19th February 1999. The plot was last sold/transferred to Mr. Iftikhar in 2018. Audit observed that the cost of excess area measuring 18 Sq.m was not recovered from the original exemptee but the NOC was issued.

Violation of excess area policy resulted in undue benefit to the exemptee.

Audit pointed out undue benefit in May 2023.

The para was discussed in SDAC meeting held on 6th July 2023. The Authority explained that case was forwarded for preparation of challan of excess area amounting to Rs 1,091,630. Audit contended that undue benefit was extended to original exemptee by not recovering cost of excess area. The Committee directed the Authority to get the record verified from Audit. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends action against responsible officers besides strengthening internal controls to avoid the recurrence of such issues.

DP No.68 (2022-23 Phase-II)

Irregularities relating to procurements

3.4.1.17 Loss due to award of petty works at higher percentages as compared to the quoted percentage in the main contract - Rs 9.034 million

As per clause 41 of contract agreement "if any altered, additional, or substituted work is directed by the engineer in-charge, for which no rate is specified in the contract, the contractor shall carry out the work on the same conditions as agreed to do the main work and at the same rates as specified in the tender (bid schedule) for the main work".

Project Director Shahkam Flyover, LDA Lahore, awarded various petty works to different contractors at different percentage above TS estimate. Audit observed that the authority did not get the works executed through main contractor who had quoted 11.41% below TS estimate for the same nature works.

Violation of the contract agreement resulted in loss amounting to Rs 9,034,345.

Audit pointed out the loss in November 2022.

The para was discussed in the SDAC meeting held in April 2023. The Authority explained that these works were not in the scope of main contract and were awarded separately after approval from the competent authority. Audit reiterated its earlier stance. The Committee directed the Authority to probe the matter at administrative department level and submit fact-finding report within 30 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery of the loss by fixing responsibility against delinquents. Additionally, strengthening internal controls is advised to prevent the recurrence of such issues in the future.

Para No. 100 (SAR 2022-23)

3.4.1.18 Loss due to double payment of electric work – Rs 6.221 million

As per rule 2.33 of PFR Volume-I, every government servant 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.

Project Director Shahkam Flyover, LDA Lahore, paid Rs 143,944,976 to Lahore Electric Supply Company (LESCO) on account of shifting of electrical poles and related works involved in Shahkam Project. Audit observed that the Authority paid additional Rs 6,220,821 to a private contractor for the work "Installation of additional electric work at Shahkam Chowk" which were already paid for similar electricity works to LESCO.

Violation of PFR resulted in loss of Rs 6,220,821.

Audit pointed out the loss in November 2022.

The para was discussed in the SDAC meeting held in April 2023. The Authority explained that the work for dismantling and reinstallation of additional accessories was required at site which was not included in the scope of LESCO. Audit contended that cost of items was already included in the payments made to LESCO. The Committee directed the Authority to produce complete record in support of reply otherwise effect recovery within 15 days and get it verified from Audit. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

Para No. 62 (SAR 2022-23)

Irregularities resulting in loss to government

3.4.1.19 Loss due to negligence and non-deposit of forfeited bid security into LDA accounts - Rs 1,259.778 million

As per Section 11-B of LDA Act 1975, any person employed by or serving under the Authority or an Agency charged with the administration of the affairs of the Authority or acting on behalf of the Authority or acting under a contract with the Authority who is responsible for the loss, waste, misappropriation or misapplication of any money belonging to the Authority which is a direct consequence of his negligence in the discharge of his duties shall be liable to pay the loss.

Scrutiny of record of Director, C&I, LDA, Lahore revealed that a land measuring 1400 kanals was auctioned on 18th May 1995. The successful bidder submitted Rs 46,400,000 as bid security (United State Dollar 800,000 and Hong Kong Dollar 5,005,000 in the form of pay order and cheque, respectively). Subsequently, the bidder defaulted, prompting the Authority to cancel the offer and forfeit the bid money, however, the relevant pay order and cheque were not encashed/credited into bank accounts of the Authority nor were these pledged financial instruments were forthcoming in the Authority's record. Furthermore, the bidder obtained a favorable decision from the Civil Judge 1st class in Lahore for the refund of bid security, along with the applicable interest rates, amounting to Rs 1,259,777,838. Audit observed that the Authority not only failed to encash the bid security instruments but also neglected to file an appeal against the said court order. Consequently, the case became time-barred.

Violation of LDA Act resulted in a loss of Rs 1,259,777,838.

Audit pointed out the loss in May 2023.

The para was discussed in SDAC meeting held on 4th September 2023. The Authority explained that the matter pertained to Metropolitan Planning Wing. Audit contended that as per letters by the Director Finance and Revenue, the pay order was not deposited into LDA accounts which resulted in a loss to the government. Furthermore, the Directorate of Law failed to pursue the case within the stipulated time, resulting in it becoming time-barred. The Committee directed the Authority to conduct inquiry through Additional Director General (ADG), Headquarter and fix the responsibility against the delinquents and submit probe report within 30 days and transfer the para to Chief Metropolitan. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early finalization of inquiry and disciplinary action against the responsible(s) besides strengthening internal controls to avoid the recurrence of such issues.

DP No. 139 (2022-23 Phase-II)

3.4.1.20 Loss due to double payment of land compensation to affectees – Rs 219.267 million

As per Section 11B of LDA Act 1975, any person employed by or serving under the Authority, who is responsible for the loss, waste, misappropriation or misapplication of any money belonging to the Authority which is a direct consequence of his negligence in the discharge of his duties shall be liable to pay the loss.

Scrutiny of record of Director, C&I, LDA, Lahore, revealed that Land Acquisition Collector (LAC), LDA Lahore paid Rs 219,266,665 to affectee i.e., M/s Benz Industries Ltd on account of acquisition for Orange Line Metro Train Project. Audit observed that the as per fact finding report of LDA dated 19th May 2023, the payment was illegal and unlawful because the same land was already acquired by LDA through award announced on 11th June 1980.

Violation of Act resulted in double payment of Rs 219,266,665.

Audit pointed out the double payment during May 2023.

The para was discussed in SDAC meeting held on 5th September 2023. The Authority explained that the matter pertains to LAC. Further, a probe into the matter is already underway. Audit contended that as per orders of the hearing committee comprising of Chief Executive Officer (CEO) Benz Factory, LAC, LDA, Deputy Director and Assistant Director, Director Land Development-III, Assistant Director, Directorate Land Acquisition and Assistant Director, Law along with acquisition field staff, on 10th March 2022, ordered for payment of compensation as per first award No.11 dated 12th June 1980 at the rate of Rs 283 per marla amounting to Rs 11,886 only. Therefore, payment of Rs 219.267 million on account of compensation was unlawful against the already acquired land. Further, the adjustment and non-ejectment of encroachment by the Directorate Housing-III LDA needed to be explained. The Committee directed the Authority to transfer the para to LAC for detail verification within 15 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal control to avoid the recurrence of such issues.

DP No. 151 (2022-23 Phase-II)

3.4.1.21 Loss due to execution of additional pile work - Rs 2.687 million

According to the drawings of the project, only 84 piles were required to be executed. According to Rule 2.33 of PFR (Volume-I), every government servant should realize fully and clearly that he would be held responsible personally for any loss sustained by government through fraud or negligence on his part.

Project Director Shahkam Flyover LDA, Lahore, got executed the items viz. "*P/Casting in situ board piles with type A concrete 1200 mm dia complete in all respect*" and "*Fabrication of mild steel for RCC*" for execution of 86 piles. Audit observed that as per drawings only 84 piles were required to be executed instead of 86 piles.

Violation of engineering drawings resulted in loss amounting to Rs 2,686,706.

Audit pointed out the loss in November 2022.

The para was discussed in the SDAC meeting held in April 2023. The Authority admitted the issue and stated that payment of only one additional pile was made. Audit contended that 86 piles were paid against a provision of 84 piles. The Committee directed the Authority to produce complete record for verification within 15 days otherwise effect recovery. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

Para No. 38 (SAR 2022-23)

Miscellaneous irregularities

3.4.1.22 Non-imposition of penalties on account of commercial use of residential properties – Rs 5,426.058 million

As per section 38 of LDA Act 1975 (XXXVI of amended Act 2013), if a person converts a property to a different use or purpose, than the one provided under a scheme, master plan or classification map, without the previous approval of the authority in writing, he shall be liable to punishment of fine which may extend to Rs 10,000 per day from the date of its conversion till the default continues or imprisonment for a term which may extend to one year or both.

Scrutiny of the records of the Chief Town Planner, LDA Lahore, it was discovered that forty-three (43) cases had been identified where property owners were using residential properties for commercial purposes. The audit observed that the Authority did not impose the stipulated fine on the defaulters in these instances.

Violation of the Act resulted in non-recovery of penalties amounting to Rs 5,426,058,200.

Audit pointed out the non-recovery in April-May 2023.

The paras were discussed in SDAC meetings held on 26th July 2023 and 7th September 2023. In thirty nine (39) cases, the Authority explained that notices were issued to the owners/occupants besides lodging FIR and sealing properties in two (02) cases (DP 636 & 638). Audit contended that there was no effective monitoring mechanism existed in the Authority to initiate action against defaulters and expedite recovery. The Committee, in thirty (30) cases directed the Authority to effect actual recovery, in seven (07) cases, to get the record verified and in two (02) cases (DP 543 & 564), to conduct inquiry. In four (04) cases (DP 642,643,646&647), the Authority explained that the paras pertained to other directorates. Audit informed the Committee that the Authority did not produce any record for verification. The Committee directed the Authority to transfer the paras to concerned directorates for verification of record. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery in all cases besides probing the matter for fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-XXVII)

3.4.1.23 Non-cancellation of alienated public utility sites – Rs 688.477 million

As per clauses of various Allotment Letters "the institute shall have to take a representative of the LDA on their management body", "no residential unit of the Principal, Headmaster or teaching staff will be constructed in the plot" and "the plot will not be further alienated, sub-let, leased or sold to anybody". In case of breach of the covenants, the LDA shall again take the possession of the land. Further, according to Para No. 2 of D.O. No.50(Schools)3-16/83 dated 27th November 1984, it was agreed that plots of 10 kanals and above will not be allotted to any private institution. Instead, such plots will be reserved exclusively for educational institutions operated by the provincial government.

Various Directorates of Housing, LDA, Lahore, in three (03) cases, allotted sites for educational purposes. Audit observed that these sites were further either sublet or sold by the allottees. Further, the allottees used the land partly for residential purposes in violation of criteria ibid. One of the sites measuring area above 10 kanal was allotted to a private institution. The detail is as under:

(Rs in million)

Sr. No.	DP No.	Location of Land	Allottee	Amount	Violation
1	1 (2022-23 Phase-II)	427-M Model Town Extension	Ameena Public School	68.637	- Sold the educational site - Partly constructed residence - The institute did not take a representative of LDA in their management body
11	11 (2022-23 Phase-II)	478-F Gulshan-e-Ravi area	Tahrik e Toheed e Pakistan Trust	86.400	- Sublet to American Lyceum - Partly constructed residence - The institute did not take a representative of LDA in their management body
12	12 (2022-23 Phase-II)	534-G/I Johar Town area	Ali Memorial Trust	533.440	- Sublet to LGS - Partly constructed residence - Area above 10 kanals - The institute did not take a representative of LDA in their management body
Total				**688.477**	

Violation of policy for allotment of public utility sites resulted in non-cancellation of properties valuing Rs 688,477,000.

Audit pointed out non-cancellation of alienations in May 2023.

The para was discussed in SDAC meeting held on 4th September 2023. In DP 01, the Authority explained that notice was issued on 23rd June 2023. Action including cancellation of allotment and retrieval of plot would be taken after receiving reply of the notice. Audit contended that LDA did not perform its role being a regulator because as per policy, the allottee cannot further alienate/sub-let, lease or sale out the plot to anybody. The Committee kept the para pending for action as per existing laws and rules within 30 days. In DP No. 11, the Authority explained that notice was served due to violation of clause ii, v & vi of allotment letter dated 24th December 1984. Allottee filed a civil suit and the notice was suspended. The Committee kept the para pending as the matter was sub judice. In DP 12, the Authority explained that plot was cancelled on 24th December 2012. Feeling aggrieved, the allottee filed writ petition due to which possession in favour of LDA could not be retrieved. A fresh notice was issued to the occupant of the site. The Committee, in DP No 12, directed the Authority to decide the matter within 30 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends prompt and proactive response by the authority to implement the policy of allotment of public utility sites besides strengthening internal controls in order to avoid the recurrence of such issues.

3.4.1.24 Undue benefit due to commercial use of public utility site – Rs 255.825 million

As per summary dated 17th September 1987 prepared for the Chief Minister (CM) for allotment of the plot No. 20 located at Kashmir-Egerton Road at the concessional rate of Rs 7 lac per kanal instead of original rate of Rs 15 lac per kanal in 1984 for the construction of hospital for charitable purpose.

ADG Housing, LDA, Lahore, executed a sale deed on 31st January 1990 with Dr. Muhammad Khalid Javed for plot No. 20 at Kashmir-Egerton Road measuring 5 Kanal 2 Marla 80 sft. The building plan was submitted on 27th November 1992. The plan was rejected on 31st May 1993, citing the reason that the construction of a hospital at the site was not permitted according to the Master Plan. Audit observed that LDA provided an undue financial benefit to the allottee by reducing the land rate from Rs 15 lac per kanal to Rs 7 lac per kanal for the construction of a charitable hospital. Subsequently, the LDA disallowed the construction of the hospital and permitted the commercial use of the plot. Furthermore, the LDA did not recover the building period surcharge and the differential cost as per the established regulations.

Violation of CM's approval and LDA rule regarding collection of building period surcharge resulted in undue financial benefit to the allottee and non-recovery of building period surcharge amounting to Rs 255,825,000.

Audit pointed out undue financial benefit in May 2023.

The para was discussed in SDAC meeting held on 4th September 2023. The Authority explained that the plot was allotted at the rate of Rs 700,000 per kanal for construction of hospital with 4 years building period without surcharge. A letter was issued on 28th January 1998 to the allottee asking him to obtain extension in building period and submit building plan for office building or any other use except hospital as per Master Plan. The non-recovery of building period surcharge was due to a number of litigations pending on the matter. Audit contended that public utility site was allotted at concessional rate for construction of charitable hospital but later on, use of land was changed to commercial due to non-provision of hospital at the location in the master plan. By changing the purpose of use of land, differential cost should have been recovered from the allottee. Also, LDA failed to timely recover building period surcharge. The Committee directed the Authority to place the matter before the governing body's meeting for deciding the matter. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery of differential cost along with building period surcharge besides strengthening internal controls to avoid the recurrence of such issues.

DP No. 9(2022-23 Phase-II)

3.4.1.25 Irregular issuance of NOC without considering LAC report – Rs 13.650 million

As per exemption policy issued by LDA vide No.1989 dated 3rd August 1976, no landowner will be entitled to exemption of more than one plot against individual land ownership. Further, according to Section-39 and 40 of the LDA Act 1975 (amended up to 2013), the authority was empowered to eject illegal encroachment and to demolish illegal construction.

Scrutiny of records of Directorate of Housing-II, LDA, Lahore revealed that Plot No.48, Block-H was originally exempted to Mr. Zahid Mustaqeem S/o Muhammad Mustaqeem vide exemption letter dated 23rd January 1982. Audit observed that the Authority granted an NOC to the current exemptee without taking into account the LAC report dated 25th September 2021, to the effect that the area had not been mutated in favor of LDA. The granting of NOC without considering the LAC report could have serious implications for legal ownership.

Violation of rule resulted in irregular issuance of NOC for plot worth Rs 13,650,000.

Audit pointed out irregularity in May 2023.

The para was discussed in the SDAC meeting held on 6th July 2023. The Authority explained that as per LAC report dated 19th March 2018 ownership of original exemptee was still intact. Audit informed the Committee that as per LAC report dated 25th September 2021 land in khasra No.495, Mouza Shera kot Gulshan-e-Ravi had not been mutated in favour of LDA. Further, the Authority also admitted the lapse. The Committee directed the Authority to get the land mutated in favour of LDA within 30 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early mutation of land in favour of LDA besides strengthening of internal controls and responsibility may also be fixed against the person held responsible(s).

DP No.23(2022-23 Phase-II)

3.4.2 Water & Sanitation Agency, Lahore

Irregularities

Irregularities resulting in overpayments

3.4.2.1 Overpayment on account of execution of incorrect item – Rs 7.734 million

According to para 145 of General Financial Rules (GFR) Volume-I, "purchases must be made in the most economical manner in accordance with the definite requirements of the public service". Further, the rate of Rs 53.65 per m^3 was provided in MRS 2nd Biannual 2016 for item 52 of Chapter 3 (Earthwork) namely "Earthwork in excavation of drains, irrigation channels through excavator/drag lines in all kinds of soil and conditions (dry, wet slush, daldal and under water) including its disposal and preparation of working pad for operation of machinery".

Director Construction-II, WASA, LDA, Lahore got executed the item *"Earthwork excavation in open cutting for storm water channels, drain, sullage drains…etc. up to 5ft depth and 5.1ft to 10ft depth"* at the rate of Rs 167.85 and Rs 185.10 per m^3 for quantities of 31144.15 m^3 and 31778.96 m^3, respectively. This item pertained to earthwork with manual labour. The audit observed that executing the extensive amount of earthwork totaling 62,923.11 m^3 (= 2,222,108.66 cft), solely through manual labour was impractical. Consequently, mechanical methods were necessary to manage this substantial quantity. Therefore, the Agency should have used the relevant and more economical item No. 52 provided in Chapter-03 of MRS at the rate of Rs 53.65 per m^3.

Violation of rules ibid resulted in overpayment of Rs 7,734,005.

Audit pointed out the overpayment in April 2023.

The para was discussed in the SDAC meeting held on 11th July 2023. The Agency explained that the item was correctly paid as per provision of estimate. Audit contended that the quantity of excavated earth, totaling 62,923.11 m^3 (equal to 2,222,108.66 cft), was not feasible to be executed solely by manual labour. Consequently, mechanical means had to be utilized to handle such a substantial quantity. Hence, item No. 52, chapter 3 of MRS was required to be applied and paid. The Committee directed the Agency to prepare the rate analysis as per F.D template and effect actual recovery and get it verified from Audit within 30 days. During re-verification on 19th July 2023, Agency produced cross-sections and drawing. Agency did not produce the rate analysis as per FD template to effect actual recovery in compliance with the SDAC directions. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides strengthening internal controls to avoid the recurrence of such issues.

DP No. 193(2022-23 Phase-II)

3.4.2.2 Overpayment due to non-deduction of shuttering – Rs 1.639 million

According to the note in remarks column of Item-42 Chapter-3 Earthwork, of MRS, "If the timbering and shuttering is not actually done at site, the composite rate may be reduced by Rs 368.20, 579.60 and 579.60, respectively".

Directors Operation & Maintenance (O&M), WASA, LDA, Lahore, in two (02) cases, got executed the item *"Earthwork excavation in open cutting for sewer"*. Audit observed that the specified item did not require shuttering; however, the authority failed to deduct the shuttering rate accordingly.

Violation of MRS resulted in overpayment of Rs 1,639,330.

Audit pointed out the overpayment in May 2023.

The paras were discussed in the SDAC meeting held on 11th July 2023. The Agency explained that Audit had calculated excess recovery. The actual recovery came to Rs 1,003,796. Audit informed that basis of calculations for actual recovery were not produced for verification. The Committee directed the Agency to effect actual recovery within

15 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides strengthening internal controls to avoid the recurrence of such issues.

DP No.240&266(2022-23 Phase-II)

Irregularities resulting in non-recoveries

3.4.2.3 Non-recovery of aquifer water and sewer charges – Rs 86.228 million

According to rule 4.5 (1) of PFR (Volume-I), "It is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Government account".

Scrutiny of the records of Director Revenue, WASA, LDA, Lahore, revealed that the Authority did not recover Rs 101,435,010 pending up to June 2022 from various households and commercial users on account of aquifer water and sewer charges.

Violation of PFR resulted in non-recovery of charges amounting to Rs 101,435,010.

Audit pointed out non-recovery in May 2023.

The paras were discussed in the SDAC meeting held on 12th July 2023. The Agency explained that efforts were being made to recover the dues. The Committee directed the Agency to get the recovery verified from Audit within 15 days. During re-verification, recovery of only Rs 15,207,393 was verified leaving balance of Rs 86,227,617.

Audit recommends early recovery of the dues besides strengthening internal controls to avoid the recurrence of such issues.

DP No.283, 284 & 285(2022-23 Phase-II)

3.4.3 Punjab Aab-e-Pak Authority (PAPA) Lahore

Irregularities:

Irregularities resulting in overpayments

3.4.3.1 Excess payment to contractor due to higher rate – Rs 127.246 million

As per Techno-Commercial Proposal of Water Technologies services dated 14th January 2021, the rate of item *"RO plants 2000 liter"* included free delivery at site, inclusive of all custom duties/taxes, technical services for six months after sales besides erection, installation and commissioning charges.

Director Project, Punjab Aab-e-Pak Authority, Lahore installed 536 *"RO Filtration Plants"* during 2021-22. Audit observed that the initial quotation for estimation was inclusive of on-site delivery, all taxes, installation and commissioning. Nevertheless, the Authority redundantly incorporated these costs in the rate analyses, coupled with a 20% contractor profit, leading to an inflated rate of Rs 237,400 per plant.

Violation of proposal resulted in excess payment amounting to Rs 127,246,400.

Audit pointed out excess payment in March 2023.

The para was discussed in the SDAC meeting held on 31st July 2023. The Authority replied that since the contractor had to purchase the item from his own finances initially which was then paid off after the processing of IPCs which took considerable time for processing. Hence, the time consumed along with services of contractor justified his 20% profit. Audit contended that GST, carriage and installation charges were already included in the quotation. Therefore, separate addition of these in the rate analyses was not permissible. The Committee directed the Authority to get the matter probed by Administrative Department and submit fact finding report within 30 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance with the SDAC Committee besides effecting recovery and strengthening internal controls to avoid the recurrence of such issues.

DP No.667 (2022-23 Phase-II)

3.4.3.2 Overpayment due to allowing 20% contractor's profit and overhead charges on GST – Rs 30.358 million

According to FD's template for preparation of rate analysis and the general prudence, profit on tax is invalid.

Director Project, Punjab Aab-e-Pak Authority, Lahore installed the items viz *"RO Filtration Plant"* and *"Pre-Filtration Plant"* during the year 2021-22. Audit observed that the authority allowed 20% contractor's profit and overhead charges on GST in the rate analysis which was not admissible.

Violation of FD's template resulted in overpayment of Rs 30,357,990.

Audit pointed out the overpayment in March 2023.

The para was discussed in the SDAC meeting held on 31st July 2023. The Authority explained that the items comprised of supply installation, testing and commissioning as one complete job which justified 20% contractor profit. Audit contended that 20% profit on GST amount was not admissible. The Committee directed the Authority to effect actual recovery from the contractors and get it verified from Audit within 30 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides strengthening internal controls to avoid the recurrence of such issues.

DP No. 669 (2022-23 Phase-II)

3.4.3.3 Overpayment due to use of substandard bricks – Rs 14.780 million

As per section 801 and section 1041-8 of Standard Specification for Roads & Bridges Construction 1997, read with FD's material rates of item No.07.001, the standard size of bricks was 9″ x 4-1/2″ x 3″ and the crushing strength was 2000 PSI. Further, as per remarks column of chapter "Brick Works" of MRS, if 2nd and 3rd class bricks are used, the item rate would be reduced by 7% and 14%, respectively.

Director Project, Punjab Aab-e-Pak Authority, Lahore got executed the item *"Pacca brick work cement sand mortar, etc."* for 30311 cubic meter (cu.m). Audit observed that, based on laboratory test reports, the strength of the bricks was below 2000 PSI, and their size measured 8.7" x 4.3" x 2.8", deviating from the specified 9" x 4.5" x 3". Consequently, in accordance with the lab test reports classifying these bricks as 2nd class, the authority was obligated to reduce the rates by 7%. However, the Authority failed to implement the necessary rate reduction of 7%.

Violation of the specifications and instructions in MRS resulted in overpayment amounting to Rs 14,780,207 (Annexure-XXVIII).

Audit pointed out the overpayment in March 2023.

The para was discussed in the SDAC meeting held on 31st July 2023. The Authority explained that as per test results of bricks utilized in the works executed in Rawalpindi, Lahore, Faisalabad, Sahiwal, Gujranwala and Sargodha Division, the average crushing strength for bricks was above 2000 PSI, hence, no sub-standard brick had been used. Further, as per technical specification, the required crushing strength for bricks was 1400 PSI in D.G Khan, Multan, Bahawalpur and Rajanpur and as per test results of bricks utilized in these districts was 1500 PSI. However, in order to ensure compliance with FD rules for material standards, the actual recovery had been made from the bills pertaining to Bahawalpur and Multan. Similarly, deductions would be made from the bills of remaining contracts upon receipt of the invoices. Audit contended that the strength and size of the bricks were below standard and the record for verification of recovery was also not produced. The Committee directed the Authority to effect actual recovery as per lab test reports and get it verified from Audit within 15 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides strengthening internal controls to avoid the recurrence of such issues.

DP No. 673 (2022-23 Phase-II)

3.4.4 Parks & Horticulture Authority (PHA), Lahore

Irregularities

Irregularities resulting in overpayments

3.4.4.1 Overpayment due to application of higher rates for non-standardized items – Rs 30.041 million

According to FD's instruction No. RO(Tech)FD-18-23/2004 dated 21st September 2004, "the rate analysis for a non-standardized item shall be approved by SE, giving specifications of the material used as per FD's website. The standardized analysis shall be used to work out the rate of items as far as possible".

Director Engineering & Director Maintenance & Operation PHA, Lahore, in three (03) cases, got executed non-standardized items viz "Making/installation of *MS Bar Structure"* for 635 Nos, *"Chain link fence with MS pipe*" for 10000 sft and "*Canal silt*" for 1579374 cft. Audit observed that the authority approved the rate analyses by incorporating excessive labour and material rates beyond those specified in the input rates of FD.

Violation of FD's instructions resulted in overpayment amounting to Rs 30,041,645.

Audit pointed out the overpayment in May 2023.

The paras were discussed in the SDAC meeting held on 10th July 2023. In DP 328, the Authority explained that non MRS rate was prepared and paid because the rates of canal silt and good earth were not notified on FD website. Audit contended that rate analysis was prepared by taking higher rates of items. The Committee directed the Authority to rationalize the rate and effect actual recovery within the 7 days. In DP 368 & 373, the Authority explained that rate analyses were prepared by taking market rates and quotations were attached. Audit contended in DP No 368 that the Authority approved higher rates. In DP 373, lump sum cost of labour instead of actual cost was provided. Further, scaffolding was also added in the rate analysis which was inadmissible. The Committee, in DP 368, directed the Authority to get the record verified in detail within 15 days otherwise effect recovery. In DP 373, the Committee directed the Authority to get the matter condoned from FD. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 328,368 & 373 (2022-23)

Note: This issue was reported earlier also in the Audit Reports for the years 2018-19 and 2019-20 vide Para No. 3.4.2.4 in AR 2018-19 and Para No. 3.5.4.3 in AR 2019-20 having financial impact of Rs 168.332 million. Recurrence of same irregularity is a matter of serious concern.

3.4.4.2 Overpayment due to inadmissible contractor's profit – Rs 7.623 million

As per FD's letter No. RO(Tech)FD-18-29/2006 dated 3rd March 2005, read with FD's notified template for electrical items, "12.5% contractor profit and overhead charges are allowed". Further, according to instructions of FD vide letter No. FD-18-29/2006 dated 8th August 2005, "plant and machinery like generator, air conditioner (AC), electrical items and turbine transformers/panels etc. are required to be purchased as per procedure prescribed in the purchase manual instead of through contractor".

Director Engineering and Director Maintenance & Operation PHA, Lahore, got executed various non-standardized electrical and children play items, and procured machinery. Audit observed that in four (04) cases, the Authority added 20% contractor profit in the rate analyses of the LED Flood lights instead of 12.5%. In three (03) cases, 20% contractor profit was added twice in the rate analyses of children play items. In one (01) case, 20% contractor profit was added in the rate analysis of Agriculture Mulching Leaf Shredder.

Violation of FD's instructions resulted in overpayment amounting to Rs 7,623,144.

Audit pointed out the overpayment in May 2023.

The paras were discussed in the SDAC meeting held on 10th July 2023. In four (04) cases (DP 348, 353, 358 & 376), the Authority replied that 12.5% contractor profit was added in the rate analyses of LED Flood lights. Further, market rates were applied while preparing rate analyses. Audit contended that the Authority prepared rate analyses by allowing inadmissible 20% contractor profit. The Committee directed the Authority to get the record verified in detail within 15 days otherwise effect recovery. In three (03) cases (DP 351, 352 and 359), the Authority explained that the schemes were under progress. Recovery would be made from final bills of the contractors. Audit contended to effect early recovery. The Committee directed the Authority to effect recovery within 30 days. In DP 329, Authority replied that the machine was assembled which includes Honda company engine and other parts from lathe shop. Audit contended that 20% contractor profit was not admissible. The Committee directed the Authority to rationalize the rate and effect actual recovery within 7 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-XXIX)

Note: This issue was reported earlier also in the Audit Report for the year 2022-23 vide Para No. 3.4.3.1 having financial impact of Rs 3.849 million. Recurrence of same irregularity is a matter of serious concern.

Irregularities resulting in non-recoveries

3.4.4.3 Non/Less recovery of advertisement fee – Rs 75.516 million

According to sub-section 8 of Section 12 of the Parks and Horticulture Authority Act 2012, "the Authority may charge such fees for the grant of permission for installation of a billboard, sky sign or outdoor advertisement as the Authority may approve". Further, the para 7 of Parks and Horticulture Authority Outdoor Advertisement Regulations 2017 states that "the charges for shop signs will be levied and collected by the Authority according to the rates and manner prescribed from time-to-time".

Director Marketing PHA, Lahore in eleven (11) cases, did not recover advertisement fee and in eleven (11) cases, recovered less than the due amount. As a result, an aggregate amount of Rs 77,670,865 remained uncollected/less recovered from various owners of shops/schools in

Lahore. Moreover, physical verification conducted by Audit (07 out of 22 cases) revealed that sign boards/hoardings were installed on the shops and schools. However, the Authority had no record of these advertisements.

Violation of the Authority's Act and Regulations resulted in non-recovery of fees amounting to Rs 77,670,865.

Audit pointed out the non-recovery of fees in April and September 2023.

The paras were discussed in the SDAC meetings held on 1st August 2023 and 11th January 2024. In eleven (11) cases, the Authority explained that notices had been served to the defaulters for recovery. Audit contended that the notices were not produced for verification. The Committee directed the Authority to effect recovery and responsibility be fixed against those who failed to collect government revenue. In eleven (11) cases, the Authority explained that the actual recoverable amount was worked out for Rs 42,095,467 against which an amount of Rs 2,154,449. Audit verified the recovery and stressed for early recovery of balance amount. The Committee directed the Authority to effect recovery of the balance amount. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-XXX)

Note: This issue was reported earlier also in the Audit Reports for the years 2021-22 and 2022-23 vide Para No. 3.4.3.1 in AR 2020-21 and Para No. 3.4.3.3 in AR 2022-23 having financial impact of Rs 233.178 million. Recurrence of same irregularity is a matter of serious concern.

3.4.5 Public Health Engineering Department

Irregularities

Irregularities resulting in overpayments

3.4.5.1 Overpayment due to allowing excess lead – Rs 68.265 million

As per condition No. 5 of FD's letter No. RO(Tech)FD 2-3/2004 dated 2nd August 2004, the material of crushed stone aggregate and sand shall be carried from the nearest quarry and the shortest route shall be adopted for carriage.

3.4.5.1.1 Executive Engineers, PHE Divisions, Sialkot and Gujrat got executed items *"Carriage of 100 cft of all material bajri" and "Supplying and placing crush stone aggregate 3/8 to 1" under sewer pipe bedding".* Audit observed that bajri was sourced from the Sikhanwali quarry in Sargodha. However, the same material was also available at the Melot quarry in Jhelum.

Violation of FD's instructions resulted in overpayment amounting to Rs 67,060,568.

Audit pointed out the overpayment in August 2023.

The paras were discussed in the SDAC meetings held in October and November 2023. In DP No. 75, the department explained that the payment was made to contractor as per T.S estimate sanctioned by the competent authority. Audit contended that department applied lead from Sargodha quarry to the site of work instead of using Melot quarry which was nearer, hence, recovery of excess lead was required to be made. The Committee directed the department to refer the case to FD for technical advice. In DP No 281, the department explained that carriage was paid as per provision of TS estimate approved by the competent authority. Further, Melot quarry was used for sub-base course but not for surface dressing, PCC and RCC. Audit contended that bajri was available at Melot quarry as per FD's letter dated 5th August 2015, therefore, the department should have procured bajri from Melot quarry instead of Sikhanwali quarry, Sargodha. The Committee directed the department to get the matter probed by CE (North). Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance with the SDAC directives besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-XXXI)

3.4.5.1.2 Executive Engineer, PHE Division, Sialkot got executed the item *"Sub-base course"* for a quantity of 322461 cft at the rate of Rs 8,833.41 % cft. Audit observed that the department calculated the rate of stone material by taking lead of 140 km from Dina quarry instead of admissible lead of 128 km from Melot quarry, Jhelum. In this way, excess carriage at the rate of Rs 373.41 % cft was paid. This resulted in an overpayment of Rs 1,204,102 (322461 cft x Rs 373.41% cft)

Violation of FD's instructions resulted in overpayment amounting to Rs 1,204,102.

Audit pointed out the overpayment in August 2023.

The para was discussed in the SDAC meeting held on 20th October 2023. The department explained that payment was made as per lead chart approved in TS estimate sanctioned by the competent authority. Audit contended that as per FD's letter dated 5th August 2015, the Melot quarry was approved for sub-base material, therefore, recovery of Rs 1,204,102 should be made. The Committee directed the department to effect recovery and get it verified from Audit. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 82(2023-24)

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2018-19 and 2022-23 vide Para No. 3.4.9.10 in AR 2018-19 and Para No. 3.4.15.8 in AR 2022-23 having financial impact of Rs 9.268 million. Recurrence of same irregularity is a matter of serious concern.

3.4.5.2 Overpayment due to application of higher rate – Rs 40.987 million

According to FD's instruction No. RO(Tech)FD-18-23/2004 dated 21st September 2004, rate analysis for the non-standardized items shall be prepared by the Executive Engineer, clearly giving the specifications of the material used and approved by the competent authority not below the rank of SE on the basis of input rates of relevant quarter placed at website of FD. Standardized analysis/template shall be used to work out the rate of an item as far as possible.

3.4.5.2.1 Executive Engineer, PHE Division, Layyah in four (04) works paid Rs 33,696,078 for the item "*Earthwork excavation in open cutting"*. Audit observed that in all four works, the department made payments for the specified item based on manual labour rates, despite clear evidence from pictorial sources indicating the use of machinery for the execution of the said item. Moreover, considering the vast volume of excavation involved, it was not feasible to conduct such extensive works through manual labour. Therefore, the rate for MRS item No.52 *"Earthwork in excavation of drains, irrigation channels through excavator/drag lines in all kinds of soil and conditions (dry, wet slush, daldal and under water) including its disposal and preparation of working pad for operation of machinery"* should have been provided and paid accordingly. The detail is as under:

(Amount in Rs)

Sr. No.	Name of works	Rate paid (Rs per ‰ cft)	Rate to be paid (Rs per ‰ cft)	Difference (Rs per ‰ cft)	Qty paid cft	Amount Overpaid
1	Provision of rural sewerage and schemes Laskani Wala District Layyah (0 to 7')	6,349.14	2,227	4,122.14	1513981	6,240,842
	(7' to 15')	10,682.94	2,227	8,455.94	311648	2,635,277
2	Leftover work of sewerage drainage scheme at Deen Pur District Layyah (0 to 7')	6,394.14	2,227	4167.14	1065378.6	4,439,582
	(7' to 15')	10,682.92	2,227	8,455.92	85278.66	721,110
3	Sewerage/drainage in leftover area Layyah city (0 to 7')	11,000	2,698	8,302.00	299905	2,489,811
	(7' to 15')	6,000	2,698	3,302.00	146512	483,783
4	Provision of urban rural sewerage scheme chowk Azam District Layyah (0 to 7')	11,000	2,227	8,773	539468	4,732,753
	(7' to 15')	11,000	2,227	8,773	265355	2,327,959
	Total					**24,071,116**

Violation of FD’s instructions resulted in overpayment amounting to Rs 24,071,116.

Audit pointed out the overpayment in September 2023.

The para was discussed in the SDAC meeting held on 11th December 2023. The department stated that item No. 52 chapter 3 earthwork pertained to Irrigation department, whereas item No.7

of chapter 3 was approved by competent authority and paid accordingly. Audit contended that the department got executed the work through machinery, therefore rate of excavation with machinery was required to be paid. The Committee directed the department to rationalize the rate by taking the rate of excavation with machinery, effect recovery and get it verified from Audit. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 211(2023-24)

3.4.5.2.2 Executive Engineer, PHE Division, Mianwali, in two (02) cases, got executed the item "*Earthwork excavation undressed lead up to single throw of kassi in ordinary soil i/c transportation of earth up to 1 mile on account of disposal/transportation of surplus earth*" for sewer and manholes. Audit observed that in the rate analysis of the said item, two components i.e., *"earthwork excavation undressed with lead up to a single throw of kassi"* and *"compaction of earthwork"* were added which were inadmissible because cost of loading/unloading was inbuilt in the composite rate of transportation. Further, compaction for disposed of surplus earth was also not required. Consequently, excess rate of Rs 5,148 ‰ cft was paid. This resulted in an overpayment of Rs 6,603,628 (1282756 cft x Rs 5,148 ‰ cft).

Violation of FD's instructions resulted in overpayment amounting to Rs 6,603,628.

Audit pointed out the overpayment in September 2023.

The paras were discussed in the SDAC meeting held on 22nd November 2023. The department admitted recovery and ensured to effect from the next running bills of the contractors. The Committee directed the department to effect recovery. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.240&258(2023-24)

3.4.5.2.3 Executive Engineer, PHE Division, Hafizabad got executed the item *"Providing and laying sub-base course of stone product with 85 % compaction"* for a quantity of 369350 cft at the rate of Rs 9,749 % cft. Audit observed that as the item was paid with 85% compaction through machinery, the payable rate came to Rs 8,762 %cft. Consequently, an excess rate of Rs 987 %cft was paid. This resulted in an overpayment of Rs 3,645,485 (369350 cft x Rs 987% cft).

Violation of FD's instructions resulted in overpayment amounting to Rs 3,645,485.
Audit pointed out the overpayment in August 2023.

The para was discussed in the SDAC meeting held on 27th November 2023. The department explained that payment was made as per rate approved by the competent authority with 85% compaction. Audit contended that rate of subject item by taking Diesel Road Roller 10-15 ton amount to Rs 8,762 % cft, therefore, recovery amounting to Rs 3,645,485 was required to be made. The Committee directed the department to rationalize the rate, effect recovery and get it verified from Audit within 30 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 137(2023-24)

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide Para No. 3.4.6.1.4 having financial impact of Rs 4.175 million. Recurrence of same irregularity is a matter of serious concern.

3.4.5.2.4 Executive Engineer, PHE Division, Mianwali got executed the item "*Construction of plum concrete retaining walls as per design and specification*" for a quantity of 87511 cft at the rate of Rs 16,488.05 % cft. Audit observed that the rate for the item, as per FD's template, amounted to Rs 12,457.09 % cft. Consequently, an excess rate of Rs 4,030.96 %cft was paid. This resulted in an overpayment of Rs 3,527,533 (87511 cft x Rs 4,030.96% cft).

Violation of FD's instructions resulted in overpayment amounting to Rs 3,527,533.

Audit pointed out the overpayment in September 2023.

The para was discussed in the SDAC meeting held on 22nd November 2023. The department explained that the item was executed as per site requirement and the rate paid by the department was correct. Audit contended that the department prepared rate analysis on higher side than admissible as per FD's template. The Committee directed the department to compare the rate paid by the department and rate prepared by Audit on FD's template, and effect recovery, if any. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.235(2023-24)

3.4.5.2.5 Executive Engineer, PHE Division, Gujrat got executed a non-standardized item *"P/L crushed stone ¼" to 1" guage bedding"* for a quantity of 223133.72 cft at the rate of Rs 116.05 per cft. Audit observed that department prepared rate analysis by taking 3 coolies instead of 2 in the labour component and taking lead of 80 km from Dinna to the site of the works. Audit prepared the rate analysis for the specified item, considering 2 coolies and a lead of 71 km, resulting in the actual payable rate of Rs 103.19 per cft. Consequently, an excess rate of Rs 12.86 per cft was approved and disbursed accordingly. This resulted in an overpayment of Rs 2,869,500 (223133.72 cft x Rs 12.86 per cft).

Violation of FD's instructions resulted in overpayment amounting to Rs 2,869,500.

Audit pointed out the overpayment in August 2023.

The para was discussed in the SDAC meeting held on 28th November 2023. The department admitted recovery of Rs 2,133,158 to the extent of labour component and stated that the lead was paid correctly. Audit stressed for early recovery of extra labour component only. The Committee reduced the amount of para to Rs 2,133,158, directed the department to effect recovery and get it verified from Audit. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.282(2023-24)

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide Para No. 3.4.6.1.3 having financial impact of Rs 8.725 million. Recurrence of same irregularity is a matter of serious concern.

3.4.5.2.6 According to item No 08 chapter 14 (lining of canals) MRS 1st Biannual 2022, the rate of item "*Brick lining 9"x4.5"x3" in 1:6 cement sand mortar (Bed of pond)*" was Rs 27,148.50 % cft.

Executive Engineer, PHE Division, Mianwali got executed the item "*Brick lining 9"x4.5"x3" in 1:6 cement sand mortar (Bed of pond)*" for a quantity of 49031 cft under a contract which was awarded at 3.5% premium. Audit observed that the department sanctioned the rate of item at higher side i.e., 29279.70 %cft. However, during payment the rate was reduced at the rate of 7% and the said item was paid at the rate of Rs 28,182.70% cft (Rs 29,279.70 + 3.50% premium - 7% reduced rate). Audit was of the view that the actual rate of item as per MRS came to Rs 26,131.78% cft [Rs 27,148.50 + 3.50%(premium) - 7% (reduced rate)]. Consequently, excess rate of Rs 2,050.92 % cft was got approved and paid to the contractor.

Violation of MRS resulted in overpayment amounting to Rs 1,005,587.

Audit pointed out the overpayment in September 2023.

The para was discussed in the SDAC meeting held on 22nd November 2023. The department admitted recovery and ensured to effect the same from next running bill of the contractor. The Committee directed the department to effect recovery and get it verified from Audit. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

PDP No.260(2023-24)

3.4.5.3 Overpayment due to inadmissible price variation – Rs 31.801 million

According to the clarification provided by FD on January 4 2023, price variation will be permitted for High Density Polyethylene (HDPE) pipe and sand in contracts approved after 16th November 2022.

Executive Engineers, PHE Divisions, D.G Khan-I and Bahawalpur paid price variation amounting to Rs 31,801,435 to the contractors against sand and HDPE pipe in June 2023. Audit observed that the works were awarded in March and May 2022 and FD's notification was issued on 16th November 2022, therefore, price variation against sand and HDPE pipe was not admissible.

Violation of FD's clarification resulted in overpayment amounting to Rs 31,801,435.

Audit pointed out the overpayment in August 2023.

The DP No. 59 was scheduled to be discussed in the SDAC meeting dated 11th December 2023 but the department did not produce original and complete record during verification, therefore, the para could not be discussed in the meeting. However, in its written reply the department stated that price variation on sand and HDPE pipe was allowed as per FD's notification dated 16th November 2022. The reply was not tenable because the work was awarded in May 2022, therefore, price variation was not admissible. In DP No 107, the department explained that record entry for HDPE pipe was made in May 2023 after issuance of notification. Audit contended that price variation on HDPE pipes was admissible from the date of notification and onwards for new contracts only. The Committee directed the department to effect recovery within 30 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.59&107(2023-24)

3.4.5.4 Overpayment due to allowing excess carriage - Rs 11.491 million

As per rule 7.29 of DFR, "before signing the bill, Sub-Divisional Officer should compare the quantities in the bill with those recorded in MB and see that all the rates are correctly entered and that calculations have been checked arithmetically to be correct".

3.4.5.4.1 Executive Engineer, PHE Division, Sheikhupura got executed the item *"Carriage of stone" for* a quantity of 808405.18 cft against the items *"P/L sub-base*" *and "PCC 1:2:4"*. Audit observed that a quantity of 540780 cft stone and bajri was used in the above-mentioned items but the department paid carriage for a quantity of 808405.18 cft at the rate of Rs 6,513% cft. Consequently, excess carriage for 267625.18 cft of stone was paid which resulted in an overpayment of Rs 17,430,428 (267625.18 cft x Rs 6,513% cft).

Violation of DFR resulted in overpayment amounting to Rs 17,430,428.

Audit pointed out the overpayment in August 2023.

The para was discussed in the SDAC meeting held on 20th November 2023. The department explained that while calculating the carriage, Audit ignored the quantity of sub-base which was 95029.33 cft. The actual quantity of stone consumed was 654815.20 cft, therefore, excess carriage for 153589.98 cft was paid and actual recovery came to Rs 10,003,315 which would be effected from the next running bill of the contractor. Audit stressed for early recovery. The Committee directed the department to effect recovery of Rs 10,003,315 and get it verified from Audit. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.17(2023-24)

3.4.5.4.2 Executive Engineer, PHE Division, Lahore got executed the item *"P/L crush stone ¼" to 1" etc."* for a quantity of 12383.28 cft at the rate of Rs 137.87 per cft. Audit observed that the department added carriage of crush stone in the rate analysis and paid an amount of

Rs 1,487,603 on account of carriage as a separate item which was not admissible because the carriage of stone was already included in rate analysis of crush stone.

Violation of DFR resulted in overpayment amounting to Rs 1,487,603.

Audit pointed out the overpayment in September 2023.

The para was discussed in the SDAC meeting held on 29th November 2023. The department admitted recovery and ensured to effect the same from the next running bill of contractor. The Committee directed the department to effect recovery and get it verified from Audit. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.318(2023-24)

3.4.5.5 Overpayment due to allowing inadmissible item – Rs 6.165 million

According to the acceptance letter, the rate of item *"Earth excavation undressed lead up to a single throw of kassi including transportation of earth all type and dressing and levelling of earthwork to designed section etc. compaction of earthwork, lead up to 3 miles"* was Rs 3,971 ‰ cft. Further, as per FD's template regarding item *"regular excavation dressed"* vide item No.6 Chapter 3(Earthwork), the regular excavation dressed includes all type of dressing.

3.4.5.5.1 Executive Engineer, PHE Division-I, D.G Khan got executed the item *"Earth excavation undressed lead up to a single throw of kassi, phaorah or shovel ordinary soil including transportation of earth all types lead up to 3 miles"* for a quantity of 228474.72 cft at the rate of Rs 3,971 ‰ cft. Audit observed that the department paid additional items *"Regular excavation undressed"* and *"Transportation of unsuitable material lead up to 3 miles"* amounting to Rs 4,005,690 which were not admissible because both of these items were already inbuilt in the above specified BOQ item.

Violation of contractual obligations resulted in overpayment amounting to Rs 4,005,690.

Audit pointed out the overpayment in August 2023.

The para was scheduled to be discussed in the SDAC meeting dated 11th December 2023 but the department did not produce original and complete record during verification, therefore, the para could not be discussed in the meeting. However, in annotated reply, the recovery was admitted by the department.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.71(2023-24)

3.4.5.5.2 Executive Engineer, PHE Division, Mianwali got executed the item "*Formation, dressing and preparing sub grade in bed*" in addition to items "*Regular excavation dressed*" and "*Filling watering ramming under floor with surplus earth*". Audit observed that only regular excavation dressed was payable because the department built oxidation pond by excavating the existing land and no filling under the floor was required. Consequently, an amount of Rs 2,159,798 was paid for the two above-mentioned items unnecessarily.

Violation of rules resulted in overpayment amounting to Rs 2,159,798.

Audit pointed out the overpayment in September 2023.

The para was discussed in the SDAC meeting held on 22nd November 2023. The department explained that preparation of sub grade in bed was required after removing of slush or daldal. Audit contended that in the regular excavation dressed, the component of dressing was inbuilt, therefore, separate payment was not admissible. During discussion the department admitted recovery and ensured to effect the same from next running bill of the contractor. The Committee directed the department to effect recovery and get it verified from Audit. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.254(2023-24)

3.4.5.6 Overpayment due to excess measurements than TS estimate and pavement design of PCC – Rs 5.948 million

As per provision in TS estimate and CE (North) PHE Department Lahore Letter No. 664-67/P&D-I dated 29th May 2015, thickness of PCC 1:2:4 in street should be as mentioned below:

Width of PCC pavement 0′ to 6′	Thickness of PCC 3″
Width of PCC pavement 6′-10′	Thickness of PCC 4″
Width of PCC pavement above 10′	Thickness of PCC 6″

Executive Engineer, PHE Division, Gujrat got executed items "*P/L of PCC 1:2:4" and "PCC 1:7:20"* in streets having width from 3.38' to 10'. Audit observed that the department measured and paid excess thickness of PCC up to 6" instead of 4", in violation of the pavement design.

Violation of TS estimate and pavement design resulted in overpayment amounting to Rs 5,948,440.

Audit pointed out the overpayment in August 2023.

The para was discussed in SDAC meeting held on 28th November 2023. The department explained that the items *"PCC 1:2:4"* and *"PCC 1:7:20"* were executed in the streets having different width on different points. Initial width of the streets was more than 10' that was why 0.50' thickness was measured and paid. Audit informed the Committee that department did not produce any record during verification. The Committee directed department to get the record verified from Audit within 07 days. In compliance with the SDAC directives, the department produced the record for verification. Audit observed that department paid the excess quantity of PCC by taking thickness in above items from 4" to 6" instead of 3" to 4" in violation of design criteria notified by the CE. Therefore, the recovery as pointed out by Audit should be effected.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 299(2023-24)

3.4.5.7 Overpayment due to less-deduction of shrinkage – Rs 4.382 million

As per general instructions provided in MRS under chapter 3, “Earthwork”, 10% shrinkage was required to be deducted in case work was done with manual labour and 3% to 6% in case work was done by machines.

Executive Engineer, PHE Division, Pakpattan got executed the item *“Earth filling under soling lead up to 1 mile*” for a quantity of 18638226 cft and deducted shrinkage at the rate of 6%. Audit observed that as per TS estimate the shrinkage was required to be deducted at the rate of 10% because the work was executed with manual labour.

Violation of the MRS resulted in overpayment amounting to Rs 4,382,058.

Audit pointed out the overpayment in August 2023.

The para was discussed in the SDAC meeting held on 20th October 2023. The department explained that shrinkage was deducted as per site requirements. Audit contended that according to approved TS estimate the CE categorically mentioned that the deduction of shrinkage allowance would be made at the rate of 10% as provided in MRS. Therefore, recovery should be effected. After detailed discussion the department admitted recovery. The Committee directed the department to effect recovery and get it verified from Audit. Compliance with the Committee’s directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 49(2023-24)

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2019-20, 2021-22 and 2022-23 vide Para No. 3.5.8.5.2 in AR 2019-20, Para No. 3.4.6.6 in AR 2021-22 and Para No. 3.4.15.14 in AR 2022-23 having financial impact of Rs 21.662 million. Recurrence of same irregularity is a matter of serious concern.

3.4.5.8 Overpayment due to non-utilization of excavated earth – Rs 2.961 million

As per section 411 of Standard Specifications for Roads & Bridges Construction 1971, available useable material from the excavation was to be used in works before using material from an outside source. Further, as per Specification No 17.1(A) (11) (i) of Specifications for Execution of Works 1967 (Volume-I Part-II), if cutting and filling were to be done simultaneously, all suitable materials obtained from excavation would be used in filling.

Executive Engineer, PHE Division, Sheikhupura got executed the item *"Earthwork excavation in open cutting for sewer"* for a quantity of 2330743 cft out of which only a quantity of 1812930 cft was reused. Audit observed that the department paid another item "*Filling, watering and ramming earth under floor with new earth brought from outside lead up to two miles"* for a quantity of 392000 cft but did not adjust the available earth for a quantity of 517813 cft. This resulted in an overpayment of Rs 2,961,305 (392000 cft x Rs 7,554.35 ‰ cft).

Violation of the specification resulted in overpayment amounting to Rs 2,961,305.

Audit pointed out the overpayment in August 2023.

The para was discussed in the SDAC meeting held on 20th November 2023. The department admitted recovery and ensured to effect the same from next running bill of the contractor. The Committee directed the department to effect recovery and get it verified from Audit at the earliest. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 15(2023-24)

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2018-19, 2019-20 and 2021-22 vide Para No. 3.4.9.12 in AR 2018-19, Para No. 3.5.8,8 in AR 2019-20 and Para No. 3.4.6.9 in AR 2021-22 having financial impact of Rs 22.734 million. Recurrence of same irregularity is a matter of serious concern.

3.4.5.9 Overpayment due to non-deduction of rate of timbering and shuttering – Rs 1.728 million

As per remarks against item No. 42 under Chapter No. 3 (Earth Work) of MRS, composite rate shall be reduced by Rs 368.20 ‰ cft (for 0′ to 7′), Rs 579.60 ‰ cft (for 7′ to 15′) and Rs 579.60 (for above 15′), respectively, if the timbering and shuttering is not actually done at site.

Executive Engineer, PHE Division, Layyah in four (04) works got executed the item "*Earthwork excavation in open cutting".* Audit observed during site inspection that the department got executed the item without timbering and shuttering and did not deduct the rate of timbering and shuttering while making payments to the contractors.

Violation of MRS's instructions resulted in overpayment amounting to Rs 1,727,524.

Audit pointed out the overpayment in September 2023.

The para was discussed in the SDAC meeting held on 11th December 2023. The department explained that the item was executed with shuttering and timbering because of sandy area and to protect existing structures, therefore, rate of shuttering and timbering was approved by competent authority and payment was made accordingly. Audit contended that no timbering and shuttering was done at site as per pictorial evidence. The Committee directed the department to effect recovery and get it verified from Audit besides fixing responsibility against the person(s) responsible. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.212(2023-24)

<u>Note:</u> The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide Para No. 3.4.6.8.4 having financial impact of Rs 1.146 million. Recurrence of same irregularity is a matter of serious concern.

Irregularities resulting in non-recoveries

3.4.5.10 Non-recovery of cost of damaged sullage carrier – Rs 1.909 million

As per clause 31 of contract agreement, action and compensation payable in cases of bad work, if it shall appear to the Engineer-in-charge or to his subordinate in charge of the work, that any work has been executed with unsound, imperfect or un-skillful workmanship, the Engineer-in-charge may remove and reconstruct the work so specified in whole or in parts, or recover from the contractor under his contract.

Executive Engineer, PHE Division, Kasur paid for the item *"Construction of sullage carrier 7 x 4 feet"* amounting to Rs 6,945,887. As per sub engineer letter dated 30th January 2020, the constructed sullage carrier slid during excavation and the contractor admitted to pay the cost of damaged work. Audit observed that the department did not recover the cost of sullage carrier damaged by the contractor despite lapse of 42 months.

Violation of the contract agreement resulted in non-recovery amounting to Rs 6,945,887.

Audit pointed out non recovery during August 2023.

The para was discussed in the SDAC meeting held on 20th October 2023. The department stated that recovery of Rs 5,036,713 was made from the contractor and balance recovery would be made from the next bill of the contractor. Audit contended that department effected recovery in September 2023 after audit observation highlighted in August 2023, therefore, responsibility should be fixed for making recovery after lapse of 43 months besides effecting balance recovery. The Committee reduced the amount of para to 1,909,174 and directed the department to effect balance recovery and get it verified from Audit. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 106(2023-24)

3.4.5.11 Non/less recovery of Income Tax – Rs 1.358 million

According to Section 153(1)(c) of Division-III in Part-III of the 1st Schedule of the Income Tax Ordinance, 2001 (updated up to 30th June 2023), the rate of income tax deduction for the execution of contracts is 8%, applicable to cases other than companies.

Executive Engineer, PHE Division, Mianwali deducted income tax from the payments of contractor at the rate of 7 % amounting to Rs 9,512,039. Audit observed that as per income tax certificate, the contractor was registered as Association of Persons (AOP), therefore, income tax at the rate of 8% amounting to Rs 10,870,902 was required to be deducted.

Violation of FBR instructions resulted in non-recovery amounting to Rs 1,358,863.

Audit pointed out the non-recovery in September 2023.

The para was discussed in the SDAC meeting held on 22nd November 2023. The department admitted recovery and ensured to effect the same from next running bill of contractor.

The Committee directed the department to effect recovery and get it verified from Audit. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.262(2023-24)

Miscellaneous irregularities

3.4.5.12 Irregular enhancement of agreement – Rs 1,104.590 million

As per clarification by PPRA dated 18th June 2019, enhancement in the original scope of work cannot be allowed under the PPRA rules being a different modality from the concept of variation, which is allowed (to the extent of 20% of the original procurement in the category of works only and based on unforeseen engineering anomalies) in the light of clause 42 of contract agreement circulated by FD.

Executive Engineers, PHE Divisions, Sheikhupura, Kasur and Gujrat awarded various contracts. Audit observed that the department, in four (04) cases, enhanced the works by 39.65% to 505.30% above the agreed cost of the original agreement as under:

(*Amount in Rs*)

Sr. No.	**DP No.**	**Name of Division**	**Agreement Amount**	**Payment Made**	**Enhancement (% age)**	**Amount**
1	169 (2023-24)	Sheikhupura	324,374,535	544,669,697	67.91	220,695,162
2	179	Sheikhupura	365,174,000	510,000,000	39.65	144,826,000

	(2023-24)		96,555,000	159,800,000	65.50	63,245,000
3	198 (2023-24)	Kasur	174,000,554	339,566,863	95.15	165,566,309
4	292 (2023-24)	Gujrat	85,347,752 57,495,271	516,605,731 136,494,418	505.30 137.40	431,257,979 78,999,147
Total						**1,104,589,597**

Violation of the PPRA resulted in irregular enhancement of contract agreements amounting to Rs 1,104,589,597.

Audit pointed out the irregularity in August 2023.

The paras were discussed in the SDAC meetings held in November 2023. In DP No. 169 and 179, the department explained that the enhancement was made in the best interest of public. Audit contended that violation of PPRA was made, therefore, irregularity may be condoned from FD. In DP No.198, the department explained that scheme was enhanced due to change in scope of work. Audit contended that violation of PPRA was made, therefore, irregularity may be condoned from FD. In DP No.292, the department explained that the scheme was administratively approved and executed after enhancement from the competent authority. Audit contended that violation of PPRA was made, therefore, irregularity may be condoned from FD. The Committee directed the department in all DPs to refer the case to PPRA for advice and get the case regularized from FD in the light of advice of PPRA. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early regularization of the matter from the competent forum besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2018-19 to 2022-23 vide Para No. 3.4.9.2 in AR 2018-19, Para No. 3.5.8.24 in AR 2019-20, Para No. 3.5.7.9 in AR 2020-21, Para No. 3.4.6.20 in AR 2021-22 and Para No. 3.4.15.19 in AR 2022-23 having financial impact of Rs 406.780 million. Recurrence of same irregularity is a matter of serious concern.

3.4.5.13 Irregular procurement without concurrence of austerity committee – Rs 3.909 million

A per para 2 (ii) of FD's notification No. FD.SO(Goods)44-4/2011 dated 6th August 2013, there shall be a complete ban on purchase of new vehicles from current and development budget. Under unavoidable circumstances, the vehicles shall only be purchased with the prior concurrence of the Austerity Committee constituted for the purpose and subsequent approval of the CM, Punjab.

Executive Engineer, PHE Division, Mianwali made payment for procurement of "TOYOTA Yaris ATIV x CVT 1.5 i/c registration, lifetime token tax complete in all respect" amounting Rs 3,909,175. Audit observed that the procurement was made without prior concurrence of the Austerity Committee. Further, record of running and maintaining of the vehicle, accountal in asset register and proof of its utilization in the concerned formation was also not available with the divisional office.

Violation of FD's instructions resulted in irregular procurement amounting to Rs 3,909,175.

Audit pointed out the irregularity in September 2023.

The para was discussed in the SDAC meeting held on 22nd November 2023. The department explained that new vehicles could be purchased without concurrence of austerity committee vide clause No. 3(i)(c) of FD's notification dated 18th November 2022. Audit contended that the vehicle was procured prior to issuance of FD's notification. Moreover, the notification pertained to approvals granted for the FY 2022-23 and in the instant case the payment was made in the FY 2021-22. Responsibility should be fixed for irregular procurement. Further, physical presence of the vehicle, logbooks and asset register were also not shown to Audit. The Committee directed the department to obtain clarification from FD. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early obtaining advice from FD besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.257(2023-24)

CHAPTER - 4

IRRIGATION DEPARTMENT

4.1 Introduction

A. Description of Department

Punjab Irrigation Department (PID) was established in 1854. While the department's primary role is to ensure the optimized supply of water for irrigation, it also bears the responsibility for the maintenance of flood protection infrastructure. The administrative department is led by the Secretary, Irrigation.

For operational purposes, Irrigation System in Punjab is strategically divided into six territorial zones, each overseen by a CE. Assisting them are Superintending Engineers, who manage circles, Executive Engineers responsible for formations, and Sub-Divisional Officers. The basic accounting unit is the Office of the Executive Engineer, supported by a DAO.

The six zones include Lahore, Sargodha, Faisalabad, Multan, Bahawalpur, and D.G Khan. Furthermore, there are additional wings dedicated to specific functions, such as Project Management Office Barrages, Irrigation Research Institute, Directorate of Hydrology, and Directorate of Land Reclamation. The department also encompasses two autonomous bodies: Punjab Irrigation & Drainage Authority (PIDA) and Punjab Engineering Academy located in Thokar Niaz Baig, Lahore.

Irrigation department oversees the irrigation of approximately 21 million acres and is responsible for twenty four (24) main canals spanning 31,346 km. Additionally, there are fifty seven (57) small dams, with ten (10) currently under construction. However, the department does not have jurisdiction over any large dams.

The main functions of the department include:

i. Planning, prioritization and implementation of rehabilitation schemes of canals, barrages, headworks and water courses.
ii. Operation and upkeep of irrigation system of the province.

iii. Optimization of the use of water resources in the province by equitable distribution of irrigation water supplied through canal outlets.

iv. Assessment of water rates based on actual field inspections by revenue staff of the department and recovery of Abiana.

v. Implementation of the development programme portfolio and foreign aided projects.

Seventeen (17) out of the 151 formations within Irrigation Department were subjected to the auditing during the current audit year.

Table 4.1: Audit profile *(Rs in million)*

Sr. No.	Description of Formations	Total No. of Formations	Audited Formations	Expenditure audited	Revenue/ Receipts audited
1	Irrigation Formations	149	16	9,258.76	2,061.645
2	Autonomous Bodies	2	1	129.323	97.225

B. Comments on Budget and Accounts (Variance Analysis)

In the FY 2022-23, Irrigation Department received allocations for both development and non-development purposes. However, it appears that the department faced challenges in fully utilizing the development budget. The achieved utilization rates for the development and non-development budgets were 83.91% and 97%, respectively. Grant wise budgetary position in FY 2022-23 along with variance analysis is presented below:

Table 4.1: Variance analysis *(Rs in million)*

Head	Original Budget	Final/Revised Budget	Expenditure	Excess/ (Saving)	Variation %
Non-Development					
PC 21009	24,899.533	30,830.899	29,865.470	(965.429)	3.13
PC 21010	795.760	966.348	952.610	(13.738)	1.42

Sub Total	25,695.293	31,797.247	30,818.08	(979.167)	3.00
Development					
PC 12037	27,550.000	18,213.710	15,293.697	(2,920.012)	16.03
PC 22036	80.000	110.646	82.328	(28.318)	25.59
Sub Total	27,630.000	18,324.356	15,376.025	(2,948.330)	16.09
Grand Total	**53,325.293**	**50,121.603**	**46,194.106**	**3,927.497**	**7.836**

Source: Budget Book and Departmental Figures (FY 2022-23)

C. Sectoral analysis on the achievements against targets agreed under MTDF/MTBF

Brief comments on targets achieved under MTDF are given in Chapter No. 1, i.e, Sectoral Analysis.

4.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 2,820.304 million were identified as a result of the current year's audit of Irrigation Department. This sum also encompasses recoveries totaling Rs 300.220 million, as highlighted in the audit findings. Summary of the audit observations classified by nature is as under:

Table 4.2: Overview of Audit Observations *(Rs in million)*

Sr. No.	Classification	Amount
1	**Irregularities:**	-
(i)	Reported cases of fraud, embezzlement and misappropriation	36.726
(ii)	Irregularities resulting in overpayments	172.538
(iii)	Irregularities resulting in non-recoveries	127.682
(iv)	Irregularities relating to undue financial benefit to contractor	6.907
(v)	Irregularities resulting in loss to government	1,861.807
(vi)	Irregularities relating to procurements	599.479
(vii)	HR/Employees related irregularities	12.602
(viii)	Miscellaneous irregularities	2.563
Total		**2,820.304**

4.3 Comments on the status of compliance with PAC directives

Compliance with PAC's directives on Audit Report relating to Audit years 1956-57 to 2013-14 (excluding years not discussed in PAC) is as under:

Table 4.3: Compliance of PAC directives

Sr. No.	Audit Report Year	Outstanding Directives	Compliance Received	Compliance Awaited	Percentage (%)
1	1956-57 to 1999-2000	1562	-	1562	-
2	2000-01	60	-	60	-
3	2001-02	41	-	41	-
4	2003-04	17	-	17	-
5	2005-06	32	-	32	-
6	2006-07	22	-	22	-
7	2009-10	69	-	69	-
8	2010-11	64	-	64	-
9	2011-12	72	-	72	-
10	2012-13	37		37	
11	2013-14	84	-	84	-
Total		**2060**		**2060**	

4.4 AUDIT PARAS

Reported cases of fraud, embezzlement and mis-appropriation

4.4.1 Mis-procurement due to award of work orders prior to opening of tender – Rs 36.726 million

As per Rule 2.33 of PFR Vol-I, "every government servant should realise 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".

The Office of the Secretary, Irrigation Department, advertised tender for the framework contract for the FY 2022-23 on 3rd September 2022 which was scheduled to be opened on 23rd September 2022. During August and September 2022, the department issued work orders amounting to Rs 36.726 million to M/s Brother Stationers, M/s 4-A Contractors, and M/s Newpak Traders. The rates applied in these work orders were based on the bids, which were yet to be opened on 23rd September 2022. These rates were higher than those of the previous contract, which were applicable during the period under consideration. Audit observed that applying rates quoted in the bids not yet opened tantamounts to mis-procurement and indicates connivance on the part of responsible officers. Furthermore, the department made an overpayment of Rs 13.240 million due to the issuance of work orders based on rates for the upcoming contract period, instead of the rates for the current contract period spanning from 1st October 2021 to 30th September 2022.

Violation of DFR Vol-I resulted in fraudulent payments amounting to Rs 36,726,072.

Audit pointed out the fraudulent payments in August 2023.

The paras were discussed in the SDAC meeting held on 24th November 2023. In DP 255, the department explained that tender was advertised on 3rd September 2022 and opened on 23rd September 2022, the acceptance/award letters were issued to the different firms on 27th September 2022. The supplies were made after issuance of work orders. Audit contended that the department issued work orders to the suppliers in the month of August and September 2022 on the rates of upcoming framework contract. The Committee directed the department to initiate enquiry proceedings for fixing responsibility against the responsible officers/officials. In DP No. 257, the department explained that the payments were made in October and November 2022 after award of contract to the successful bidders. Audit contended that tenders were opened on 23rd September 2022 but the department issued work orders to the suppliers who participated in the tenders for FY 2022-23 on the higher rates of upcoming contract with the connivance of the vendors even before opening of their financial bids which led to overpayment amounting to Rs 13,240,269. The Committee directed the department to get the matter probed and effect recovery besides fixing responsibility against the responsible officers/officials. Compliance with the Committee's directive was not reported till finalization of the report.

Audit recommends early finalization of enquiry besides fixing responsibility and recovery of the loss from the delinquent officers.

DP No. 255 & 257(2023-24)

Irregularities resulting in overpayments

4.4.2 Overpayments due to approval of higher rates for non-standardized items – Rs 104.863 million

According to FD's instructions No. RO(Tech)FD-18-23/2004 dated 21st September 2004, "rate analysis for the non-standardized items shall be prepared by the Executive Engineer, clearly giving the specifications of the material used and approved by the competent authority not below the rank of SE on the basis of input rates of relevant quarter placed at website of FD. Standardized analysis/template shall be used to work out the rate of an item as far as possible".

4.4.2.1 Executive Engineers, Drainage Division, Lahore & Rachna Drainage Division, Sheikhupura, in six (06) cases, paid for the non-standardized item "*Providing and casting in situ bored reinforced concrete piles (nominal mix 1:1.5:3) 30" diameter*" for a quantity of 34512 rft. Audit observed that the department paid higher rates by using incorrect input rates instead of using admissible rates as per FD's template.

Violation of FD's instructions resulted in overpayments amounting to Rs 56,554,717.

Audit pointed out the overpayments in May 2023 and September 2023.

The paras were discussed in the SDAC meetings held during August and November 2023. The department explained that the rate analyses were approved by the competent authority and payments were made accordingly. Audit contended that department did not produce rate analysis to audit for scrutiny, however, Audit had prepared rate analysis on the approved template of FD, which were on lesser side. The Committee directed the department to prepare the rate analysis on FD's template, effect actual recovery till final bills and get it verified from Audit within 15 days. Compliance with the Committee's directives was reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-XXXII)

Note: The issue was reported earlier also in the Audit Reports for the Audit Year(s) 2018-19 and 2020-21 vide para numbers 4.4.13.2, 4.4.13.3, 4.4.13.7 in AR 2018-19 and para numbers 4.5.3.1, 4.5.3.2 in AR 2020-21 having financial impact of Rs 20.558 million. Recurrence of the same irregularity is a matter of serious concern.

4.4.2.2 Executive Engineer, Small Dams Division, Islamabad, in two (02) cases, paid for the non-standardized items *"M.S. Pipe 36, 42 & 48 inch dia 6 mm thick"* and "*Supplying clean and screened river or pit sand"* for quantities of 40847 rft and 1134838 cft, respectively. While preparing the rate analysis of the said items, input rates of mild steel sheet, coarse sand and hiring of generator, as notified by FD, were applied. These rates were inclusive of carriage at the site and the cost of diesel. Audit observed that the department permitted separate carriage charges for mild steel sheet and coarse sand, and also allowed diesel charges for the generator. The detail is as under:

(Amount in Rs)

Sr. No.	DP No.	Item	Quantity	Rate paid	Rate to be paid	Excess Rate	Amount Overpaid
1	316	MS pipe 42''	2350 rft	20,134	11,486	8,648	20,322,800

		MS pipe 42’’	18351 rft	9,425	9,281	144	2,642,544
		MS pipe 48’’	4205 rft	9,910	9,887	23	96,715
		MS pipe 36’’	15941 rft	7981.	7963.86	17.14	273,228
2	325	Coarse Sand	1134838 cft	4126.45	2442.80	1684	19,110,671
		Total					**42,445,958**

Violation of FD’s instructions resulted in overpayments amounting to Rs 42,445,958.

Audit pointed out the overpayments in August 2023.

The paras were discussed in the SDAC meeting held on 8th November 2023. The department explained that the payments made to the contractors were well within the rates approved by the competent authority in the TS estimate. Audit contended that department applied the input rates of material and equipment as notified by FD, which were for supply of material at site and, similarly, equipment rates were inclusive of cost of POL. However, the department paid carriage and POL charges separately. The Committee directed the department for a technical probe by the Administrative Department in light of FD’s instructions. Compliance with the Committee’s directives was reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.316&325(2023-24)

4.4.2.3 Executive Engineers of Trimmu Head Works Division, Jhang, and D.G Khan Construction Division, D.G Khan, in four (04) cases, paid for a non-standardized item *“P/L crushed bajri on level & slope”* for a quantity of 297260.76 cft. Audit observed that in rate analysis, the department incorrectly applied the rates of supplying spawl along with breaking charges of stone instead of using input rates of bajri as notified by FD vide item No.06.011 and item No.06.003 without allowing breaking charges of spawl.

Violation of FD’s instructions resulted overpayments amounting to Rs 5,863,052.

Audit pointed out the overpayments during August & September 2023. The department did not furnish reply.

The paras were discussed in the SDAC meeting held on 17th November 2023. The department explained that the items were paid as per TS estimate. Audit contended that higher rates were approved and paid just to provide benefit to the contractors. The Committee directed the department to refer the case to FD for advice. Compliance with the Committee's directives was not reported till the finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-XXXIII)

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2018-19 to 2019-20 vide para number 4.4.13.1 in AR 2018-19 and para number 4.5.3.6 in AR 2019-20 having financial impact of Rs 14.612 million. Recurrence of the same irregularity is a matter of serious concern.

4.4.3 Overpayments due to inadmissible price escalation on crushed stone and application of incorrect rates – Rs 36.286 million

As per FD's notification No. A&C No.2, dated 5th August 2015, price escalation on crushed stone aggregate was not admissible prior to 1st April 2015. Further, according to Clause 55(3) & (4) of agreement, the price variation shall be worked out on the base/current rate of the item concerned as notified/placed at website by FD, Government of the Punjab for the particular month and particular District.

4.4.3.1 Executive Engineer, Small Dams Division, Islamabad during the FY 2022-23 paid price escalation on crushed stone aggregate to different contractors on the work orders issued prior to 1st April 2015. Audit observed that the contracts were awarded prior to 1st April 2015 and price escalation was not admissible on crushed stone in the light of FD's clarification.

Violation of FD's directions resulted in overpayments amounting to Rs 25,043,111.

Audit pointed out the overpayments during August 2023.

The para was discussed in the SDAC meeting held on 8th November 2023. The department explained that the price variation was paid in line with the instructions of FD. Audit contended that all the contracts were awarded before 1st April 2015 and the price variation on crush was admissible w.e.f 1st April 2015 and onward. The Committee directed the department to get the record verified regarding bifurcation of all the projects awarded well before FD's notification within 07 days, otherwise effect recovery. Progress in the matter as directed by the Committee was not reported till finalization of the report.

Audit recommends early recovery besides taking disciplinary action against the delinquents and strengthening internal controls to avoid the recurrence of such issues.

DP No.314 (2023-24)

<u>Note:</u> The issue was reported earlier also in the Audit Reports for the Audit Years 2019-20 and 2022-23 vide para number 4.4.5.7 in AR 2019-20 and para number 4.4.6 in AR 2022-23 having financial impact of Rs 76.149 million. Recurrence of the same irregularity is a matter of serious concern.

4.4.3.2 Executive Engineers, Rachna Drainage Division, Sheikhupura, and Muzaffargarh Canal Division, in eight (08) cases, paid price variation on mild steel, labour, diesel, cement and bajri. Audit observed that in seven (07) cases, the department applied the rates of material applicable on date of billing (being current rates). The department did not apply the rate applicable at the time of execution of works. In addition to, in one (01) case, the department paid higher rates i.e. rates of bajri for road work instead of concrete lining.

Violation of contractual obligation resulted in overpayments amounting to Rs 11,243,042.

Audit pointed out the overpayments in September 2023.

The paras were discussed in the SDAC meeting held on 24th November 2023. The department in seven (07) cases, admitted recovery of Rs 7.734 million. The Committee directed the department to effect recovery within 15 days and get it verified from Audit. In DP 355, the department stated that price variation was paid after the approval of the competent authority. Audit contended that the department applied rates of bajri for surface dressing instead of rates of bajri for concrete work because the work pertained to concrete lining of the canal. The Committee directed the department to get the rates verified along with the justification for applying these rates. Compliance with the Committee's directives was not reported till the finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-XXXIV)

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2019-20 vide para number 4.5.12 having financial impact of Rs 1.517 million. Recurrence of the same irregularity is a matter of serious concern.

4.4.4 Overpayment due to the execution of uneconomical item – Rs 23.318 million

As per Rule 1.58 of the B&R Department Code, "the divisional officers are immediately responsible for the proper maintenance of all works in their charge and the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitably and economically carried out with materials of good quality". As per MRS item No 52 of chapter No.03, *"Earthwork in excavation of drains, irrigation channels through excavator/drag lines in all kinds of soil and conditions (dry, wet slush, daldal and under water) including its disposal and preparation of working pad for operation of machinery (rates include 100 feet)"* was available for work done with machinery.

4.4.4.1 Executive Engineer, Irrigation Research Institute, Lahore paid for the item *"Earthwork excavation in irrigation channels, drains etc. excavated material disposed of and dressed within 50 feet lead (ordinary soil) (item No. 10 chapter 3)*" for a quantity of 14655946 cft and at the rate of Rs 2,434.14‰ cft. Audit observed that the department applied the MRS item for manual labour to a huge quantity of earth excavation, whereas it was impractical to execute such a substantial amount of earth excavation solely with manual labour. Consequently, the actual work was carried out using machinery and, therefore, the admissible and economically more appropriate item for this work was *"Earthwork in excavation of drains, irrigation channels through excavator/drag lines"* (Item No. 52, Chapter 3 of MRS).

Violation of B&R Department Code and MRS resulted in overpayment due to higher rates amounting to Rs 12,620,821.

Audit pointed out the overpayment in May 2023. The management did not reply.

The para was discussed in SDAC meeting held on 18th August 2023. The department explained that rate was paid as per provision of PC-I and TS estimate by the competent authority. Audit contended that rate applied by the department was for manual labour, whereas work was actually executed through machinery. Therefore, item No. 52 chapter 3 of MRS was required to be applied. The Committee directed the department to obtain technical advice/clarification from FD and get it verified from Audit within 30 days. Compliance with the Committee's directive was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 106(2022-23 Phase-II)

4.4.4.2 Executive Engineer, Trimmu Head works Division, Trimmu paid for the item "*Borrow pit excavation undressed lead up to 100ft in ordinary soil*" for a quantity of 4739595cft and at the rate of Rs 5,610 ‰cft. Audit observed that composite item regarding excavation with machinery i.e., "*earthwork in excavation of drains, irrigation channels through excavator/drag lines in all kinds of soil etc."* vide item No. 52 of chapter 3 of MRS was also available which had lesser rates as compared with the paid item.

Violation of the B&R Department Code resulted in overpayment amounting to Rs 10,697,265.

Audit pointed out the overpayment in August 2023.

The para was also discussed in SDAC meeting held on 17th November 2023. The department explained that the work was executed as per common practice in the department and approved in PC-I and TS estimate by the competent authority. The department further contended that as per site requirement the execution of work through machinery was not possible. Audit highlighted that in the context of river training works along flood bunds to mitigate erosive action, the manual execution of such substantial quantity of earthwork was impractical. Therefore, the rate with mechanized mode was required to be applied and paid instead of manual labour. The Committee directed the department to obtain technical advice/clarification from FD. Compliance with the Committee's directives was not reported till the finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.180 (2023-24)

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2018-19, 2019-20 and 2021-22 vide para number 4.4.5 in AR 2018-19, para number 4.5.3.3 in AR 2019-20 and para number 4.4.2 in AR 2021-22 having financial impact of Rs 191.842 million. Recurrence of the same irregularity is a matter of serious concern.

4.4.5 Overpayment beyond agreed percentage of contract cost – Rs 5.928 million

As per para (v) of FD's notification No. RO(Tech)FD.1-2/ 83-VI dated 29th March 2005, "the final cost of tender/payment shall be the same percentage above/below the amount of revised sanctioned estimate as it was at the time of approval of the tender, so as to pre-empt excess payment".

Executive Engineer, Mianwali Canal Division, Mianwali, awarded two (02) works to different contractors who quoted disproportionate rates i.e., 31.19% and 31.08% below TS estimate. Audit observed that the works had been completed and the department had made payments at 30.28% and 30.25% below, respectively.

Violation of FD's instructions resulted in overpayments amounting to Rs 5,927,981.

Audit pointed out the overpayments during August 2023.

The para was discussed in the SDAC meeting held on 24th November 2023. The department explained that works were completed as per site requirements, resultantly, less quantities of various items were paid. Audit contended that overpayment was made in violation of FD's direction. The Committee directed the department to effect the recovery of Rs 5.928 million. Compliance with the Committee's directive was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 286 (2023-24)

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2018-19 to 2022-23 vide para number 4.4.2 in AR 2018-19, para number 4.5.4 in AR 2019-20, para number 4.5.6 in AR 2020-21, para number 4.4.1 in AR 2021-22 and para number 4.4.3 in AR 2022-23 having financial impact of Rs 1,759.37 million. Recurrence of the same irregularity is a matter of serious concern.

4.4.6 Overpayment due to application of higher rates – Rs 2.143 million

As per Rule 7.29 of DFR Vol-I, "before signing the bill, a sub-divisional officer should compare the quantities in the bill with those recorded in the MB and see that all the rates were correctly entered and that calculations were checked arithmetically to be correct".

Executive Engineer, Jampur Construction Division, D.G Khan, in two cases, made payments for the works items "*Supplying and dumping of stone*" and *"Earthwork excavation from outside borrow pit"* for the quantities of 223664 cft & 152752 cft, respectively. Audit observed that as per record entries in measurement books, actual quantities were 160072cft and 114564 cft, respectively. This showed that the department paid excess quantities of 63592 cft and 38188 cft due to incorrect calculations.

Violation of DFR resulted in overpayments amounting to Rs 2,143,343.

Audit pointed out the overpayments in August 2023.

The paras were discussed in the SDAC meeting held on 17th November 2023. The department admitted the recovery. The Committee directed the department to effect the recovery and get it verified from Audit. Compliance with the Committee's directives was not reported till the finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.247& 249 (2023-24)

Irregularities resulting in non-recoveries

4.4.7 Non-recovery of effluent charges – Rs 95.578 million

As per Irrigation department's notification No. SO(Rev) Irrigation-2-19/97 dated 12th June 2014, the recovery of drainage charges on account of effluent water was enhanced from 11000 to 35000 per cusec per annum w.e.f. 1st July 2014. In addition, as per rules 4.7(1) of PFR (Volume-I), "it is primarily the responsibility of the departmental authorities to ensure that all government revenue/dues are correctly and promptly assessed, realized and credited to the proper account of the government treasury".

Scrutiny of the record of Executive Engineer, Drainage Division, Lahore, revealed that 544 industrial units were discharging 592.24 cusec of industrial sewerage into drains. Audit observed that there was a recoverable amount of Rs 85.801 million on account of effluent charges, covering the period from 1997-98 to June 2022. Additionally, effluent charges totaling Rs 20.197 million were recoverable during the FY 2022-23. Despite the lapse of a considerable period, the department only managed to recover an amount of Rs 10.420 million up to June 2023.

Violation of rules resulted in loss due to non-recovery of effluent charges amounting to Rs 95,578,186.

Audit pointed out the non-recovery in May 2023. The management did not reply.

The para was discussed in SDAC meeting on 17th August 2023. The department stated that efforts were being made to recover long outstanding arrears of effluent charges through land revenue. Further, Capital City Police Officer (CCPO), Lahore and District Police Officer (DPO), Kasur were also requested to provide assistance. Audit informed the Committee that the department did not maintain the record showing unit wise aging and detail of recoverable amount. The Committee directed the department to get the breakup verified and list out the functional and non-functional factories and action be initiated accordingly by ensuring the recovery from quarters concerned. Compliance with the Committee's directive was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 10 (2022-23 Ph-II)

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2018-19, 2019-20 and 2022-23 vide para number 4.4.6 in AR 2018-19, para number 4.5.1 in AR 2019-20 and para number 4.4.10.1 in AR 2022-23 having financial impact of Rs 236.136 million. Recurrence of the same irregularity is a matter of serious concern.

4.4.8 Non-recovery of cost of seeds & fertilizer and sale price of crops from the tenants – Rs 23.471 million

As per clause 4(d) & (g) under part obligations of the tenants of agreement for lease of land, "the tenants will sow pure seed and collect farmyard manure as is approved by the deputy director, land reclamation or his authorized representative and to bear the cost of all seeds and manure". Further, as per rule 4.7(1) of PFR (Volume-I), "it is the primary responsibility of the departmental authorities to ensure that all government revenue/dues were correctly and promptly assessed, realized and credited to the proper account of the government treasury".

Director Land Reclamation/Salinity Research, Lahore, during the period from 2017-18 to 2021-2022, allocated land in various farms to tenants and supplied seeds and fertilizer for Rs 6.986 million. Audit observed that the department did not recover the cost of seeds and fertilizer amounting to Rs 6.986 million from the tenants Further, an amount of Rs 16.485 million, related to the sale of various crops, was recoverable for the period from July 2016 to June 2022. Despite a significant period having elapsed, the department had not recovered any of these amounts up to June 2023.

Violation of PFR resulted in non-recovery amounting to Rs 23,471,349.

Audit pointed out the non-recovery in April 2023. The management did not reply.

The paras were discussed in SDAC meeting held on 18th August 2023. In DP 124,130 121 and 145 the department explained that efforts were being made to ensure the recovery from the tenants. Audit contended that the department neither explained about recoverable outstanding amount nor get verified any recovery made so far. The Committee directed the department to get the recovered amount and its accountal verified from Audit within 90-days. In DP 120, the department explained that the tenants had approached the court of law for implementation of Land Reforms Regulation, 1972 and the amended agreement was in pipeline for approval of the competent authority. The Committee directed the department to get the record, i.e., Court Orders verified from Audit within 07-days. Compliance with the Committee's directives was not reported till the finalization of the report.

Audit recommends early recovery and strengthening internal controls to avoid the recurrence of such issues.

DP No.121,124,130,120&145 (2022-23 Ph-II)

4.4.9 Non-recovery of penal rent from illegal occupants –Rs 7.230 million

As per para 36(E) of Allotment Policy of S&GAD, 1997, amended up to 2nd May 2018, "a government servant occupying a house illegally, will be charged penal rent at the rate of 60% of his basic salary".

Scrutiny of record of Principal, Government Engineering Academy, Lahore and Executive Engineer Chakbandi Division, Lahore revealed that several government residences were being unlawfully occupied by various officers and officials. Audit observed that the department did not recover penal rent amounting to Rs 7.230 million from longstanding illegal occupants who had been residing in government residences.

Violation of allotment policy resulted in non-recovery of penal rent from illegal occupant amounting to Rs 7,230,558.

Audit pointed out the non-recovery in March 2023.

The paras were discussed in SDAC meeting held on 18th August 2023. In DP 35& DP 53, the department admitted the recovery of penal rent. The Committee directed the administrative department to effect recovery from the incumbents and get it verified from Audit. In DP 54, the department explained that occupant was a regular employee of Irrigation department and matter had already been brought into the notice of higher authorities for appropriate action against the illegal occupant. The Committee directed the department to recover the penal rent from illegal occupants and get the government residences vacated. Compliance with the Committee's directives was not reported till the finalization of the report.

Audit recommends early compliance with Committee's directive.

DP No. 35, 53,54 (2022-23 Ph-II)

4.4.10 Non-recovery of government taxes – Rs 1.403 million

As per FBR's clarification No. 5/WHT-U-03 dated 24th April 2018, the income tax was required to be deducted from the contractors on the gross value of work done, including PST u/s 153 of Income Tax Ordinance 2001.

Executive Engineers from various Irrigation Divisions, in five (05) cases, disbursed payments to different contractors without deducting income tax on Provincial Sales Tax (PST) and dismantled material, totaling Rs 1,403,213.

Violation of the instructions of PRA and FBR resulted in non-recoveries amounting to Rs 1,403,213.

Audit pointed out the non-recoveries from May 2023 to August 2023.

The paras were discussed in the SDAC meetings during August 2023 & November 2023. The department admitted the recovery. The Committee directed the department to effect recovery in all cases and get it verified from Audit within 15 days. Compliance with the Committee's directives was not reported till the finalization of the report.

Audit recommends early recovery besides strengthening internal controls to avoid the recurrence of such issues.

(Annexure-XXXV)

<u>Note:</u> The issue was reported earlier also in the Audit Reports for the Audit Years 2018-19 to 2022-23 vide para numbers 4.4.1, 4.4.3 in AR 2018-19, para numbers 4.5.19.1, 4.5.19.2 in AR 2019-20, para numbers 4.5.6, 4.5.7 in AR 2020-21, para number 4.4.15 in AR 2021-22 and para number 4.4.11 in AR 2022-23 having financial impact of Rs 257.642 million. Recurrence of the same irregularity is a matter of serious concern.

Irregularities relating to procurements

4.4.11 Irregular payments due to sanctioning expenditures beyond authorized competency – Rs 297.393 million

As per the Punjab Delegation of Financial Powers Rules, 2016 (Effective from the 1st July 2016), sanctioning powers of expenditure of officers of category-III & IV are Rs 1.50 million and Rs 1.00 million at a time, respectively.

During scrutiny of the records of Irrigation Secretariat for the FY 2022-23, revealed that payments totaling Rs 297.393 million were made for the procurement of various supply items. Audit observed that officers belonging to categories III and IV, in one hundred and nineteen (119) cases, approved sanctions exceeding their prescribed limits, in violation of rules *ibid*.

Violation of rules resulted in irregular payments amounting to Rs 297,393,040.

Audit pointed out the irregular payments in August 2023. The department did not submit reply.

The para was discussed in the SDAC meeting held on 24th November 2023. The department explained that approvals were obtained from the competent authority for expenditure in light of Delegation of Financial Power Rules, 2016. Audit contended that the approval of the competent authority was neither provided during audit nor during the subsequent verification before the

SDAC meeting. This proved that Section Officer (General) and Deputy Secretary (Administration) made sanctions beyond their financial limits in violation of Delegation of Financial Powers 2016. The Committee directed the department to get the matter verified from Audit within 15-days otherwise initiate the enquiry proceedings besides fixing responsibility against the responsible officers. Compliance with the Committee's directive was not reported till finalization of the report.

Audit recommends to fix the responsibility against the responsible officers and get the matter regularize from FD besides strengthening internal controls to avoid the recurrence of such issues.

DP No.258(2023-24)

4.4.12 Mis-procurement and doubtful payments – Rs 217.941 million

As per section 4,9,12(2),31 and 32 of Punjab Procurement Rules 2014 (PPRA 2014), a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical. The procuring agency shall advertise procurement of more than two hundred thousand rupees and up to the limit of three million rupees on the website of the department and at least one national daily newspaper. Further, as per PPRA circular No. L&M (PPRA)10-1/2011 dated 14th April 2023, under framework contract procurement is to be made for a certain volume or quantity of a particular good.

4.4.12.1 Irrigation Secretariat, for FY 2022-23, disbursed payments totaling Rs 73.591 million for the procurement of POL and Rs 30.199 million for the repair of transport. Audit observed that the department made procurements in violation of the PPRA 2014, and the payments made were deemed unauthentic and questionable for the following reasons:

i. The department disbursed payments amounting to Rs 73.591 million for the procurement of POL for vehicles and generators from two (02) petrol pumps. These payments were made by splitting the transactions through local purchase orders without the execution of any framework agreement, thereby violating established procedures. (DP 267)

ii. The department did not maintain history sheets and logbooks of vehicles as well as generators showing consumption/utilization of POL. In addition, expenditure of Rs 5.648 million was incurred on repair of eighteen (18) pool vehicles. The manufacture estimates were not prepared and got vetted from the motor vehicle examiner. No documentary evidence showing legitimate use of POL for vehicles was available on record to exercise effective control over expenditure. (DP 261 & 272)

iii. The department incurred an expenditure of Rs 17.265 million on POL and Rs 10.501 million for eighty-eight (88) vehicles which were not under official use of Irrigation Secretariat. (DP 260)

iv. Payments of Rs 14.050 million were made on account of repair of transport to a single vendor by splitting through local purchase orders to avoid open competitive bidding and framework contract. The history sheets of vehicles were not maintained showing expenditure incurred on repair of each vehicle. Besides, multiple discrepancies were observed in the paid invoices of the vendor. The paid vouchers amounting to Rs 1.106 million were found without vehicle numbers. Further, tyres of certain vehicles were got replaced up to 05 times in a financial year. Further, two front bumpers for the same vehicle were charged in the same voucher. The logbooks were unauthentic because no purpose of journey was mentioned. (DP 269)

Violation of PPRA rules 2014 resulted in mis-procurement and doubtful payment amounting to Rs 103,790,932.

Audit pointed out mis-procurements in August 2023.

The paras were discussed in the SDAC meeting held on 24th November 2023. In DP 267&261, the department explained that complete logbooks of vehicles and generators were available. Audit contended that the department did not provide any proof of framework contract with suppliers regarding procurement of POL. Besides, complete logbooks of vehicles were not produced and logbook of generator was unauthentic because the same quantity of diesel was booked in each month for the whole year irrespective of summer and winter season. The Committee in DP 267 directed the department to fix responsibility against the responsible officers/officials and get the matter regularized from FD. In DP 261, the Committee directed to get verified complete record of pool vehicles. In DP 260, the department explained that all the vehicles were authorized vehicles and throughout the year remained on deployment from Irrigation pool to field offices. Audit contended that expenditure was incurred on the vehicles which were not under the use of the Secretariat. Some of these vehicles were privately owned as per record available on the website of Excise &Taxation and Narcotics Control Department. Furthermore, the department could not provide any legitimate record in support of its stance. The Committee directed the department to get the complete record demanded by the Audit verified within 15 days, otherwise fix responsibility against the responsible officers/officials. In DP No.269 and 272, the department explained that the repair of vehicles was carried out on a time-to-time basis for which advertisement for tenders was not possible. Out of 38 Log Books of vehicles 26 were produced. Audit contended that the department made payment in violation of PPRA rules. Moreover, several issues were observed by Audit in these payments. The paid vouchers amounting to Rs 1.106 million were found without vehicle numbers. Further, tyres of certain vehicles were got replaced up to 05 times in a financial year. The logbooks were unauthentic because no purpose of journey was mentioned. Besides, further record like manufacture's estimates, remaining logbooks, allotment orders relating to pool vehicles were not produced for verification. The Committee directed the department for fixing responsibility and getting the matter regarding splitting regularized from FD besides getting the complete record of pool vehicles verified from Audit and justify the use of pool vehicles. Compliance with the Committee's directives was not reported till the finalization of the report.

Audit recommends investigating the matter in detail and fixing responsibility against the responsible officers/officials besides recovering the amounts involved.

DP No 261,267,260,269&272 (2023-24)

4.4.12.2 Irrigation Secretariat, for FY 2022-23, shortlisted three firms and entered into a framework agreement for the supply of various items, including "stationery" and "printing & publication". Audit observed serious irregularities in the bidding process and the subsequent awarding of contracts as given below:

i. The composition of purchase committee was approved by the Deputy Secretary (Administration) which was beyond his competency without the approval of the competent authority. (DP No.256)

ii. The department invited the bids on the basis of estimated cost/advertised amount of Rs 77.500 million but incurred expenditure amounting to Rs 332.359 million i.e, 328% above the advertised/estimated cost, which was in violation of clarification by PPRA dated 14th April 2023. (DP No.256)

iii. The department awarded work order and made payment of Rs 12.183 million to a supplier without properly evaluating the technical bid of the supplier. As per the record of FBR, the said supplier was registered in July 2021 and thus, it could not fulfill the criteria of three years' work experience as mentioned in the bidding documents. (DP No.256)

iv. The department did not announced/uploaded the results of bid evaluation on PPRA website in the form of a report giving justification for acceptance or rejection of bids, which was required to be uploaded at least ten days prior to the award of procurement contract. (DP No.256)

Violation of PPRA 2014 rules resulted in mis-procurements and doubtful payments amounting to Rs 77,500,000.

Audit pointed out mis-procurement in August 2023.

The paras were discussed in SDAC meeting held on 24th November 2023. The department explained that no violation of process envisaged in PPRA was made. The purchase committee was approved by the competent authority, technical bid evaluation report was also uploaded on website and payment was made as per funds released by FD. Audit contended that as per PPRA rules, it was binding on the procuring Agency that whenever they take up public procurement under framework contract through open competitive bidding, they must ensure that the estimated quantity of items was prepared/planned vigilantly and calculated as per the need for a specified period. The department could not provide any approval of purchase committee by the competent authority and documentary evidence regarding uploading of technical evaluation on website. The Committee directed the department to fix responsibility against the responsible officers/officials and get the matter regularized from FD. Compliance with the Committee's directives was not reported till the finalization of the report.

Audit recommends early fixation of responsibility and action against the delinquents besides regularization from FD.

DP No. 256(2023-24)

4.4.12.3 Irrigation Secretariat, for FY 2022-23, paid Rs 39.173 million for procurement of hardware items, IT equipments, software, plant & machineries and furniture & fixtures. Audit observed that the department incurred expenditures by splitting transactions through local purchase orders from local vendors, bypassing the requirement for advertisement or competitive bidding. Moreover, authentic record showing accountal/utilization of the procured items was also not produced to audit for scrutiny. Additionally, a joint physical verification conducted by the Audit on 10th August 2023, along with Section Officer (General) from Irrigation Department, revealed that substantial quantities of various items were not present in the premises of Irrigation Secretariat as detailed in Annexure-XXXVI.

Violation of PPRA 2014 resulted in mis-procurements and doubtful payments amounting to Rs 36,650,477.

Audit pointed out the doubtful payments in August 2023.

The paras were discussed in the SDAC meeting held on 24th November 2023. The department explained that stock registers and other allied record showing the procurement and consumption of procured items was maintained. The softwares were used in desktops and laptops in different sections of Irrigation Secretariat. Audit contended that only paid vouchers and incomplete/partial stock registers were produced and the department did not offer reply about procurement by splitting without open competitive bidding. The department procured the items through quotations to avoid tendering in violation of PPRA rules. Besides, the department could not prove physical existence of procured items during joint physical verification. The Committee directed the department to probe the matter for fixing responsibility regarding non-existence of procured items within the premises of Irrigation Secretariat and to get the matter regularized from FD regarding all issues pertaining to mis-procurements. Compliance with the Committee's directives was not reported till the finalization of the report.

Audit recommends to investigate the matter in detail and fixing responsibility against the responsible officers/officials besides recovery of the amounts involved.

DP No.264,265 ,266 268&270 (2023-24)

4.4.13 Irregular enhancement of agreement due to change of scope – Rs 81.062 million

As per clarification by PPRA dated 18th June 2019, "enhancement in the original scope of work cannot be allowed under PPRA rules being a different modality from the concept of variation, which is allowed (to the extent of 20% of the original procurement in the category of works only and based on unforeseen engineering anomalies) in the light of clause 42 of the contract agreement circulated by FD".

Executive Engineer Trimmu Headworks Division, Trimmu, awarded a work at an agreed cost of Rs 160.241 million which was 29.77% below the estimated cost of Rs 228.169 million. Audit observed that upto 8th & running bill the department made payment of Rs 241.303 million, which was 49.6% above the original contract in violation of the PPRA rules.

Violation of PPRA rules resulted in irregular enhancement of agreement amounting to Rs 81,061,948.

Audit pointed out the issue in August 2023.

The para was discussed in the SDAC meeting held on 17th November 2023. The department explained that the work was enhanced due to increased execution of the quantities of existing items as per site requirement. The same was got approved from the competent authority. Audit informed the Committee that the enhancement was beyond 20% permissible limit in violation of PPRA rules. The Committee directed the department to obtain condonation from FD regarding revision of TS estimate beyond 20 % permissible limits. Compliance with the Committee's directives was not reported till the finalization of the report.

Audit recommends early regularization of the matter from FD besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.174 (2023-24)

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2019-20 vide para numbers 4.5.31 having financial impact of Rs 197.71 million. Recurrence of the same irregularity is a matter of serious concern.

4.4.14 Doubtful payment on account of purchase of ACs – Rs 3.083 million

As per rule 2.33 of PFR (Volume-I), "every government servant 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". Further, as per condition No. (iii) of FD's notification No.SO (Goods)44-4/2022-2.3 dated 18th November 2022, purchase of ACs exceeding the aggregate amount of Rs 1.00 million in current FY 2022-23 shall not be allowed, except with the prior concurrence/approval of the Austerity Committee.

Irrigation Secretariat, during FY 2022-23, made payment of Rs 3.083 million to various vendors for the procurement of sixteen (16) ACs through a quotation-based procurement process. Audit observed that the department procured ACs without getting approval of the Austerity Committee. Furthermore, the department was unable to furnish pertinent records, such as supplier quotations, dealer invoices, warranty cards, and specific AC models, for audit scrutiny. This lack of documentation raised concerns about the transparency and compliance with the procurement process. Additionally, in a physical verification carried out by Audit on 10th August 2023, along with Section Officer (General) from Irrigation Department, the department was unable to substantiate the physical existence of eight (08) out of the sixteen (16) ACs procured. This discrepancy raises concerns about the authentic accountal and utilization of the acquired assets.

Violation of FD's directions resulted in doubtful payment amounting to Rs 3,083,601 million.

Audit pointed out the issue in August 2023.

The para was discussed in the SDAC meeting held on 24th November 2023. The department explained that 16 ACs were procured and taken on stock register. Audit contended that procurement was made by splitting in violation of PPRA rules and approval from Austerity committee was also not obtained. Further, the department failed to prove physical existence of eight ACs. The Committee directed the department to get the matter regularized from FD regarding splitting and non-approval of the austerity Committee besides probing the matter regarding non-existence of eight ACs. Compliance with the Committee's directive was not reported till finalization of the report.

Audit recommends to investigate the matter besides fixing responsibility against the responsible(s) and obtaining early condonation from FD.

DP No.262(2023-24)

Irregularities relating to undue financial benefit to contractors

4.4.15 Undue financial benefit to the contractor – Rs 6.907- million

As per Rule 7.29 of DFR Vol-I, "before signing the bill, a sub-divisional officer should compare the quantities in the bill with those recorded in the MB and see that all the rates were correctly entered and that calculations were checked arithmetically to be correct". Further, as per para (v) of FD's notification No. RO(Tech)FD.1-2/83-VI dated 29th March 2005, "the final cost of tender/payment shall be the same percentage above/below the amount of revised sanctioned estimate as it was at the time of approval of the tender, so as to pre-empt excess payment".

Executive Engineer, D.G Khan Construction Division, D.G Khan made payment amounting to Rs 1,461.634 million in 43rd & running bill dated 12th December 2019. Audit observed that in 46th & final bill paid on 12th May 2023, the department reduced the quantities of various items and deducted an amount of Rs 38.162 million on account of replicated works not verified and accepted by the consultant during the currency of ongoing contract. It was also noticed that upto 46th & final bill an amount of Rs 6.906 million was also recoverable from the contractor on account of imbalance rates.

Violation of DFR resulted in undue financial benefit to the contractor amounting to Rs 6,906,749.

Audit pointed out the undue financial benefit in September 2023.

The para was discussed in the SDAC meeting held on 17th November 2023. The department explained that the difference in quantities were adjusted/recovered in the 46th & final bill. Audit informed the Committee that the department provided undue benefit to the contractor because overpaid amount remained with the contractor for a period of more than three years. Moreover, during verification the department produced consultant's letter dated 28th June 2022 depicting vetting of 46th & final bill in which the consultant had advised the department to effect a recovery of Rs 6.907 million on account of imbalance rates but no recovery was made. The Committee directed the department for technical probe by the SE, Rahim Yar Khan. Compliance with the Committee's directive was not reported till finalization of the report.

Audit recommends early initiation and finalization of probe for fixing responsibility against the responsible(s) besides recovery of amount involved and strengthening internal controls to avoid the recurrence of such issues.

DP No.206(2023-24)

Irregularities resulting in loss to government

4.4.16 Loss to Government due to non-auction of leasable land/area – Rs 1,722.970 million

As per summary approved by the CM vide No.3308 dated 11th June 2015, land of pond area was transferred back from Forest, Fisheries and Wildlife department to Irrigation department for the purpose of leasing out this area for agriculture. According to rule 4.7(1) of Punjab Financial Rule Volume-I, "it is the primary responsibility of the departmental authorities to see that all government revenue/dues were correctly and promptly assessed, realized and credited to the proper head of account".

Examination of the records maintained in Irrigation Secretariat, Lahore, revealed that in three cases, the department had 13386 acres leasable pond area/land available. Audit observed that said land was lying vacant and unleased since 2016 in contradiction with the summary approved by the CM. The pond area was being utilized for agriculture by encroachers without the payment of any lease amount. This discrepancy highlights an inconsistency between the actual usage and the approved terms for transfer of land. The department had failed to reclaim possession of this land from illegal occupants and initiate a leasing process through open auction, despite the passage of several years since 2016.

Violation of rules resulted in loss to government due to non-auction of pond area and non-realization of revenue amounting to Rs 1,722,970,000.

Audit pointed out the loss in August 2023.

The para was discussed in the SDAC meeting held on 24th November 2023. The department explained that pond areas pertained to three (03) divisions which were directed to lease out the whole land. Audit informed the committee that as per summary approved by the CM vide No. 3308 dated 11th June 2015 the land of pond area was transferred back from forest & fisheries departments to Irrigation department for the purpose of leasing out for agriculture to generate revenues. The department neither got vacated the land from illegal occupants nor leased it out through open auction. The Committee directed the department that the CE concerned should submit a detailed report thereon within 15-days. Compliance with the Committee's directive was not reported till finalization of the report.

Audit recommends early finalization of probe besides fixing responsibility against the delinquents.

DP No.277(2023-24)

4.4.17 Loss to Government due to less recovery of toll tax than reserve price – Rs 138.837 million

According to rule 4.7(1) of Punjab Financial Rule Volume-I, "it is the primary responsibility of the departmental authorities to see that all government revenue/dues were correctly and promptly assessed, realized and credited to the proper head of account". Further, after promulgation of the Disposal of Land by Development Authorities (Regulations) Act, 1998, lease rights are to be invariably put to open auction.

Scrutiny of record of Irrigation Secretariat for FY 2022-23, revealed that the department had eleven (11) toll collecting points which had to be auctioned through open bidding on the reserve price approved by the CE. Audit observed that the department deviated from the standard procedure of auctioning the rights for toll collection. Instead, tolls were collected through departmental staff and labour. It was further noted that the department collected Rs 105.837 million less revenue from tolls than the reserve price. It was pertinent to mention that the reserve price was calculated after deducting 20% for contractor profit and overheads, along with 2% service charges, whereas the department employed paid staff and labour for toll tax collection. This situation implies a potential malpractice in the revenue realization process that warrants further investigation. Moreover, had the department opted for auctioning the rights of toll collection, it could have realized additional government revenue in the form of income tax, amounting to Rs 33.000 million.

Violation of PFR rule resulted in loss to government due to less collection of toll tax amounting to Rs 138,837,000.

Audit pointed loss in August 2023.

The para was discussed in the SDAC meeting held on 24th November 2023. The department explained that toll plazas could not be auctioned due to some reasons. Audit informed the committee that the department did not auction the rights of toll collection in time and made collection through the departmental staff which was less than the reserve price approved by the CE concerned. The Committee directed the department that the CE concerned should submit a detailed report thereon within 15-days. Compliance with the Committee's directive was not reported till finalization of the report.

Audit recommends prompt initiation of investigation and fixing responsibility besides early auctioning of toll plazas.

DP No.278(2023-24)

HR/Employees related irregularities

4.4.18 Irregular payments to work charge employees out of contingency of closed Project – Rs 10.465 million

As per Order Sheet dated 27th April 2021 by the Honorable Lahore High Court Rawalpindi Bench, no further construction work "Dadhocha Dam" shall be carried out by the respondents i.e., Contractor/XEN, Small Dam Division in defiance/disregard to the judgment dated 2nd February 2021, in the meanwhile.

Executive Engineer, Small Dams Division, Islamabad paid Rs 10,465,027 to various work charge employees and incurred expenses through quotation works after 2nd February 2021, in violation of High Court orders. Audit observed that the project was closed, and no work was conducted at the site, rendering the payments charged to contingencies illegal.

Violation of High Court orders resulted in irregular payment of Rs 10,465,027.

The para was discussed in the SDAC meeting held on 8th November 2023. The department explained that Supreme Court of Pakistan allowed the construction activities on site of work on 22nd June 2021. Audit informed that order of the Supreme Court of Pakistan was regarding revision of land rate. However, the High court vide order sheet dated 27th April 2021 directed that no further construction activity be carried out and the same order was still in force. The committee directed the department to conduct technical probe through the SE other than the concerned circle and submit it through CE, Islamabad. Compliance with the Committee's directive was not reported till finalization of the report.

Audit recommends early finalization of probe for fixing responsibility and effecting due recovery.
DP No.308 (2023-24)

4.4.19 Irregular appointment and payment to work charge employees – Rs 2.137 million

As per FD's notification No. RO(Tech) FD 2-2/2018 dated 9th September 2021, appointment to post shall be appropriately advertised in the leading newspapers. The recruitment to all the posts in the Schedule shall be made based on merit specified for regular establishment. The appointment of seasonal labour may be made for the project's duration. Further, as per rule 4.49 of the Punjab Treasury Rule, payment of Rs 10,000 or more shall not be made in cash by the Drawing and Disbursing Officers (DDOs).

Executive Engineer, Mianwali Canal Division, Mianwali, paid Rs 2.137 million to work charged employees during FY 2022-23. Audit observed that the department drew cheques in favour of SDO/Sub Engineers and made cash payments to the work charged employees.

Additionally, appointments were made without advertising the positions and without provisions in the contingency, raising concerns about transparency and adherence to proper procedures.

Violation of rules resulted in irregular payment amounting to Rs 2,137,159.

Audit pointed out irregular payment in August 2023.

The para was discussed in the SDAC meeting held on 24th November 2023. The department explained that work charge employees were hired for supervision of ADP schemes and paid in cash as the temporary work charged employees. Audit contended that hiring of work charge employees was required to be made through laid down procedure but the department irregularly appointed those employees. Besides, on pay bills, no Computerized National Identity Card (CNIC) numbers of work charged employees were mentioned and an amount of Rs 1.620 million was shown disbursed without the acknowledgment of the concerned official. The Committee directed the department to get the matter regularized from FD. Compliance with the Committee's directive was not reported till finalization of the report.

Audit recommends fixing responsibility and recovery of the paid amount besides regularization from FD.

DP No.290 (2023-24)

Miscellaneous irregularities

4.4.20 Unjustified payment for bed clearance on same RDs – Rs 2.563 million

As per FD No. FD(M-I) II-17/84 dated 10th February 2016, "in cases where lump sum release/transfer of funds to an executing agency has been made by a department, on completion of works the executing agency would render a completion certificate besides a signed statement of accounts to the respective Drawing and Disbursing Officer (DDO). The unspent balance amount, if any, shall also be refunded to the concerned DDO".

Executive Engineer, Lahore Drainage Division, Lahore, during April 2022 made an advance payment of Rs 2.563 million to Machinery Division, Lahore, for execution of a quantity of 1646450 cft of earthwork through the departmental machinery relating to the work *"Bed Clearance of Bhoe Asal Drain from RD 0+000 To 32+000".* Audit observed that an advance payment of Rs 2.492 million had already been made to Excavator Division, Faisalabad, in April 2020, for the same drain and RDs, covering a quantity of 1325115 cft. It was further noted that within a span of 2 years, the department made advance payments of Rs 5.056 million for the same work without providing any justification or furnishing records regarding the execution of works by both divisions.

Violation of FD's directions resulted in unjustified payment amounting to Rs 2,563,582.

Audit pointed out unjustified payment in May 2023.

The para was discussed in SDAC meeting held on 17th August 2023. The department explained that requisite record was available. Audit informed the Committee that the department did not produce any record for verification of facts i.e., MBs establishing the works executed by both the Machinery Divisions, verification of works by the concerned staff of Drainage Division Lahore and completion certificates/ documentary evidence showing execution of works. The committee directed the department to get verified complete record from Audit within 07-days. Compliance with the Committee's directives was not reported till the finalization of the report.

Audit recommends a thorough investigation into the matter, followed by appropriate action against those responsible for the discrepancy. Furthermore, it suggests pursuing the recovery of the amount involved.

DP No 06 (2022-23 Ph-II)

CHAPTER – 5

LOCAL GOVERNMENT AND COMMUNITY DEVELOPMENT DEPARTMENT

5.1 Introduction

A. Description of Department

Local Government and Community Development Department (LG&CD) in Punjab, Pakistan, was established with the specific purpose of addressing the needs of mega cities and predominantly urban districts in the region. The creation of this department was a response to the evolving challenges of urbanization and the necessity to establish governance structures capable of promoting the efficient management of city affairs and community development.

Historically, the concept and system of local governance in Pakistan have undergone multiple changes aimed at enhancing democratic governance and improving socio-economic conditions at the grassroots level. Reforms have been consistently introduced to strengthen local bodies in order to provide greater autonomy and powers to elected representatives at the municipal level.

The primary functions of the department encompass policy formulation, the framing of local government laws and rules, and the diligent monitoring of their implementation across local governments in Punjab. LG&CD Department is also responsible for exerting administrative control over local governments in the region. Key responsibilities include the preparation of ADPs and the allocation of budgetary resources to various local government sectors. Furthermore, the department plays a crucial role in coordinating and assisting with foreign-funded projects and serves as a pivotal intermediary between local governments and the Election Commission of Pakistan for the organization of local bodies elections. Its functions extend to liaison work with the Punjab Disaster Management Authority to address emergencies or disasters, and it oversees the monitoring and supervision of public sector companies under its jurisdiction.

LG&CD Department plays a comprehensive role in urban planning, asset management, and the delivery of municipal services, with a focus on transforming intermediate cities into efficient and sustainable urban centers. Key initiatives led by the department include the implementation of an IT-based monitoring system for improved governance, the Punjab

Intermediate Cities Improvement Investment Program, and the Punjab Cities Program aimed at strengthening service delivery in urban local governments.

LG&CD Department has an attached department, i.e., Director General Local Government & Community Development, Punjab. It has four autonomous bodies, viz. Punjab Local Government Board, Punjab Local Government Commission, Walled City of Lahore Authority and Punjab Shehr-e-Khamoshan Authority, Lahore.

Table 5.1: Audit profile

Sr. No.	Description of Formations	Total Formations	Audited Formations
1	LG&CD formations	203	06*
2	Authorities/Autonomous Bodies	02	01

***Note:** LG&CD Department has a total of 203 formations and ten (10) are related to civil works out of which six (6) were audited by this office.

Table 5.1.1: Expenditure Audited against the allocated Budget and Expenditure incurred

(Rs in million)

Sr. No.	Description of Formations	Total No. of Formations	Audited Format-ions	Total Budget	Total Expenditure	Expenditure Audited
1	**Phase-I**	203 & 02		-	-	-
	LG&CD formations		04	9,859.427	9,025.735	2,125.421
	Authorities/Autonomous Bodies		-	-	-	-
2	**Phase-II**			-	-	-
	LG&CD formations		02	16,239.433	15,864.673	13,250.190
	Authorities/Autonomous Bodies		01	386.043	134.006	134.006
	Grand Total	**205**	**07**	**26,484.903**	**25,024.414**	**15,509.617**

B. Comments on Budget and Accounts (Variance Analysis)

In the FY 2022-23, LG&CD Department received budgetary allocations from both development and non-development grants. However, the department was unable to fully utilize the development budget, amounting to Rs 9,827.946 million, and the non-development budget, amounting to Rs 3,824.204 million. Grant wise budgetary position (variance analysis) in FY 2022-23 is presented below:

Table 5.2: (i) Variance analysis (LG&CD) *(Rs in million)*

Nature of Budgetary Allocation	**Original Budget**	**Revised Budget**	**Actual Expenditure**	**Variation Excess/(Saving)**	**Variation in %**
Non-Development					
PC 21010	787.822	1,115.443	1,070.596	44.846	4.02
PC 21031	13,017.778	23,201.862	19,422.503	3,779.358	16.29
Sub-Total	13,805.600	24,313.305	20,493.100	3,824.204	15.73
Development					
PC 22036	19,009.690	33,762.644	23,934.698	9,827.946	29.11
Sub-Total	19,009.690	33,762.644	23,934.698	9,827.946	29.11
Grand Total	**32,815.290**	**58,079.949**	**44,427.798**	**13,652.150**	**23.50**

Source: SAP figures for the year 2022-23

Table 5.2 (ii): Variance analysis (Authorities/Autonomous Bodies i.e DG Punjab Shehr-e-Khamoshan Authority PSKA, Lahore)

(Rs in million)

Nature of Budgetary Allocation	**Original Budget**	**Revised Budget**	**Actual Expenditure**	**Variation Excess/(Saving)**	**Variation in %**
Non-Development					
PC 21031	29.891	29.891	7.909	21.982	73.541
Sub-Total	**29.891**	**29.891**	**7.909**	**21.982**	**73.541**
Development					

LZ 4871	356.152	356.152	126.097	230.055	64.59
Sub-Total	**356.152**	**356.152**	**126.097**	**230.055**	**64.595**
Grand Total	**386.043**	**386.043**	**134.006**	**252.037**	**65.287**

Source: SAP figures for the year 2022-23

C. Sectoral analysis on the achievements against targets agreed under MTDF/MTBF

Brief comments on targets achieved under MTDF are given in Chapter No. 1, i.e., Sectoral Analysis.

5.2 Classified Summary of Audit Observations

As a result of the audit conducted on Local Government and Community Development Department, audit observations totaling Rs 128.188 million were raised. This amount also includes recoveries of Rs 22.834 million, as highlighted by the audit. Summary of the audit observations classified by nature is as under:

Table 5.3: Classification of audit observations *(Rs in million)*

Sr. No.	Classification	Amount
	Irregularities:	
(i)	Irregularities resulting in overpayments	22.834
(ii)	Irregularities resulting in loss to government	40.969
(iii)	Miscellaneous irregularities	64.385
	Total	**128.188**

5.3 Comments on the status of compliance with PAC directives

Compliance position with PAC's directives on Audit Report relating to Audit years 1993-94 to 2012-13.

Table 5.4: Compliance of PAC directives LG&CD Department

Sr. No.	Audit Report Year	Outstanding Directives	Compliance Reported	Compliance Awaited	Percentage (%)
1	1993-94	1	-	1	-
2	1994-95	10	-	10	-
3	1995-96	5	-	5	-
4	1996-97	73	-	73	-
5	1997-98	232	-	232	-
6	1998-99	48	-	48	-
7	1999-00	84	-	84	-
8	2000-01	26	-	26	-
9	2006-07	3	-	3	-
10	2009-10	14	-	14	-
11	2010-11	4	-	4	-
12	2012-13	10	-	10	-
Total		**510**	**-**	**510**	**-**

5.4 AUDIT PARAS

Irregularities

Irregularities resulting in overpayments

5.4.1 Overpayment due to calculation of higher rates – Rs 11.808 million

According to FD's notification No. RO(Tech)FD 2-3/2004 dated 2nd August 2004, "the CEs on the basis of input rates fixed by FD, shall fix the rate of each item of work for rough cost estimates for AA and detail estimate for technical sanction, place them on their web sites and send a copy to FD".

5.4.1.1 Executive Engineer, LG&CD Civil Division, Lahore paid for the item *"Precast boundary walls"*. Audit observed that the department calculated higher rates by using inflated quotations instead of FD's input rates in rate analyses. Detail is as under:

(Amount in Rs)

Sr. No.	**DP No.**	**Item paid**	**Quantity (rft)**	**Rate paid (P.rft)**	**Rate to be paid P.rft)**	**Difference of rate (P.rft)**	**Amount Overpaid**
1	75 (2022-23)	Precast boundary wall (2-works)	3780	2,220	896	1,324	5,004,720
			4443	2,808	896	1,912	8,495,016
Total							13,499,736

Violation of FD's instructions resulted in overpayment amounting to Rs 13,499,736.

Audit pointed out the overpayment in September 2023.

The para was discussed in SDAC meeting held in November 2023. The department explained that the non-standardized rates based on quotations were approved by the competent authority. Audit contended that admissible rates were Rs 981 & 1397 per rft by applying relevant FD's input rates and actual recovery comes to Rs 10,952,493. The Committee directed the department to get record verified from Audit within seven (07) days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

5.4.1.2 Executive Engineer, LG&CD Civil Division, Lahore, in two (02) cases, paid for the items viz *"Sub-base course",* and *"Carriage of Bajri"*. Audit observed that the department paid higher rates due to incorrect lead as follows:

(Amount in Rs)

Sr. No.	**DP No.**	**Item paid**	**Quantity (cft)**	**Rate paid (% cft)**	**Rate to be paid (% cft)**	**Difference of rate (% cft)**	**Amount Overpaid**
1	85 (2022-23)	Sub-base course crushed stone	15768	17,429.25	14,333	3,096.25	488,216
2	81 (32) (2022-23)	Carriage of Bajri	61841	5,880.38	5,285.95	594.43	367,601
Total							**855,817**

Violation of FD's instructions resulted in overpayments amounting to Rs 855,817.

Audit pointed out the overpayments in September 2023.

The paras were discussed in SDAC meeting held November 2023. In DP No. 85, the department admitted recovery pointed out by the audit. The Committee directed the department to effect actual recovery. In DP No.81(32), the department explained that payment was made for 154 km as per revised TS estimate. Audit contended that lead cannot be changed once original TS estimate is approved, therefore, the lead of 137 km was required to be paid, as approved in original TS estimate. The Committee directed to get the record verified otherwise effect recovery. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

<u>Note:</u> The issue was reported earlier also in the Audit Reports for Audit Years - 2018-19 to 2022-23 vide Para No. 5.4.5.1 in AR 2018-19, Para No. 5.5.3.2 in AR 2019-20, Para No. 5.5.1.3.1 in AR 2021-22 and Para No. 5.4.1.4.1 in AR 2022-23 having financial impact of Rs 15.056 million. Recurrence of same irregularity is a matter of serious concern.

5.4.2 Overpayment due to excess measurements of PCC – Rs 5.848 million

As per provision in TS estimate and CE (North) PHE Department Lahore Letter No. 664-67/P&D-I dated 29th May 2015, thickness of PCC 1:2:4 in street should be as mentioned below:

Width of PCC pavement 0′ to 6′ Thickness of PCC 3″

Width of PCC pavement 6′-10′ Thickness of PCC 4″

Width of PCC pavement above 10′ Thickness of PCC 6″

Executive Engineer, LG&CD Civil Division, Gujrat paid an amount of Rs 21.237 million for the item "*P/L of PCC".* Audit observed that the department, in four (04) cases, made overpayment by taking excess thickness of PCC in violation of the pavement design and TS estimate. Detail is as under:

(Amount in Rs)

Sr. No.	Name of Work	Item	Thickness taken	Thickness to be taken	Amount Overpaid

1	Const of PCC streets UC Dilwarpur	P/L PCC 1:2:4	0.66ft	0.50ft	1,720,931
2	Const of PCC streets UC Chariawala	P/L stone ballast	0.33ft	0.25ft	3,673,896
		P/L PCC 1:2:4	0.33ft	0.25ft	
		P/L PCC 1:2:4	0.58ft	0.50ft	
		P/L PCC 1:2:4	0.58ft	0.50ft	
3	Const of PCC streets UC Surkhpur	P/L stone ballast	0.50ft	0.33ft	118,247
		-do-	0.33ft	0.25ft	
		P/L PCC 1:2:4	0.50ft	0.33ft	
		-d0-	0.33ft	0.25ft	
4	Const of PCC streets UC Kassoki	P/L stone ballast	0.50ft	0.33ft	334,645
		P/L PCC 1:2:4	0.50ft	0.33ft	
Total					**5,847,719**

Violation of TS estimate and pavement design resulted in overpayment amounting to Rs 5,847,719.

Audit pointed out the overpayment in August 2023.

The para was discussed in SDAC meeting held in October 2023. The department explained that thickness of PCC was maintained as per site requirements due to heavy traffic load. Audit contended that the work was required to be executed as per provision of the TS estimate and pavement design. The Committee directed the department to effect actual recovery. Compliance with the Committee’s directives was not reported till finalization of the report.

Audit recommends early recovery besides initiating disciplinary action against the person(s) responsible for non-observing provision of TS estimate.

DP No. 24 (2022-23)

Note: The issue was reported earlier also in the Audit Reports for Audit Years - 2018-19 to 2022-23 vide Para No. 5.5.1.2.2 in AR 2021-22 and Para No. 5.4.1.3 in AR 2022-23 having financial impact of Rs 29.821 million. Recurrence of same irregularity is a matter of serious concern.

5.4.3 Overpayment on account of disposal of dismantled/unsuitable material – Rs 4.105 million

According to Rule 7.29 of DFR Vol-I, before signing the bill, a 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 calculations are made correctly.

Executive Engineer, LG&CD Civil Division, Lahore paid an amount of Rs 6,410,133 for the items viz. *"Earthwork excavation undressed Malba/unsuitable material etc."* and "*Dismantling of PCC etc.*" which included disposal of dismantled/unsuitable material. Audit observed that the department made double payment on account of disposal of material by allowing a separate item namely "*removal of malba*" for which an amount of Rs 3,702,255 was paid. Audit further observed that the department paid *"Removal of dismantled material lead up to 5 miles"* amounting to Rs 402,310. by dividing the total volume of material with factor of 100 cft instead of 1000 cft.

Violation of rules resulted in the overpayments of Rs 4,104,565.

Audit pointed out the overpayments in September 2023.

The paras were discussed in SDAC meeting held in November 2023. In both cases, the department admitted recovery and the Committee directed the department to effect recovery. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides taking action against the person(s) responsible and strengthening internal controls to avoid the recurrence of such issues.

DP No. 70&71(2022-23)

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2018-19 to 2022-23 vide Para No. 5.5.1.4 in AR 2021-22 and Para No. 5.4.1.9 in AR 2022-23 having financial impact of Rs 2.571 million. Recurrence of same irregularity is a matter of serious concern.

5.4.4 Overpayment due to execution of work beyond the provisions of specifications – Rs 1.073 million

As per clause 10 of the contract agreement, "the works executed by the contractor shall also conform to the designs and/or drawings and instructions in writing relating to the works signed by the engineer in-charge and lodged in his office, and to which the contractor shall be entitled to have access at such office, or on the site of the works for the purpose of inspection during office hours".

Executive Engineer, LG&CD Civil Division, Lahore got executed works items *"PCC 1:2:4"* and *"RCC 1:2:4"*. Audit observed that the department in one (01) case paid for an excess quantity of bajri than was provided in the contract specifications. In the second case, PCC was applied in violation of contract specifications under tuff tiles in addition to already executed sub-base course. In the third case, cement plastering on both sides of wall of nullah/drain was carried out whereas plastering of only one side of the wall was provided in the specifications. Detail is as under:

(Amount in Rs)

Sr. No.	**DP No.**	**Amount Overpaid**	**Reason**
1	35 2021-22	598,126	Carriage of 88% more bajri than the provisions of MRS for PCC & RCC 1:2:4
2	77 (2022-23)	353,257	Inadmissible payment of PCC under tuff tile in addition to sub-base
3	78 (2022-23)	122,031	Applied cement plaster on two sides of the drain wall instead of one side
	Total	**1,073,414**	

Violation of the contract agreement resulted in overpayment amounting to Rs 1,073,414.

Audit pointed out the overpayment in April and September 2023.

The paras were discussed in SDAC meeting held in August and November 2023. In all three (03) cases, the department admitted the recovery and the Committee directed to effect recovery. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

Irregularities resulting in loss to government

5.4.5 Loss due to non-procurement of stone from the nearest quarry – Rs 31.125 million

As per condition No. 5 of FD's letter No. RO(Tech) F.D 2-3/2004 dated 2nd August 2004, "material from nearest approved quarry shall be used". Further, as per FD's letter No. RO (Tech) FD 2-3/2015 (2nd Biannual) dated 5th August 2015, Melot Quarry Jhelum district is placed at Sr. No. 7 in the list of approved quarries by the Punjab Highway Department.

Executive Engineer, LG&CD Civil Division, Gujrat, in four (04) cases, got executed items viz. *"bajri for PCC/RCC", "base course"* and *"sub-base course of crushed stone"* including lead from Kirana, Dina, Taxila and Margalla quarries. Audit observed that while preparing rates, the department did not include lead from Melot quarry which was nearest to the sites.

Violation of FD's instructions resulted in loss to government amounting to Rs 31,125,328.

Audit pointed out the loss in August 2023.

The paras were discussed in the SDAC meeting held in October 2023. In DP Nos. 04, 03, 01 and 02, the department explained that the lead was paid in the light of Punjab Highway Department letter dated 22nd August 2005. Audit contented that in same letter it was clarified that "in case suitable material is available from local source, it shall be provided in the estimate". Accordingly, the department was required to use Melot quarry being the shortest route in line with the instructions of FD vide letter dated 12th May 2015. Audit further informed that the sister division of Highway Department (Jhelum) approved and paid the carriage of stone from Melot quarry. The Committee, in all four (04) cases, directed to effect recovery. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-XXXVII)

Note: The issue was reported earlier also in the Audit Reports for Audit Years - 2018-19 to 2022-23 vide Para No. 5.5.3 in AR 2020-21, Para No. 5.51.3.2 in AR 2021-22 and Para No. 5.4.1.5 in AR 2022-23 having financial impact of Rs 14.249 million. Recurrence of same irregularity is a matter of serious concern.

5.4.6 Mis-procurement and loss due to non-award of work to the lowest bidder – Rs 9.844 million

As per Rule 38(2)a(viii) of PPRA Rules, 2014, "the lowest evaluated bidder shall be awarded the contract".

Executive Engineer, LG&CD Civil Division, Lahore awarded a contract on 14th February 2022 for Rs 158,130,749 to the second lowest bidder who offered a bid which was 24.10% below the estimated cost. Audit observed that the lowest bidder offered a bid that was 32.10% below the estimated cost according to the E-tender evaluation report. However, the contract was not awarded on the grounds that CDR was not received in the XEN Office, whereas the contractor had submitted Call Deposit Receipt (CDR) No.06891770 dated 4th December 2021 of Rs 4.500 million.

Violation of PPRA Rules resulted in mis-procurement and loss amounting to Rs 9,843,943.

Audit pointed out the irregularity and loss in September 2023.

The para was discussed in SDAC meeting held in November 2023. The department explained that the scheme was tendered through E-tendering process and work order was awarded through online system to the 2nd lowest bidder. Audit contended that 1st lowest bidder offered the lowest bid at 32.10% below the estimated cost along with CDR No. 06891770 on 4th December 2021 for Rs 4.500 million. XEN LG&CD Lahore also wrote letter to Manager BOP on 2nd March 2022 for verification of CDR, which proved that CDR was received by the department. The Committee directed to probe the matter at administrative level and submit an enquiry report at the earliest. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance with the SDAC's directives besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 91 (2022-23)

Note: This issue was reported earlier also in the Audit Reports for the years 2018-19 to 2022-23 vide Para No. 5.5.2.3 in AR 2021-22 and Para No. 5.4.1.1 in AR 2022-23 having financial impact of Rs 13.663 million. Recurrence of same irregularity is a matter of serious concern.

Miscellaneous irregularities

5.4.7 Payment made without possession of land for graveyard – Rs 50.00 million

As per Section 4 of Land Acquisition Act 1894, “whenever it appears to the Collector of the District that land in any locality is needed or is likely to be needed for any public purpose, a notification to that effect shall be published in the official Gazette, and the Collector shall cause public notice of the substance of such notification to be given at convenient places in the said locality”.

Executive Engineer, LG&CD Civil Division, Lahore made payment amounting to Rs 50 million for purchase of land for construction of a graveyard to Administrator, Metropolitan Corporation (MC), Lahore instead of purchasing land through LAC as required by the LAC Act 1894. Audit observed that MC, Lahore made payment of Rs 46,250,000 to the management of Khayabane-e-Quaid (Islamia College Old Boys) Housing Society for a piece of land measuring 185 Marlas, even though the payee was neither the legal owner nor in possession of the land. According to Roznamcha Report No.1228 dated 27th December 2022, the legal owner of the land was Mr. Peer Muhammad. Furthermore, the department did not take possession of the land and no gazette notification had been issued in favour of LG&CD as required by LAC Act.

Violation of Land Acquisition Act 1894 and non-possession of land resulted in irregular payment of Rs 50,000,000.

Audit pointed out irregular and wasteful payment in September 2023.

The para was discussed in SDAC meeting held in November 2023. The department explained that LG&CD transferred funds amounting to Rs 50 million to the Administrator, MC, Lahore in order to purchase land for construction of a graveyard in Lahore. Audit contended that the land should have been purchased through LAC instead of through MC in accordance with Land Acquisition Act 1894. Audit further contended that MC, Lahore subsequently made payment to the management of a private housing society which was not the legal owner of the land. The Committee directed the department to hold an enquiry at administrative level within 30 days. Compliance with the Committee’s directives was not reported till finalization of the report.

Audit recommends early compliance with SDAC directives besides fixing responsibility against the delinquents.

DP No. 88 (2022-23)

5.4.8 Irregular enhancement of agreement in violation of PPRA Rules – Rs 14.385 million

According to clarification by PPRA vide letter No. L&M(PPRA)1-5(W)/2016, dated 18th June 2019, enhancement in the original scope of work cannot be allowed under PPRA Rules being different modality from the concept of variation which is allowed (to the extent of 20% of the original procurement in the category of works only and on the basis of unforeseen engineering anomalies) in the light of clause 42 of contract agreement.

Executive Engineer, LG&CD Civil Division, Lahore made payment of Rs 28,273,926 to the contractor for a work against the agreement cost of Rs 13,888,889 up to 4th & final bill. Audit observed that the department increased the work by an amount of Rs 14,385,037 which was 104% of the original cost of the agreement.

Violation of PPRA rules resulted in irregular increase of work by an amount of Rs 14,385,037.

Audit pointed out the irregularity in September 2023.

The para was discussed in SDAC meeting held in November 2023. The department explained that revised TS estimate has been submitted for approval. Audit contended that the department executed the works up to 104% above the original estimate in violation of PPRA rules. The Committee directed the department to obtain condonation from FD. Compliance with the Committee’s directives was not reported till finalization of the report.

Audit recommends early compliance with the Committee’s directives besides strengthening internal controls to avoid the recurrence of such issues.

DP No. 94 (2022-23)

<u>Note:</u> The issue was reported earlier also in the Audit Reports for Audit Years - 2018-19 to 2022-23 vide Para No. 5.5.1 in AR 2020-21 having financial impact of Rs 9.713 million. Recurrence of same irregularity is a matter of serious concern.

CHAPTER – 6

PUNJAB MASSTRANSIT AUTHORITY

6.1 Introduction

A. Description of Department

Government of the Punjab established Punjab Metrobus Authority in 2012 under Punjab Metrobus Authority Act 2012 (Punjab Metrobus Authority Act LVI of 2012), which was re-established in 2015 as the Punjab Masstransit Authority (PMA) under Punjab Masstransit Authority Act 2015 (Punjab Masstransit Authority Act XXXIII of 2015). The Authority is headed by Managing Director (MD) under the administrative control of Secretary Transport Department, Government of the Punjab. The Authority was established for purpose of planning, construction, operation and maintenance of masstransit systems in major cities of the province for providing safe, efficient and comfortable urban transportation. PMA has outsourced all of its operations and maintenance services to engage private sector's expertise. It mainly focuses on planning, contracting of services and oversight of the contracts.

B. Comments on Budget and Accounts (Variance Analysis)

In FY 2021-22, the PMA received budget through non-development grant. Budgetary position (variance analysis) in FY 2021-22 is presented below:

Table 6.1: Variance analysis *(Rs in million)*

Grant No and Nature	Budget Allocation	Actual Expenditure	Variation Excess/ (Saving)	Variation in %
PC-21030	15,323.920	15,323.920	-	-
Total	**15,323.920**	**15,323.920**	**-**	**-**

Source: Departmental figures for the year 2021-22

C. Sectoral analysis on the achievements against targets agreed under MTDF/MTBF

Brief comments on targets achieved under MTDF are given in Chapter No. 1, i.e., Sectoral Analysis.

6.2 Classified Summary of Audit Observations

Audit observations, contained in this report, amounting to Rs 451.703 million were raised as a result of audit of PMA. This amount also includes recoveries of Rs 30.210 million. Summary of the audit observations classified by nature is as under:

Table 6.2: Classification of audit observations *(Rs in million)*

Sr. No	Classification	Amount
1.	**Irregularities:**	
(i)	Irregularities resulting in overpayments	30.210
(iii)	Irregularities resulting in loss to government	421.493
Total		**451.703**

6.3 Comments on the status of compliance with PAC directives

No paras of the Authority had been discussed in the PAC till finalization of the report.

6.4 AUDIT PARAS

Irregularities

Irregularities resulting in overpayments

6.4.1 Overpayment due to excess payment of guaranteed km – Rs 30.210 million

As per clause 3.1.8 of the contract agreement of M/s. Platform Turizm, "guarantee average minimum of 70000 Km per bus per year for all the 45 buses and the additional buses if ordered to be plied by the Client. In every twelfth (12^{th}) invoice mileage of all buses will be checked and any of the shortfalls will be adjusted to achieve the guaranteed minimum mileage. The adjustment to cost matrix will be made as per changes in cost matrix and indication mentioned in agreement". Further, as per annexure-C of same agreement, "the adjustment in cost per km shall be applicable if the travelled km exceeds 200 km per bus per day".

MD, PMA, Lahore awarded the contract to M/s Platform Turizm at a contract price of Rs 360 per km for Lahore Metro Bus System. Audit observed that there was contradiction in the contract agreement because as per clause 3.1.8, the guaranteed km per day was 191.78 km (70000/365) whereas as per annexure-C of the same agreement, the Authority provided for 200 guaranteed km per bus per day. Therefore, the actual guaranteed km per day for all the buses came to 12274 km (64 x 191.78) instead of 12800 km (64 x 200) per day paid by the Authority.

Violation of the contract agreement resulted in the overpayment for Rs 30,210,494.

Audit pointed out the overpayment in March 2023.

The para was discussed in the SDAC meeting convened in September 2023. The Authority explained that the first contract was signed by the Transport Department with service provider in 2012 for a period of eight (8) years with an assumption of 15 holidays during the year and subsequently handed over to the Authority, whereas it was noticed during the operation that there were no off days. Audit contended that the Authority allowed 12800 km per day as guaranteed instead of 12274 km per day and this anomaly could have been corrected for extension period of contract. The Committee directed the Authority to issue notice of recovery amounting to Rs

30,210,494 to M/s Platform Turizm in respect of extension period of one year. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides strengthening internal control to avoid the recurrence of such issues.

DP No. 12 (2022-23)

Irregularities resulting in loss to government

6.4.2 Loss due to award of works beyond 4.5% acceptable tender limit – Rs 421.493 million

As per FD's letter No. R.O(Tech)FD-2-3/85 Vol-IV dated 7th January 1992, read with the DFR 2016, "acceptance of tenders shall be subject to the condition that the rates quoted/or amounts tendered are such that the total cost of the project will not exceed the amount, for which technical sanction has been accorded, by more than 4.5%".

MD, PMA, Lahore, in three (03) cases, awarded the contracts to contractors. Audit observed that the contracts were awarded more than 4.5% beyond acceptable tender limit which was inadmissible.

(Rs in million)

Sr. No.	Name of contract	Estimated amount	Awarded amount	% of award higher than estimated amount	Loss
1	E&M works Metro Rail Transit System on Orange Line in Lahore	4,567.547	5,192.123	13.67	419.036
2	Automated Fare Collection-Bus Scheduling System for the operation and maintenance services of Lahore Metro Bus	19.500	22.799	16.91	2.421
3	O&M and services level agreement (SLA) of elevator system in PMBS	2.400	2.262	6.06	0.036
Total					**421.493**

Violation of FD’s instructions resulted in loss due to irregular award of works amounting to Rs 421,493,000.

Audit pointed out the irregularity in March 2023.

The para was discussed in the SDAC meeting conveyed in September 2023. The Authority explained that contracts pertained to services of complex nature and did not fall under category of development works or supply of goods. Audit contented that all contracts were awarded at more than 4.5% i.e. beyond acceptable tender limit. The Committee directed the Authority to get the matter regularized by FD. Compliance with the Committee’s directives was not reported till finalization of the report.

Audit recommends early regularization of the matter from the competent forum besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.36 (2022-23)

<u>Note:</u> The issue was reported earlier also in audit reports for the year 2021-22 vide para No 7.2.8.2.3.4 and for the year 2022-23 vide para No 7.4.6 having financial impact of Rs 70.993 million. Recurrence of same irregularity is a matter of serious concern.

CHAPTER – 7

KOH-E-SULEMAN IMPROVEMENT PROJECT

7.1 Introduction

A. Description of the Project

The P&D Board of the Government of Punjab initiated a new project titled the "Koh-e-Suleman Improvement Project" (KSIP). The project received approval from the Provincial Development Working Party (PDWP) on 16th July 2021, with a total cost of Rs 5,712 million (Government of Punjab share: Rs 5,545 million & beneficiary/community share: Rs 167 million). It has a gestation period of five years, from July 2021 to June 2026. The AA for the scheme was granted on 30th July 2021. The project was started in November 2021. The PD oversees the project under the administrative control of the P&D Board, Government of Punjab

The project aims to alleviate poverty by enhancing both physical and social infrastructure. Specifically, it seeks to boost the income of the residents in the tribal areas of District D.G Khan and Rajanpur. This is planned to be achieved through improvements in agriculture, focusing on enhanced crop production and the establishment of orchards.

B. Comments on Budget and Accounts (Variance Analysis)

In the FY 2022-23, the Koh-e-Suleman Improvement Project secured a single-line budget allocation through a development grant. Subsequently, the project management allocated the budget for both development and non-development expenditures. The budgetary position, along with variance analysis, is presented below:

Table 7.1: Variance analysis *(Rs in million)*

Grant No and Nature	Budget Allocation	Actual Expenditure	Variation Excess/ (Saving)	Variation in %
PC-22036	1,091.231	709.299	381.932	(35.00)

Source: Departmental figures for the year 2022-23

C. Sectoral analysis on the achievements against targets agreed under MTDF/MTBF

Brief comments on targets achieved under MTDF/MTBF are given in Chapter No. 1, i.e., Sectoral Analysis.

7.2 Classified Summary of Audit Observations

Audit observations totaling Rs 42.058 million were identified during the audit of the Koh-e-Suleman Improvement Project. This amount encompasses recoveries amounting to Rs 13.259 million, as highlighted by the audit. A summary of the audit observations, categorized by nature, is provided below:

Table 7.2: Classification of audit observations *(Rs in million)*

Sr. No	Classification	Amount
1.	**Irregularities:**	
(i)	Irregularities resulting in overpayments	13.259
(ii)	Miscellaneous irregularities	28.799
Total		**42.058**

7.3 Comments on the status of compliance with PAC directives

Audit paras of the project were not discussed in the PAC until the finalization of the report.

7.4 AUDIT PARAS

Irregularities

Irregularities resulting in overpayments

7.4.1 Overpayment due to incorrect calculation – Rs 13.259 million

According to rule 7.29 of DFR Vol-I, "before signing the bill, a sub-divisional officer should compare the quantities in the bill with those recorded in the MB and see that all the rates were correctly entered and that calculations were checked arithmetically to be correct".

Project Director KSIP, D.G Khan paid Rs 164,275,344 to a contractor up to 6th running bill for various items of works. Audit observed that the 6th running bill indicated the actual value of the work done as Rs 151,016,647. However, the management paid Rs 164,275,344 due to a calculation error.

Violation of the DFR resulted in an overpayment amounting to Rs 13,258,697.

Audit pointed out the overpayment in August 2023.

The para was discussed in the SDAC meeting held on 5th December 2023. The management contended that the payment was made correctly. Audit informed that during the audit, the management provided the 6th & running bill, indicating the value of work done as Rs 151,016,647. However, during verification on 30th October 2023, the management presented a different 6th & running bill, reflecting the value of work done as Rs 165,263,482. The Committee directed to get the matter probed by the Administrative Department, fixing responsibility besides effecting actual recovery. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early investigation into the matter to ensure recovery and fix responsibility besides strengthening internal controls to avoid the recurrence of such issues.

DP No.09(2023-24)

Miscellaneous irregularities

7.4.2 Irregular award of consultancy contract – Rs 22.908 million

As per rule 31, chapter VI of PPRA 2014, "procuring agency shall formulate appropriate evaluation criteria listing all relevant information against which a bid is to be evaluated and such evaluation criteria shall form an integral part of the bidding documents". Further, as per rule 32 of the same, "all bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding document".

Project Director KSIP, D.G Khan awarded a consultancy contract on 10th January 2022 amounting to Rs 22.908 million for construction supervision of roads. The tender was advertised on 10th November 2021 and the technical bid evaluation committee shortlisted the firm on 6th December 2021. Audit observed that the lowest bidder, M/s ESS-I-ARR, was ineligible due to the expiration of its certificate of registration issued by the Pakistan Engineering Council (PEC) on 30th June 2021. Furthermore, the firm did not have active registration with PRA both at the time of bidding and even afterwards, until the time of the audit. Despite these shortcomings, the firm was shortlisted, and the contract was awarded, rather than being rejected for not meeting the evaluation criteria.

Violation of the PPRA rules resulted in irregular award of consultancy contract amounting to Rs 22,908,000.

Audit pointed out the irregularity in August 2023.

The para was discussed in the SDAC meeting held on 5th December 2023. The management contended that consultancy contract was awarded to the consultant after fulfillment of all codal formalities. Audit explained that the consultant submitted bidding documents with expired registration certificate of PEC. Additionally, the firm did not possess an active registration with PRA, both at the time of bidding in November 2021 and as of the date of verification, i.e., 5th

December 2023. Therefore, award of consultancy contract was irregular. The Committee directed the management to get the matter regularized from FD. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early regularization of the matter from FD besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.21 (2023-24)

7.4.3 Irregular payment on account of rent of vehicles and office building – Rs 5.891 million

As per clause 6.4 (a) & (b) of special conditions of consultancy agreement, "the consultant shall submit a monthly financial report showing all expenditure for the quarter not later than 15th of close of every calendar quarter for reimbursement. In support of the expenditure the consultant shall maintain proper accounts and supporting vouchers, invoices etc. Further, the client will release the monthly payment against the monthly financial report within 15 days".

Project Director KSIP, D.G Khan made payment amounting to Rs 5,891,398 to the resident consultant for car rentals and office building rent covering the period from 11th January 2022 to 31st May 2023. Audit observed that the management made this payment without any supporting evidence, such as receipts of payments for rented cars from sales tax registered persons, rent agreements for the building and cars, and other related proofs of payments made by the consultant.

Violation of the contract agreement resulted in irregular payment amounting to Rs 5,891,398.

Audit pointed out the irregularity in August 2023.

The paras were discussed in the SDAC meeting held on 5th December 2023. The management explained that all due taxes were deducted from payment made to consultants. Audit contended that the management made payment for rent of cars and office building without any supporting evidence i.e., receipt of rent of cars from sales tax registered person, rent agreement and other related proofs of payments. The Committee directed the management to get the matter regularized from FD within 30 days besides fixing responsibility for making payment without supporting documents. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance with the SDAC's directives besides strengthening internal controls to avoid the recurrence of such issues.

DP No.19&20 (2023-24)

CHAPTER - 8

CHOLISTAN DEVELOPMENT AUTHORITY

8.1 Introduction

A. Description of the Authority

Cholistan Development Authority (CDA) is a governmental organization established to oversee the development and administration of Cholistan area in Bahawalpur Division of Punjab, Pakistan. CDA was created with the aim of promoting the speedy development and better governance of the region. CDA Act of 1976 was enacted to address the development needs of the area and ensure efficient governance. The Authority is responsible for various functions, powers, and duties related to the planning, development and management of Cholistan area. It also works towards the conservation and preservation of natural resources in Cholistan.

P&D Board, Government of the Punjab is the administrative department of the Authority. The Authority consists of a Chairman, MD and several members representing different government departments and bodies. It is headed by CM Punjab as its Chairman and MD, CDA is the Vice-Chairman of the Authority. Its headquarters is located in Bahawalpur.

CDA is an autonomous body. For financial viability, it relies on government grants without generating income from its own sources, unlike other development authorities such as LDA, FDA, and MDA, among others.

B. Comments on Budget and Accounts (Variance Analysis)

In FY 2022-23, the Authority received budget through both development and non-development grants of Government of the Punjab. Grant wise budgetary position (variance analysis) for FY 2022-23 is presented below:

Table 8.1: Variance Analysis *(Rs in million)*

Grant No and Nature	Budget Allocation	Actual Expenditure	Variation Excess/ (Saving)	Variation in %
PC-12031	241.405	231.517	(9.88)	(4.10)
PC-22036	1,170.586	1,142.052	(28.534)	(2.44)
Grand Total	**1,411.991**	**1,373.569**	**(38.422)**	**(2.72)**

Source: Departmental figures for the year 2022-23

C. Sectoral analysis on the achievements against targets agreed under MTDF/MTBF

Brief comments on targets achieved under MTDF/MTBF are given in Chapter No. 1, i.e., Sectoral Analysis.

8.2 Classified Summary of Audit Observations

This report includes audit observations amounting to Rs 233.576 million. This amount also includes recoveries of Rs 45.149 million as pointed out by the Audit. Summary of audit observations classified by nature is as under:

Table 8.2: Classification of audit observations (*Rs in million*)

Sr. No.	Classification	Amount
1.	Irregularities:	
(i)	Irregularities resulting in overpayments	43.451
(ii)	Irregularities resulting in non-recoveries	1.698
(iv)	Miscellaneous irregularities	188.427

Total	**233.576**

8.3 Comments on the status of compliance with PAC directives

Compliance position with PAC's directives on Audit Report relating to Audit years 1991-92 to 2011-12 (excluding years not discussed in PAC) is as under:

Table 8.3: compliance with PAC directives

Sr. No.	**Audit Report Year**	**Outstanding Directives**	**Compliance Reported**	**Compliance Awaited**	**Percentage (%)**
1	1991-92 to 1999-00	21	-	21	-
2	2000-01	04	-	04	-
3	2009-10	04	-	04	-
4	2010-11	03	-	03	-
5	2011-12	07	-	07	-
Total		**39**		**39**	

8.4 AUDIT PARAS

Irregularities

Irregularities resulting in overpayments

8.4.1 Overpayment due to application of uneconomical items – Rs 27.560 million

As per rule 1.58 of the B&R Department Code, "the divisional officers are immediately responsible for the proper maintenance of all works in their charge and the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitably and economically carried out with materials of good quality".

8.4.1.1 MD, CDA, Bahawalpur paid for the item "*Earthwork excavation in irrigation channel, drains etc. to designed section, grade and profiles lead upto 150 feet and 400 feet*" at the rate of Rs 6,068.20 per ‰ cft and Rs 6,427.95 per ‰ cft, respectively. The total quantity of the earthwork executed was 8921947 cft. Audit observed that the work was executed through mechanical means as it was not feasible to execute such a huge quantity of earthwork excavation through manual labour. Therefore, the less expensive item for excavation vide item No. 52 of chapter-3 of MRS, i.e., *"Earthwork in excavation of drains, irrigation channels through excavator/drag lines in all kinds of soil etc."* with rates at the rate of Rs 2,380.85 ‰ cft and Rs 2,740.60 ‰ cft with respective leads should have been used.

(Amount in Rs)

Sr. No.	Name of item	Quantity paid -cft	Rate paid (per ‰)	Rate to be paid (per ‰)	Excess rate	Amount Overpaid
1	Earthwork excavation lead upto 150 feet	6742347	6,068.20	2,380.85	3,687.35	24,861,393
2	Earthwork excavation lead up to 400 feet	2179600	6,427.05	2,740.60	3,686.45	8,034,986
Total						32,896,379
Less 19% premium						(6,250,312)
Overpayment						**26,646,066**

Violation of the B&R Department Code resulted in the overpayment amounting to Rs 26,646,066.

Audit pointed out the overpayment in August 2023.

The para was discussed in the SDAC meeting held on 16th November 2023. The Authority explained that the earthwork was executed as per provision of TS estimate and site requirement. Audit contended that rate for the item with mechanized mode was required to be applied instead of manual labour, because it was not feasible to carry out such huge excavation with manual labour. The Committee directed the Authority to seek clarification from FD within 30 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.8(2023-24)

8.4.1.2 MD CDA, Bahawalpur paid for the item *"Earthwork excavation in ashes sand and soft soil or silt clearance lead 1/2 mile i/c dressing, leveling and dressing"* at the rate of Rs 9,344.35 per ‰ cft for a quantity of 208000 cft. Audit observed that the work was executed through mechanical means as it was not feasible to execute such a huge quantity of item of earthwork excavation through manual labour. Therefore, the item for excavation with machinery i.e., *"Earthwork in excavation of drains, irrigation channels through excavator/drag lines in all kinds of soil etc."* which was available vide item No. 52 of chapter-3 of MRS at the rate of Rs 4,948.59 per ‰ cft (after adjusting less premium at the rate of 12%) should have been applied.

Violation of the B&R Department Code resulted in the overpayments amounting to Rs 914,318.

Audit pointed out the overpayment in August 2023.

The para was discussed in the SDAC meeting held on 16th November 2023. The Authority explained that the PC-I and TS estimate of the scheme had been revised by the competent authority which covered the item in question. Audit contended that rate for the item with mechanized mode was required to be applied instead of manual labour, because it was not feasible to carry out such huge excavation with manual labour. The Committee directed the Authority to effect due recovery on account of difference of rates within 30 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 16 (2023-24)

8.4.2 Overpayment due to higher rate for additional work – Rs 7.528 million

As per Clause 41 of Contract Agreement between CDA and contractor, additional or substituted work shall be paid on the same conditions in all respects on which the contractor agreed to do the main work, and at the same rates as specified in the tender (bid schedule) for the main work.

MD CDA, Bahawalpur made payment of a non-BOQ item namely *"Earthwork in ordinary soil for embankment with compaction of 85% lead up to ½ mile"* as additional earthwork at the rate of Rs 9,453.67 per ‰ cft for a quantity of 2406754 cft. This item was executed on shoulders of newly constructed road under brick soling. Audit observed that similar item namely earthwork for embankment under metal road was available in BOQ and was paid with 100 feet lead at the rate of Rs 6,325.63 per ‰ cft but lead in additional work for soling was enhanced to ½ mile just to provide financial benefit to contractor.

Violation of the provision of the contract agreement resulted in overpayment amounting to Rs 7,528,423.

Audit pointed out the overpayment in August 2023.

The para was discussed in the SDAC meeting held on 16th November 2023. The Authority explained that variation in rates was due to site requirements. Accordingly, PC-I and TS estimate had been revised by the competent forum. Audit contended that as per clause 41 of the contract agreement, the contractor was required to execute additional work at the same rates and same conditions as specified in the tender (bid schedule) for the main work. The Committee directed the Authority to get clarification from FD. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.01 (2023-24)

8.4.3 Overpayment due to allowing excess quantity of bitumen than actually used – Rs 4.629 million

According to condition No.6 of FD's Notification No. RO (Tech)FD2-3/2004 dated 2nd August 2004, "the rate for an item of carpeting shall be fixed by the CE based on different percentages of bitumen ranging from 3% to 6%, and payment will be made to the contractor as per JMF or actual bitumen used in work".

MD CDA, Bahawalpur, in two (02) works, paid for the item *"P/L premixed bituminous asphaltic wearing course 2 inch thick with 4.5% bituminous contents"*. Audit observed that as per JMF issued by the RR&MTI, Lahore the contents of bitumen were 4.2%. Therefore, the authority was required to reduce rates of paid items as per JMF but neither the rate was reduced nor less use of bitumen was recovered. In this way, the authority made overpayment of Rs 8,754,382 (as detailed below). Further, extraction test of the actual executed works was not produced to Audit. The rate was required to be reduced according to the extraction test report.

(Amount in Rs)

Sr. No.	Sub Para No.	Less use of quantity of bitumen (in tons)	Rate	Amount Overpaid
1	4	27.040	152,561.95	4,125,275
2	13	26.99	171,511.93	4,629,107
Total				**8,754,382**

Violation of FD's instructions resulted in overpayment amounting to Rs 8,754,382.

Audit pointed out the overpayment in August 2023.

The para was discussed in the SDAC meeting held on 16th November 2023. The Authority effected the recovery of Rs 6,486,670 and stated that balance recovery of Rs 4,629,107 would be effected in subsequent payments. The Committee reduced the amount of para to Rs 4,629,107 and directed the Authority to effect balance recovery according to extraction test reports and get it verified from Audit within 30 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.04(2023-24)

8.4.4 Overpayment due to higher rates of non-standardized items – Rs 2.406 million

According to FD's instruction No. RO(Tech)FD-18-23/2004 dated 21st September 2004, "the rate analysis for a non-standardized item shall be approved by SE, giving specifications of the material used as per FD's website. The standardized analysis shall be used to work out the rate of items as far as possible".

MD CDA, Bahawalpur paid for the items i.e., *"Providing and fixing of 3mm thick fiber glass corrugated sheet complete in all respect"* and *"Providing and fixing pre-cast pre-stressed RCC roofing complete in all respect"* at the rate of Rs 416.98 per sft and Rs 320.22 per sft, respectively. Audit observed that the Authority approved rate analysis at higher side by taking extra fixing charges of item 3 mm thick fiber glass sheet and applying 5% &10% wastage, and re-carriage for material from market to site on the item pre-cast beams/slab. The extra fixing charges of fiber glass sheet were included in material rates as per quotation which was the basis of rates. Further, wastage & re-carriage for the item providing and fixing pre-cast/pre-stressed RCC roofing were not admissible as per FD template for the item.

Violation of FD's instructions resulted in overpayments amounting to Rs 2,406,484.

Audit pointed out the overpayments in August 2023.

The paras were discussed in the SDAC meeting held on 16th November 2023. The Authority, in DP No. 09 admitted the recovery. The Committee directed the Authority to effect recovery and get it verified from Audit within 30 days. In DP No. 15, the Authority explained that the input rates only covered the area where metal roads existed but in far flung areas of Cholistan, the metal roads did not exist, so re-carriage was involved. Audit contended that rates provided in MRS were for “at site rates”. Therefore, the re-carriage and 10% wastage were not admissible. The Committee directed the Authority to get the matter regularized from FD within 90 days otherwise effect recovery. Compliance with the Committee’s directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.09&15(2023-24)

8.4.5 Overpayment due to less utilization of dismantled road pavement – Rs 1.328 million

As per provision of TS estimate, “90% quantity of stone obtained from dismantling existing road pavement was required to be reused as sub-base and said quantity was required to be deducted from the quantity of item sub-base course of crushed stone with lead”.

MD, CDA, Bahawalpur paid for the item *“Dismantling and removing road pavement etc.”* for a quantity of 64296 cft. Audit observed that 90% of the said quantity i.e., 57866 cft was required to be reused as sub-base course at the rate of Rs 3,050.00 per % cft but the department used only 42600 cft leaving a balance quantity of 15266 cft. Authority neither reused this quantity as sub-base course at labour rate nor recovered the cost of dismantled material. Further, the Authority executed an item “*Providing and laying sub-base course complete in all respect*” at the rate of Rs 11,750 % cft for a quantity of 73618 cft. Audit was of the view that the Authority should have relayed 90% of the dismantled quantity before executing the sub-base course at the rate of new item i.e., Rs 11,750 per % cft. Therefore, overpayment of Rs 1,328,142 [15266 cft x (Rs 11,750- Rs 3,050)] was made.

Violation of the provision of TS estimate resulted in overpayment amounting to Rs 1,328,142.

Audit pointed out the overpayment in August 2023.

The para was discussed in the SDAC meeting held on 16th November 2023. The Authority explained that the recovery would be made in next running bill. The Committee directed the Authority to effect recovery within 30 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.19(2023-24)

Irregularities resulting in non-recoveries

8.4.6 Non-recovery of dismantled material – Rs 1.698 million

As per provision of TS estimate and agreement, "cost of old bricks amounting to Rs 1,401,594 and brick bats amounting to Rs 296,634 were required to be recovered".

MD CDA, Bahawalpur paid for the item *"Dismantling brick soling"* for a quantity of 49439 cft. Audit observed that the Authority did not recover the cost of old material amounting to Rs 1,698,228 as per provisions of TS estimate and the contract agreement.

Violation of the Specifications and provision of TS estimate resulted in non-recovery amounting to Rs 1,698,228.

Audit pointed out the non-recovery in August 2023.

The para was discussed in the SDAC meeting held on 16th November 2023. The Authority explained that recovery would be effected in the next running bill. The Committee directed the Authority to effect recovery and get it verified from Audit within 30 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.12(2023-24)

Miscellaneous irregularities

8.4.7 Irregular payment of price variation beyond provision in TS estimate – Rs 86.072 million

As per FD's notification No. RO (Tech)/FD-1-2/83-VI (P) dated 18th May 2007, price variation should be met out from contingencies as provided in TS estimate. In case of excess over and above contingent provision, a revised TS estimate and enhancement of contract agreement should be obtained from the competent authority before releasing the payment of price variation.

MD, CDA, Bahawalpur, in four (04) cases, paid price variation amounting to Rs 128,834,318 on stone, diesel, labour, bitumen etc. Audit observed that as per revised TS estimates and 2nd revised TS estimates, price variation was approved for Rs 42,708,122. In this way, the Authority made payment of Rs 86,072,196 over & above the provision in revised TS and 2nd revised TS estimates (as detailed below).

(Amount in Rs)

Sr. No.	**Sub para No.**	**Status of TSE**	**Provision for price variation**	**Payment of price variation**	**Irregular payment**
1	5	2nd Revised TSE	21,639,694	24,534,295	2,840,601
2	11	Revised TSE	3,141,147	26,891,297	23,750,150
3	37	Revised TSE	15,565,937	62,867,501	47,301,564
4	19	Revised TSE	2,361,344	14,541,225	12,179,881
Total			**42,708,122**	**128,834,318**	**86,072,196**

Violations of FD's instructions resulted in irregular payment of price variation amounting to Rs 86,072,196.

Audit pointed out the irregular payment in August 2023.

The para was discussed in the SDAC meeting held on 16th November 2023. The Authority explained that the revision of estimates was under process and excess paid price variation would be regularized. Audit contended that the Authority paid price variation amounting Rs 128.834 million against approved price variation amounting Rs 42.708 million. The Committee directed the Authority to get the matter regularized from FD within 90 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery, fixing responsibility besides strengthening internal controls to avoid the recurrence of such issues.

DP No.5 (2023-24)

8.4.8 Irregular enhancement of agreements – Rs 84.384 million

As per clarification issued by PPRA dated 18th June 2019, "enhancement in the original scope of work beyond 15% cannot be allowed under PPRA rules being a different modality from the concept of variation, which is allowed (to the extent of 20% of the original procurement in the category of works only and based on unforeseen engineering anomalies) in the light of clause 42 of the contract agreement circulated by FD".

MD, CDA, Bahawalpur, in two (02) works, enhanced the scope of works beyond 20% of the original contracts. The detail is as under:

(Amount in Rs)

DP No.	Sub para No.	Original amount	Enhanced amount	Difference	% of increase
02	02	72,138,805	136,553,928	64,415,123	89
	23	79,437,799	99,406,860	19,969,061	25
Total		**151,576,604**	**235,960,788**	**84,384,184**	

Violation of the PPRA rules resulted in irregular enhancement of agreements amounting to Rs 84,384,184.

Audit pointed out the irregularity in August 2023.

The para was discussed in the SDAC meeting held on 16th November 2023. The Authority explained that schemes had been revised and approved from the competent forum. Audit contended that the Authority enhanced the scope of works beyond 20% during execution in violation of PPRA's rules. The Committee directed the Authority to get the irregularity condoned from FD. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early condonation of the matter from FD besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.2 (2023-24)

Note: The issue was reported earlier also in audit report for the year 2015-16 vide para No 6.3.3 having financial impact of Rs 67.480 million. Recurrence of same irregularity is a matter of serious concern.

8.4.9 Unjustified payment of price variation – Rs 17.971 million

According to clause 55 of agreement, the price variation under this clause shall be worked out on the basis of the price of the particular item prevalent in a particular District on first day of each month. The amount payable or deductible in respect of items shall be calculated on the basis of the quantity of the item actually consumed on the work during the month.

MD, CDA, Bahawalpur, in two (02) cases, paid price variation amounting to Rs 17.972 million on account of diesel, labour, bitumen and steel etc. Audit observed that the dates of measurements of record entries were not mentioned in measurement books. Therefore, application of current rates of materials for payment of price variation was not justified.

Violation of the contract agreement resulted in unjustified payment of price variation amounting to Rs 17,972,165.

Audit pointed out the unjustified payment in August 2023.

The para was discussed in the SDAC meeting held on 16th November 2023. The Authority explained that price variation was calculated according to prevailing rates. Audit contended that measurement dates were not recoded in MBs to ascertain actual amount payable to contractors; hence the payment of price variation was tantamount to be unjustified. The Committee directed that the Administrative Department may conduct an inquiry and fix the responsibility on person(s) at fault. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No.11 (2023-24)

CHAPTER – 9

IMPACT AUDIT OF "PILOT URBAN REHABILITATION & INFRASTRUCTURE IMPROVEMENT PROJECT" (PACKAGE-II)

9.1 Introduction

Impact audit is aimed at determining impact of initiatives or programs on a target population. This type of audit goes beyond a mere output evaluation to represent an advanced form of Performance Audit. It rather focuses on the project's ultimate outcomes and broader impacts. It answers cause-and-effect questions about the outcomes attributable to an initiative by isolating other contributing factors or variables. This audit type is the beginning of a new era in public sector auditing, which emphasizes the analysis of real-time benefits of government initiatives taken for citizens.

9.1.1 Background

Lahore, with its rich historical tapestry, stands as a testament to the enduring cultural and architectural legacy of the subcontinent. At the heart of this vibrant city lies the Lahore Walled City - a living paragon of history and cultural blend. Established centuries ago, the Walled City has served as the epicenter for power politics, commerce, trade, cultural activities, and multifarious social cohabitation for various empires, including the Mughals, Sikhs, and the British. Its narrow, labyrinthine streets, adorned with exquisite Mughal and colonial-era structures, encapsulate the essence of Lahore's historical importance. Today, amidst the bustling modernity of Lahore, the Walled City stands a symbol of continuity, bridging the gap between the past and the present. It offers a glimpse into the city's enduring spirit and the convergence of diverse cultural influences that have shaped Lahore into the dynamic metropolis it is today.

Over time, the emergence of new residential colonies with better civic amenities promoted the residents of the old city to move an inhabit these colonies, leaving their ancestral homes due the declining civic amenities in the old city.

"In response to this downturn, the Walled City of Lahore Authority was established in 2012. Assuming a crucial role, the Authority undertook the planning and designing of a dedicated project aimed at rehabilitating the historic Walled City, with a primary focus on restoring its cultural and architectural heritage". This initiative, known as the *"Pilot Urban Rehabilitation & Infrastructure Improvement Project"*, was subsequently subdivided into four distinct packages which are enumerated as follows:

I. Pilot Urban Rehabilitation & Infrastructure Improvement Project from Dehli Gate to Purani Kotwali.
II. Pilot Urban Rehabilitation & Infrastructure Improvement Project from Chowk Purani Kotwali to Akbari Gate, Lahore Fort through Chowk Chuna Mandi and Moti Bazar.
III. Resource development of water supply system for area of package-I (Water Storage Tank etc).
IV. Pilot Urban Rehabilitation & Infrastructure Improvement Project from Chowk Purani Kotwali to Sunheri Masjid via Dabbi.

The focus of this Impact Audit is on Package-II of the project. Package II of the project was implemented in collaboration with various line agencies, including LESCO, WASA, and PTCL. The project's PC-I, with a cost of Rs 890.60 million, received approval from the PDWP on 24th October 2014. The original TS estimate, amounting to Rs 771.07 million, was sanctioned on 14th November 2014. The project was started on 4th June 2015 and completed on 31st January 2018.

The contract for the work was awarded to M/s IKAN Engineering Services (Pvt.) Ltd. on 4th June 2015, following a successful bid of Rs 770.576 million. Later, on November 30, 2018, the project's cost underwent a reduction to Rs 695.02 million. This adjustment was made in light of a revised TS estimate that took into account the scaled-down scope of work.[59] M/s ACE (Pvt.) served as the design and supervisory consultant for the project Package II.

9.1.2 Role of the Project

Package-II of the project, spans from Chowk Purani Kotwali to Akbari Gate Lahore Fort, passing through Chowk Chuna Mandi and Moti Bazar. This specific initiative was financially

[59] Scope of work was reduced due to deletion of SNGPL component and reduction in works like Facade Rehabilitation & Street Surfacing and Infrastructure Developments owing to narrow width of streets rendering works impractical and several litigation issues.

supported by Government of the Punjab. The role of Package-II encompasses the comprehensive restoration and renovation of the architectural landmarks, including urban infrastructure and services.

9.2 Overview

The development and expansion of Lahore led to the diminishing significance of the Walled City. Consequently, this area endured years of neglect, leading to the deterioration of civic amenities and living standards. In response to the dilapidation of the Walled City, the Walled City of Lahore Authority envisioned a comprehensive project aimed at revitalizing the old city through extensive rehabilitation efforts.

The objectives of the project extend beyond mere physical restoration, aspiring to create a holistic experience for both residents and visitors alike. The envisioned heritage trail is designed to offer a distinctive encounter with urban, religious, and vernacular architecture, providing a comprehensive exploration of the cultural and historical richness embedded in the fabric of the Walled City.

The restoration plan not only emphasizes the conservation and preservation of old heritage but also aims to facilitate various stakeholders, including tourists, residents, as well as traders within the market. The overarching goal is to revive and enhance the cultural and economic vibrancy of the specified area.

9.2.1 Objectives of the Project

Project objectives are enumerated below:

i. To improve living and health standards of the inhabitants by providing infrastructure facilities for solid waste management, water and sanitation system.
ii. To upgrade living standard of people by providing modern network facilities of electricity, sui-gas and telecommunication services.
iii. To restore cultural heritage for attracting tourism.
iv. To create employment facilities for skilled and unskilled workforce.

v. To provide better environmental facilities by reducing air and water pollution.

9.3 Scope and Methodology

9.3.1 Scope

The scope of this impact audit was to assess the causal relationship between the project outputs and their broader impact on public, culture, and environment. Conditions with the project interventions and conditions without the project interventions were compared for impact analysis. A model illustrating the sequence of output, outcomes, and impact is presented as follows:

Output	Outcomes	Impact
• Façade improvement • Street surfacing • Underground electrification • Solid waste management system • Water & Sanitation improvements	• Better optics of the area • Improved civic amenities • Healthy environment	• Improved aesthetics and better living standards • Increased income • Increased tourism • Increased government revenues

The target population encompasses the beneficiaries of the project, inclusive of both residents and commercial entities, as well as tourists.

9.3.2 Methodology

The assessment of the impact of project interventions entails analyzing specific impact indicators with and without the project interventions for both the treatment group and the control group. The treatment group comprises the beneficiaries of the project, while the control group consists of individuals who are not directly connected to the project benefits. This comparative analysis helps in assessing the effectiveness and influence of the interventions on the targeted population.

Primary data formed the foundation for the majority of the impact analysis. In this regard, a survey, consisting of questions pertaining to specific impact indicators, was conducted on a sample of beneficiaries. The unit of analysis comprised project beneficiaries, including residents, traders, and tourists. To gain valuable insights, beneficiaries were randomly selected for surveys and interviews. The analysis involved comparing the pre-project and post-project conditions of the beneficiaries.

Additionally, for a specific portion of the analysis, the 'Difference in Difference Analysis' was employed to assess the actual impact of the project on the treatment group. Renowned for its comprehensiveness, the 'Difference in Difference' approach involves calculating the difference between the treatment and control groups during both pre-project and post-project periods. This method aims to isolate the true impact of the project by considering changes in both groups over time and removing external variables. The impact indicators considered in this impact analysis are outlined in the following table:

Direct Indicators	**Proxy Indicators**
• Improved Living Conditions	1. Enhanced Aesthetics 2. Improved Civic Amenities 3. Better Environmental Conditions 4. Residents' Perception of Improved Living Standards 5. Non-intrusive Economic Growth: Balancing Prosperity and Resident's Privacy
• Fostering Tourism Growth	1. A Growing Trend in Tourist Numbers 2. Positive Tourist Impressions Regarding Area Improvements 3. Tourists Inspiring Others to Explore the Area
• Enhanced Economic Activity	1. Rise in Commercial Activities 2. Rise in Government Revenues
• Empowering Lives of Beneficiaries: Enhanced Income Opportunities	1. Improved Eating and Drinking Patterns 2. Increase in the Number of School Enrolled Children 3. Improved Transportation Modes 4. Improved Patterns of Household Appliance Usage

A summary of the sampling regime for surveys conducted by Audit is given in the following:

- **Total number of units in the project area:**

  Residential: 57

  Commercial: 5974

- **Audit Surveys:**

  Residential Units: A survey sample of 30 residential units was chosen, representing 52.63% of the total residential units in the project area.

  Commercial Units: A survey sample of 1000 commercial units was initially selected, but only twenty survey forms were completed due to non-responsiveness from the majority of the units. The completed surveys constitute 0.33% of the total commercial units in the project area.

  Tourist Survey: A sample of 50 tourists (both local and foreign) was surveyed to gather their impressions on various aspects of the project.

Physical inspections of the area were conducted to observe the tangible improvements resulting from the project. In this regard, thirty streets were visited. The project area is delineated in the map below:

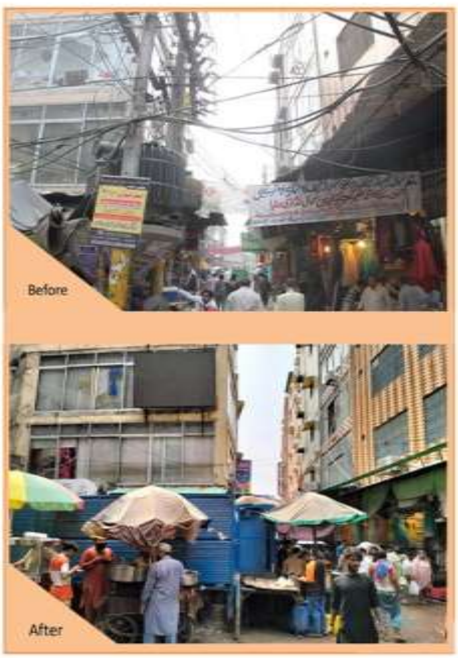
9.4 Audit Findings

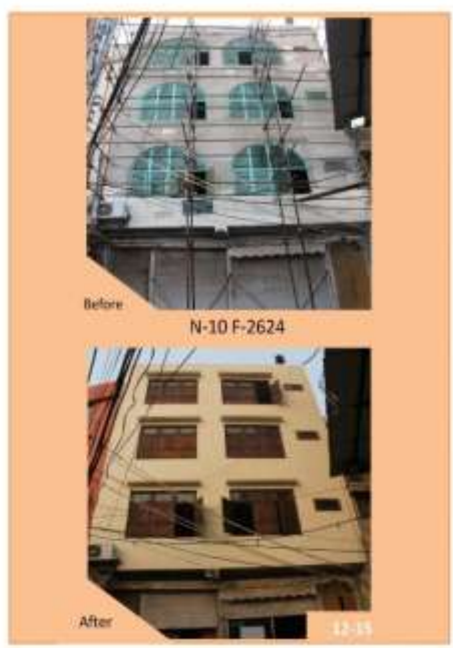
9.4.1 Improved Living Conditions

The project aimed to improve residents' living conditions and boost their economic potential, primarily by rehabilitating cultural heritage and improving civic amenities. Audit examined various indicators related to living conditions and observed a positive impact of the project in this regard.

9.4.1.1 Enhanced Aesthetics, Civic Amenities and Environment

During site visits, the audit observed a notable improvement in the condition of facades. Approximately, thirty (30) properties were assessed to verify these improvements. Additionally, the Audit inspected thirty (30) streets along the main Royal Trail and noted satisfactory work on street surfacing.





Audit also observed notable improvements in safety and aesthetics resulting from the replacement of hanging electricity wires and pole-mounted High-tension and Low-tension cables with an underground electrical network. Furthermore, to tackle water pollution, the existing water supply pipelines were upgraded with new HDPE pipes to ensure clean drinking water. The open sewer drain system was also replaced with a concealed sewerage system, and a separate storm water drain system was provided with perforated manhole covers to manage rainwater effectively.

The enhancements to façades, rehabilitation of streets, and improvements in delivering essential utilities had not only contributed to enhanced aesthetics but had also fostered safe and healthy living conditions. However, there was a notable omission in the PC-1 of the project as it failed to include provisions for improving the already existing solid waste management system in the project area, despite this being a part of the original project objectives. Consequently, solid waste management remained a significant issue in the project area, negatively impacting hygiene and aesthetics.

In its response, the authority clarified that solid waste management component was intended to be executed after completing other aspects of the project. Nevertheless, approval for the PC-1 for 'Solid Waste Management of Walled City Lahore' could not be obtained from the competent forum despite being submitted for approval under the Annual Development Programmes (ADPs) for the years 2018-19, 2022-23, and 2023-24. In the absence of adequate interventions under the project, the responsibility for managing solid waste in the project area rested with the Lahore Waste Management Company. However, Audit observed that the services provided by the company fell short of the expected standards.

The omission of this crucial component resulted in the presence of scattered solid waste, garbage, and debris along the main Royal Trail and commercial areas. The following pictures (figure 9.4.4.1) depict the solid waste problem in the area. This issue not only detract from the overall success of the project but also compromised the cleanliness and visual appeal of the affected areas.

Figure 9.4.4.1

Similarly, the issue of air pollution had gone unaddressed by the Authority, despite being identified as one of the objectives of the project. The sole intervention related to controlling air pollution involved converting the open sewerage system to a concealed sewerage system. While this measure aided in mitigating the foul smell of sewers, it fell short of addressing the broader dimensions of air pollution.

Audit is of the view that a pollution is a serious problem for the entire city of Lahore. The Authority needs to identify the sources of air pollution in the project area and collaborate with the Environment Protection Agency to plan and implement corrective and preventive measures, ensuring a long-term solution to this problem.

Going forward, it is imperative for future initiatives to conscientiously address and rectify such oversights to ensure the comprehensive and successful implementation of urban development projects.

9.4.1.2 Residents’ Perception of Improved Living Standards

By conducting a survey, Audit examined beneficiaries' perceptions of impact of project interventions on their quality of life. The findings revealed that nearly 94% of the treatment group believed their living standards had improved after the project, while only 6% reported no discernible impact on their living standards. The beneficiaries' responses indicate that the project interventions successfully improved the living standards of the area's residents.

9.4.1.3 Non-intrusive Economic Growth: Balancing Prosperity and Resident's Privacy

Audit observed a significant increase in economic activity in the region, primarily attributed to the rise in tourism. This surge in tourism has the potential to intrude on the privacy of the residents in the area. Consequently, a sample of residents was surveyed on this matter. The findings revealed that nearly 14% of the treatment group respondents believed that privacy issues had arisen after the project, while 86% reported no perceived increase in privacy concerns.

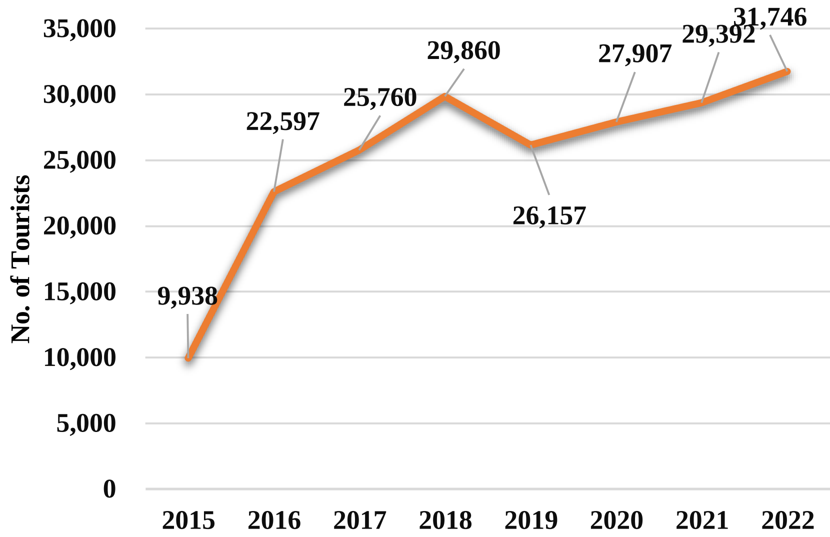
9.4.2 Fostering Tourism Growth

One of the project's objectives was to boost tourism by restoring the cultural heritage of the area. In pursuit of this goal, the project focused on enhancing the aesthetics and overall visual appeal of the region. Audit observed a positive impact of these interventions, contributing to an increase in tourism.

9.4.2.1 A Growing Trend in Tourist Numbers

The data on tourist numbers, provided by the "Tourism Information Center", pertaining to both local and foreign tourist footfall inside the Walled City, was analyzed. The data revealed a consistent upward trend in tourist numbers over the years, as depicted in Figure 9.4.2.1.

Figure 9.4.2.1
Tourists Foot Fall (Overall)

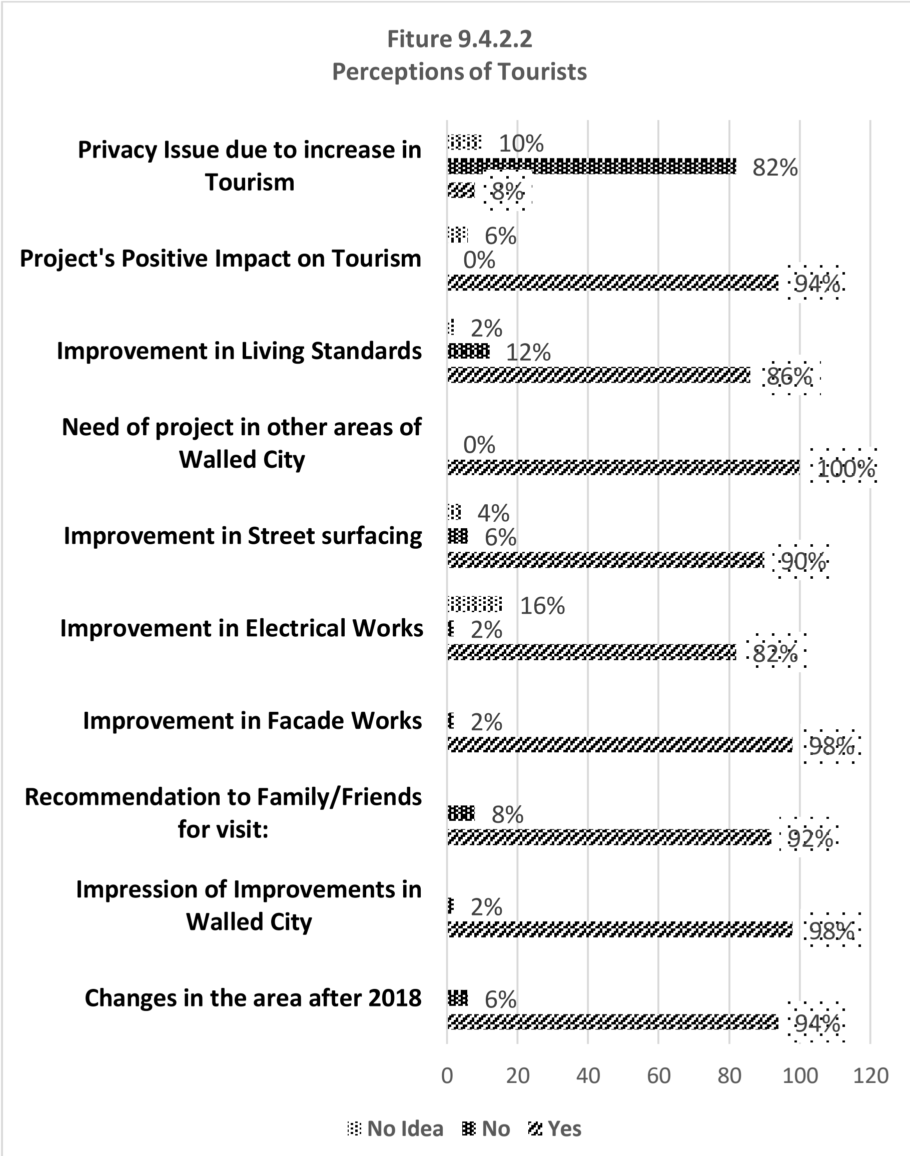


Source: Data provided by the Authority

9.4.2.2 Positive Tourist Impressions Regarding Improvements

Tourists in Pakistan were surveyed for their perceptions of improvements to the area's visual appeal and interaction with residents and shopkeepers. The sample group included foreigners as well as tourists from diverse parts of Pakistan.

Tourists were asked about their impressions of the Walled City's improvement and whether they would recommend it to family and friends. Furthermore, they were asked whether they would recommend similar projects in other areas of the Walled City. As part of the survey, audit also asked for their opinions on different aspects like the success of the project, improvement of living standards, increase in tourism, and the privacy issues associated with the growth of tourism etc. The questions were based on pre-project and post-project changes. The collected data was compiled, and graphical representations of various impact factors are depicted in Fig 9.4.2.2.



The presented figure indicates that tourists in the area had a favorable impression of the project intervention. This positive perception serves as a noteworthy indicator of the project's success.

9.4.2.3 Tourists Inspiring Others to Visit the Area

The tourist sample was surveyed about how they learned about the Walled City Lahore. According to the findings, 64% of the respondents discovered this place through friends, 20%

through media platforms, and 16% from other sources. This indicates that the enhanced appeal of the Walled City left a positive impression on tourists, leading them to recommend the area to others and thereby contributing to further tourism growth.

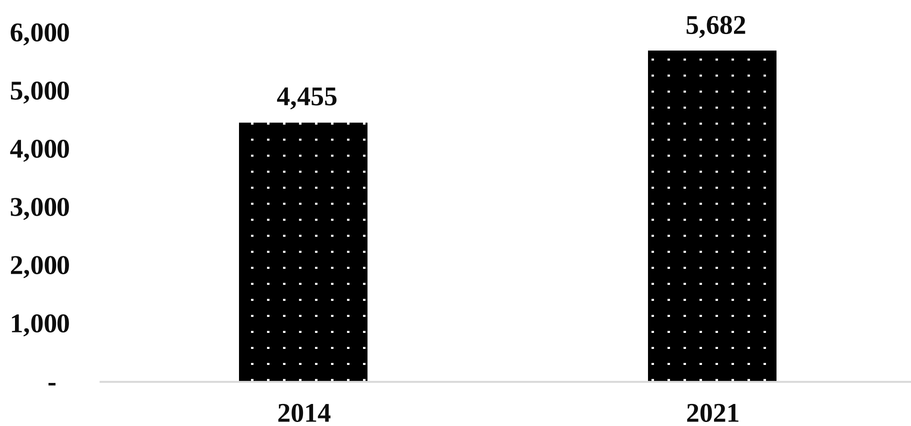
9.4.3 Enhanced Economic Activity

The economic activities of a region are profoundly shaped by tourism, proper infrastructure, and a healthy environment. In particular, an increase in tourist numbers is poised to augment business opportunities and prosperity in the area. In this context, audit examined the project's impact on the economy of the area.

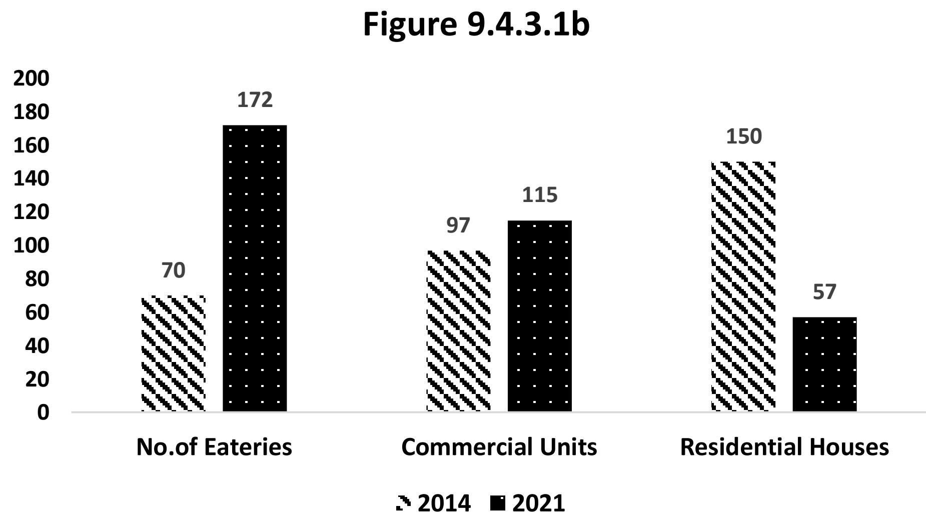
9.4.3.1 Rise in Commercial Activities

The numbers of residential properties, shops, eateries, and other commercial units were compared with reference to the years 2014 and 2021. This comparison revealed that after the project's execution, commercial activities had increased in the project area. It was also noted that property values had risen, leading residents of the area to sell their properties and relocate to other residential places in Lahore. Consequently, the number of shops, hotels, and industrial units increased, while the number of residential properties decreased. This trend is depicted in figures 9.4.3.1.a and 9.4.3.1.b.

Figure 9.4.3.1.a
No. of Shops



Source: Data provided by the Authority

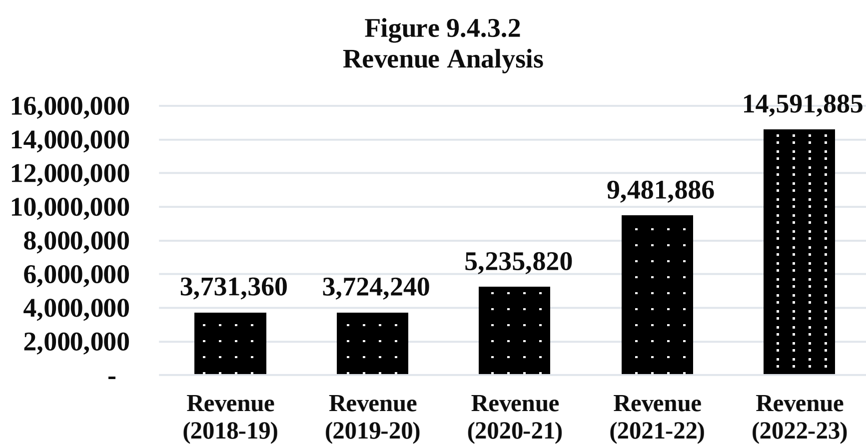


Source: Data provided by the Authority

9.4.3.2 Rise in Government Revenues

Revenue from various sources, such as tourism fees, fare from Rangeela Rickshaw, and map fees, collected by the Authority within the project area, is presented in Figure 9.4.3.2. The Authority's revenue exhibits a consistent year-on-year increase. This upward trend in government revenue signifies an increase in the level of economic activity in the region. Consequently, it underscores the success of the project in fostering a positive impact on the economic dynamics of the area.

(Amount in Rs)



Source: Data provided by the Authority

9.4.4 Empowering Lives of Beneficiaries: Enhanced Income Opportunities

The project aimed to enhance the living and health standards of the residents while boosting their earning capacity through increased economic activity. Audit noted the project's success in attracting tourists through the restoration of cultural heritage. Additionally, civic amenities were upgraded and there had been an overall economic boost in the area. Against this backdrop, Audit assessed the impact of these project benefits on the income and lifestyle of the residents.

9.4.4.1 Improved Eating and Drinking Patterns

As regards health and nutritional values, meat intake per week was chosen as one of the indicators. It was observed that the daily usage of meat had improved in both the treatment group and the control group. On average, the treatment group's meat consumption increased from 1.10 to 1.46 days/week before and after the project, while the control group's consumption rose from 1.00 to 1.44 days/week. However, the "Difference in Difference" approach reveals a negative impact of -0.08 days/week, suggesting that meat consumption increased more in the control group. This indicates that factors other than the project interventions were responsible for the observed rise in meat consumption.

Weekly Meat Consumption	**Before Days/Week**	**After Days/Week**
Treatment Group	1.10	1.46
Control Group	1.00	1.44
Difference (Treatment Group – Control Group)	**0.10**	**0.02**
Difference in Difference (Difference After- Difference Before)	**-0.08**	

The analysis of drinking water quality focused on the shift in preferences before and after the project, specifically regarding the use of mineral water, filtered water, and boiled water. The study reflected that the residents did not prefer use of mineral water at all. Results of this analysis are depicted in the following table.

Filtered Drinking Water	**Before (%)**	**After (%)**
Treatment Group	80	84

Control Group	76	82
Difference (Treatment Group – Control Group)	**4**	**2**
Difference in Difference (Difference After- Difference Before)	**- 2%**	
Boiled Drinking Water	**Before (%)**	**After (%)**
Treatment Group	20	16
Control Group	24	18
Difference (Treatment Group – Control Group)	**- 4**	**- 2**
Difference in Difference (Difference After- Difference Before)	**+2%**	

The analysis indicates an increase in the consumption of filtered drinking water; nonetheless, attributing this increase to the project impact is questionable because "Difference in Difference" analysis unveils a negative 2%, signifying a greater increase in the control group. As for the use of boiled water, a declining trend was observed in both the treatment and control groups. However, this downward trend does not seem to correlate with the project interventions. Changing preferences in drinking water could be a result of the Punjab Saaf Pani Company, Lahore, installing water filtration plants in the area.

In summary, the project did not appear to significantly influence the eating and drinking preferences of the residents. Nevertheless, this lack of influence cannot be interpreted as indicators of no change in the income of the beneficiaries. Other factors, such as increased economic activity and tourism, strongly suggest improvements in income opportunities of the beneficiaries.

9.4.4.2 Increase in the Number of School Enrolled Children

An increase in the number of school-enrolled children serves as an indicator of rising income. Audit noted an increase in the number of school-going children aged five and above in the treatment group, rising from 0.94 to 1.84 children per household. In comparison, the control group saw an increase from 0.90 to 1.78 children per household. According to the "Difference in Difference" approach, a positive impact of 0.02 children per household was identified, signifying a positive influence of the project on the incomes of the treatment group.

School- Enrolled Children above 5 years	**Before** (Children/Household)	**After** (Children/Household)
Treatment Group	0.94	1.84

Control Group	0.90	1.78
Difference (Treatment Group – Control Group)	**0.04**	**0.06**
Difference in Difference (Difference After-Difference Before)	**+ 0.02**	

9.4.4.3 Improved Transportation Modes

The improvement in the mode of transportation serves as a strong indicator of the rise in incomes. In this context, an analysis was conducted to examine the shift in the usage pattern of motorcycles and cars. Related data is depicted below:

Motorcycle	**Before (%)**	**After (%)**
Treatment Group	88	92
Control Group	80	94
Difference (Treatment Group – Control Group)	**8**	**- 2**
Difference in Difference (Difference After- Difference Before)	**- 10%**	
Car	**Before (%)**	**After (%)**
Treatment Group	2	16
Control Group	6	10
Difference (Treatment Group – Control Group)	**- 4**	**6**
Difference in Difference (Difference After- Difference Before)	**+ 10%**	

The presented data indicates a rise in motorcycle and car usage. Regarding motorcycles, the "Difference in Difference" analysis reveals a negative 10%, suggesting that the motorcycle usage increased more in the control group. Hence, this change cannot be directly attributed to project interventions. Additionally, data reflects a notable increase in car usage for both control group and treatment group. The "Difference in Difference" analysis for cars shows a positive 10%, indicating that the rise in car usage was more in the treatment group. This suggests that project interventions had successfully contributed to the increased income of residents in the project area.

9.4.4.4 Improved Patterns of Household Appliance Usage

The increasing household incomes are also manifested in the usage patterns of household appliances. Consequently, audit surveyed both the treatment group and the control group to examine the changes in the usage patterns of air-conditioners, refrigerators, water geysers, washing machines, and computers. Results of the survey are presented in the following table:

Air-conditions	**Before (%)**	**After (%)**
Treatment Group	26	72
Control Group	24	68
Difference (Treatment Group – Control Group)	**2**	**4**
Difference in Difference (Difference After-Difference Before)	**+ 2%**	
Refrigerator	**Before (%)**	**After (%)**
Treatment Group	98	100
Control Group	90	94
Difference (Treatment Group – Control Group)	**8**	**6**
Difference in Difference (Difference After-Difference Before)	**-2%**	
Water Geyser	**Before (%)**	**After (%)**
Treatment Group	12	30
Control Group	10	24
Difference (Treatment Group – Control Group)	**2**	**6**
Difference in Difference (Difference After-Difference Before)	**+4%**	
Washing Machine	**Before (%)**	**After (%)**
Treatment Group	98	100
Control Group	94	98
Difference (Treatment Group – Control Group)	**4**	**2**
Difference in Difference (Difference After-Difference Before)	**- 2%**	
Computer/Laptop	**Before (%)**	**After (%)**
Treatment Group	34	66
Control Group	36	64
Difference (Treatment Group – Control Group)	**-2**	**2**
Difference in Difference (Difference After-Difference Before)	**+4%**	

The survey indicates a positive trend in the usage of all selected items. The "Difference in Difference" analysis further suggests that the usage of ACs, water geysers, and computers, increased more in the treatment group as compared with the control group. This implies that the project interventions contributed to the rise in household incomes, enabling residents to enhance their lifestyles.

However, for refrigerators and washing machines, the "Difference in Difference" analysis shows that the control group experienced a 2% increase compared to the treatment group. This small percentage difference does not diminish the success of the project. The overall improvement in the usage of these items underscores the positive impact of the interventions on the surveyed households.

9.5 Conclusion

The project had the overarching goal of enhancing the living conditions of the residents in the project area through the improvement of civic amenities and economic opportunities. It sought to bolster the local economy by attracting tourism through the restoration of cultural assets and by creating employment opportunities for both skilled and unskilled workforce. Additionally, a key objective was to contribute to environmental improvement by reducing air and water pollution.

Audit findings indicate that despite an overall success, the project fell short of fully achieving its stated objectives. Specifically, environmental goals were not realized as no interventions were implemented to tackle air pollution and improve solid waste management.

Nevertheless, the achieved objectives of the project had successfully made a substantial impact on enhancing living conditions and stimulating the local economy. The revitalization of facades, rehabilitation of street surfaces, and improvement of civic amenities had not only elevated the aesthetics but also transformed the overall milieu of the area, resulting in a noteworthy increase in tourism. These combined economic and aesthetic benefits had profoundly influenced the living conditions of the residents and contributed to the long-term sustainability of the cultural heritage preserved in the target area.

9.6 Recommendations

1. The issues of air pollution and solid waste management merit serious attention. It is imperative for the authority to plan and implement effective measures to tackle these issues. By doing so, the authority can ensure that both the residents of the area and tourists fully reap the benefits of the project.

2. The authority needs to proactively secure adequate annual funds to maintain the infrastructure and civic amenities at the desired quality level in order to ensure the continued benefits of the project in the future.

CHAPTER – 10

THEMATIC AUDIT

2)

10.1 Adequacy of control environment (Sub-Theme: Control's Effectiveness for Universal Implementation of Agreed Audit Recommendations)

10.1.1 Introduction

This office conducts yearly compliance audit and audit observations are deliberated upon in SDACs. These committees issue specific directives aimed at addressing the issues raised by Audit. In response, the department implements these directives on the specific cases identified by Audit in the audited schemes. This collaborative process ensures a systematic approach to resolving and rectifying the concerns highlighted during the audit.

Due to resource constraints, the audit is executed on a sample basis, leaving a substantial number of development projects unaudited. A control-conscious and proactive management is anticipated to review unaudited works to identify whether issues similar to those raised by Audit are present. If such issues are identified, the management should proactively implement the respective SDAC directives in the unaudited schemes as well. This approach ensures that the issues do not remain hidden and unaddressed in unaudited schemes, demonstrating a commitment to transparency and rectifying potential concerns across all projects.

Recurring audit observations on similar issues year after year suggest that the managements of the audited entities lack a proactive attitude in comprehensively and effectively addressing the issues highlighted by Audit. An effective implementation of audit recommendations and SDAC directives should ideally lead to a decrease in the number of audit observations on previously identified issues, emphasizing the importance of sustained corrective actions and improvements over time.

To unveil the true extent of the problem, analyze underlying causes, and recommend corrective measures, this Directorate General has strategically planned this thematic audit. The primary goal is to assess the prevalence of established irregularities in unaudited schemes and propose corrective actions to rectify these issues. This approach ensures a comprehensive understanding of the issues at hand and facilitates the development of effective measures to address and prevent similar irregularities in the future.

The primary responsibility for implementing agreed audit recommendations across all works, whether audited or not, typically lies with the management of the audited entity. Successful implementation of audit recommendations and SDAC directives requires robust oversight and planning by management to define clear responsibilities and establish specific timeframes for addressing the identified issues.

10.1.1.2 Background

Audit observations leading to recoveries admitted and effected by departments on SDAC's directives are viewed as a positive outcome. However, concerns about potential oversights prompted a desk audit of schemes not previously audited, revealing a prevalence of previously identified and admitted irregularities. Preliminary findings suggest a lack of implementation of established audit recommendations in unaudited schemes. Consequently, a thematic audit is planned to assess how well audit recommendations are being implemented across various unaudited schemes in the works departments. This audit aims to enhance the overall effectiveness of the auditing process, providing insights to improve policy decisions and advocating for a uniform application of audit observations across all areas, avoiding a selective approach.

10.1.1.3 Establishing the Audit Theme

10.1.1.3.1 Reasons of selection

During the follow-up of the recoveries admitted by departments and directed by SDACs in various issues, it was observed that recoveries had been effected only in cases where audit observations were raised. In the remaining unaudited schemes, a preliminary assessment revealed that the established audit recommendations were implemented to a very limited extent, indicating weak internal controls regarding the universal implementation of agreed audit recommendations. This suggests that no preventive measures were being taken by the formations to avoid the recurrence of such issues. The probability of such recurrences was assessed to be too high to be left unattended. Therefore, a thematic audit titled *"Control's Effectiveness for Universal*

Implementation of Agreed Audit Recommendations" was planned to thoroughly assess the trend of formations in the implementation of established audit recommendations in unaudited schemes.

10.1.1.3.2 Purpose of selection

This thematic audit aims to assess the efficacy and sufficiency of controls, with a particular focus on preventive controls, in areas where audit has consistently identified various irrefutable irregularities. The audit is expected to evaluate the extent of implementation status and the impact of audit recommendations. The exercise shall enhance the impact of audit in terms of recoveries and policy improvements. Through this assessment, the goal is to strengthen preventive measures, ensuring a more robust control environment and reducing the recurrence of identified irregularities. The main objective of the audit is to evaluate the following hypotheses:

1. That the issues highlighted in a particular sampled scheme, where the formations agreed to Audit contention and/or admitted/effected recoveries, also exist in other schemes of the same financial year under the control of the same executing agency.
2. That the issues highlighted in a particular sampled scheme, where the formations agreed to Audit contention and/or admitted/effected recoveries, also exist in other schemes started in the next financial year under the control of the same executing agency.

Audit seeks to validate these hypotheses and identify any recurring issues across different schemes and financial years under the control of the same executing agency.

10.1.1.3.3 Scope

In the audit plan of 2023-24, twenty seven (27) formations of C&W (Highways and Buildings) and Public Health Engineering (PHE) Departments were selected for this thematic audit. The specific scope of the audit includes:

i. Identifying audit observations in the audited schemes of FY 2020-21 that have resulted in admitted and effected recoveries.

ii. Determining whether the issues identified in audit observations are also present in the unaudited schemes/works (formation-wise) of FY 2020-21 and 2021-22.
iii. Assessing whether the executing agency has taken any steps to rectify similar issues and effect recoveries in the schemes/works of the same or subsequent year in unaudited schemes.
iv. Evaluating whether the administrative department has developed internal controls to curtail systemic issues.
v. Investigating whether the administrative department has formulated any policies to improve adherence to laws and procedures.

SDAC directives for the FYs 2020-21 & 2021-22 were reviewed for each division. Decisions where the department accepted Audit's viewpoint that is, either admitted or effected recoveries were identified as issues for the thematic audit. The selected issues as follows:

i. Less utilization of dismantled material.
ii. Non-recovery of Income Tax on cost of old material.
iii. Less recovery of mobilization advance.
iv. Less recovery of secured advance.
v. Non-recovery on account of less use of bitumen.
vi. Less recovery of cost of old material.
vii. Overpayment due to non-deduction of shrinkage.
viii. Less deduction of crust.
ix. Double payment of dressing.
x. Excess payment of price variation.
xi. Inadmissible payment of price variation on M&R works.
xii. Overpayment due to excess rate.
xiii. Overpayment due to excess lead.
xiv. Overpayment due to application of higher rate of plum concrete.
xv. Less recovery of income tax on PST.

10.1.2 Legal framework governing the theme

The legal framework governing the theme of thematic audit revolves around a set of rules and regulations that provide guidelines for financial management and execution of works. The Provincial Financial Rules (PFR) emphasize prudent expenditure of government funds, requiring government servants to exercise vigilance similar to that exercised with personal finances.

Department Financial Rules (DFR) mandate careful scrutiny of bills before approval, ensuring accurate quantities and rates. The B&R Department Code emphasizes accurate recording of measurements and timely recovery of secured advances.

Furthermore, regulations outlined in 'Specifications for Road and Bridge Construction', FD's instructions, MRS, and standard contract agreement form provide detailed requirements for material usage, rate analysis, mobilization advance, interest charges, price variation, shrinkage deduction, and secured advance. These regulations ensure transparency, efficiency, and accountability in the execution of works and financial transactions.

All in all, the legal framework aims to promote integrity and compliance with established procedures, safeguarding government resources, and ensuring quality in the execution of works. Adherence to these rules and regulations is essential for effective financial management and the successful implementation of projects.

10.1.3 Stakeholders and Governmental organizations identified as directly or indirectly involved

The following stakeholders and government organizations are involved in the theme:

i. P&D Board
ii. Citizens
iii. Members Provincial Assembly/Public Accounts Committee (PAC)
iv. Audit Department
v. Finance Department
vi. Communication and Works Department (C&W)
vii. Public Health Engineering Department (PHE)
viii. Contractors

10.1.4 Role of Important Organizations

Several key organizations play a significant role in ensuring the successful implementation and management of infrastructure projects in the province. Among these organizations are the Communication and Works (C&W) Department, Public Health Engineering (PHE) Department, Audit Department, and Finance Department. These entities collaborate to oversee and manage various aspects of infrastructure projects, contributing to their effective execution and overall success.

The C&W Department holds the responsibility for the planning, construction, and maintenance of roads, bridges, and buildings in Punjab. Its role in infrastructure projects is pivotal as it oversees the development of transportation and communication networks, which are crucial for the economic growth and social development of the province. The department's expertise in engineering and construction is expected to play a pivotal role in ensuring the quality and durability of infrastructure projects.

The PHE Department plays a critical role in infrastructure projects by focusing on the provision of safe drinking water, sanitation, and hygiene amenities. Its responsibilities encompass the planning and implementation of water supply and sewerage systems in urban and rural areas. The department's involvement is essential for ensuring access to clean water and proper sanitation, which are fundamental requirements for public health and well-being.

In connection with this theme, the C&W and PHE departments bear the responsibility to ensure that once a decision has been reached in the SDAC meeting and the department has admitted the recovery, the respective executive engineers are obligated to effect recoveries and implement SDAC decisions in all other unaudited schemes. Additionally, supervisory officers in all departments, including CEs and SEs, hold the responsibility to conduct regular supervisory visits to ensure the existence of a strengthened internal control system and the effective implementation of SDAC decisions throughout the system.

Audit Department plays a crucial role in ensuring transparency and accountability in infrastructure projects. Through regular audits and financial examinations, the department evaluates the utilization of funds, raises valid observations on recurrent irregularities, assesses compliance with regulations, and gauges the overall effectiveness of project implementation. Its oversight is instrumental in identifying inefficiencies, irregularities, or mismanagement, thereby promoting good governance and fiscal responsibility.

Lastly, FD plays a pivotal role in infrastructure projects by providing financial management and budgetary oversight. It allocates funds for various infrastructure initiatives, monitors expenditure, and ensures that financial resources are utilized efficiently. The department's involvement is essential for securing funding, managing financial risks, and maintaining fiscal discipline throughout the project lifecycle. Their financial oversight contributes to the overall success and sustainability of infrastructure projects.

In conclusion, the aforementioned organizations play indispensable roles in infrastructure projects in Punjab, Pakistan. Their collective efforts contribute to the development of robust and sustainable infrastructure that supports economic growth, public health, urban development, and overall well-being. By working collaboratively and leveraging their respective expertise, these organizations help shape a more prosperous and resilient future for the province. Their coordinated actions reflect the importance of effective governance and strategic planning in achieving long-term development goals.

10.1.5 Field Audit Activity

10.1.5.1 Methodology

Audit methodology included data collection, determining audit objectives and criteria, analysis of available records and interviewing the relevant staff, etc. The following steps were involved:

i. Understanding the entity.
ii. Defining audit objectives.
iii. Developing audit procedures.
iv. Conducting audit as per approved Terms of References (TORs).
v. Conducting interviews.
vi. Tabulation and evaluation of results.
vii. Compiling and presenting the audit report.

The audit teams adopted a consistent approach that involved discussions and the scrutiny of records. Documents were carefully examined in relation to the selected issues during the desk audit of the relevant formation. Subsequently, unaudited schemes where the identified issues were likely to be present were selected for further investigation. This systematic methodology aimed to ensure a thorough examination of relevant records and to identify potential irregularities consistently across different schemes.

The documents that were reviewed include:

i. Form 27 for the FYs 2020-21 and 2021-22
ii. PC-I
iii. TS estimates
iv. Correspondence files related to the projects
v. Measurement Books (MBs)
vi. Vouchers
vii. Work orders and acceptance letters
viii. Comparative statements
ix. Tender documents
x. Material test reports
xi. Minutes of SDAC meetings over the last two years

10.1.5.2 Audit Analysis

10.1.5.2.1 Review of Internal Controls

The execution of schemes in the C&W and PHE departments is fraught with significant challenges, primarily stemming from weak internal control mechanisms. Despite repeated audit observations over the years, these departments persist in perpetuating the same irregularities. This persistence allows contractors to receive undue benefits and indicates potential intentional misconduct by departmental personnel. The presence of such challenges highlights the urgent need for enhanced internal controls and a proactive approach to address and rectify these persistent issues.

According to the Public Financial Management Act of 2019, specifically rule 29 (2), the Chief Internal Auditor position will be established within 18 months of the Act's enactment. The Chief Internal Auditor will report directly to the PAO. The appointment, duties, and responsibilities of the Chief Internal Auditor will be defined as per the Civil Servant Act of 1973, in consultation with the Auditor-General of Pakistan. Additionally, an Internal Audit Policy Board will be formed to oversee policy development, define scope and standards, approve audit manuals and charters, and monitor the effectiveness of internal audits across government institutions. This framework aims to strengthen internal audit functions and enhance financial management practices within the government.

The Departments of C&W and PHE lack an internal audit mechanism that could ensure the effective recovery against SDAC directives in unaudited schemes as well. Consequently, the financial discrepancies noted in the current audit also highlight this deficiency. A robust internal control system, such as effective pre-audit and internal audit functions, would assist management in effectively implementing and reinforcing internal controls within the audited organizations. Furthermore, weak supervision at the CE and SE levels exacerbates the issue of the recurrent nature of irregularities. Strengthening internal audit mechanisms and enhancing supervision are crucial steps to address and prevent financial discrepancies in the execution of projects.

The theme of "Recoveries" has identified various issues that have persisted over time. The ongoing nature of these problems suggests that they may stem from either inefficient supervisory mechanisms or flawed designs in the internal control systems. Addressing these issues will likely require a comprehensive evaluation and improvement of both supervisory practices and internal control frameworks to ensure effective recoveries and prevent the recurrence of financial discrepancies in the future.

10.1.5.2.2 Critical Review

a. Deficiency in legal framework

The legal framework concerning the matter is comprehensive and lacks any apparent shortcomings. The departments are obligated to effect recoveries in unaudited schemes as directed by the SDAC in audited schemes. The existing rules and regulations leave no room for bypassing the implementation of recoveries, ensuring they are carried out effectively without any loopholes.

Nevertheless, the implementation of the legal framework governing financial operations within various departments has proven to be insufficient in preventing recurrent financial mismanagement. Codes and manuals in place, including the MRS, B&R Department Code, Purchase Manual, PFR, and DFR, are designed to guide departments in financial matters. Despite the existence of these authorities and regulations, departments have struggled to implement effective internal controls.

The SDACs have endeavored to address these issues by instructing departments to investigate, fix responsibility, and recover overpayments in the recurrent nature of issues.

However, the lack of action against delinquents and contractors who unjustly benefit has highlighted a significant deficiency in accountability and the enforcement of financial discipline in the internal control systems of departments. Addressing these challenges may require a comprehensive review and potential enhancement of the enforcement mechanisms within the existing legal and regulatory framework.

b. Role and performance of organizations

The role of departments in adhering to the legal framework is crucial. Departments must not only adhere to existing guidelines but also proactively participate in strengthening internal controls. This includes ensuring compliance with financial rules and taking prompt corrective action when discrepancies are identified, fixing responsibility against individuals who consistently violate the rules. Departments must view public funds with a sense of ownership and recognize that safeguarding these resources is paramount to maintaining public trust and ensuring fiscal responsibility. A proactive and responsible approach from departments is essential for fostering transparency, accountability, and effective financial management.

The execution of civil works for schemes in the C&W and PHE departments faces significant challenges, including the non-utilization of excavated earth, non-reduction of road crust, non-recovery of old material from contractors, delays in the recovery of mobilization and secure advance, payment of excessive lead, procurement from unregistered sales tax firms, failure to deduct shrinkage from loose earth, allowing higher rates in the rate analysis of non-standardized items, and failure to recover income tax on Provincial Sales Tax (PST), and recovery of less utilized bitumen as per JMF and extraction reports. These issues not only result in the violation of rules but also in financial losses for the government. Despite repeated audit observations over the years, the departments persist in perpetuating the same irregularities, allowing contractors to receive undue benefits and indicating intentional misconduct by departmental personnel.

The absence of an internal audit function in the C&W and PHE departments has had significant repercussions, particularly in terms of the non-recovery of overpayments to contractors and the recurrence of irregularities already established in SDAC meetings. This lack of an internal audit function within these departments has created a loophole that allows for financial discrepancies to go unnoticed and unchecked, ultimately leading to a failure in ensuring the proper allocation and management of public funds.

The non-existent internal audit department has a significant impact on the inability to effectively monitor and recover overpayments to contractors. Without a dedicated internal audit team, there is a lack of systematic and independent review of financial transactions, which increases the likelihood of overpayments slipping through the cracks. This not only results in financial losses for the departments but also undermines the transparency and accountability of the procurement process. Overpayments to contractors can have a direct impact on the overall budget and financial health of the departments, ultimately affecting their ability to deliver essential services and projects to the public.

Proactive measures, such as conducting site visits and inspections of offices, can help verify the accuracy of completed works and materials used, thereby reducing the risk of fraudulent claims. Furthermore, establishing a zero-tolerance policy for fraudulent behavior and implementing stringent penalties for offenders serve as deterrents. By fostering a culture of transparency, accountability, and ethical conduct, organizations involved in civil works can effectively mitigate the potential for fraud while upholding the trust and confidence of stakeholders and the public. Audit noted that inadequate supervision by supervisory officers, including CEs and SEs, led to the continuation of recurring irregularities as identified in the audit observations. It is the responsibility of supervisory officers to implement and ensure the strengthening of internal controls.

Fraud prevention and detection in civil works is essential to safeguard public funds and ensure the integrity of infrastructure projects. Implementing robust internal controls, such as segregation of duties and regular independent audits, is crucial in preventing fraudulent activities. Additionally, due diligence on contractors and subcontractors can help identify any potential red flags before entering into agreements. Utilizing advanced technology, such as data analytics and monitoring systems, can also aid in detecting irregularities or anomalies in financial transactions and project progress. Training employees on ethical practices and providing a platform for reporting suspicious behavior will further strengthen the overall fraud prevention framework. Audit has made specific observations under this theme, indicating that the recoveries that were supposed to be made from contractors were not effected as required. This failure to effect recovery may be due to factors such as fraud or a deliberate disregard for the obligation to effect due recoveries.

To address these challenges, it is imperative for the C&W and PHE departments to prioritize the establishment of a robust internal audit function. This entails creating an independent internal audit department staffed with qualified professionals who can conduct regular and thorough reviews of financial transactions, procurement processes, and compliance with regulations. Such an internal audit department would not only help in identifying and recovering overpayments but also in proactively preventing irregularities and enhancing overall financial governance. The establishment of an effective internal audit function is crucial for instilling transparency, accountability, and fiscal discipline within these departments.

The disregard for SDAC directives by departments like C&W and PHE, particularly concerning the established recoveries in unaudited schemes, is deeply troubling. These directives are designed to extend the corrections identified in SDAC meetings to unaudited schemes promptly, aiming to preclude financial mismanagement and irregularities. Yet, the inability or unwillingness of these departments to adhere to such instructions compromises the integrity of financial discipline and transparency. Ensuring strict compliance with the SDAC directives is crucial for maintaining accountability, preventing financial mismanagement, and upholding the principles of transparency and responsible governance within these departments.

There is a significant backlog in the PAC of the Punjab, with annual audit reports dating back to 2014 still pending for review, with few exceptions. This delay has resulted in audit queries raised ten years ago still awaiting discussion, which often renders them obsolete due to the absence of timely decision-making. This prolonged deferral has led to a perception among departments that observations included in annual reports are unlikely to be addressed within a reasonable timeframe at the PAC forum. Such a situation undermines the integrity of the accountability framework. Therefore, it is imperative to establish a more efficient system that ensures audit observations are examined and resolved promptly, reinforcing the accountability process and maintaining relevance to the observations raised by Audit.

Addressing the aforementioned systemic impediments requires a concerted effort from all relevant organizations to bolster their internal control mechanisms. This entails adopting a rigorous approach to enforce rules, enhance training for personnel responsible for financial management, and implement more robust accountability measures. Merely recovering the amounts, without imposing disciplinary measures on those responsible for granting unwarranted financial advantages to contractors, is insufficient for bringing about substantial improvement to the current system. Therefore, it is crucial to implement disciplinary measures alongside recovery efforts to deter future irregularities and foster a culture of accountability and responsibility within these organizations.

10.1.5.2.3 Signification Audit observations

The observations on this theme are specific to the recent two-year period, FY 2020-2021 and FY 2021-2022. Despite audit highlighting these issues in previous years' reports and the corresponding SDACs issuing directives to address them, the audited entities failed to implement the SDAC directives in unaudited schemes. This failure resulted in overpayments for issues on which recoveries had already been agreed upon.

i. *Buildings Department*

10.1.5.2.3.1 Overpayment due to non-deduction of rate of dressing and refilling – Rs 4.151 million

As per MRS item No. 21 under Chapter-3 (Earthwork), “the composite rate of item i.e. *Excavation in foundations”* included the rates of various components i.e. dagbelling, dressing, refilling, watering and ramming, etc”. Further, in SDAC meeting held on 8th December 2022 in respect of Executive Engineer, Buildings Division No. 5, Lahore, the department admitted the recovery on the same issue and committee directed the department to effect recovery within 7 days in DP No. 583(2022-23).

Executive Engineers, Buildings Division No. 5, in five (05) works, paid for the item *“Excavation in foundation etc.”* at composite rates. Audit observed that the department disposed of the surplus excavated earth without executing the associated activities such as dagbelling, dressing, refilling, watering, and ramming at the site. These activities were originally included in the composite item of “excavation in foundation”. As a result, excess payments for these items were made to the contractors.

Violation of the MRS resulted in overpayment amounting to Rs 4,151,240.

Audit pointed the overpayment in September 2023.

The para was discussed in the SDAC meeting held on 16th November 2023. The department admitted to effect the recovery in all cases. The Committee directed the department to effect the recovery. Compliance with the Committee’s directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 246 (2023-24)

10.1.5.2.3.2 Non-recovery of General Sales Tax – Rs 2.988 million

According to para 4(ii) of the FBR's letter No.1(42)STM /2009/99638-R dated 24th July 2013, in case of public works, it may be ensured that the contractors engaged make purchases only from sales tax registered persons. Since contractors carrying out government works against public tender must have a BOQ, the contracting department/organization must need such contractors to present sales tax invoices of all the material mentioned in the BOQ as evidence of its legal purchase, before payment is released. Further, in SDAC meeting held on 8th December 2022 in respect of Executive Engineer, Buildings Division No. 4, Lahore, the department effected the recovery on the same issue in DP No. 514 (2022-23).

Executive Engineer, Buildings Division No. 4, in twelve (12) works, made payments for the items "*Transformers", "electrical panels", "ACs"* and *"cables along with allied items etc"*. Audit observed that the department did not obtain GST invoices from the contractors before releasing payments. This oversight prevented confirmation of whether the materials were procured from sales tax registered firms. As a result, the amount of GST, initially included in the agreed-upon rates with the contractors, should have been recovered during the payment process.

Violation of the FBR's instruction resulted in non-recovery amounting to Rs 15,100,657.

Audit pointed the non-recovery in September 2023.

The para was discussed in the SDAC meeting held on 16th November 2023. The department explained that GST recovery had already been effected for works at Sr. No. 02, 06, 11 & 12, amounting to Rs 12.102 million. Audit informed the Committee that effected recovery has been verified and para be reduced to Rs 2.988 million for remaining cases. The Committee kept the para pending for balance recovery.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 207 (2023-24)

10.1.5.2.3.3 Loss due to non-utilization of excavated earth – Rs 2.454 million

As per section 411 of Standard Specifications for Roads & Bridges Construction 1971, "available useable material from the excavation was to be used in work before using material from an outside source. Further, as per specification No 17.1(A) (11) (i) of Specifications for Execution of Works 1967 Volume-I Part-II, if cutting and filling were to be done simultaneously, all suitable materials obtained from excavation would be used in filling". Further, in SDAC meeting held on 17th November 2021 in respect of Executive Engineer, Buildings Division No. I, Multan, the department admitted the recovery on the same issues in DPs No. 372 (2021-22), 404 (2022-23).

Executive Engineers, Buildings Divisions-I, Multan, in eight (8) works, paid for the item *"Excavation in foundation of buildings and other structures etc".* Audit observed that surplus earth was required to be re-used/adjusted but the department had made payment for new earth brought from outside instead of using the already available excavated earth.

Violation of specification resulted in loss amounting to Rs 2,453,695.

Audit pointed the overpayment in October 2023.

The para was discussed in the SDAC meeting held on 29th November 2023. The department admitted to effect the recovery. The Committee directed the department to effect the recovery. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 319 (2023-24)

10.1.5.2.3.4 Loss due to less/non-recovery of dismantled material – Rs 2.349 million

According to para 9(i) of Chapter 18.1 of Specifications for Execution of Works 1967, "dismantled material is the property of the government, and the cost of it should either be recovered from the contractor as credit of dismantled material or it should be counted, measured and recorded for open auction". Further, in SDAC meeting held on 7th December 2022 in respect of Executive Engineer, Buildings Division No. I, Multan, the department admitted the recovery on the same issues in DPs No. 408, 434 (2022-23).

Executive Engineers, Buildings Divisions No. 1, Multan in two works, paid for the item "*Dismantling of pacca brick work, dismantling of road pavement, dismantling of brick or flagged flooring, etc*". Audit observed that the department did not recover the cost of dismantled material from the contractors which was the property of the government.

Violation of the Specifications resulted in loss amounting to Rs 2,349,046.

Audit pointed the loss in September 2023.

The para was discussed in the SDAC meeting held on 29th November 2023. The department admitted to effect actual recovery. The Committee directed the department to effect the recovery. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 320 (2023-24)

10.1.5.2.3.5 Overpayment due to higher rates of non-standardized items – Rs 1.755 million

According to FD's instruction No. RO(Tech)FD-18-23/2004 dated 21st September 2004, the rate analysis for a non-standardized item shall be approved by SE, giving specifications of the material used as per FD's website. The standardized analysis shall be used to work out the rate of items as far as possible. Further, in SDAC meeting held on 12th January 2021 in respect of

Executive Engineer, Buildings Division D.G Khan, the department admitted the recovery on the same issue in DP No. 793 (2020-21).

Executive Engineers, Buildings Division, D.G Khan, in five cases, paid for the non-standardized item *"P/L structural pad 65% sand and 35% granular material"*. Audit observed that the department prepared rate analyses on the higher side by including an extra quantity of sand and gravel, failing to exclude the loose factor on sand in rate analyses.

(Amount in Rs)

S. No.	DP No.	Name of Division	Amount Overpaid
1	174 (2023-24)	D.G Khan	341,602
2	175 (2023-24)	D.G Khan	353,378
3	176 (2023-24)	D.G Khan	361,183
4	177 (2023-24)	D.G Khan	323,945
5	179 (2023-24)	D.G Khan	374,534
		Total	**1,754,642**

Violation of FD's instructions resulted in overpayments amounting to Rs 1,754,642.

Audit pointed the overpayment in September 2023.

The para was discussed in the SDAC meeting held on 14th December 2023. The department explained that payment of non-standardized item was made on the basis of rate analysis duly approved by the competent authority. Audit informed that rate analyses were approved at higher side by allowing extra cushion of sand and carriage. The Committee directed the department to get detailed verification of record from Audit. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

10.1.5.2.3.6 Overpayment due to allowing excess lead – Rs 954,037

As per condition No. 5 of FD's letter No. RO(Tech)F.D 2-3/2004 dated 2nd August 2004, "the material of crushed stone aggregate and sand material shall be carried from the nearest quarry and the shortest route shall be used/adopted for carriage". Further, in SDAC meeting held on 8th December 2022 in respect of Executive Engineer, Buildings Division No. 4 & 5, Lahore, the committee directed the department to effect actual recovery in DPs No.501, 575, 576, 576, 585, 595
(2022-23).

Executive Engineers of Buildings Divisions No. 4 & 5 Lahore, in two (02) cases, paid for the item *"RCC"* and *"PCC"*. Audit observed that the department provided excess lead and derived excess rates of the items while preparing rate analyses. This resulted in overpayments amounting to Rs 954,037.

(Amount in Rs)

S. No.	DP No.	Name of Division	Amount Overpaid
1	247 (2023-24)	Division No. 5, Lahore	156,088
2	206 (2023-24)	Division No. 4, Lahore	797,949
		Total	**954,037**

Violation of FD's instructions resulted in overpayments amounting to Rs 954,037.

Audit pointed the overpayment in September 2023.

The para was discussed in the SDAC meeting held on 16th November 2023. The department admitted to effect the recovery. The Committee directed the department to effect the recovery. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

10.1.5.2.3.7 Overpayment due to payment of excess labour and material – Rs 391,886

According to FD's instruction No. RO(Tech)FD-18-23/2004 dated 21st September 2004, the rate analysis for a non-standardized item shall be approved by SE, giving specifications of the material used as per FD's website. The standardized analysis shall be used to work out the rate of items as far as possible. Further, in SDAC meeting held on 16th December 2020 in respect of Executive Engineer, Buildings Division No. I, D.G Khan, department admitted to effect the recovery in DP No.611 (2020-21).

Executive Engineer, Buildings Division, D.G Khan, in two cases, paid for the non-standardized item *"P/L Fair face Gutka".* Audit observed that the department calculated the rates on the higher side by applying excess labour and material in the rate analyses which resulted in overpayments to the contractors.

(Amount in Rs)

S. No.	**DP No.**	**Name of Division**	**Amount Overpaid**
1	178 (2023-24)	D.G Khan	35,578
2	180 (2023-24)	D.G Khan	356,308
		Total	**391,886**

Violation of FD's instructions resulted in overpayments of Rs 391,886.

Audit pointed the overpayment in September 2023.

The para was discussed in the SDAC meeting held on 14th December 2023. The department admitted to effect the recovery. The Committee directed the department to effect the recovery. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

ii. Highways Department

10.1.5.2.3.8 Undue financial benefit to contractor due to less recovery of retrieved material – Rs 116.330 million

As per C&W Department's letter No. SOH-I(C&W) 1-42/97(Misc.) dated 28th November 1997, material extracted from dismantling brick soling/brick edging and road pavement would be used for laying sub-base course in full and 90%, respectively. Further, according to para 9(i) of Chapter 18.1 of Specification for Execution of Works 1967, the dismantled material is the property of the government and cost of it should either be recovered from contractor as credit of dismantled material or it should be counted, measured and recorded for open auction. Further, in SDAC meetings held on November to December 2021 and December 2022 to January 2023 in respect of Executive Engineers of various Highways Divisions, the department admitted the recovery on the same issues in DPs No. 274, 383, 391, 424, 565, 758, 765, 767, 769 (2021-22) and 195, 216, 222, 307, 319, 331, 337, 344, 350, 393, 418, 421, 607, 927, 934, 936, 944, 959, (2022-23).

Executive Engineers of various Highways Divisions, in twelve (12) cases, paid for items *"Dismantling of existing road pavement, dismantling of brickwork and dismantling of RCC slab"*. Audit observed that in eight (08) cases, the department did not recover the cost of old materials, namely old bricks, brick bats, steel from RCC slab, and stone. In four (04) cases, the department neither utilized the retrieved material as sub-base course nor recovered its cost from the contractors.

Violation of the contract agreement resulted in less recovery amounting to Rs 116,329,620.

Audit pointed the less recovery in August and September 2023.

The paras were discussed in the SDAC meeting held from November to December 2023. The department admitted to effect the recovery in all cases except in sub-para 7 of DP No. 235, in which the department explained that it was impossible to reuse old sub-base at once due to extensive length of road. Audit contended that 90% of dismantled material required to be paid on labour rate as per TS estimate. In DP No. 235(7), the Committee directed the department to effect the recovery in all cases and in DP No 235(7) to adjust available material till final bill. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

(Annexure-XXXVIII)

10.1.5.2.3.9 Overpayment due to inadmissible price variation on M&R works – Rs 35.705 million

As per Delegation of Financial Powers Rules, 2016 read with FD's clarification No. FD(C&W)4-207/2021-22 dated 14th June 2022, no price variation is admissible on M&R works. Further, in SDAC meeting held on 14th December 2022, in DP No. 512 (2022-23), the committee directed the department to effect recovery.

Executive Engineers, Highways Divisions, Bahawalpur, in eighteen (18) works paid Rs 35,705,047 on account of price variation against M&R works. Audit observed that price variation on M&R works was inadmissible as per FD's clarification.

Violation of FD's instructions resulted in overpayments amounting to Rs 35,705,047.

Audit pointed out the overpayments in August 2023.

The para was discussed in the SDAC meeting held on 3rd November 2023. The department explained that price variation was paid to the contractors prior to issuance of clarification by FD. Audit informed the Committee that price variation was not admissible as per delegation of financial powers 2016 and same was clarified by FD in 2022. Therefore, recovery was required to be made in the works where price variation was paid on M&R works prior to clarification also. The Committee directed the department to effect the recovery. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 159 (2023-24)

10.1.5.2.3.10 Overpayment due to allowing excess quantity of bitumen than actually used – Rs 45.636 million

As per FD's notification No. RO(Tech)FD 2-3/2004 dated 2nd August 2004, payment is to be made to the contractor as per JMF or actual bitumen used in the work. Further, in SDAC meetings held on 29th December 2021 and 29th November 2022 in respect of Executive Engineer, Highways Division, Gujrat the committee directed the department to effect actual recovery in DPs No. 724 (2021-22) and 209, 224 (2022-23).

Executive Engineers, Highways Divisions, Gujrat, in twenty-two (22) works, paid for the item *"P/L premixed asphalt carpet"* during the FY 2021-22. Audit observed that the issue of recovery against less utilization of bitumen had been raised in previous years and SDACs had been directing recoveries in it. However, the department failed to effect recovery, amounting to Rs 45,636,255, on account of the same issue in twenty-two (22) unaudited works during the FY 2021-22.

Violation of FD's instructions resulted in overpayments amounting to Rs 45,636,255.

Audit pointed out the overpayments in September 2023.

The para was discussed in the SDAC meeting held on 28th November 2023. The department explained that due recovery had already been made good on the basis of actual utilization of bitumen in asphalt. Audit reported that the full rate for item carpeting was paid as quoted by the contractors. Additionally, recovery from the last paid bills of the works was not proved by presenting relevant documentary evidence. The Committee directed the department to produce relevant record, i.e., JMF, extraction test reports and last paid vouchers in support of reply within 14 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 660 (2023-24)

10.1.5.2.3.11 Overpayment due to non-utilization/non-deduction of excavated earth – Rs 7.549 million

As per section 411 of Standard Specifications for Road & Bridge Construction 1971, "available useable material from the excavation was to be used in work before using material from an outside source. Further, as per specification No 17.1(A) (11) (i) of Specifications for Execution of Works 1967 Volume-I Part-II, if cutting and filling were to be done simultaneously, all suitable materials obtained from excavation would be used in filling". Further, in SDAC meetings held on 29th December 2021, 29th November 2022 and 12th January 2023 in respect of Executive Engineers of Highways Divisions Narowal and Gujrat, the department admitted the recovery/adjustment on the same issues in DPs No. 705, 716,719, 722 (2021-22) and 198, 221, 782 (2022-23).

Executive Engineers of various Highways Divisions, in three (03) cases, paid for the item *"Earthwork for making embankment"*. Audit observed that department did not deduct the quantity of excavated earth, road crust and regular excavation from the item of earthwork embankment.

(Amount in Rs)

S.No.	**DP No.**	**Name of Division**	**Amount Overpaid**
1	945 (2023-24)	Mandi Baha-ud-Din	212,749
2	340 (2023-24)	Narowal	4,035,382
3	656 (2023-24)	Gujrat	3,301,123
		Total	**7,549,254**

Violation of the Specifications resulted in overpayment amounting to Rs 7,549,254.

Audit pointed the overpayment in September 2023.

The para was discussed in the SDAC meeting held on November and December 2023. In DP 340, the department explained that the deduction of excavated earth had already been made in all works. In DP 656, the department explained that either the quantity of regular excavation or sub-base was deducted from embankment. In DP 945, the department admitted the recovery. Audit contended that the department did not deduct the area of culverts and drain from embankment in DP 340. In DP 656, the earth obtained from excavation was to be adjusted for making embankment. In DP 945, the department admitted to effect recovery. The Committee directed the department, in DP 340 to effect the recovery, in DP 656, to get verified record within 30 days otherwise effect recovery and in DP 945, the Committee directed the department to effect recovery. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

iii. Public Health Engineering Department (PHE)

10.1.5.2.3.12 Non-recovery of GST on Solar panels and inverters – Rs 7.817 million

According to para 4(ii) of the FBR's letter No.1(42)STM /2009/99638-R dated 24th July 2013, in case of public works, it may be ensured that the contractors engaged make purchases only from sales tax registered persons. Since contractors carrying out government works against public tender must have a BOQ, the contracting department/organization must need such contractors to present sales tax invoices of all the material mentioned in the BOQ as evidence of its legal purchase, before payment is released. Further, in SDAC meeting held on 8th October 2021 in respect of Executive Engineer, PHE Division-I, D.G Khan, the committee directed the department to get verified the GST invoices otherwise effect the recovery in DP No.28 (2021-22).

Executive Engineer, PHE Division-I, D.G Khan in six (06) works, paid for the item "*P/F & installation of Solar PV Panel (A Grade), led light etc*" amounting to Rs 45,981,943. Audit observed that department did not deduct GST at the rate of 17% while making payment to contractors in unaudited schemes.

Violation of SDAC directives resulted in non-deduction of GST amounting to Rs 7,816,913.

Audit pointed out the non-deduction of GST in August 2023

The para was discussed in the SDAC meeting held on 19th October 2023. The department did not produce record during verification. The Committee took it seriously and directed the department to get complete record verified from Audit. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 53 (2023-24)

10.1.5.2.3.13 Loss due to non-recovery of dismantled material – Rs 4.437 million

According to para 9(i) of Chapter 18.1 of Specification for Execution of Works 1967, the dismantled material is the property of the government and cost of it should either be recovered from contractor as credit of dismantled material or it should be counted, measured and recorded for open auction. Further, in SDAC meetings held on 13th December 2021 and 12th December 2022 in respect of Executive Engineer, PHE Division, Sheikhupura, the department admitted and effected the recovery on the same issue in DPs No. 303 (2021-22) and 117, 118 (2022-23).

Executive Engineers of various PHE Divisions in two (02) case, paid for the items *"Dismantling of brick or flagged flooring, dismantling of brickwork"*. Audit observed that the department did not recover dismantled material according to the provision in the respective TS estimates.

(Amount in Rs)

S. No.	DP No.	Name of Division	Amount
1	34 (2023-24)	Sheikhupura	4,310,397
2	54 (2023-24)	D.G Khan	126,711
	Total		**4,437,108**

Violation of the Specifications resulted in less/non-recoveries amounting to Rs 4,437,108.

Audit pointed the irregularity in August 2023.

The paras were discussed in the SDAC meetings held on 20th November 2023 and 11th December 2023. The department admitted the recovery in DP 34. In DP No.54, the department did not get the record verified. The Committee directed the department to effect recovery in DP No. 34 and took the matter seriously in the case of DP No. 54, directing the department to get the record verified from Audit.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

10.1.5.2.3.14 Undue financial benefit to contractor due to non-deduction of Income Tax – Rs 4.137 million

As per FBR's clarification vide No.5/WHT-U-03 dated 24th April 2018, the income tax was required to be deducted from the contractors on the gross value of work done including amount of PST u/s 153 of Income Tax Ordinance 2001. Further, in SDAC meeting held on 8th October 2021 in respect of Executive Engineer, PHE Division-I, D.G Khan, the department admitted to effect the recovery on the same issue in DP No. 20 (2021-22).

Executive Engineer, PHE Division-I, D.G Khan, in three (03) works, made payment of Rs 59,103,208 to contractors during the FYs 2021-22 & 2022-23. Audit observed that the department failed to implement the decision of SDAC regarding the deduction of income tax at the rate of 7% on the gross amount of the bills while making payments to contractors in unaudited schemes.

Violation of SDAC directives resulted in undue financial benefit due to non-deduction of income tax amounting to Rs 4,137,224.

Audit pointed out the non-deduction of Income tax in August 2023.

The para was discussed in the SDAC meeting held on 11th December 2023. The department did not produce record during verification. The Committee took it seriously and directed the department to get complete record verified from Audit. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No. 55 (2023-24)

10.1.6 Departmental Responses

The issues were discussed in SDAC meetings held during September to November 2023 and departmental responses and decisions are incorporated in each audit para of thematic report.

10.1.7 Recommendations

It is imperative for the departments to carefully consider the following recommendations to address the non-implementation of SDAC directives in unaudited schemes:

1. It is crucial for departments to set up a strong internal audit department to effectively audit all schemes and projects. This will help identify discrepancies, prevent undue benefits to contractors, and ensure compliance with rules.
2. Departments need impose strict disciplinary actions against officials violating rules, especially in cases of overpayment or providing undue benefits to contractors. This will serve as a deterrent and maintain accountability.
3. Supervisory officers be obligated to conduct regular inspections of project-related office documents to reduce discrepancies.
4. Departments need to strictly adhere to prescribed rules and regulations in all aspects of scheme implementation and contractor engagements to prevent non-compliance and ensure transparency.
5. Departments need clear mechanisms for recovering undue benefits provided to contractors. This ensures the appropriate utilization of department resources.

Implementing these recommendations will help departments mitigate the risk of providing undue benefits, ensure regulatory compliance, and maintain transparency and accountability in their operations.

10.1.8 Conclusion

In conclusion, the combination of weak internal controls, the failure to implement SDAC directives in unaudited schemes for recovery, and the absence of an internal audit function has resulted in providing undue benefits to contractors at the cost of the public exchequer. This situation is further exacerbated by the lack of action against officials violating rules and granting unwarranted benefits to contractors. The failure to implement disciplinary measures for overpayments and the overall lack of regard for established rules and regulations contribute to an environment of non-compliance and potential misuse of public funds.

Urgent attention is required to address these issues, and stringent measures must be implemented to ensure accountability, transparency, and adherence to established guidelines. Commitment and effective actions are necessary to prevent a compromise in the integrity of the system and to restore public trust in the proper handling of public funds. The relevant authorities must act swiftly and decisively to rectify these shortcomings and instill a culture of responsibility and compliance within the concerned departments. Proactive measures and diligent oversight are essential to effectively address the identified issues, thereby safeguarding the public interest and upholding the principles of good governance.

10.2 Contract Management (Sub-Theme: Management of Securities and Advances)

10.2.1 Introduction

Securities serve as financial assurances presented by successful bidders, ensuring the fulfillment of all contractual obligations. They offer clients financial security and protect against losses or additional costs arising from a contractor's default. Advances, on the other hand, are funds provided for a designated purpose, typically repayable within a short timeframe.

Managing securities and advances in the public sector entails supervising financial instruments like bank guarantees, performance guarantees, and indenture bonds. This process also involves implementing a transparent financial system and enhancing regulatory frameworks to ensure the efficient and accountable management of public funds.

a) Types of Securities

Securities are of following types:

i) **Security Deposit:** Security deposits represent specific percentages of amounts withheld from contractors' bills. As per Memorandum of Work (d) of Standard Contract agreement, percentage of Security Deposit to be retained at the rate of 10% up to work done of Rs 5 million from the bills and beyond the Rs 5 million, 5% against every payment will be retained as security deposit. The security is to be retained till the Defect Liability Period (DLP).

ii) **Performance security:** Performance securities refer to the bank guarantee or another form of security that contractors submit to fulfill obligations outlined in the contract, as specified in the bidding documents. According to Memorandum of Work (h) of the Standard Contract Agreement, when the contract price exceeds Rs 50 million, a performance guarantee of 5% of the contract price is required in the form of a performance guarantee from scheduled banks.

    The security deposited by a contractor, whether in cash or another form, is refunded to them after three months from the issuance of the certificate of completion of the work under Clause 40 by the Engineer-in-charge. Alternatively, it may be refunded along with the final bill if it is prepared after that period due to unavoidable circumstances.

Additional performance security: In accordance with the general directions for the guidance of tenderers and contract clause 26-A, if a bidder quotes 5% or more below the estimated cost, the bidder is required to deposit an amount equal to below percentage than the estimated cost.

b) Types of Advances

Advances are of two types:

i. **Secured Advance:** As outlined in contract clause 45, a secured advance is disbursed amounting to up to 75% of the value of materials brought to the site by the contractor. This advance is subject to adjustment based on utilization as specified in the contract terms.

ii. **Mobilization Advance:** According to FD's notification No. R.O(Tech)F.D. 18-44/2006 dated 7th December 2007, mobilization advance is granted to a contractor whose tendered amount in the acceptance letter exceeds Rs 10 million. The advance is provided at a rate of 10% of the contract amount upon acceptance of the contract, and an additional 5% is given after the contractor has mobilized resources on-site. The recovery of the mobilization advance takes place after the expiry of 20% of the completion period or 20% of the work done, whichever is earlier, at a rate of cost of 25% of the work done in each billing cycle.

In summary, securities are acquired from contractors as specified in the contract to minimize the risk exposure of public funds, while advances are extended to contractors to facilitate the timely accomplishment of designated tasks.

10.2.1.2 Background

Audit has consistently brought attention to issues surrounding the management of securities and advances. A recurring concern is the failure to acquire the necessary securities or obtaining them in inadequate amounts. Premature release of "security deposits" and "performance/additional performance guarantee(s)" is noted when departments/authorities release these securities, including interest-bearing security, before the expiry of the DLP or the period specified in the agreement. Furthermore, there are instances where performance/additional performance guarantee(s) are not revalidated during the currency of the agreement.

It's crucial to note that security deposits and performance/additional performance guarantee(s) are intended for risk coverage for the government. Therefore, any adjustments, whether through transfer entries or any other means, before the expiry of DLP are not permissible from securities. Such actions amount to providing undue financial benefits to the contractor.

Secured advance is intended to cover up to 75% of the value of materials brought to the site by the contractor. However, it is commonly observed that secured advances are paid at rates higher than what is admissible. Additionally, while secured advance granted on material is supposed to be recovered based on the value of material consumed in the work, the practice of recovering advances according to actual consumption is rarely followed. Moreover, the recovery of mobilization advances often deviates from applicable rules, either occurring late or not aligning with the established procedures for recovery from bills.

The issues mentioned concerning contractors' securities and advances have been persistently recurring and are consistently highlighted in every Audit Report over an extended period.

10.2.1.3 Establishing the Audit Theme

10.2.1.3.1 Reasons for Selection

In the public sector, overseeing the management of securities and advances is crucial for adhering to contractual and financial regulations, safeguarding public funds, and mitigating risks associated with potential contractors' default. This involves the implementation of a robust financial oversight mechanism to monitor expenditures, prevent fund misuse, and ensure that advances are utilized for their intended purposes. Specific conditions for any advance payment, such as the amount, purpose, and terms for repayment, are also essential in this context.

Indeed, proper management of securities and advances in a contract, aids in the efficient management of financial resources, fosters transparency in financial transactions, and upholds accountability by meticulously documenting all pertinent processes and decisions related to securities and advances.

A critical review of previous audit reports reveals significant issues within the C&W, LG&CD, Irrigation, and HUD&PHE Departments. A holistic analysis of these issue is need of the hour. Accordingly, the thematic audit was planned with the expectation to significantly contribute towards developing/strengthening controls over obtaining and release of securities and prompt adjustment of advances.

These concerns primarily revolve around the failure to obtain valid performance/additional performance securities, the absence of revalidation for existing securities, premature release of securities, and discrepancies in the payment and recovery of advances as per contractual agreements.

10.2.1.3.2 Purpose/Objectives

The thematic audit represents a comprehensive investigation into the government's management of securities and advances. The primary purpose of obtaining these securities and guarantees is to incentivize contractors, ensuring their adherence to project specifications and timelines, thereby avoiding forfeitures. The payment of advances serves as motivation for contractors to deliver high-quality work, complete projects on time, and prevent additional costs, ultimately mitigating potential impacts on the public.

This thematic audit aims to evaluate the extent and pervasiveness of issues related to securities and advances. Despite being consistently highlighted and discussed at forums such as PAC and SDAC, these issues have not subsided. Audit seeks to minimize these irregularities by shedding light on deficiencies in control mechanisms that contribute to their recurrence. Identifying and assessing lapses in the implementation of these control mechanisms will enable departments to revisit their strategies for overcoming such irregularities.

Moreover, providing a holistic view of the severity of the issue can prompt the necessary resolve to effectively address and curtail this problem.

This audit is expected to assist the PAC in informing the parliament about systemic issues within the public sector, specifically related to the potential provision of undue favors to contractors, posing a risk to the government exchequer. Additionally, the public administration at large, and executing agencies in particular, will be notified about the shortcomings in the existing system and provided support in implementing remedial measures.

10.2.1.3.3 Scope

The thematic audit aimed to determine whether the departments had established and effectively implemented internal control mechanisms concerning the acquisition of valid securities, their releases in accordance with contractual provisions, and the management of advances and recoveries. The audit was conducted from July 2023 to November 2023, covering the FY 2022-23.

The audit covered the following areas of concern:

i. Verification of the receipt of Bid Security (earnest money) in accordance with guidelines and its proper recording in respective registers/books.
ii. Assessment of whether works/schemes were awarded only after obtaining CDRs as bid securities, performance securities, and Quality Assurance Securities (additional performance securities) in the required form, and confirmation of proper recording in relevant accounting books.
iii. Examination of whether prescribed forms or respective statements were prepared, recorded, and submitted to the concerned offices.
iv. Evaluation of whether securities were released following the completion of schemes and after the expiry of the DLP.
v. Verification of reconciliation between securities registers and SAP data.
vi. Inspection of whether Performance and Quality Assurance Securities (additional performance securities) were verified by respective banks and remained valid throughout the currency of the agreement.
vii. Confirmation of whether securities were transferred to commercial banks as interest-bearing securities (IBS) with approval from the competent forum and proper representation in relevant accounting records.

viii. Examination of whether IBS were released directly to the contractor from the bank or these reclaimed in the head "Securities G-10113" before being released to the contractor.
ix. Inspection of whether available securities were adjusted against recoveries after the expiry of the DLP.
x. Assessment of whether penalties were imposed and recovered from security deposits after the maturation of the agreement.
xi. Evaluation of whether secured advance was disbursed at the input rate of material instead of composite rates.
xii. Examination of whether the recovery of secured advance was delayed despite the consumption of material.
xiii. Verification of whether mobilization advance was granted in lieu of a bank guarantee from a scheduled bank.
xiv. Confirmation of whether the mobilization advance was recovered at the rate of 25% within the due dates.
xv. Assessment of whether Standard Operating Procedures (SOPs) were designed to ensure effective monitoring and periodic inspection of books/records to prevent the premature release of securities.

10.2.2 Legal Framework Governing the Theme

- **Rules, Procedures and Instructions**

a. Standard Contract Agreement

i. General Directions for the Guidance of the Tenderer

- As per contract (Memorandum of work) (d) percentage of **security deposit** is to be retained from the bills as under:

- On the amount of work done up to Rs 5 million = 10%
- On the amount of work done beyond Rs 5 million = 5%

ii. Contact Clause 7

As per clause 7 of the contract agreement "the contractor is required to provide **performance security** in the shape of bank guarantee at the rate of 5% of the accepted tender price within 15 days of receipt of acceptance letter in the case of tenders with a cost exceeding Rs 50,000,000. The performance security deposit/additional performance security deposit lodged by a contractor (in cash or/other form) shall be refunded to him after the expiry of three months after the issue of the certificate of completion of the work under Clause 40 hereof by the Engineer-in-charge or along with the final bill if it is prepared after that period on account of some unavoidable circumstances".

iii. *General Directions for the Guidance of Tenderers*

As per direction No. 26-A of contract agreement, "if the contractor quotes his rates 5% or more below the estimated rates, **additional performance security** of scheduled bank be obtained within 15 days of the receipt of the acceptance equal to below percentage than the estimated cost".

iv. Contract clause 50

As per clause 50 (a) of the contract agreement, "the amount retained as **security deposit** shall not be refunded to the contractor before the expiry of 6 months in the case of original work valuing up to Rs 5,000,000 and 12 months or even more, as may be determined by the Engineer in-charge with the prior approval of the CE, in case of works valuing above Rs 5,000,000, after the issuance of certificate of completion of work under clause 40 of contract agreement".

b. FD's instructions regarding payment of mobilization advance

As per para (v) of FD's notification vide No. R.O(Tech) F.D.18-44/2006 dated 7th December 2007, mobilization advance is payable on submission of bank guarantee, and the recovery thereof shall commence after the lapse of 20% of the contract period or after the execution of 20% of the works (in financial terms), whichever is earlier. The rate of recovery shall be 25% of the value of work done in each interim payment certificate (running bills).

c. Account Code (Volume-III)

As per section 74 of Account Code Volume-III, the percentage deductions for Security Deposit made from contractors' bills should be credited to the head "Public Works Deposits - Cash Deposits of contractors".

d. Departmental Financial Rules (DFR)

According to Rule 7.36 of DFR, "mobilization advance may be sanctioned against irrevocable bank guarantee on form DFR (PW)28-A in favour of the Government from any scheduled bank".

e. B&R Department Code

As per para 2.98 (a) of the B&R Department Code, “Recovery of secured advance so made should not be postponed until the whole of the works entrusted to the contractor has completed. Under normal circumstances, the secured advance should be recovered within three months”.

10.2.3 Government Organizations and Stakeholders Involved

Following stakeholders and government organizations were associated with the theme:

i. Finance Department
ii. C&W Department
iii. HUD&PHE Department
iv. Irrigation Department
v. LG&CD Department
vi. P& D Department
vii. CDA
viii. Public at large
ix. Contractors

10.2.4 Role of Important Organizations

a. Finance Department

The Finance Department of the Government of Punjab plays a pivotal role in overseeing and managing the financial aspects of contracts. Through timely instructions and guidance regarding performance/additional performance securities and the handling of advances, the department ensures that financial processes align with established standards. These functions significantly contribute to the efficient and accountable financial management within the government's operations, fostering transparency and adherence to regulatory frameworks.

b. Executing Department

Executing departments bear the responsibility of ensuring the efficient execution of projects while adhering to contractual obligations. The absence of an effective and robust monitoring regime poses a potential risk to the successful implementation of development projects. A proactive and vigilant monitoring system is crucial to mitigate risks, address issues promptly, and ensure the overall success of projects.

c. Audit Department

The Directorate General of Audit Works (Provincial) at the provincial level plays a crucial role in identifying instances of non-compliance with contractual obligations within audited departments. By fulfilling this instrumental function, the directorate contributes significantly to upholding transparency, accountability, and integrity in the financial operations of the government. Through audit activities, it serves as a vital oversight mechanism, ensuring that public funds are utilized in accordance with established guidelines and contractual commitments are met.

10.2.5 Organizations' Financials

The departments of C&W, Irrigation, HUD&PHED, and LG&CD receive funding through the ADP. Some of these departments also generate their own revenue through activities such as right of ways, auction of toll plazas, and fees & penalties from stakeholders. In order to safeguard public funds, each department is equipped with an account branch, and all payments undergo pre-audit by the Divisional Account Officer appointed by the DG Account Works Lahore before being processed. This financial oversight mechanism ensures that expenditures are in compliance with established regulations and contribute to responsible financial management.

The budget and expenditures of these departments are detailed in the respective chapters of this report.

10.2.6 Field Audit Activity

10.2.6.1 Methodology

A. The following methodology was adopted for the thematic audit:

i. Understanding the auditee/activity.
ii. Reviewing audit objectives.
iii. Reviewing audit scope and specific TORs.
iv. Reviewing governing framework.
v. Scrutiny of the relevant record.
vi. Reporting.

B. Following documents were scrutinized;

i. CDRs of earnest money
ii. Acceptance letter
iii. Measurement books
iv. Security Deposit register
v. Contractor ledger
vi. Form-34
vii. Indenture bonds
viii. Interest-bearing securities and bank statements
ix. Accountal of interest-bearing securities
x. Performance/additional performance securities in original and its validation
xi. Final bills
xii. Completion certificate

10.2.6.2 Audit Analysis

10.2.6.2.1 Review of Internal Controls:

The report highlights a variety of recurring irregularities, suggesting that systemic issues have been steadily growing due to inappropriate internal controls or insufficient oversight mechanisms over the years. Contractual obligations, a crucial aspect of these controls, were not adhered to in both form and substance.

Despite all payments undergoing pre-audit, financial irregularities noted during the thematic audit suggest that the pre-audit process was not being effectively conducted.

The Risk Matrix for the potential risks because of deficiencies in the internal controls is presented as under:

Sr. No.	Activity	Impact	Likelihood
1	Non-obtaining of performance/additional performance securities as per contract agreement.	High	Medium
2	Less deduction of security deposit	High	Medium
3	Improper/non-accountal of security deposit	High	Medium
4	Less obtaining the performance/additional performance Securities	High	High
5	Obtaining of conditional bank guarantees.	High	Low
6	Release of securities deposit and performance securities prior to completion of DLP or as prescribed in contract agreement.	High	Medium
7	Release of Interest-Bearing Securities without proper accountal.	High	Low
8	Payment of secured advances at higher rates.	High	Medium
9	Payment of mobilization advance on invalid Bank guarantees.	Medium	Low
10	Payment of mobilization advance at belated stage.	Medium	Medium
11	Recovery of mobilization and secured advances in violation of prescribed criteria.	Medium	Medium
12	Excess deduction of security deposit	Low	Medium

10.2.6.2.2 Critical Review

a. Deficiencies in legal framework:

An examination of the legal framework governing the management of securities and advances, revealed several contradictions in the existing rules were identified. A notable inconsistency arises between the percentages stipulated by PPRA Rules 2014 and the standard contract documents/bidding documents.

According to PPRA Rules 2014, additional performance security as defined in PPRA Rules 2014 means the bank guarantee or another form of security submitted by the contractor to secure obligations under the contract, in accordance with the requirements in the bidding documents/standard contract document. The percentage of this guarantee is capped at 10% under Rule 56.

However, a discrepancy arises with the standard contract documents under direction No. 26-A, which mandates the acquisition of additional performance security if the tendered amount is less than 5% of the approved estimate. The security obtained corresponds to the percentage below the estimated amount as quoted by the bidder.

This discrepancy has led to litigation, with multiple suits filed in the courts by contractors seeking to limit the additional performance security to 10%, as per PPRA Rules 2014. The courts have consistently ruled in favor of the contractors, rendering the agreement clause invalid. Despite FD's clarification that there is no upper limit for additional performance security, some cases were observed where contractors submitted these securities at 10%, even when their tendered amount was below 10% of the estimated amount. This situation exposes the projects to multiple risks.

Furthermore, clause 07 and 26-A of the standard contract document, in conjunction with FD’s instructions No. RO(Tech)FD-1-2/83(V)(P) dated 6th April 2005, specify that performance and additional performance securities shall be obtained in the form of a guarantee from scheduled banks. The State Bank of Pakistan has approved a list of scheduled banks based on their credit history and ability to fulfill financial obligations. Obtaining guarantees from banks not on this approved list exposes the government to undue financial risk in the event of contractor default.

Audit observed several instances where these guarantees were obtained from insurance companies, following orders from the Honorable High Court, Lahore. Given that decisions of the courts of law establish precedents, the agreement clause, which prohibits government functionaries from accepting guarantees from non-scheduled banks, may become ambiguous and non-functional. It is widely acknowledged that vagueness in rules and agreements can adversely impact their implementation.

Introducing amendments to the existing legal framework to address the identified discrepancies and contradictions, coupled with strict supervision to ensure compliance, can undoubtedly enhance contract management in the departments.

b. Deficiencies in role and performance of the organizations

The organizations tasked with overseeing public works, such as C&W, Irrigation, HUD&PHED and LG&CD, play a pivotal role in safeguarding public interests, particularly concerning development projects. In the FY 2022-23, a substantial amount of Rs 409.555 billion was allocated for the ADP, with external loans and grants totaling Rs 18.727 billion utilized for development initiatives. The effective and transparent utilization of these significant sums is imperative to mitigate risks associated with sub-standard works, contractor default, and cost/time overruns.

To address these risks, internal controls have been established, including the requirement for contractors to provide performance and additional performance securities. Successive audits have revealed shortcomings in the implementation of these crucial controls, with contractors failing to provide required securities, amounting to Rs 3.1 billion, in numerous works. This failure to adhere to established rules and instructions poses a significant risk to the government's financial interests.

Furthermore, the failure to revalidate expired performance and additional performance securities exposes the government to undue risks. It is concerning that many Engineer-in-Charge do not comply with the rule mandating the revalidation of these securities well in advance of their expiry. Consequently, instances were observed where securities amounting to Rs 1.7 billion expired without any efforts made by the organizations to secure their revalidation, leaving the government vulnerable to financial risks.

Lapses had been identified in adhering to defined timelines for the release of securities, resulting in premature releases totaling Rs 757.4 million. The premature release of securities not only provides undue financial benefits to contractors but also undermines contractual assurances and escalates project risks.

The retention of security amounts from bills is another area where departments exhibited not up to the mark performance. In several cases, securities amounting to Rs 11.9 million were deducted less than the required percentage, indicating a serious lapse in the billing process.

Furthermore, the management of Mobilization and secured advances is critical for financial discipline. However, observations revealed instances where the recovery of public funds from mobilization advances was either made at a lesser rate or delayed, contrary to contractual obligations. Similarly, the granting of secured advances at rates higher than permissible has become endemic due to negligence in bill preparation and a lack of necessary caution by supervisors and accountants.

The accurate and transparent recording of financial transactions is fundamental to effective contract management. The proper recording of securities in the Security Deposit Register is essential for ascertaining the actual amounts and ensuring judicious releases. Unfortunately, this area is often overlooked, particularly in the case of interest-bearing securities, leading to poor financial discipline.

Lastly, improper administrative oversight over the formations has directly contributed to the accumulation of issues related to securities and advances. The monitoring wings established in each Secretariat have lost their functionality over time. Additionally, the CEs of respective departments are required to submit inspection reports. Administrative prudence demands that these CEs conduct a comprehensive inspection. Unfortunately, these reports are limited to physical inspection only, and irregularities regarding payment/recovery of advances and obtaining required valid guarantees are not even mentioned. This lack of accountability on the part of supervisors is very concerning as it erodes the controls in place to ensure compliance with rules. Also, the absence of internal audit within departments has far-reaching repercussions in terms of managing contracts and safeguarding the government against unnecessary risks. The absence of a robust internal audit system contributes to the pervasiveness of irregularities.

In conclusion, addressing the identified deficiencies in the role and performance of organizations such as C&W, Irrigation, HUD&PHED, and LG&CD is imperative for ensuring the prudent and effective management of public finances. It is essential for these organizations to strengthen internal controls, adhere to established rules and timelines, and prioritize accurate financial recording and transparency. Additionally, the establishment of a functional internal audit system can play a pivotal role in identifying and mitigating financial risks. Only through concerted efforts to address these deficiencies can these organizations fulfill their decisive role in safeguarding public interests and ensuring the successful implementation of development works.

c. Deficiencies in Funding:

Efficient and timely execution of annual development works necessitates continuous funding. Common occurrences of budgetary deficits, delayed releases, and abrupt withdrawal of funds by FD introduce uncertainty, hampering the efficient utilization of funds. This uncertainty compels executing departments to resort to practices such as excess deduction of security to prevent fund lapses. Additionally, delayed recovery of mobilization and secured advances are other consequences of uncertainties regard fund flows. Establishing continuity and certainty in fund flows can mitigate such practices and ensure the early recovery of advances.

10.2.6.2.3 Significant Audit Observations

The following significant audit findings were observed during the course of audit:

10.2.6.2.3.1 Undue benefit to contractors: Non-obtaining performance/additional performance securities – Rs 3,096.005 million

As per clause 7 of the contract agreement read with item (h) Memorandum of Work, and FD's instructions No. RO(Tech)FD-1-2/83(V)(P) dated 6th April 2005, the contractor is required to provide performance security in the shape of bank guarantee at the rate of 5% of the accepted tender price within 15 days of receipt of acceptance letter in the case of tenders with a cost exceeding Rs 50,000,000. Further, as per general condition No.26(A) of the contract agreement read with FD's letter No.RD (Tech)FD-1-2/83/VI(P) dated 24th January 2006, if the contractor quotes his rates 5% or more below the estimated rates, additional performance security of scheduled bank shall be obtained within 15 days of the receipt of the acceptance equal to below percentage than the estimated cost.

Executive Engineers of Highways, Buildings, Irrigation, PHE, LG&CD departments and KSIP awarded various works to the contractors. In thirty-one (31) cases, audit observed that the department did not obtain performance securities amounting to Rs 2,029.526 million, calculated at 5% of the accepted tender price, for sixty-five (65) works. Additionally, the department did not obtain additional performance securities amounting to Rs 1,066.479 for thirty (30) works, wherein the awarded amount for each work was less than 5% of the estimated cost. These securities were intended for risk coverage on behalf of the Government.

Violation of the contract agreement resulted in non-obtaining of performance and additional performance securities amounting to Rs 3,096,005,000.

Audit pointed out the irregularities during 2023. The departments did not reply.

The paras were discussed in the SDAC meetings held from November to December 2023. The department explained that due securities had been obtained. Audit contended that the departments in twenty one (21) cases, did not produce the complete record in support of replies, and in ten (10) cases, produced expired performance/additional performance securities. Audit further informed that valid securities were required to be retained by the departments till the completion of the works and the DLP, however, the department did not produce the record regarding completion of the works. The Committee directed the departments in 21 cases, to get the complete record verified from Audit, in 09 cases, refer the matter to FD for regularization and for the remaining one case (DP No.346), to get the matter probed by the concerned SE and submit a report to Audit. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance with the SDAC directives besides fixing responsibility and strengthening internal controls to avoid recurrence of such issues.

(Annexure-XXXIX)

Note: This issue was reported earlier also in the Audit Reports for the years 2018-19 to 2022-23 vide Para Nos. 2.4.2.54, 2.4.2.62, 2.4.1.14.3, 2.4.1.14.4, 3.4.9.21, 4.4.48 in AR 2018-19, Para Nos. 2.5.1.21.2, 2.5.1.22, 3.5.8.20, 3.5.8.21, 4.5.59, 4.5.27 in AR 2019-20, Para Nos. 2.4.2.22, 2.4.1.9, 3.4.6.18.1, 3.4.6.18.2, 4.4.16 in AR 2021-22 and Para Nos. 4.4.18, 5.4.1.14 in AR 2022-23 having financial impact of Rs 8,661.789 million. Recurrence of same irregularity is a matter of serious concern.

10.2.6.2.3.2 Undue financial benefit to contractors: Less obtaining performance/additional performance securities – Rs 236.282 million

As per clause 7 of the contract agreement read with item (h) Memorandum of Work, and FD's instructions No. RO(Tech)FD-1-2/83(V)(P) dated 6th April 2005, the contractor is required to provide performance security in the shape of bank guarantee at the rate of 5% of the accepted tender price within 15 days of receipt of acceptance letter in the case of tenders with a cost exceeding Rs 50,000,000". Further, as per general condition No.26(A) of the contract agreement read with FD's letter No.RD (Tech)FD-1-2/83/VI(P) dated 24th January 2006, if the contractor quotes his rates 5% or more below the estimated rates, additional performance security of scheduled bank be obtained within 15 days of the receipt of the acceptance equal to below percentage than the estimated cost.

Executive Engineers of Highways, Buildings, Irrigation and PHE departments awarded various works to the contractors. The departments were required to obtain performance securities at a rate of 5% of the agreed cost, along with additional performance securities corresponding to the percentages quoted below the estimated costs of the works. In eleven (11) cases, Audit observed that the departments obtained less performance securities, amounting to Rs 83.095 million for four (04) works, and less additional performance securities, amounting to Rs 153.187 million for seven (07) works.

Violation of the contract agreement resulted in less obtaining of performance/additional performance securities amounting to Rs 236,282,000.

Audit pointed out the less obtaining of performance/additional performance securities from August to October 2023.

The paras were discussed in SDAC meetings held from November to December 2023. In two (02) cases (DPs Nos. 380 & 712), the departments explained that performance securities had been obtained in full at the rate of 5%, fifty percent (50%), in shape of bank guarantees and fifty percent (50%) in shape of insurance guarantees in compliance of Lahore High Court orders. Audit contended that rule making authority i.e., FD was not involved in the proceedings of the Court. The Committee in both cases, directed the department to refer the matter to FD for advice. In other four cases (DPs Nos 177, 363, 217 & 375), the department explained that as per rule 56 of PPRA and Lahore High Court decision, the department was bound to deduct the additional performance securities up to 10% instead of corresponding below quoted percentages. Audit contended that department was required to follow FD's instructions. Further, the department did not produce the true copy of the Court orders in support of its stance. The Committee directed the department in DP No. 217, for verification of encashment of performance security and in three cases, to get the true copy of the Court orders verified from Audit. Furthermore, in five cases (DPs Nos.47, 215, 270, 277 & 435), the departments admitted to obtain the balance amount of performance/additional performance securities from the contractors. The Committee directed the departments to obtain the same at the earliest in all five cases and get it verified from Audit. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance with the SDAC directives besides fixing responsibility and strengthening internal controls to avoid recurrence of such issues.

(Annexure-XL)

<u>Note:</u> This issue was reported earlier also in the Audit Report for the year 2018-19 vide Para No.2.4.1.14.2 having financial impact of Rs 117.984 million. Recurrence of same irregularity is a matter of serious concern.

10.2.6.2.3.3 Non-revalidation of performance/additional performance securities – Rs 1,760.614 million

As per clauses 7 and 26-A of contract agreement, "the performance security deposit/additional performance security deposit lodged by a contractor (in cash or/other form) shall be refunded to him after the expiry of three months after the issue of the certificate of completion of the work under Clause 40 hereof by the Engineer-in-charge or along with the final bill if it is prepared after that period on account of some unavoidable circumstances".

Executive Engineers of Highways, Buildings, Irrigation, and PHE departments awarded various works to the contractors. In twenty-five (25) cases, Audit observed that the departments obtained performance/additional performance securities in the form of bank guarantees amounting to Rs 1,760,614,000, which had expired during the execution of works, but the same were not revalidated.

Violation of the contract agreement resulted in non-revalidation of performance securities amounting to Rs 1,760,614,000.

Audit pointed out the non-revalidation of performance securities during 2023. The departments did not reply.

The paras were discussed in the SDAC meetings held from November to December 2023. The departments explained that due securities had been obtained. Audit contended that in ten (10) cases, the department did not produce the complete record, in other fifteen (15) cases, produced expired guarantees which were required to be retained by the departments as per contractual provisions. The Committee directed the departments in ten (10) cases, to get the complete record verified from Audit, in four (04) cases, to probe the matter by the concerned SE and in remaining eleven (11) cases, referred the matter to FD for regularization. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance with the SDAC directives besides fixing responsibility and strengthening internal controls to avoid recurrence of such issues.

(Annexure-XLI)

Note: This issue was reported earlier also in the Audit Reports for the years 2018-19 to 2022-23 vide Para Nos. 2.4.2.51.1, 2.4.1.14.1, 2.4.1.14.5, 2.4.1.14.6, 3.4.9.13, 4.4.21 in AR 2018-19, Para Nos. 2.5.2.21.1, 4.5.28, in AR 2019-20 and Para Nos. 2.4.2.24, 3.4.15.18 in AR 2022-23 having financial impact of Rs 1,382.070 million. Recurrence of same irregularity is a matter of serious concern.

10.2.6.2.3.4 Premature release of securities - Rs 753.373 million

As per clause 50 of the contract agreement, the amount retained as Security Deposit shall not be refunded to the contractor before the expiry of 6 months in the case of original work valuing up to Rs 5,000,000 and 12 months or even more as may be determined by the Engineer in-charge with the prior approval of the CE in case of works valuing above Rs 5,000,000, after the issuance of certificate of completion of work under clause 40 of contract agreement. Further, as per clauses 7 and 26-A of contract agreement, "the performance security deposit/additional performance security deposit lodged by a contractor (in cash or/other form) shall be refunded to him after the expiry of three months after the issue of the certificate of completion of the work under Clause 40 hereof by the Engineer-in-charge. Furthermore, as per clause 49 of contract agreement, in case of interest-bearing securities, upon maturity, the amount of security is retrieved back in the Public Account and refunded to the contractor in prescribed manner.

Executive Engineers of Highways, Buildings, Irrigations and PHE departments awarded various works to the contractors. Audit observed that in twenty six (26) cases, the departments released performance/additional performance securities and security deposits amounting to Rs 753.373 million prior to completion of works and expiry of DLP. It was further observed that in seven (07) cases, out of twenty six (26) cases, the interest-bearing securities amounting to Rs 129.701 million were prematurely released to the contractors directly from the banks without following the related procedure of proper accountal.

Violation of the contract agreement resulted in pre-mature release of securities worth Rs 753,373,000.

Audit pointed out irregularities from August to September 2023.

The paras were discussed in SDAC meetings held from November to December 2023. The departments explained that works had already been completed and securities were released on the request of the contractors after expiry of DLP. Audit contended that securities were released by the departments before the completion of works. Further, the departments did not prove the stance with documentary evidence. The Committee directed the departments in nine (09) cases, to probe the matter from the concerned SE/CE, in four (04) cases, to refer the case for condonation from FD and in remaining thirteen (13) cases, to get the complete record verified from Audit at the earliest. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance with the SDAC directives besides fixing responsibility and strengthening internal controls to avoid recurrence of such issues.

(Annexure-XLII)

<u>Note:</u> This issue was reported earlier also in the Audit Reports for the years 2018-19 to 2022-23 vide Para Nos. 2.4.2.51.2, 2.4.1.4 in AR 2018-19, Para Nos. 2.5.2.37, 2.5.1.25, 4.5.29 in AR 2019-20, Para No. 2.5.2.31 in AR 2020-21, Para Nos 4.4.17 in AR 2021-22, Para Nos 2.4.1.19, 3.4.15.28, 4.4.19 in AR 2022-23 having financial impact of Rs 381.101 million. Recurrence of same irregularity is a matter of serious concern.

10.2.6.2.3.5 Undue financial benefit due to accepting additional performance securities from insurance company – Rs 70.887 million

As per FD's notification RO (Tech) FD-1-2/83 (V) (P) dated 6th April 2005, the contractor is required to provide performance security in the shape of bank guarantee issued by scheduled bank of Pakistan at the rate of 5% of the accepted tender price within 15 days of receipt of acceptance letter.

Executive Engineer, Buildings Division No.1, Multan and MD, CDA, Bahawalpur awarded various works to different contractors on percentages more than 5% below the cost of TS estimates. Audit observed that department obtained performance securities and additional performance securities from insurance companies instead of scheduled bank in violation of instructions *ibid*.

(Rs in million)

Sr. No.	DP No.	Formations	Amount

1	318	BD No. 1 Multan	14.55
2	316	BD No. 1 Multan	3.525
3	6	CDA Bahawalpur	52.812
Total			**70.887**

Violation of FD instructions resulted in undue financial benefit due to accepting of additional performance securities/quality assurance securities of insurance company amounting to Rs 70,887,000.

Audit pointed out the irregularities in August and September 2023.

The paras were discussed in SDAC meetings held during November 2023. The department explained that performance securities and quality assurance securities were obtained from the contractors in light of Lahore High Court decision. Audit informed that department accepted securities issued by insurance companies instead of scheduled banks against the relevant rules. The Committee directed the department in two cases, to get advice from FD and in DP No, 06, to get the matter probed by administrative department. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends probe of matter, condonation of irregularity besides fixing responsibility and strengthening internal controls to avoid recurrence of such issues.

10.2.6.2.3.6 Excess deduction of security deposit - Rs 19.006 million

As per clause (d) of Memorandum of work of standard contract agreement of the Punjab Government, "percentage of security deposit to be retained from the bills on the amount of work done up to Rs 5 million at the rate of 10% and beyond Rs 5 million at the rate of 5%".

Executive Engineers, Highways Division, Pakpattan and Buildings Division, Chakwal made payments to different contractors. Audit observed that, in three (03) cases, the department deducted Security Deposit from the contractors' payments in excess of the admissible percentage as per contract agreement.

(Amount in Rs)

Sr. No.	DP Nos.	Formations	Security Deposit deducted	Security Deposit to be deducted	Excess Security Deposit deducted	Excess deduction percentages
1	195	Highways Division (HD), Pakpattan	2,178,940	578,940	1,600,000	13.818%
2	360	BD, Chakwal	14,505,496	2,294,113	12,211,383	26.627%
3	356	BD, Chakwal	6,418,710	1,224,098	5,194,612	26.601%
Total			**23,103,146**	**4,097,151**	**19,005,995**	

Violation of contractual obligations resulted in excess deduction of Security Deposit amounting to Rs 19,005,995.

Audit pointed out irregularities during August and September 2023.

The paras were discussed in SDAC meetings held from November to December 2023. The department explained in DP No.195 that due to the awaiting results of compaction of Berms, Base Course/overlay, a certain amount was kept in retention for safety/quality assurance purpose. Now, the same tests were provided by the contractor. Audit contended that security was deducted more than 5% in violation of agreement. The Committee directed the department to get the matter condoned by FD. In DP Nos. 356 & 360, the department explained that excess deduction of Security Deposit was as a result of rush of work/overload in the month of June which was totally in favour of government interest as there was no loss to the government. Audit contended that the department deducted excess security in order to avoid surrendering unspent funds. The Committee directed the department in both cases to get the matter probed by SE Buildings Circle No.2, Rawalpindi. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early regularization from FD and submit probe report in compliance with the SDAC directives.

10.2.6.2.3.7 Undue financial benefit to contractor by less deduction of Security Deposit - Rs 11.990 million

According to contract clause (d) (memorandum of works), if the cost of work done is less than Rs 5,000,000, 10% Security Deposit and if amount of work done exceeds Rs 5,000,000, 5% Security Deposit may be deducted from work done and retained till completion of DLP.

Executive Engineer, Buildings Division No.1, Multan deducted Security Deposit amounting to Rs 57,202,657 as per Security Deposit register for the month of June 2023. Audit observed that the due amount of Security Deposit against the work done was Rs 69,192,298. However, the department deducted a lesser amount of Rs 11,989,641 (69,192,298 - 57,202,657) from the running bills, resulting in an unjustified financial benefit extended to the contractor.

Violation of contract agreement resulted in less deduction of Security Deposit amounting to Rs 11,989,641.

Audit pointed out less deduction in September 2023.

The para was discussed in SDAC meeting held on 29th November 2023. The department explained that security had been deducted from the contractors' bills. The same was partially deposited as interest-bearing security in banks and balance security was available with the department. Audit contended that department deducted less Security Deposit from running bills of contractor. The Committee directed the department to get the complete record regarding deduction of securities verified from Audit within 15 days. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid recurrence of such issues.

DP No. 315(2023-24)

Note: This issue was reported earlier also in the Audit Report for the year 2018-19 vide Para No.7.3.3.5 having financial impact of Rs 1.657 million. Recurrence of same irregularity is a matter of serious concern.

10.2.6.2.3.8 Irregular grant of mobilization advance – Rs 341.829 million

As per FD's notification No.RO(Tech) FD 18-44/2006 dated 7th December 2007, initially, a sum equal to ten percent of the tendered amount and thereafter a further sum equal to five percent of the tendered amount may be sanctioned on the furnishing of a certificate by the engineer incharge of the work to the effect that mobilization by the contractor is complete in all respect necessary for the due commencement of work.

Executive Engineers, Highways Divisions Sialkot and Hafizabad, in two (02) cases, paid mobilization advances totaling Rs 341,828,691 in the 5th and 7th running bills of the respective contractors. Audit observed that mobilization advances are typically permitted at the initial stages of a contract to facilitate the contractor's mobilization at the site and enable the commencement of work. However, in these cases, the department disbursed the advances after the execution of more than 25% of the works. Consequently, these payments at a later stage were deemed irregular and amounted to providing undue benefits to the contractors.

(Rs in million)

Sr. No.	DP Nos.	Formations	Amount
1	849	HD Hafizabad 5th Running Bill	200.053
2	261	HD Sialkot 7th Running Bill	141.775
Total			**341.828**

Violation of FD's instructions resulted in irregular grant of mobilization advance of Rs 341,828,691.

Audit pointed out the irregularities from August to September 2023.

The paras were discussed in the SDAC meetings held during November 2023. In DP No. 261, the department explained that second mobilization advance was granted on commencement of carpet work and in DP No. 849, the mobilization advance was granted after the approval by the competent authority. Audit contended that mobilization advance was admissible only before the commencement of work. The Committee in both cases, directed the department to get the matter condoned from FD. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early condonation of the matter from FD besides fixing responsibility and strengthening internal controls to avoid recurrence of such issues.

Note: This issue was reported earlier also in the Audit Report for the year 2022-23 vide Para No.3.4.15.15.2 having financial impact of Rs 29.004 million. Recurrence of same irregularity is a matter of serious concern.

10.2.6.2.3.9 Payment of mobilization advance against invalid bank guarantees - Rs 355.444 million

According to Rule 7.36 of DFR and FD's notification No. RO (Tech)FD 18-44/2006, dated 7th December 2007, mobilization advance may be sanctioned against irrevocable bank guarantee on form DFR (PW)28-A in favour of the Government from any scheduled bank.

Executive Engineers, Highways Divisions Kasur and Okara, in three (03) cases, issued mobilization advance against conditional bank guarantees. Audit observed that these bank guarantees were not obtained on the approved Form DFR (PW) 28-A. Instead, the department accepted invalid conditional bank guarantees that included a condition stipulating their validity only after the payment of the advance amount and that in case of delayed payment, these guarantees would be canceled. The observed conditionality rendered the guarantees ineffective in the event of contractor's default, as the said invalid guarantees could not be cashed from the banks.

(Rs in million)

Sr. No.	DP No.	Formations	Amount
1	646	HD, Okara	143.010
2	531	HD, Kasur	123.445
3	648	HD, Okara	88.989
Total			**355.444**

Violation of FD's instructions resulted in payment of mobilization advance against invalid bank guarantees for Rs 355,444,000.

Audit pointed out the irregularities in September 2023.

The paras were discussed in SDAC meetings held during December 2023. The departments explained that mobilization advance had been recovered. Further, the guarantees were verified, in original from the banks and same was approved by the competent authority. Audit contended that the invalid bank guarantees were obtained containing the illegal and dubious condition which was against the interest of the government and in case of contractor's default, the amount could not be cashed by the department. The Committee in all cases directed the department to get the matter probed by SE, Highway Circle, Lahore besides fixing responsibility against the responsible(s). Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early disciplinary proceedings against the person(s) responsible for payment of mobilization advance on invalid bank guarantees besides strengthening controls to avoid recurrence of such issues.

10.2.6.2.3.10 Non/less-recovery of mobilization advance - Rs 1,339.872 million

As per Para-5 of notification issued by FD vide No.RO(Tech)F-D.18-44/2006 dated 7th December 2007, recovery of mobilization advance shall commence after the lapse of 20% of contract period or after the execution of the 20% of the works (in financial terms) whichever is earlier. The rate of recovery shall be 25% of the value of work in each running bill.

Executive Engineers of various Highways, Building's and Irrigation Divisions awarded works to different contractors and issued mobilization advances amounting to Rs 1,653.978 million to the contractors. Audit observed that in five (05) cases, department did not recover the balance amount of Rs 1,339.872 million from the contractors as per FD's instruction *ibid*.

(Rs in million)

Sr. No.	**DP No.**	**Formations**	**Mob. Advance paid**	**Mob. Advance recovered**	**Balance Mob. Advance to be recovered**
1	678	HD Gujrat	1,130.794	-	1,130.794
2	493	HD Muzaffargarh	374.891	242.977	131.914
3	05	BD No. 3 Lahore	16.634	7.716	8.918
4	147	Jampur Construction Division	38.414	5.000	33.414
5	370	Irrigation Canal Division Muzaffargarh	93.245	58.413	34.832
	Total		**1,653.978**	**314.105**	**1,339.872**

Violation of FD's instructions resulted in non/less-recovery of mobilization advance amounting to Rs 1,339,872,000.

Audit pointed out non/less-recovery of mobilization advance from August to September 2023.

The paras were discussed in SDAC meetings during November 2023. The department explained in DP No.370 that funds of the scheme were released in piece meal, so, the recovery was difficult. For remaining four (04) cases, the department explained that recovery of mobilization advances was being made regularly in each running bill of the contractors. Audit contended that departments did not make actual recovery as per value of work done. The Committee directed the department in DP No.147, to get the matter probed by concerned SE and for remaining four (4) cases, to effect the due recoveries of advances from next running bills and get the complete record verified from Audit. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibilities against the person(s) at fault and strengthening internal controls to avoid recurrence of such issues.

<u>Note:</u> This issue was reported earlier also in the Audit Reports for the years 2018-19 to 2022-23 vide Para Nos. 2.4.2.52.2, 2.4.1.26, 3.4.9.15, 4.4.9 in AR 2018-19, Para Nos. 3.5.8.13, 4.5.15 in AR 2019-20, Para No. 3.5.7.6 in AR 2020-21 and Para No. 2.4.2.25 in AR 2022-23 having financial impact of Rs 668.106 million. Recurrence of same irregularity is a matter of serious concern.

10.2.6.2.3.11 Irregular obtaining of bank guarantees from non-scheduled bank – Rs 27.921 million

As per FD's notification No. RO(Tech) FD 18-44/2006 dated 7th December 2007 the contractor shall furnish a guarantee (as per Form DFR (P.W) 28-A) in favour of the Government from any bank declared to be a scheduled bank by the State Bank of Pakistan.

Executive Engineer, PHE Division, Mandi Bahauddin awarded a work at an agreement cost of Rs 140.415 million and obtained three performance securities in shape of bank guarantees for Rs 27.921 million. Audit observed that department accepted bank guarantees issued by Trust Investment Bank, Limited, Gulberg-III, Lahore, which was a non-scheduled bank.

Violation of FD's instruction resulted irregular obtaining of bank guarantees from non-scheduled bank of Rs 27.921 million.

Audit pointed out the irregularity in August 2023.

The para was discussed in SDAC meeting in November 2023. The department explained that performance security was obtained from the Trust Investment Bank Ltd. Gulberg-III Lahore due to lack of knowledge and work had been completed on 15th June 2021. Audit contended that department extended undue financial benefit to contractor by obtaining bank guarantee from non-scheduled bank, therefore, irregularity was required to be condoned from FD. The Committee directed the department to get the matter regularized from FD. Compliance with the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance with the SDAC directives besides strengthening internal controls to avoid recurrence of such issues.

DP No.336(2023-24)

<u>Note:</u> This issue was reported earlier also in the Audit Report for the year 2022-23 vide Para Nos. 2.4.1.17 having financial impact of Rs 20.719 million. Recurrence of same irregularity is a matter of serious concern.

10.2.6.2.3.12 Undue financial benefit due to grant of secured advance at higher rates – Rs 19.562 million

According to para 2.98 of B&R Department Code and clause 45 of the contract agreement, secured advance can be granted on the security of material brought at site at the rate of 75% of material cost.

Executive Engineer, Highways Division, Gujrat, issued secured advance amounting to Rs 79,136,329 for the items viz. *"Base course"* and *"Sub-base course"* on the basis of composite rates. Audit observed that admissible amount of secured advance based upon material input rates was Rs 59,574,079.

(Amount in Rs)

Sr. No.	**Groups**	**Items**	**Qty (cft)**	**Rate paid (% cft)**	**Rate to be paid (% cft)**	**Difference of Rate (% cft)**	**Excess payment**
1	Group-I	Sub-base course	153773	11,416	7,664	3,752	5,769,563
2		Base course	202333	6,245	6,237	8	16,187
3	Group-II	Sub-base course	329563	11,416	8,082	3,334	10,987,630

4		Base course	128352	8,821.83	6,649	2,172.83	2,788,870
Total							**19,562,250**

Violation of the B&R Department Code resulted in undue financial benefit due to grant of secured advance at higher rates amounting to Rs 19,562,250.

Audit pointed out the irregularities in September 2023.

The para was discussed in SDAC meeting during November 2023. The department explained that the secured advance would be recovered from the next running bills of the contractors. Audit contended that the department was required to grant secured advance on material rates only. The Committee directed the department to effect recovery and fix the responsibility regarding negligence in calculation and payment of rates resulting in undue financial benefit to the contractors.

Audit recommends early recovery besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

DP No 683(2023-24)

<u>Note:</u> This issue was reported earlier also in the Audit Reports for the years 2018-19 to 2022-23 vide Para Nos. 2.4.2.65, 2.4.1.23 in AR 2018-19, Para No. 3.4.6.12 in AR 2021-22, Para Nos 3.4.15.1 in AR 2022-23 having financial impact of Rs 138.787 million. Recurrence of same irregularity is a matter of serious concern.

10.2.6.2.3.13 Non/less recovery of secured advances – Rs 971.062 million

As per para 2.98 (a) of the B&R Department Code read with C&W Department letter No. S.O.III(C&W)2-14/97 dated 29th May 1997, recovery of secured advance so made should not be postponed until the whole of the works entrusted to the contractor has completed. Under normal circumstances, the secured advance shall be recovered within three months.

Executive Engineers, Highways, Buildings & PHE Divisions, in seven (07) cases, paid secured advances to the contractors. Audit observed that the departments did not adjust/recover the secured advance, totaling Rs 971.062 million, from the payments to contractors, despite a significant passage of time.

(Rs in million)

Sr. No.	**DP No.**	**Formations**	**Amount**
1	347	HD, Narowal	435.352
2	672	HD, Gujrat	373.763
3	248	PHED, Mianwali	78.535
4	257	HD, Sialkot	76.782
5	365	Buildings Division, Chakwal	4.978
6	128	Buildings Division, Attock	0.874
7	33	PHED Sheikhupura	0.778
Total			**971.062**

Violation of B&R Department Code resulted in non-recovery of secure advances for Rs 971,062,000.

Audit pointed out the non-recovery in August and September 2023.

The paras were discussed in SDAC meetings held during November 2023. The department admitted to effect recovery in all cases and explained that funds were not available due to which recovery/adjustment of secured advance could not be made within time. The same would be recovered from next running bills of the contractors after release of funds. Audit contended that secured advance should be granted for the items required for immediate purpose but the departments paid secured advance for those items which were not required to execute for immediate purpose. Further, the departments did not recover the secured advances within time. The Committee directed the department to effect recovery of secured advance in all cases and in one case DP No.672, to submit a report by CE Highways, (North) regarding availability of material at site. Compliance with the Committee’s directives was not reported till finalization of the report.

Audit recommends early compliance with the SDAC directives besides fixing responsibility and strengthening internal controls to avoid the recurrence of such issues.

Note: This issue was reported earlier also in the Audit Report for the year 2022-23 vide Para No. 2.4.2.26 having financial impact of Rs 9.369 million. Recurrence of same irregularity is a matter of serious concern.

10.2.7 Departmental Responses

The issues raised in the preceding audit paras were deliberated upon during the respective SDAC meetings. The responses provided by the department were integrated into each audit para of the thematic report.

10.2.8 Recommendations

Audit findings indicate that numerous irregularities, such as the failure to obtain performance securities and premature release of securities, were a result of the non-implementation of internal control mechanisms and a lack of monitoring and supervision. A consistent pattern of recurring audit observations has been identified over time.

In light of these observations, it is imperative for PAOs to take proactive measures. The following recommendations are proposed, which, when implemented, will prove beneficial to various stakeholders:

1. The rules and authorities governing the management of securities, advances, and performance guarantees need to undergo a comprehensive review. The objective of this review should be to identify and resolve any contradictions existing between the rules and authorities. This is necessary for establishing a robust and unambiguous set of rules and regulations that can be steadfastly implemented.

2. The internal control mechanism need to be implemented in both letter and spirit. Additionally, the supervisory role is required to be enhanced for greater effectiveness, ensuring the timely detection and prevention of irregularities.

3. It is essential to establish an internal audit system to enhance the overall control environment. This measure will not only fortify the control framework but also serve as a deterrent, effectively preventing rule violations and negligence on the part of executive engineers.

4. The effectiveness of the accountability mechanism needs to be strengthened, and appropriate action be taken against the responsible person(s) for negligence and violations of rules.

5. Maintaining a continuous financial stream is crucial to ensure an uninterrupted and timely flow of funds. This proactive approach helps prevent disruptions in the progress of ongoing works and facilitates the timely deduction of advances and securities from the contractor's bill.

10.2.9 Conclusion

Instances of not obtaining or obtaining insufficient performance and additional performance securities, non-revalidation of bank guarantees, and premature release of securities highlight deficiencies in the enforcement of the internal control system. These lapses expose stakeholders to elevated financial risks, as these securities play a crucial role in guaranteeing against contractors' defaults. The absence of such safeguards increases the likelihood of financial losses in the face of project delays, disruptions, or failure to meet contractual obligations.

Furthermore, instances where mobilization payments are made at a belated stage or based on invalid bank guarantees indicate financial indiscipline, emphasizing potential risks and vulnerabilities within the system. Similarly, the payment of secured advances at higher rates and delayed recovery deprives departments of much-needed funds. These lapses have the potential to compromise project integrity, financial stability, and overall accountability.

Addressing these issues is paramount for ensuring transparency, safeguarding investments, and fostering a culture of responsible financial and contract management. It is imperative to establish robust internal controls, consistently adhere to established procedures, and take corrective measures to mitigate risks and enhance the overall effectiveness of the financial and project management processes.