



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

AUDITOR GENERAL OF PAKISTAN

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS	i
PREFACE	ii
EXECUTIVE SUMMARY	iii
SUMMARY TABLES & CHARTS	vii
Table 1: Audit Work Statistics	vii
Table 2: Audit observation Classified by Categories	vii
Table 3: Outcome Statistics.....	viii
Table 4: Table of Irregularities pointed out	ix
CHAPTER 1.....	1
1.1 District Government Chitral.....	1
1.1.1 Introduction of Departments	1
1.1.2 Brief comments on Budget and Expenditure 2011-12 (Variance analysis).....	1
1.1.3 Comments on the status of compliance with PAC/ZAC Directives .	2
1.2 AUDIT PARAS.....	3
1.2.1 Non Production	3
1.2.2 Irregularity/ Non compliance	4
1.2.3 Internal Control Weaknesses.....	11
ANNEXURE.....	16

ABBREVIATIONS AND ACRONYMS

AP	Advance Para
ADP	Annual Development Plan
BHUs	Basic Health Units
CED	Central Excise Duty
CPWA Code	Central Public Works Account Code
CPWD Code	Central Public Works Department Code
CSR	Composite Schedule of Rate
CTR	Central Treasury Rules
DAC	Departmental Accounts Committee
DCO	District Coordination Officer
DG	Director General
DHQ	District Headquarter
DSM	District Support Manager
EDO	Executive District Officer
GFR	General Financial Rules
MB	Measurement Book
MS	Medical Superintendent
PC-I	Planning Commission One
PPHI	President Primary Healthcare Initiative
RDA	Regional Directorate of Audit
TE	Transfer Entry
TS	Technical Sanction

Preface

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

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

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

The observations included in this Report have been finalized in the light of written responses of the Departments and discussions in the DAC meetings.

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

Islamabad
Dated:

(Muhammad Akhtar Buland Rana)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Director General District Governments Audit, Khyber Pakhtunkhwa carries out the audit of 25 District Governments. Regional Directorate of Audit (RDA) Swat, on behalf of the DG District Governments Audit, Khyber Pakhtunkhwa carries out the audit of five District Governments namely Chitral, Dir Upper, Dir Lower, Swat and Shangla. This Regional Directorate has a human resource of 12 officers and staff, a total of 3636 man days. The annual budget amounted to Rs5.598 million. The office is mandated to conduct regularity (financial attest audit and compliance with authority audit) and performance audit of programmes/ projects.

District Government, Chitral conducts its operations under Khyber Pakhtunkhwa Local Government Ordinance, 2001 (as amended). It comprises of one Principal Accounting Officer (PAO) covering seven groups of offices i.e. Finance & Planning, Revenue, Works & Services, Education, Health, Community Development and Agriculture. Financial provisions of the Ordinance describe the Government as District Local Fund and Public Account for which Annual Budget Statement is authorized by the District Administrator in the form of budgetary grants as per Government of Khyber Pakhtunkhwa, Local Government and Rural Development Notification No. SO(E-I)E&AD/9-49/2010 dated 20th 2010.

Administratively, District Chitral is subdivided into two tehsils namely, Chitral and Mastuj. District Administration comprises of Zilla Nazim/District Administrator and District Coordination Officer.

a. Audit Objectives

Audit was conducted to ensure that:

1. Moneys shown as expenditure in the accounts were authorized for the purpose for which they were spent.
2. Expenditure incurred was in conformity with the law, rules and regulations framed to regulate the procedure for expending the public money.

3. Every item of expenditure was incurred with the approval of the competent authority in the Government for expending the public money.
4. Public money was not wasted.
5. The assessment, collection and allocation of revenue were done in accordance with the law and there was no leakage of revenue which legally should come to Government.

b. Audit Methodology

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

The selection of the audit formations i.e. DDOs was made keeping in view the significance and risk assessment. Samples were selected after prioritizing risk areas by determining significance and risks associated with identified key controls. Sample size selected in the audited formations ranged between 40% to 50%.

c. Expenditure audited

Total expenditure of the District Government Chitral for the financial year 2011-12, was Rs2,080.748 million covering one PAO and 90 formations. Out of this, Regional Directorate Audit (RDA) Swat audited expenditure of Rs486.393 million which, in terms of percentage, is 23.38% of total expenditure. Five (05) formations were planned and 100% achievement against the planned activities was made.

d. Receipts audited

The receipts of District Swat for the financial year 2011-12, were Rs5.548 million. Out of this, RDA Swat audited receipts of Rs 4.438 million which, in terms of percentage, is 80% of auditable receipts.

e. Recoveries at the instance of audit

Recovery of Rs8.928 million was pointed out during the audit. The total recoveries, Rs7.079 million was not in the notice of the executive before audit.

f. Desk Audit

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

g. Changes in Rules, Practices and Systems

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

h. Key audit findings of the report;

- i. Non production of record of Rs10.943 million was noted in one case. ¹
- ii. Irregularities/non compliance were noted in seven cases amounting to Rs126.303 million. ²
- iii. Internal control weaknesses of Rs118.615 million were noted in four cases. ³

¹1.2.2.1

² 1.2.2.1, 1.2.2.2, 1.2.2.3, 1.2.2.4, 1.2.2.5,1.2.2.6, 1.2.2.7

³ 1.2.3.1, 1.2.3.2, 1.2.3.3, 1.2.3.4

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

Recommendations

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

SUMMARY TABLES & CHARTS

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

S.No	Description	No.	Budget
1	Total Entities (PAO) in Audit Jurisdiction	01	2,086.296
2	Total formations in audit jurisdiction	90	2,086.296
3	Total Entities(PAO) Audited	01	490.831
4	Total formations Audited	05	490.831
5	Audit & Inspection Reports	05	490.831
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

Table 2: Audit observation Classified by Categories

(Rs in million)

S.No.	Description	Amount Placed under Audit Observation
1	Unsound asset management	40.885
2	Weak financial management	72.647
3	Weak Internal controls relating to financial management	131.333
4	Others	10.996
Total		255.861

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

S.No	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total Current year	Total last year
1.	Outlays Audited	48.731	161.197	4.438	276.465	490.831	347.998
2.	Amount Placed under Audit Observation /Irregularities of Audit	40.885	125.639	4.438	89.337	255.861	338.941
3.	Recoveries Pointed Out at the instance of Audit	-	7.079	-	1.849	8.928	12.016
4.	Recoveries Accepted /Established at the instance of Audit	-	0.597	-	-	0.597	0.315
5.	Recoveries Realized at the instance of Audit	-	-	-	-	-	0.315

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

S.No.	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations, principle of propriety and probity in public operation	124.454
2	Report cases of fraud, embezzlement, thefts and misuse of public resources.	
3	Accounting Errors (accounting policy departure from NAM ⁴ , misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	-
4	Quantification of weaknesses of internal control systems.	111.536
5	Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies	8.928
6	Non-production of record	10.943
7	Others, including cases of accidents, negligence etc.	
	Total	255.861

⁴ The Accounting Policies and Procedures prescribed by the Auditor General of Pakistan which are IPSAS(Cash).

CHAPTER 1

1.1 District Government Chitral

1.1.1 Introduction

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

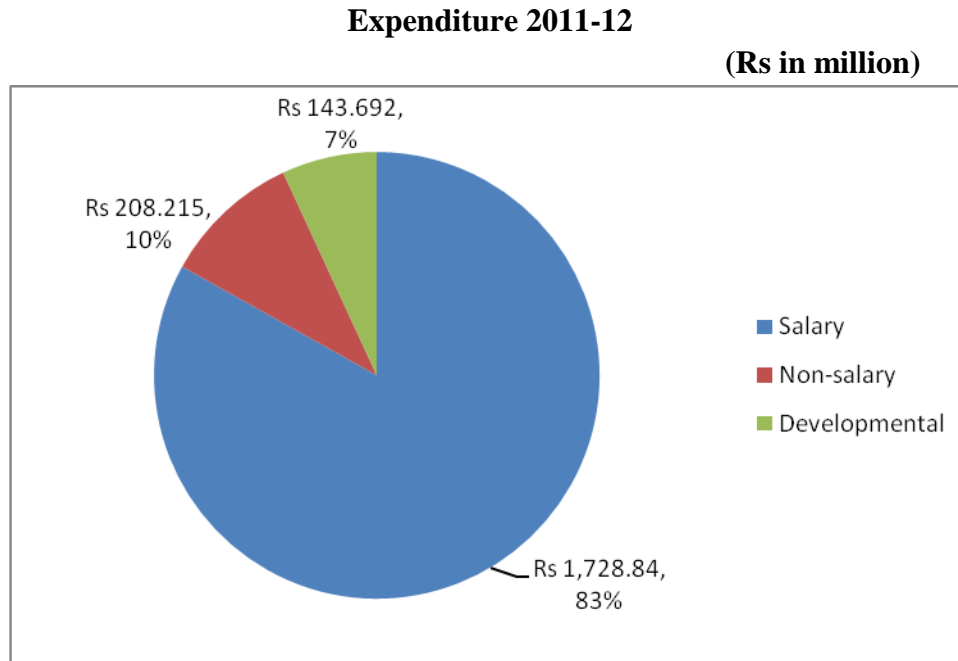
1. District Coordination Officer (DCO)
2. Executive District Officer (Agriculture)
3. Executive District Officer (Community Development)
4. Executive District Officer (Education)
5. Executive District Officer (Finance and Planning)
6. Executive District Officer (Health)
7. Executive District Officer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

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

1.1.2 Brief comments on Budget and Expenditure 2011-12 (Variance analysis) (Rs in million)

2011-12	Budget	Expenditure	Excess/savings
Salary	1,729.015	1,728.841	- 0.169
Non-salary	238.952	208.215	- 30.737
Developmental	177.374	143.692	- 33.682
Total	2,145.341	2,080.748	- 64.588

A budget of Rs2,145.341 million was allocated, against which an expenditure of Rs2,080.748 million was incurred by the District Government, Chitral with a saving of Rs64.588 million during 2011-12.



Detail is given at Annex-B

1.1.3 Comments on the status of compliance with ZAC / PAC Directives

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

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

1.2 AUDIT PARAS

1.2.1 Non-Production

1.2.1.1 Non production of auditable record -Rs10.943 million

According to Section 14(1-b) & (3) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 the Auditor General has the authority to require any accounts, books, papers and other documents which deal with, or form, the basis of or otherwise relevant to transactions to which his duties in respect of audit extend hence any person or authority hindering the auditorial functions of the Auditor General of Pakistan regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

Executive District Officer Health Chitral spent Rs10,943,106 under the grant BHUs (CL-6026) under non salary heads, i.e., purchase of medicine and other stores during 2011-12. The local office was repeatedly requested to provide the record for the purpose of audit but failed to do so.

Audit observed that non production of record for audit occurred due to non compliance with statutory provisions, which resulted in non verification of record.

When reported in July 2012, the Management stated that the District Support Manager PPHI would be requested to provide the same record for the audit. Reply was not satisfactory as the necessary record should have been arranged prior to initiation of audit.

Requests for the convening of DAC meeting were made in August 2012 followed by reminders on 30-11-2012 and 11-12-2012. DAC meeting was not convened till finalization of this Report.

Audit recommends fixing responsibility on person(s) at fault and production of record.

AP 39 (2011-12)

1.2.2 Irregularity/Non Compliance

1.2.2.1 Unjustified unspent balance in Cash Book -Rs55.917 million

Treasury Rule 290 provides that no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants.

During scrutiny of the accounts of MS DHQ Hospital, Chitral it was noticed that Cash Book has a closing balance of Rs55,917,676 on 30-06-2012, which was contrary to Government rules.

Audit observed that retention at the end of financial year was due to weak financial controls.

When reported in July 2012, Management stated that detail reply would be submitted after scrutiny of records. Reply was not satisfactory as retention of public money was not justified.

Requests for the convening of DAC meeting were made in August 2012 followed by reminders on 30-11-2012 and 11-12-2012. DAC was not convened till finalization of this Report.

Audit recommends deposit of unspent amount into Government treasury and fixing responsibility on person(s) at fault.

AP 09 (2011-12)

1.2.2.2 Non supply of medical equipments -Rs40.885 million

Para 148 of General Financial Rules (GFR) Vol.-I provides that all material received should be examined, counted, measured, weighed as the case may be, when delivery is taken, and they should be taken on charge by a responsible government officer who should see that quantities are correct and their quality is good, and record a certificate to that effect.

MS DHQ Hospital Chitral paid Rs40,885,680 to different suppliers for the purchase of Medical Equipments during 2011-12. The equipments were not supplied till the date of audit (July' 2012). Department neither took concrete efforts to get the equipments nor imposed penalty for non/late supply. Detail at Annex-C.

Audit observed that non supply of equipments within the stipulated time occurred due to weak internal control, which resulted in loss to Government.

When reported in July 2012, Management stated that detailed reply would be furnished after checking the relevant records. Reply was not convincing as supplies were not received.

Requests for the convening of DAC meeting were made in August 2012 followed by reminders on 30-11-2012 and 11-12-2012. DAC was not convened till finalization of this Report.

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

AP 05 (2011-12)

1.2.2.3 Unjustified unspent balance in Cash Book -Rs16.730 million

Treasury Rule 290 provides that no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants.

Cash Book of Executive District Officer Health showed an unspent balance of Rs16,730,303 at the end of June 2012. No detail was provided to determine as to whom this unspent balance would be paid and under what heads this amount was drawn from Government Treasury. Non utilization of the cash well in time may lead to its misappropriation.

Audit observed that the unspent balance by the end of financial year was due to weak financial controls.

When reported in July 2012, Management stated that detail of balance would be produced to DAC.

Requests for the convening of DAC meeting were made in August 2012 followed by reminders on 30-11-2012 and 11-12-2012. DAC meeting was not convened till finalization of this Report.

Audit recommends fixing responsibility on person(s) at fault and deposit of unspent amount into Government treasury under intimation to Audit.

AP 37 (2011-12)

1.2.2.4 Unauthorized retention of funds in Deposit-III -Rs7.098 million.

According to Para 399 (iii) of CPWA Code, unclaimed balances for more than three complete account years should be credited to Government as lapsed deposits.

During scrutiny of the 3rd Deposit Register of the Executive Engineer Works and Services Chitral it was noticed that Rs7,098,190 were laying unspent balances in various deposit works. Detail at Annex-E

Audit observed that unnecessary retention and blockage of Government money occurred due to weak financial controls, which resulted in loss to public exchequer.

When reported in November 2012, Management stated that detailed reply would be furnished after scrutiny of record. No reply was furnished till finalization of this Report.

Requests for the convening of DAC meeting were made in December 2012 followed by reminder on 11-12-2012. DAC meeting was not convened till finalization of this Report.

Audit recommends that unspent balances shall be return the departments concerned and fixing responsibility on person(s) at fault.

AP 40 (2011-12) A/C-I

1.2.2.5 Unauthorized advance payment for non executed items- Rs2.397 million

According to Para 228 of CPWA Code advance to contractors are as a rule prohibited, and every endeavour should be made to maintain a system under which no payments are made except for work actually done.

Executive Engineer Works and Services Chitral paid Rs2,397,621 on account of various items of work vide Vr No. 38-B dated 20.6.2012 to M/S Qadafi & Co. in the work “ Construction of TMA Complex at Booni”. During physical verification along with staff concerned, the items were not found executed but the payment was made to the contractor. Detail at below:

S. No.	Name of Item of work	Amount paid (Rs)
1	Providing and Fixing of marble fine dressed.	1,100,593
2	Providing and Fixing of Glazed Tiles	290,643
3	Distempering 03 coats	81,662
4	Painting 03 Coats.	273,577
5	Supply and Fixing of sliding Bolts 12” long	27,743
6	Supply and Fixing of Canadian stoves.	105,000
7	Supply and Fixing of curtain rail best quality	32,980
8	Supply and Fixing of Hydraulic Door Spring	7,554
9	Supply and Fixing of Grills to windows.	165,136
	Total	2,084,888
	Add Cost Factor (15%)	312,733
	Grand Total	2,397,621

Audit observed that payments without execution of works occurred due to violation of rules, which resulted in loss to Government.

When reported in November 2012, Management stated that the work was still in progress and due for completion during current financial year 2012-13 subject to availability of funds. Necessary adjustment would be made in due course of time and the audit would be informed accordingly. Reply was not satisfactory. Advance payment was made for non executed items.

Requests for the convening of DAC meeting were made in December 2012 followed by reminder on 11-12-2012. DAC meeting was not convened till finalization of this Report.

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

AP 29 (2011-12) A/C-I

1.2.2.6 Loss due to non deduction of CED and Income Tax -Rs1.849 million

According to CBR Circular C.NO.1/(10)WHT/2001 dated 11-04-2002, 3.5% income tax be deducted from bills for supplies of imported goods and according to Para 4(iii) of the same Circular, it is the responsibility of the payer to ensure that supplies received by him do not require deduction of tax under section 50(4). For ascertaining the fact that the supplier is himself the importer, goods supplied are the same which were imported and on which tax under section 50(5) of Income Tax Ordinance, 1979 was paid as commercial importer, the payer/withholding agent may require furnishing of import documents such as original Bill of Entry. He has also to ensure that there is no addition to the value of goods supplied.

According to section 3 of the Central Excise Act 2005, 1% Special Central Excise Duty shall be levied at the goods manufactured locally.

During audit of the accounts of MS DHQ Hospital Chitral to various suppliers 2011-12, it was noticed that Rs41,096,150 were paid on account of purchase of medical equipments, during 2011-12. The following duty/taxes were not deducted from the suppliers bills. Detail at Annex-D.

1	CED @ 1% on Rs 41,096,150	410,961
2	Income Tax @ 3.5% on Rs 41,096,150	1,438,365
Total		Rs 1,849,326

Audit observed that non deduction of CED and Income Tax occurred due to lack of internal control, which resulted in loss to Government.

When reported in July 2012, Management stated that DG Health Department, Peshawar would be approached to provide the requisite original documents. Reply of the department was not tenable. The local office was required to deduct Central Excise Duty and Income Tax from the suppliers.

Requests for the convening of DAC meeting were made in August 2012 followed by reminders on 30-11-2012 and 11-12-2012. DAC meeting was not convened till finalization of this Report.

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

AP 01 (2011-12)

1.2.2.7 Unauthorized retention of funds in Deposit-III –Rs1.427 million

According to Para 399(iii) of CPWA Code, unclaimed balances for more than three complete account years should be credited to Government as lapsed deposits.

During scrutiny of the 3rd Deposit register of the Executive Engineer PHE Chitral for the year 2011-12, it was noticed that Rs1,427,587 was laying unspent balances in various deposit works against which funds were received in previous years. The balances in these funds were not utilized till 30-06-2012 which led to blockage of Government money without any purpose.

S. No	Description	Item No.	Month in which the funds were received	Total duration of retention	Amount (Rs)
1	1. Water Supply Scheme Barum Kosht 2. Water Supply Scheme Nichah Terich	1/1	05/2004	08 years	222,917
2	Water Supply Scheme Broze	2/2	12/2007	4 years 6 months	918,059
3	1. Water Supply Scheme Raman Laspur 2. Water Supply Scheme Sore Laspur 3. Broon Laspur	8/8	6/2009	3 years	286,611
Total					1,427,587

Audit observed that unnecessary retention and blockage of Government money occurred due to weak financial controls, which resulted in loss to public exchequer.

When reported in August 2012, Management stated that against the saving of item No 01, a scheme namely “Drain at Moghlan Deh” has been approved by DCO Chitral, while against 2/2 & 8/8 the amount would be refunded to funding agency or would be credited to the Government treasury as lapsed Deposit. Reply of the department was not convincing as approval of the DCO and completion reports of the previous schemes were not provided to support the reply. The schemes were approved and started and payments were made to contractors as was evident from deposit-III.

Requests for the convening of DAC meeting were made in December 2012 followed by reminder on 11-12-2012. DAC meeting was not convened till finalization of this Report.

Audit recommends fixing responsibility on person(s) at fault and deposit into Government treasury under intimation to Audit.

AP 02 (2011-12) A/C-I

1.2.3 Internal Control Weakness

1.2.3.1 Unauthorized payment on supply of pipes –Rs106.357 million

According to para 209 (d) of CPWA code, it is incumbent upon the person, responsible for measurements in the Measurement Book (MB), to record the correct and actual figures.

Executive Engineer PHE Division Chitral paid Rs106,357,313 on account of supply of different dia G.I. pipes for water supply schemes in district Chitral during 2011-12. Audit was of the view that the payment was required to be made on actual work done basis i.e. supply and fixing as there was no provision for payment on supply only. Detail is given below:

S.No	Name of work	Vr. No. & Date	Amount (Rs)
1	Water Supply Scheme Behishti Arkari	4/I dt: 01-10-11	1,023,930
2	Water Supply Scheme Brep	6/I dt: 05-10-11	1,500,382
3	Water Supply Scheme Parwak	7/I dt: 05-10-11	6,561,358
4	-do-	34/I dt: 25-06-12	1,530,000
5	Water Supply Scheme Brep	14/I dt: 26-12-11	2,404,962
6	Water Supply Scheme Drosh	16/I dt: 25-06-12	93,336,681
Total			106,357,313

Audit observed that unauthorized payment occurred due to lack of financial control, which resulted in loss to government.

When reported in August 2012, Management stated that to avoid any escalating in rates of pipe, the payment has been made for actual supply of materials. Reply was not tenable as the payments were required to be made for actual installation of pipes and not only for the supply of pipes

Requests for the convening of DAC meeting were made in September 2012 followed by reminders on 30-11-12 and 11-12-12. DAC meeting was not convened till finalization of this Report.

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

AP 08 (2011-12) A/C-I

1.2.3.2 Non imposition of penalty on late completion of work -Rs7.079 million

According to clause 2 of the contract agreement, the contractor has to pay compensation @ to 10% of the estimated cost per day for the delay in completion of work.

Executive Engineer Works and Services Chitral did not impose and recover 10% penalty amounting to Rs7,079,900 on the late completion of works from different contractors during 2011-12. Detail is given below:

S.No	Name of Scheme	Name of contractor	Date of work order	Date of Completion	Total delay (days)	Estimated cost	10% penalty
1	Estab: of PTI-MB	M/S Shuaib Contraction	7-3-2007	7-3-2010	820	40,943,000	4,09,4300
2	Estab: of PTI C&W	Mr. Mohd: Naeem	16-3-2007	16-3-2008	1550	3,421,000	342,100
3	Estab: of PTI Dev Works	Mr. Miraj Hussain	28-12-2006	28-12-2009	940	8,200,000	820,000
4	Estab: of PTI 40 S.H	Mr. Sultan Dawud	16-2-2007	16-2-2010	850	10,000,000	1,000,000
5	Const: of B/T Road Shishi Koh	Mr. Haji Shahbudin	13-5-2008	30-6-2009	1095	8,235,000	823,500
Total							7,079,900

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

When reported in November 2012, Management stated that time extension for the work at S. No.1 has been accorded vide XEN C&W Division Chitral No. 603/8M dated 12-7-2012 and Superintending Engineer C&W Circle Lower Dir No. 515 dated 20-7-2012 (copies attached). The contractors from S. No. 2 to 5 have not obtained time extension therefore an amount of Rs 597,120

@ of 2% on tender cost is recovered vide TE No. 6 for 11/2012 (copies attached). Reply of the department was not convincing. No evidence in support of time extension for S.No.1 and effect of recovery from contractors at S.No. 2 to 5 in the monthly were provided.

Requests for the convening of DAC meeting were made in December 2012 followed by reminder on 11-12-2012. DAC meeting was not convened till finalization of this Report.

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

AP 37 (2011-12) A/C-I

1.2.3.3 Irregular payment- Rs3.898 million

According to Para 23 of GFR Volume-I, every controlling officer will be responsible for the loss sustained by Government through negligence or fault on his part or on the part of his subordinate.

Executive District Officer Health Chitral paid Rs3,898,750 vide cheque No. 0436860 dated 29-06-2012 to M/S Sitara Engineering Construction Co. on purchase of 100 KVA Diesel Generator instead of 12.5 KVA Diesel Generator in violation of PC-I, which resulted irregular payment.

Audit observed that the irregularity was occurred due to lack of financial control, which resulted in loss to government.

When pointed out in July 2012, Management stated that this office has purchased the generator as per approved rates by DGHS Peshawar. Reply was not tenable as the purchase was required to be made according the PC-I.

Requests for convening DAC meeting were made in August' 2012 followed by reminders on 30-11-2012 and 11-12-2012. DAC meeting was not convened till finalization of this Report.

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

AP 23 (2011-12)

1.2.3.4 Loss due to awarding of contract at higher rate and non imposition of penalty -Rs1.281 Million

Para 23 of GFR Vol.-I states that every Government officer is personally responsible for any loss sustained by Government through fraud or negligence either on his part or on the part of his subordinate staff.

According to clause 2 of the contract agreement, the contractor has to pay compensation @ to 10% of the estimated cost per day for the delay in completion of work.

Executive Engineer Works and Services Chitral awarded a work “Labour Suit at Garam Chashma” with an estimated cost of Rs10,000,000 to M/S Habibur Rehman Government Contractor. During scrutiny, audit noticed the following irregularities:

1. The contract was awarded at 0.10% below to M/S Habibur Rehman Government Contractor instead of 4.10% below rate offered by M/S Faizullah Khan Government Contractor and as per the up to date payment of Rs7,018,180 the Government had sustained loss of Rs 280,727 as detailed below.

Description	Amount paid (Rs)
Payment to the contractor	7,018,180
Less 0.10% below	7,018
Amount paid	7,011,162
Payment to contractor	7,018,180
Less 4.10% below	287,745
	6,730,435
Loss to Government (7,011,162-6,730,435)	280,727

2. The work order was issued to the contractor on 07-12-2009 and the completion date was 30-06-2012. The work was not completed till the

date of audit (November' 2012) and penalty @10% amounting to Rs1,000,000 (10,000,000 @10%) was not imposed on the contractor..

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

When reported in November 2012, Management stated that a sum of Rs280,727 has been recovered vide TE No. 4 for 11/2012. Reply of the department was not convincing as documentary proof of recovery and imposition of penalty was not produced.

Requests for the convening of DAC meeting were made in December 2012 followed by reminder on 11-12-2012. DAC meeting was not convened till finalization of this Report.

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

AP 22 (2011-12) A/C-I

ANNEXURE

Annex-A

Detail of MFDAC paras

S. No.	AP No.		Gist of Para	Nature of Audit Observation	Amount (Rs)
01	02	MS DHQ	Non deposit of Government receipts.	Violation of rules	98,000
02	04	MS DHQ	Unverified expenditure.	Violation of rules	40,885,000
03	06	MS DHQ	Non supply of Medicines worth and non deduction of penalty thereon.	Violation of rules	1,187,000 59,000
04	07	MS DHQ	Non deductions of Income Tax.	Overpayment	124,000
05	08	MS DHQ	Irregular payment on contingent charges.	Violation of rules	291,000
06	10	MS DHQ	Irregular repair of medical equipments.	Violation of rules	295,000
07	11	MS DHQ	Loss to government due to non recovery of rent of Doctors Hostel.	Overpayment	163,000
08	12	MS DHQ	Overpayment on account of TA/DA.	Overpayment	93,000
09	14	MS DHQ	Overpayment on account of NPA.	Overpayment	324,000
10	13	MS DHQ	Loss to government due to illegal electricity connection.	Violation of rules	192,000
11	03	MS DHQ	Overpayment on account of Sales Tax		768,000
12	16	MS DHQ	Non supply of hospital forms and registers.	Violation of rules	70,000
13	17	EDO Health	Non deduction of 0.5% Stamp duty.	Violation of rules	39,000
14	19	EDO Health	Non deposit of Government receipts.	Violation of rules	61,000
15	21	EDO Health	Unverified expenditure.	Violation of rules	7,846,000
16	22	EDO Health	Non supply of medical equipments.	Violation of rules	7,846,000
17	26	EDO Health	Loss to government due to non renewal of license of drug store.	Violation of rules	51,000
18	27	EDO Health	Non supply of Medicines worth and non deduction of penalty thereon.	Violation of rules	871,000 44,000
19	28	EDO Health	Irregular purchase under the head of Bedding and Clothing.	Violation of rules	2,281,000
20	29	EDO Health	Misappropriation on the repair of Vehicle.	Misappropriation	182,000
21	30	EDO Health	Misclassification of Account Head.	Violation of rules	119,000
22	31	EDO Health	Non deductions of Income Tax.	Overpayment	46,000
23	32	EDO Health	Overpayment of on account of TA/DA.	Overpayment	60,000
24	34	EDO Health	Irregular payment on contingent charges.	Violation of rules	72,000
25	35	EDO Health	Non supply of medical equipments. Non deduction of stamp duty and income tax.	Violation of rules	1,731,000 69,000
26	36	EDO Health	Irregular payment on repair of machinery and equipments.	Violation of rules	2,710,000
27	38	EDO Health	Irregular expenditure on the repair of Ambulance.	Violation of rules	169,000
28	25	EDO Health	Loss to Government on account of payment for absentee period	Overpayment	439,000
29	18	EDO Health	Non deduction of 1% CED and 3.5% Income Tax	Overpayment	353,000

30	20	EDO Health	Overpayment on account of Sales Tax	Overpayment	369,000
31		EDO Health	Unverified expenditure	Violation of rules	7,846,000
32	42	PHE	Irregular payment on TA/DA.	Violation of rules	83,000
33	41	PHE	Unauthorized payment on account of testing charges	Violation of rules	370,000
34	44	PHE	Irregular credit to PW Deposit-III.	Violation of rules	661,000
35	05	PHE	Irregular payment for execution of scheme and non deduction of income tax	Violation of rules	93,336,000 2,800,000
36	45	W & S	Overpayment by allowing higher premium.	Overpayment	16,000
37	47	W & S	Unauthorized expenditure on R & M of residential buildings.	Violation of rules	284,000
38	24	W & S	Overpayment by allowing higher rate	Overpayment	231,000
39	23	W & S	Overpayment due to manipulation of tendered rate	Overpayment	43,000
40	20	W & S	Recovery on execution of an item of work "Stone filling under floor"	Violation of rules	1,900,000
41	21	W & S	Irregular release of contractor securities	Violation of rules	7,314,000
42	11	W & S	Irregular payment on execution of an item of work	Violation of rules	1,935,000
43	49	W & S	Irregular expenditure on AOM & R funds on residential buildings	Violation of rules	6,861,000
44	19	W & S	Overpayment by allowing higher rate for RR Dry masonry	Violation of rules	883,000
45	27	W & S	Overpayment by allowing higher rate	Overpayment	373,000
46	32	W & S	Recovery on account of non executed item	Violation of rules	923,000
47	33	W & S	Unauthorized withheld amount from contractors	Violation of rules	19,461,000
48	34	W & S	Irregular retention in PW Deposit II	Violation of rules	15,037,000
49	50	DCO	Non deduction of 3.5% income tax.	Overpayment	326,000
50	51	DCO	Irregular payment.		200,000
51	52	DCO	Overpayment on the repair of road.	Overpayment	200,000
52	53	DCO	Unverified issuance of food items.	Violation of rules	328,000
53	54	DCO	Unverified payment.	Violation of rules	100,000
54	55	DCO	Unverified expenditure.	Violation of rules	128,000
55	57	DCO	Irregular payment on repair of transport.		96,000

EDO wise Expenditure Summary
District Chitral 2011-12

S.No	Descriptions	Expenditure			
		Salary (Rs)	Non-Salary (Rs)	Total (Rs)	%age
1	District Coordination Officer (DCO)	45,575,562	58,911,013	104,486,575	
2	Executive District Officer (Agriculture)	48,689,284	7,161,765	55,851,049	
3	Executive District Officer (Community Development)	21,135,517	3,597,939	24,733,456	
4	Executive District Officer (Education)	1,199,062,600	45,928,740	1,244,991,340	
5	Executive District Officer (Finance and Planning)	10,502,684	2,255,609	12,758,293	
6	Executive District Officer (Health)	242,234,890	61,525,896	303,760,786	
7	Executive District Officer (Revenue)	27,167,920	2,255,762	29,423,682	
8	Executive District Officer (Works and Services)	134,472,239	26,578,009	161,050,248	
Total		1,728,840,696	208,214,733	1,937,055,429	
		83%	10%	93%	93
Developmental				143,692,789	7
Grant Total				2,080,748,218	100.00

Annex-C**Detail of Equipment**

S.No.	Cheque # and Date	Name of Supplier	Amount (Rs)
1	436743 dated 27/6/12	M/S Trade Vision Peshawar.	3,390,000
2	-do-	-do-	2,236,725
3	-do-	M/S Medico Khyber Bazaar Peshawar.	8,243,575
4	-do-	M/S Zaman Medicine Company Mardan.	803,462
5	-do-	M/S Take Care International Peshawar.	512,226
6	-do-	M/S Surgiguips Health Care, Lahore.	121,125
7	-do-	Project Manager SIDB wood works chitral.	150,000
8	-do-	M/S Western Scientific Traders Peshawar.	297,007
9	-do-	M/S Sitara Engineering Peshawar.	1,027,586
10	-do-	M/S Paradise Export Co, Sialkot.	15,194,744
11	-do-	M/S Toyota Frontier Motors, Pvt, Ltd, Peshawar.	5,353,100
12	-do-	M/S Mediline Technology, Khyber Bazaar Peshawar.	417,900
13	-do-	M/S Noor Enterprises, Peshawar.	347,255
14	-do-	M/S Esas Technology, Pvt, Ltd, Peshawar.	2,790,975
Total			40,885,680

Annex-D**Detail of Equipment**

S.No.	Cheque # and Date	Name of Supplier	Amount (Rs.)
1	436743 dated 27/6/12	M/S Trade Vision Peshawar.	3,390,000
2	-do-	-do-	2,265,000
3	-do-	M/S Medico Khyber Bazaar Peshawar.	8,285,000
4	-do-	M/S Zaman Medicine Company Mardan.	807,500
5	-do-	M/S Take Care International Peshawar.	514,800
6	-do-	M/S Surgiguips Health Care, Lahore.	127,500
7	-do-	Project Manager SIDB wood works chitral.	150,000
8	-do-	M/S Western Scientific Traders Peshawar.	298,500
9	-do-	M/S Sitara Engineering Peshawar.	1,032,750
10	-do-	M/S Paradise Export Co, Sialkot.	15,271,100
11	-do-	M/S Toyota Frontier Motors, Pvt, Ltd, Peshawar.	5,380,000
12	-do-	M/S Mediline Technology, Khyber Bazaar Peshawar.	420,000
13	-do-	M/S Noor Enterprises, Peshawar.	349,000
14	-do-	M/S Esas Technology, Pvt, Ltd, Peshawar.	2,805,000
			41,096,150
1% CED			410,961
3.5% income tax			1,438,365

Annex-E

S. No.	Description	Item No.	Month in which the funds were received	Total duration of retention	Amount (Rs)
1	Fund received from DCO for Repair of G.Chashma Road	39/43	5/2006	6 years, 2 months	1,500,000
2	Fund received from DCO for construction of Football Ground at Mroi.	52/61	2/2008	4 years, 4 months	167,880
3	Fund received for land compensastion road Bakerabad	55/64	11/2007	4 years, 7 months	223,697
4	Fund received from DCO for B.T G.Chashma road.	31/33	6/2003	9 years	1,209,943
5	Fund received from TMA for Rehabilitation of Rech and Shoutkhor road Torkhow.	34/37	3/2005	7 years, 3 months	161,426
6	Fund received for Director Sport NWFP for play ground at Khandanlasht.	35/38	6/2005	7 years	161,426
7	Fund received for land compensation Booni Mastuj Shandoor road 70 KM	58	9/2008	3 years, 9 months	2,297,700
8	Fund received from DCO for the work of B.T G. Chashma Road, Construction of Bridge at Bughusht and reconstruction of Arian Road.	50/56	11/2007	5 years, 7 months	1,414,262
Total					7,098,190