



**AUDIT REPORT  
ON  
THE ACCOUNTS OF  
DISTRICT GOVERNMENT  
HANGU**

**AUDIT YEAR 2013-14**

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**AUDITOR GENERAL OF PAKISTAN**

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## **ABBREVIATIONS AND ACRONYMS**

AP	Advance Para
AOM&R	Annual Ordinary Maintenance & Repair
ADP	Annual Development Programme
CCB	Citizen Community Board
CM	Chief Minister
CPWA Code	Central Public Works Account Code
CSR	Composite Schedule of Rate
C&W	Communication and Works
DAC	Departmental Accounts Committee
DCO	District Coordination Officer
DHQ	District Headquarter Hospital
DO	District Officer
EDO	Executive District Officer
GFR	General Financial Rules
GI	Galvanized Iron
GST	General Sales Tax
LGO	Local Government Ordinance
MFDAC	Memorandum for Departmental Accounts Committee
MS	Medical Superintendent
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PC-I	Planning Commission One
PESCO	Peshawar Electricity Supply Corporation
PHE	Public Health Engineering
PSD	Petroleum Social Development
PVC	Poly Vinyl Chloride
RDA	Regional Directorate Audit
TKPP	Tameer-e-Khyber Pakhtunkhwa Programme
TS	Technical Sanction
THQ	Tehsil Headquarter
XEN	Executive Engineer
ZAC	Zilla Accounts Committee

## **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) and Local Government Act 2012 require the Auditor General of Pakistan to conduct audit of the receipts and expenditure of District Fund and Public Account of District Government.

The report is based on audit of the accounts of various offices of District Government, Hangu for the financial year 2012-13. The Director General of Audit, District Governments, Khyber Pakhtunkhwa conducted audit during 2013-14 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. DAC meetings were not convened despite repeated requests.

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 causing to be laid before the Provincial Assembly of Khyber Pakhtunkhwa.

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, Kohat on behalf of the Director General District Governments Audit, Khyber Pakhtunkhwa, carries out the audit of three District Governments namely Hangu, Kohat and Karak. This Regional Directorate has a human resource of 7 officers and staff, a total 1953 mandays. The annual budget amounting to Rs8.971 million was allocated to this office during financial year 2012-13. The office is mandated to conduct regularity (financial attest audit & compliance with authority audit) and performance audit of programmes /projects.

District Government, Hangu conducts its operations under Khyber Pakhtunkhwa Local Government Ordinance, 2001 (as amended) and Local Government Act 2012. It comprises one Principal Accounting Officer (PAO) covering seven groups of offices i.e. Finance & Planning, Revenue, Works & Services, Education, Health, Community Development & 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 Nazim/Administrator in the form of budgetary grants as per Government of Khyber Pakhtunkhwa, Local Government and Rural Development Department Notification No. SO(E-I)E&AD/9-49/2010 dated 20th February 2010.

Administratively, District Hangu is subdivided into two Tehsils/ namely, Hangu and Thall. District Administration comprises Zila Nazim, Naib Zila 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 public money.

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

#### **b. Audit Methodology**

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

The selection of the audit formations i.e. DDOs was made keeping in view the significance and risk assessment, samples were selected after prioritizing risk areas by determining significance and risk associated with identified key controls. Sample size selected for audit ranged from 25% to 30%.

#### **c. Expenditure audited**

Total expenditure of the District Government Hangu for the financial year 2012-13, was Rs1,026.610 million covering one PAO and 51 formations. Out of this, Regional Directorate Audit (RDA) Kohat audited expenditure of Rs313.494 million which, in terms of percentage, was 30% of total expenditure. Four formations were planned and 100% achievement against the planned activities was made.

#### **d. Receipts audited**

The receipts of District Hangu for the financial year 2012-13, were Rs 2.417 million. Out of this, RDA Kohat audited receipts of Rs0.643 million which, in terms of percentage, was 26% of auditable receipts.

#### **e. Recoveries at the instance of audit**

Recoveries of Rs36.298 million were pointed out during the audit. However, no recovery was affected till the finalization of this report. Out of the total recoveries pointed out, Rs12.879 million was not in the notice of the executive before audit.

#### **f. Desk Audit**

The audit year 2013-14 witnessed intensive application of desk audit techniques in RDA. This was facilitated through internet and review of permanent files which helped auditors in understanding the systems, procedures, environment, and the audited entity before starting field activity. Desk Audit greatly facilitated the identification of high risk areas for substantive testing in the field.

#### **g. Changes in Rules, Practices and Systems**

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

#### **h. Key audit findings of the report;**

- i. Non Production was noted in one case amounting to Rs103.205 million <sup>1</sup>
- ii. Irregularities/ non compliance of rules were noticed in three cases amounting to Rs68.443 million <sup>2</sup>
- iii. Internal control weaknesses were noted in ten cases amounting to Rs53.011 million. <sup>3</sup>

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<sup>1</sup> 1.2.1.1

<sup>2</sup> 1.2.2.1 to 1.2.2.3

<sup>3</sup> 1.2.3.1 to 1.2.3.10

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

**i. Recommendations**

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



## SUMMARY TABLES & CHARTS

**Table 1: Audit Work Statistics**

**(Rs in million)**

<b>S. No</b>	<b>Description</b>	<b>No.</b>	<b>Budget</b>
1	Total Entities (PAO) in Audit Jurisdiction	01	1,029.027
2	Total formations in audit jurisdiction	51	1,029.027
3	Total Entities(PAO) Audited	01	314.137
4	Total formations Audited	04	314.137
5	Audit & Inspection Reports	04	314.137
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

**Table 2: Audit observations Classified by Categories**

**(Rs in million)**

<b>S. No</b>	<b>Description</b>	<b>Amount Placed under Audit Observation</b>
1	Unsound asset management	11.657
2	Weak financial management	15.249
3	Weak Internal controls relating to financial management	81.862
4	Others	115.891
<b>Total</b>		<b>224.659</b>

**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	1.848	79.867	2.417	230.005	314.137	243.303
2.	Amount Placed under Audit Observations /Irregularities of Audit	--	53.276	--	171.383	224.659	185.06
3.	Recoveries Pointed Out at the instance of Audit	--	9.182	--	27.756	36.938	50.89
4.	Recoveries Accepted /Established at the instance of Audit	--	--	--	--	--	29.788
5.	Recoveries Realized at the instance of Audit	--	--	--	--	--	0.939

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

<b>S. No</b>	<b>Description</b>	<b>Amount Placed under Audit Observation</b>
1	Violation of Rules and regulations, principle of propriety and probity in public operation	68.443
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	-
3	Accounting Errors (accounting policy departure from NAM <sup>1</sup> , 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.	53.011
5	Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies	-
6	Non-production of record	103.205
7	Others, including cases of accidents, negligence etc.	-
<b>Total</b>		<b>224.659</b>

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

## CHAPTER-1

### 1.1 District Government Hangu

#### 1.1.1 Introduction

Activities of District Governments are managed through offices of District Coordination Officer and Executive District Officers under Khyber Pakhtunkhwa Local Government Ordinance 2001 (LGO 2001) and Local Government Act 2012. District Offices are headed by Executive District Officers (EDOs). The EDO by means of a standing order distributes the work among the officers, branches, and/or sections of each district office. Following is the list of offices which manage the activities of District Government.

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

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

#### 1.1.2 Comments on Budget and Expenditure (Variance Analysis)

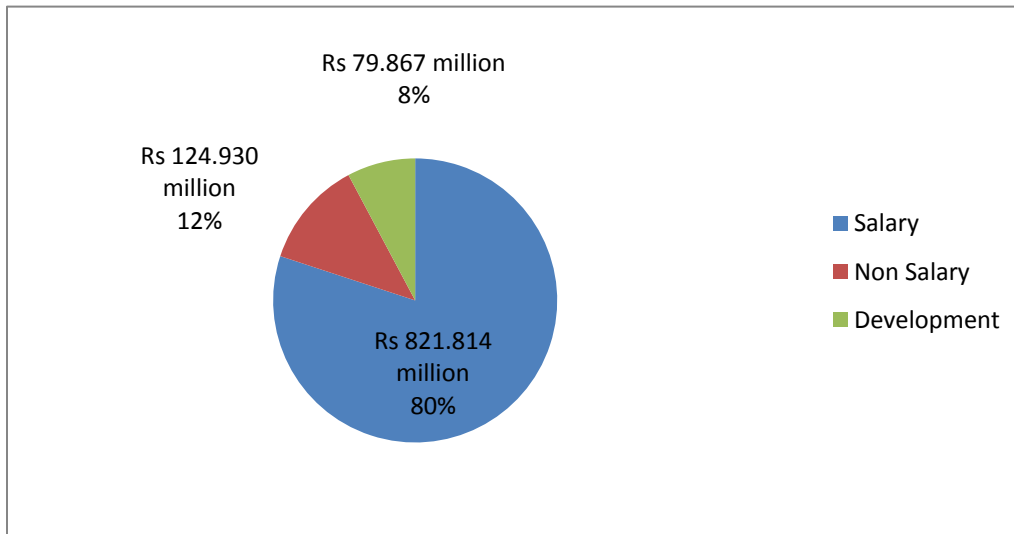
(Rs in million)

2011-12	Budget	Expenditure	Saving/Excess	%age Excess/Saving
Salary	821.829	821.814	0.015	0.002
Non-salary	124.930	124.930	0	0
Developmental	86.442	79.867	6.575	7.606
<b>Total</b>	<b>1,033.201</b>	<b>1,026.611</b>	<b>6.590</b>	<b>0.638</b>

A budget of Rs 1,033.201 million was allocated, against which an expenditure of Rs1,026.610 million was incurred by the District Government, Hangu with saving of Rs6.590 million during 2012-13.

### EXPENDITURE 2012-13

(Rs in million)



Detail is given at Annex-B

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

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

S #	Audit Year	PAC/ZAC meeting convened /Not convened
1	2002-03	Not Convened
2	2003-04	Not convened
3	2004-05	Not convened
4	2005-06	Not convened
5	2006-07	Not convened
6	2007-08	Not convened
7	2008-09	Not convened
8	2009-10	Not convened
9	2010-11	Not convened
10	2011-12	Not Convened
11	2012-13	Not Convened

## **1.2 AUDIT PARAS**

### **1.2.1 Non Production of record**

#### **1.2.1.1 Non production of record –Rs 103.21 million**

According to Section 14(3) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 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.

Deputy Commissioner, Hangu paid Rs102,189,000 for the execution of various developmental schemes under District ADP, CCB, TKPP and CM special packages during financial year 2012-13. Record in support of expenditure was not produced for audit despite repeated requests. Detail is given in Annex-C.

Similarly District Officer (Revenue & Estate) Hangu paid Rs1,016,449 on account of medical reimbursement charges during 2012-13. Record in support of expenditure was not produced for audit despite repeated requests.

Audit observed that non production of record occurred due to non compliance of Government rules, which resulted in non verification of record.

When reported in August 2013, Management stated that reply would be furnished after consulting the record. Reply was not convincing as the record was available but not produced for audit.

Request for the convening of DAC meeting was made on 22-08-2013. DAC meeting could not be convened till finalization of this Report.

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

AP No.56& 63 (2012-13)

## **1.2.2 Irregularities/Non-compliance**

### **1.2.2.1 Irregular Expenditure on development works out of PSD Fund-Rs 14.581 million**

According to guidelines issued by the Federal Government bearing No.DGPC-3(11)-2009-PB dated 29.10.2009, Petroleum Social Development Committee (PSDC) after consultation with the community shall identify, prepare and approve sustainable scheme(s) for the benefit of the community in and around the area. The PSDC shall oversee that the funds are spent on Social Development Programme in and around the area of operation of the Exploration & Production (E&P) companies. The E&P Company will provide an annual audit certificate from its statutory external auditor confirming the amount deposited with the Federal Government Treasury / Provincial and District Treasury / Accounts as the case may be with respect to its production bonus obligation.

Deputy Commissioner, Hangu spent a sum of Rs14,581,377 on execution of various developmental works out of PSD fund during the year 2012-13. Audit holds that instead of spending funds in the area surrounding the oil field, the fund was spent in other areas of the district violating the prescribed guidelines. Detail at Annex-D.

Audit observed that the irregularity committed due to lack of internal control, which resulted in violation of Government orders.

When reported in July 2013, Management stated that reply would be furnished after consulting the record. Reply was not convincing as the record was available with the management.

Request for the convening of DAC meeting was made on 22-08-2013. DAC meeting could not be convened till finalization of this Report.

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

AP No.60 (2012-13)

### **1.2.2.2 Irregular release of security prior to maturity- Rs10.000 million**

According to Clause 17(A) of the contract agreement, the security deposit due to the contractor will not be refunded to him until three months after the work shall have been certified as completed by the engineer in charge.

XEN C&W, Hangu released an amount of Rs 10,000,000 to the contractor as security in a work “Construction of Alternate road Hangu to Laachi” during 2012-13. The work was in progress and was not complete but the 8% security was released prematurely.

Audit observed that the irregularity committed due to lack of internal control, which resulted in violation of Government orders.

When reported in July 2013, Management stated that reply would be furnished after consulting the record. Reply was not convincing as the record was available with the management.

Request for the convening of DAC meeting was made on 05-08-2013. DAC meeting could not be convened till finalization of this Report.

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

AP No.20 (2012-13)

### **1.2.2.3 Unauthorized execution of work- Rs40.110 million**

According to Clause 11(f) of the contract agreement, time allowed for the work from date of written order to commencement was 12 months. According to Para 32 of CPWA Code Volume I, no work shall be executed without Technical Sanction. According to Para 56 of CPWD Code, if subsequent to the grant of technical sanction, material structural alterations are contemplated, orders of the original sanctioning authority should be obtained.

Executive Engineer C&W Hangu, awarded two works “Improvement of Facilities at PTC Hangu (Construction Under Pass)” and work “Improvement of Facilities at PTC Hangu (Construction of drain and pavement of street Ground)”



to a contractor at Rs26,517,000 and Rs11,004,000, respectively vide work order no107/C&W Hangu dated 06-07-2011.

Audit holds that:

1. The work was not technically sanctioned from competent authority.
2. The license produced by the contractor was valid till 31-12-2011 and after its expiry, renewed license was not produced to Audit,
3. The sub item of work “BB work 1:6 Super Structure amounting to Rs129,190 was not provided in the BOQ/ PC-I.
4. The contractor did not complete the work within stipulated time and penalty of Rs3,752,100 was not imposed for delay in completion of work.

Audit observed that the irregularity committed due to weak internal control, which resulted in violation of Government orders.

When reported in July 2013, Management stated that reply would be furnished after consulting the record. Reply was not convincing as the record was available with the management.

Request for the convening of DAC meeting was made on 05-082013. DAC meeting was not convened till finalization of this Report.

Audit recommends fixing responsibility on the person(s) at fault and imposition of penalty under intimation to Audit.

AP No.11 (2012-13)

### **1.2.3 Internal Control Weaknesses**

#### **1.2.3.1 Loss to Government due to non-utilization of available earth from excavation at site - Rs1.200 million**

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

Executive Engineer, C&W Hangu paid Rs1,625,368 on account of item of work "Earth filling under floor" brought from outside instead of utilizing the available earth at site from excavation in various development works during financial year 2012-13. This resulted into loss of Rs1,200,911 to the government. Detail at Annex-E.

Audit observed that loss occurred due to weak internal controls which resulted in non compliance of government rules.

When reported in July 2013, Management stated that reply would be furnished after consulting the record. Reply was not convincing as the record was available with the management.

Request for the convening of DAC meeting was made on 05-08-2013. DAC meeting could not be convened till finalization of this Report.

Audit suggests recovery and action against the person(s) at fault.

AP No.02 (2012-13)

#### **1.2.3.2 Overpayment due to allowing higher rate - Rs4.233 million**

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

Executive Engineer, C&W Division Hangu overpaid Rs4,233,852 to various contractors due to allowing higher rate of Rs 499 per M<sup>3</sup> instead of admissible rate of Rs104.55/M<sup>3</sup> as per item No.03-16-b of CSR 2009 for an item of work “earth filling under floor” in various developmental works during 2012-13. Detail at Annex-F.

Audit observed that loss to government exchequer occurred due to non compliance of government rules.

When reported in July 2013, Management stated that reply would be furnished after consulting the record. Reply was not convincing as the record was available with the management.

Request for the convening of DAC meeting was made on 05-08-2013. DAC meeting could not be convened till finalization of this Report.

Audit suggests recovery and action against the person(s) at fault under intimation to Audit.

AP No.03 (2012-13)

### **1.2.3.3 Unjustified expenditure out of AOM&R fund- Rs5.00 million**

Para 12 of GFR Vol-I requires that a controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided.

Executive Engineer, C&W Hangu, spent Rs5,004,069 on internal electrification and repair & maintenance of DC Office and residency during financial year 2012-13 as detailed in annexure-C. Audit holds that the expenditure was unjustified as out of the total budget of Rs6,000,000 expenditure of Rs5,004,069 being 83% of the total District Budget was incurred on the DC office/ residency depriving other needy district government offices and residences.

Audit observed that the irregularity committed due to lack of internal control, which resulted in violation of Government orders.

When reported in July 2013, Management stated that reply would be furnished after consulting the record. Reply was not convincing as the record was available with the management.

Request for the convening of DAC meeting was made on 05-08-2013. DAC meeting could not be convened till finalization of this Report.

Audit suggests inquiry and action against the person(s) at fault.

AP No.29 (2012-13)

#### **1.2.3.4 Non-recovery of water user charges -Rs23.419 million**

According to Para 8 and 26 of GFR Vol-I, each administrative department is to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury.

Executive Engineer PHE, Hangu did not recover long outstanding water users charges amounting to Rs23,419,020 from the users of water supply schemes upto 30<sup>th</sup> June, 2013.

Audit observed that water user charges were not recovered due to lack of financial control, which resulted in loss to Government.

When reported in August 2012, Management stated that reply would be furnished in due course of time. Reply was not convincing as the record was available with the management.

Request for the convening of DAC meeting was made on 15-08-2013. DAC meeting could not be convened till finalization of this Report.

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

AP No.30 (2012-13)

**1.2.3.5 Non-crediting of lapsed deposits to government revenue-  
Rs1.939 million**

According to Para 399 of CPWA Code, balances remained unclaimed for three complete years should be lapsed and credited to Government revenue.

Executive Engineer PHE, Hangu did not credit lapsed deposits of Rs1,939,146 to government revenue during financial year 2012-13. These deposits were lying as unclaimed in PW Deposit-II, III and V for more than three complete years as per detail given below:-

<b>Particular</b>	<b>Amount (Rs)</b>
Deposit II	1,451,209
Deposit III	363,587
Deposit V	124,350
<b>Total</b>	<b>1,939,146</b>

Audit observed that non-crediting of lapsed deposits occurred due to weak internal controls, which resulted in loss to Government.

When reported in August 2012, Management stated that reply would be furnished in due course of time. Reply was not convincing as the record was available with the management.

Request for the convening of DAC meeting was made on 15-08-2013. DAC meeting could not be convened till finalization of this Report.

Audit recommends fixing responsibility on the person(s) at fault and transfer of lapsed deposit into government treasury under intimation to Audit.

AP No.32 (2012-13)

**1.2.3.6 Loss to Government due to non deduction of old material cost  
– Rs1.027 million**

According to Para 220 read with Para 221&223 of CPWA Code, before the bill of a contractor is prepared, the Sub-Divisional Officer should scrutinize the entries in the measurement book relating to the description and quantities of work of supplies and the calculation of “contents or area” should be checked arithmetically under his supervision. He should compare the quantities in the bill with those recorded in the measurement book and see that all the rates are correctly entered and that all calculations have been checked arithmetically.

Executive Engineer Public Health Engineering Department, Hangu awarded schemes “Replacement of old pipes in Water Supply Schemes in District Hangu and incurred expenditure of Rs20,544,775 during 2012-13. Deduction of Rs1,027,233 @ 5% on account of cost of replaced pipes from contractors was not made as per detail in Annex-G.

Audit observed that non deduction on account of replaced pipes occurred due to weak management control, which resulted in loss to Government.

When reported in August 2013, Management stated that the reply would be furnished in due course of time. Reply was not convincing as the record was available with the management.

Request for the convening of DAC meeting was made on 15-08-2013. DAC meeting could not be convened till finalization of this Report.

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

AP No.34 (2012-13)

**1.2.3.7 Non deduction of GST on Supply of PVC and GI Pipes-  
Rs3.310 million**

Section 3 of Sales Tax Act, 1990 requires recovery of sales tax @ 16% of the value of taxable supplies made by registered persons in the course or furtherance of any taxable activity carried out by him.

XEN Public Health Engineering Department and XEN C&W Hangu, incurred expenditure amounting to Rs10,683,398 and Rs10,006,776 respectively on supply and fixing of PVC and GI pipes of various dias during 2012-13. Neither the sales tax invoices were produced nor sales tax @ 16% amounting to Rs1,709,321 and Rs1,601,082 was deducted from the contractors as per detail in Annex-H .

Audit observed that non deduction of sales tax occurred due to weak financial control, which resulted in loss to government.

When reported in July and August 2013, Management stated that the reply would be furnished in due course of time. Reply was not convincing as the record was available with the management.

Request for the convening of DAC meeting was made on 05-08-2013. DAC meeting could not be convened till finalization of this Report.

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

AP No.35&13 (2012-13)

**1.2.3.8 Loss to government due to deterioration of costly machinery  
Rs5.00 million**

According to Para 151 of GFR Vol.-I, the head of an office entrusted with store should take special care for arranging for their safe custody, for keeping them in good conditions and for protecting them from loss, damage or deterioration. Suitable accommodation should be provided more particularly for valuable and combustible stores.

In the Civil Hospital Thall, a Generator valuing Rs5,000,000 was lying idle in the open air, which was not functioning due to non availability of sufficient POL Budget for the high consumption of generator for more than three years and was not only losing its value but also deprived general public of the benefits.

Audit observed that loss occurred due to negligence and weak administrative and financial control, which resulted in loss to government.

When reported in November 2013, Management stated that the reply would be furnished in due course of time. Reply was not convincing as the record was available with the management.

Request for the convening of DAC meeting was made on 21-01-2013. DAC meeting could not be convened till finalization of this Report.

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

AP No.86 (2012-13)

**1.2.3.9 Loss to Government due to purchase of substandard machinery and blankets- Rs1.229 million**

Para 144 Annexure A (3) GFR Vol.-I states that all articles purchased shall be subject to inspection before acceptance and the articles for which specifications and tests have been prescribed by the competent authority shall be required to conform to such specification. The appropriate specifications should be annexed to or quoted in the invitation to tender, and it should be stipulated in the conditions of contract that the articles supplied will be subject to inspection and/or tests prescribed in the specifications before acceptance.

EDO Health Hangu spent Rs1,038,700 on purchase of 10 KVA Generator and Rs190,400 on purchase of 160 number Blankets for Civil Hospital Thall during financial year 2012-13. Both the items were declared substandard by the inspecting committee and were required to be replaced.

Audit observed that purchase of sub standard items occurred due to weak internal control, which resulted in loss to Government.



When reported in November 2013, Management stated that the reply would be furnished in due course of time. Reply was not convincing as the record was available with the management.

Request for the convening of DAC meeting was made on 21-11-2013. DAC meeting could not be convened till finalization of this Report.

Audit recommends fixing responsibility on person(s) at fault and making good the loss.

AP No.72 (2012-13)

**1.2.3.10 Loss to Government due to blockage of machinery –Rs6.657 million**

According to Para 145 of GFR Vol.-I, purchases must be made in most economical manner in accordance with the definite requirements of the public service.

Executive District Officer Health Hangu paid Rs6,657,400 for purchase of various machinery and equipments for upgradation of Civil Hospital Thall to Category-D Hospital but were remained uninstalled and non functional due to non posting of relevant staff for the last 2 years as pointed out during 2012-13 as per detail in Annex-I.

Audit observed that non installation of machinery and equipment occurred due to weak internal control, which resulted in loss to government.

When reported in November 2013, Management stated that the reply would be furnished in due course of time. Reply was not convincing as the record was available with the management.

Request for the convening of DAC meeting was made on 21-11-2013. DAC meeting could not be convened till finalization of this Report.

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

AP No.88 (2012-13)

## ANNEXURE

### Annex-A

#### Detail of MFDAC Paras

(Amount in Rs)

S. No	Department	Gist of Para	Nature of Audit Observation	Amount
01	C&W Hangu	Unauthorized payment on account of item of work not provided in TS & PC-I	Violation of rules	296,513
02	-do-	Overpayment on account of allowing higher rate	Violation of rules	125,503
03	-do-	Unauthorized advance payment	Violation of rules	1004000
04	-do-	Non deduction of voids on account of formation of embankment	Overpayment	215,331
05	-do-	Suspected Mis-appropriation	Misappropriation	129874
06	-do-	Overpayment on account of allowing higher rate	Violation of rules	281,284
07	-do-	Non deduction of voids on account of earth filling	Violation of rules	286,372
08	-do-	Overpayment due to wrong calculation in MB	Violation of rules	201,438
09	-do-	Unauthorized advance payment	Violation of rules	3367,000
10	-do-	Unauthorized execution of work Rs 33.668 Million and non imposition of penalty amounting to Rs 3.00 million on account of abnormal delay	Violation of rules	33,668,000
11	-do-	Overpayment due to allowing excess quantity	Violation of rules	76,842
12	-do-	Non recovery of Renewal Fee from contractors	Overpayment	190,000
13	-do-	Irregular execution of work without mutation	Overpayment	1500,000
14	-do-	Overpayment on account of allowing higher rate	Overpayment	143,173

15	-do-	Overpayment on account of inadmissible item of work	Violation of rules	125,120
16	-do-	Irregular expenditure without Technical Sanction	Violation of rules	265,945,000
17	-do-	Non deduction of Professional Tax from contractors	Overpayment	170,000
18	-do-	Unauthorized and irregular expenditure out of AOM&R fund	Violation of rules	1,048,000
19	-do-	Non deduction of sales tax	Misappropriation	122,158
20	-do-	Non deduction of voids on account of formation of embankment	Overpayment	42,172
21	-do-	Irregular expenditure without Technical Sanction	Violation of rules	1,1785,000
22	-do-	Unauthorized payment on account of item of work not provided in BOQ & PC-I	Violation of rules	177,370
23	-do-	Overpayment on account of allowing higher rates	Violation of rules	85,294
24	<b>PHE</b>	Irregular execution of work & payment without Technical Sanction	Violation of rules	102,354,000
25	-do-	Irregular payment of Security Deposit	Misappropriation	64,080
26	-do-	Non deduction of Professional Tax from contractors	Violation of rules	110,000
27	-do-	Unjustified and unauthentic Enhancement of Developmental scheme	Violation of rules	6,370,000
28	-do-	Overpayment on account of allowing Premium	Violation of rules	28,570
29	-do-	Non Deduction of Income Tax	Violation of rules	108,000
30		Irregular Purchase of Electric Transformer worth Rs 500,000 & non conducting Rate Analysis & non deduction of GST Rs 80,000	Violation of rules	500,000
31	-do-	Blockade of Developmental Fund on purchase of machinery	Violation of rules	4,915,000
32	-do-	Irregular execution of work & payment	Violation of rules	7,210,000
33	-do-	Un-authorize creation of Liabilities	Overpayment	2,800,000
34	-do-	Irregular expenditure on account of	Overpayment	1,800,000

		AOM&R		
35	-do-	Irregular expenditure on account of payment through DDO	Overpayment	9,078,000
36	-do-	Overpayment on account of pay and allowances	Overpayment	36,560
37	-do-	Irregular Payment on account of pay and allowances	Violation of rules	274,817
38	-do-	Non Production of Appointment Record	Violation of rules	
39	<b>DCO</b>	Non reconciliation of receipts	Violation of rules	1,220,000
40		Non credit of bank profit into Government treasury	Overpayment	53,539
41		Irregular and unauthorized expenditure	Violation of rules	37,875,000
42	-do-	Irregular expenditure due to Award of work to project leaders without open tenders	Violation of rules	93,562,000
43	-do-	Overpayment due to non-recovering of 10% contractor profit from project leaders	Violation of rules	9,356,000
44	-do-	Non-maintenance of record of assets and liabilities of the District Government	Violation of rules	
45	-do-	Unauthorized purchase of vehicle worth million	Violation of rules	1,848,000
46	-do-	Non deduction of HRA	Violation of rules	137,047
47	-do-	Non utilization of PSDP/Production Bonus Fund	Violation of rules	9,820,000
48	-do-	Non reconciliation of Revenue Deposit Account and unverified payments from Revenue Deposits	Violation of rules	5,571,000
49	-do-	Non disbursement of public money	Violation of rules	2,089,000
50	-do-	Unauthorized advance payment on account of electricity charges	Violation of rules	1,006,000
51	-do-	Overpayment on account of Conveyance Allowance	Violation of rules	222,831
52	EDO Health	Non recovery of sale tax on Disposables an	Violation of rules	286,423
53		Irregular purchase of medicines	Violation of rules	32,418,000
54		Non recovery of government dues from MSF	Violation of rules	455,675

55		Non Production of Auditable record	Violation of rules	
56	-do-	Loss to Government- Rs158,800 due to purchase of substandard medicines	Violation of rules	158,800
57	-do-	Misappropriation on account of OPD Receipts	Overpayment	145,338
58	-do-	Unauthorized payment of 25% Doctors share out of users charges	Violation of rules	150,633
59	-do-	Loss to Government due to non recovery of electricity charges from MSF	Violation of rules	185,324
60	-do-	Suspected Misappropriation on account of MRC	Overpayment	267,600
61	-do-	Loss to Government due to non recovery of electricity charges	Violation of rules	380,000
62	-do-	Non deduction of HRA from employees having government accommodation.	Violation of rules	289,145
63	-do-	: Loss to Government due to providing free of cost office and residential accommodation to NGOs	Overpayment	
64	-do-	Irregular expenditure on account of Electricity charges without reconciliation with PESCO	Violation of rules	3,407,000
65	-do-	Unauthorized payment to staff absent since long	Violation of rules	1,044,000
66	-do-	Unauthorized payment on account of pay and allowances	Violation of rules	82,398
67	-do-	Irregular payment of pay & allowances	Violation of rules	1,902,000
68	-do-	Irregular Expenditure amounting to on account of Incentive Allowance	Overpayment	1,224,000
69	-do-	Overpayment on account of NPA	Violation of rules	408,093
70	-do-	Irregular payment of conveyance allowance	Overpayment	187,440
71	-do-	Loss to government due to non	Overpayment	

		utilization of costly machinery and equipments		
72	-do-	Irregular purchase of medicines	Violation of rules	73,080
73	-do-	Unauthorized payment to staff not performing duty	Violation of rules	156,246
74	-do-	Irregular Payment on account of Pay and Allowances of Civil Dispensary Staff	Violation of rules	1,435,210
75	-do-	Irregular Wasteful Expenditure on account of Pay and Allowances OT staff	Violation of rules	771,218

### EDO Wise Expenditure Summary

#### District Hangu for the financial year 2012-13

Department	Salary (Rs)	Non Salary (Rs)	Total Expenditure (Rs)	%age
DCO	16.943	4.236	21.179	2.06%
EDO Finance & Planning	25.6976	6.4244	32.122	3.13%
EDO Revenue	16.1344	4.0336	20.168	1.96%
EDO Education	481.8312	120.4578	602.289	58.67%
EDO Health	103.9104	25.9776	129.888	12.65%
EDO Works & Services	66.9328	16.7332	83.666	8.15%
EDO Agriculture	23.2984	5.8246	29.123	2.84%
EDO Community Development	20.7016	5.1754	25.877	2.52%
Excise Taxation	1.9456	0.4864	2.432	0.24%
<b>Total Current Expenditure</b>	<b>757.395</b>	<b>189.349</b>	<b>946.744</b>	<b>92.22%</b>
Percentage	73.78%	18.44%		
<b>Developmental Expenditure</b>			79.867	<b>7.78%</b>
<b>Grand Total</b>			<b>1,026.611</b>	<b>100.00%</b>

**Annex-C**

<b>S. No</b>	<b>Name of Scheme</b>	<b>AA Cost (Rs in million)</b>	<b>Exp: Incurred (Rs in million)</b>
1	District ADP New 2012-13	13.35	12.875
2	CCB Projects	5.70	5.027
3	District ADP Ongoing 2012-13	7.94	5.562
	District ADP CCB Ongoing 2012-13	3.80	3.60
5	TKPP New 2012-13 PF 42	20.00	19.075
6	TKPP New 2012-13 PF 43	20.00	18.80
7	CM Special Package 2012-13 PF 42	50.00	37.25
<b>Total</b>		<b>120.79</b>	<b>102.189</b>



**Annex-D**

<b>S.No</b>	<b>Name of Scheme</b>	<b>Executing agency</b>	<b>Amount paid (Rs)</b>
1	Protection wall at sangroba Thall	CMO Thall	3,000,000
2	Balance Repair Work at Jawzara Rest House	CMO Hangu	250,000
3	Construction of BTR Road Sarkai Chamba gula	Xen C&W Hangu	10,000,000
4	Protection wall grill at Qabristan Shahu Wam	CMO Hangu	200,000
5	Improvement of cause way at slate banda	CMO Hangu	413,476
6	Improvement of Janazgah shanawari UC Kotki	CMO Hangu	350,300
7	Installation of Pressure Pumps at Khrasha Banda	XEN PHE Hangu	206,461
8	Installation of Pressure Pumps at Bagatoo	XEN PHE Hangu	161,140
<b>Total</b>			<b>14,581,377</b>

**Annex-E**

<b>Name of work</b>	<b>Bill No. &amp; Date</b>	<b>Qty of Earth Excavated</b>	<b>Qty of Earth filling brought from out side</b>	<b>Rate paid (Rs)</b>	<b>Rate for available earth (Rs)</b>	<b>Diff: (Rs)</b>	<b>Amount paid for earth filling</b>	<b>Loss to Government (Rs)</b>
Upgrad: of 150 High schools to Higher Secondary : GHS Ibrahimzai	4-B/8-05-13	2192 M3	812.50 M3	499/M3	50.36	448.64	405,437	364,520
Upgrad: of 150 High schools to Higher Secondary : GHS Lodhi Khel	5-B/8-05-13	218.65M3	284.73 M3	-do-	-do-	-do-	142,080	127,741
Constructi on of Education office Hangu	8-B/9-5-13	460.50M3	328.15 M3	312.50/ M3	-do-	262.14	102,546	86,021
Const: of 50 Examination hall GHS Naryab	Road-2 03-05-13	170.98M3	251.88 M3	499/M3	-do-	448.64	125,688	113,003
Upgrad: of 100 Middle schools to High level GMS Durari Banda	17-B 24-06-13	114.82M3	429.98 M3	499/M3	-do-	448.64	214,560	51,512
Upgradati on of 100 Mosque	19-B 24-06-	549.60M3	726.64 M3	499.70M3	-do-	448.64	363,102	246,572

Primary schools GMPS Izat Banda	13								
Upgrad: of 120 primary to Middle level GMS	8-B 17- 06- 2013	218.65M 3	284M3	499/M3	-do-	-do-	141,716	98,095	
Upgrad: of 120 primary to Middle level GMS Chinari Banda shifted to Khaisa Banda	12-B 18- 06- 13	123.87M 3	128M3	-do-	-do-	-do-	63,872	55,573	
Upgrad: of 120 primary to Middle level GGMS Spin Khawri Hangu	22-B 24- 06- 13	129M3	133M3	-do-	-do-	-do-	66,367	57,874	
	<b>Total</b>						<b>1,625,368</b>	<b>1,200,911</b>	

**Annex-F****(Amount in Rs)**

<b>Bill # &amp; Date</b>	<b>Name of work</b>	<b>Quantity (M<sup>3</sup>)</b>	<b>Rate paid Rs/(M<sup>3</sup>)</b>	<b>CSR 2009 Rate Rs/(M<sup>3</sup>)</b>	<b>Total overpayment</b>
4-B/ 8-05-13	Upgrad: of 150 High schools to Higher Secondary: GHS Ibrahimzai	812	499	104.55	320,293
5-B/ 8-05-13	Upgrad: of 150 High schools to Higher Secondary: GHS Lodhi Khel	284.73	-do-	-do-	112,311
8-B/ 8-05-13	Construction of Education office Hangu	328.15	312.50	104.55	68,238
2-BH/ 8-05-13	Upgrad: of 150 High schools to Higher Secondary: GHS Darsamand	220.82	499.70	104.55	87,257
3-BH/ 9-05-13	Upgrad: of 150 High schools to Higher Secondary: GHS Karboga	283.90	499.70	104.55	112,183
Road-2/ 3-05-13	Const: of 50 Examination hall GHS Naryab	251.88	499.70	104.55	99,530
Road-5/ 8-5-13	Improvement and standardization of DHQ Hospital Hangu	4038	499	104.55	1,592,796
17-B/ 24-06-13	Upgrad: of 100 Middle schools to High level GMS Durari Banda	114	499.70	-do-	45,047
19-B 24-6-13	Upgradation of 100 Mosque Primary schools GMPS Izat Banda	549.60	-do-	-do-	217,174
Road -13 - 06-2013	Const: of 200 GPS in KPK: GPS Wam Madrassa	599.72	-do-	93.60/M3	243,546
9-BH/ 21-06-2013	Upgrad: of 100 Middle schools to High level GGMS Darsamand	160.93	-do-	104.55/M3	63,478
12-BH / 24-06-13	Construction of Examination Hall GHS Naryab	1009.88	-do-	104.55/M3	398,347
<b>Total</b>					<b>3,360,200</b>
Adding Rate factor and 20% premium					<b>873,652</b>
<b>Total</b>					<b>4,233,852</b>

## Annex- G

(Amount in Rs)

S.No	Name of Scheme	Name of Contractor	Bill No & Date	Expenditure upto date	5% Cost of Old Materials
1	Replacement of old pipe at WSS Muhammad Khwaja No.1	Hazrat Gul	01/H 13-06-2013	1,747,822	87,391
1	Replacement of old pipe at WSS Rehman abad	Fateh Khel	01/H 13-06-2013	952,000	47,600
3	Replacement of old pipe at WSS Muhammad Khwaja No.2	Noor Khaliq	03/H 18-06-2013	3,152,794	157,639
4	Replacement of old pipe at WSS Kotki	Rasool Badshah	4/H 18-06-2013	1,012,643	50,632
5	Replacement of old pipe at WSS Ibrahim zai	Syed alam Shah	08/H 19-06-2013	1,199,436	59,971
6	Replacement of old pipe at WSS Kahi	Gul sahib shah	09/H 20-06-2013	641,748	32,087
7	Replacement of old pipe at WSS Darsamand 1	Shahzad Khan	01/T 13-06-2013	1,907,797	95,389
8	Replacement of old pipe at WSS Zargari	Mohammad Hayat	02/T 13-06-2013	1,238,940	61,947
9	Replacement of old pipe at WSS Maroofi Banda	Mohammad Hayat	03/T 13-06-2013	616,480	30,824
10	Replacement of old pipe at WSS Chapri Naryab	Noor Khaliq	04/T 19-06-2013	768,178	38,408
11	Replacement of old pipe at WSS Jandi Darsamand	Naem Khan	04/T 19-06-2013	1,044,150	52,209
12	Replacement of old pipe at WSS Sarozai	-do-	06/T 19-06-2013	1,015,337	50,766
13	Replacement of old pipe at WSS Karbogha Sharif 1	Noor Khaliq	07/T 20-06-2013	715,682	35,784
14	Replacement of old pipe at WSS Karbogha Sharif 2	Imtiaz uddin	08/T 20-06-2013	842,608	42,130
15	Replacement of old pipe at WSS Chapri Naryab	Noor Khaliq	09/T 21-06-2013	1,140,274	57,013
16	Replacement of old pipe at WSS Darband	Naheed Gul	03/T 29-05-2013	946,744	47,337
17	Replacement of old pipe at WSS Naryab	Mohammad Hayat	02/T 29-05-2013	578,986	28,949
18	Construction of WSS Shina wari	Umer sadiq	2/H 09-04-2013	1,023,156	51,157
<b>Total</b>				<b>20,544,775</b>	<b>1,027,233</b>

**Annex-H**  
**(Amount in Rs)**

S.No	Name of Work	Sub Item of Work	Bill No. and Date	Taxable Supply	Amount of GST
<b>PHE Hangu</b>					
1	Replacement of old pipe at WSS Muhammad Khwaja No.1	S/F GI Pipe 4"dia	01/H 13-06-2013	1,736,087	277,773
2	Replacement of old pipe at WSS Rehman abad	S/F GI Pipe 3"dia	01/H 13-06-2013	518611	82,977
3	-do-	S/F GI Pipe 2"dia	-do-	172,327	27,572
4	-do-	S/F GI Pipe 1.5"dia	-do-	206,764	33,082
5	Replacement of old pipe at WSS Muhammad Khwaja No.2	S/F GI Pipe 6"dia	03/H 18-06-2013	1,836,330	293,812
6	-do-	S/F GI Pipe 4"dia	-do-	1,316,464	210634
7	Construction of 100 Nos Water supply schemes WSS Chamba Gula	S/F GI Pipe 4"dia	11/H 20-06-2013	286,130	45,780
8	-do-	S/F GI Pipe 3"dia	-do-	1,969,369	315,099
9	-do-	S/F GI Pipe 2"dia	-do-	2,148,256	343,720
10	-do-	S/F GI Pipe 1"dia	-do-	112,184	17,949
11	-do-	S/F GI Pipe 1/2"dia	-do-	354,458	56,713
12	-do-	S/F GI Pipe 3/4"dia	-do-	26,318	4,210
<b>Total</b>				<b>10,683,298</b>	<b>1,709,321</b>
S.No	Name of Schemes	Item supplied	Voucher No & date	Amount	Sales tax @16%
<b>C&amp;W Hangu</b>					
1	Imp: of facilities at PTC Hangu Pipe Line	S/F of 4" dia GI Pipes	28-B 26-06-2013	3,261,957	521,913
2	-do-	S/F of 3" dia GI Pipes	-do-	1,378,386	220,541
3	-do-	S/F of 2" dia GI Pipes	-do-	771,570	123,451
4	Establishment of Civil Hospital Doaba Water	S/F of 1,2,and 3" dia GI Pipes	15-B 23-10-2012	727,595	116,415

	supply				
5	Establishment of DHQ Hospital Main Building	S/F of ¾, ½, 1 and 4" dia GI Pipes and Bend Tees	Road 08 14-02-13	3,867,268	618,762
<b>Total</b>				<b>10,006,776</b>	<b>1,601,082</b>

### Annex-I

S.No	Item Name	Quantity	Approved Rate (Rs)	Total Value (Rs)
1	Mini Auto Clave	1	68,000	68,000
2	Bed with bed side locker	1	27,700	27,700
3	Dressing Trolley	10	6500	65,000
4	Eclampsia Bed with Realing	1	225,000	225,000
5	Examination coach	2	9900	19,800
6	Instrument Cabinet	6	28,000	168,000
7	Instrument Stand	4	8900	35600
8	Ralling for Bed	8	4000	32,000
9	Resuscitation trolley	1	129,000	129,000
10	Revolving stool	6	2200	13200
11	Stretcher with trolley set	5	22000	110,000
12	Stand with dressing iron	5	22000	110,000
13	Wheel chair	7	8900	62,300
14	Operation light	1	96,000	96,000
15	Hydraulic OT Table	1	560,000	560,000
16	Auto clave for OT stretcher with trolley	01 and 07	302,000	302,000
17	Electric Sterilizer	10	6460	64,600
18	Bedside steer	8	2550	20,400
19	Examination coach	02	28,050	56,100
20	Hydraulic OT table	2	153,000	306,000
21	Suction machine	2	42,500	85,000
22	Centrifuge machine	4	95,000	380,000
23	Electric Generator 10 KVA	1	765,000	765,000
24	Cable wire for Generator	--	273,700	273,700
25	Anesthesia Machine	01	1,695,000	1,695,000
26	Incubator	02	274,000	548,000
27	Dionizer	01	155,000	155,000
28	Tube Sealer	01	285,000	285,000
<b>Total</b>				<b>6,657,400</b>